



AGRICULTURE FARMERS BORROWING THE NON-INSTITUTIONAL FINANCE IN PARTICULAR FROM MONEY LENDERS – A CASE STUDY OF PRAKASAM DISTRICT

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Abstract:

Basically Indian Economy is an agricultural economy. Still now most of the people are depending on agriculture sector. Normally agriculture is a seasonal oriented. In recent years agriculture expenses are enormously increasing, in order to meet agriculture expenses more money is required. But in India most of the farmers are small and marginal farmers. Therefore they have no proper amount to cultivate the land. So they can approach the institutional and non-institutional financial sources. But in the institutional finance which has imposing more restrictions while they are giving loan to the farmers. In addition to that most of the Indian farmers are illiterates. From this most of the farmers, who are getting loan from the moneylenders, in spite of they are imposing higher rate of interest.

Key words: non-institutional credit, moneylenders,

Introduction

Agribusiness is the most noticeable and productive sector in the Indian economy. It represents 17.8 percent of the GDP by engaging 52.3 percent of the nation's populace. Around one-fourth of the country's income stems from rural areas. In a non-industrial nation like India, agribusiness assumes an overwhelming part in forming the existence of individuals by and large. The biggest part of the regular assets of India comprises land and by a wide margin, the highest number of its denizens is occupied with agribusiness. Hence, in any plan of monetary improvement of the country, farming stands firm on a foothold of essential significance. Albeit Indian agriculture is ancient, contrasted with the levels in other nations, some remarkable improvements have occurred throughout the years since its Independence in 1947. Huge regions which experienced frequent precipitation failure have gotten water systems, and new harvests have come to possess a critical situation in the

nation's agricultural production and agribusiness. The agrarian and modern economies in the nation presently apply a strong effect on one another. The issues of rural debt and the shady acts of moneylenders are considerably less and there is now an enlivening craving for increasing expectations of living in the nation (Avinash and Railkar, 2006).

Agribusiness items like oats mostly rice, tea, cashew, coffee, spices, tobacco and cowhide are significant things of India's commodities and subsequently unfamiliar trade income. Agribusiness is likewise the fundamental wellspring of natural substances for agro-based ventures including materials, cigarettes, jute, sugar, paper, groceries and vanaspati. Additionally, the agrarian area gives a market to capital merchandise (farm hauliers, siphon sets and other agribusiness hardware), inputs (composts, bug sprays) and light shopper products. The country has contributed heaps of assets for the improvement of agribusiness under different long-term plans.

The improvement of the horticultural area profoundly relies upon the advancement of such key businesses as power, oil, manures and mechanical devices. Along these lines, there is between reliance among horticulture and industry. Farming, being a state subject, the heft of public interest in agribusiness happens at the degree of states and the central Government upholds the states as an impetus (Mandira Sarma and Rajiv Kumar, 2008).

This paper is mainly attempt to analyse non-institutional finance particularly it is focusing on money lenders.

Objectives

The focal objectives of the present study are

- To examine the agricultural credit system in India
- To examine the socio-economic characteristics of the sample respondents.
- To examine the agricultural production in the Prakasam district
- To examine the institutional credit system in the Prakasam district
- To examine the non-institutional credit system in the Prakasam district, and
- To suggest various measures to improve the institutional credit system with specific reference to the study area.

Methodology

- A multistage random sampling technique was used in the present study to select sample households in various villages of the Prakasam district of Andhra Pradesh.
- There are three Revenue Divisions viz. Kandukuru, Markapuram and Ongole, in the Prakasam district. 12 mandals at the rate of four mandals from each revenue division were selected using Simple Random Sampling without Replacement (SRSWOR). From each of the mandals, two villages were chosen again

using SRSWOR. 13 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.

Non-Institutional Agencies

Non-institutional source of money is one of the main sources in agricultural families. It consists of moneylenders, friends and relatives etc., but moneylenders 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 moneylenders were around 30-40 percent. Thus, regulation of the activities of moneylenders will have a significant effect on the debt burden of farmers, and in particular the marginal farmer households and pure tenants.

Non-institutional sources like moneylenders, landlords, traders etc. accounted for 93 percent of the total credit requirements in 1951-52 and institutional sources including the 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, with moneylenders accounting for barely 16 percent; the share of institutional credit, however, had jumped to 63 percent i.e., cooperatives contributing 30 percent and commercial banks about 29 percent.

Moneylenders:

There are two kinds of cash moneylenders in the rustic region. They are 1) Agricultural cash moneylenders and 2) Professional Money banks. Horticultural cash moneylenders' primary occupation is cultivating and cash loaning to an optional one. While the expert cash moneylenders' fundamental calling is cash loaning. Albeit the dependence on horticultural and expert cash moneylenders in the rustic region declined throughout the years for example from 80% of their absolute credit necessity in 1951 to 30 percent in 2002. The credit dispensed by cash loan specialists frames a significant part of the all-out credit acquired by agriculturists. A portion of the benefits is given underneath.

- It is simple admittance to the agriculturists as cash loan specialists keep up with a cosy relationship with country families.
- Unlimited stockpile of cash for any reason.
- To get cash from cash banks straightforward and adaptable.
- Convenient accessibility of credit without more customs.
- Moneylenders don't confine any kind of safety for the award of credits.

Despite a portion of the advantages will be to the agriculturists while taking advance from the cash moneylenders. A few disservices will be capable by the agriculturists, for example,

- They charge an exceptionally high pace of interest

- They control bonds and promissory notes acquired from debt holders and enter a huge total than loaned.
- They are not given any receipt to the indebted individuals for reimbursements and frequently they deny such reimbursements.
- They give credit for both useful and ineffective purposes which results in indebtedness.

Loans taken from Moneylenders

Moneylenders are the oldest form of Non-Institutional Agencies. Tenants are generally borrowed from non-institutional agencies like moneylenders @ 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 moneylenders in rural areas. There are rich farmers or landlords who combine farming with money lending. There are also professional moneylenders whose only occupation or profession is money lending.

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

- The moneylender freely supplies credit for productive and non-productive purposes, and also for short-term and long-term requirements of the farmers.
- Easily accessible and maintain close and personal contact with the borrower, often having relations with family extending over generations.
- Their methods of business are simple and elastic.
- The moneylender 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, through legal and illegal methods.

However, the farmers face some unfair practices of moneylenders such as:

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

Table- 1: Loan amounts taken from Moneylenders

S. No	Amount in Rs.	2015-16	Percent	Valid Percent	2016-17	Percent	Valid Percent	2017-18	Percent	Valid Percent
1	Below 10,000	29	9.7	28.2	23	7.6	31.5	17	5.7	26.2
2	10,000-20,000	31	10.3	30.1	14	5	19.2	16	5.3	24.6
3	20,000-30,000	11	3.7	10.7	13	4.6	17.8	13	4.3	20.0
4	30,000-40,000	10	3.3	9.7	7	1.1	9.6	4	1.3	6.2

5	40,000-50,000	5	1.7	4.9	3	2.1	4.1	5	1.7	7.7
6	50,000-60,000	4	1.3	3.9	2	9	2.7	2	0.7	3.1
7	60,000+	13	4.3	12.6	11	3.4	15.1	8	2.7	12.3
	Total	103	34.3	100.0	73	24.3	100.0	65	21.7	100.0
8	No	197	65.7		227	75.7		235	78.3	
	G. T	300	100.0		300			300	100.0	

Source: Computed

A scrutiny of Table -1 reveals the loan amounts taken through moneylenders during 2015-2016 to 2017-2018. Out of 300 responding participants, 197 (65.7 percent), 227 (75.7 percent) and 235 (78.3 percent) of the responding participants did not borrow money from the moneylenders during 2015-2016, 2016-2017, and 2017-2018 respectively.

Out of 103 responding participants who borrowed money from moneylenders in 2015-2016, the majority i.e., 31 (30.1 percent) responding participants had borrowed between Rs.10,000 - 20,000 followed by 29 (28.2 percent) responding participants borrowed below Rs.10,000. 13 (12.6 percent) responding participants borrowed the maximum above 60,000.

Out of 73 responding participants who borrowed money from moneylenders in 2016-2017, the majority i.e., 23 (31.56 percent) responding participants borrowed below Rs.10,000 followed by 14 (19.2 percent) responding participants who had borrowed between Rs.10,000 - 20,000. Only 11 (15.1 percent) responding participants borrowed the maximum and above i.e., Rs.60,000.

Out of 65 responding participants who borrowed money from moneylenders in 2017-2018, the majority i.e., 17 (26.2 percent) responding participants borrowed below Rs.10,000, followed by 16 (24.6 percent) responding participants had borrowed between Rs.10,000 - 20,000. Only 8 (12.3 percent) responding participants borrowed a maximum of above Rs. 60,000.

Table - 2: Purpose of Loans Taken from Moneylenders, 2015-2018

S. No	Purpose	2015-16	Percent	Valid Percent	2016-17	Percent	Valid Percent	2017-18	Percent	Valid Percent
1	Crop loans	22	7.3	21.4	25	8.3	34.2	11	3.4	16.9
2	Family maintenance	73	24.3	70.9	44	14.7	60.3	50	16.7	76.9
3	Clear the old debts	2	0.7	1.9	2	0.7	2.7	1	0.2	1.5
4	Purchase of land	4	1.3	3.9	1	0.3	1.4	2	0.7	3.1
5	Social functions	2	0.7	1.9	1	0.3	1.4	1	0.2	1.5
	Total	103	34.3	100.0	73	24.3	100.0	65	21.7	100.0
6	No	197	65.7		227	75.7		235	78.3	
	G. T	300	100.0		300	100.0		300	100.0	

Source: Computed

A scrutiny of Table - 2 reveals the purpose of loans taken from moneylenders during 2002-05. Out of 103 responding participants who borrowed from moneylenders in 2015-2016, 73 (70.9 percent) responding participants towards family maintenance followed by 22 (21.4 percent) candidates towards crop loans. Out of 73 participants in 2016-2017, 44 (60.3) getting loans for family maintenance followed by 25 (34.2 percent)

borrowed loans for crops and out of 65 participants 50 (76.9) borrowed loans towards family maintenance followed by 11 (16.9 percent) participants borrowed crop loans in 2017-2018.

It is obvious from the above details that the percentage of respondents depending on moneylenders declined gradually. Out of those who borrowed money from moneylenders, a large majority borrowed to meet the expenditure on family maintenance. This reflects the miserable conditions of communities, particularly small and marginal farmers maybe most of them are tenants.

Table - 3: Rate of Interest charged by Moneylenders during 2015-2016 to 2017-2018

S. No	Rate of interest	2015-16	Percent	Valid Percent	2016-17	Percent	Valid Percent	2017-18	Percent	Valid Percent
1	12%	7	2.3	6.8	4	1.3	5.5	4	1.3	6.2
2	24%	46	15.3	44.7	28	9.3	38.4	23	7.7	35.4
3	36%	50	16.7	48.5	41	13.7	56.2	38	12.7	58.5
	Total	103	34.3	100.0	73	24.3	100.0	65	21.7	100.0
4	No	197	65.7		227	75.7		235	78.3	
	G. T	300	100.0		300	100.0		300	100.0	

Source: Computed

A scrutiny of Table-3 reveals the rate of interest charged by moneylenders on loans to the responding participants during 2015-2018. Out of 103 responding participants who borrowed money from moneylenders in 2015-2016, the majority i.e., 50 (48.5 percent) responding participants borrowed for interest at the rate of 36 percent, and 46 (44.7 percent) at the rate of 24 percent. The average rate of interest charged by the moneylenders was 29.16 in 2015-2016. The minimum rate was 12 while the maximum rate was 36 percent.

The study reveals that out of 73 responding participants who borrowed money from moneylenders in 2016-2017, the majority i.e., 41 (56.2 percent) responding participants borrowed for interest at the rate of 36 percent, and 28 (38.4 percent) at the rate of 24 percent. The average rate of interest charged by the moneylenders was 30.5 in 2016-2017. The minimum rate was 12 while the maximum was 36.

The study further reveals that out of 65 participants who borrowed from moneylenders in 2017-2018, the majority i.e., 38 (58.5 percent) of the responding participants borrowed at the rate of 36 percent, and 23 (35.4 percent) at the rate of 24 percent. The average rate of interest charged by the moneylenders in 2017-2018, was 30.19. The minimum rate was 12 while the maximum was 36.

The above analysis reveals that more than 50 percent of those responding participants who borrowed money from a moneylender, borrowed at a higher rate of interest of 30 percent. This may be because of domestic compulsion in the light of an analysis of Table - 2.

Table - 4: Amount Repaid to Moneylenders, 2015-2018

S. No	Amount in Rs.	2015-16	Percent	Valid Percent	2016-17	Percent	Valid Percent	2017-18	Percent	Valid Percent
1	Below 10,000	15	14.6	48.4	18	24.7	62.1	14	21.5	56.0
2	10,000-20,000	6	5.8	19.4	5	6.8	17.2	5	7.7	20.0
3	20,000-30,000	5	4.9	16.1	2	2.7	6.9	3	4.6	12.0
4	30,000-40,000	3	2.9	9.7	3	4.1	10.3	1	1.5	4.0
5	40,000+	2	1.9	6.5	1	1.4	3.4	2	3.1	8.0
	Total	31	30.1	100.0	29	39.7	100.0	25	38.5	100.0
6	No	72	69.9		44	60.3		40	61.5	
	G. T	103	100.0		73	100.0		65	100.0	

Source: Computed

Scrutiny of Table-4 reveals the amount repaid by the responding participants to moneylenders during 2015-2018. Out of 103 responding participants who borrowed from moneylenders in 2015-16, only 31 responding participants had repaid the loans. Out of them, the majority i.e., 15 (48.4 percent) responding participants repaid the loans below Rs.10,000, and the remaining 16 responding participants repaid the loans in the ranges of Rs.10,000-20,000, Rs.20,000-30,000, Rs.30,000-40,000 and above Rs.40,000 each respectively.

The study reveals that, out of 73 responding participants who borrowed money from moneylenders in 2016-2017, only 29 responding participants had repaid the loans. Out of them, the majority i.e., 18 (62.1 percent) responding participants had repaid amount below Rs.10,000 and the remaining responding participants 11 (37.9 percent) repaid in between Rs.10,000 - 20,000, Rs.20,000 - 30,000, Rs.30,000 - 40,000 and Rs.40,000 above.

The study further reveals that, out of 65 responding participants who borrowed from moneylenders in 2017-2018, 25 responding participants repaid. Out of them, the majority i.e., 14 (56.0 percent) responding participants repaid amount below Rs.10,000 and the remaining in between Rs.10,000 - 20,000, Rs.20,000 - 30,000, Rs.30,000 - 40,000 and Rs.40,000 above.

Table - 5: Loan amounts with Moneylenders, 2015-2018

S.No	Amount in Rs.	2015-16	Percent	Valid Percent	2016-17	Percent	Valid Percent	2017-18	Percent	Valid Percent
1	Below 10,000	14	13.6	19.4	5	6.8	11.4	3	4.6	7.5
2	10,000-20,000	25	24.3	34.7	9	12.3	20.5	11	16.9	27.5
3	20,000-30,000	6	5.8	8.3	11	15.1	25.0	10	15.4	25.0
4	30,000-40,000	7	6.8	9.7	4	5.5	9.1	3	4.6	7.5
5	40,000-50,000	3	2.9	4.2	2	2.7	4.5	3	4.6	7.5
6	50,000-60,000	4	3.9	5.6	2	2.7	4.5	2	3.1	5.0
7	60,000+	13	12.6	18.1	11	15.1	25.0	8	12.3	20.0
	Total	72	69.9	100	44	60.3	100	40	21.3	100.0
8	No	31	30.1		29	39.7		25	38.5	
	G. T	103	100.0		73	100.0		65	100.0	

Source: Computed

Scrutiny of Table-5 reveals the loan amounts outstanding to moneylenders during 2015-2018. Out of 72 responding participants who had outstanding loans, the majority i.e., 25 (34.7 percent) responding participants had in between Rs.10,000 - 20,000 followed by 14 (19.4 percent) responding participants had an amount outstanding below Rs.10,000, and 13 (18.1 percent) responding participants had above Rs.60,000 outstanding with moneylenders.

Out of 44 responding participants who had outstanding loans to moneylenders in 2016-2017, the majority i.e., 11 (25.0 percent) of the responding participants had outstanding amounts between Rs.20,000-30,000 and above Rs.60,000 respectively. Only 5 (11.4 percent) responding participants had below Rs.10,000.

Out of 40 responding participants who had outstanding loans to moneylenders, the majority i.e., 11 (27.5 percent) responding participants had an outstanding amount between Rs.10,000-20,000 followed by 10 (25.0 percent) responding participants who had outstanding in between Rs.20,000-30000.8 (20.0 percent) had above Rs.60,000.

Table - 5.6: Reasons for Outstanding Loans among Moneylenders, 2015-2018

S. No	Reason	2015-16	Percent	Cumulative Percent	2016-17	Percent	Cumulative Percent	2017-18	Percent	Cumulative Percent
1	Crop failure	9	12.5	12.5	5	11.4	11.4	6	15.0	15.0
2	Loss in agriculture	6	8.3	20.8	4	9.1	20.5	4	10.0	25.0
3	More family expenditure	49	68.1	88.9	29	65.9	86.4	25	62.5	87.5
4	Social functions	8	11.1	100.0	6	13.6	100.0	5	12.5	100.0
	Total	72	100.0		44	100.0		40	100.0	

Source: Computed

Scrutiny of Table-6 reveals the reasons for outstanding loans to moneylenders during 2015-2018. Out of 72 responding participants who had outstanding loans, 49 (68.1 percent) responding participants gave the reason as more family expenditure, 9 (12.5 percent) responding participants revealed the reason as crop failure, 6 (8.3 percent) of the responding participants stated reason as loss in agriculture and 8 (11.1 percent) responding participants informed social functions is the reason for non-repayment in 2015-2016.

Out of 44 responding participants who had outstanding loans to moneylenders in 2016-2017, 29 (65.9 percent) responding participants stated the reason as more family expenditure followed by 6 (13.6 percent) stated social functions. 5 (11.4 percent) stated the main reason was crop failure and the other 4 (9.1 percent) responding participants' reason is a loss in agriculture.

Out of 40 responding participants who had outstanding loans to the moneylenders in 2017-2018, 25 (62.5 percent) responding participants more family expenditure is the main reason for non-repayment. 6 (15.0 percent) of the participants' crop failure was the reason for non-payment, while 5 (12.5 percent) of the responding participants showed social functions as the main reason.

Policy Implications and Suggestions:

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

1. 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.
2. Credit is crucial in the agriculture sector to enhance the productivity of crops and animals used as food for human beings.
3. Farmers usually obtain low crop production due to a lack of capital and credit is a capital alternative to enhance productivity in the agricultural sector.
4. Most of the farmers are small and marginal and also most of them are illiterate, therefore they are not aware of schemes and programmes implemented by the Government, then Government will take initiative to create awareness among the farmers regarding schemes.
5. More number of the responding participants are tenants and agriculture labourers and hence there is less access to institutional credit. To improve the productivity of agriculture, Government must provide credit to even tenants and agricultural labour.
6. The majority of the responding participants still depend upon non-institutional credit particularly depends on moneylenders because they are providing easy money to them, but institutional agencies are imposing more restrictions on farmers. Hence, Government will provide easy money to them. Simply by declining restrictions.
7. Moneylenders are imposing a higher rate of interest such as 36% to 60%. It is a very burden to the debtors. Hence, from the Government side, there is a regulatory authority is needed.
8. The value of production is not very high. Most of the responding participants are raising traditional crops and not shifting to commercial crops.

9. Most of the loans borrowed by the responding participants are short-term loans, and medium and long-term loans are negligible. Hence, Government must motivate medium and long-term loans to improve the income standards by performing various developmental activities performed by farmers.
10. The entire study reveals that the loan outstanding amounts are still high and the number of defaulters is also very high.
11. It is noticed that crop failure is not a major reason for non-repayment of loans, but high expenditure on family maintenance. Evidently, most of the responding participants in the present study are tenants and agricultural labourers and they are forced to borrow even for subsistence because one or two members are working remains depending on people.
12. Most of the responding participants 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.
13. Even the low levels 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 Markapuram Revenue Division.
14. Indian agriculture is like gambling in the 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 loans until next year. It must be liberalised.

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