



Introduction about world agricultural Bank

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Abstarct

A type of bank that lends money to farmers for longer periods of time and charges them less interest than other types of banks.

In the Paleolithic Levant, 23,000 years ago, cereals cultivation of emmer, barley, and oats has been observed near the sea of Galilee. Rice was domesticated in China between 11,500 and 6,200 BC with the earliest known cultivation from 5,700 BC, followed by mung, soy and azuki beans

Agricultural Bank of China, also known as AgBank, is one of the "Big Four" banks in China. It was founded on 10 July 1951, and has its headquarters in Dongcheng District, Beijing. It has branches throughout mainland China, Hong Kong, London, Tokyo, New York, Frankfurt, Sydney, Seoul, and Singapore.

This study were examined relationship between *BANK CREDITS* and investment growth of agricultural in international sector. The results confirm the existence of a long-run relationship between variables in model. In addition, according to the results, bank credit is the most significant variable in explaining the *GROWTH INVESTING*, so that increases access to it will encourage growth investment of the agricultural sector. The **first** official **agricultural** finance institution of Iran was established in 1933.

Key words: Agricultural Bank, Iran, finance

Introduction

The first official agricultural finance institution of Iran was established in 1933. The institution, decades later called The Agricultural Cooperative Bank of Iran (ACBI), grew gradually providing funds for small and medium-scale agricultural activities in villages nationwide.

The Agricultural Development Bank of Iran (ADBI) was founded in 1969 in order to finance the large scale development projects in the agricultural sector. After the Islamic revolution, based on the "Banking Nationalization Law", the two afore-mentioned banks were merged to form "Bank Keshavarzi (Agriculture Bank of Iran)". Having access to specialized human resources and experiences of the two organizations gained during several decades of granting credit facilities to small and large projects, the bank was provided with new possibilities to render quality banking services to the rural population and the agriculture sector of the country(3,2).

BK's Development

BK began its operation as a state-owned financial entity supporting the agriculture sector with financial resources funded by the government, mostly in form of capital. Within the initial years of operations, the bank was less concerned over the mobilization of its financial resources and its basic performance was the distribution of resources supplied by the government. Within the 80s, BK obtained its required resources through the surplus of the commercial bank's resources or would borrow funds from the Central Bank. However, by the end of the 8-year imposed war and implementation of the first Five-year Development Plan (FYDP), credit activities of commercial banks had to finance other economic sectors and, thus, the bank encountered resources limitations to finance agricultural activities.

Challenges of dependency on government funds and commercial banks, excess demand for credit facilities with the lowest interest rate and economic liberalization movement in the banking system eventually led to changes in the bank's approach towards the agricultural financing. In early 1990s, BK started mobilization of public deposits and offering a variety of banking services rather than relying on other banks and the government's financial resources. Such an approach led to remarkable achievements in the bank's performance and most importantly, further support for the agriculture sector.



Figure 1: Agricultural Bank of China



Within the period, the management focused on expansion of branches in rural areas and savings of the rural population. Thus, BK initiated a new stage of reforms, including restructuring and completion of branches' network, expansion of electronic-based banking operations and services, diversification of banking services and products, development of international banking operations, and enforcement of capital structure.

Such reforms and developments gradually transformed the bank from a credit and one-way fund into a "full-service bank", concentrating on the following principles aimed at accomplishing its mission and realization of its vision:

- Customer-oriented management and creating value for customers;
- Profitability and value creation for the bank's stake-holders;
- Financial discipline;
- Development of human capital;
- Financial self-reliance;
- Innovation and continuous improvement of services quality (creating competitive advantage)

The bank is now considered a pioneer bank in offering variety of banking services through its 1,914 branches nationwide, including 476 rural branches, 1182 urban branches, and 72 branches based in other organizations. For the past decade, the bank has been successful in meeting its objectives, especially financing the agriculture sector through active participation in monetary and financial markets and relying on adequate resources mobilization.

Chief among the fundamental and strategic objectives of the bank are as follows:

- Granting credit facilities to improve rural living standards
- Developing small industries in rural areas;
- Enhancing rural income levels;
- Boosting agricultural production;
- Strengthening the sector to reach self-sufficiency in production of agricultural crops and livestock products; and
- Escalating agricultural export.

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Component	Initial eigenvalue			Sum of squares of rotating loads		
	Total	Percentage variance	Cumulative (%)	Total	Percentage variance	Cumulative (%)
1	12.371	33.434	33.434	9.281	25.085	25.085
2	2.623	7.089	40.523	2.451	6.625	31.709
3	2.353	6.360	46.883	2.447	6.614	38.323
4	1.571	4.245	51.128	2.269	6.132	44.455
5	1.516	4.096	55.224	1.952	5.276	49.731
6	1.277	3.451	58.675	1.950	5.271	55.002
7	1.190	3.217	61.892	1.780	4.812	59.814
8	1.049	2.836	64.728	1.429	3.861	63.675
9	1.010	2.729	67.457	1.399	3.782	67.457
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Results and Discussion

The growing integration of economies and societies around the world has been one of the most hotly debated topics in international economics over the past few years. Rapid growth and poverty reduction in some other countries (e.g. China, India) that were poor 20 years ago has been a positive aspect of a new international perspective which its main attributes is increased mobility of persons, goods, capital, data and ideas. The realization of uninhibited trade, mutual exchange of technology and knowledge, internationalization of financial markets and financial flow are pursued in a large number of countries(4).

In developing countries financial institutions have responded positively to financial sectors' changes required by the new international perspective and Foreign Direct Investment (FDI) in banking system is welcomed. Foreign owned Banks appear to contribute to the overall soundness of banking system while domestic Banks should compete with each other as part of a broader process of economic integration.

Domestic Banks facing competition from FDI in banking will deliver quality services; seek new customers; look for more information in screening and monitoring their customers; strengthen risk management, improve regulations and their supervision. These trends lead to efficient allocation of resource and are consistent with domestic bank's profitability.

Reform measures in economic policies within the new international perspective are not limited to banking system. It could include disinvestment (privatization) dismantling licensing regime, removal of restrictions on import, reduction of customs tariff, devaluation of country's currency,....However considering the bottlenecks created by the world for the Iran's economy and Banking system , Agriculture Bank have recognized exchange of technology and knowledge as more feasible aspects of new international perspective. Its' desire to benefit from integration in the world's economies and societies have resulted in Bank Keshavarzi's emphasize on the flow of ideas through two different routs:

- Membership in relevant associations, and actively looking for South-South transfer of knowledge and experiences;
- Investment in and interaction with international development agencies;
- Looking for cooperation with United Nations agencies for technical assistance and learning from the knowledge accumulated in these organizations;



Figure 2: International perspective(6)

The American Bankers Assn (ABA) recently released a listing of the 100 Largest Farm Banks ranked by dollar volume. The list was compiled by the Federal Deposit Insurance Corporation through the third quarter, 2013 (5).

The five largest are:

1. Wells Fargo,
2. Rabobank,
3. Bank of the West,
4. Bank of America,
5. John Deere Financial.

ABA also released a listing of the 100 Largest Farm Banks ranked by farm loan concentration. The list was compiled by the Federal Deposit Insurance Corporation through the third quarter, 2013.

The five largest are:

1. Nebraska State Bank, Oshkosh, NE,

2. Grant County State Bank, Carson, ND,
3. State Bank of Bellingham, Bellingham, MN,
4. Campbell County Bank, Herreid, SD,
5. Strausburg State Bank, Strausburg, ND.



Figure 3: The position of the Bank of Agriculture among the world's banks

Farm Lending Has Increased Over Past Three Decades Despite Declining Number of Farm Banks

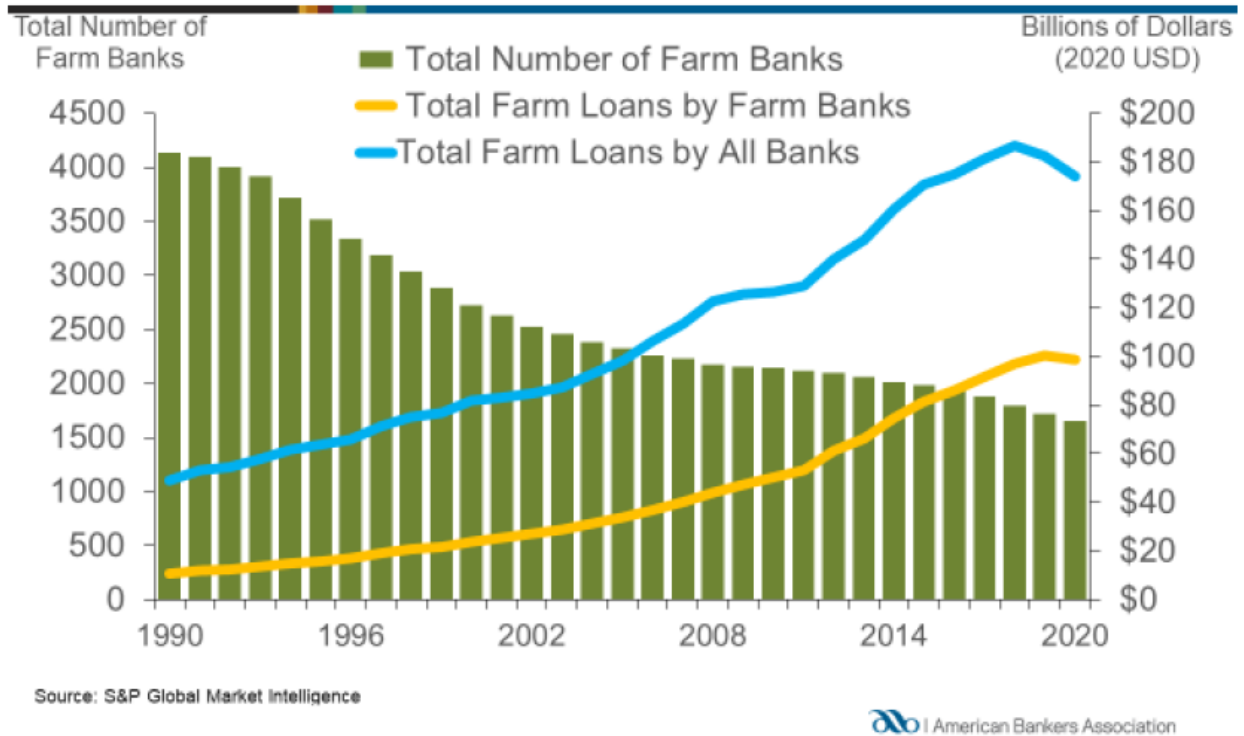


Figure 4: Agricultural Lending

Agricultural production loan demand declined 6.7% due to rising costs, supply and production bottlenecks, price volatility and an increase in federal cash payments, the report found. Government payments also enabled producers to pay down existing loan balances, according to the report.

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