



Agricultural credit in Andhra Pradesh-An analytical study

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Abstract

Agriculture is the main source of the Indian economy in the last 75 years. The adoption of new technology and HYV seeds has increased productivity of crops considerably. It resulted in increasing in the demand for modern inputs like seeds, fertilizers, pesticides, insecticides, labour charges, irrigation charges and other charges. In most of the cases, the Indian farmers are not able to meet the expenditure, because of the low size of the holdings, low productivity, low income and high level of consumption for domestic needs, with the backdrop of all these issues, they borrow loans from institutional agencies and non-institutional agencies to increase their productivity and income level. Multistage random sampling method has been followed to select 300 sample borrowers for the study. For the present study, three mandals selected in Kadapa District and two villages from each mandal selected. six villages were selected randomly, out of which 300 sample barrowers were selected for the study. The main object of the study is the performance of financial institutions in the district, repayment performance of the barrowers and suggested measures for making the recovery of over dues from the barrowers. The present study is based on an exclusive interview method. Schedules has been prepared and canvassed for the collection of data. The collected data were analysed with appropriate statistical tools like with percentages and averages.

Keywords: agricultural credit, purpose of the loan, availed loan and repayments

Introduction

Agriculture is the main source of the Indian economy in the last 75 years. The adoption of new technology and HYV seeds has increased productivity of crops considerably. It resulted in increasing in the demand for modern inputs like seeds, fertilizers, pesticides, insecticides, labour charges, irrigation charges and other charges. In most of the cases, the Indian farmers are not able to meet the expenditure, because of the low size of the holdings, low productivity, low income and high level of consumption for domestic needs, with the backdrop of all these issues, they borrow loans from institutional agencies (Co-operatives, Commercial banks and RRB) and non-institutional agencies (Money lenders, Traders, Relatives and Land lords) to increase their productivity and income level. In earlier days the agricultural finance is provided only by Co-operatives, Land Development Banks and private money lenders. After nationalization of Commercial Banks (1969) and establishment of Regional Rural Banks in 1975, both banks are extending credit facilities for agricultural activities. The nationalization of banks had made at least three positive contributions towards the up-liftment of the rural economy. They are (1) Institutionalization of credit; (2) commercialization of agriculture; and (3) Adequacy of credit flow both for production and consumption purposes.

The agricultural credit has assumed a great significance in our national agricultural policy and programmes. The credit requirement of all the farmers in the country was stood at Rs.69,560 crores during 2002-2003 and the target credit was Rs. 15,66,421 crores for the year 2020-2021. Though the agricultural finance was taken on priority basis, the performance of repayment of agricultural loans is not satisfactory because of various reasons. The equally important is that the borrowers should repay the loans within the period so that objective of agriculture finance is achieved effectively. The non-repayment of loans may paralyse the total agricultural credit structure which is designed for increasing the agriculture productivity of the nation. In view of the above facts, the present study has been under taken with the objective of finding credit and repayment capacity of the farmers. Physiographically, the State of Andhra Pradesh is broadly divided into two regions viz. Coastal Andhra and Rayalaseema. The Rayalaseema region consists of the districts of Anantapur, Chittoor, Kadapa and Kurnool, which occupies about 67.41 lakh Sq. Km of the total area of the State. Multistage random sampling method has been followed to select 300 sample borrowers for the study. For the present study, three mandals selected in Kadapa District and two villages from each mandal selected. six villages were selected randomly, out of which 300 sample barrowers were selected for the study. The present study is based on an exclusive interview method. Schedules has been prepared and canvassed for the collection of data. The collected data were analysed with appropriate statistical tools like with percentages and averages.

The main object of the study is the performance of financial institutions in the district, repayment performance of the barrowers and suggested measures for making the recovery of over dues from the barrowers. The sample barrowers got the loans from the different financial institutions like State Bank of India, Andhra Bank, Syndicate

Bank, Canara Bank, etc. The sample borrowers availed loans from different institutions are presented in Table-1. From the Table – 1, it is clear that all size of farmers (small, medium and large size farmers) were mainly financed by Andhra Banks (33.33 per cent) followed by State Bank of India (29.66 per cent) Syndicate Bank (21.33 per cent) and Canara Bank (15.66 per cent) in the study area. The small size farmers are mainly financed by State Bank of India (31.74 per cent), Andhra Bank (36.51 per cent), Syndicate Bank (19.04 per cent) and Canara Bank (12.69 per cent); the marginal size farmers also financed by Andhra Bank (29.62 per cent), State Bank of India (31.48 per cent) and Canara Bank (16.66 per cent); while the large size farmers are financed only by State Bank of India (25.75 per cent) Andhra Bank (30.31 per cent), Syndicate Bank (24.24 per cent) and Canara Bank (19.69 per cent). In total study area, loans for all farmers were mainly financed by State Bank of India and Andhra Bank Only in the study area.

The financial institutions are providing loans for the farmers. But farmers avail the loans apart from agricultural activities, for other purposes which are related to agricultural and rural based economic professions. Not only the agriculture activities, but other purposes and economic professions, farmers availed the loans facility by financial institutions. The main purpose of the loans is crop loans, tractor loans, irrigation development, live stock and other works. The distribution of borrowers by purpose is shown in Table – 2. Table – 2 reveals that all sizes of farmers avail the loans, with the highest percentage accounted for crop loans (38 per cent) followed by tractors (9.33 per cent), irrigation (27.66 per cent) and live stock (13.66 per cent) and other works (11.33 per cent) purposes. The small farmers have taken loans with highest percentage for crop loans (38.09 per cent) followed by tractors (8.73 per cent), irrigation (28.57 per cent) and live stock (13.49 per cent) and other works (11.11 per cent) purposes; the medium farmers have taken the loans with highest percentage under the crop loans (38.88 per cent), followed by followed by tractors (5.55 per cent), irrigation (28.71 per cent) and live stock (12.03 per cent) and other works (14.81 percent) purposes; while the large size farmers who have taken the loans for crop loans accounted for 36.36 per cent, followed by loans for tractors (12.12 per cent) irrigation (27.66 per cent) and live stock (13.66 per cent) and other works (11.33 per cent) purposes in the study area. It is observed from the study area that all sizes of the farmers' interest are in the agriculture activities (increasing the production) followed by subsidiary occupations like animal husbandry and dairying in the study area. The financial institutions and banks are providing loans to the farmers. All the farmers availed the loans facility in the study area. The distributions of availed loans amount are presented in Table-3. From the Table-3 observed that 50.79 per cent respondents below 50,000/-, 17.19 per cent between Rs.50,000/- – 75,000/-, 21.42 per cent between Rs.75,000/- Rs.1,00,000/- and 3.96 per cent above Rs.1,00,000/- loan are taken by the small farmers. The marginal farmers have taken the loans are 28.70 per cent respondents below 50,000/-, 47.22 per cent between Rs.50,000/- – 75,000/-, 18.51 per cent between Rs.75,000/- – Rs.1,00,000/- and 5.55 per cent above Rs.1,00,000/- have taken the loans. While the large size farmers 15.15 per cent respondents below 50,000/-, 22.72 per cent between Rs.50,000/- – 75,000/-, 22.72 per cent between Rs.75,000/- – Rs.1,00,000/- and 39.39 per cent above Rs.1,00, 000/- have taken the loans. In all the size of the farmers observed that 35 per cent respondents below 50,000/-, 32 per cent between Rs.50,000/- – 75,000/-, 20.66 per cent between Rs.75, 000/- Rs.1,00,000/- and 12.33 per cent above Rs.1,00,000/- loan are taken by the farmers.

The borrowers repayment performance towards different financial institutions like State Bank of India, Andhra Bank, Syndicate Bank and Canara Bank etc. are given in below the Table – 4. From the Table -4, we observed that only 51.33 per cent of small farmers have repaid their loans, while marginal farmers and large size farmers have repaid their loans amounted to 33.15 per cent and 15.51 per cent respectively. Still the borrowers, who were considerably higher in percentage, not re-paid their over dues. Over dues amount were more compared to repay the amount. It is observed that the small farmers have more over dues (26.54 per cent) compared to the marginal farmers (40.71 per cent) and large farmers (32.74 per cent) during the agricultural period. In over all, only 62.33 per cent of total loans were repaid and 37.66 per cent were yet to be repaid by the sample borrowers in the study area.

Conclusion

It is concluded that State Bank of India and Andhra Bank played important role in financing the agricultural and allied activities. Out of total sample farmers 29.66 per cent of the beneficiaries are from State Bank of India, 33.33 per cent beneficiaries are from Andhra Bank, 21.33 per cent beneficiaries are Syndicate Bank, and Canara bank (15.66 per cent). The small and marginal farmers preferred the loans for growing crops, livestock and irrigation development purposes. At the same time, large size farmers took loans for raising crops as well as for the purchasing of tractors and irrigation development purposes in the study area.

The small and marginal farmers have repaid their loans to the amount of 51.33 per cent and 33.15 per cent respectively, while large farmers repaid 15.51 per cent of their total loans. The small, marginal and large size farmers have over dues to the tune of 26.54 per cent, 40.71 per cent and 32.74 per cent respectively. In the entire study area, the borrowers who repaid their loans were 62.33 per cent, while 37.66 per cent of borrowers were not repaid their loan amount.

Table 1: Number of Borrowers Availed Loan from Different Institutions in Kadapa District

| Size of Farmers | Financial Institutions | | | | |
|---------------------|------------------------|-------------|----------------|-------------|-------|
| | State Bank of India | Andhra Bank | Syndicate Bank | Canara Bank | Total |
| Small Size Farmers | 40 (31.74) | 46 (36.51) | 24 (19.04) | 16 (12.69) | 126 |
| Medium Size Farmers | 32 (29.62) | 34 (31.48) | 24 (22.22) | 18 (16.66) | 108 |
| Large Size Farmers | 17 (25.75) | 20 (30.31) | 16 (24.24) | 13 (19.69) | 66 |
| Total | 89 (29.66) | 100 (33.33) | 64 (21.33) | 47 (15.66) | 300 |

Source: Field Data

Table 2: Distribution of Loans According to Purpose in Kadapa District

| Size of the Farmers | Purpose of Loan | | | | | |
|---------------------|-----------------|-----------|------------|------------|-------------|-------|
| | Crop Loans | Tractors | Irrigation | Live Stock | Other Works | Total |
| Small | 48 (38.09) | 11 (8.73) | 36 (28.57) | 17 (13.49) | 14 (11.11) | 126 |
| Marginal | 42 (38.88) | 6 (5.55) | 31 (28.71) | 13 (12.03) | 16 (14.81) | 108 |
| Large | 24 (36.36) | 8 (12.12) | 16 (24.24) | 11 (16.66) | 7 (10.61) | 66 |
| Total | 114 (38) | 28 (9.33) | 83 (27.66) | 41 (13.66) | 34 (11.33) | 300 |

Source: Field Data

Table 3: Distribution of Availed Loan Amount in Kadapa District (Rs...)

| Size of the Farmers | Loan Amount (Rs.) | | | | Total |
|---------------------|-------------------|------------------|--------------------|----------------|-------|
| | Below Rs.50,000 | Rs.50,000-75,000 | Rs.75,000-1,00,000 | Above 1,00,000 | |
| Small | 64 (50.79) | 30 (17.19) | 27 (21.42) | 5 (3.96) | 126 |
| Medium | 31 (28.70) | 51 (47.22) | 20 (18.51) | 6 (5.55) | 108 |
| Large | 10 (15.15) | 15 (22.72) | 15 (22.72) | 26 (39.39) | 66 |
| Total | 105 (35) | 96 (32.00) | 62 (20.66) | 37 (12.33) | 300 |

Source: Field Data

Table 4: Repayment Performance of Borrowers in Kadapa District

| S.No. | Size of the Farmers | Amount Repaid (A) | | | | | | Amount Over Dues (B) | | | | | | Total (A+B) |
|-------|---------------------|-------------------|----------|------------|------------|-------------|-------------|----------------------|----------|------------|------------|-------------|-------------|-------------|
| | | Crops | Tractors | Irrigation | Live Stock | Other Works | Total | Crop Loans | Tractors | Irrigation | Live Stock | Other Works | Total | |
| 1 | Small Farmers | 35 | 3 | 32 | 16 | 10 | 96 (51.33) | 11 | 2 | 4 | 5 | 8 | 30 (26.54) | 126 |
| 2 | Marginal Farmers | 24 | 4 | 21 | 9 | 4 | 62 (33.15) | 19 | 3 | 8 | 7 | 9 | 46 (40.71) | 108 |
| 3 | Large size Farmers | 6 | 9 | 9 | 3 | 2 | 29 (15.51) | 19 | 7 | 9 | 1 | 1 | 37 (32.74) | 66 |
| | Total | 65 | 16 | 62 | 28 | 16 | 187 (62.33) | 49 | 12 | 21 | 13 | 18 | 113 (37.66) | 300 |

Source: Field Data

Suggestions

The accumulation of over dues and deteriorating positions of recovery by the financial institutions can be checked by,

- The extension of repayment period in times of successive crop failures, failures due to infestation and natural calamities should be provided.
- The proper identification and evaluation of repayment capacity of the farmers should be made before giving them adequate loans.
- The production loans and consumption loans should be provided to the needy farmers.
- The proper supervision of the loans is the need of the hour for increasing the productivity of borrowers through agricultural extension activities.
- The high yielding buffaloes and milching cows should be financed on priority basis, as they will meet the immediate and daily financial needs of the borrowers.
- The repayment instalment amounts should be small, so that, marginal and small farmers can repay it easily and comfortably.

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