

# FLOW OF INSTITUTIONAL CREDIT TO MARGINAL AND SMALL FARMERS IN LUDHIANA DISTRICT (PUNJAB)

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*In 1947, the first survey of rural indebtedness (All India Rural Credit Survey) conducted by Reserve Bank of India (RBI) documented that moneylenders and other informal lenders met more than 90 per cent of rural credit needs. Only one per cent of the total rural households' debt was shared by banks. The ratio remained low until 1971 when it was 2.4 per cent, although the share of formal sources of credit in rural areas increased steadily to 29 per cent due to the rising share of cooperatives. The assessment of performance of co-operative by All India Rural Credit Survey Committee in 1954 brought the fact that volume of credit supplied by the cooperative movement was insignificant, accounting only three per cent of the total borrowing of cultivators. After independence, rural co-operative banks were established in an attempt to disseminate financial services among marginalized sections of population, with the basic intention of providing more credit to agriculture and small-scaled industries. However, the entire plan failed to materialize as majority of the bank credit was mobilized towards big enterprises. In order to combat this problem, in 1969 banks came under the ownership of the government in two phases (14 banks in 1969 and six banks in 1980). The bank nationalization was marked a paradigm shift in the banking sector as it was intended to shift the focus from class banking to mass banking. Under this arrangement, at least 40 per cent bank lending had to be extended in the priority sector and 25 per cent to the weaker sections within priority section.*

**Keywords:** Priority, Sector Lending Rural Credit.

## INTRODUCTION

The credit is considered as one of the critical inputs for economic development. Its timely availability in the right quantity and at an affordable cost goes a long way in contributing to the well-being of the people, especially in the lower rungs of society. Besides physical and human challenges, it is important to input management in agriculture (Hans, 2006). Therefore, access to finance, especially to the poor and vulnerable groups is a pre-requisite for employment, economic growth, poverty reduction and social cohesion.

According to the Situation Assessment Survey (NSSO, 2003), out of the total 89.3 million farmer households in the country, 80 per cent (71 million) households were small and marginal farmers and more than half (51.4 per cent) of the total households were non-indebted. Further, out of the total 43.4 million indebted households, 20.3 million (46.8 percent) households had availed financial services from informal sources. The NSSO survey 2003 shows that 51.4 per cent out of the total 89.3 million households don't access credit either from institutional and non-institutional sources. Further, only 27 per cent of the total farm households are indebted to the formal sources; in other words 73 per cent of the farm houses do not have access to formal credit sources (Rangarajan, 2007). It was observed that the share of non-institutional sources reduced from 70.8 per cent in 1971 to 42.9 per cent in 2002. In urban areas the share of non-institutional sources has come down significantly from 40 per cent in 1981 to around 25 per cent in 2002. In the late 1980's the financial sector development in the country was criticized as largely target and supply driven. High default rates, corrupted and high degree of suspicion among bankers about the credit worthiness of poor people were the major features of the time. Borrowers faced high

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transaction costs to secure subsidized loans, making their real cost 22 to 33 per cent (Fisher and Sriram, 2002).

The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services (Thorat, 2007a). The data provided by Basic Statistical Returns of Scheduled Commercial Banks reveals that critical financial exclusion exists in 256 districts spread over 17 states and one union territory. Thus, it can be stated with certainty that financial exclusion is there among specific occupational and social groups and it too has the regional dimensions. The poor are left behind in the race for development either due to their neglect by the state policy or on account of their inherent characteristics.

There are some disquieting features of lending credit to small borrowers. The number of small borrowers' accounts in case of commercial banks has come down overtime indicating shift of their focus to large borrowers. The rate of growth of institutional credit to small and marginal farmers of less than five acres of farm in the nineties has come down as compared to other farm size categories (Sidhu and Gill, 2006).

There is also a wide variation across regions, social groups and asset holdings. The poorer the group, the greater is the exclusion (Rangarajan, 2007). Reaching the poorest, whose credit requirements were very small, frequent and unpredictable, was found to be difficult. Further, the emphasis was on providing credit rather than financial products and services including savings, insurance, etc. to the poor to meet their simple requirements (Ansari, 2007).

The financially excluded sections largely comprises of marginal farmers, landless labourers, self employed and unorganised sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizens and women (Thorat, 2007b). The un-banked population is higher in the North-Eastern and Eastern regions. Regional differences are significant with the credit coverage at 25 per cent for the Southern regions and as low as seven, eight and nine per cent respectively in Northern-Eastern, Eastern and Central Regions (Thorat, 2007b).

The flow of institutional credit has increased steadily in rural areas of Punjab since the inception of green revolution. In the post-green revolution period too, the institutional credit flow has increased constantly. The institutional credit increased from 1638 crores in 1990-91 to Rs 16374 crores in 2004-05. The highest growth was observed during the period 2000-01 to 2004-05 i.e. 24.89 per cent increase in just few years. The sharp increase in the flow of institutional credit has created an impression that, in Punjab, institutional credit has almost reached to all the sections of the farmers and other rural households such as agricultural labourers, rural artisans etc. However, a recent study (Singh et al 2007) on indebtedness of farmers brought out that in case of marginal farmers 39 per cent of outstanding debt came from non-institutional sources. In case of small farmers, non-institutional debt accounted for 35 per cent of the outstanding debt. This clearly brings out that even in the developed state like Punjab, the lower strata of the farming population has to depend on non-institutional sources and these excluded farmers are yet to be included in the formal credit system. Therefore, the present study has been undertaken to examine the flow of institutional credit to the marginal and small farmers of Ludhiana district of Punjab.

## Data Base

The present is mainly based on the M.Sc. thesis of the first author completed under the supervision of the second author (Sitang, 2011). The M.Sc. thesis (Agricultural Economics) has been approved by the Punjab Agricultural University, Ludhiana in March 2011. The secondary data on the institutional credit flow in Ludhiana district was collected from the Punjab & Sind Bank, the lead bank of Ludhiana district. The information has also been taken from the Statistical Abstracts of Punjab.

## RESULTS AND DISCUSSION

### Total Number of Bank Branches in Ludhiana District

The data given in Table 1 presents the total number of bank branches in Ludhiana district. It was found that scheduled commercial banks were actively participating to uplift the socio-economic development in the district. There is a network of 561 bank branches covering all the 12 blocks of the district to look after the requirements of rural population. These 561 bank branches included 363 cooperative societies also which provided credit in cash as well as kind to the farmers. The government has formulated special policies through which the banks have been entrusted the responsibility of proper implementation of schemes for upliftment of weaker sections of society and with the purpose to eradicate poverty and create employment opportunities.

**Table 1**  
**Total number of bank branches in Ludhiana district during 2008-09**

Sr. No.	Name of the Bank	No. of bank branches	%age to total
1.	State Bank of India and associate banks	92	16.40
2.	Public sector banks	19	3.39
3.	Private banks	19	3.39
4.	Co-operative banks	54	9.62
5.	Primary Co-operative Agricultural and Land Mortgage banks	8	1.43
6.	Regional Rural Banks (RRB)	6	1.07
7.	Co-operative societies	363	64.70
	Total	561	100.00

Source: Punjab and Sind Bank, Lead Bank of Ludhiana district, Saban Bazar Branch, Ludhiana.

### Number of Branches of Various Banks in Ludhiana

The information about the number of commercial banks, cooperative banks, Primary Agricultural Development Bank and Regional Rural Bank in Ludhiana district for the period of 15 years, i.e. from 31<sup>st</sup> December 1995 to 31<sup>st</sup> December 2009 is given in Table 2. The table shows an increasing trend in number of all the different bank branches in Ludhiana district.

A significant increase in the number of branches for the commercial banks has been observed from 291 in 1995 to 493 in 2009 with an annual compound growth rate of 3.41 at one per cent

level of significance. The number of branches of cooperative bank has also significantly increased during the period from 49 branches in 1995 to 54 branches in 2003 which also showed annual compound growth rate of 0.52 per cent at ten per cent level of significance.

The Primary Agricultural Development Bank (PADB) also showed a considerable increase from seven branches in 1995 to eight branches in 2009 with a significant compound growth rate of 1.34 per cent per annum and significant at one per cent level of significance. For the RRBs only recent data from 2008 was available, according to which only six branches in total were established in the district till date. Henceforth, the total number of bank branches in the state has tremendously increased from 347 in 1995 to 561 in 2009, showing a significant compound growth rate of 3.08 per cent per annum and significant at one per cent level of significance during the period.

**Table 2**  
**Number of branches of various banks in Ludhiana from 1995 to 2009**

Year (as on 31 <sup>st</sup> March)	No. of commercial bank/branches	No. of cooperative credit bank/ branches	No. of PADB branches	No. of RRB branches	Total of all bank/ branches
1995	291	49	7	-	347
1996	301	50	7	-	358
1997	312	50	7	-	369
1998	339	55	7	-	400
1999	339	55	7	-	400
2000	343	55	7	-	404
2001	343	55	7	-	404
2002	350	59	8	-	421
2003	359	60	8	-	427
2004	376	54	8	-	438
2005	403	54	8	-	465
2006	409	54	8	-	471
2007	435	54	8	-	497
2008	459	54	8	5	526
2009	493	54	8	6	561
CGR (% per annum)	3.41*	0.52**	1.34*	-	3.08*
t-value	15.44	1.69	6.20	-	16.69

\*Significant at 1% level of significance,

\*\*significant at 10% level of significance,

*Note:* The branches of commercial and cooperative banks serve both rural and urban areas of Ludhiana district.

Source: Annual Credit Plan 2010-2011, Punjab and Sind Bank, Lead Bank, Ludhiana.

Total deposits and total advances of commercial, cooperative, PADB and RRB in Ludhiana

The trend in flow of total deposits and advances in the Ludhiana district for the last ten years (31.3.2000 to 31.3.2009) is shown in Table 3. Both the variables showed a significant growth during the given period of time. The deposits have significantly increased from about Rs 6729 crore in the year 2000 to more than three times, i.e. Rs 23198 crore in 2009 with a significant annual compound growth rate of 14.03 per cent per annum at one per cent level of significance. Similarly, the advances by these bank branches have also significantly increased from about Rs 4532 crore in 2000 to about Rs 27868 crore in 2009 with an annual compound growth rate of 26.01 per cent per annum at one per cent level of significance. The advances given in Table 3 included both agricultural and non-agricultural advances in Ludhiana district.

**Table 3**

**Total Deposits and Total Advances of Commercial, Cooperative, PADB and RRB  
in Ludhiana from 2000 to 2009 (Rs in crore)**

Year ( As on March 31 <sup>st</sup> )	Deposits	Advances
2000	6728.79	4532.42
2001	8439.16	4738.22
2002	9152.57	5002.79
2003	10112.60	8374.40
2004	12227.74	8791.46
2005	12610.46	12115.83
2006	14614.37	16147.88
2007	16973.48	24158.03
2008	20745.69	24965.57
2009	23198.49	27868.06
CGR (% per annum)	14.03*	26.01*
t-value	25.08	13.99

\*Significant at 1% level of significance

Source: Annual Credit Plan 2010-2011, Punjab and Sind Bank, Lead Bank, Ludhiana.

Thus, it was evident that the total advances and deposits by and in the various institutional formal credit institutions during the last ten years in the district were commendable. The overall deposits were consistently less than the total advances from 2006 onwards. It may be stated that Ludhiana is a growing hub of industrial and commercial activities in Punjab. It is also called commercial capital of the state. Therefore, advances by various banks were more than deposits, during the later years.

### Flow of Institutional Agricultural Credit

#### a) Flow of Institutional Agricultural Credit per Net Area sown and per Gross Cropped Area in Ludhiana District at Current Prices

The information given in Table 4 shows the flow of institutional agricultural credit at the

current prices in Ludhiana district from 2000-01 to 2009-2010. There was a significant increase in the total agricultural credit advances from about Rs 527 crore in 2000-01 to about Rs 3370 crore in 2009-2010 at compound growth rate of 23.53 per cent per annum, which was highly significant at one per cent level of significance. The net area sown also showed a significant increase from 303 thousand hectares in 2000-01 to 306 thousand hectares in 2009-2010 with compound growth rate of 0.80 per cent per annum at one per cent level of significance. The agricultural credit per net area sown also increased significantly during the last ten years from Rs 17 thousand in 2000-01 to Rs 1.10 lakh per hectare in 2009-2010 at compound growth rate of 23.44 per cent per annum, significant at one per cent level of significance.

Further, the total cropped area in the district decreased significantly from 604 thousand hectares in 2000-01 to 590 thousand hectares in 2009-10 at compound growth rate of 0.32 per cent per annum at five per cent level of significance. Thus, the agricultural credit per gross cropped area increased significantly from Rs 8722 during 2000-01 to Rs 57114 per hectare in 2009-10 at an annual compound growth rate of 23.94 per cent per annum, significant at one per cent level of significance. Therefore, it was evident from the above table that the flow of institutional credit per net sown area and gross cropped area has significantly increased in the district during the last ten years.

**Table 4**

**Flow of Institutional Agricultural Credit per Net Area sown and per Gross Cropped Area in Ludhiana District at Current Prices, 2000-01 to 2009-10**

Year	Total agricultural credit (Rs in crore)	Net area sown ('000 ha)	Agricultural credit per net area sown. (Rs per ha)	Total cropped area ('000 ha)	Agricultural credit per gross cropped area. (Rs per ha)
2000-01	526.80	303	17386.14	604	8721.85
2001-02	668.50	304	21990.13	604	11067.88
2002-03	807.70	305	26481.97	605	13350.41
2003-04	820.50	306	26813.73	604	13584.44
2004-05	1097.80	306	35875.82	605	18145.45
2005-06	1407.40	305	46144.26	600	23456.67
2006-07	1581.30	305	51845.90	580	27263.79
2007-08	2430.90	306	79441.18	595	40855.46
2008-09	2975.30	306	97232.03	595	50005.04
2009-10	3369.70	306	110120.92	590	57113.56
CGR (% per annum)	23.53*	0.80*	23.44*	-0.32**	23.94*
t-value	18.80	3.17	18.56	-2.76	19.61

\*Significant at 1% level of significance,

\*\* Significant at 5% level of significance,

Source: i) Punjab and Sind Bank, Lead Bank, Ludhiana.

ii) Statistical Abstract of Punjab, various issues.

### b) Flow of Institutional Credit per Net Area sown and per Gross Cropped Area in Ludhiana District at Constant Prices

The information regarding the flow of institutional agricultural credit at constant prices in Ludhiana district based on the Wholesale Price Index (WPI) is given in Table 5. It was evident that the total agricultural credit advances at constant prices were lower as compared to the current prices. But these values also showed significant growth in the last ten years. The total agricultural credit was about Rs 527 crore in 2000-01, which increased significantly to about Rs 2165 crore in 2009-10 at the compound growth rate of 17.41 per cent per annum at one per cent level of significance. The agricultural credit per net sown area also increased significantly from Rs 17386 per hectare in 2000-01 to Rs 70761 per hectare in 2009-10. The CGR was 17.32 per cent per annum. The agricultural credit per hectare gross cropped area also showed a significant increase from Rs 8722 per hectare in 2000-01 to Rs 36700 per hectare in 2009-10. The compound growth rate was 17.79 per cent per annum and significant at one per cent level of significance. The compound growth rate of agricultural credit at constant prices was less as compared to the current prices.

**Table 5**

**Flow of Institutional Credit per Net Area sown and per Gross Cropped Area in Ludhiana District at Constant Prices from 2000-01 to 2009-10**

Year	Total agricultural credit (Rs in crore)	Net area sown ('000 ha)	Agricultural credit per net sown area (Rs per ha)	Total cropped area ('000 ha)	Agricultural credit per ha gross cropped area (Rs per ha)
2000-01	526.80	303	17386.14	604	8721.85
2001-02	645.30	304	21226.97	604	10683.77
2002-03	754.00	305	24721.31	605	12462.81
2003-04	726.30	306	23735.29	604	12024.83
2004-05	913.10	306	29839.87	605	15092.56
2005-06	1120.30	305	36731.15	600	18671.67
2006-07	1194.00	305	39147.54	580	20586.21
2007-08	1753.90	306	57316.99	595	29477.31
2008-09	1980.60	306	64725.49	595	33287.39
2009-2010(P)	2165.30	306	70761.44	590	36700.00
CGR (% per annum)	17.41*	0.83*	17.32*	-0.32**	17.79*
t-value	15.32	3.17	15.12	-2.76	16.10

P: Provisional.

\*Significant at 1% level of significance, \*\* significant at 5% level of significance,

Note: The constant prices are based on the Wholesale Price Index for the year 2000-01.

Source: i) Annual Credit Plan 2010-2011, Punjab and Sind Bank, Lead Bank, Ludhiana.

ii) Statistical Abstract of Punjab, various issues.

**c) Flow of Institutional Agricultural Credit per Total Operational Holding and per Holding Agricultural Credit to Small and Marginal farmers in Ludhiana District at Current Prices**

The per holding total agricultural credit and per holding agricultural credit to small and marginal farmers at current prices are represented in Table 6 for the period from 2000-01 to 2009-10. The total operational holdings in the district has decreased significantly from 73069 in 2000-01 to 72378 in 2009-10 at compound growth rate of 0.14 per cent per annum at one per cent level of significance. Therefore, the per holding total agricultural credit in the district had significantly increased through the given period from Rs 72 thousand in 2000-01 to Rs 4.66 lakh in 2009-10 at compound growth rate of 23.72 per cent per annum.

**Table 6**

**Flow of Institutional Agricultural Credit per Total Operational Holding and per Holding Agricultural Credit to Small and Marginal Farmers in Ludhiana District at Current Prices, 2000-01 to 2009-10**

Year	Total agricultural credit (Rs in crore)	Total no. of operational holdings	Per holding agricultural credit. (Rs per holding)	Agricultural credit to small farmers. (Rs in crore)	Total numbers of marginal and small holdings.	Per holding agricultural credit to marginal and small farmers. (Rs per holding)
2000-01	526.80	73069	72096.24	168.90	22113	76380.41
2001-02	668.50	73069	91488.87	185.00	22113	83661.19
2002-03	807.70	73069	110539.35	241.30	22113	109121.33
2003-04	820.50	73069	112291.12	250.20	22113	113146.11
2004-05	1097.80	73069	150241.55	299.10	22113	135259.80
2005-06	1407.40	72378	194451.35	278.10	23895	116384.18
2006-07	1581.30	72378	218477.99	470.60	23895	196944.97
2007-08	2430.90	72378	335861.73	531.60	23895	222473.32
2008-09	2975.30	72378	411077.95	1083.30	23895	453358.44
2009-10	3369.70	72378	465569.65	1337.00	23895	559531.28
CGR (% per annum)	23.53*	-0.14*	23.72*	24.96*	1.18*	23.50*
t-value	18.80	-5.00	18.82	7.62	4.97	7.01

\*Significant at 1% level of significance,

Source: Punjab and Sind Bank, Lead Bank, Ludhiana.

The agricultural credit to marginal and small farmers has also increased significantly from about Rs 169 crore in 2000-01 to Rs 1337 crore in 2009-10 at compound growth rate of 24.96 per

cent per annum. The total number of operational holdings of the marginal and small farmers in the district has also increased from 22113 in 2000-01 to 23895 in 2009-10 at compound growth rate of 1.18 per cent per annum, significant at one per cent level of significance. Thus, the per holding agricultural credit to marginal and small farmers in the district has shown considerable increased growth in the last ten years. During 2000-01, it was found to be Rs 76 thousand, on an average, which later increased by almost seven fold times in 2009-10, i.e. Rs 5.60 lakh at compound growth rate of 23.50 per cent per annum, significant at one per cent level of significance. It may be stated that many medium farmers availed credit as marginal and small farmers by showing ownership of land as marginal and small farmers as per revenue record available with the *patwari* (revenue official).

**d) Flow of Institutional Credit per Total Operational Holding and per Holding Agricultural Credit to Small and Marginal Farmers in Ludhiana District at Constant Price**

The data given in Table 7 highlights that at the constant prices, the per holding total agricultural credit and per holding agricultural credit to farmers of Ludhiana district was considerably less as compared to the current prices. The per holding agricultural credit for the farm increased significantly from Rs 72 thousand in 2000-01 to Rs 2.99 lakh in 2009-10. The CGR of per holding credit was 17.58 per cent per annum. It was significant at one per cent level of significance. The total agricultural credit flow to small and marginal farmers was increased from about Rs 169 crore in 2000-01 to Rs 859 crore in 2009-10 at compound growth rate of 18.76 per cent per annum. Therefore, the per holding agricultural credit to marginal and small farmers increased significantly from Rs 76 thousand in 2000-01 to Rs 3.60 lakh in 2009-10 at compound growth rate of 17.38 per cent per annum significantly at one per cent level of significance.

**e) Flow of Total Institutional Agricultural Credit and Agricultural Credit to Small and Marginal Farmers in Ludhiana District at Current and Constant Prices**

The information given in Table 8 depicts the percentages of credit to small and marginal farmers from the total agricultural credit at current and constant prices in the Ludhiana district from 2000-01 to 2009-10. As shown in the previous tables that the total agricultural credit at current prices and constant prices and the credit to marginal and small farmers at current prices and constant prices has shown significant increase at annual compound growth rate of 23.53 per cent and 17.41 per cent significant at one per cent level of significance and 24.96 per cent and 18.76 per cent per annum, significant at one per cent level of significance, respectively. The results also highlights that there has been a frequent fluctuations in the credit (percentage terms) to the small farmers during the last one decade.

The share of credit to small farmers out of the total credit advanced remained almost the same at both current prices as well as constant prices. During the initial year 2000-01, the contribution to the small and marginal farmers out of the total agricultural advance was found to be 32 per cent, which reduced to 28 per cent in 2001-02. Further, a slight increase in the contribution was recorded to about 30 per cent in 2003-04. The value further reduced drastically to about 20 per cent in 2005-06, however, in the successive year it recovered to about 30 per cent. With another decline in 2007-08, however, the percentage in the last two successive years has shown a significant increase to approximately 40 per cent in 2009-2010. It is observed from the data given in the table that there was inter-year fluctuations (in percentages) in the credit provided to the small farmers.

Table 7

**Flow of Institutional Credit per Total Operational Holding and per Holding Agricultural Credit to Small and Marginal Farmers in Ludhiana District at Constant Price from 2000-01 to 2009-10**

Year	Total agricultural credit (Rs in crore)	Total numbers of operational holdings	Per holding agricultural credit (Rs per holding)	Agricultural credit to small farmers (Rs in crore)	Total numbers of small and marginal holdings	Per holding agricultural credit to marginal and small farmers (Rs per holding)
2000-01	526.80	73069	72096.24	168.90	22113	76380.41
2001-02	645.30	73069	88313.79	178.60	22113	80766.97
2002-03	754.00	73069	103190.14	225.20	22113	101840.55
2003-04	726.30	73069	99399.20	221.50	22113	100167.32
2004-05	913.10	73069	124964.08	248.80	22113	112513.00
2005-06	1120.30	72378	154784.60	221.40	23895	92655.37
2006-07	1194.00	72378	164967.26	355.30	23895	148692.20
2007-08	1753.90	72378	242325.02	383.60	23895	160535.68
2008-09	1980.60	72378	273646.69	721.10	23895	301778.61
2009-2010(P)	2165.30	72378	299165.49	859.10	23895	359531.28
CGR (% per annum)	17.41*	-0.14*	17.58*	18.76*	1.18*	17.38*
t-value	15.32	-5.00	15.36	6.24	4.97	5.63

P: Provisional.

\*Significant at 1% level of significance,

Note: The constant prices are based on the Wholesale Price Index for the year 2000-01.

Source: i) Annual Credit Plan 2010-2011, Punjab and Sind Bank, Lead Bank, Ludhiana.

ii) Statistical Abstract of Punjab,

iii) Economic Survey, 2009-10.

Thus, based on the secondary information collected, it was found that the scheduled commercial banks in the district had a network of 561 bank branches. The total number of bank branches in the district has tremendously increased during the last 15 years. Significant increase was also observed in the number of branches for the commercial banks, cooperative banks, Primary Agricultural Development Banks (PADB), Regional Rural Banks (RRBs). The trend in flow of total deposits and advances in the Ludhiana district for the last ten years also showed significant growth rate. During the last ten years, the agricultural credit per net area sown and per gross cropped area increased significantly. It was also evident from the study that the total agricultural credit advances at constant prices were lower as compared to the current prices. The per holding total agricultural credit and the per holding agricultural credit to marginal and small farmers has significantly increased in the district during the last decade. At the constant prices, the per holding

total agricultural credit and per holding agricultural credit to farmers of Ludhiana district was considerably less as compared to the current prices.

**Table 8**

**Flow of Total Institutional Agricultural Credit and Agricultural Credit to Small and Marginal Farmers in Ludhiana District 2000-2001 to 2009-2010**

(Rs in crore)

Year	Total agricultural credit at current prices	Credit to small farmers at current prices	Credit to small farmers as % age of total agricultural credit.	Total agricultural credit at constant prices	Credit to small farmers at constant prices.	Credit to small farmers as % age of total agricultural credit.
2000-01	526.80	168.90	32.06	526.80	168.90	32.06
2001-02	668.50	185.00	27.68	645.30	178.60	27.67
2002-03	807.70	241.30	29.87	754.00	225.20	29.87
2003-04	820.50	250.20	30.49	726.30	221.50	30.49
2004-05	1097.80	299.10	27.25	913.10	248.80	27.25
2005-06	1407.40	278.10	19.76	1120.30	221.40	19.76
2006-07	1581.30	470.60	29.76	1194.00	355.30	29.76
2007-08	2430.90	531.60	21.87	1753.90	383.60	21.87
2008-09	2975.30	1083.30	36.41	1980.60	721.10	36.41
2009-10(P)	3369.70	1337.00	39.68	2165.30	859.10	39.68
CGR (% per annum)	23.53*	24.96*	-	17.41*	18.76*	-
t-value	18.80	7.62	-	15.32	6.24	-

P: Provisional.

\*Significant at 1% level of significance,

Note: The constant prices are based on the Wholesale Price Index for the year 2000-01.

Source: Annual Credit Plan 2010-2011, Punjab and Sind Bank, Lead Bank, Ludhiana.

## CONCLUSION

The results and findings of the present study revealed that the scheduled commercial banks were actively participating to uplift the socio-economic development in the district with a network of 561 bank branches covering all the 12 blocks of the district. The total number of bank branches in the state has tremendously increased with a significant compound growth rate of 3.08 per cent per annum at one per level of significance, during the last 15 years. A significant increase was also observed in the number of branches for the commercial banks, cooperative banks, Primary Agricultural Development Banks (PADB), Regional Rural Banks (RRBs) during the last few years. Also increasing trend in flow of total deposits and advances in the Ludhiana district for the last ten years was found at significant compound growth rate of 14.03 and 26.01 per cent per annum, respectively. A significant increase was found in the total agricultural credit advances at compound

growth rate of 23.53 per cent per annum, at one per cent level of significance. The agricultural credit per net area sown and per gross cropped area increased significantly during the last ten years. It was also evident from the study that the total agricultural credit advances at constant prices were lower as compared to the current prices. The per holding total agricultural credit and the per holding agricultural credit to marginal and small farmers has significantly increased in the district during the last ten years. At the constant prices, the per holding total agricultural credit and per holding agricultural credit to farmers of Ludhiana district was considerably less as compared to the current prices.

On the basis of the findings of the study, the following policy measures are suggested for financial inclusion; the credit institutions should design and organize aggressive education-cum-promotion campaigns in unbanked parts of the rural areas to create awareness and also to remove the doubts and apprehensions that the masses have towards the banking sector. The union and state government may start publicity campaign through mass media regarding the availability of institutional credit for the poorer section of rural society. Banks may gather support and information from the NGOs, retired bank personals and academic institutions to reach the desired target numbers. NGOs, being local initiators with their low resources, should be motivated with an incentive package which should motivate these NGOs to diversify into backward areas. The credit institutions may arrange and provide technical advice for the first time borrowers among the poorer section of the society and also provide free financial counsel to low-income marginal and small farmers. Further, the marginal and small farmers may opt for co-operative farming. Such a step will reduce their fixed and variable costs and it will help them in financial inclusion. The farm machinery particularly tractor may be provided to the marginal and small farmers in all the villages on custom- hiring basis by the village level co-operative societies/ agro service centres.

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