

Role of Commercial Banks and Farm Credit in Kadapa District Of Andhra Pradesh

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ABSTRACT

India has always been a predominantly agrarian country. The agriculture accounts for nearly 1/5th of the national income and is the principal means of support for the population. According to the 2011 Census, out of the total rural workers in the country, 76 per cent were employed in agriculture (58 per cent of the total workforce was employed in agriculture). In all the States, over one half to over three fourth of the rural workforce was employed in agriculture. According to the 60th Round of NSS Survey, 56 per cent of agricultural households had land holdings between 0.4 and one hectare. 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 borrowers 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 examine the perceptions of agricultural loan borrowers on accessing the credit extended by the commercial banks in Kadapa district of Andhra pradesh.

Key words:- Farm Credit, Sources of the Loan, Mode of Approach and Nature of Security

Date of Submission: 15-09-2022

Date of Acceptance: 30-09-2022

I. Introduction

The word agriculture is derived from the Latin word *agricultura*, *Ager*, means a field and *cultura*, means cultivation and in the strict sense of the word, tillage of the soil. Agriculture refers to the production of food and goods through farming and forestry. Agriculture was the key development that led to the rise of civilization, with the husbandry of domesticated animals and plants, the creating food surpluses that enabled the expansion of more densely populated and stratified societies. Agriculture encompasses a wide variety of specialties and techniques, including ways to expand the lands suitable for plant rising by digging water channels and other forms of irrigation.

India has always been a predominantly agrarian country. The agriculture accounts for nearly 1/5th of the national income and is the principal means of support for the population. According to the 2011 Census, out of the total rural workers in the country, 76 per cent were employed in agriculture (58 per cent of the total workforce was employed in agriculture). In all the States, over one half to over three fourth of the rural workforce was employed in agriculture. According to the 60th Round of NSS Survey, 56 per cent of agricultural households had land holdings between 0.4 and one hectare. It was also reported that the average income from agriculture was well below the non- agriculture average. For many years it has been argued that farmers are under-privileged, suffering from lower average returns than are enjoyed by non-farm families. The per capita income of land-owning cultivators is almost half of the non-agricultural average. Agriculture has always been India's most important economic sector. In the mid of 1990's, agriculture provided approximately one third of the Gross Domestic Product (GDP) and employed roughly two third of the population. Since Independence, the share of agriculture in GDP has declined in comparison to the growth of the industrial and service sectors. However, agriculture still provides the bulk of goods required by the non-agricultural sector as well as abundant raw materials for industry. Furthermore, the direct share of agriculture and allied sector in total export is around 18 per cent. When the indirect share of agriculture products in total exports is taken into account, the percentage is much higher.¹

Role of Agriculture in India

The Indian agriculture is gifted with fertile land and abundant availability of water resources. It had a long history of fertile plains irrigated by natural rivers. The prosperity of India is based mainly on the development of agriculture because majority of the population is engaged directly or indirectly in agriculture. Hence the development of agriculture would mean the development of the rural masses and development of India. Further the increase in agricultural productivity depends on the adoption of new farm practices such as high yielding variety seeds, chemical fertilizers, pesticides, farm machinery and assured irrigation facilities. The adoption of these practices depends on the availability of large amounts of finance. The creation of adequate and requisite credit avenues is therefore essential for agricultural progress. It represents mobilization of savings by financial intermediaries or Government from the people and through such credit operations, financial savings are transferred into capital. Credit plays an important role for the agricultural development.²

Need for Finance in the Agriculture

The finance in agriculture is an important instrument of development. The advanced technology inputs can be purchased and used by the agricultural farmers only if they have money. But their own money is always scarce and they need outside finance or credit. The basic requirement for the development of agriculture is the infusion of the much-needed credit at reasonable rates of interest. The demand for capital in agricultural development arises, the main causes are need for land and its enhancement; need for agricultural apparatus, machines and livestock; the essential inputs such as seeds, fertilizers, irrigation, pesticides, etc.; need for food, clothing and asylum to maintain the farmer and his family and need to meet emergency needs. The availability of adequate credit has been one of the major handicaps of Indian agriculture. The Indian agriculture is going through a major crisis because of the emergence of second-generation problems associated with the Green Revolution such as global economic recession, lack of crop diversifications. At the same time, many new opportunities are also emerging in this sector because of the opening up of the global market. The modern technologies like the genetic engineering, the green house mode cultivation and food processing have also come into force, which have the potential to transform the Indian agriculture forever. However, all this requires the capital investment which, an average farmer, can't afford.

Needs for Agriculture Credit for the Farmers

Now a day the agricultural credit needs rise due to the new farm technology and inadequate personal property of the agriculture farmers. The adequate and timely credit at reasonable rates is essential for the widespread use of improved and developed agricultural methods. The financial requirements of farmers can be classified on the basis of timeframe for which the funds are required. The period-wise agriculture loans classified into three types are the short-term loans (Crop loans); the medium term loans and the long-term loans. The importance of agriculture credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in macro-economic framework and its role in poverty alleviation. Recognizing the importance of agriculture sector in India's development, the Government and RBI have played a vital role in creating a broad-based institutional framework for catering to the increasing credit requirements of the sector. In India, a multi-agency approach comprising Co-operatives Banks, Scheduled Commercial Banks and Regional Rural Banks has been followed for purveying credit to agriculture sector. The importance of agricultural credit in a country like India, which is essentially rural in nature, hardly needs elaboration. The economic development of the rural areas hinges upon the availability of credit to rural economy. The agriculture credit and rural funding play a significant role in the growth of Indian economy. The rural credit and finance problems are caused by a combination of imperfection of rural credit market and the specific transaction problems, such as macro-economic instability, institutional reforms, low profitability in agriculture, high risk and uncertainty and general enforcement problems. Even though the Government provides more importance to the agriculture sector, the plan allocation declined from the First Plan to current plan.

The quantum of credit disbursement of the formal institutions to agriculture sector shows an increasing trend during the last few years. Even though the disbursements by the commercial banks have increased many folds, the credit requirements of the farmers are not fully met by the formal financing agencies, particularly the requirements of marginal and small farmers. Besides, there are diverse problems confronted by both beneficiaries and lenders. The present study is a holistic analysis of the perceptions of the agricultural loan borrowers relating to the accessibility to the credit extended by the commercial banks, cost involved in borrowings, impact of borrowings and the repayment and related problems and those of bankers towards agriculture lending and the problems they faced in the venture. Most of the available studies are region-specific, sector-specific or quantitative. So, the present study is an attempt to measure the perceptions of the agricultural loan borrowers and officials of the commercial banks and to study the multitude of intricate problems in agricultural financing, faced by the commercial banks.

II. Review Of Literature

Anjani Kumara (2010) reviewed how a number of institutional agencies are involved in the disbursement of credit to agriculture. However, the persistence of money lenders in the rural credit market is still a major concern. In this backdrop, the present study has examined the performance of agricultural credit flow and has identified the determinants of increased use of institutional credit at the farm household level in India. The study based on these secondary data compiled from several sources, revealed that the institutional credit to agriculture in real terms increased tremendously during the past four decades. The structure of credit outlets witnessed a significant change and commercial banks have emerged as the major source of institutional credit in recent years. But, the declining share of investment credit in the total credit may constrain the sustainable agricultural growth. The quantum of institutional credit availed by the farming households is affected by a number of socio-demographic factors which include education, farm size, family size, caste, gender, occupation of household, etc. The study suggested simplification of the procedure for a better access to agricultural credit of smallholders and less-educated/illiterate farmers.

Sharath and Shivakumara(2019) investigated the Finance in Agriculture is as vital as different inputs being employed in Agricultural production. It's aforementioned that a farmer is born in debt. Lives in debt and worrisome Economy is that the burden, however at an equivalent time borrowing is that the necessity for the farmers generally and marginal and tiny farmers particularly, however, it's goddam that funding of agricultural is troubled with variety of issues like the matter of over dues, disappointing credit conditions. The study shows that futures of agricultural finances and range of issues square measure faced by the farmers in availing finance for agriculture equally the banks also are experiencing several issues within the economical and effective distributions of agricultural finances, these issues are mentioned as below. The Governments through the agriculture aim at serving to farmers and solved the issues in government. The growth and productivity of agriculture Indian farmers square measure aware of pay on the far side their means that on social and spiritual functions in agricultural national economy.

Renita Souza(2020) says that the India's agrarian crisis has deepened in the past several years, contributing to the slowdown of the economy. Amongst the most crucial factors affecting the country's agricultural sector is financial inclusion. Over the years, India has attempted various measures to narrow the gap in financial inclusion for its farmers, yet the goal continues to elude the country. This paper presents a discussion of these measures, outlining the current state of financial inclusion for Indian farmers. The paper emphasises that the financial sector needs to understand the current financial realities of the farmers and consider them as an untapped credit market rather than high-risk, low-quality credit assets. It analyses the potential of impact investment and the use of philanthropic funds for disbursing credit to the poor farmers, and highlights the need to articulate a system that minimises the risk of loan failure for the farmers.

STATEMENT OF THE PROBLEM

The importance of agriculture credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in macro-economic framework and its role in poverty alleviation. Recognizing the importance of agriculture sector in India's development, the Government and RBI have played a vital role increasing a broad-based institutional framework for catering to the increasing credit requirements of the sector. In India, a multi-agency approach comprising Co-operatives Banks, Scheduled Commercial Banks and Regional Rural Banks has been followed for purveying credit to agriculture sector.

The quantum of credit disbursement of the formal institutions to agriculture sector shows an increasing trend during the last few years. Even though the disbursements by the commercial banks have increased many folds, the credit requirements of the farmers are not fully met by the formal financing agencies, particularly the requirements of marginal and small farmers. Besides, there are diverse problems confronted by both beneficiaries and lenders. The present study is a holistic analysis of the perceptions of the agricultural loan borrowers relating to the accessibility to the credit extended by the commercial banks, cost involved in borrowings, impact of borrowings and the repayment and related problems and those of bankers towards agriculture lending and the problems they faced in the venture. Most of the available studies are region-specific, sector-specific or quantitative. So, the present study is an attempt to measure the perceptions of the agricultural loan borrowers and officials of the commercial banks and to study the multitude of intricate problems in agricultural financing, faced by the commercial banks.

OBJECTIVES

- The examine the perceptions of agricultural loan borrowers on accessing the credit extended by the commercial banks in Kadapa district of Andhra Pradesh.

HYPOTHESES

- The agricultural credit has a positive impact on borrowers and there is no significant variation across different categories.

III. Research Methodology

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 borrowers 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 banks selected include the Andhra Bank (AB), State Bank of India (SBI), CanaraBank (CB)and Syndicate Bank (SB) in the study area. So the number of loan borrowers from Jammalamadugu mandal is 100, Raychoti is 100 and from mydukur mandal 100 and thus the total number of loan beneficiaries from the three mandals is 300. The mandal wise compositions of the respondents are presented in Table-1.

Table-1.

Distribution of the Sample Respondents on the Basis of mandal wise in Kadapa District

Mandal	AB	SBI	CB	SB	Total
Jammalamadugu	42	31	21	6	100
Raychoti	35	38	22	5	100
Mydukur	36	38	18	8	100
Total	113(37.66)	107(35.66)	61(20.33)	19(6.33)	300(100)

Source: Field Data

Table-1 shows that, the total 300 sample respondents, 37.66 percent respondents are from Andhra Bank, 35.66 percent from SBI, 20.33 percent from CB and 6.33 percent from SB loan borrowers in Kadapa district.

IV. Results And Discussion

Category-wise Distribution of Borrowers

In the study, the borrowers are made category-wise on the basis of the amount of loan borrowed. The categories are marginal borrowers, small borrowers, medium borrowers and large borrowers. The borrowers who borrow up to Rs. 50,000 are classified as marginal borrowers and between Rs. 50,000 to Rs.1,00,000 as small borrowers; Rs.1,00,000 to Rs. 2 lakhs as medium borrowers and those with above Rs.2 lakh are included in the category of large borrowers. The total 300 sample respondents, 101 (33.66 percent) are marginal borrowers, 85 small borrowers (28.33 percent), medium borrowers are 65 (21.66 percent) and large borrowers are 49 (16.33 percent) who availed the loans in the study area.

Source of Information on Agricultural Credit

The main sources of information on agriculture loan are friends and relatives, news paper/journals, bank employees and other sources. The term 'other sources' include the sponsoring /intermediary agencies, own experiences or observations, advertisements, etc. The sources of information on agricultural loan are analyzed category-wise and are presented in Table-2.

Table-2.

Source of Information on Agricultural Credit in Kadapa District

Source of Information	Marginal Borrowers	Small Borrowers	Medium Borrowers	Large Borrowers	Total
Bank Employees	21	16	10	8	55(18.33)
Friends & Relatives	28	27	18	14	87(29)
Neighbours	45	37	32	25	139(46.33)
Newspaper	-	-	-	-	-
Other Sources	7	5	5	2	19(6.33)
Total	101(33.66)	85(28.33)	65(21.66)	49(16.33)	300(100)

Source: Field Data

Table-2 shows that of the total respondents, 18.33 percent received the information on agricultural credit from bank employees; 29 percent received from friends and relatives; 46.33 percent received the information from Neighbours; and only 6.33 percent from other sources in the study area.

Reasons for Selection of Bank

The reasons for selecting a particular bank for agriculture loan are availability of adequate and timely credit, leniency in collection, low interest rate, personal relationship and other reasons. The other reasons are prior dealing with the bank, reference of sponsoring/intermediary agencies, etc. The reasons for the selection of a particular bank for agricultural credit are shown in Table-3.

Table-3.
Reason for the selection Agricultural Credit in Kadapa district

Reasons	Marginal Borrowers	Small Borrowers	Medium Borrowers	Large Borrowers	Total
Adequate and Timely Credit	26	21	18	16	81(27)
Low Interest rate	42	37	28	16	123(41)
Leniency in Collection	18	16	12	11	57(19)
Personal Relationship	11	8	5	4	28(9.33)
Other Reasons	4	3	2	2	11(3.66)
Total	101(33.66)	85(28.33)	65(21.66)	49(16.33)	300(100)

Source: Field Data

From the Table-3 it can be observed that the main reason for the selection of banks is the low interest rate for 41 percent respondents, 27 per cent and 19 per cent respondents selected the bank due to the availability of adequate and timely credit and leniency in collection, 9.33 percent respondents selected the bank for personal relationship and and 3.66 percent other for reasons in the study area.

Mode of Approach

The mode of approach means the way in which the borrower approached the banker for the loan. The various ways of approach are self-approach, intermediary, bank officials and others. The term others include past dealings, deposit accounts with the bank, etc. Among the sample respondents, 48.33 percent of the borrowers make direct approach for agricultural loans, 31.33 per cent through bank officials, 16 percent of the borrowers through intermediaries and 4.34 percent others approach in the study area.

Period of Loan

The period of loan means the time allowed by the banker to repay the amount with interest. Based on the period of loan, agricultural loans are classified into crop loans and term loans. The crop loans are generally allowed for a period of one year and term loans are allowed for more than one year. The category-wise period-wise loan distribution details, are shown in Table-4.

Table-4.
Periods of the Loan in Kadapa District

Period of the Loan	Marginal Borrowers	Small Borrowers	Medium Borrowers	Large Borrowers	Total
Up to One Year	88	76	59	43	266(88.66)
1-2 years	13	6	5	4	28(9.33)
2-3 years	-	3	1	2	6(2)
3-4 years	-	-	-	-	-
Above 4 years	-	-	-	-	-
Total	101(33.66)	85(28.33)	65(21.66)	49(16.33)	300(100)

Source: Field Data

Table-4 shows that, out of 300 sample respondents, 88.66 percent respondents availed loans for a period of one year, 9.33 percent for a period between 1-2 years, 2 percent for 2-3 years and no respondents 3-4 years and more than four years period in the study area.

Nature of Security

The security-based lending is the practice rampant among the commercial banks. In agriculture lending also banks demand adequate security for the loan. The security demanded by the banks includes hypothecation of goods, deposit or charge on title deed, personal security and others. The other terms are land tax receipt,

sponsorship of Govt. /Govt. agencies, guarantee of promotional agencies, etc. Among the sample respondents 49.78 percent availed loan on deposit /charge on title deed (loan on security of the land), 26.09 per cent on hypothecation/pledge of goods, 15.57 percent obtained loan on personal security and 8.55 percent on the basis of other security in the study area. The timely availability of finance is very crucial in agricultural operations. Among the sample respondents, 63.16 percent revealed that the time lag in sanctioning and disbursing of the loan amount is less than 15 days, whereas it is 15- 30 days for 27.19 percent and 9.65 percent opined that the time lag is more than 30 days in the study area. The opinions of the respondents about the delay in sanctioning and disbursing loans 74.66 percent have the opinion that there is no delay and for 25.33 per cent there is delay in the sanction and disbursement of the loan in the study area.

Security Margin

In order to ensure the prompt repayment and realization of debt, banks normally insist on security margin. In the case of agricultural lending also, banks ensure adequate security margin, i.e., the difference between amount of security obtained and amount of loan disbursed. Among the sample respondents 37.33 percent have the opinion that the security margin is high, for 48.33 per cent it is reasonable, for 10.67 percent the security margin is low and 3.66 percent felt it to be very high in the study area.

V. Recommendations

The involvement of the young people in agricultural activities is very meagre. Therefore, effective and sufficient steps are required to attract them to the agricultural sector by framing attractive financing schemes for them. The income generating ability of the agricultural sector can be enhanced by the adoption of the improved technology, mechanization and post-harvest operations. The development and adoption of technology demand the wise use of human capital of the country. A better income-generating capability would certainly encourage the involvement of educated youth in this field of economic activity. The agricultural financing schemes of the banks and various schemes formulated by the Government for the promotion agriculture should be properly propagated among the farmers, to enable them to best avail the advantages of the schemes. The Government should extend better support for the recovery of overdues and the recovery procedure should be simplified by taking into consideration the interests of both lenders and borrowers.

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P.Sujatha. "Role of Commercial Banks and Farm Credit in Kadapa District Of Andhra Pradesh." *IOSR Journal of Business and Management (IOSR-JBM)*, 24(09), 2022, pp. 66-71.