

PROBLEMS AND SOURCE OF REPAYMENT OF BORROWERS IN ANANTAPURAMU DISTRICT OF ANDHRA PRADESH: AN EMPIRICAL STUDY

Dr. P. CHINNURAPPA

Post-Doctoral Fellow (ICSSR), Dept. of Economics, Sri Krishnadevaraya University, Anantapuramu

Abstract

After two decades of independence, the commercial banks have entered into this field to extend liberal credit to the farming sector. They have been financing agriculture since the nationalization of big banks in 1969. Before 1969, these banks were serving primarily the needs of cities and big towns. Using of commercial banks credit to help small farmers holds rich potentials. Agriculture appeared to the commercial banks as an unattractive sector owing to certain characteristics of agricultural sector, namely limited amount of money involved in arranging agriculture inputs inadequate securities for loans, low returns and poor repayment capacity. The nationalization of banks was a major step for canalizing credit to various sectors of economy of which agriculture is one of the major sectors. The concern of banking industry is not only rested with flow of credit to agriculture, but also with the socio-economic development of the rural area with a view to generate adequate productive employment and reduce poverty. In spite of significant achievements by the banking industry, there is still scope to extend credit facilities to agriculture sector in a much greater manner. Hence, the present paper highlights the problems of borrowers in drought –prone are like Anantapuramu district of Andhra Pradesh.

Key words: Agriculture sector, commercial banks, micro credit

Introduction

Economic development is a multi-dimensional process involving the complexity of interrelated and inter-dependent factors such as the amount, quality and availability of natural resources, the labour force, the accumulation of capital goods, the amount of innovation in management, investment opportunities with willing to invest, a satisfactory equilibrium in the balance of payments so that the needed raw materials and machines can be imported as also certain surplus goods which can be exported¹. Since all these factors are interrelated and it would be a difficult task to segregate them and to assess the contribution of each factor separately. But, of

all the factors, the rate of new capital accumulation plays a role of paramount importance in the process of economic growth. The history of the advanced countries shows that their periods of expansion have always been characterized by the high rate of capital formation². But for a developing country having a high propensity to consume, it is not possible to generate sufficient resources internally to sustain the process of economic development. It is in this context, financial institutions which are acting as agents for both capital mobilization and capital investment are gaining considerable momentum in the process of economic growth. Thus, many structural and institutional changes that are necessary in the developing countries is the adoption of financial institutions with considerable importance to achieve the objectives of development and to bring about greater mobility of resources to meet the emerging financial needs of the economy.

The need for organized rural credit stems out of the fact that agriculture emerged as an important industry and all our agriculturists, by a large, are poor. In the absence of orderly flow of credit, our farmers who constitute the backbone of rural economy remain in continuous rural indebtedness and will be exposed to the nefarious activities of money lenders. Indian agriculture suffers from uncertainties carried by monsoon hazards low rates of productivity and increasing dependence with low returns. As a result, even in the absence of modernization, the agriculturists cannot cope with financial needs without resource to borrowing. In the context of modernization, needs for credit is very much emphasized to meet the timely needs of our farmers. Agricultural credit is an essential prerequisite for the rehabilitation and progress of Indian agriculture.

AGRICULTURAL CREDIT BY COMMERCIAL BANKS

The role of the commercial banks in rural/agricultural credit was negligible before nationalization of banks in 1969. In 1951-52 their finance to agriculture was only 0.9 per cent, and it was 2.2 per cent in March 1968. The All India Rural Credit Survey Committee (AIRCSC) 1954 had concluded that there was no alternative to the co-operative form of organization¹². In 1965, the informal Group on Institutional Arrangement for Agricultural Credit emphatically stressed that one could not look to the commercial banks for providing a satisfactory system of supplementary and transitional basis for any large scheme for the farming community in India conditions. The following were some of the reasons enlisted for the failure of commercial banks in meeting the rural credit needs.

Review of literature

Hanumantha Rao highlights the growth and expansion of institutional credit, particularly through commercial banking. Rao raises the policy issues relating to the viability of credit institutions, equitable access to credit, redefinition of priority sector and enhanced the role of rural banking institutions to cope up with the

emerging challenges. It is necessary for the developmental role of institutional credit that the institutional credit should be complemented by infrastructure and technology. In the credit plans more emphasis should be on non-farm and allied-agricultural activities.

Dandekar has traced the development of agricultural credit in India during the 20th century. This study emphasized the development of co-operative finance and supply of agricultural credit by commercial banks.

Dixt and Chakraborty have done an in-depth study on NABARD's activities from different angles, such as agency-wise and purpose-wise. They feel quite satisfied with the performance of NABARD's activities and are hopeful of its bright prospects in the near future. They viewed that NABARD has to pay more attention on issues, which are paralyzing the financial discipline through mounting overdues such as political interference, willful defaults of credit agencies etc.

The present study

The impact of bank credit on the farm households may vary from region to region depending upon the geographical and economic conditions of the area and people. Earlier studies were conducted in various regions with different geographical and economic conditions. The present study refers to Anantapur District which has different geographical and economic conditions with the lowest rainfall in the state of Andhra Pradesh, frequent occurrence of droughts with poor irrigation facilities which require heavy investments in well irrigation and limited scope for diversification of economic activities to get gainful employment and profitable occupations. The district is a typical backward region and has been covered under the desert development programme for its overall development. The sound educational background of the farmers has facilitated the farmers to go for proper utilization of credit to get good returns without any inclination to go for unproductive investment and to adopt modern methods of agricultural practices to get better yields. The present study focus on problems of borrowers, diversification and source of repayment of debt in Anantapuramu district of Andhra Pradesh.

Objectives

1. To study the importance of agricultural sector in India
2. To review the agricultural credit system through the banks
3. To analyse the problems of agricultural barrowers

Methodology

Sample design

The sample design of the study is multi-stage random sampling. In the first stage one revenue mandal were selected from each revenue division, three villages were selected from each mandal. Altogether 300 sample households were selected from the district.

Data collection

The study is based on two sources of data i.e. secondary data and primary data. The secondary data have been collected from various national and international published and un-published sources, which include the publications of Government of India, CMIE, Five-Year plan documents, Census Reports, Statistical Abstracts of Central and State Governments. The primary data is collected from the sample borrowers through a pre-tested schedule, specially designed for the purpose. Personal interview method is adopted to get the required information with the aid of schedule. Scrutiny of schedule is made to ensure reliability of data. After an appraisal of the quality of data, tabulation work is take-up and the data analyzed by using appropriate statistical techniques.

Borrowings

The study has identified problems of borrowers in sample villages for the study. Problems of the borrowers to get loans from the bank have been presented in table 1.

Table 1

Problems of Borrowers

S.No.	Problems	No. of Respondents faced	Percentage to total
1.	Un-timely loans	26	8.67
2.	Cumbersome procedures for lending	28	9.33
3.	Security oriented loan	14	4.67
4.	High rate of interest	15	5.00
5.	Favoritism of officials	35	11.67

6.	Distant location of institutions	16	5.33
7.	Lack of knowledge about rules and regulations	30	10.00
8.	No problems	116	38.66
9.	Others	20	6.66
	Total	300	100.00

Source: Field Data.

It seems that 184 respondents have been faced problems to get loans which accounts 61.33 per cent and 116 respondents are not faced any problem to get loan which accounts for 38.67 per cent to total respondents. It is observed that there are eight types of problems like: loans are extended un-timely (8.67%), expressed by of the respondents cumbersome procedure of bank loan by (9.33%), security oriented loan by (4.67%), high rate of interest felt for (5.00%), of the respondents favoritism of officials reported by (11.64%), distant location of institutions by (5.33%), lack of knowledge about rules and regulations among (10.00%) and other problems expressed by (6.66%) of the respondents.

Diversification of Loan Amount

Syndicate bank borrowers have utilized the loan amount for different purposes. The borrowers have expressed their opinions regarding diversification of loan amount. The diversification of loan amount details of the borrowers is presented in table 2.

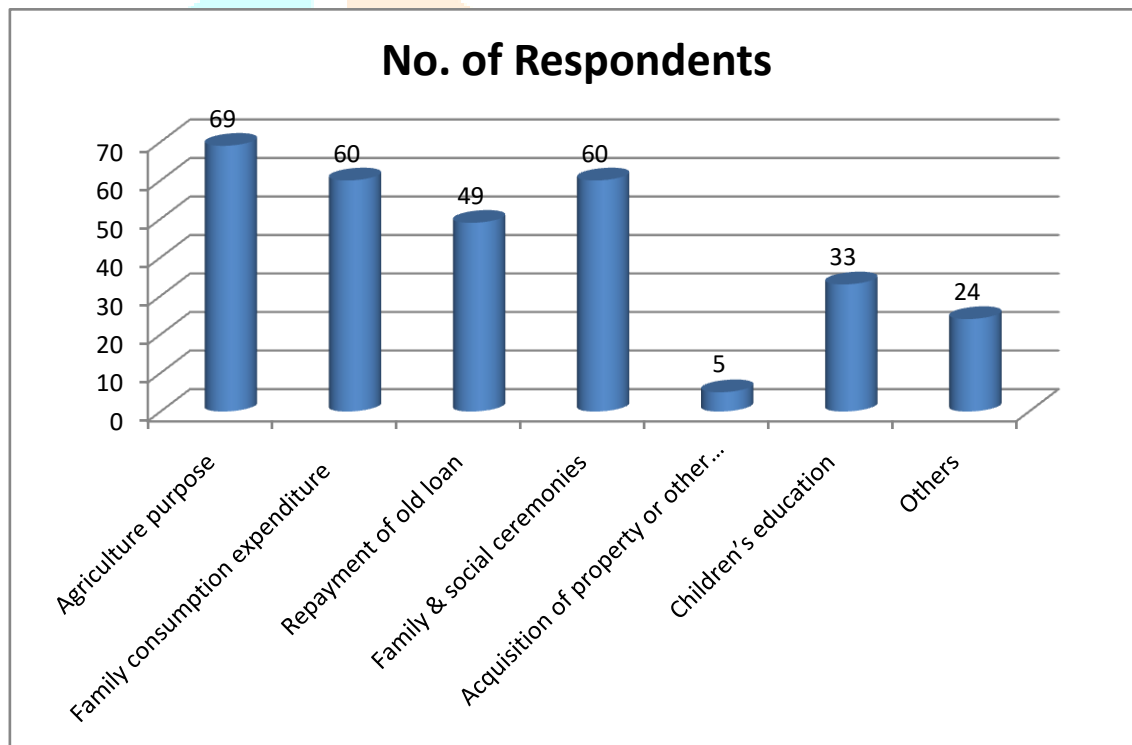
Table 2

Diversification of Loan Amount

S.No.	Utilization of loan amount	No. of Respondents	Percentage to total
1.	Agriculture purpose	69	23.00
2.	Family consumption expenditure	60	20.00
3.	Repayment of old loan	49	16.33
4.	Family functions and social ceremonies	60	20.00
5.	Acquisition of property or other assets	05	01.67
6.	Children's education	33	11.00
7.	Others	24	08.00
	Total	300	100.00

Source: Field Data.

It is noticed from the table 2 that 23.00 per cent of the borrowers have utilized loan for agricultural purpose only, 20.00 per cent of respondents have used their loan amount to family consumption expenditure, repayment of old loans in the case of 20 per cent of the respondents have utilised for 16.33 per cent, family functions and social ceremonies, acquisition of property or other assets by 1.67 per cent, 11.00 per cent of the respondents have spent for children's education and 8 per cent have used for other expenses. Some respondents have expressed that they have spent their loan amount for two or three purposes. Out of 300 respondents, only 23.00 per cent of the respondents have utilised their loan amount to agricultural purpose and 77.00 per cent of the respondents have used their loan amount for other purposes. Only a meagre per cent i.e. 1.67 per cent loan amount is used for creation of assets like house sites. It indicates a positive signal of utilization of Syndicate bank loans.



Sources of Repayment

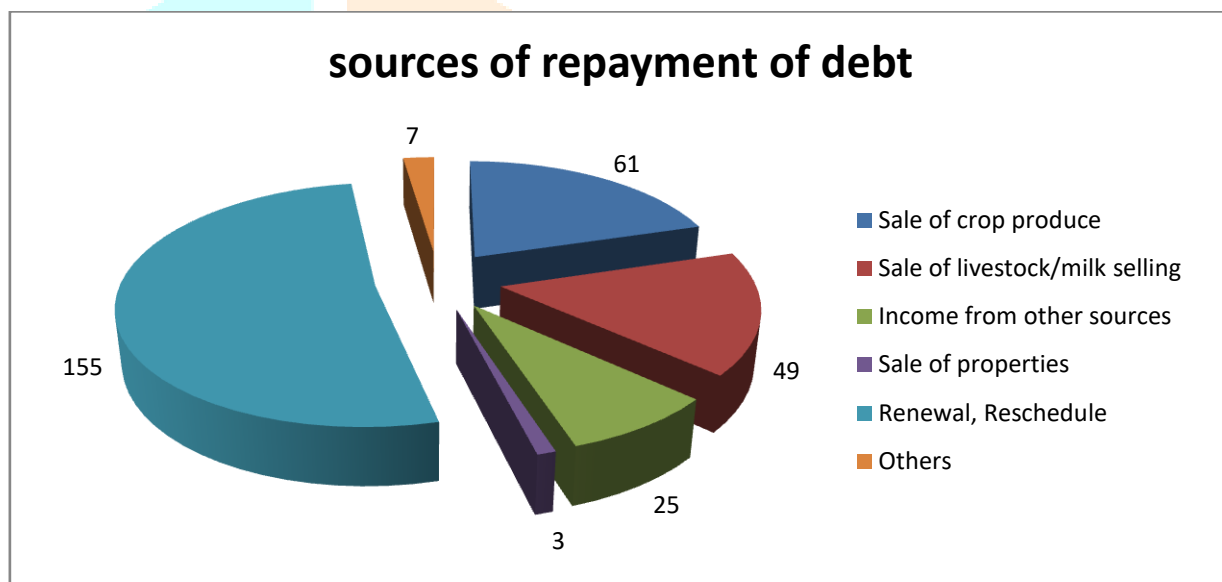
The borrowers are repaying their loans by getting the income from different sources. The opinions of borrowers are collected and given in table 3.

Table -3

Source of Repayment

S.No.	Source of repayment	No. of Respondents	Percentage to total
1.	Sale of crop produce	61	20.33
2.	Sale of livestock/milk selling	49	16.33
3.	Income from other sources	25	08.33
4.	Sale of properties	03	01.00
5.	Renewal, Reschedule	155	51.67
6.	Others	07	02.33
	Total	300	100.00

Source: Field Data.



The borrowers have repaid their loans from their incomes from different sources like; sale of crop produce (20.33%), sale of livestock/milk selling (16.33%), income from other sources (8.33%), sale of properties only one per cent, renewal or rescheduled (51.67%) and other sources (2.33%). Majority of the respondents constituting 51.67 per cent have utilized the facility of renewal or reschedule of loans but they didn't repay the principal amount for longer time. They pay only interest amount. Farmers expect that political parties may help them to wave their loan amount. This attitude of borrowers will lead to increase of outstanding amount of debts in banks.

Findings

1. Majority of the sample respondents (out of 184) opinion on getting loans from bank, who are well known to government officials those people are getting loan from bank and also there is no idea about rules and regulations of every individuals.
2. Majority of the sample farmers are diversification of loan amount for agricultural purpose and followed by family expenditure, repayment of old debt and their children education in the present study.
3. Majority of the respondents have utilized the facility of renewal or reschedule of loans but they didn't repay the principal amount for longer time. They pay only interest amount. Farmers expect that political parties may help them to wave their loan amount. This attitude of borrowers will lead to increase of outstanding amount of debts in banks.

References

1. Hanumantha Rao C.H., "Policy Issues relating to Irrigation and Rural Credit in G.S. Bhalla, (ed), 1994; Economic Liberalization and Indian Agriculture", Institute for Studies in Industrial Development, pp.287-307.
2. Dandekar, V.M., "The Indian Economy Agriculture 1947-92" Volume-I, Sage Publications, New Delhi, 1994.
3. Dixit R.S. and Chakraborty T.S., "A Critical Examination of NABARD Operation", Banking Finance, July 1995, Calcutta, pp.9-11.
4. Shete. B.N., "Emerging Issues in Bank Financing to Hitech Agriculture", SBI, Monthly Review, Bombay, May, 1995, p.p.229-230.
5. Anita Gill, "Interlinked Agrarian Credit Markets in Punjab, Exploitative, Yet Growing", Economic and Political Weekly, 9 March, 1996, pp. 586-588.
6. Pandey. R.K., "Financing of Priority Sector by Commercial Banks in India Recent Progress", Agricultural Banker, January-March, 1997, p.p. 39-40.
7. Narasimham Committee submits its "Report to Finance Minister", Press Information Bureau, New Delhi, 23rd April, 1998.