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INSTITUTIONAL CREDIT TO AGRICULTURAL SECTOR: A CASE STUDY OF PRAKASAM DISTRICT

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Introduction

Agriculture is one of the most prominent sectors in India's economy. It accounts for 17.8 per cent of the GDP by employing 52 per cent of the country's population. Around one-quarter of India's national income originates from the agricultural sector. In a developing country like India, agriculture plays a predominant role in shaping the lives of people to a great extent. The largest portion of the natural resources of India consists of land and by far the largest number of its inhabitants is engaged in agriculture. Therefore, in any scheme of economic development of the country, agriculture holds a position of basic importance. Although Indian agriculture is way back compared to the levels in developed countries, some notable developments have taken place over the years since Independence in 1947. Large areas which suffered from repeated failures of rainfall have received irrigation, and new crops have come to occupy a significant position in the country's production and trade. The agricultural and the industrial economies in the country now exert a powerful influence on each other. The problems of rural indebtedness and the exploitative practices of the village money lenders are much less and there is already an awakening and a desire for raising standards of living in the country.

Institutional Credit to Agriculture:

The saga of institutional credit began even before independence with the advent of co-operatives on the lending scene of money to the needy. However, as a result of the first two Five Year Plans, the credit needs of rural sector increased tremendously due to the application of improved technology. It was found that co-operatives alone were not able to meet the growing needs of agriculture. Today, besides co-operative credit institutions, rural branches of Commercial Banks and Regional Rural Banks (RRBs) cater to the credit needs of farmers. Yet, credit flow to small farmers has remained far below their needs. The cooperative credit structure with its base, style of functioning and viability is considered the most suitable for agricultural finance. It has assumed greater importance in India which is unparalleled in the world.

Institutional credit is not exploitative and the basic motive is always to help the farmer to raise his productivity and maximize his income. The rate of interest is not only relatively low but can be different for different groups of farmers and for different purposes. Institutions also make a clear distinction between short-term credit and long-term credit requirements and give loans accordingly. Finally, institutional credit is fully integrated with other needs of agriculturists. The farmers require not only credit but also guidance in the planning of their agricultural operations like the use of seeds, fertilisers and pesticides etc., assistance in raising crops and in general, help for maximizing their income. Agricultural credit and agricultural improvement should go hand in hand and the farmers should be taught improved farming methods and also be provided adequate and cheap credit. In all developed countries, provision of credit facilities and extension services go hand in hand. This work can be done best by institutions like cooperative societies and commercial banks and not by rapacious money lenders and commissions agents.

Every state has one State Co-operative Bank (SCB) and numerous Primary Agricultural Co-operative Societies (PACS). The crucial link between State Co-operative Bank (SCB) and Primary Agricultural Co-operative Societies (PACS) are the District Co-operative Central Banks (DCCBs). District Co-operative Central Banks (DCCBs) play a key role in providing advances to farmers for agricultural and allied activities. Though co-operative sector is given considerable importance, its performance in the recent years has not been impressive. Majority of co-operatives, barring a few, are not performing satisfactorily.

Table - 1: Institutional Credit to Agriculture

(Rs. in Crores)

Year	Co.op. Banks	Share (%)	RRBs	Share (%)	Commercial Banks	Share (%)	Total
2013-14	119964	16	82652	11	527506	73	730122
2014-15	138469	16	102482	12	604376	72	845327
2015-16	153294	17	119260	13	642954	70	915508
2016-17	142758	13	123216	12	799781	75	1065755
2017-18	150242	13	142415	12	886771	75	1179428

Source: RBI, Various Issues of Trend and Progress of Banking in India, Mumbai.
NABARD, various issues of Annual reports- Mumbai.

Objectives

My research paper an attempt to analyse solution for various objectives. The main objectives of the present study are:

1. To examine the agricultural credit system in India
2. To examine the socio-economic characteristics of the sample respondents.
3. To examine the agricultural production in Prakasam district
4. To examine the institutional credit system in Prakasam district
5. To suggest various measures to improve institutional credit system with specific reference to the study area.

Sources of data

Research can be conducted by collecting primary data or secondary data or both. The primary data is collected through a sample survey conducted in particular area. In the present study Prakasam district is purposively chosen and data was collected from small farmers, marginal farmers and tenants. The survey can be conducted either through interview method, questionnaire method or observation method. In the present study the questionnaire method is adopted. Information is gathered through a structured questionnaire for the present purpose.

The secondary sources of data include books, journals published by various authors, survey material conducted by scholars and government reports etc. In the present study both primary and secondary data are used, simultaneously but the study is mostly based on primary data.

Methodology:

Multistage random sampling technique was used in the present study to select sample households in various villages of Prakasam district of Andhra Pradesh.

- There are 3 Revenue Divisions viz. Ongole, Kandukur, Markapur in Prakasam district.
- Twelve mandals at the rate of four mandals from each revenue division were selected using Simple Random Sampling without Replacement (SRSWOR).
- From each mandal two villages were chosen again using SRSWOR.
- Thirteen households were selected from the first village and twelve households were selected from the second village.
- Thus the total sample size was 25 households x 12 mandals = 300 households for the district.

Co-operatives

Co-operatives play a vital and predominant role in catering the credit needs of small and marginal farm and poor living in rural areas. Co-operatives were introduced in 1904 in India with the enactment of Co-operative Credit Societies Act. The main objective of co-operatives is to help the most distressed class of rural people who were exploited by the rural elite for several years. The Co-operative Act of 1912 was passed to improve their co-operative movement which provided for federal co-operatives in India. Ever since, the credit through co-operatives is significant in the country. As a significant part of the multi-agency approach to credit delivery in India, co-operatives, both the short-term and long-term structure hold an important position, especially in the rural credit scenario and have played a pivotal role in the development of rural credit over the years. The geographical spread of the entire co-operative credit system covers over 74 per cent of rural credit outlets.

In conformity with the broad philosophy and strategy for reforms initiated in the country in 1991, banking sector reforms as an important component there have focused on policy frame work, improvement in financial health of banks through introduction of prudential regulations and institutional strengthening. It is especially in the context of the third element, viz. the need for building or strong institutional frame work in the co-operative sector, that the role of the National Cooperative Agriculture and Rural Development Bank’s Federations assumes particular significance in playing a catalytic role in putting together the financial and other operational inputs required for restoring the momentum of growth in this sector in the new millennium.

The Primary Agricultural Credit Societies (PACSs) form the base and function at the village level. These societies combine together as a federation into Central Co-operation Bank at the district level at second tier. Then comes the next stage when such banks federate together and form an apex bank, which is at the level of third tier of the whole system. The apex or State Co-operative Bank is closely related with the NABARD, which provides considerable financial fillip to co-operative credit structure. For long-term credit, the organization of co-operative credit structure is a two tiered one with the State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the state level as an apex body and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the district level.

Table – 2: Amount of Loan Taken Through Co-operative Bank, 2015-18

S. No.	Amount in Rs.	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 50,000	14	4.7	12	4.0	8	2.7
2	50000- 75000	11	3.7	11	3.7	9	3.0
3	75000 – 100000	12	4.0	5	1.7	6	2.0
4	100000 – 125000	8	2.7	6	2.0	4	1.3
5	125000- 150000	5	1.7	5	1.7	7	2.3
6	150000- 175000	4	1.3	9	3.0	5	1.7
7	175000+	23	7.7	15	5.0	16	5.3
	Total	77	25.7	63	21.0	55	18.3
8	No	223	74.3	237	79.0	245	81.7
	G.T	300	100.0	300	100.0	300	100.0

An analysis of table-2 shows the amount of loan taken through cooperative bank during 2015-18. Out of 300 respondents, 223 (74.3 percent), 237 (79.0 percent) respondents and 245 (81.7 percent) of the respondents did not take loan from the co-operative bank during the years 2015-16, 2016-17, and 2017-18 respectively.

In the year 2015-16, out of 77 respondents who took loans from the cooperative banks, 14 (18.2 per cent) respondents had taken below Rs.50,000 and 23 (29.9 percent) respondents had taken loan above Rs.1,75,000.

Out of 63 respondents who took loan from cooperative banks in 2016-17, 12 (19.0 percent) respondents had taken loan below Rs.50,000, 11 (17.5 percent) respondents had taken loan in between Rs.50,000-75,000 and 15 (23.8 percent) respondents had taken loan above Rs.1,75,000.

Out of 55 respondents who took loan from cooperative banks in 2017-18, 9 (16.4 percent) respondents had taken loan in between Rs.50,000-75,000,7 (12.7 percent) of the respondents had taken loan in between Rs.1,25,000-1,50,000 and 16 (29.1 percent) respondents had taken loan above Rs.1,75,000

Regional Rural Banks (RRBs)

The setting up of RRBs has been a significant development in the Indian Banking scenario. The RRBs are state sponsored, regionally based and rural oriented CBs. The innovation in the field of rural finance has aroused a great deal of interest among policy makers and observers. It was in the early period of 1975 that the idea of setting up of RRBs was strongly mooted by the Narasimhan Working Group. The Group had foreseen better banking services to the weakest of the weak in the country side through the

RRBs. These were conceived to combine the good features of both the co-operatives and the CBs which had served the rural community over several decades in the past. More so, even after their nationalization, CBs continued to have an urban bias and cooperatives could not change the outlook and infuse dynamism in their handlings.

As an integral part of the new economic programme for rural upliftment, it was decided to establish a special financial institution in the country. Accordingly the GOI promulgated an ordinance on 26th September 1975, which was subsequently replaced by the RRBs Act, 1976 and five RRBs were established on 2nd October 1975. The objectives sought to be achieved were to develop the rural economy by providing relatively cheaper credit for the growth of agriculture, trade and industry in rural areas and to make available credit to the vulnerable sections of the rural society. The formation of RRBs can be compared as cross/hybrid between the co-operatives and CBs. The objectives are like co-operatives and management is like CBs. The RRBs are considered to be complimentary to these two big institutions. The RRBs have been playing a pivotal role in providing credit and banking services in the rural areas by opening a large network of branches, More than 90 per cent of these were located in unbanked rural centers.

Table -3: Amount of Loan Taken through RRB's, 2015-18

S. No.	Amount (Rs.)	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 50,000	13	4.3	15	5.0	12	4.0
2	50000 - 75000	12	4.0	13	4.3	10	3.3
3	75000 – 100000	6	2.0	7	2.3	7	2.3
4	100000 – 125000	8	2.7	6	2.0	5	1.7
5	125000 - 150000	7	2.3	2	0.7	3	1.0
6	150000 - 175000	5	1.7	1	0.3	4	1.3
7	175000 +	2	0.7	3	1.0	2	0.7
	Total	**53**	**17.7**	**47**	**15.7**	**43**	**14.3**
8	No	247	82.3	253	84.3	257	85.7
	G.T	300	100.0	300	100.0	300	100.0

An analysis of the table-3 shows the amount of loan taken through commercial banks during 2015-18. Out of 300 respondents, 247 (82.30 percent) of the respondents did not take loan from RRBs in 2015-16 and the remaining 53 (17.7 percent) of the respondents had taken loan. The Majority i.e., 13 (24.5 percent) of the respondents had taken loan below Rs.50,000 followed by 12 (22.6 percent) respondents in between Rs.50,000-75,000. Only 2 (3.8 percent) respondents taken loan whose value is above Rs.1.75,000 and above.

Out of 300 respondents, 253 (84.3 percent) of the respondents did not take loan from RRBs in 2016-17 and the remaining 47 (15.7 percent) of the respondents had taken loan. Out of them, 15 (31.9 percent) 24 (20.2 percent) respondents taken loan below Rs.50,000 followed by 13 (27.7 percent) respondents taking loan value being in between Rs.50,000-75,000. 3 (6.4 percent) respondents had taken loan Rs.1,75,000 and above.

Out of 300 respondents, 257 (85.7 percent) of the respondents did not take loan in 2017-18 and the remaining 43 (14.3 percent) of the respondents had taken loan from RRBs. Out of them 10 (3.3 percent) of the respondents taking loan value being in between Rs.50,000-75,000 followed 7 (16.3 percent) of the respondents taken loan in between Rs.75,000-1,00,000.

Commercial Banks

After the advent of Green Revolution, the credit needs of agricultural sector have increased considerably much beyond the capacity of cooperatives. Therefore commercial Banks (CBs) were inducted into the field of agricultural credit under the policy of "Social Control over the Banks" in 1967. The process was intensified with the nationalization of CBs in 1969.

In order to ensure flow of credit to the agricultural sector, a share of 18 per cent of net bank credit is targeted for lending to agriculture by the commercial banks. The National Bank for Agriculture and Rural Development (NABARD) is an apex organization in the field of agriculture and rural development. It has taken several initiatives for facilitating flow of credit to the sector. The introduction of Kisan Credit Card scheme in the recent past has facilitated the rural lending. Reserve Bank of India (RBI) has evolved a scheme to increase the flow of credit to agriculture under which Commercial Banks have been advised to prepare annual action plan for disbursement of credit to agriculture under different heads.

Table – 4: Amount of Loan Taken Through Commercial Banks, 2015-18

S. No.	Amount (Rs.)	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 50,000	17	5.7	19	6.3	13	4.3
2	50000 - 75000	14	4.7	15	5.0	16	5.3
3	75000 – 100000	15	5.0	24	8.0	21	7.0
4	100000 – 125000	13	4.3	17	5.7	15	5.0
5	125000 - 150000	11	3.7	14	4.7	13	4.3
6	150000 - 175000	16	5.3	18	6.0	17	5.7
7	175000 +	10	3.3	12	4.0	9	3.0
	Total	**96**	**32.0**	**119**	**39.7**	**104**	**34.7**
8	No	204	68.0	181	60.3	196	65.3
	G.T	300	100	300	100.0	300	100.0

An analysis of the table-4 shows the amount of loan taken through commercial banks during 2015-18. Out of 300 respondents, 204 (68.0 percent) of the respondents did not take loan from commercial banks in 2015-16 and the remaining 96 (32.0 percent) of the respondents had taken loan from the commercial banks. The Majority i.e., 17 (17.7 percent) of the respondents had taken loan below Rs.50,000 from commercial banks and only 10 (10.4 percent) respondents taken loan from commercial bank whose value is above Rs.1.75,000.

Out of 300 respondents, 181 (60.3 percent) of the respondents did not take loan from commercial banks in 2016-17 and the remaining 119 (39.7 percent) of the respondents had taken loan from commercial banks. Out of them 24 (20.2 percent) of the respondents taking loan value being in between Rs.75,000 to

1,00,000followed 19 (16.0 percent) of the respondents taken loan below Rs.50,000.Only 12 (10.1 percent) respondents had taken loan Rs.1,75,000 and above.

Out of 300 respondents, 196 (65.3 percent) of the respondents did not take loan from commercial banks in 2017-18 and the remaining 104 (34.7 percent) of the respondents had taken loan from commercial banks. Out of them 21 (20.2 percent) of the respondents taking loan value being in between Rs.75,000 to 1,00,000followed 17 (16.3 percent) of the respondents taken loan in between Rs.1,50,000-1,75,000. Only 9 (8.7 percent) respondents had taken loan Rs.1,75,000 and above.

Finding of the Study:

Basically Indian economy is agriculture economy. Rural economy is a backbone of the country. Still most of the people depend upon agriculture sector for their living standards. In India most of the farmers are small and marginal farmers and also illiterates. For the performance of various agriculture developmental activities finance is required. In the beginning most of the farmers are getting credit from the non-institutional financial sources, such as moneylenders, landlords, traders and businessman, commission agents friends and relatives, but they are imposing higher rate of interest, in order to overcome that problem Government is taking initiative step to provide finance to the agriculture farmers in the form of crop loan and also protect the farmers. It was launched various wings under Co-operative Agricultural Credit Societies, Commercial Banks and Regional Rural Banks.

Policy Implications and Suggestions:

Agricultural Credit is playing a vital role in view of most of the people depends on Agriculture. Hence, getting of credit requires a multi-pronged approach. In the light of findings of the study the following suggestions are made for effective implementation of the strategies to further advance the pace of agriculture credit in the district in particular and in the state general.

- The basic role of credit in agriculture is to provide capital to acquire any kind of productive assets land, machinery etc. Credit provides the means for many farmers to adjust their operations to keep up with the constant changes.
- Credit is crucial in the agriculture sector to enhance the productivity of crops and animals used as food for human beings.
- Farmers usually obtain low crop production due to lack of capital and credit is capital alternative to enhance productivity in agricultural sector.
- Most of the farmers are small and marginal and also most of them are illiterates, therefore they are not aware schemes and programmes implemented by the Government, then Government will take initiative steps to create awareness among the farmers regarding schemes.

- More number of the respondents are tenants and agriculture labourer and hence there is less access to institutional credit. In order to improve productivity of agricultural, Government must provide credit to even tenants and agricultural labour.
- Majority of the respondents still depends upon non-institutional credit particularly depends on moneylenders because they are providing easy money to them, but in institutional agencies are imposing more restrictions on farmers. Hence, Government will provide easy money to them. Simply by declining restrictions.
- Moneylenders are imposing higher rate of interest such as 36% to 60%. It is very burden to the debtors. Hence, from the Government side there is a regulatory authority is needed.
- Value of production is not very high. Most of the respondents are raising traditional crops and not shifting to commercial crops.
- Most of the loans borrowed by the respondents are short term loans, medium and long term loans are negligible. Hence, Government must motivate to the medium and long term loans in order to improve the income standards by performing various developmental activities performed by farmers.
- Among the institutional agencies Commercial Banks and Cooperative Banks are providing more loans to the farmers. Similarly RRBs must be strengthened by the Government to enhance agricultural credit because RRBs are launched in most of the rural areas, these are the areas are the backbone of the country.
- There is an increasing trend of institutional agencies and declining trend the non-institutional agencies. It is congenial or health atmosphere to the farmers even though institutional agencies must be strengthened.
- The entire study reveals that the loans outstanding amounts till high and number of defaulters are also very high.
- It is noticed that crop failure is not major reason for non-repayment of loan, but high expenditure on family maintenances. Obviously most of the respondents in the present study are tenants and agricultural labourers and they forced to borrow even for subsistence, because one or two members are working remains are depending people.
- Most of the respondents are unable to create an asset like land, because there is no surplus in the production, it is sufficient to meet their needs and their income is very less i.e. Rs.40,000 per annum.
- Even the low leves of income earned by the individuals in the district were not equitably distributed among various mandals in the three revenue divisions. The income levels of households in dry mandals were very low compared to delta mandals. These spatial disparities in the distribution of income are to be corrected by focusing special attention on backward and dry mandals like Markapur Revenue Division.

- Indian agricultural is a gambling in monsoon. In this context Government while providing loans to the farmers, they are restricting that farmers must pay within one year, otherwise we cannot provide crop loan to next year. It must be liberalise.

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