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A STUDY ON AGRICULTURAL FINANCE IN ANDHRA PRADESH

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ABSTRACT

This paper examines the concerns and issues in agricultural finance in Andhra Pradesh. Agriculture in Andhra Pradesh, source of agriculture credit and types of agricultural schemes in Andhra Pradesh have discussed in this paper. The analysis states that the credit delivery to the agriculture sector continues to be in sufficient. In order to make it sufficient government of Andhra Pradesh is proposed to issue Rs. 69548.83 Crores towards Agriculture Credit for the year 2015-16. The Government of Andhra Pradesh has designed a strategy to transform the Agriculture and Allied sectors in Partnership with International Crops Research Institute (ICRISAT). This strategy will be operationalized in a phased manner setting the standards for a new development paradigm in tune with the change scenarios to enable Andhra Pradesh amongst the best three performing states in India by 2022.

KEYWORDS

Farmers in rural area, Natural or Organic product and Yield.

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INTRODUCTION

Agriculture sector is vital for India in view of the food and nutritional security of the nation as well as the fact that the sector remains the principal source of livelihood for more than 58% of the population though its contribution to the national Gross Domestic Product (GDP) has declined over the past years and has reached 14.2% in 2010-11 due to higher growth experienced in industries and services sectors. 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. Agriculture financing is best done by financial Institutions that have the capacity to diversify across geographical regions, economic sectors and agriculture sub sector. Agriculture is the backbone of Indian economy and development of agricultural sector is central to all strategies for planned development (Agricultural Finance Corporation, 2005)¹. The seventy five percent of the total work force in the country is dependent upon agricultural sector and all the rural population survives on this sector in one way or the other for their livelihood (Sharma and Singh, 1997)². It has always remained the most important economic sector of Indian economy. It has also been the source of raw materials to our leading industries such as sugar, cotton and jute, textiles, hydrogenated oils, food products, soap and other agro-based industries which together account for fifty percent of the income generated in the manufacturing sector of India (Malhotra, 1998)³. "Agricultural finance is the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loan able funds"⁴⁻⁶. "John B. Penson, Jr. and David A. Lins (1980). Sharma and Prasad (1971)⁷ they stated that the introduction of latest technology without credit facilities would not have significance influence on the income of the farmers. Agriculture credit has direct relationship with the income level farm productivity and agriculture development. Binswanger and Khandker (1992)⁸ found that the output and employment effect of expanded rural finance has been much smaller than in the nonfarm sector. The effect on crop output is not large, despite the fact that credit to agriculture has strongly increased fertilizer use and private investment in machines and livestock. High impact on inputs and modest impact on output clearly mean that the additional capital investment has been more important in substituting for agricultural labor than in increasing crop output.

Agriculture in Andhra Pradesh

Andhra Pradesh State is identified as the "bejewelled rice bowl of India". Agriculture plays a crucial role

in the economy of Andhra Pradesh. Large segment of the population is dependent on the agriculture sector for employment and income. About the population of Andhra Pradesh lives in rural areas and depends for its livelihood on agriculture and the rural non-farm sector. Expansion of farm incomes continues to be an effective strategy for reducing poverty. Rapid and sustainable growth in Agriculture has been identified not only as a key driver for economic development but also for achieving self-sufficiency and ensuring food security to the people. Andhra Pradesh over the decades has witnessed gradual transformation of the agricultural sector. The nature of the transformation itself has undergone change overtime. During 1980s, there was a shift in agriculture from traditional cereal based system towards commercial commodities such as oil- seeds, cotton and sugarcane. By 1990s, even though the crop sector witnessed high volatility due to consecutive droughts and decelerating crop yields, the transformation continued towards high-value commodities such as fruits, vegetables, milk, meat, poultry and fish. In fact, high-value commodities performed impressively.

Sources of Agricultural Credit

The sources of agricultural finance are broadly classified into two categories: (A) Non institutional Credit Agencies or informal sources, and (B) Institutional Credit Agencies or Formal Sources.

A. Non-institutional Credit Agencies

Traders and Commission Agents

Traders and commission agents advance loans to agriculturists for productive purposes against their crop without completing legal formalities. It often becomes obligatory for farmers to buy inputs and sell output through them. They charge a very heavy rate of interest on the loan and a commission on all the sales and purchases, making it exploitative in nature. It an important source of finance in case of cash crops like cotton, tobacco and groundnut.

Landlords

Mostly small farmers and tenants depend on landlords for meeting their production and day to day financial requirements.

Money lenders

Despite rapid development in rural branches of different institutional credit agencies, village money lenders still dominate the scene. Money lenders are of two types- agriculturist money lenders who combine their money lending job with farming and professional money lenders whose sole job is money lending. A number of reasons have been attributed for the popularity of moneylenders such as: (a) they meet demand for productive as well as unproductive requirement; (b) they are easily approachable at odd hours; and (c) they require very low paper work and advances are given against promissory notes or land. Money lenders charge a very high rate of interest as they take advantage of the urgency of the situation. Over the years a need for regulation of money lending has been felt. But lack of institutional credit access to certain sections and areas had facilitated unhindered operation of money lending. Cooperative credit and self-help groups can play a major role in control of money lending.

B. Institutional Credit Agencies

Government

These are both short term as well as long-term loans. These loans are popularly known as "Taccavi loans" which are generally advanced in times of natural calamities. The rate of interest is low. But it is not a major source of agricultural finance.

Cooperative Credit Societies

The history of cooperative movement in India dates back to 1904 when first Cooperative Credit Societies Act was passed by the Government. The scope of the Act was restricted to establishment of primary credit societies and non-credit societies were left out of its purview. The shortcomings of the Act were rectified through passing another Act called Cooperative Societies Act 1912. The Act gave provision for registration of all types of Cooperative Societies. This made the emergence of rural cooperatives both in the credit and non-credit areas, though with uneven spatial growth. In subsequent years a number of Committees were appointed and recommendations implemented to improve the functioning of the cooperatives.

Commercial Banks

Previously commercial banks (CBs) were confined only to urban areas serving mainly to trade, commerce and industry. Their role in rural credit was meagre i.e., 0.9 per cent in 1951- 52 and 0.7 percent in 1961-61. The insignificant participation of CBs in rural lending was explained by the risky nature of agriculture due to its heavy dependence on monsoon, unorganized nature and subsistence approach. A major change took place in the form of nationalisation of CBs in 1969 and CBs were made to play an active role in agricultural credit. At present, they are the largest source of institutional credit to agriculture.

Regional Rural Banks (RRBs)

RRBs were set up in those regions where availability of institutional credit was found to be inadequate but potential for agricultural development was very high. However, the main thrust of the RRBs is to provide loans to small and marginal farmers, landless labourers and village artisans. These loans are advanced for productive purposes. At present 196 RRBs are functioning in the country lending around Rs 9,000 crore to rural people, particularly to weaker sections.

Micro financing

Micro financing through Self Help Groups (SHG) has assumed prominence in recent years. SHG is group of rural poor who volunteer to organise themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their savings into a common fund known as the Group corpus. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management.

AGRICULTURAL CREDIT

Agriculture is a dominant sector of our economy and credit plays an important role in increasing agriculture production. Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. For a long time, the major source of agricultural credit was private moneylenders. But this source of credit was inadequate, highly expensive and exploitative. To curtail this, a multi-

agency approach consisting of cooperatives, commercial banks and regional rural banks credit has been adopted to provide cheaper, timely and adequate credit to farmers.

Agriculture Finance is an important input which has played significant role in the development of agriculture in Andhra Pradesh. The formal credit institutions such as Cooperative Credit Institutions, Regional Rural Banks and Commercial Banks are supposed to meet the agricultural credit requirement in the state. These formal credit institutions work under the umbrella of Reserve Bank of India and National Bank for Agriculture and Rural Development. Besides the institutional credit, informal sources, particularly the commission agents/arthyias, seem to provide a significant amount of credit to the farmers.

⁹Therefore to facilitate pragmatic resource-based credit planning process at micro level, a comprehensive Credit Plan is prepared for each district for the year 2015-16. The objective is to provide timely Agricultural credit to farmers at lesser interest rate. The broad details of credit plan are as follows:

As per NABARD State Focus Paper, it is proposed to issue Rs. 69548.83 Crores towards Agriculture Credit for the year 2015-16. The targets under Agricultural Credit are as follows:

I. Crop loans: Kharif Target: Rs. 30587.59 crores.

Rabi Target: Rs. 20391.73 crores.

Total Target: Rs. 50979.32 Crores.

II. Agriculture Term Loans including

Allied to Agriculture: Rs. 18569.51 Crores.

III. Total Agriculture Target: Rs. 69548.83 Crores.

Financing Land Licensed Cultivators

In Andhra Pradesh, Many of the tenant farmers are cultivating lands on "Oral Lease basis". There are no written agreements for tenancy and also there is no practice of noting the tenancy particulars in Government Revenue records.

Loan Schemes of Agriculture

Crop Loans

Crop Loans are also called short term loans for "Seasonal Agricultural Operations." The Seasonal Agricultural Operations connote such activities as are undertaken in the process of raising various crops

and are seasonally recurring in nature. The activities include, among others, ploughing and preparing land for sowing, weeding, and transplantation where necessary, acquiring and applying inputs such as seeds, fertilizers, insecticides etc., and labour for all operations in the field for raising and harvesting the crops. Thus, the credit required to meet the current expenditure for raising the crops on land till the crops are harvested is construed as production or short term credit for seasonal agricultural operations.

Kisan Credit Card (KCC)

State Bank groups such as SBH and SBI issue KCCs to provide timely and adequate credit to farmers to meet their short-term production credit needs (cultivation expenses) besides meeting contingency expenses and expenses related to ancillary activities through simplified procedures to facilitate loans, as and when required. All agriculture clients that have a good track record for the previous two years are eligible to apply for a Kisan Credit Card from commercial banks. The credit limit of KCC is based on operational landholding, cropping pattern and ancillary, and the contingency needs of the farmer for the full year. The minimum credit limit is Rs.3000 per hectare and withdrawal can be made by easy and convenient withdrawal slips. The credit is a revolving cash/credit limit, with any number of withdrawals and repayments, and the limit is valid for three years, subject to annual review. No collateral securities are required to avail of the loan facility. This scheme also covers personal insurance against death or permanent disability, for a maximum amount of Rs.50,000 and Rs. 25,000 respectively.

National Agriculture Insurance

Scheme this scheme is available to all farmers (loanee and non-loanee) irrespective of the size of their holding. This scheme is introduced mainly to provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crops as a result of natural calamities, pests and diseases attacks. The secondary objective of the scheme is to encourage the farmers to adopt progressive farming practices, high value inputs and high technology in agriculture.

It also aims to stabilize farm incomes, particularly in bad (disaster) years. General Insurance Corporation of India is the implementing agency. This scheme covers all food crops, oilseeds and annual commercial/ horticultural crops (Figure No.1).

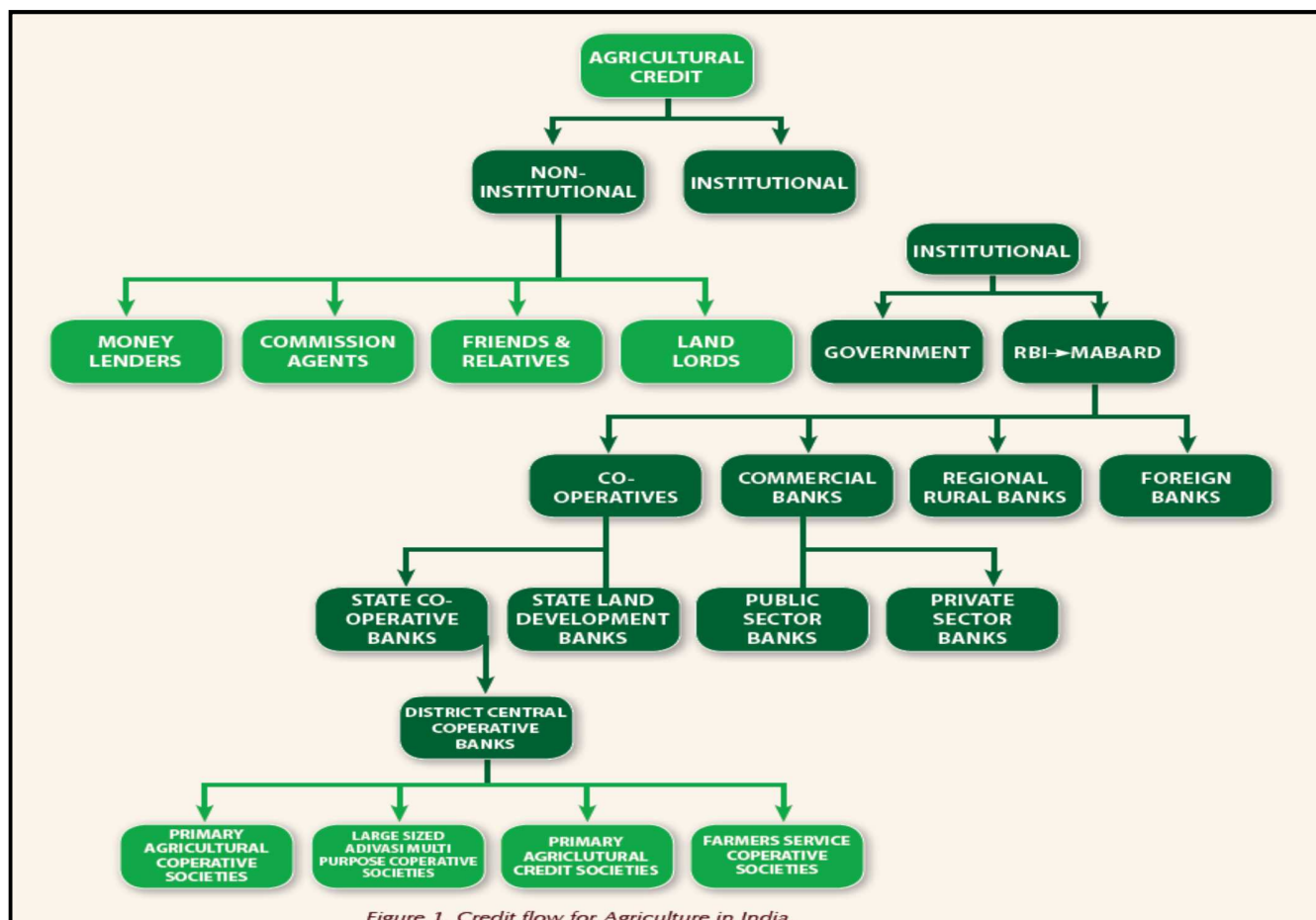


Figure No.1: Credit flow for Agriculture in India

CONCLUSION

The prevalence of dyslipidemia, based primarily on the presence of low HDL-C and high LDL-C, was observed in the study population. The association of lipids with age, dietary habits, BMI, W/H ratio predicting these factors may help in adopting a strategy to control these mechanisms through modifying relative risk factors. Awareness/effective intervention is necessary to prevent or at least improve the adverse lipid profile during menopausal transition, or during postmenopausal period which in turn improve the cardiovascular risk profile in this stage of life.

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CONFLICT OF INTEREST

We declare that we have no conflict of interest.

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