International Journal of Academic Research
ISSN: 2348-7666; Vol.8, Issue-11, November, 2021
Impact Factor: 6.023; Email: drtvramana@yahoo.co.in

ROLE OF INSTITUTIONAL LOANS AND MARGINAL FARMERS ECONOMIC CONDITION - WITH REFERENCE TO HASSAN DISTRICT KARNATAKA

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ABSTRACT : *The institutional loans have been conceived to play a crucial role among the marginal farmers. An enormous number of institutional agencies are engaged in the spending of credit to agriculture activities. Though, the fortitude of money lenders in the rural credit marketplace is unmoving a leading uneasiness. The agriculture credit refers to credit provided to the rural population. It covers loans to agriculture as well as loans to non-agriculturists, artisans and landless laborers who are residing in rural areas. The objective of agricultural credit is to provide sufficient finance for agriculture, animal husbandry, rural industry, rural trade, rural transport and all other economic activities of the countryside. The necessity of credit in India arose because preponderance of farmers and non-agricultural population suffer from financial anemia at present and that the injection of sufficient quantities of finance into them could accelerate their pace and increases the value and volume of their production. The ideal agricultural credit scheme should aim at providing and ensuring adequate finance to every person in the countryside, who is occupied in or willing to engage in any economic activity. The magnitude of agricultural credit in a country like India, which is fundamentally rural in nature hardly, needs elaboration. The economic development of the scenery hinges upon accessibility of credit to rural economy. This paper is emphasising on rural loan facility available to the marginal farmers and to improve their economic condition in the study area as concentrated.*

INTRODUCTION

The institutional loans have been conceived to play a crucial role among the marginal farmers. An enormous number of institutional agencies are engaged in the spending of credit to agriculture activities. Though, the fortitude of money lenders in the rural credit marketplace is unmoving a leading uneasiness. The agriculture credit refers to credit provided to the rural population. It covers loans to agriculture as well as loans to non-agriculturists, artisans and landless laborers who are residing in rural areas. The objective of agricultural credit is to provide sufficient finance for agriculture, animal husbandry, rural industry, rural trade, rural transport and all other economic activities of the countryside. The necessity of credit in India arose because preponderance of farmers and non-agricultural population suffer from financial anemia at present and that the injection of sufficient quantities of finance into them could accelerate their pace and increases the value and volume of their production. The ideal agricultural credit scheme should aim at providing and ensuring adequate finance to every person in the countryside, who is occupied in or willing to engage in any economic activity. The magnitude of agricultural credit in a country like India, which is fundamentally rural in nature hardly, needs elaboration. The economic development of the scenery hinges upon accessibility of credit to rural economyThe rural sector requires institutional credit to take up economically viable projects. But it needs to be noted that credit alone cannot deliver the goods. There is what is called the credit absorption capacity of the region. This depeds on the implementation of economically viable schmes. Hence, the formulation of economic plans should precede the preparation of credit plans. There are certain agencies like the co-operatives, regional rural banks and farmers service societies which are most appropriate to serve the rural population, but their performance needs to be toned up. Of course, cheap credit needs to be discouraged.

Majority of the rural fold are not able to meet their day-to-day requirements from their own sources of income not to speak of investigating in other productive enterprises for improving their economic conditions. Therefore, they have to depend on various financial agencies for getting funds for making investment. To bring about the overall development in the rural areas, financial assistance to the rural poor, particularly institutional assistance for the development of agriculture desires no emphasis. Finance is an essential requirement for almost every activity. If required finance is not available out of one's own income, then one requirements credit. In rural areas of India, credit necessities are more pressing. The rural credit in India is a part and parcel of its economic development. Rural population is unruffled of agricultural producers, tenant cultivators, village artisans and landless labour. All these categories are in need of credit. To provide the credit requirements to these categories commercial banks and credit cooperative banks and regional rural banks take part in very noteworthy role.

A large number of formal institutional agencies like Co-operatives, Regional Rural Banks (RRBs), Scheduled Commercial Banks (SCBs), Non– Banking Financial Institutions (NBFIs), and Self-help Groups (SHGs), etc. are involved in meeting the short- and long-term needs of the farmers.

Institutional Loan to Agriculture and Allid Activities

Year	Share in Total Credit (Per Cent)			
	Cooperatives	**SCBs**	**RRBs**	**Total (Rs. Crore)**
2002-03	87.1	1.7	-	883
2003-04	57.7	34.8	3.9	4,296
2004-05	50.2	41.7	5.2	11,538
2005-06	56.4	34.4	8.4	54,195

2006-07	52.2	38.8	9.0	65,175
2007-08	48.0	43.4	8.6	83,427
2008-09	42.7	45.9	11.3	1,05,303
2009-10	33.4	56.0	10.6	1,44,021
2010-11	28.5	60.8	10.7	1,89,513
2011-12	29.6	58.2	12.2	1,94,953
2012-13	23.89	65.32	10.77	2,45,976
2013-14	16.51	74.33	9.16	3,84,514
2014-15	16.68	73.86	9.46	4,68,291
2015-16	17.21	72.13	10.65	5,11,029

Sources: Handbook of Statistics on Indian Economy, Reserve Bank of India and Economic Survey, Government of India

Notes: SCBs: Scheduled Commercial Banks | RRBs: Regional Rural Banks

The enlarge in bank loans in the last few years has been a heartening phenomenon in India's banking sector which reflects the economic reform policies followed since 1990's. However, the overall higher order credit growth in the banking system has not supported the desired expansion of agricultural credit and credit to small-scale industries.

Objectives of the Study

The study is mainly based on the following objectives;

1. To analyze the role of institutional loan agencies in Karnataka
2. To assess the institutional loanst facilities in Hassan District
3. To examine the dependency of small borrowers in the study area.

Research Methodology

The study is based on both primary and secondary source of data. The primary data and information has been collected from the 300 sample respondents in Hassan District. The sample respondents are chosen on simple random sampling basis. The secondary data and information is collected from the following sources:

Economic Survey of India and Karnataka, Department of Agriculture Reports, GOK, Department of Economics and Statistics, GOK State Level Bankers Committee Reports, Other learned journals regarding horticulture, District Statistical Office Reports, Office document, news paper etc.

Evolution of the Rural Credit System in India

Rural financial market development is a complex process. The All India Rural Credit Survey Committee (AIRCS) 1954, forms the edifice for the policy towards the development of the Institutional credit structures. The committee highlighted the awful inadequacy in the supply of institutional credit to the rural sector and proposed an integrated scheme of reorganization many more committees and recommendations. Priority sector lending, lead bank scheme, services area approach, setting up of NABARD, are some of the outcomes of the repeated scrutiny of the system.

Coming to the recent committees, the Agriculture Credit Review Committee (ACRC) 1989, examined the existing rural credit system in detail. It highlighted the yawning gap between income generated and costs incurred by rural credit institutions, necessitating external assistance. The committee recommended greater autonomy for commercial banks; the weakness of RRBs were seen as endemic to the system with non-viability built into them. Co-operatives were sought to be strengthened through thrust on deposit mobilization and reduction of political interference. The Narsimham Committee on Financial Sector Reforms 1991, among other things, recommended a redefinition of priority sector, gradual phasing out of directed credit programmes to 10% of aggregate bank credit and deregulation of interest rates.

State Wise Distribution of Bank Offices, Aggregate Deposits & Total Credit of Public Sector Banks

The Public Sector Banks which Includes State Bank of India & its 7 Associates, 19 Nationalized Banks & IDBI Ltd. There were 8,262 branches in 1969, which increased to 47,950 Branches by 2016, whereas the deposits which were Rs.3,896 crores in 1969 increased to Rs. 15,50,402 Crores in 2016. The bank credit which was Rs.3,036 crores increased to Rs.10,93,038 Crores and the share of priority sector credit which was 14.9% in 1969 increased to 37.5% in 2016. In Karnataka there were 756 branches in 1969, which increased to 3,271 Branches, whereas the deposits which were Rs.188 crores in 1969 increased to Rs. 95,426 Crores in 2016. The bank credit which was Rs.143 crores increased to Rs.78,011 Crores and the share of priority sector credit which was 24.8% in 1969 increased to 45.6% in 2016.

Financial performance of Public Sector Banks in India

When we analyze the performance of public sector banks, the income of the PS banks has been increasing in absolute terms it was Rs.1,17,252.36 Crores by 2011-12 and it increased to Rs.1,28,464.37 Crores by 2012-13 and increased further to Rs.1,37,601.81 by 2013-14. but whereas in growth terms from 2012-13 to 2013-14, it decreased from 8.73% to 6.64%, where as in 2014-15 the income of Public Sector Banks decreased both in absolute term(Rs.87,752.53 Crores) and in growth, where it had negative growth to the tune of -56.81%. During 2015-16 the income of the PS Banks marginally increased to Rs.95,375.25 Crores, but in growth terms it increased by 7.99% over the previous year as the previous year had negative growth. In Income majority of the income is derived from the interest income which was 85.89% in 2011-12, 83.44% in 2012-13, 79.57% in 2013-14, 83.94% in 2014-15 and 87.15% in 2015-16. In the interest income interest on advances and income on investments are almost of same proportion.

Trends in access to banking services

Indian agriculture contributes 27.5% to the country‟s GDP. More than 65% derive their livelihood from agriculture. Agricultural growth has been stable and helped significantly in achieving food security with our buffer stocks at an all time high. There is no doubt that the sector is one of the most critical sectors in the economy and deserves adequate attention not only from policy makers, but also from other players in the economy.

Average outstanding per account

Category	2010	2015	Increase in average loan size over 2010	2016	Increase in average loan size over 2010
Agriculture Direct	13521	35607	22086	57519	43998
Agriculture Indirect	129650	807666	678016	416014	286364

Source: Computed from the Trend and Progress of Banking in India.

Fundamental Changes in Rural Credit Scenario

The study analysis clearly indicated that 32.8% of households had borrowed from institutional sources and 67.2 % had borrowed from non institutional sources. The survey also found that 70 per cent of earners in the annual income bracket of more than Rs.400, 000 borrowed from institutional sources as compared with only 27.5 per cent in the case of earners in the income bracket of less than Rs.50,000 the major reason for increase in the overall household debt and the increase in the share of households indebted to non-institutional sources between 1991 and 2002 was a significant increase in current farm expenditure and household expenditure, especially in rural areas. As reveals the sudden shift in favour of the village money lenders as the source of credit for rural cultivators during the 1990s. Table – 3.15 clealry indicates the share of borrowing of cultivator households in rural areas from 1961 to 2011 in rural India.

As study considered, out of 300 sample respondents during pre-loan period the majority were in up to Rs.14,000 annual income (50%), but after post –loan peiod it has been reduced to only 6% . This clealy show that the annual income has been gradullay increased during post-loan period. And the majority 60% 0f the respondents has annual income between Rs. 15,000 to 25,000, about 13.33% respondents annual income is between Rs. 26,000 to 35,000, about 8% 0f the respondents earn annual income between Rs.36,000 to 45,000, about 4% 0f the respondents seems to earn annual income between rupees 45,000 to 55,000. It had been noted that the respondents earning above Rs.76,000 to above Rs.1.5 lakh are the respondents doing service as clerk and school teachers. Thus, it can be interpreted that, the income of the respondents engaged in dairy, agriculture, artisans and small shops is very low. They are earning below rupees 56,000 per annum and this is a factor which is encouraging them to borrow the loans and forcing them to live in indebtedness. The income in the rural areas is found to be low and such a situation is rarely found in the urban centres because of education, employment, industrialization etc which is lacking in rural areas.

The expenditure on agriculture is one of the mainly significant social factors which do also determines the degree of indebtedness. That out of 300 respondents about 60% of the respondents annual expenditure on agriculture is between 21,000 to 30,000, 5% respondents spends rupees 10,000 to 20,000 on agriculture, 3% respondents spent rupees 31,000 to 40,000 on agriculture. 2% respondents spent between 41000 to 50000 on agriculture and only 1% respondents said that they spend between rupees 51,000 to 60,000 on agriculture. And about 27.66% of the respondents are landless and they have no expenditure on agriculture and 0.66% of the respondents are having land but they give it on lease as such does not spend on agriculture.

Small Farmers Financed by the Commercial Banks

(No. of accounts in thousands) (Amount in Rs. crore)

Year	Small Farmers (Upto 5 acres)				Other than Small Farmers			
	No. of Accounts	% to total	Amount	% to total	No. of Accounts	% to total	Amount	% to total
2011-12	3713	68.56	3653	40.28	1703	31.44	5416	59.72

2012-13	3752	68.26	4465	44.82	1745	31.74	5496	55.18
2013-14	3916	73.38	4701	46.83	1420	26.62	5336	53.17
2014-15	4185	71.61	5967	50.52	1659	28.39	5845	49.48
2015-16	4213	72.72	6805	54.01	1581	27.28	5794	45.99

Source: Reserve Bank of India, Annual Report.

The agricultural loans to marginal and small farmers has also increased significantly from about Rs 169 crore in 2006-07 to Rs.1,337 crore in 2015-16 at compound growth rate of 24.96 per cent per annum. The total number of operational holdings of the marginal and small farmers in the district has also increased from 22,113 in 2006-07 to 23,895 in 2015-16 at compound growth rate of 1.18 per cent per annum, significant at one per cent level of significance. Thus, the per holding agricultural credit to marginal and small farmers in the district has shown considerable increased growth in the last ten years. During 2006-07, it was found to be Rs 76 thousand, on an average, which later increased by almost seven fold times in 2015-16, i.e. Rs.5.60 lakh at compound growth rate of 23.50 per cent per annum, significant at one per cent level of significance. It may be stated that many medium farmers availed credit as marginal and small farmers by showing ownership of land as marginal and small farmers as per revenue record available.

The total amount of credit for rural development under lead Bank schemes of Banks in Hassan district as classified into 8 blocks. As shown in Table 5.8 there is no uniformity in allocation of credit in all Blocks. Out of total credit over a 3-year period almost 55 percent of the credit was sanctioned to only 2 Blocks, Holenarasipura and Alur. Remaining 45 percent of credit distributed among 5 blocks. This indicates only two blocks being attracted by lead Bank Schemes for entire reference period 2014 - 15 to 2016 - 17.

Rural indebtedness is a socio economic problem. It is generally considered that poverty, illiteracy, ignorance, low income, unemployment, low standard of living and socio life, all are the roots of the rural indebtedness. It is observed in the present study that the rural indebtedness is in many cases no longer a medium of economic exploitation but is necessitated by social and economic necessity of the rural masses and in many cases of the farmer himself.

Conclusion

Farmers have taken the loan for agriculture purpose but actually utilize on non-productive purpose like marriages, festivals, customs, addictions and family requirements. So automatically production of agriculture does not increase. It adversely feeds to their indebtedness. Indebtedness arises when the income from debt incurred is not repaid or when he spends hi income wastefully and does not save for the purpose of paying of his debt. Every loan is a debt and when the borrower does not repay the loan promptly and goes on accumulating it, he becomes more indebted. They utilize their loan on non-productive purpose, so they could not do savings also.

The loans are measured as one of the vital inputs for economic development. Its timely availability in the right quantity and at an affordable cost goes a long way in contributing to the well-being of the people, especially in the lower rungs of society. Besides physical and human challenges, it is important to input administration in agriculture. Therefore, access to finance, particularly to the poor and vulnerable groups is a pre-requisite for employment, economic growth, poverty decrease and social consistency.

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