NON-INSTITUTIONAL CREDIT TO AGRICULTURAL SECTOR: A CASE STUDY OF PRAKASAM DISTRICT

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Introduction

Agriculture is one of the most prominent sectors in India's economy. It accounts for 17.8 per cent of the GDP by employing 52 per cent of the country's population. Around one-quarter of India's national income originates from the agricultural sector. In a developing country like India, agriculture plays a predominant role in shaping the lives of people to a great extent. The largest portion of the natural resources of India consists of land and by far the largest number of its inhabitants is engaged in agriculture. Therefore, in any scheme of economic development of the country, agriculture holds a position of basic importance. Although Indian agriculture is way back compared to the levels in developed countries, some notable developments have taken place over the years since Independence in 1947. Large areas which suffered from repeated failures of rainfall have received irrigation, and new crops have come to occupy a significant position in the country's production and trade. The agricultural and the industrial economies in the country now exert a powerful influence on each other. The problems of rural indebtedness and the exploitative practices of the village money lenders are much less and there is already an awakening and a desire for raising standards of living in the country.

Agriculture products like cereals mainly rice, tea, coffee, cashew, spices, tobacco and leather are important items of India's exports and hence foreign exchange earnings. Agriculture is also the main source of raw material for agro-based industries including textiles, cigarettes, jute, sugar, paper, processed food stuffs and vanaspati. Moreover, agricultural sector provides market for capital goods (tractors, pump sets and other agriculture machinery), inputs (fertilizers, insecticides) and light consumer goods. The nation has invested oodles of resources for the development of agriculture under various five year plans.

Non-Institutional Agencies

Non-institutional sources of money have one of the main in source in agricultural families. It consists of moneylenders, friends and relatives etc., but, money lenders were the main source of credit to the farmers. The dependence of marginal and small farmers on this non- institutional source was very high. The debt burden of these farmers was heavy since the average interest rates charged by money lender were around 30-40 percent. Thus, regulation of the activities of money lenders will have a significant effect on debt burden of farmers, and in particular the marginal farmer households and pure tenants.

Non institutional sources like money lenders, landlords, traders etc. accounted for 93 percent of the total credit requirements in 1951-52 and institutional sources including Government accounted for only 7 percent of the total credit needs in that year. The All India Debt and Investment Survey (1981), estimated that the share of non-institutional sources had slumped to about 37 percent in 1981, money lenders accounting for barely 16 percent; the share of institutional credit, however, had jumped to 63 percent i.e., co-operatives contributing 30 percent and commercial banks about 29 percent.

Objectives

My research paper an attempt to analyse solution for various objectives. The main objectives of the present study are

1. To examine the agricultural credit system in India
2. To examine the socio-economic characteristics of the sample respondents.
3. To examine the agricultural production in Prakasam district
4. To examine the non-institutional credit system in Prakasam district, and

Sources of data

Research can be conducted by collecting primary data or secondary data or both. The primary data is collected through a sample survey conducted in particular area. In the present study Prakasamdistrict is purposively chosen and data was collected from small farmers, marginal farmers and tenants. The survey can be conducted either through interview method, questionnaire method or observation method. In the present study the questionnaire method is adopted. Information is gathered through a structured questionnaire for the present purpose.

The secondary sources of data include books, journals published by various authors, survey material conducted by scholars and government reports etc. In the present study both primary and secondary data are used, simultaneously but the study is mostly based on primary data.

Methodology:

Multistage random sampling technique was used in the present study to select sample households in various villages of Prakasam district of Andhra Pradesh.

- There are 3 Revenue Divisions viz. Ongole, Kandukur, Markapur in Prakasam district.
- Twelve mandals at the rate of four mandals from each revenue division were selected using Simple Random Sampling without Replacement (SRSWOR).
- From each mandal two villages were chosen again using SRSWOR.
- Thirteen households were selected from the first village and twelve households were selected from the second village.

- Thus the total sample size was 25 households x 12 mandals = 300 households for the district.

Loan taken through Moneylenders

Money lenders are the oldest form of Non-Institutional Agencies. Tenants are generally borrowed from non-institutional agencies like money lenders @ 24 percent per annum. However, the interest as calculated by these people @ 36 - 42 percent by the time of repayment is due after the sale of the crop by the farmer.

There are two types of money lenders in rural areas. There are rich farmers or landlords who combine farming with money lending. There are also professional money lenders whose only occupation or profession is money lending.

The cultivators depend upon the money lenders for their requirements of cash. The Government and the Reserve Bank of India have been propagating that the importance of the money lenders as suppliers of loans to the farmers has been declining rapidly. However, there are many reasons for the preponderance of the village money lenders in rural areas even now.

a) The money lender freely supplies credit for productive and non-productive purposes, and also for short-term and long-term requirements of the farmers.
b) Easily accessible and maintain a close and personal contact with the borrower, often having relations with family extending over generations.
c) Their methods of business are simple and elastic.
d) Money lender has local knowledge and experience and therefore can lend against land as well as against promissory notes. They know how to protect him against default, thorough legal and illegal methods.

However, the farmers facing some unfair practices of money lenders such as:

a) They manipulate bonds and promissory notes obtained from debtors and enter large sum than actually lent.
b) They give no receipt for repayments and often they deny such repayments.
c) They charge very high rate of interest.
d) They give loans for both productive and unproductive purposes which results in indebtedness.

Table - 1: Amount of loan taken from Moneylenders at Ongole Revenue Division 2015-18

S. No	Amount in Rs.	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 10,000	10	29.4	8	27.6	5	22.7
2	10,000-20,000	9	26.5	6	20.7	6	27.3
3	20,000-30,000	4	11.8	5	17.2	5	22.7
4	30,000-40,000	3	8.8	3	10.3	1	4.5
5	40,000-50,000	2	5.9	2	6.9	2	9.1
6	50,000-60,000	1	2.9	1	3.4	1	4.5
7	60,000+	5	14.7	4	13.8	2	9.1
	Total	34	100.0	29	100.0	22	100.0

Computed data

An analysis of Table-1 shows the amount of loan taken through money lenders at Ongole Revenue Division during 2015-16 to 2017-18. Out of 34 respondents who borrowed money from moneylenders in 2015-16, majority i.e., 10 (29.4 percent) respondents had borrowed below Rs.10,000 followed by 9 (26.5 percent) in between Rs.10,000 - 20,000. 5 (14.7 percent) respondents borrowed an amount of Rs.60,000 and above.

Out of 29 respondents who borrowed money from moneylenders in 2016-17, majority i.e., 8 (27.6 percent) respondents borrowed below Rs.10,000 followed by 6 (20.7 percent) respondents had borrowed in between Rs.10,000 - 20,000. Only 4 (13.8 percent) respondents borrowed the maximum and above i.e. Rs.60,000.

Out of 22 respondents who borrowed money from moneylenders in 2017-18, majority i.e., 6 (27.3 percent) respondents borrowed in between Rs.10,000 - 20,000 followed by 5 (22.7 percent) each respondents borrowed below Rs.10,000 and in between Rs.20,000-30,000 respectively. Only 2 (9.1 percent) respondents borrowed the maximum of Rs.60,000 and above.

Table-2: Amount of loan taken from Moneylenders at Kandukur Revenue Division, 2015-18

S. No	Amount in Rs.	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 10,000	10	30.3	6	33.3	4	21.1
2	10,000-20,000	10	30.3	3	16.7	4	21.1
3	20,000-30,000	4	12.1	4	22.2	2	10.5
4	30,000-40,000	3	9.1	2	11.1	1	5.3
5	40,000-50,000	1	3.0	0	0	2	10.5
6	50,000-60,000	1	3.0	0	0	1	5.3
7	60,000+	4	12.1	3	16.7	5	26.3
	Total	33	100.0	18	100.0	19	100.0

Computed data

An analysis of Table-2 shows the amount of loan taken through money lenders at Kandukur Revenue Division during 2015-16 to 2017-18. Out of 33 respondents who borrowed money from moneylenders in 2015-16, majority i.e., 10 (30.3 percent) each respondents had borrowed below Rs.10,000 and in between Rs.10,000 - 20,000 respectively. 4 (12.1 percent) respondents borrowed an amount of Rs.60,000 and above.

Out of 18 respondents who borrowed money from moneylenders in 2016-17, majority i.e., 6 (33.3 percent) respondents borrowed below Rs.10,000 followed by 4 (22.2 percent) respondents had borrowed in between Rs.20,000 - 30,000. Only 3 (16.7 percent) respondents borrowed the maximum and above i.e. Rs.60,000.

Out of 19 respondents who borrowed money from moneylenders in 2015-16, majority i.e., 5 (26.3 percent) respondents borrowed an amount of Rs.60,000 and above. 4 (21.1 percent) each respondents had borrowed below Rs.10,000 and in between Rs.10,000 - 20,000 respectively.

Table -3: Amount of loan taken from Moneylenders at Markapuram Revenue Division, 2015-18

S. No	Amount in Rs.	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 10,000	9	25.0	9	34.6	8	33.3
2	10,000-20,000	12	33.3	5	19.2	6	25.0
3	20,000-30,000	3	8.3	4	15.4	6	25.0
4	30,000-40,000	4	11.1	2	7.7	2	8.3
5	40,000-50,000	2	5.6	1	3.8	1	4.2
6	50,000-60,000	2	5.6	1	3.8	0	0
7	60,000+	4	11.1	4	15.4	1	4.2
	Total	36	100.0	26	100.0		100.0

An analysis of Table-3 shows the amount of loan taken through money lenders at Markapuram Revenue Division during 2015-16 to 2017-18. Out of 36 respondents who borrowed money from moneylenders in the year 2015-16, majority i.e., 12 (33.3 percent) respondents had borrowed in between Rs.10,000-20,000 followed by 9 (25.0 percent) had borrowed an amount below Rs.10,000. 4 (11.1 percent) respondents borrowed an amount of Rs.60,000 and above.

Out of 26 respondents who borrowed money from moneylenders in 2016-17, majority i.e., 9 (34.6 percent) respondents borrowed below Rs.10,000 followed by 5 (19.2 percent) respondents had borrowed in between Rs.10,000-20,000. 4 (15.4 percent) respondents borrowed the maximum and above i.e. Rs.60,000.

Out of 24 respondents who borrowed money from moneylenders in 2017-18, majority i.e., 8 (27.3 percent) respondents borrowed below Rs.10,000 followed by 6 (25.0 percent) each respondents borrowed in between Rs.10,000-20,000 and in between Rs.20,000-30,000 respectively. Only 1 (4.2 percent) respondent borrowed the maximum of Rs.60,000 and above.

Loan Taken from Other Sources

Landlords and Others:

Small farmers and tenants rely on land lords for finance to meet out their productive and unproductive expenses. This source of finance has all the defects associated with money lenders. Interest rates are exorbitant. Often small farmers are forced to sell out their lands to these land lords and they become land less labourers and Landless labourers are become bonded labourers. The reliance on this agency by farmers has been decreased over years, i.e., from 1.5 per cent in 1951 to 1.0 per cent in 2002.

Farmers borrow money from their relations particularly for personal needs. It's a mutual help. These are generally contracted in an informal manner, they carry low or no interest and they are returned soon after the harvest. Farmers, particularly small farmers and tenants, depend upon landlords and others to meet their financial requirements. This source of finance has all the defects associated with money lenders, traders and commission agents. Interest rates are exorbitant. Often the small farmers are cheated and their lands are appropriated. The landless labourers are forced to become bonded slaves.

Traders and commission agents supply funds to farmers for productive purposes much before the crops mature. They force the farmers to sell their produce at low prices and they charge a heavy commission for their dealings. This source of finance is particularly important in the case of cash crops like cotton, groundnut, tobacco, etc., and in the case of fruit or chards like mangoes. Traders and commission agents may be bracketed with money lenders, as their lending to farmers is also at exorbitant rates and has other undesirable effects too.

Another reason is that institutional agencies generally grant credit only to those people who are credit-worthy. Since small farmers do not satisfy this criterion, they are generally left out of the network of institutional credit even though their needs for credit are greatest. The functioning of credit agencies is also far from satisfactory. The net result of all this is that moneylenders and others are still able to rule the roost.

Table – 4: Amount of loan taken from Other Sources at Ongole Revenue Division 2015-18

S. No	Amount in Rs.	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 10,000	3	27.3	2	28.6	2	25.0
2	10,000-20,000	2	18.2	1	14.3	3	37.5
3	20,000-30,000	2	18.2	1	14.3	1	12.5
4	30,000-40,000	1	9.1	1	14.3	0	0
5	40,000-50,000	0	0	0	0	1	12.5
6	50,000-60,000	1	9.1	1	14.3	0	0
7	60,000+	2	18.2	1	14.3	1	12.5
	Total	11	100.0	7	100.0	8	100.0

An analysis of Table-4 shows the amount of loan taken through other sources at Ongole Revenue Division during 2015-16 to 2017-18. Out of 11 respondents who borrowed money from moneylenders in the year 2015-16, majority i.e., 3 (27.3 percent) respondents had borrowed in below Rs.10,000. 2 (18.2 percent) each of respondents had borrowed in between Rs.10,000-20,000, Rs.20,000-30,000 and Rs.60,000 and above.

Out of 7 respondents who borrowed money from other sources in 2016-17, majority i.e., 2 (28.6 percent) respondents borrowed below Rs.10,000. Only 1 (14.3 percent) respondent borrowed the maximum and above i.e. Rs.60,000.

Out of 8 respondents who borrowed money from other sources in 2017-18, majority i.e., 3 (37.5 percent) respondents had borrowed in between Rs.10,000-20,000 followed by 2 (25.0 percent) respondents had borrowed below Rs.10,000. Only 1 (12.5 percent) respondent borrowed the maximum of Rs.60,000 and above.

Table-5: Amount of loan taken from Other Sources at Kandukur Revenue Division, 2015-18

S. No	Amount in Rs.	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 10,000	1	14.3	2	40.0	1	16.7
2	10,000-20,000	1	14.3	1	20.0	2	33.3
3	20,000-30,000	1	14.3	1	20.0	1	16.7
4	30,000-40,000	2	28.6	0	0	1	16.7
5	40,000-50,000	0	0	0	0	0	0
6	50,000-60,000	1	14.3	1	20.0	0	0
7	60,000+	1	14.3	0	0	1	16.7
	Total	7	100.0	5	100.0	6	100.0

An analysis of Table-5 shows the amount of loan taken through other sources at Kandukur Revenue Division during 2015-16 to 2017-18. Out of 7 respondents who borrowed money from moneylenders in the year 2015-16, majority i.e., 2 (28.6 percent) respondents had borrowed in between Rs.30,000- 40,000.

Out of 5 respondents who borrowed money from other sources in 2016-17, majority i.e., 2 (40.0 percent) respondents borrowed below Rs.10,000. While, other respondents had taken loan each in between Rs.10,000-20,000, Rs.20,000-30,000 and Rs.50,000-60,000.

Out of 6 respondents who borrowed money from other sources in 2017-18, majority i.e., 2 (33.3 percent) respondents had borrowed in between Rs.10,000-20,000 followed by other respondents. Only 1 (16.7 percent) respondent borrowed the maximum of Rs.60,000 and above.

Table -6: Amount of loan taken from Other Sources at Markapuram Revenue Division, 2015-18

S. No	Amount in Rs.	2015-16	Percent	2016-17	Percent	2017-18	Percent
1	Below 10,000	4	40.0	3	37.5	2	25.0
2	10,000-20,000	2	20.0	2	25.0	1	12.5
3	20,000-30,000	2	20.0	1	12.5	2	25.0
4	30,000-40,000	1	10.0	1	12.5	1	12.5
5	40,000-50,000	1	10.0	1	12.5	1	12.5
6	50,000-60,000	0	0	0	0	2	12.5
7	60,000+	0	0	0	0	0	0
	Total	10	100.0	8	100.0	8	100.0

An analysis of Table-6 shows the amount of loan taken through other sources at Kandukur Revenue Division during 2015-16 to 2017-18. Out of 10 respondents who borrowed money from moneylenders in the year 2015-16, majority i.e., 4 (40.0 percent) respondents had borrowed below Rs.10,000 followed each 2 respondents had taken loan in between Rs.10,000- 20,000 and Rs.20,000-30,000.

Out of 8 respondents who borrowed money from other sources in 2016-17, majority i.e., 3 (40.0 percent) respondents borrowed below Rs.10,000 followed by 2 (25.0 percent) respondents had taken loan in between Rs.10,000-20,000.

Out of 8 respondents who borrowed money from other sources in 2017-18, majority i.e., 2 (25.0 percent) respondents had borrowed below Rs.10,000 and another 2 (25.0 percent) in between Rs.20,000-30,000.

Comparative study of Three Revenue Divisions (Ongole, Kandukur and Markapuram):

Among 3 Revenue Divisions 36 farmers are getting debt from moneylenders in Markapuram Revenue Division followed by Ongole Revenue Division whereas 34 farmers and Kandukur Revenue Division where as 33 farmers in 2015-16. But in 2016-17 Ongole Revenue Division stood first loan taken from money lenders (29) followed by Markapuram (26) and Kandukur (18). In 2017-18, Markapuram Revenue Division stood first debt from money lenders followed by Ongole and Kandukur.

Same study was applicable to other sources also. Where as 2015-16, Ongole Revenue Division stood first, 11 farmers followed by Markapuram 10 farmers and Kandukur 7 farmers. Similarly same procedure was extended to remain two years 2016-17 and 2017-18. In 2016-17 Markapuram Revenue Division stood first followed by Ongole and Kandukur Revenue Divisions. In 2017-18, Ongole and Markapuram Revenue Division same number of farmers getting debt from other sources followed by Kandukur Revenue Division.

From the above analysis we come to conclusion that Markapuram Revenue Division farmers are getting more debt from money lenders as well as other sources when compare to Ongole and Kandukur Revenue Divisions.

Finding of the Study:

Basically Indian economy is agriculture economy. Rural economy is a backbone of the country. Still most of the people depend upon agriculture sector for their living standards. In India most of the farmers are small and marginal farmers and also illiterates. For the performance of various agriculture developmental activities finance is required. In the beginning most of the farmers are getting credit from the non-institutional financial sources, such as moneylenders, landlords, traders and businessman, commission agents friends and relatives, but they are imposing higher rate of interest, in order to overcome that problem Government is taking initiative step to provide finance to the agriculture farmers in the form of crop loan and also protect the farmers. It was launched various wings under Co-operative Agricultural Credit Societies, Commercial Banks and Regional Rural Banks.

Policy Implications and Suggestions:

Agricultural Credit is playing a vital role in view of most of the people depends on Agriculture. Hence, getting of credit requires a multi-pronged approach. In the light of findings of the study the following suggestions are made for effective implementation of the strategies to further advance the pace of agriculture credit in the district in particular and in the state general.

- The basic role of credit in agriculture is to provide capital to acquire any kind of productive assets land, machinery etc. Credit provides the means for many farmers to adjust their operations to keep up with the constant changes.
- Credit is crucial in the agriculture sector to enhance the productivity of crops and animals used as food for human beings.
- Farmers usually obtain low crop production due to lack of capital and credit is capital alternative to enhance productivity in agricultural sector.
- Most of the farmers are small and marginal and also most of them are illiterates, therefore they are not aware schemes and programmes implemented by the Government, then Government will take initiative steps to create awareness among the farmers regarding schemes.
- More number of the respondents are tenants and agriculture labourer and hence there is less access to institutional credit. In order to improve productivity of agricultural, Government must provide credit to even tenants and agricultural labour.
- Majority of the respondents still depends upon non-institutional credit particularly depends on moneylenders because they are providing easy money to them, but in institutional agencies are imposing more restrictions on farmers. Hence, Government will provide easy money to them. Simply by declining restrictions.
- Moneylenders are imposing higher rate of interest such as 36% to 60%. It is very burden to the debtors. Hence, from the Government side there is a regulatory authority is needed.
- Value of production is not very high. Most of the respondents are raising traditional crops and not shifting to commercial crops.
- Most of the loans borrowed by the respondents are short term loans, medium and long term loans are negligible. Hence, Government must motivate to the medium and long term loans in order to improve the income standards by performing various developmental activities performed by farmers.
- Among the institutional agencies Commercial Banks and Cooperative Banks are providing more loans to the farmers. Similarly RRBs must be strengthened by the Government to enhance agricultural credit because RRBs are launched in most of the rural areas, these are the areas are the backbone of the country.
- There is an increasing trend of institutional agencies and declining trend the non-institutional agencies. It is congenial or health atmosphere to the farmers even though institutional agencies must be strengthened.
- The entire study reveals that the loans outstanding amounts till high and number of defaulters are also very high.

- It is noticed that crop failure is not major reason for non-repayment of loan, but high expenditure on family maintenances. Obviously most of the respondents in the present study are tenants and agricultural labourers and they forced to borrow even for subsistence, because one or two members are working remains are depending people.
- Most of the respondents are unable to create an asset like land, because there is no surplus in the production, it is sufficient to meet their needs and their income is very less i.e. Rs.40,000 per annum.
- Even the low leves of income earned by the individuals in the district were not equitably distributed among various mandals in the three revenue divisions. The income levels of households in dry mandals were very low compared to delta mandals. These spatial disparities in the distribution of income are to be corrected by focusing special attention on backward and dry mandals like Markapur Revenue Division.
- Indian agricultural is a gambling in monsoon. In this context Government while providing loans to the farmers, they are restricting that farmers must pay within one year, otherwise we cannot provide crop loan to next year. It must be liberalise.

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