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IMPACT OF INSTITUTIONAL CREDIT ON AGRICULTURAL FARMERS IN ANANTAPURAMU DISTRICT: A STUDY

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ABSTRACT: -

Organisation of institutional credit and its utilization for farm production has become one of the major planks of agricultural development policy in the developing world. India's experience is no different from that of the rest of the world.

Commercial banks after nationalization have become an important source of finance in rural areas and bank finance is playing a vital role in raising the yield and farm business income of farmers, as it enables farmers to purchase high pay-off inputs and also one of the objectives held at the time of nationalization was to persuade the commercial banks to supply credit in favour of the priority sectors so as to enable the beneficiaries depending on these sectors to generate more employment, income, production, savings and assets by using the available borrowed funds. It is further envisaged that once this goal is realized this would help the beneficiaries of different sections to cross the poverty line. In view of this, an attempt is made to study as to what extent the sample borrowers of the farmers have succeeded in generating employment, income, production, savings and assets with the borrowed amounts of loan from Syndicate bank in Anantapuramu district of Andhra Pradesh.

KEYWORDS: *farm production , agricultural development policy , employment, income, production.*

INTRODUCTION :

Organisation of institutional credit and its utilization for farm production has become one of the major planks of agricultural development policy in the developing world. India's experience is no different from that of the rest of the world. Commercial banks after nationalization have become an important source of finance in rural areas and bank finance is playing a vital role in raising the yield and farm business income of farmers, as it enables farmers to purchase high pay-off inputs.

One of the objectives held at the time of nationalization was to persuade the commercial banks to supply credit in favour of the priority sectors so as to enable the beneficiaries depending on these sectors to generate more employment, income, production, savings and assets by using the available borrowed funds. It is further envisaged that once this goal is realized this would help the beneficiaries of different sections to cross the poverty line. In view of this, an attempt is made to study as to what extent the sample borrowers of the farmers have succeeded in generating employment, income, production, savings and assets with the borrowed amounts of loan from Syndicate bank.

REVIEW OF LITERATURE

The Reserve Bank of India's, 'Report of the Agricultural Finance Sub Committee indicated that in the rural credit system to be really useful and effective e must take into account and pay attention to the entire gamut of credit requirements of the farming community for three-fold purposes of consumption, production and social compulsions.

Rajagopalan (1968:25.30) observed that the supply of credit will depend upon the level of saving and capital formation, degree of risk and uncertainties in lending and perspectives of financial institutions. He has also stated that the institutional credit is traditionally provided by the co-operatives and Government. The share of other institutions in institutional credit is negligible.

All India Rural Credit Review Committee reviewed the progress made by institutional lending in the form of short-term, medium-term and long-term credit. The Committee suggested the entry of commercial banks into agricultural finance because of the inability of the co-operatives in meeting the credit needs of agriculture.

The National Commission on Agriculture examined the requirement of institutional credit by the commercial banks. The commission covered the new strategy of agricultural development and all aspects of rural development including production, marketing, transport and processing. The commission suggested that the commercial banks should be involved in the financing of agriculture.

OBJECTIVES

1. To study background of financial institutions in India
2. To review the institutional credit system through in agricultural sector
3. To analyse the impact of institutional credit on farmers in Anantapuramu district
4. To draw the conclusions

METHODOLOGY

Sample design and data collection

The sample design of the present study is multi-stage random sampling. Three revenue division were identified in the first stage. One mandal were selected from each revenue division in second stage. Three villages were selected from each mandal. Alltogether 300 sample borrower households (from four categories like marginal, small farmers, medium and large farmer) were identified and selected in the present study. The study based on both primary secondary data. Primary data were collected from sample borrower farmers in the study area of Anantapuramu district of Andhra Pradesh through a interview-schedule. The secondary data were collected from various government reports, banks reports and journals etc.

Analysis of the study

IMPACT OF CREDIT ON EMPLOYMENT

The main objective of institutional finance for agriculture is to generate employment opportunities agriculture sector in the economy so that the rural unemployees will improve the quality of life by earning a substantial amount of income. Bank finance for agriculture activities led to increase in the crop intensity, irrigated area and particularly under labour intensive high yielding varieties of crops. These changes will resulted in larger use of both family and hired labour and create demand for labour which ultimately lead to optimum utilization of family labour of the sample households.

Table 1 shows the category-wise employment generation different crops growth by the sample households. The category-wise employment generation shows that the large farmers occupy the first place in generating employment (22748 man days) followed by medium farmers (8559 man days), marginal farmers and small farmers (7080 man days) respectively in the study area. It indicates that the impact of bank finance on generation of additional employment is significant among the large and medium farmers compared to marginal and small farmers. Marginal and small farmers engaged more family labour than the medium and large farmers. But medium and large farmers are depending on hired labour for their farm activities. On an average additional employment generation per acre in all crops was reported 92 man days in pre-loan period it has been increased to 104 man days in post-loan period. Land holding size category-wise percentage increase of employment is presented in table 5.26.

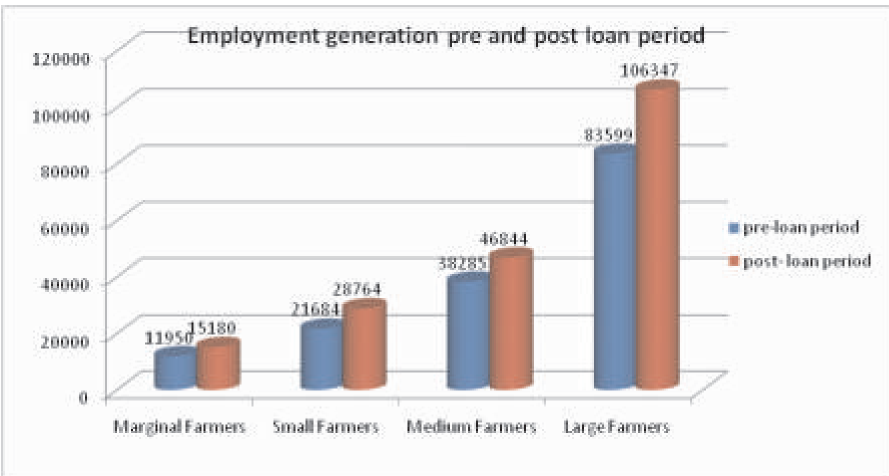
The category-wise total employment has increased from pre-loan period to post-loan period among the sample respondents. Per acre employment also increased from pre-loan period to post-loan period of all sample borrowers. The percentage increase relating to the per acre employment from pre-loan period to post-loan period are 20.42 in case of marginal farmers, 30.63 in case of small farmers, 22.35 in case of medium farmers and 27.21 among large farmers. It is inferred that the percentage increase of employment generation is the least in the marginal and medium farmers compared to the small and large farmers.

Table-1
Category-Wise Employment Generation through "All Crops" of sample Households

(Man days)

Category	Borrowers						Total increased employment	% to total
	Pre-loan period			Post-Loan period				
	area	Total Employment	Per acre Employment	area	Total Employment	Per acre Employment		
Marginal Farmers	144	11950	83	165	15180	92	3176	26.45
Small Farmers	254	21684	85	306	28764	94	7080	32.65
Medium Farmers	432	38285	88	478	46844	98	8559	22.35
Large Farmers	854	83599	97	932	106347	114	22748	27.21
Total	1684	156572	92	1881	197135	104	40563	25.90

Source: Field Data.



An average percentage increase of employment per acre was noticed at 13.04 from pre-loan to post-loan period. Therefore, it reveals that the loans extended by the commercial banks to the farmers have facilitated to bring more some additional under cultivation due assured irrigation facilities through bore wells. Besides increasing man days of employment some commercial crops are also grown which have monetary value of the agricultural production. Hence, the third hypothesis i.e. the impact of bank finance on the generation of employment is observed to be the same among the different said categories of borrowers is disproved it is further observed that there are variations in employment generation among the different categories of borrowers.

Bank finance in the post-loan period has significantly contributed towards generation of employment and facilitated to adopt improved agricultural practices and irrigation systems. Secondly, the share of family and hired labour in the total man days of employment has also increased among the borrowers. Change in creation additional mandays of employment for hired labour was more pronounced in selected area for this study. Creation of additional man days of employment for family and hired labour was more visible in Atmakur mandal than in Mudigubba and Beluguppa mandals. Villages under sample households also showed remarkable improvement in generating more number of man days of employment after availing the loan and utilization of such loans for various types of agricultural activities.

This shows that the financial assistance by the commercial banks has facilitated to generate more man days of employment among the respondent families. With the help of bank loans farmers have gained confidence to adopt improved methods of agriculture to increase the yields and remunerative prices for their proceeds. Therefore, efforts should be made by the Government to adopt policies to extend bank loans to all types of farmers at reasonable rate of interest to cover nearly 50 per cent of the population who are depending upon agriculture for their lively hoods in this country. Any effort to strengthen this sector gives additional stimulation to the economy for all-round development.

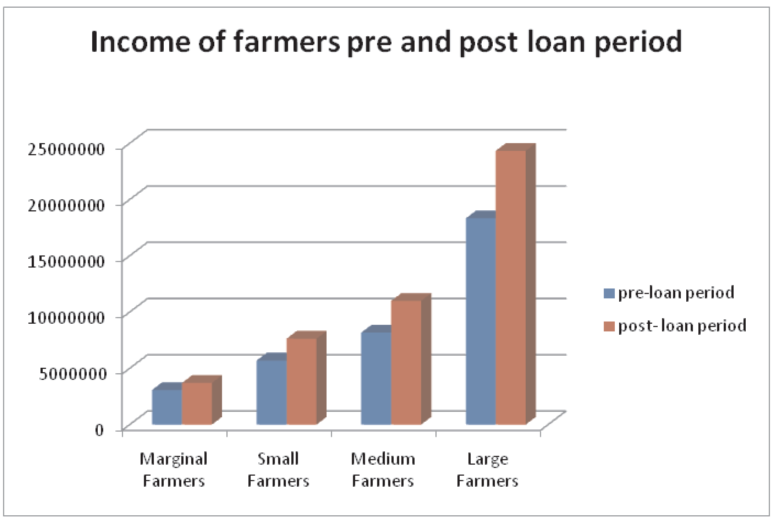
Table 2

Category-Wise Cost of Cultivation and Income of listed crops of sample Households

(In Rs.)

Category	Borrowers									
	Pre-loan period					Post-Loan period				
	Area	Total cost of cultivation	Per acre cost of cultivation	Total income	Per acre income	area	Total cost of cultivation	Per acre cost of cultivation	Total income	Per acre income
Marginal Farmers	144	1650384	11461	3077424	21371	165	2041710	12374	3698805	22417
Small Farmers	254	3142996	12374	5697728	22432	306	4000950	13075	7631946	24941
Medium Farmers	432	4739040	10970	8173440	18920	478	5683898	11891	10986830	22985
Large Farmers	854	10513594	12311	18327694	21461	932	12103884	12987	24327064	26102
Total	1684	19835836	11779	35276286	20947	1881	23666742	12582	46644645	24797

Source: Field Data.



The analysis per acre income of sample farmers which works out at Rs.21046 in pre-loan period, Rs.24797 in post-loan period is presented in table 2. Per acre income increased from pre-loan period to post-loan period is reported Rs.3850. It indicates a definite improvement of income after the use of agriculture credit by commercial banks. It is noticed that per acre cost of cultivation and per acre income are increased from pre-loan period to post-loan period of all categories of sample borrowers. However, net income in post loan period is considerably increased.

IMPACT OF CREDIT ON ASSESTS

One of the principal aims of commercial banks since the nationalization of banks was to encourage farmers to create and acquire assets out of bank loans and earn a reasonable income to lead decent life with quality. The purpose of this analysis is to find out whether bank finance has any significant impact on asset position of different categories of farmers. The value of assets of the sample farmers gives a fairly good indication of their economic status. Ownership of assets provides farmers to get an advantage in the credit market both in terms of the size and the cost of loans. An increase in the share of wealth with high signal and collateral value enables the farmers to go for large borrowings. Farm assets include land, farm buildings, farm machinery, livestock, irrigation resources, etc., Acquisition of assets would encourage the borrowers to seek employment in agriculture for a major part of the year which was not possible in the absence of adequate assets in the pre-loan period. The performance of borrowers is better in acquiring the assets in the post-loan period compared to pre-loan period.

Table 3 provides category-wise assets created by the borrowers from pre-loan and post-loan period and also the category-wise assets created by the non-borrowers. Table 3 gives the details of the households assets created by borrowers.

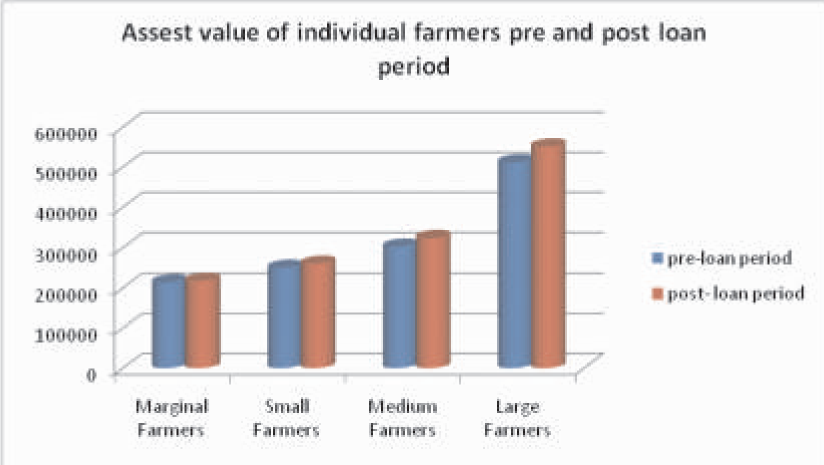
It is observed that total average household assets value owned by the sample respondents have increased from pre-loan to post-loan period. Per household assets value also has increased from pre-loan to post-loan period.

Among the borrowers, the percentage increase of per household assets value from pre-loan to post-loan period is at 1.83 in marginal farmers, 4.06 in small farmers, 6.81 in medium farmers and 7.74 in large farmers. Large farmers have got income from multiple sources as they have more land holdings and involve in other businesses like real estate and other business based on land property. The data reveals that the percentage share of assets to the total is high for almost all borrowers in post-loan period than the pre-loan period. This clearly indicates that the bank finance helped to improve their asset position. Hence, farmers with bank finance have the capacity to increase not only the volume of output but also the productivity which enable them to improve their levels of income leading to either savings or assets creation besides meeting the normal family expenditure. So, the third hypothesis i.e. the impact of bank finance on the creation of assets in the same among the different categories of borrowers is disproved.

Table 3
Household Assets created by Borrowers **(In Rs.)**

Land holding Category Wise farmers	Borrowers						% increase of phav from pre-loan to post-loan period	Increased assets
	Pre-loan period			Post-Loan period				
	No. of house holds	Total assets value	Per house-holds assets value	No. of households	Total assets value	Per house-holds assets value		
Marginal Farmers	102	21773124	213462	102	22173678	217389	1.83	400554
Small Farmers	84	20999916	249999	84	21848484	260101	4.06	848568
Medium Farmers	69	20875674	302546	69	22297488	323152	6.81	1421814
Large Farmers	45	23018040	511512	45	23800130	551114	7.74	782090
Total	300	86666754	288889	300	90119780	300399	5.13	4452986

Source: Field Data.



The foregoing analysis indicate the following:

First, change in the amount of assets has taken place on the part of almost all types of borrowers between pre-loan and post-loan periods. Secondly, almost all types of borrowers have witnessed an increase of a substantial percentage share of agricultural assets in post-loan period compared to pre-loan period. However, it is more pronounced in the case of marginal and small farmers than in the case of medium and large farmers between pre and post-loan periods. This has fulfilled one of the objectives of nationalization of banks which aims at helping the marginal and small farmers in acquiring more of tangible assets out of bank loans. Further, the percentage share of assets to the total has shown improvement in post-loan period over pre-loan period among all the farmers in the sample selected mandals. This situation clearly visible in all mandals of Anantapur District.

SAVINGS GENERATED OUT OF CREDIT.

One of the main objectives of the Nationalised banks is to extend loans to the farming community to improve their economic well-being. This has given scope to the farmers to generate savings in order to provide economic security for them. Besides, more savings are available at their disposal, the farmers have more repayment capacity to clear loans and get for subsequent doses of loans for promotion of their further activities.

Table 4
Household Savings of sample Respondents

Category Wise farmers	Borrowers						% increase of PHAV from pre-loan to post-loan period	Increased savings
	Pre-loan period			Post-Loan period				
	No. of house holds	Total savings	Per house hold savings	No. of house holds	Total savings	Per house hold savings		
Marginal Farmers	102	675240	6620	102	693600	6800	2.71	180
Small Farmers	84	682080	8120	84	753480	8970	10.46	850
Medium Farmers	69	772869	11201	69	855600	12400	10.70	1199
Large Farmers	45	637200	14160	45	729000	16200	14.40	2040
Total	300	2767389	9224	300	3031680	10105	9.55	881

Source: Field Data.

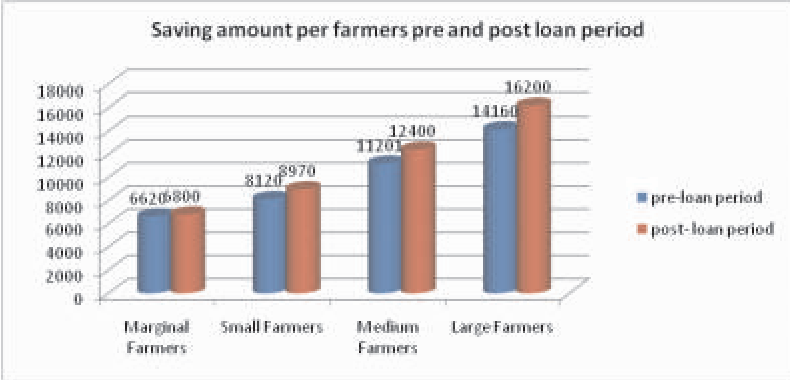


Table 4 reveals that household savings of borrowers. The total average savings increased from pre-loan to post-loan period of all borrowers and total average of per household savings also increased. In terms of absolute amount, the variation in the amount of savings between pre-loan and post-loan period is Rs.881, per household savings of all categories of farmers. This indicates that after receiving the bank loan and using the same for agricultural improvement each borrower could generate an additional savings of 9.55 per cent between pre-loan and post-loan periods.

Among different categories of borrowers, savings increased by 2.71 per cent in marginal farmers, 10.46 per cent in small farmers, 10.70 per cent in medium farmers and 14.40 per cent in large farmers respectively from pre-loan to post-loan period. The low percentage of savings has been found among the marginal and small farmers than among the medium and large farmers as the total income of them is also low due to low income from their small holdings and low income generating activities. Hence, the third hypothesis i.e. the impact of bank finance on the generation of savings is not the same among the different categories of borrowers has it is disproved in the study. According to the Eagle's Law as the income of the individual increased less proportion of the increased income is spent on consumption of food items. This Law is also holds good in case of medium and large farmers which gives much scope to have more savings than the marginal and small farmers whose major portion of income may go for consumption of food items and necessities. In this respect bank loans have definitely fulfilled the cardinal objective i.e. to enable the farmers to create more savings, which the banks cherished at the time of nationalization and post-reforms period.

The foregoing analysis on the generation of savings between pre-loan and post-loan periods by borrowers presents the following facts.First, almost all the borrowers have experienced with increased percentage change in the amount of savings between pre and post loan periods, increased percentage change in the amount of savings has occurred in the case of medium and large borrowers. Who have scope to earn more income than the marginal and small borrowers who use a major portion of earned income for consumption purposes. Finally, this study reveals that more savings have taken place in the post-loan period compared to pre-loan period.

CONCLUSIONS

Commercial banks after nationalization have become an important source of finance in rural areas and bank finance is playing a vital role in raising the yield and farm business income of farmers, as it enables farmers to purchase high quality inputs. It is observed from the analysis of data that Syndicate Bank had given huge financial assistance to all categories of farmers. Commercial banks have given high priority in advancing loans to crops and other activities like dairy, poultry, petty shops etc. The large and medium farmers have availed more agricultural credit than small and marginal farmers. Most of the irrigated area is under tube and bore wells. There is a significant impact of bank finance on the net irrigated area as well as gross cropped area, as it increased in the post-loan period than in the pre-loan period.

The crops like groundnut, paddy and sericulture are the major principle crops in the study area. The analysis of data reveals that the bank finance has a significant impact of percentage increase on per acre employment, per acre production and productivity, per household assets and per household savings in post-loan period than the pre-loan period.

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