



AGRICULTURE CREDIT IN ANDHRAPRADESH: REGIONAL RURAL BANKS (A case study of Guntur districts)

B. PEDASAIMAMMA

Research Scholar, Department of Economics; Acharya Nagarjuna University,
Nagarjuna Nagar Guntur -522510, A.P

ABSTRACT

Agriculture is the backbone of our economy and its prosperity can largely be responsible for the well being of the entire economy. Agriculture is a major source of livelihood in India. The majority of poor people living in rural areas and the Indian economy depend from last 60 years. Agricultural finance significance is to increase access to financial services for farmers and other enterprises in rural areas. The agricultural finance is provided only by co-operatives, land developed 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 purpose. Regional rural banks were established under the provisions of an ordinance promulgated on the 26th September 1975 and the RRBs Act, 1975 with an objective to ensure sufficient institutional credit for agriculture and other rural sector. The RRBs mobilize financial resources from rural and semi urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. The objectives of RRB are summarized as to provide cheap and liberal credit facilities to small and marginal farmers, agricultural to save the rural poor from the money lenders, to act as a catalyst element and there by accelerate the economic growth in the particular region.

Keywords: Regional Rural Banks, Agricultural Credit, Credit Facilities to Agriculture.

Introduction:

Agriculture plays a crucial role in the development of the Indian Economy. And still about two –third of the working population depends upon this sector for their lively hood agriculture credit in India began with the passing of the Co-operative credit societies Act, 1904 agriculture alone providing livelihood to about 60 percent of the people and contributing about 15 percent to the gross domestic product (GDP) and is greatest private sector occupation.. In the past two decades there was a tremendous increase in agricultural production from just 1950 in 50 million tons during 1990-91 to 176.39 million tons in 2011-2012 259.29 million tons.

A large proportion of the population in India is rural based and depends on agriculture for a living. Enhanced and stable growth of the agriculture sector is important as it plays a vital role not only in generating purchasing power among the rural population by creating on-farm and off-farm employment opportunities but also through its contribution to price stability. In India, although the share of agriculture in real GDP has declined below one-fifth, it continues to be an important sector as it employs 52 per cent of the workforce. The growing adult population in India demand large and incessant rise in agricultural production. But per capita availability of food,



particularly cereals and pulses, in recent years has fallen significantly. As a result, slackening growth of agriculture during last decade has been a major policy concern.

Objectives:

1. To study the developed of institutional, non-institutional credit seaport to agricultural sector.
2. To study the credit disbursement in institutional credit in selected area.
3. To study the credit utilization of in selected area.

The Government of India has initiated several policy measures to improve the accessibility of farmers to the institutional sources of credit. The emphasis of their policies has been on progressive institutionalization. For providing timely and adequate credit support to all farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. These policy measures have resulted in the increase in the share of institutional credit of the rural households.

The government of India had in June 2004 announced a package for doubling the flow of credit to agriculture and allied activities in a period of three years commencing from 2004-05 over the amount disbursed during the year 2003-04. This target was achieved in two years.

Table: flow of credit to the agriculture sector

Year	Target (Rs)	Achievement	Per cent achievement
2003-04	--	86,981	--
2004-05	1,05,000	1,25,309	119.34
2005-06	1,41,000	1,80,486	128.00
2006-07	1,75,000	2,29,400	131.08
2007-08	2,25,000	2,54,657	107.82
2008-09	2,80,000	3,84,514	107.82
2009-10	3,25,000	3,84,514	118.31
2010-11	3,75,000	4,59,341	124.88
2011-12	4,75,000	2,62,129	107.58
2012-13	5,75,000	6,07,376	105.63
2013-14	7,00,000	4,39,310.38	62.76

(Source: PSBs/ NABARD) 1. -- Not available,

During the period 2004to 2007 agricultural credit achievement increased 2004 to 2005 119.34 and 2006 to 2007 131.08 achievement percent was increased to the agricultural credit. During the period 2007 to 2009 achievement percent was declined 107.82. During the period 2009 to 2010 agricultural credit percent 188.31, 2010 to 2011 agricultural credit achievement was increased 124.88 percent. During the period agricultural credit was decreased 105.63 percent, 2013 to 2014 agricultural credit achievement was only 62.76 percent.



AGRICULTURE CREDIT IN ANDHRAPRADESH

Agricultural credit in total credit disbursed in AP by commercial banks fell from 25 percent in 1991 to around 18 percent in 2010. At the same time agriculture's share in state domestic product fell from 33 percent to 20 percent. When compared to the contribution of agriculture to the total income of the state, one would have to say that quantitatively at least, there was a marked improvement in the provision of bank credit to agriculture, as by 2010 share of agriculture in bank credit came very close to its share in GSDP of AP state.

Number of borrowers availed loan from different institutions in Andhra Pradesh

Size of farmers	RRBs	SBI	Andhra Bank	Syndicate Bank	Cooperative Bank	Canara Bank	Total
Small	126(44.22)	35(12.29)	41(14.38)	28(9.52)	43(15.08)	12(4.21)	285
Marginal	66(34.38)	16(8.33)	35(18.23)	26(13.54)	39(20.31)	10(5.21)	192
Large	58(47.15)	8(6.51)	18(14.63)	12(9.76)	22(17.88)	5(4.06)	123
Total	250(41.66)	59(9.83)	96(16)	66(11)	102(17)	27(4.5)	600(100)

It is clear that all size of farmers (small, medium and large size farmers) were mainly financed by regional rural banks. (41.66 percent) followed by co-operative banks (17 percent), Andhra bank (16 percent), syndicate bank (11 percent), state bank (9.83 percent), and canara bank (4.5 percent).

CREDIT BASED ON PURPOSE:

The credit requirements of farmers can be classified on the basis of purpose into following categories.

1. **PRODUCTIVE:** all credit requirements of farmers directly affecting agricultural productivity, e.g. for buying seeds, fertilizers, manure and agricultural implements, digging and repair of wells and tube wells payment of wages, improvements of land etc.
2. **CONSUMPTION NEEDS:**
In the long interval of time between two crops farmers do not have sufficient income and need credit to meet their basic needs.
3. **UNPRODUCTIVE:** Indian farmers often borrow for unproductive purposes like celebration of marriage, birth, death, litigation, religious functions, festivals etc.

SOURCES OF CREDIT:

There are two sources of credit available to the farmers.

1. Institutional sources.
2. Non-institutional sources.



1. INSTITUTIONAL SOURCES:

Consists of cooperatives, commercial banks; lead bank scheme, cooperative agriculture and rural development banks, regional banks and National Banks for agricultural rural development [NABARD].

2. NON INSTITUTIONAL SOURCESS:

These included money lenders, traders, commission's agents, relatives, and landlords. There are rich farmers or land-lords, which combine farming with money lending. There are also professional money lenders whose only occupation is money lending. Consists of Initiatives, service Area approach, national agricultural insurance scheme (NAIS), Pilot modified national agricultural insurance scheme (MAAIS), kisan credit card scheme. Interest subvention scheme, extension of interest subvention scheme to post harvest loans, Bringing green revolution in eastern India (BGRED): financing agricultural investments in the eastern region- concessional refinance support.

Agency –wise credit disbursed to the agriculture sector between 2006-07 and 2012-13

Agency	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Cooperati ve banks \$ share (%)	4248018.52	4825818.95	4619215.30	6349716.51	7812116.68	8796317.21	6466426.99
RRBs share (%)	204358.91	253129.94	267658.87	352189.16	442939.46	5445010.65	3212713.41
Commere ial banks share (%)	16648572.57	18108871.11	22895175.83	28579974.33	34587773.86	36861672.13	14283859.61

Source: Commercial bank data-Indian banks association (IBA) RBI, cooperative banks and RRBs data-NABARD

Notes: \$including other, provisional, * up to September 2012

Rural credit in India:

Regional Rural Banks were established under the provisions of an Ordinance passed on 26 September 1975 and the RRB Act. 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors. These were set up on the recommendations of The Narasimham Working Group during the tenure of Indira Gandhi's government with a view to include rural areas into economic mainstream since that time about 70% of the Indian Population was of Rural Orientation. The development process of RRBs started on 2 October 1975 with the forming of the first RRB, the Prathama Bank. Also on 2 October 1976 five regional rural banks were set up with a total authorised capital of Rs. 100 crore (\$10 Million) which later augmented to 500 crore (\$50 Million). The Regional Rural Bank were owned by the Central Government, the State Government and the Sponsor Bank (There were five commercial banks,



- Providing banking facilities to rural and semi-urban areas. Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc.
- Providing Para-Banking facilities like locker facilities, debit and credit cards
- The main purpose of RRB's is to mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State.

Source of rural credit:

Development countries like India still have dominance of agricultural in their economy in terms of revenue generation as well as manpower employment. About 60percent population engaged in agricultural in India contributes to 18 percent of the GDP whereas the development countries get only 2 percent of their GDP from agricultural.

Agricultural finance is a very important thing to the farmers. Credit is a crucial input process of development.

The various sources of agricultural credit can be classified in two groups.

1. Non-institutional agencies
 2. Institutional agencies
1. Non-institutional agencies: non institutional agencies include the local villages, moneylenders, and their agents.
 2. Institutional agencies: institutional agencies co-operative societies, commercial banks regional rural banks and NABARD.

TABLE: Sources of agricultural credit (IN %)

Source	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01	2010-14
Government	3.3	2.6	3.6	4	6.1	3	4
Co-operative societies	3.1	5.5	22.7	28.6	21.6	26	24.9
Commercial banks	9	6	4	28	33.7	27	43.1
Money lenders	90.9	67.4	68.4	38.8	32.7	41	21.9
Other	1.8	13.9	1.3	6	5.9	3	6.1
Total	100	100	100	100	100	100	100

Sources: Economic survey 2010-11

Agricultural Rural credit in Andhra Pradesh (RRB's)

Agriculturists borrow loans from institutional agencies (co- operatives, commercial banks and RRB) and non- institutional agencies (money lenders, traders, relatives and land lords) to increases 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 nationalizations' of banks had made at least three positive contributions towards the up-liftmen 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.

TABLE:

Agency	2006-07	2007-08	2008-01	2009-10	2010-11	2011-12	2012-13
RRBs share (%)	204358.52	253129.94	267658.87	352189.16	442939.46	5445010.65	3212713.41

Source: Co-operative banks and RRBs data-NABARD

Rural credit stricture in Guntur district:

Guntur district as reorganized in 1981 consists of 19 talks and 21 blocks organized into three revenue divisions Tenali, Guntur and narasaraopet. The populations of the district was 34.3 lakhs as per 1981 census against 28.4 lakhs as per 1971 census, registering a grow of 28.48 percent over a decade with density of 302 persons per sq.km. Urban population from 27.6 percent of the total population against 23.46 percent for the state as a whole. The percentage of workers in the district is 43.8. Among workers 25.32 percent are in cultivation, 45.23 percent agricultural laborers and the remaining are workers. The percentage of literacy is 34.3 scheduled castes from 9.22 percent of the total population.

Rural credit structure in Guntur District:

While the population of scheduled tribes accounts for 4.07 percent. The total inhabited villages in the district are 692 and revenue villages are 728 of the total 252 urban areas in state 15 are located in this district.

TABLE: Assessment of rural credit

Rs.lakhs

S.No.	Category of farmers	Proportionate requirement	Amount estimated
Small farmers	(Proportionate requirement 100 percent)	2036.118	2036.118
Medium farmers	(Proportionate requirement 50 percent)	2363.136	1181.569
Large farmers	(Proportionate requirement 25 percent)	7383.553	1845.889
Total		11782.807	5063.575

Sources: the lead bank survey, Guntur 1983-85

Large farmers are taken into account in respect of every block in the district and details. That 100 percent requirement of the small farmers, 50 percent requirement of medimem farmers, and 25 percent requirement of laze farmers.



Guntur district – commercial banks in agricultural credit:

The set of consists of commercial banks, cooperative banks and regional rural banks. With the availability of a large number of more than 150000 rural retails banking outlets, the formal banking system has basically all enormous potential to provide financial services almost in nearly all rural areas in the country.

This share increased from 29 percent in 1971, 61 percent in 1981. Though pace of increased, still there was a 3-percent point increased to 64 percent in 1991. A long with the decline in the share of institutional sources of credit, the share of money lenders in the cash dues of cultivators increased from 17.5 percent in 1991 to 25.7 percent 2002.

Commercial banks in agricultural credit:

TABLE: Agency wise share of credit flow to agriculture

(in percentages)

Year	Co-operatives	RRBS	Commercial banks	Others	Total
1970-71	93.22	0	6.78	-	100
1980-81	58.90	4.44	36.66	-	100
1983-84	56.03	5.02	35.95	3.53	100
1990-91	49.03	3.41	47.56	-	100
1993-94	61.34	5.92	32.74	-	100
1996-97	45.22	6.38	49.71	-	100
2000-01	39.28	8.00	52.72	-	100
2001-02	37.11	7.82	54.13	0.12	100
2003-04	30.89	8.72	60.29	-	100
2005-06	21.83	8.43	69.52	0.21	100
2006-07	18.96	9.93	71.11	-	100
2008-09	12.82	9.29	77.89	-	100

Source: NABARD

Conclusion:

In developing countries, the need agricultural credit is extensively widening where farmers are wares of withered resources. There are two sources of credit available to the farmers one is institutional sources and non- institutional sources, and an institutional source consists of co-operatives rural banks, commercial banks, regional banks, etc. farmers are taking the loans from these institutions for the purpose of crops maintenance irrigations development and other works. Sometimes farmers are taking the loans not only there are taking institutional sources but also their taking non-institutional sources. Non-institutional sources consist of money landler's, tenders, commission agents, relations, and land lenders. Sometimes the farmers are failing to cultivations their crops. They become indebtedness to repair the loans their fell burden. So this is the main worse burden to the farmers.

During the period several measures were to accelerate the pace of agricultural credit and thereby ensuring that maximum advantages of institutional credit reach of



the needy and poor which in turn help raise their income pattern and living standard. This was also ensured that various measures narrow down the regional imbalances in the matter of rural credit over a period of time. Obviously, preference was accorded to backward regions and economically backward section of the society.

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