
THE ROLE OF FINANCIAL INSTITUTIONS FOR AGRICULTURAL FINANCING IN THE STATE OF GOA

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INTRODUCTION

Just at the time of liberation, nearly 70% of the population was involved in agriculture as their full time occupation. Paddy was the predominant crop of the State followed by Cashew and Coconut. The cropping pattern is changed throughout and today, Cashewnut which is cultivated in nearly 55,000 Ha with paddy covering about 31,000 Ha. The cultivation of horticultural crops is gaining importance due to the better returns, lower risk and tolerance of these crops for part time farming. Currently, diversification of agriculture has noticed an accepted demand for credit needs. Quick availability of finance for agriculture at the right time has a pivotal role for the expansion of agriculture as well as for the development of the state economy.

LITERATURE REVIEW

- Toby and Peterside (2014) examined the role of banks in financing the agriculture and manufacturing sectors in Nigeria. The study found that increment in availability of credit to those sectors, which are inclusive in the real sector of the economy, has potential of increasing Gross Domestic Products (GDP). Thereby, the study recommended mandatory credit allocation to real sector of the economy.
- Jansson and Huisman, (2013) studied Agricultural Credit Market Institutions of Selected European Countries to describe and compare the institutional framework of the agricultural credit markets in selected European Countries. The dominant loan providers were commercial banks and farmers' cooperative banks. Assets were the most significant factor considered at the beginning of a creditor-debtor relationship.
- ROY (2012) made an attempt to study Agricultural Finance Vs. Profitability of Microfinance Institutions of Assam. Majority of the MFIs of Assam played an important role by providing agricultural loan to their beneficiaries and it was proved that agricultural microfinance is a very profitable business for these MFIs.
- Khandker, Rashid R. Faruqee (2003) reviewed the impact of farm credit in Pakistan and analyse the role of the Agricultural Development Bank of Pakistan (ADBP) in rural areas and assess its cost-effectiveness in delivering farm credit. It was concluded that the effect of ADBP finance was substantial and that the impact is higher for smallholders than for medium and large holders in agriculture.

OBJECTIVES OF THE STUDY

1. To study the performance of financial institutions in respect of agricultural financing in Goa.
2. To study the agricultural credit structure of the financial institutions in the state of Goa.

METHODOLOGY

- a) Data- Data is collected Directorate of Planning, Statistical & Evolution of Goa, Goa at a Glance Reports, Goa State Level Banker's Committee Report and many others. Few scholarly articles are also being reviewed.
- b) Period - The data presented in the paper is for 17 years i.e. 2000-2017, depending upon data availability.
- c) Presentation – The whole data collected is shown into tabular form and bar graph.

AGRICULTURAL FINANCING

Agricultural finance acts as a facilitator for many types of services exclusively dedicated to assist on and off-farm agricultural activities and businesses which include input provision, production, distribution, wholesale, processing and marketing. Bank credit is made available to the farmers in the form of short-term credit for financing crop production programs and in the form of medium-term/long-term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, farm mechanization, minor irrigation, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture.

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

The NABARD provides refinance to the Apex Bank and other Banks. NABARD is an apex institution accredited with all matters relating to policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas. It plays an active role in co-ordinating the rural financing activities.

BRIEF PROFILE OF GOA

Goa is a state in India comprising of geographical area of 3.61 lakh ha. The state has 02 districts, 12 talukas and 320 located villages with a population of 14.58 lakh as per information derived from Census 2011. Out of total geographical area - 36% is under crop cultivation and 35% under forest cover. The Net Sown Area is 1.29 lakh Ha with the cropping magnitude of 118%. A creeping transformation in the cropping pattern of the state from field crops to horticultural crops is perceived due to better returns, lower risk and lesser maintenance needs. The state also has ample forest cover adding to its natural beauty in addition to its pristine beaches, which have made Goa a preferred holiday destination for both domestic and international tourists.

LAND UTILIZATION

The total geographical area of the state is about 3,61,113 hectares. Details of land utilization pattern are shown in Data presented in table revealed that the net area sown in the state during 2001 was 1,41,201 hectares to that of 1,29,243 hectares in 2011, claiming reduction in the net area sown by 8.47% in Goa. With the expansion of irrigation facilities and techniques of dry land farming in the course of the future year plans there is scope for extensive farming.

Table – 1: Details of land utilization
(in hectares)

	Particulars	2001	2011
1.	Total Area Reported	361113	361113
2.	Forests	125,473	123921
3.	Barren and uncultivable land	37,137	37137
4.	Permanent pastures and grazing Lands	1,305	1305
5.	Land under Miscellaneous tree crops	580	580
6.	Cultivable wasteland including fallow land	55,417	67375
7.	Net area sown	141,201	129243
8.	Total or Gross Cropped Area	171,356	157702
9.	Area cultivated more than once	30,155	28459

Source : Directorate of Planning, Statistical & Evolution of Goa.

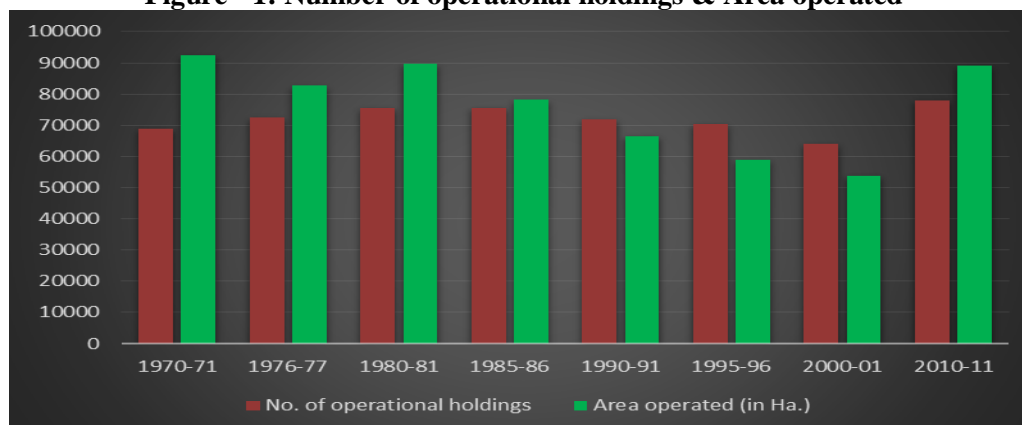
The total geographical area which is cropped and which is utilized is about 157702 Hectors in the state in 2011 as against 171,356 hectares in 2001 having reduction of 7.97% hectares. The Data presented in the table show that the area utilized for forests in state in the year 2001 was 125,473 hectors as against 123921 in the year 2011 having reduction by 1.24% in the area utilized for forests in state.

DISTRIBUTION OF OPERATIONAL HOLDINGS

The crucial factors in agriculture like land, its ownership and management determine the state of agricultural prosperity. As per Table 2 one can say that number of operational holdings varies in each census differently. This was mainly because of types of assistance given to farmers, subsidiary occupations available, etc.

The distribution of operational holdings in the state are shown in Figure 1. The data provides a picture of a large proportion of tiny holdings surrounding a few capitalist farms, which by itself is an index of semi-feudalism on the one hand and penetration of capitalist agriculture on the other.

Figure - 1: Number of operational holdings & Area operated



Source: Goa at a Glance Reports

SUPPLY OF CREDIT

The credit for agriculture in the state is supplied by both institutional and non-institutional agencies. In order to fill the void arising in this context and close the credit gap, institutional agencies of credit especially Co-operatives and Commercial banks are expanding their operations in this area. Some of the details of institutional agencies like the state co-operative bank, Primary Agricultural Co-operative Societies, Commercial Banks and other Co-operative Banks (including Urban Co-operative Bank) are presented.

Table - 2: Network & Outreach (As on 31/03/2015)

Agency	No. of Banks/Soc.	No. of Branches			No. of non-formal agencies associated		Per Branch Outreach	
		Total	Rural	Semi-urban	SHGs/JLGs	BCs	Villages	Households
Commercial Banks	42	631	254	377	4665/998	21	0.52	471
RRBs	0	0	0	0	0	0	0	0
State Coop Bank	1	59	34	25	3505/145	0	5.56	5034
PACS	78	78	71	7	0	0	4.21	3808
Other Coop. Bank(inclUCBs)	13	94	15	79	0	0	3.49	3160
All Agencies	134	862	374	488	8170/1143	21	13.78	12473

Source: Goa State Level Banker’s Committee Reports

The efforts of the banks, since nationalization, have brought a notifiable transformation in the development of banking facilities in the state. The banks have reached deeply in rural areas too. They have mobilized savings from the community and channelized the savings to meet the credit needs of the priority sector and other national priorities under various schemes sponsored by the State and other national priorities under various schemes sponsored by the State and Central Governments to uplift the weaker sections. SBI is the lead bank in the state and is entrusted with the responsibility for the preparation of the credit plan and co-ordination of credit functions at the state level.

The branch expansion program of the commercial banks is quite satisfactory in the state. Branch expansion program of main Agencies in Goa are presented in Table 2. The data with regard to branch expansion presented in the table reveals that the total number of branches of Commercial Banks are more accounting 73.20% of the main agencies, followed by Other Coop. Bank (including UCBs) by 10.90%.

The state has only one state co-operative bank i.e. Goa state co-operative bank, having 59 branches in total. There are no Regional Rural Banks in the state. There are number of non-formal agencies working in the state too. Self Help Groups and Joint Liability Groups are highly associated with Commercial Banks and rest with Goa state co-operative bank.

ANNUAL CREDIT PLANS

The advance structure of banks has been changed perceptibly in favor of priority sectors since nationalization. Among the priority sectors, agriculture is the most important sector which requires huge financial outlays for its development. Commercial banks are the main financial agencies which supply farm finance in the state. It can be seen from Table 3.

Table - 3: Annual Credit Plans and Performance in Goa (Cr)

Particulars	At the time of Statehood (1987-88)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Agriculture and allied services	5.59 (6.24)	144.62 (4.36)	204.08 (4.34)	157.68 (6.22)	341.08 (7.50)	309.69 (5.03)	225.29 (5.98)	309.95 (2.76)
Out of total Annual Plan	89.58 (100%)	3320 (100%)	4700 (100%)	2536.78 (100%)	4550.56 (100%)	6152.73 (100%)	3765.74 (100%)	11245.95 (100%)

Source: Directorate of Planning, Statistics & Evaluation, Porvorim Goa

The details of annual credit plans and allocation of credit to Agricultural and allied services in the Goa are presented in the table 3. The data given in the table reveals that the annual credit requirement for Agriculture has been on an average has been 5% for all these mentioned years. The credit requirement for non-farm and Other priority sector has increased in the state. However, that is insignificant.

Table 4: Agency-Wise Performance Under Annual Credit Plans

SL. NO	Agency	2012-13			2013-14			2014-15			Avg Ach [%] in last 3 years
		T [\cdot lakh]	A [\cdot lakh]	A [%]	T [\cdot lakh]	A [\cdot lakh]	A [%]	T [\cdot lakh]	A [\cdot lakh]	A [%]	
1	CBs	218630	150551	68.86	267288	251424	95	309759	311701	101	89.69
2	RRBs	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
3	State Coop Bank	24737	13335	53.91	36482	26344	72	42595	31177	74	68.25
4	Other Coop. Bank (incl UCBs)	36640	34197	93.33	46132	40808	88	47167	53775	114	99.11
	Total	280007	198083	70.74	349902	318576	91	399521	396653	99	88.72

Source: Goa State Level Banker's Committee Report

T- Target, A- Achievement, Others = Urban Cooperative Banks

Commercial banks are the major financing agency for agriculture in the state. The banks are giving both direct and indirect finance to agriculture. The direct credit is given for agriculture and other purposes and the indirect credit is provided through state co-operatives, Other co-operatives Banks, self-help groups, etc. The contents of the table 4 depicts that, the tendency regarding the performance of all banks in the state.

The share of Commercial banks for the last three years considered in the above table includes the highest. Even average achievement in the past three years has been 89.69%.

The State Coop Bank has performed lesser than other two main agencies in the state. Average achievement in the past three years has been 68.25%. In case of other co-operatives Banks almost targets are fully achieved. Overall for the last three years, the total aggregate achievements are 88.72%.

VARIOUS FARM CREDIT FACILITIES AVAILABLE FOR FARMERS

A) Crop Loans

In order to make it more attractive to the farmers, the State Government has proposed many measures like, interest assistance schemes for all agriculture and allied loans provided by Cooperative Banks, Commercial Banks and PACBs upto ` 5 lakh, subsidy ranges from 50% to 90% for fencing, agricultural equipment, buying of various input, etc.

B) Agriculture and Allied sector term loans

These loans are available for minor irrigation, land improvement, farm mechanization, plantation and horticulture, dairy and fisheries. To promote high usage of farm machinery, the State Government provides a rigid subsidy of 75% of the standard cost approved by the Dept. of Agriculture, for purchase of agricultural machinery. Another hassle free credit available for the farmers is 100% secured gold loans, which involves less documentation by the financial institutions. Subsidies are made available for solar fencing, production of organic manure and construction of vermi compost and central subsidy schemes for godowns and cold storages.

SUMMARY

Before Goa got liberated, the main occupation of Goans was mainly agriculture. Later after liberation in 1961, other sectors started developing such as mining and tourism. Hence, many of Goans started diverting from agriculture to other sectors. The agricultural laborers and cultivators together constitute 4.04% of total workers as per Census survey, 2011 whereas other traders account for 87.38% in the state. The total area used for agriculture had reduced from 2001 census to 2011 census that is mostly because of diversion of occupation of households.

The marginal farmers whose holdings are very small i.e. less than one-hectare are found many in the state. Cashew holds the highest area for cultivation, followed by paddy and coconuts. Production of paddy is also high in the state but average yield (i.e. kg/ha) is more in other garden crops. Commercial banks are playing pivotal role in agricultural financing in the state. There are many Self Help Groups and Joint Liability Groups ran by Commercial banks and Goa State Cooperative Banks too.

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