



Institutional Finance for Agricultural Development in Y.S.R Kadapa District of Andhra Pradesh

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Abstract

Kadapa district, one of the backward districts in agricultural development in the state of Andhra Pradesh. Agricultural development is imperative to gauge the development of Kadapa region through bank financing. In this paper, an attempt is made to describe the agro-economic profile of Kadapa district and analyze the agricultural credit structure and progress of institutional credit in the district.

Keywords: Agro-economic profile, Co-operative banks, Andhra Pragati Grameena Bank, Commercial Banks.

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Introduction

Agro-economic profile: Kadapa district was formed in the year 1808. Siddavaram was the district headquarters. It was later shifted to Cuddapah in the year 1812. Nearly 65 percent of the population of the district depend upon agriculture either directly or indirectly. It is one of the agriculturally backward districts of the Andhra Pradesh state. The scanty and erratic rainfall, dependence on monsoons, lack of perennial rivers and inadequate basic infrastructural facilities such as transport network and organized agricultural markets are other contributory factors responsible for its poor agricultural development. The agro-economic profile of Kadapa district clearly indicate the contributory factors responsible for its poor agricultural development. The density of population is 188 per Sq Km. In the total work force 42.72 per cent are cultivators and 18.60 per cent are agricultural labours. The climate is dry and healthy and the temperature is hot with a maximum of 40⁰C in summer. The average rainfall in the district is 843 mm. Black and red are the important soils of the district forming 47 per cent and 53 per cent respectively of the total. The forests occupy 32 per cent of the geographical area of the district. The net sown area in the district accounts for 6.11 per cent. Roughly 80 per cent of the land holders have less than 2 hectares of land. There are no perennial rivers in the district. A reservoir was constructed on Pennar river at Mylavaram. It provides water to irrigate around 78000 hectares of land. There are 4 medium irrigation projects in the district. The principal crops grown in the district are paddy, groundnut, sunflower and cotton. Dairying is an important activity allied to agriculture. Floriculture and Horticulture are also gaining momentum in the eastern parts of the district.¹

Imperfections in the agricultural credit are ubiquitous and more pronounced. Large farmers have been the main beneficiaries of institutional credit. It is common to find 70 to 80 percent of small farmers in the developing world with virtually no access to such

credit. Excessive rainfall, unseasonal frosts, windstorms, droughts-any of these may destroy the fruits of a farmer's year-long productive efforts. Even when the good earth is bountiful, the farmers may suffer economic disadvantages, for bumper crops may cause market prices to fall to such levels that his income is greatly reduced. In view of the difficulties and hazards involved in the extension of farm credit, privately owned financial institutions have generally found it impossible to provide the farmer with money upon terms as liberal as those allowed by other enterprises. High rates of interest, unreasonably short maturities and other restrictive terms have commonly characterized the loans granted to farmers. Against this background an attempt is made to describe the agro-economic profile of Kadapa district and analyze the agricultural credit structure and progress of institutional credit in the district.²

Objectives

1. To study the Progress of various institutional credit agencies in Kadapa district.
2. To analyze the loan requirements for various crops in Kadapa district.

Hypotheses

1. To study the Progress of various institutional credit agencies in Kadapa district is not significant.
2. To analyze the loan requirements for various crops in Kadapa district is not significant.

Research Methodology

The information collected in this paper is based on the secondary data by using internet, websites, magazines, books, journals, averages and percentages, maps and graphs gives a qualitative approach towards this research framework.

Agency-wise, purpose wise Progress of institutional credit agencies in Kadapa district

Development of any region usually depend on the not only geographical conditions but also credit agencies especially institutional credit agencies are one of the important things. Kadapa district, one of the backward districts in agricultural development in the state of Andhra Pradesh. Agricultural development is imperative to gauge the development of Kadapa region through bank financing. An attempt is made to describe the agro economic profile of Kadapa district and analyze the agricultural credit structure and progress of institutional credit in the district.

Co-operative Sector

The Co-operative credit system in Kadapa district with the KDCCB at its district level is a federal system consisting of a family of 256 affiliated Co-operatives i.e., Primary Agricultural Co-operative Societies & Weavers Co-operatives (PACS&WCS). Of them are

16 branches with 62 Primary Agricultural Co-operative Societies (PACs) & 194 Weavers Co-operative Societies (WCs) through which, developmental agricultural credit and productivity is provided. The total membership of the PACS is around Rs.5.35 lakhs of which borrowing members are 1.30 lakhs as on 31.03.2010. The Kadapa District Co-operative Central Bank (KDCCB) Ltd is a government undertaking bank for the district of Kadapa in Andhra Pradesh. The bank is committed to agricultural and rural Co-operatives. The KDCCB and affiliate credit structure in Kadapa district showcase both investment and production credit for agriculture and weavers at the grass root level through a single agency (PACS&WCS). The PACs at village level are for the service of the farmers for availing of varied short, medium & long-term loans both under production and investment credit. The KDCCB has also a network of 23 branches in Kadapa district including head office at Kadapa city having two branches and one Head office–main branch for exclusive needs of the urban clientele. In tune with its main focus, the KDCCB, through the PACS & WCS, provides refinance support for agricultural production credit for seasonal, agricultural operations, investment credit for investments in agriculture for minor irrigation, farm mechanization, land development, horticulture, dairy, poultry and other diversified investments and allied activities and also provides cash credit facility to weaver sector through the Primary Handloom Societies & Silk Handloom Societies through which rural development is fostered.

As a part of its commitment towards rural development, the bank provides assistance for the programmes under Self Help Groups (SHGs) and non-farm sector finance for self employment programmes in the rural and semi urban areas, micro credit through self help groups, youth associations and women's groups under Integrated Co-operative Development Project, Kadapa (ICDP). This programme is sanctioned funds to the as a tune of Rs.1177.47 lakhs by the National Co-operative Development Corporation, New Delhi through the Government of Andhra Pradesh. The bank extends financial support to the PACs for fertilizer business, for construction of godowns and also provides financial assistance to the District Co-operative Marketing Society (DCMS) which is a district unit through integrated co-operative Development Project, Kadapa (ICDP).³

Andhra Pragati Grameena Bank

Accordingly central government by notification have on 1st June 2006, amalgamated RayalaseemaGrameena Bank, Kadapa, SreeAnanthaGrameena Bank, Anantapur and PinakiniGrameena bank, Nellore into a single regional rural bank called “Andhra Pragati Grameena Bank”, with its head office at Kadapa. The area of operation of Andhra Pragati Grameena Bank (APGB) comprises 5 districts-Kadapa, Anantapur, Kurnool, Nellore and

Prakasam. Andhra Pragati Grameena Bank is a Regional Rural Bank in India. It was established in 2006 as a scheduled commercial bank, as per Regional Rural Banks Act of 1976 to provide banking facilities in Rayalaseema region. The bank caters to the needs of the rural poor of Rayalaseema one of the most backward regions of Andhra Pradesh state. Andhra Pragati Grameena Bank 8th Annual Report 2013-14 reveals that in Kadapa the net worth of Rs.1306 Cr, CRAR 19.69 per cent, net profit of Rs.160.37crores, financial margin of Rs.3.81 per cent could be achieved.

In 2010 the bank received the “Best Bank” award from the erstwhile Andhra Pradesh Chief Minister Konijeti Rosaiah. The bank often to extend loans for individual housing, commercial complexes and industries. The bank had earned a net profit of Rs.150.34 crores in 2011-12. It achieved deposits of Rs.4,513 crores with a quantum hike of Rs.434 crores (10.63 per cent) and advances of Rs.5,490 crores with a quantum jump of Rs.1,199 crores (27.95 per cent increase). APGB laid greater emphasis on lending to the priority sector and hence priority sector advances were Rs.4,748 crores, accounting for 86.48 per cent of gross advances. Giving utmost priority to agriculture, its gross advances to the sector touched Rs.4,150 crores (75.60 per cent). The bank issued 5,10,723 Kisan Credit Cards involving Rs.1,756 crores and planned to link them to debit cards. It granted Rs.12.91 crores as loans to 5,413 farmers with loan eligibility cards. The bank launched “SB overdraft uptoRs.10,000” to financial inclusion customers in 2011-12. It covered 546 villages having population of over 2,000 under the National Policy on Financial Inclusion. The bank surveyed 449 villages having population between 1,000 and 2,000 to cover them by appointing business correspondents or by opening new branches. It granted Rs.304.74 crores as loans to 63,808 non-loanee farmers and financed 929 joint liability groups with Rs.12.05 crores covering 4,645 members⁴

Commercial Banks

The commercial banks made a remarkable progress in providing agricultural credit in the district after nationalization of banks in 1969. As at the end of February, 2010 there are 203 commercial bank branches functioning in the Kadapa district. Of these branches, 96 are rural, 46 are semi-urban and the rest 61 are urban branches.⁵

Progress of Scheduled Banks

The growth and spread of credit institutions in the district in the recent past has been quite satisfactory. 32 Scheduled banks are operating in the district with 319 branches at the end of December 2014. Progress of scheduled banks in the district is given in table -1. From table -1, it can be observed that the total number of branches of the banks in the district which

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stood at 221 at the end of December 2008, showing an increase in 319 by the end of February 2014 and showing an increase of 144.3 per cent. The share of Andhra Pragati Grameena Bank is 29 percent at the end February 2014. State bank expanded its branches to 65 and Syndicate bank also increased its branches from 20 to 25 by the end of February 2014. In the district, the branch expansion programme is quite satisfactory, but more services are to be provided to the public to increase the income of the rural poor.

Table-1
Number of Branches of the Scheduled Banks Operating in Kadapa District
2008-2014

S.No	Name of the bank	No. of branches at the end of December 2008.	No. of branches at the end of February 2014
01	Allahabad Bank	-	01
02	Andhra Bank	17	23
03	Andhra PragathiGrameena Bank	75	92
04	Axis Bank	01	04
05	Bank of Baroda	01	03
06	Bank of India	01	03
07	Canara Bank	03	04
08	Central Bank of India	02	02
09	City Union Bank	02	02
10	Corporation Bank	04	07
11	DCCB	15	24
12	HDFC Bank	02	07
13	ICICI Bank	03	07
14	IDBI Bank	01	03
15	Indian Bank	02	03
16	Indian Overseas Bank	02	04
17	Indus Ind Bank	01	01
18	ING Vysya Bank	04	04
19	Karnataka Bank	01	01
20	KarurVysya Bank	02	03
21	Lakshmi Vilas Bank	01	02
22	Punjab National Bank	01	01
23	State Bank of Hyderabad	07	15
24	State Bank of India	47	65
25	Syndicate Bank (Lead Bank)	20	25
26	UCO Bank	01	01
27	Union Bank of India	02	05
28	Vijaya Bank	02	02
29	Dhanalakshmi Bank	-	01
30	Standard Chartered Bank	-	01
31	Oriental Bank of Commerce	-	01
	Total number of Branches	220	318
32	APSFC	01	01
	Total	221	319

Source: Syndicate Bank, District Credit Plan 2009-10 and 2014-15, Kadapa District.

Distribution of Bank Branches

The distribution of bank branches is an indication of bank's commitment to particular sector. The branches located in the rural and semi-urban areas is a sign of its commitment to agriculture and rural development. Population group-wise distribution of bank branches in the district between 2008 and 2014 are presented in table-2.

Table-2

**Population Group-wise distribution of Bank Branches in Kadapa district:
2008-2014**

Particulars	Rural	Semi-urban	Urban	Total
2008	106	48	66	220
2009	106	48	69	223
2010	106	48	69	223
2011	111	62	93	256
2012	131	70	73	274
2013	131	70	73	274
2014	140	94	85	319

Source: Syndicate Bank, District Credit plan, Lead Bank Department 2008 to 2014 (various years) Kadapa District.

Table -2 shows the distribution of bank branches in the district. It is clear from the table that the rural and semi-urban centers have been given priority in branch expansion. The rural branches have increased from 106 in 2008 to 140 in 2014. The semi-urban branches gradually increased from 48 in 2008 to 94 in 2014. The number of urban branches are 85 in 2014. The share of rural, Semi-urban, and urban branches comes to 44 per cent, 29 per cent and 27 per cent respectively in 2014.

Crop loans

In general there is demand for loans from all sections of farmers and in particular the demand will be more from such of the farmers who have irrigation facilities and cultivate crops like paddy, sugarcane etc., the cultivation of which involves huge expenditure. While assessing the crop requirements is presumed that around 60 per cent of the farming community will only turn up towards credit institutions for their credit requirements. Various parameters like type of crops grown, extent of acreage, cost of cultivation etc., are also to be kept in view for estimating the demand. Institutional agencies are not able to meet the total credit requirements of the farmers due to limited resources. These institutions are fixing targets for meeting these requirements keeping in view the availability of financial resources, network of branches, man power and infrastructural facilities etc.

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The credit requirements for agriculture as envisaged by the agricultural department in the district for the years 2012, 2013 and 2014 are Presented in table-3. Table-3, presents the credit requirements for agriculture as envisaged by the agricultural department for the period 2012 to 2014 in the district. Groundnut need maximum (Rs.110.61 crores) followed by paddy (47.57 crores). Sunflower ranks third in credit requirement with Rs.36.64 crores. The shares of groundnut, paddy, sunflower in the total credit requirements during the period are 36.87 per cent, 15.85 per cent, 12.21 per cent respectively. The share of credit requirement per cent were 2.19 per cent, 10.66 per cent and 8.23 per cent for jowar, pulses and cotton. Chillies (2.23 per cent), sugarcane (3.14 per cent), coriander (1.33per cent), vegetables (2.59 per cent), turmeric (2.81 per cent) are the other credit requirement crops in the district.

Table-3
Loan Requirement for Main Crops in Kadapa District for the Years 2012, 2013, & 2014.

Crops	Loan requirements			Total for the plan period
	2012	2013	2014	
Paddy	14.60	18.06	14.81	47.57
Jowar	1.36	2.79	2.33	6.58
Pulses	8.28	12.24	11.46	31.98
Groundnut (I)	6.84	6.77	7.07	20.68
Groundnut(UI)	36.09	26.88	26.96	89.93
Cotton (I)	3.26	5.11	4.29	12.76
Cotton (UI)	3.50	3.56	4.79	11.95
Sunflower	13.62	12.52	10.47	36.64
Chillies	1.53	2.82	2.35	6.70
Sugarcane	3.10	2.80	3.54	9.44
Coriander	1.44	1.07	1.49	4.00
Vegetables	3.12	1.03	3.52	7.77
Turmeric	1.74	3.56	3.13	8.43
Misc Crops (I)	1.52	0.26	1.34	3.12
Misc. Crops (UI)	-	0.13	2.10	2.23
Total	100	100	100	300

Source: Syndicate Bank, District Credit Plan 2012-2014, Lead Bank Department, Kadapa District.

Progress of institutional credit for Agriculture

The institutional agencies functioning in the district to provide agricultural credit are the District Co-operative Central Bank and its branches through PACs, 30 Commercial Banks directly through their branches network and Andhra Pragati Grameena Bank with its branches. Agriculture being one of the priority sectors in the district, credit institutions are

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giving due importance in provision of credit to this sector and nearly three fourths of institutional credit is flowing to agricultural sector in the district. Purpose-wise institutional credit for agriculture in Kadapa district is presented in table-4.

Table-4
Purpose-wise Institutional Credit for Agriculture in Kadapa District: 2012-14
(Rs.in Crores)

Sl.No	Purpose	2012	2013	2014
1	1.Agriculture:	13.3	16.5	20.0
	(a) Crop loans			
	(b) Term loans	0.8	2.2	2.5
2	2.Allied activities	2.8	4.7	5.6
3	Total agricultural credit(1+2)	16.9	23.4	28.1
4	Total credit	29.0	37.3	44.2
5	Percentage of Agricultural credit to total credit	58.2	62.7	63.5

Source: Syndicate Bank, Annual Action Plans 2012 to 2014 (various issues) Lead Bank Department, Kadapa District.

From table-4 it is observed that the agricultural sector is being given due importance in provision of credit by credit institutions. The credit provided to agriculture increased from Rs.16.9 crores in 2012 to Rs.28.1 crores in 2014. The share of agricultural credit in total credit rose from 58.2 per cent in 2012 to 63.5 per cent in 2014. The share of crop loans stood much higher in the total credit and it decreased from 78.6 crores in 2012 to 71.1 crores in 2014. Progress of institutional credit for agriculture is shown in table-5.

Table-5
Progress of Agricultural Loans through Different Agencies in Kadapa District:
2011-13
(Rs.in lakhs)

Years	Agency			Total	
	Commercial Banks	District Central Co-operative banks	Regional Rural Banks		
1	2011	149687	28163	59698	237548
		(22.82)	(35.39)	(28.96)	(25.22)
2	2012	238910	24278	69116	332304
		(36.42)	(30.52)	(33.53)	(35.29)
3	2013	267247.26	27133.58	77312.16	371692.84
		(40.76)	(34.09)	(37.51)	(39.49)

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Total	655844.26	79574.58	206126.16	941545
	(100.00)	(100.00)	(100.00)	(100.00)

Source : Syndicate Bank, Annual Action Plans 2011to2013(various issues) Lead Bank Department, Kadapa District.

It is observed from the table-5 that the increase of institutional credit is impressive. The shares of total were 655844.26 lakhs, 79574.58 lakhs, and 206126.16 lakhs for Commercial Banks, District Central Co-operatives and Regional Rural Banks respectively. The participation of Commercial Banks in farm loans increased by 1.78 times, Regional Rural Banks 1.29 times, and that of District Central Cooperative Banks marginally declined 0.96 times. The loans issued by Commercial Banks increased from Rs.149687 lakhs in 2011 to Rs.267247.26 lakhs in 2013. The District Central Co-operative Banks loans issued decreased from Rs. 28163 lakhs in 2011 to Rs.27133.58 lakhs in 2013. The agriculture loans issued by Regional Rural Banks increased from 59698 lakhs in 2011 to 206126.16 lakhs in 2013. The total institutional credit issued for agriculture loans increased from Rs.237548 lakhs in 2011 to 371692 in 2013. Agency-wise performance is shown in table-6.

Table-6
Agency-wise Performance of the Banks under Annual Action Plans in Kadapa District: 2012-14

S. No	Agency	2012			2013			2014		
		Target	Ach	%	Target	Ach	%	Target	Ach	%
1	CBs	171620	187910	109.5	239813	243223	101.4	292694	217523	74.3
2	DCCB	19840	24823	125.1	38241	43455	113.6	31136	24286	77.9
3	RRB	65100	77643	119.3	95051	95989	100.9	113225	90580	80.0
4	APSFC	4000	2170	54.2	50000	52500	105.0	5300	3800	71.6
	Total	304560	345251	113.3	373605	383192	102.5	442355	336189	76.0

Source: Syndicate Bank, Annual Action Plan2015, Lead Bank Department, Kadapa District.

From the table-6 the extent of agency wise performance of banks target and achievement in 2012 to 2014 can be noticed. The share of Commercial Banks percentages decreased from 109.5 in 2012 to 74.3 in 2014. District Co-operative Central Bank's percentage gradually decreased from 125.1,113.6 lakhs to Rs.77.9 lakhs. The relative share of Regional Rural Banks percentage also decreased from 119.3 in 2012 to 80 in 2014. There is by recording an increase of Andhra Pradesh State Financial Corporation percentage were 105 in 2013.Its percentage marginally declined to 71.6 in 2014.

Findings

1. The Co-operative credit system in Kadapa district with the KDCCB at its district level is a federal system consisting of a family of 256 affiliated Co-operatives i.e., Primary Agricultural Co-operative Societies & Weavers Co-operatives (PACS & WCS). Of them are 16 branches with 62 Primary Agricultural Co-operative Societies (PACs) & 194 Weavers Co-operative Societies (WCS).
2. Integrated Co-operative Development Project, Kadapa (ICDP) sanctioned funds to the tune of Rs.1177.47 lakhs by the National Co-operative Development Corporation.
3. Andhra Pragati Grameena Bank 8th Annual Report 2013-14 reveals that in Kadapa the net worth of Rs.1306 Cr, with CRAR at 19.69 per cent, net profit of Rs.160.37, financial margin of Rs. 3.81 per cent could be achieved. It achieved deposits of Rs.4,513 crores with a quantum hike of Rs.434 crores (10.63 per cent) and advances of Rs.5,490 crores with a quantum jump of Rs.1,199 crores (27.95 per cent increase).
4. APGB laid greater emphasis on lending to the priority sector and hence priority sector advances were Rs.4,748 crores, accounting for 86.48 per cent of gross advances. Giving utmost priority to agriculture, its gross advances to the sector touched Rs.4,150 crores (75.60 per cent).
5. APGB bank issued 5,10,723 Kisan Credit Cards involving Rs.1,756 crores and planned to link them to debit cards.
6. APGB granted Rs.12.91 crores as loans to 5,413 farmers with loan eligibility cards.
7. APGB granted Rs.304.74 crores as loans to 63,808 non- loanee farmers.
8. Scheduled banks are operating in the district with 319 branches at the end of December 2014. 9.The rural and semi-urban and urban branches account for 44 per cent, 29 per cent and 27 per cent in the district during 2014 respectively.
9. The crop loan requirements of the farmers are estimated at Rs.28.1 crores for the year 2014.
10. The share of agricultural credit in total credit rose from 58.2 per cent in 2012 to 63.5 per cent in 2014.
11. Percentages of agricultural advances to total advances in the district are 82.54 per cent of Co-operative Banks, 60.54 per cent of Regional Rural Banks and 58.14 per cent of Commercial Banks. 13.Percentage of overdues to total loan outstanding is higher in Regional Rural Banks i.e 32 per cent, 30 per cent of Co-operatives and 29 per cent of Commercial Banks.

12. Groundnut need maximum credit (Rs.110.61 crores) followed by paddy (47.57 crores). Sunflower ranks third in credit requirement with Rs.36.64 crores.

Suggestions

1. Majority of non-institutional borrowers for not availing of institutional loans which need to be tackled through appropriate policies.
2. Dairying is playing the major role in meeting various needs including repayment of loans.

Result

1. To study the Progress of various institutional credit agencies in Kadapa district is a significant.
2. To analyze the loan requirements for various crops in Kadapa district is a significant.

Conclusion

Institutionalization of credit is taking a rapid place in the district compared to the other parts of the country. But the benefits accruing from this are not uniformly distributed among different size groups of farmers. It indicates that the large size group of farmers are benefited to a greater extent by the institutional credit. Hence, they (the weaker sections of farmers) run to the money lenders for their credit requirements in spite of the high rate of interest. The methods and procedures of business adopted by non-institutional agencies and the interest rate charges are flexible from time to time ranging from 12 to 60 per cent. It is difficult to get the reliable data regarding the number of these agencies and volume of their operations. However, based on the observations and contracts made at the time of field investigations, it may be stated that there are more agricultural moneylenders for a revenue village and about the same number of traders and commission agents who engage themselves in trade combined with money lending. There are hardly any professional moneylenders operating in rural areas of the district. Since they provide a link between the rural and urban money market. As most of them function in an informal style, it is difficult to estimate their number and the volume of their business. With the implementation of land reforms, landlordism as a phenomenon of rural credit, has almost disappeared. It is a risky one to give about the magnitude of friends and relatives and their role in the supply of credit and there on it is better to refrain from it. The influence of non-institutional agencies on the credit scheme of the sample cultivator in the district is mostly not reduced, especially that of moneylenders.

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