



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2016; 2(1): 141-143
www.allresearchjournal.com
Received: 07-12-2015
Accepted: 09-01-2016

Dr. P Siva Ramakrishna
Academic Consultant,
Department of Commerce,
Vikrama Simhapuri
University, Nellore

Supply of agricultural credit by different agencies in select villages in S.P.S.R. Nellore district, A.P.

Dr. P Siva Ramakrishna

Abstract

The present system of agricultural credit in S.P.S.R. Nellore district comprises two sectors, such as Institutional or formal sector and non-institutional or informal sector. The latter sector consists of the land lords, professional and non-professional money lenders, commission agents, traders, relatives and friends etc. The former sector includes Government, co-operatives, commercial banks and the Regional Rural Banks. The present study is an attempt to know the share of institutional and non-institutional credit for agriculture in select villages in S.P.S.R. Nellore district.

Keywords: Agricultural credit, Institutional credit, Non-Institutional credit

1. Introduction

Agriculture is the most important sector of Indian economy from the perspective of poverty alleviation and employment generation. It accounts for 24 per cent of national income and 58 percent of employed. It has forward and backward linkage with other sectors of the economy which is well established literature [1]. Therefore, to achieve an accelerated pace of economic growth, sustained development of the agriculture is sine Quanon [2]. Thus agricultural development is an integral part of economic development. Agriculture requires intensified technology through capitalization and mechanization [3]. Almost all the models of growth and development name recognized that capital accumulation raises the productivity capacity of the sector in which it used [4]. The capital accumulation depends on the rate of investment, which in turn depends on the rate of savings. The demand for modern inputs has considerably increased. Consequently the requirements of cultivators have gone up substantially as farm own resources are insufficient to meet the increasing capital input needs of the farm [5]. Ensuring access to credit in the rural areas for augmenting agricultural credit delivery system has been an era the process of development planning. Therefore, the role of financial institution is no exception to it. Rather the development of agriculture sector is more dependent on banking sector because 80 income [6].

The issues covered in this study are supply of credit including current borrowings and debt outstanding by different agencies by farmer wise and village wise.

2. Sample Design

The universe of the study is S.P.S.R Nellore district of Andhra Pradesh (AP.). The agricultural economy of the district is like that of the country which is characterized by regional disparities. The delta segment is prosperous and advanced. The non-delta area is backward, though there are a few prosperous villages. Therefore, with a view to keep one village from delta and another from non-delta are conveniently selected on the basis of irrigation. The villages are Gangapatnam and Lakshmpuram. The former is delta and the latter non-delta. An intensive travel across the villages of the district was undertaken before bringing the aforesaid two villages into sample from me. Stratified random sampling technique is followed and the chosen villages are divided into four strata such as: marginal farmers (up to 2.5 acres of wet land or up to 5 acres of dry land), small farmers (2.5 to 5 acres of wet land or 5 to 10 acres of dry land), medium farmers (5 to 10 acres of wet land or 10 to 20 acres of dry land), large farmers (10 acres of wet land or above 20 acres of dry land or above) from each village, 40 households brought into sample. Then the total comes to 80

Correspondence

Dr. P Siva Ramakrishna
Academic Consultant,
Department of Commerce,
Vikrama Simhapuri
University, Nellore

from both villages. The size of sample from each village is 40. This is because of time, resources and other constraints on the part of the researcher. Before canvassing the questionnaire among the selected farmers, it was pre-tested in the pilot study. In the light of the responses, modifications alterations were made to draft one.

3. Supply of Credit by Different Agencies

Supply of credit by different agencies in delta and non-delta village is presented in tables 1.1 and 1.2

A. Supply in Delta Village

Gangapatnam is selected for a detailed study to represent the delta-region in S.P.S.R. Nellore District. The supply side of

credit market of the delta village is characterized by a plurality of agencies. Co-operatives, Commercial banks and Regional rural banks are supplying credit to the farmers to the extent of 58.82 per cent in current borrowings and 47.85 per cent in debt outstanding. The informal agencies contribute the remaining share i.e. 41.18 per cent in current borrowings and 52.15 per cent in debt outstanding respectively. Among the institutional agencies Commercial banks are lending major proportion followed by Co-operatives and Regional rural banks. Among non-institutional agencies land lords are playing an important role followed by agricultural money lenders, professional money lenders, traders, relatives and friends. Commercial banks are the leading source of finance in this village.

Table 1.1: Structure of Agricultural Credit in Delta Village (Gangapatnam) during 2012-13 (Amount in Rs.)

| S. No | Agency | Current Borrowings | | | Debt outstanding | | |
|-------|--|---|--|----------|--|--|----------|
| | | Borrowed by 40 sample farmers during the year 2012-13 | Amount per sample farmer household Rs. | Per cent | Total amount outstanding on 31.03.2013 | Amount per sample farmer household Rs. | Per cent |
| A | Institutional | | | | | | |
| 1 | Government | - | - | - | - | - | - |
| 2 | Co-operatives | 210400 | 5260 | 33.38 | 76400 | 1910 | 15.52 |
| 3 | Commercial banks | 332800 | 8320 | 52.79 | 120000 | 3000 | 24.38 |
| 4 | Regional rural banks | 87200 | 2180 | 13.83 | 39200 | 980 | 7.96 |
| | Total | 630400 | 15760 | 100 | 235600 | 5890 | 47.85 |
| B | Non-Institutional | | | | | | |
| 1 | Land lords | 195800 | 4895 | 44.45 | 90400 | 2260 | 18.37 |
| 2 | Agricultural money lenders | 113200 | 2830 | 25.70 | 76000 | 1900 | 15.44 |
| 3 | Professional money lenders | 44800 | 1120 | 10.18 | 32000 | 800 | 6.5 |
| 4 | Traders | 33400 | 860 | 7.58 | 27000 | 675 | 5.5 |
| 5 | Relatives | 28000 | 700 | 6.35 | 16000 | 400 | 3.25 |
| 6 | Friends | 25200 | 630 | 5.72 | 15200 | 380 | 3.09 |
| | Total | 440400 | 11035 | 100 | 256600 | 6415 | 52.15 |
| | Grand total | 1070800 | 26795 | 100 | 492200 | 12305 | 100 |
| | a) Percentage of institutional credit on grand total | - | - | 58.82 | - | - | 47.85 |
| | b) Percentage of non-institutional credit on grand total | - | - | 41.18 | - | - | 52.15 |

Source: Sample survey

Their contribution to current borrowings amounted to Rs. 3, 32,800 in the year 2012-13 it is followed by co-operatives Rs. 2, 10,400. In debt outstanding also commercial banks, stood first compared with all other institutional and non – institutional agencies.

B. Supply in non-Delta Village

Lakshampuram village is selected to represent the non-delta region in Nellore district. Co-operatives, commercial banks, regional rural banks, land lords, agriculture money lenders, professional money lenders, traders, relatives and friends are

the major supplying agencies of agricultural credit in this village. The share of institutional agencies was 47.32 per cent in the current borrowings and 39.34 per cent in the debt-outstanding. Non-institutional agencies gave supplied to the extent of 52.68 per cent in the total current borrowings and 60.66 per cent in the total debt-outstanding. Among the institutional agencies Commercial banks stood first followed by Co-operatives and Regional rural banks. In the case of non-institutional agencies professional money lenders are leading in the supply of credit followed by land lords, agricultural money lenders, relatives, traders and friends.

Table 1.2: Structure of Agricultural Credit in non-Delta Village (Lakshmpuram) during 2012-13 (Amount in Rs.)

| S. No | Agency | Current Borrowings | | | Debt outstanding | | |
|-------|---|---|--|----------|--|--|----------|
| | | Borrowed by 40 sample farmers during the year 2012-13 | Amount per sample farmer household Rs. | Per cent | Total amount outstanding on 31.03.2013 | Amount per sample farmer household Rs. | Per cent |
| A | Institutional | | | | | | |
| 1 | Government | - | - | - | - | - | - |
| 2 | Co-operatives | 131000 | 3275 | 25.78 | 75600 | 1890 | 30.98 |
| 3 | Commercial banks | 258640 | 6466 | 50.89 | 124000 | 3100 | 50.82 |
| 4 | Regional rural banks | 118600 | 2965 | 23.33 | 44400 | 1110 | 18.20 |
| | Total | 508240 | 12706 | 100 | 244000 | 6100 | 100 |
| B | Non-Institutional | | | | | | |
| 1 | Land lords | 124800 | 3120 | 22.06 | 74400 | 1860 | 19.77 |
| 2 | Agricultural money lenders | 123920 | 3098 | 21.91 | 70800 | 1770 | 18.81 |
| 3 | Professional money lenders | 204400 | 51110 | 36.13 | 128640 | 3216 | 34.18 |
| 4 | Traders | 34560 | 864 | 6.11 | 34560 | 864 | 9.18 |
| 5 | Relatives | 50000 | 1250 | 8.84 | 44000 | 1100 | 11.69 |
| 6 | Friends | 28000 | 7000 | 4.95 | 24000 | 600 | 6.38 |
| | Total | 565680 | 14112 | 100 | 376400 | 9410 | 100 |
| | Grand total | 1073920 | 26848 | 100 | 620400 | 15510 | 100 |
| | a)Percentage of institutional credit to grand total | - | - | 47.32 | - | - | 39.34 |
| | b)Percentage of non-institutional credit to grand total | | | 52.68 | | | 60.66 |

Source: Sample survey

The contribution of commercial banks is Rs.258640 in current borrowings followed by professional money, lenders Rs.204400 during the year 2012-13. In the debt outstanding professional money lenders dominate the other institutional and non-institutional agencies.

Among the institutional agencies, Commercial banks are playing a key role compared with Co-operatives and Regional rural banks. Among the non-institutional agencies land lords, professional money lenders and agricultural money lenders are playing a vital role in S.P.S.R. Nellore district compared with traders, relatives and friends.

4. Conclusion

The share of instructional agencies in the current borrowings of the farmers and debt outstanding are 58.82 per cent and 47.85 per cent in delta village whereas the corresponding figures for non-delta villages are 47.32 per cent and 39.34 percent respectively. It is clear that in non-delta village, non-institutional credit is predominant with 52.68 per cent in current borrowings and 60.66 per cent in debt outstanding.

5. References

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