Chapter-3
Research Methodology
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3.1 Introduction

Banking system is an important constituent of overall economic system. It plays a crucial role in the attainment of macro-economic objectives. It acts as a vehicle for socio-economic transformation and also as a catalyst to economic growth. It plays an important role in mobilizing the nation’s savings and channelizing them into high investment priorities and better utilization of available resources.

Banking sector reforms is an important element of the overall economic reforms in the country. Before 1991, the balance sheet regards the performance of banking sector in India was a mixed one, i.e. strong in widening the credit coverage, but weak as far as viability and sustainability was concerned. Low productivity, low efficiency and erosion of profitability of the banking sector have resulted due to the following reasons:

- Undirected investment and credit programme areas-banks were earning much less than what they could do by alternate deployment of funds.
- Administered interest rate for both deposits and advances, which meant banks, had little control over their profitability.
- Contamination of the loan portfolio, much of which was extended due to lack of standard yardsticks for identification and provisioning of impaired debts.
- Banks suffered from excessive administrative and political interference in their internal management and credit decision.

The basic aim of banking reform is to establish a sound and viable banking system which would help in the development of the economy. At the time of independence, banking system was largely urban oriented and remained out of the reach of rural population. Commercial banks mostly confined their lending to trade, commerce and industry and treated agriculture as an outcaste. And as agriculture is the very important sector for the sustained growth of the Indian economy. About 70% of the rural households and 8% of urban households are still primarily
dependent on agriculture for employment. Since banks did not pay any attention to the farming, the agriculturists were abiding to borrow at a very higher rate of interest with heavy terms and conditions from the money lenders. So, after recognizing the importance of agriculture for the development of India, the Government of India and the Reserve Bank of India have played a major role in establishing institutional framework for increasing credit requirements for the agricultural sector.

For increasing the agricultural productivity in India, banking sector have played a vital role –

- Kisan credit card scheme (KCCS) have been introduced
- Insurance scheme
- Training and consultancy services
- Warehousing and cold storage facilities
- Agro-tech and agro-clinic facilities

Banking industry has been changed after reforms process. The government has taken this sector in a basic priority and this service sector has been changed according to the need of present days. Banking sector reforms in India strive to increase efficiency and profitability of the banking institutions as well as brought the existing banking institutions face to face with global competition in globalization process. Now, there has been a rapid expansion in the number of banks including new private sector and foreign banks. At present, public sector banks, old private banks, new private banks and foreign banks are playing on equal field with the important role. Considering the performance in previous years, all the banks are remarkable.

3.2 The Title of the Problem

The title of the problem to be investigated is “Banking Sector Reforms in India and Agriculture Credit”.
3.3 Period of Study

The study is limited for the period from 1980-81 to 2012-13. The study period has been divided into three sub-periods namely:

First Phase (P1) - 1980-81 to 1991-92 (Prior Reforms Period);
Second Phase (P2) - 1992-93 to 1998-99 (First Reforms Period);
Third Phase (P3) - 1999-00 to 2012-13 (Second Reforms Period).

3.4 Sources of Data

The study has been exclusively based on the secondary data. The relevant data has been collected from various issues of Report on Currency and Finance (RBI), Banking Statistics (RBI), Report on Trends and Progress in Banking in India (RBI), RBI Bulletin (RBI), Centre for Monitoring Indian Economy (CMIE), Statistical Outline of India (Tata Services Ltd.), and Economic Survey (Government of India). Data will be collected from Handbook of Statistics (RBI), Economic and Political Weekly, and various websites such as www.rbi.org.in, www.iba.org.in, www.iibf.org.in, www.nabard.org, and Indiastat.com.

Data related to agriculture has been collected from Fertilizer Statistics (The Fertilizer Association of India), Indian Agricultural Statistics (Ministry of Agriculture, Government of India) and Statistical Abstract (Central Statistical Organization, Department of Statistics and Programme Implementation, Government of India). The data related to Co-operative Credit Societies and RRBs has been obtained from the Statistical Statement Relating to Co-operative Movement (NABARD).

3.5 Objectives of Study

In the light of these issues, the present study on credit flow to agriculture derives its relevance by analyzing the temporal behaviour of variables with the following objectives:

- To examine all India level trends of institutional credit to agriculture before and after the introduction of the banking sector reform, and analyze the contributing factors.
Research Methodology

• To examine the relative share of different agencies in lending to agriculture in pre and post reform period.
• To study various policy measures of banking sector reforms.
• To examine the performance of Commercial Banks regarding rural and agricultural credit during the study period.
• To examine the performance of RRBs regarding rural and agricultural credit during the study period.

3.6 Tools & Techniques Used

Scientific methods of statistics and econometrics have been applied for analyzing the data and getting the results to derive logical conclusions. Besides simple statistics like means, coefficient of variations, CAGR, correlation coefficients, the study has also used t-statistics to test statistical significance. Empirical assessment i.e. the (Pearson’s) correlation coefficients and the normative analysis (Pareto efficiency) have also been used in the study. Student t-test has been used to test whether there is any significant difference between the variables over different periods. Student t-test has been used to check the hypothesis as to whether there is any significant difference in the variables under study before the banking sector reforms mainly based on Narasimham Committee recommendations, that is, before and after 1992-93. It measures as to whether there is any significant difference between the means of the two samples. Generally the null hypothesis is formulated as if there is no significant difference between the variables and the alternate hypothesis is that there is a significant difference between the variables.

3.7 Significance of Study

The share of institutional sources in total loan outstanding has increased up to 1980s. But in the reform period the share of institutional sources declined. So there is need to study the changes in the relative role of institutional and non-institutional sources of loan outstanding across the states. The highly skewed distribution of institutional credit in favour of relative progressive regions and better off section of agriculture population is likely to generate strong backwash effects, thereby retarding the overall pace of agriculture development. So a study is needed,
to get more egalitarian credit plan to maintain the rapid and balanced agriculture development of the country. With the passage of time, Indian agriculture has also been commercialized and the farmer has to purchase costly inputs like fertilizers, tractors, pump sets from the market to produce more. The agricultural credit as a means to buy these modern inputs, indirectly affects the production process. So a study must be carried out to analyze the changing credit needs of farmers with the passage of time and the changes in credit disbursement due to different banking reforms. The purpose of the study is to analyze the positive as well as negative after effects of these reforms on agricultural credit in India.

3.8 Out Line of Chapter Plan

The entire research report has been presented in the following 7 (seven) chapters which are as under:

Chapter No. 1 Introduction : In this chapter the brief history, classification of commercial banks in India, banking sector reforms and its stages, contours of banking sector reforms, and objective of the study have been discussed.

Chapter No. 2 Review of Literature: The second chapter is about the earlier studies done in the similar field.

Chapter No. 3 Research Methodology: This chapter focuses on the determinants of research methodology i.e. introduction, title of the problem, period of the study, sources of data, objective of study, tools and techniques used, significance of study, outline of chapter plan, hypothesis and limitations of study.

Chapter No. 4 Banking Sector and Agriculture Credit in India: The third chapter describes the meaning of banking, need for nationalisation of banks, banking sector and agriculture credit in India, institutional credit for agriculture in India, Regional rural banks in India, Banking policy in rural India, Demands for agriculture credit and new agriculture strategy/ green revolution in India (HYVS and rural credit)
Chapter No. 5 Recent Developments in Banking Sector in India: This chapter includes the introduction, recent technological and other developments in banking sector, financial inclusion and micro finance.

Chapter No. 6 Analysis & findings: In this chapter the concepts of ratios, correlation and other statistical tools are used to analyse the statements.

Chapter No. 7 Summary, recommendation and suggestions:- In this chapter summary of first six chapters, major findings and suggestions have been shown.

3.9 Limitations of Study

The data, which is used for this study, is based on annual report of the bank and secondary data collected from RBI & IBA Bulletin published from time to time. Therefore the quality of this research depends on quality and reliability of data published in annual reports.

3.10 Hypothesis

“A hypothesis is a special proposition formulated to be tested in a certain given situation as a part of research which states what the researcher is looking for.”

Hypothesis formulated under the study are as follows:

For the present study the researcher has formulated two hypothesis viz. Null hypothesis and Alternative hypothesis. Both hypotheses were tested with the help of statistical tools. The statements of hypothesis were as under:

NULL HYPOTHESIS:-

[1] There is no significant difference between the productivity ratios of the banking sector under study

ALTERNATIVE HYPOTHESIS:

[1] There is significant difference between the productivity ratios of the banking sector under study.