Agricultural Credit Issues and its Growth in Uttar Pradesh

Sameer Zaidi[1] and Dr.Madhu Tiwari[2]

[1]Research Scholar: Sri Ramswaroop Memorial University, Uttar Pradesh

[2]Associate Professor Sri Ramswaroop Memorial University, Uttar Pradesh

Abstract: - **Agriculture is the life line for any economy, be it developed, developing or under-developed as food is the basic necessity of life. In India, where more than two-third of its population is either directly or indirectly dependent on agriculture. Most agriculturists in India are at the mercy of nature for irrigation further they have to fight droughts, floods, climate change etc. They do not have proper infrastructure facilities to store or sell their harvest, so they don't get a decent price for their produce. Not having enough savings, the farmer has to take loans from different sources namely money lenders, banks, co-operative societies, relatives among others. To resolve this problem the governments both at state and center level have floated many schemes from time to time to facilitate credit for farmers both for short term as well as long term. But unfortunately the growth in agriculture credit has not shown significant change, specially in long term, which helps in building the infrastructure for agriculture.**

*Index Term:***Agriculture, Debt, Financial Institution, Credit, Growth**

I . INTRODUCTION

One of the essential components for the development of agriculture is credit. It provides farmers with funds to make new investments and/or embrace cutting-edge technology. The unique position Indian agriculture occupies in the macroeconomic system and the considerable contribution it makes to reducing poverty serve as further arguments for the significance of agricultural finance. Since the start of India's era of planned development, attention has been placed on the institutional framework for agricultural credit because of recognition of the role that agricultural credit plays in promoting agricultural growth and development.

The requirements of the farmers are met by a vast variety of formal institutional organisations, including cooperatives, regional rural banks (RRBs), scheduled commercial banks (SCBs), non-banking financial institutions (NBFIs), and self-help groups (SHGs), among others. A number of actions have been taken to improve the institutional framework of the rural lending sector. These programmes primary goal was to increase farmers' access to institutional credit. The adoption of the Rural Credit Survey Committee Report (1954), the nationalisation of major commercial banks (1969 and 1980), the establishment of RRBs (1975), the establishment of the National Bank for Agriculture and Rural Development (NABARD) (1982), the financial sector reforms (1991 onward), the Special Agricultural Credit Plan (1994–1955), and the introduction of Kisan Credit Cards (KCCs) are the major turning points in the improvement of rural credit (1998-99), Agricultural Debt Waiver and Debt Relief Scheme. The flow of agricultural financing was positively impacted by these activities. The inadequacy of financing to agriculture, however, is a frequently contentious issue in India. It is still quite concerning that money lenders continue to dominate the rural loan sector.

The development of Uttar Pradesh's economy has been significantly influenced by the agricultural sector. The majority of people in the state depend on the agricultural industry for jobs, income, food security, and survival. 12.1% of the country's land area and 16.17% of its population are in the state of Uttar Pradesh. The majority of farmers in the state are small and marginal farmers. In the state, small and marginal farmers' operational holdings were 13 and 79.5 percentrespectively in 2010–11. In the state, the gross cropped area in 2012–13 was 25.82 million hectares, the gross irrigated area was 20.19 million hectares, and the net irrigated area was 13.9 million hectares. The state contributes 40% of the total production of potatoes and sugarcane and 21.55 percent of the entire national production of food grains, vegetables, fruits, and milk. Although the agriculture industry is very important to the state, it has been plagued by low productivity, low income, and a lack of credit, inputs, technology, power, marketing, transportation, inadequate irrigation infrastructure, fragmented landholdings, floods, droughts, illiteracy, and poverty. Additionally, the fundamental issue it is having is that of capital. In Uttar Pradesh, farmers have difficulty getting finance. Indebtedness to both governmental and private institutions is harming farmers. Credit is necessary to improve the socioeconomic circumstances of farmers. Farmers need a credit package that includes credits for production, investments, and consumption, as well as, if necessary, credits for the repayment of earlier obligations. In the state of Uttar Pradesh, official credit markets do not offer people access to such packages. The market facilities are inaccessible to the farmers as well. In order to increase production and farming techniques, education and skills are crucial.

II. LITERATURE REVIEW

Uttar Pradesh is predominantly a small landholding state with large regional variations in average farm size, and land and labour productivity.(S.K.Goyal, Prabha, J.P. Rai and S. R. Singh 2016) Because of poor availability of funds, farm inputs, poor support price structure for the produce and almost no farm insurance, farming in India is non-remunerative and 50 per cent of farmers are in debt - the main reason for a large number of suicides.(A.Das, M SenaPati and J.John 2009) When the farmer faces a credit constraint, additional credit supplycan raise input use, investment, and hence output. This is the liquidity effect of credit. But credit has another role to play. In most developing countries where agriculture still remains a risky activity, better credit facilities can help farmers smooth out consumption and, therefore, increase the willingness of risk-averse farmers to take risks and make agricultural investments.(Pratap Singh Birthal andR. P. Singh,1993) One of the important characteristics of rural credit markets in India is the co-existence of two distinct sectors: the formal sector comprising commercial banks, credit cooperatives and regional rural hanks; and the informal sector having a wide variety of lenders viz. agricultural money lenders, professional money lenders, landlords, tradersand commission agents, shopkeepers, relatives and friends.(A. Kumara, K. M. Singh and S. Sinha, 2010) In spite of impressive increase in the flow of agricultural credit, the recent years have again been characterized by a concern over the falling share of agricultural credit in total credit. It is mainly attributedto the high growth witnessed by the non-agricultural sector in recent years. The share of agriculture in national income has also declined.

III. OBJECTIVE OF THE STUDY

1)To study the need of credit in Agricultural sector.

2) To study the available sources of Agriculture credit.

3) To study the problems in securing credit by farmers

IV. RESEARCH METHODOLOGY

This paper is based on the secondary data and annual reports of NABARD/Reserve Bank of India and from various Journals, articles, reports, and websites.

V. AGRICULTURAL CREDIT

Direct and indirect credit for agriculture are the two basic categories. Direct finance credit is granted to farmers directly for productive purposes, whereas indirect financing credit is offered to organisations involved in providing production inputs and other services to farms Improvements to the land, agricultural output, input purchases, machinery purchases, the development of dairy and poultry, and the establishment of plantations for things like tea, coffee, rubber, coconut, and cashew nuts are all given direct credit. Contrarily, indirect credit is provided for the funding of agricultural cooperatives, farmer's service societies, cooperative marketing societies, financing for the distribution of farm inputs, financing for the state electric board, financing for storage facilities (warehouses and cold storage), financing for the establishment of regulated markets, customs service units, financing for agro-industries cooperatives, and financing for the Indian food cooperative.
Credit for agriculture is divided into categories based on its duration, use and source.

On the basis of time, credit can be categorised into two groups: (a) short term and (b) long term. A short-term agricultural loan can be disbursed for a duration of six to eighteen months. The short-term agricultural credit is intended to cover the seasonal need for seeds, fertiliser, pesticides, and labour hire. Other loans given for longer duration are said to be long term loans usually ranging from five to ten years. These long term loans are used for improvement in farm mechanisation, land development, dairy development, plantation, horticulture, and irrigation, long-term agricultural finance is given.

Agricultural credit on the basis of usage can be divided into three categories: (i) productive purposes; (ii) consuming purposes; and (iii) unproductive uses.Agricultural credit used for productive reasons such purchasing seeds, fertiliser, manure, and agricultural instruments, as well as for digging and maintaining wells and tube wells, paying employees, and making improvements to land. The farmers' fundamental needs are met by using the loan for consumption purposes. Indian farmers frequently use credit for both productive and unproductive purposes, such as celebrations of marriage, birth, death, legal proceedings, religious events, and festivals. As a result, the state's farmers' conditions have not changed. In Uttar Pradesh, farmers are struggling with low productivity, low income, and a debt trap.

Agriculture credit on the basis of source can be divided into Institutional and non-institutional credit Co-operative banks, commercial banks (CBs), and regional rural banks(RRBs) are the three institutional agricultural lending institutions that operate in rural areas. Moneylenders, friends, family, store owners, landlords, traders, and government agents are the primary non-institutional sources of agricultural financing.

VI. GROWTH & TRENDS OF AGRICULTURE CREDIT

For farmers to increase their income, productivity, and standard of living, credit is crucial. For marginalised farmers in particular, the availability and access to adequate, timely, and affordable loans from institutional sources is crucial. It has been noted that farmers' productivity, asset growth, income, and food security are all favourably impacted by simple access to affordable financial services. The government's main responsibility is to encourage full financial inclusion and bring all farmers into the banking system. To increase the flow of agricultural loans in Uttar Pradesh, the government has implemented a number of programmes and policies. The focus of these policies has been on gradual institutionalisationso that all farmers get timely and sufficient loan support. Adopting contemporary technology and enhancing agricultural methods are also beneficial for raising agricultural output and productivity. With the help of credit planning, the adoption of region-specific strategies, and the rationalisation of lending regulations and procedures, these policies place an emphasis on enhancing credit flow at the local level. The increase in the farmers' institutional credit share is a result of these policy changes. The flow of agricultural credit in Uttar

Pradesh has been shown in Table -1. The figure shows that the flow of short term credit was Rs. 3635.9 crore in 2002-03 and increased to Rs.41374.7 crore in 2013-14 whereas long term credit was Rs. 2806.4 crore in 2002-03 and increased to Rs. 14844.2 crore in 2013-14. The flow of total agricultural credit was Rs. 6442.3 crore in 2002-03 and increased to Rs. 56288.9 in 2013-14 in Uttar Pradesh. It is observed that the credit has increased nine times within ten years.

Table 1: Flow of Institutional Agricultural Credit in Uttar Pradesh during 2002-03 to 2013-14

Year	Short Term (ST)	Long Term (LT)	Total Agricultural Credit
2002-03	3635.9	2806.4	6442.3
2003-04	4212.5	3635.6	7848.1
2004-05	6207.2	4755.3	10962.5
2005-06	9191.3	4576.8	13768.1
2006-07	12071.6	6395.3	18466.9
2007-08	13051.2	6765.3	19816.5
2008-09	15015.1	5855.9	20871.0
2009-10	19615.7	9439.9	29055.6
2010-11	21024.1	13216.8	34240.9
2011-12	25549.1	13756.0	39305.1
2012-13	31854.4	15086.3	46940.8
2013-14	41374.7	14844.2	56218.9

Source: NABARD & State Level Banking Committee

Between 2002-2003 and 2013-2014, Uttar Pradesh's short-term, long-term, and total agricultural credit grew at slower rate than required. Although the annual growth rate of short-term credit is shown to be positive, there are several changes between the years 2002–2003 and 2013–2014. In the same years, the long-term agricultural credit's annual growth rate turned negative. On the other hand, the yearly growth of all agricultural credit is increasing. Due to lesser risk, it is clear that banks have favoured short-term borrowing. However, long-term loans are the sole way to finance agricultural investments because they have longer payback terms and allow for more initial development of many agricultural initiatives. Farmers in Uttar Pradesh have less money to invest in raising production because of a drop in long-term financing.

VII. CONCLUSION

Though there has been a continuous migration from rural areas to cities in search of more paying jobs than agriculture but still, majority of Indian population is dependent on agriculture. Plus, to feed the 130 crore plus population we need more and more food. With ever growing labour cost we need to mechanise our farms, consolidate our land holdings and improve our irrigation facilities. And to do all this we need more and more credit both short as well as long term. The Government has been doing efforts to improve the ways we do our farming but we need to do it faster. And the only way is to provide quick, easy and affordable credit system.

REFERENCES

1) S. K. Goyal, Prabha, Jai P. Rai and Shree Ram Singh, *"Indian Agriculture and Farmers – Problems and Reforms"*Indian Agriculture and Farmers 2016

2) Prof. RatanLalGodara, Dr.Partap Singh and Dr Sanjay Singla, *"Agriculture Credit in India: An Analytical Study"*International Journal of Latest Trends in Engineering and Technology (IJLTET) Vol. 3 Issue 3 January 2014

3) Anjani Kumara, K. M. Singh and ShradhajaliSinha*"Institutional Credit to Agriculture Sector in India: Status, Performance and Determinants"*Agricultural Economics Research ReviewPp 253-264 Vol. 23 July-December 2010.

4)Abhiman Das, ManjushaSenapati, Joice John *"Impact of Agricultural Credit on Agriculture Production: An Empirical Analysis in India"*Reserve Bank of India Occasional Papers Vol.30, No.2, Monsoon 2009

5) R.S. Sidhu and Sucha Singh Gill, *"Agricultural Credit and Indebtedness in India: Some Issues"*Indian Journal of Agricultural Economics Vol. 61, No. 1, Jan.-March 2006

6) Pratap Singh Birthal and R. P. Singh *"Segmentation and Interest rate in Rural Credit Markets: Some evidence from Eastern Uttar Pradesh, India"*The Bangladesh Journal of Agricultural EconomicsXVI, 2, Pp107-117December 1993

7)https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=842

8).https://www.nabard.org/news-article.aspx?id=26&cid=552&NID=160