

Received: 10th April 2022

Revised: 28th April 2022

Accepted: 25th May 2022

AGRICULTURAL CREDIT BY INSTITUTIONAL AGENCIES IN ANDHRA PRADESH: WITH SPECIAL REFERENCE TO PACS

K. Ushasree,

Research Scholar, Department of Commerce, Government Degree
College, Karvetinagaram, Affiliated to S.V.University,
Tirupati, Andhra Pradesh.

Dr. S. Vijayulu Reddy,

Principal, Government Degree College, Karvetinagaram,
Chittoor District, Andhra Pradesh.

ABSTRACT

Agricultural credit is one of the most pivotal inputs at every level of operations in agriculture. In late 1950's the dominant source of credit was private money lenders which was highly expensive, inadequate and exploitative. To retrench this situation a multi-agency approach has been adopted which consists of Cooperatives, Commercial Banks and Regional Rural Banks together called as institutional agencies to provide timely, adequate and cheaper credit to farmers.

Keywords: Agriculture, Credit, Institutional Source, Cooperatives.

1. INTRODUCTION

INDIA is an agrarian country. Agriculture forms the foundation and fundamental sector of Indian economy. According to 2021 census, about 70% of the rural household depends on agriculture. Agriculture employs 58% population of the country and contributes 19.9% of the total GDP. The problems and challenges of Indian agriculture include Dependence on erratic monsoons, Low productivity, and Lack of Modern Technology, Inadequate financial resources¹.

The sources of agricultural credit can be classified into two type's institutional credit and non institutional credit. Institutional source of credit includes Government, Cooperatives, Commercial Banks, and Regional Rural Banks. Non institutional source of credit includes Money lenders (Agricultural and Professional), Landlords, Relatives and Friends. The mounting demand for agricultural credit and availability of timely credit at low interest rates has witnessed a drastic change in the share of institutional credit in agriculture sector. Cooperatives are addressed as keynote in this achievement as they operate at grass root level in rural areas. The Cooperative credit institutions in India can be classified as under three-tier structure-Primary Agricultural Cooperative Societies at bottom, District Central Cooperative Banks in middle and State Cooperative Banks at the top^{2,3}.

2. OBJECTIVES

1. To study the share of institutional credit for agriculture in India and in the state of Andhra Pradesh.
2. To examine the growth and Performance of Primary Agricultural Cooperative Societies in Andhra Pradesh.

3. METHEDOLOGY

The present study attempts to study the growth of PACS, RRB's, Commercial Banks in terms of number of societies, membership, deposits, borrowings, working capital, loans issued and loans outstanding, number of societies in profit etc. The study in based on secondary data collected from websites of NAFSCOB, RBI and other published sources. Progresses of the institutions are analyzed by applying statistical tools like mean, standard deviation, coefficient of variation. Linear, compound growth rates are applied to evaluate the growth rate of the institution over a period of time.

4. RESULTS AND DISCUSIIONS

Table 1: Institutional Credit for Agriculture and Allied Activities in INDIA

Years	Loans Issued				Loans Outstanding			
	Co-Operatives	SCBs	RRBs	Total	Co-Operatives	SCBs	RRBs	Total
1985-86	3674	2729	402	7159	6947	8416	871	16234
1990-91	4819	4676	335	10188	10531	17032	1753	29316
2000-01	27295	16440	3966	48187	46135	38270	7249	91654
2010-11	78121	222792	43965	344878	76674	357584	55067	489325
2019-20	157367	1070036	165326	1392729	187262	1012858	208772	1408892
2020-21	190682	1194704	190012	1575398	199457	1805787	234786	2240030
2021-22	243220	1415964	204180	1863363	230604	1975024	257174	2462802
Mean	100739.7	561048.7	86883.71	748843.1	108230	744995.9	109381.7	962607.6
S.D	96717.08	635577.8	95073.82	825605.8	95042.74	859459.9	118453.2	1066987
C.V	96.00691	113.2839	109.4265	110.2508	87.81552	115.3644	108.2934	110.8435
LGR	43.26695	4.884424	47.3564	4.789922	39.26638	5.010498	46.90363	4.852237
CGR	77.4	121.4	125.3	107.6	63.5	103.4	107.9	94.5
t-value	5.645*	4.439*	4.903*	4.644*	6.698*	3.852**	4.919*	4.189*

*Significant at 1% level **Significant at 5% level

SCBs: Scheduled Commercial Banks. RRBs: Regional Rural Banks.

Sources: 1. Reserve Bank of India.

2. National Bank for Agriculture and Rural Development.

Table1 presents the data regarding loans issued and loans outstanding by different institutional agencies like Cooperatives, Commercial banks and RRB's in India from 1985-86 to 2021-2022. The growth rate of loans issued by Cooperatives accounted to 3674 crores in 1986 increased to 243220 crores in 2022, recorded LGR of 43.26 % and CGR of 77.4% with 't'-value of 5.645 which is significant at 1% level. The LGR of loans outstanding of Cooperatives accounted to 39.26% and CGR stood at 63.5% which is minimal than the loans issued with 't' value of 6.698 significant at 1% level. Loans issued by commercial banks and RRB's increased steadily recording CGR of 121.4% and

125.3% respectively. On contrary, loans outstanding by commercial banks and RRB's also progressed and stood at a CGR of 103.4% and 107.9% whose 't'-value is 3.852 significant at 5% and 4.919 significant at 1%.

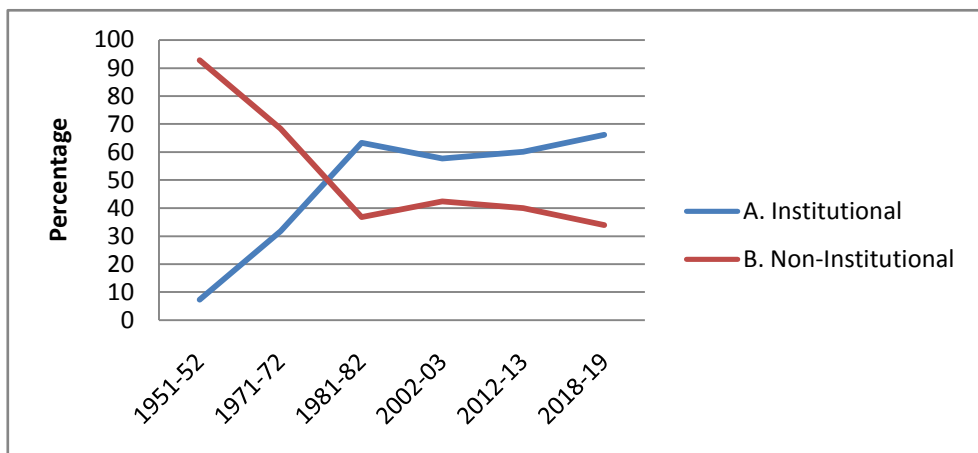


Figure 1: Agency wise share of agricultural credit disbursement in INDIA
(In percentage)

Table 2: Credit to Agriculture (Outstanding) in INDIA and Andhra Pradesh by Commercial Banks and RRB's

(In Crores)

Year	All India	Scheduled Commercial Banks in A.P	All India	RRB's in A.P
2011	461000	61200	98200	13600
2012	561900	80300	116600	16800
2013	676100	96300	136700	20600
2014	841800	118200	159000	23800
2015	904300	78200	181200	15400
2016	951000	82100	206700	17290
2017	1078300	89800	229210	20080
2018	1199500	106000	238600	24500
2019	1349626	123985	284494	29062
2020	1367970	130732	301051	31908
2021	1518112	158371	339609	38244
2022	1703315	180601	372066	42934
Mean	1051077	108815.8	221952.5	24518.17
S.D	371854.3	33745.33	84859.28	8909.39
C.V	35.3	31.01	38.23	36.33
LGR	1.02	7.63	11.01	9.28
CGR	11	7.4	11.7	8.9
t-value	32.896*	5.108*	30.178*	5.926*

*Significant at 1% level

Source: NABARD Financial Statements

Table 2 exhibits the outstanding agricultural credit disbursed by Commercial banks and Regional Rural Banks in INDIA and in the state of Andhra Pradesh. The credit outstanding by Commercial banks all over India registered a linear growth rate of 1.02 % and compound growth rate of 11 percent over a period of 10 years and 't'- value of 32.896 which is significant at 1% level. In A.P the credit outstanding by commercial banks has increased from 61200 in 2011 to 180601 in 2022 which accounted a CGR of 7.4% and 't' value of 5.108 which is significant at 1% level.

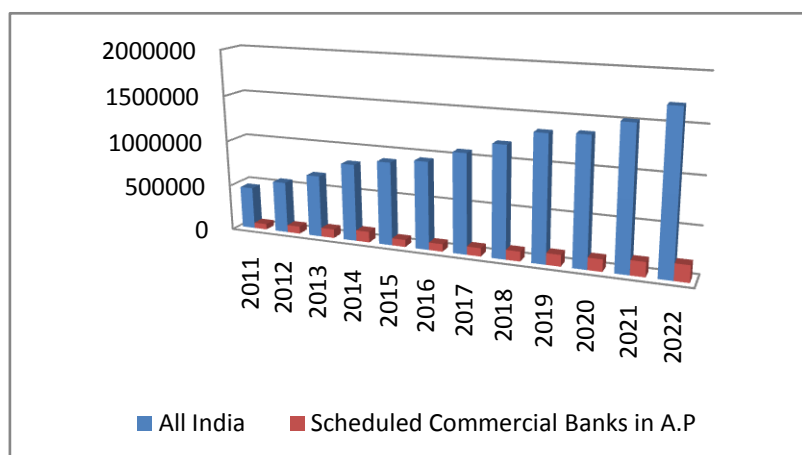


Figure: 2 - Loans Outstanding by Commercial Banks during 2010-11 to 2021-22

Table 3: Progress of RRB's in Andhra Pradesh (In Lakhs)

Particulars	2019	2020	2021	2022	Mean	S.D	C.V	LGR	t- value
No. of RRB's	3	3	3	3	-	-	-	-	-
No. of Branches	-	995	999	1011	1001.66	8.32	0.83	0.79	3.464@
No. of Staff	-	4607	4647	4837	4697	122.88	2.61	2.44	2.656@
Deposits	2453310	2805389	3299883	3552092	3027669	492753	16.27	1.25	12.052*
Borrowings	720503	880843	1127448	1283120	1002979	250786.4	25.00	1.92	15.412*
Loans Disbursed	2124747	2454546	2990019	3497935	2766812	603909.4	21.82	1.68	14.263*
Average Working Fund	3283447	3647513	4556681	5233071	4180178	882835.7	21.11	1.61	9.142**
Gross Loans Outstanding	2385282	2588744	3114501	3466944	2888868	492867.6	17.060 93	1.30	8.930**

-Not available @Not-Significant *Significant at 1% level **Significant at 5%level

Source: NABARD Financial Statements

Table 3.1: Progress of RRB's

Particulars	2019	2020	2021	2022
CD Ratio (%)	97.23	92.28	94.38	97.60
Recovery (%)	85.02	85.38	90.07	89.10
Gross NPA (%)	1.75	1.57	1.46	1.31
Net NPA (%)	0.03	0.04	0.00	0.00

Table 3 and 3.1 shows the progress of RRB's in Andhra Pradesh over a period of four years from 2019 to 2022. The number of branches and number of staff rose from 995 and 4607 in 2020 to 1011 and 4807 in 2022 respectively, expressed a LGR of 0.79% ,2.44% and 't'-value of 3.464, 2.656 which are not significant. Deposits, Borrowings, Loans disbursed, registered a LGR of 1.25%, 1.92% and 1.68% respectively, with 't'- value of 12.052, 15.142, 14.263 which are significant at 1% level. Average working fund and Gross Loans Outstanding registered a LGR of 1.61% and 1.30% respectively. It's 't'-values are 9.142 and 8.930 which are significant at 5% level.

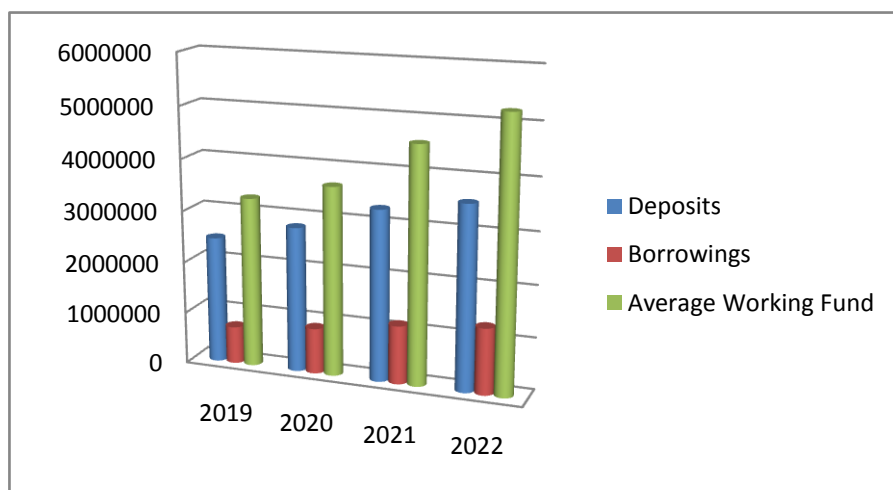


Figure 3: Deposits, Borrowings, Average Working Capital of RRB's from 2018-19 to 2021-22.

Table 4: PACS in ANDHRA PRADESH (amount in Lakhs)

Particular	2014	2015	2016	2017	2018	2019	2020	2021	Mean	S.D	C. V	LG R	t-value
No. of PACS	2807	2807	2050	2051	1818	1992	1992	2101	2202.25	382.43	17.36	-5.09	-2.531**
Membership	12056	12056	8875	5270	7636	7933	7933	7680	8679.875	2319.69	26.72	-7.09	-2.095@
Viable	2266	2266	1538	1820	1200	1498	1498	1667	1719.12	380.06	22.10		-2.229@
Potentially Viable	491	491	436	172	508	330	330	255	376.625	124.18	32.97	-7.70	-1.711@
Dormant	5	5	6	26	26	28	28	46	21.25	14.68	69.10	26.21	6.165*

Deposits	126091	126091	134344	185488	177898	230027	230027	334612	193072.3	71188.45	36.87	13.92	5.975*
Borrowings	549120	549120	687762	1048957	957108	1182003	1182003	1423108	947397.6	323253.4	34.12	1.34	8.731*
Working Capital	3504330	3504330	893351	1132679	990193	1360941	1360941	1925470	1834029	1077340	58.74	-1.33	-1.635@
Loans and Advances outstanding													
Agriculture	423734	423734	564054	707004	684246	868742	868742	1214591	719355.9	264623.4	36.78	1.43	7.746*
b. Non-Agriculture	18430	18430	71303	68725	121284	191062	191062	166867	105895.4	72051.28	68.04	26.01	6.544*
Societies in Profit													
a.Number	1222	1222	1287	1109	1261	1358	1358	1346	1270.375	86.32	6.79	1.79	2.074@
b.Amount(in 000's)	502421	502421	118590	469447	993557	305258	305258	1371785	57092.1	41152.03	72.05	12.89	1.194@

@-Not significant *Significant at 1% level **Significant at 5% level

Source: RBI Publication, NAFSCOB, dated December 28, 2021.

The performance of PACS in Andhra Pradesh during 2013-14 to 2020-21 is examined by considering the variables such as deposits, borrowings, loans outstanding and number of PACS, membership. Number of PACS and Membership accounted a decline from 2807 to 12056 in 2014 and 2101 to 7680 in 2021, with LGR -5.09% and -7.09% respectively. Deposits of PACS accounted an increase to 334612 lakhs in 2021 with LGR of 13.92%. Its 't'- value is 5.975 which is significant at 1% level. Borrowings nearly doubled over the period of eight years with LGR 1.34% and 't' value of 8.731 significant at 1% level. Working capital declined from 3504330 lakhs in 2014 to 192529 lakhs in 2021 with LCR -1.33% and 't' value of -1.635 which is not significant. Loans and advances outstanding by PACS for agricultural purpose increased by three folds rate and are valued as 1214591 lakhs in 2021 with LGR 1.43% and 't' value of 7.746 significant at 1% level. Both societies in profits, in numbers and in amount increased to 1346 numbers and 1371785 thousands in 2021 with 't' values 2.074 and 1.194 which are not significant.

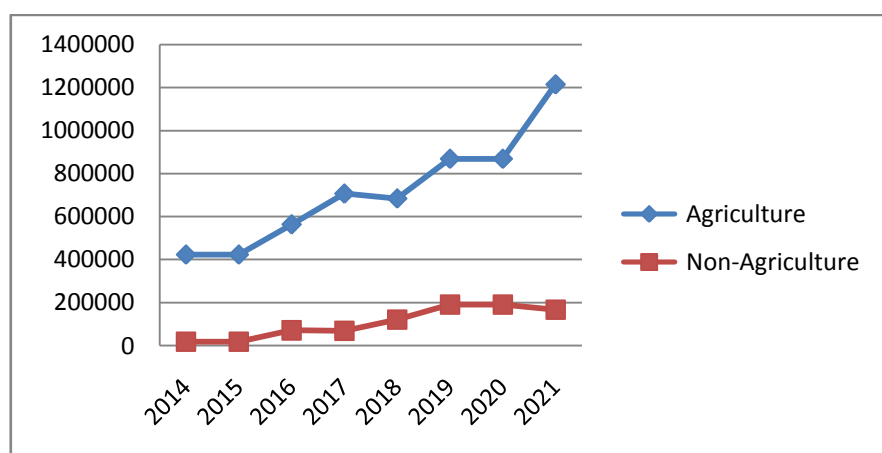


Figure 4: Loans and Advances Outstanding by PACS in Andhra Pradesh from 2013-14 to 2020-21.

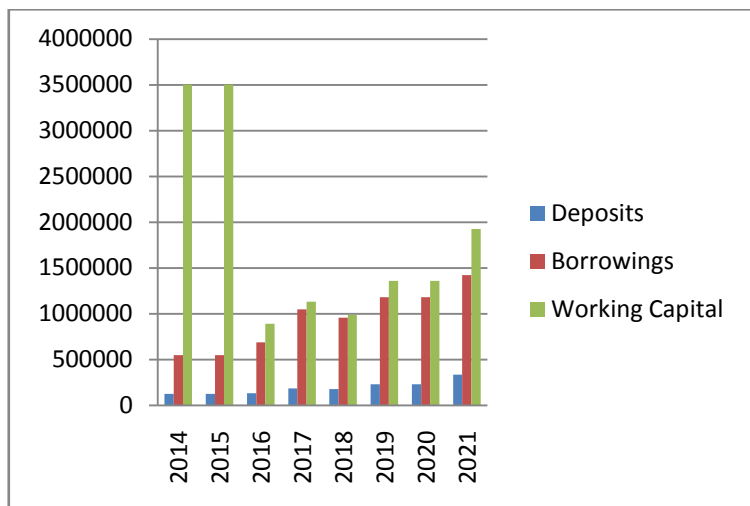


Figure 5: Deposits, Borrowings and Working Capital of PACS in Andhra Pradesh from 2013-14 to 2020-21

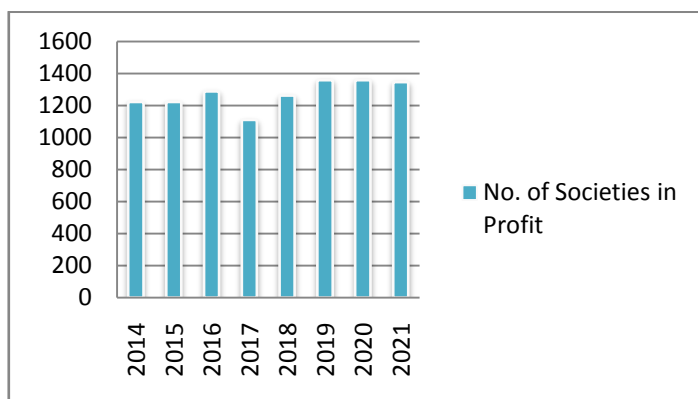


Figure 6: Number of PACS in Profit- Andhra Pradesh from 2013-14 to 2020-21

Table 5: Loans issued and Outstanding by PACS in Andhra Pradesh (in Lakhs)

Year	Loans Issued			Loans Outstanding		
	Short Term	Medium Term	Total	Short Term	Medium	Total
					Term	
2014	348704	51646	400350	383518	131839	515357
2015	348704	51646	400350	383518	131839	515357
2016	489688	44241	533929	642408	140387	782795
2017	747263	130265	877528	643333	207635	850968
2018	914142	143884	1058026	617181	235913	853094
2019	1044701	141800	1186501	780067	279737	1059804
2020	1044701	141800	1186501	780067	279737	1059804
2021	1317261	242407	1559668	1060470	387191	1447661
Mean	781895.5	118461.1	900356.6	661320.3	224284.8	885605

S.D	359391	67267.9	423946.1	221842.9	90421.27	307894.1
C.V	45.96407	56.78479	47.08646	33.54545	40.31539	34.76652
LGR	1.841039	21.02715	1.875368	12.79592	15.78172	1.355119
t-value	12.425*	5.277*	10.894*	6.428*	8.275*	7.87*

*Significant at 1% level **Source:** NAFSCOB data on PACS

The above table depicts the loans issued and loans outstanding by PACS in Andhra Pradesh.

Short term loans issued recorded drastic increase from 348704 in 2014 to 1317261 in 2020 whose LGR stood at 1.84% and 't' value of 12.425 which is significant at 1% level. The LGR of medium term loans issued is 21.02% whose 't' value stood at 5.277 which is significant at 1% level. Loans outstanding by PACS in Andhra Pradesh for short term expressed LGR of 12.79% and LGR for medium term loans stood at 15.78% whose 't' values are 6.428 and 8.275 which are significant at 1% level.

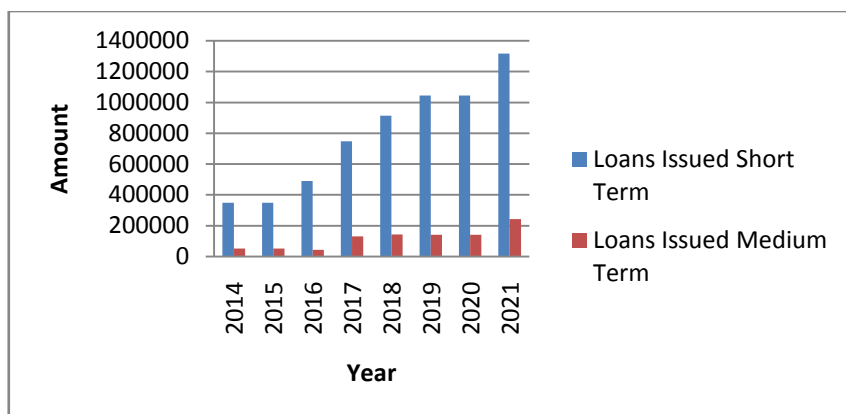


Figure 7: Short Term Loans issued and Outstanding by PACS in A.P

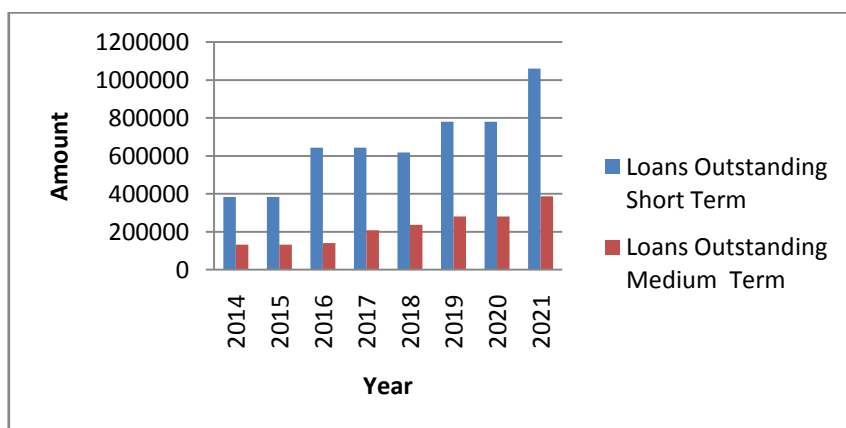


Figure 8: Medium Term Loans issued and Outstanding by PACS in A.P

Table 6: Agency wise share in Agricultural Credit - Andhra Pradesh

Particulars	1961-62	1971-72	1981-82	1991-91	2001-02	2019
A.INSTITUTIONAL	9.5	13.5	40.6	30.4	35.9	57.6

i. Government	1.6	2.2	2.2	2.6	0.7	-
ii. Cooperatives	7.3	9.4	20.0	12.4	11.7	-
iii. Commercial Banks	0.6	1.9	18.3	15.4	13.3	-
iv. Others	0.3	-	0.1	-	1.2	-
B.NON-INSTITUTIONAL	90.5	86.5	59.4	69.6	66.7	42.3
i. Money lenders	73.9	46.8	24.3	36.0	51.3	-
ii. Land lords and Traders	11.0	23.3	15.7	24.0	8.3	-
iii. Relatives and Friends	2.0	12.6	7.6	1.3	1.5	-
iv. Others	3.6	3.8	11.8	8.3	5.6	-

-Not available

Source: 1.RBI Publication

2. All India Debt and Investment Survey, NSS survey 77th round

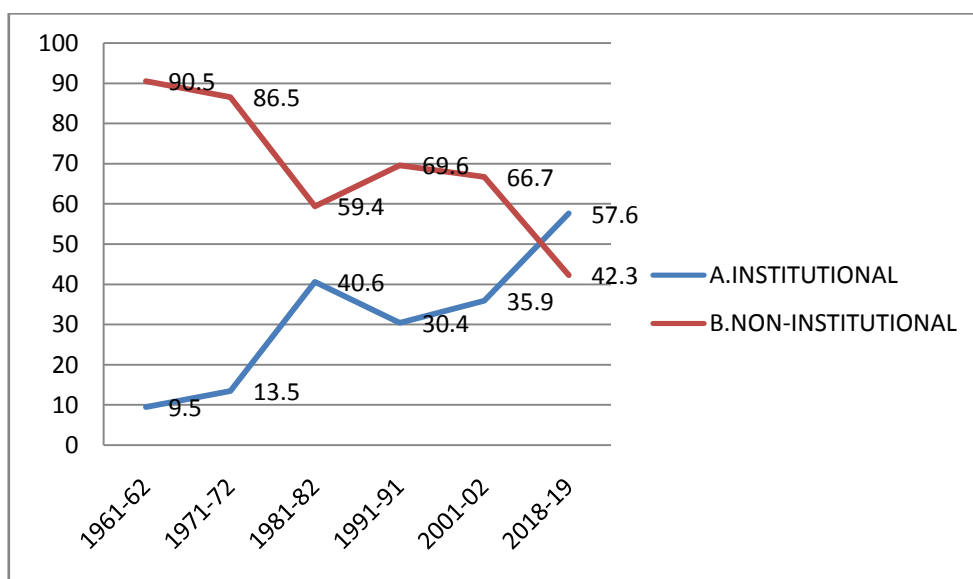


Figure 9: Agency wise share in Agricultural Credit - Andhra Pradesh

CONCLUSION

Despite the fact that the share of commercial banks in agricultural credit is indomitable but on the contrary, it also brings up the vacuum created due to their inaccessibility in rural areas. Which means 70% rural population have no proper access to institutional credit? This gap is being bridged by Cooperatives which serve the underserved sections of the society showing the significance of their existence in compensating socio-economic inequality. In spite of a sharp decline in number of PACS and membership, PACS in Andhra Pradesh witnessed an increase in variables like Deposits, Borrowings, Loans issued and Outstanding during the study period 2014-2021. The share of Institutional credit for agriculture accounted to 57.6% in Andhra Pradesh in 2018-19 which indicates a positive trend.

REFERENCE

1. <https://www.worldbank.org/en/news/feature/2012/05/17/india-agriculture-issues-priorities>
2. <https://www.economicdiscussion.net/india/cooperative-banking/cooperative-banking-in-india-history-structure-importance-and-weaknesses/31365>
3. <https://www.slideshare.net/kidevices/three-tier-cooperative-bank>