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STUDY ON PROVINCIAL DISCREPANCIES IN AGRICULTURAL CREDIT: AN INDIAN PERSPECTIVES

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ABSTRACT One of the significant targets of improvement arranging started following Independence has been, among others, decrease of local aberrations in social and monetary turn of events. Direct venture by the Central Government and Centrally coordinated speculation of the private area have been two amazing instruments to accomplish this target. During the initial forty years of advancement arranging, most of the enormous units in essential and hefty ventures were set up in the public area in a provincially even way. To be sure, their area, taking everything into account, was one-sided towards in reverse areas as regular gifts, for example, mineral stores were amassed in those locales. Huge public ventures have been made to give monetary and social foundation in the retrogressive areas to quicken their general turn of events. In agribusiness area capital information is a major issue and government attempting gives these-contribution to different structure yet in payment local uniqueness is reflected. So in this paper primary objective are to know the territorial difference in institutional agrarian credit payment.

KEYWORDS : Agricultural Credit, Commercial Banks, India Statistics

INTRODUCTION

An investigation of the authentic patterns, particularly the later patterns, prompts the inescapable deduction that local inconsistencies will undoubtedly total in the coming many years. Locales, which are described as in reverse in our previous conversations, have frail development motivations. Their segment weakness is certain in the way that significant States in this district, viz., Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh are probably going to have fruitfulness rates surpassing the substitution level well past 2025, a level which a portion of the forward States like Kerala and Tamil Nadu have just accomplished, and others are required to accomplish inside 10 years or somewhere in the vicinity. We have noticed that if the latest thing is anticipated, Madhya Pradesh will arrive at substitution level simply by 2060, and Uttar Pradesh exclusively by 2100 (N. J. Kurian). The ramifications of these different segment patterns on populace thickness, work openings, social area speculations and the general advancement can be incredibly grave.

The endeavors of the initial forty years of arranged improvement to diminish different awkward nature across the locales have been just halfway effective. Best case scenario, they have guaranteed that territorial incongruities regarding different pointers of advancement are not disturbing. Obviously, even this is no mean accomplishment. Financial changes started in 1991 inferred among, different things, that the private area would be the primary motor of monetary development. A large portion of the limitations on private speculation have been eliminated. Mounting obligation weight of the public authority has forced a cap on open venture. Therefore, while there was critical expansion in the quantum of private speculation, there was a sharp fall in the public venture throughout the most recent decade.

The progression of private speculation, both homegrown and unfamiliar, has been amazingly one-sided for the more evolved locales of the nation. This has empowered the created districts to accomplish quickened financial development during the 1990s. Then again, in reverse districts of the nation, which couldn't pull in any critical private speculation streams, experienced decelerated financial development during this period. The capacity of the administrations at the Center and in the States to counter this pattern by affecting countervailing public speculation likewise has been decreased extensively. With regards to full scale monetary adjustment arrangements started in 1991, the capacity of the Center to back open venture by borrowings has been harshly constrained. Revenues of the Centre also experienced reduced buoyancy in the wake of tax reforms especially due to reduction in customs tariff to levels comparable to those of our trading partners.

Undeniably, these resulted in a vast network of rural financial institutions and rapid growth of lending to all sectors including agriculture. However, the rural banking system in India made tremendous quantitative achievement by neglecting the qualitative aspect of the credit delivery system. The inequalities in the banking system across the regions and social classes persisted (DR.S. GANDHIMATHI, DR.P. AMBIGADEVI & V. SHOBANA, 2012). But what happen without credit? Can any farmers imagine about modern agriculture without credit? Other problems emerge in front of farmer that they demand more credit, but the facilitator institutions are not so interested, and lack of credit expend the credit disparity among states.

RESEARCH OBJECTIVES

The provincial discrepancy in the distribution of agricultural credit was analyzed under the following categories.

- State-wise Credit to Agriculture by Scheduled Commercial Banks in India.
- Region-Wise Total Amount of Credit for Agriculture Sector by Scheduled Commercial Banks in India.
- Region-Wise Total Amount in % of Credit for Agriculture Sector by Scheduled Commercial Banks in India.

METHODOLOGY

The sources of data collection for this research paper are secondary data. Simple percentage analysis is used to explore the disbursement of agricultural credit dimension over the state and region. Mainly RBI, NSSO and India stat data are used to explore the study. Excel is the main tool for data interpretation on graphs and in tables.

REGIONAL DISPARITY IN AGRICULTURAL CREDIT

The disparity can be better brought out by analyzing states individually instead of analyzing region-wise. This is because in many cases, states within the same region are not very similar in various aspects relating to agricultural credit. Moreover, IWG suggested to combine all eight states

(Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura) under NE States as they have a miniscule share in the country's overall output as well as loans to agricultural and allied sector. Further, as most of the UTs are predominantly urban areas and do not have significant potential for agriculture and allied activities, it was decided to exclude UTs from the analysis related to regional disparity.

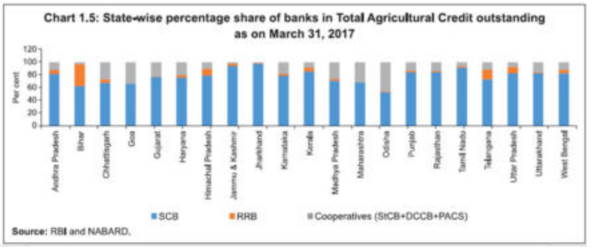

Chart 1.5: State-wise percentage share of banks in Total Agricultural Credit outstanding as on March 31, 2017

Source: RBI and NABARD.

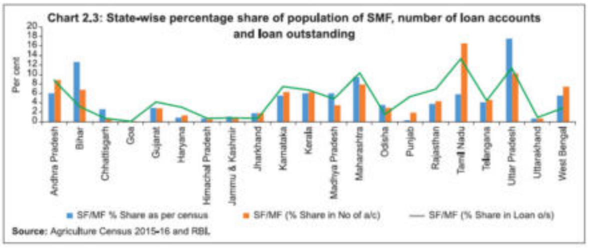

Chart 2.3: State-wise percentage share of population of SMF, number of loan accounts and loan outstanding

Source: Agriculture Census 2015-16 and RBI.

The SCBs are the leading institutions in providing agricultural credit in all the states. The RRBs have significant presence in some states, viz., Bihar (35 per cent), Telangana (15 per cent), Himachal Pradesh (10 per cent) and Uttar Pradesh (10 per cent). Cooperatives have played a significant role in Odisha (46 per cent), Goa (34 per cent), Maharashtra (31 per cent), Chhattisgarh (27 per cent), Madhya Pradesh (27 per cent), Gujarat (22 per cent) and Haryana (20 per cent) in providing agricultural credit. The high share of cooperative banks and RRBs in agricultural credit in these states is on account of their significant presence as compared to commercial bank branches in rural areas. The chart shows state-wise comparative position of percentage share in population, number of loan accounts and amount outstanding regarding small and marginal farmers.

The analysis shows that the presence of many small and marginal farmers in a state has not translated into proportionate number of loan accounts, highlighting the extent of financial exclusion among small and marginal farmers. Also, the pattern of percentage share in the number of loan accounts in a state does not match with the percentage share in amount outstanding particularly in the states such as Bihar, Odisha, and West Bengal. Tamil Nadu has come out as an outlier, having only 6 per cent share in the total number of small and marginal farmers although it is the leading state in terms of share in total number of loan accounts (17 per cent) and the highest share in amount outstanding (13 per cent). Similarly, Andhra Pradesh has a higher share in the number of accounts as compared to its share in number of SMF across the country. Further, in states such as Bihar, Jharkhand, Odisha and West Bengal, the percentage share in loan outstanding is not proportionate to their percentage share in the number of loan accounts. This in a way may be an indication that the amount of loan per account for small and marginal farmers in these states was lower than that of other states.

This chart shows that some of the states are getting Agri-credit higher than their Agri-GDP indicating the possibility of diversion of credit for non-agricultural purposes. It also highlights the problem of regional disparity as states falling under central, eastern, and north eastern regions are getting very low Agri-credit as percentage of their Agri-GDP. One way to stimulate the demand for rural credit including agricultural credit is to deepen the credit absorption capacity in these states. RIDF is one such tool available which has the potential to create the necessary credit absorption capacity in the rural areas of these states. RIDF is maintained by NABARD and is mainly deployed for rural projects like irrigation, roads, and social sector by way of loans to state governments and state-owned corporations. In this context the performance of RIDF is discussed in the following paragraph. Some of the states are getting significantly high credit against their input cost requirement such as Andhra Pradesh (7.5 times), Kerala (6 times), Goa (5 times), Telangana, Tamil Nadu and Uttarakhand (4 times) and Punjab (3 times). On the other hand, Jharkhand, NE states, West Bengal, Chhattisgarh, Bihar, Odisha, Maharashtra, Uttar Pradesh and Rajasthan are not getting credit even to meet their input requirements. This highlights the skewedness in distribution towards few states and raises the question whether the credit is being used for the intended purpose.

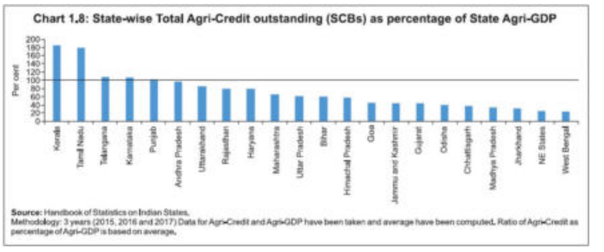

Chart 1.8: State-wise Total Agri-Credit outstanding (SCBs) as percentage of State Agri-GDP

Source: Handbook of Statistics on Indian States.
Methodology: 3 years (2015, 2016 and 2017) Data for Agri-Credit and Agri-GDP have been taken and average have been computed. Ratio of Agri-Credit as percentage of Agri-GDP is based on average.

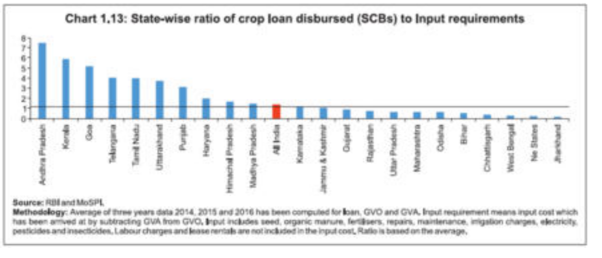

Chart 1.13: State-wise ratio of crop loan disbursed (SCBs) to Input requirements

Source: RBI and MoSPI.
Methodology: Average of three years data 2014, 2015 and 2016 has been computed for loan, GVO and GVA. Input requirement means input cost which has been arrived at by subtracting GVA from GVO. Input includes seed, organic manure, fertilisers, repairs, maintenance, irrigation charges, electricity, pesticides and insecticides. Labour charges and lease rentals are not included in the input cost. Ratio is based on the average.

CONCLUSION

Credit disparity among the region is increased in recent years and only one region which is dominated and increasing continue. It shows that the states with higher state domestic product had greater amount of agricultural credit distribution. To conclude this section, it will be appropriate to state that there are hardly any signs of reversing the recent trend of accentuating regional disparities in the country in the coming decades. Indeed, almost all the relevant forces are such that the disparities are likely to widen deriving the next years. It will require Herculean tasks on the part of the Centre and the leadership in the concerned regions to ensure that the gap does not widen further.

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