



# INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH & STUDIES

## Availability And Demand For Agricultural Credit Among Tribes

ISSN 2319-9725

Sudha,S.

Research Scholar, Department of Economics,  
Avinashilingam Institute for Home Science and Higher  
Education for women, Coimbatore

Dr.S. Gandhimathi

Associate Professor, Department of Economics,  
Avinashilingam Institute for Home Science and Higher  
Education for Women, Coimbatore,

*Abstract: Agriculture plays a crucial role in the development of the Indian economy. It accounts for about 19 per cent of GDP and about two thirds of the population is dependent on the sector. The importance of farm credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in the macroeconomic framework and its role in poverty alleviation. Recognizing the importance of agriculture sector in India's development, the Government and the Reserve Bank of India (RBI) have played a vital role in creating a broad-based institutional framework for catering to the increasing credit requirements of the sector. The adoption of multi-agency approach for the provision of credit to the rural areas with a larger role of the commercial banks so that the desired level of progress in agricultural production could be achieved (Agarwal et al., 1997).*

*The share of commercial banks increased from 51.94 per cent in 1998- 1999 to 71.64 per cent in 2008-2009, but the share of cooperative banks declined from 38.67 per cent to 17.91 per cent in the same period, whereas the Regional Rural Banks were the marginal players with 7 – 9 per cent market share in agricultural credit (Hand Book of Indian Economy, 2011).*

*Growth in agricultural credit and number of accounts, which was on a declining trend during 1990-2000 had picked up in early 2000s and continued till 2006-07, but was again showing a declining trend in the recent years. During the period of high growth in agricultural credit, the share of indirect credit was on an increase but had remained stagnant in subsequent years. Moreover, the share of small and marginal farmers in total credit, which was about 27 per cent each, stayed unchanged at that level between 2004-05 and 2006-07, even as agricultural credit growth was on a rise. This clearly meant that the benefits of doubling of agricultural credit to small and marginal farmers have been relatively less. In this backdrop, an attempt was made to assess the availability of credit and demand for agricultural credit among tribes.*

*The finding of the study shows that per acre demand for crop loan was higher for marginal farmers. It was amounted to 42121 per acre followed by small and medium farmers. It showed that as the size of land holding increased, the per acre demand for crop loan had declined. The demand for investment loan had decreased along with size of land holding among borrowers. On an average, all borrowers demanded investment loan 9668.33 per acre. The per acre availability of crop loan had decreased along with the size of land holding among borrowers. Marginal farmers alone received an amount of investment loan 24393.94 per acre. It was the highest amount compared to small and medium farmers.*

## 1. Introduction:

Agriculture plays a crucial role in the development of the Indian economy. It accounts for about 19 per cent of GDP and about two thirds of the population is dependent on the sector. The importance of farm credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in the macroeconomic framework and its role in poverty alleviation. Recognizing the importance of agriculture sector in India's development, the Government and the Reserve Bank of India (RBI) have played a vital role in creating a broad-based institutional framework for catering to the increasing credit requirements of the sector. The Reserve Bank has been very active in reinvigorating the co-operative credit movement in the country through a variety of initiatives (Mohan, 2006). With the acceptance of the recommendations of All India Rural Credit Review Committee (1954), efforts were directed towards the development of cooperatives. Meanwhile, the review undertaken by the All India Rural Credit Review Committee (1969) suggested that the efforts of the co-operatives had to be supplemented along with commercial bank landings. The adoption of multi-agency approach for the provision of credit to the rural areas with a larger role of the commercial banks so that the desired level of progress in agricultural production could be achieved (Agarwal *et al.*, 1997).

After the nationalization of commercial banks in 1969, they were directed to lend more to agriculture. Several policy measures, such as introduction of Lead Bank Scheme (1969), establishment of Regional Rural Banks (1975), Service Area Approach (1989), Micro Finance Scheme (1992) and Kisan Credit Card System (1998-1999) were initiated due to which institutional credit comprising commercial bank credit and cooperative credit increased from 7.3 per cent in 1951 to 60 per cent in 1996. Credit provided by commercial, co-operative and regional rural banks reached the level of 245976 crore during 2008-2009. The share of commercial banks increased from 51.94 per cent in 1998-1999 to 71.64 per cent in 2008-2009, but the share of cooperative banks declined from 38.67 per cent to 17.91 per cent in the same period, whereas the Regional Rural Banks were the marginal players with 7 – 9 per cent market share in agricultural credit (Hand Book of Indian Economy, 2011).

Growth in agricultural credit and number of accounts, which was on a declining trend during 1990-2000 had picked up in early 2000s and continued till 2006-07, but was again showing a declining trend in the recent years. During the period of high growth in agricultural credit, the share of indirect credit was on an increase but had remained stagnant in subsequent years.

Moreover, the share of small and marginal farmers in total credit, which was about 27 per cent each, stayed unchanged at that level between 2004-05 and 2006-07, even as agricultural credit growth was on a rise. This clearly meant that the benefits of doubling of agricultural credit to small and marginal farmers have been relatively less. In this backdrop, an attempt was made to assess the availability of credit and demand for agricultural credit among tribes. The following are the specific objectives of the study

1. To assess the availability of credit
2. To study the demand for credit

## 2. Methodology:

The study was conducted in Nilgiris district of Tamil Nadu. The data for the study is purely primary in nature. A multistage random sampling procedure was adopted in selecting the sample. In the first stage, among 4 blocks in Nilgiri district, Udhagamandalam block was selected as it was one of the high agricultural credit intensive blocks. This block had access for credit for agriculture from commercial and co operative banks and micro finance institutions. In the next stage, the banks located in the block namely State Bank of India, Canara Bank and cooperative banks along with micro finance institutions were selected. These financial institutions had major share in the agricultural credit disbursement. From the borrowers list provided by financial institutions, one hundred and fifty borrower and non borrower farmers during 2010-2011 were selected randomly in the next stage. The distribution of the selected borrower farmers is shown in table -1.

(In number)

S. No.	Farmer category	Borrowers	Non borrowers
1	Marginal	11	13
2	Small	59	57
3	Medium	5	5
Total		75	75

Source: Filed Survey, 2011

*Table 1: Farmer categorywise distribution of sample borrowers and non borrowers*

In the post stratification, it was found that, out of 150 farmer borrowers and non borrowers, 24 farmers were marginal with less than 2.5 acres of land holding, 116 were small farmers with 2.5 –5 acres of land, 10 were medium farmers with more than 5 acres of land. The survey method was used to collect information from the borrower and non borrower farmers. The interview schedules were used to collect information on the socio-economic profile of the farmers, the amount borrowed, farm and family expenses for the period 2010-2011. A pilot study was conducted to identify the gaps in the interview schedule. On the basis of the observation made during the pilot study, the schedule was modified and the final survey was conducted with the restructured schedule in the month of December, 2011.

### 3. Results And Discussion:

#### 3.1: Demand For Agricultural Credit:

Demand for agricultural credit is classified as demand for crop loan and demand for investment loan. Hence demand for agricultural credit was discussed under the following heads

1. Demand for crop loan
2. Demand for investment loan

### 3.1.1. Demand For Crop Loan:

Crop loan is demanded for meeting the cultivation expenses. The crop loan is demanded for all types of crop. It is a short period loan exceeds a maximum period of one year.

Farmer category wise distribution of crop loan among borrowers and non borrowers are shown in table-2.

(₹ per acre)

S. No.	Farmer category	Amount
1	Marginal	42121.2121
2	Small	15508.4746
3	Medium	4750.0000
Total average		18694.4444

Source: Field survey, 2011

Table 2: Farmer category wise distribution of demand for crop loan

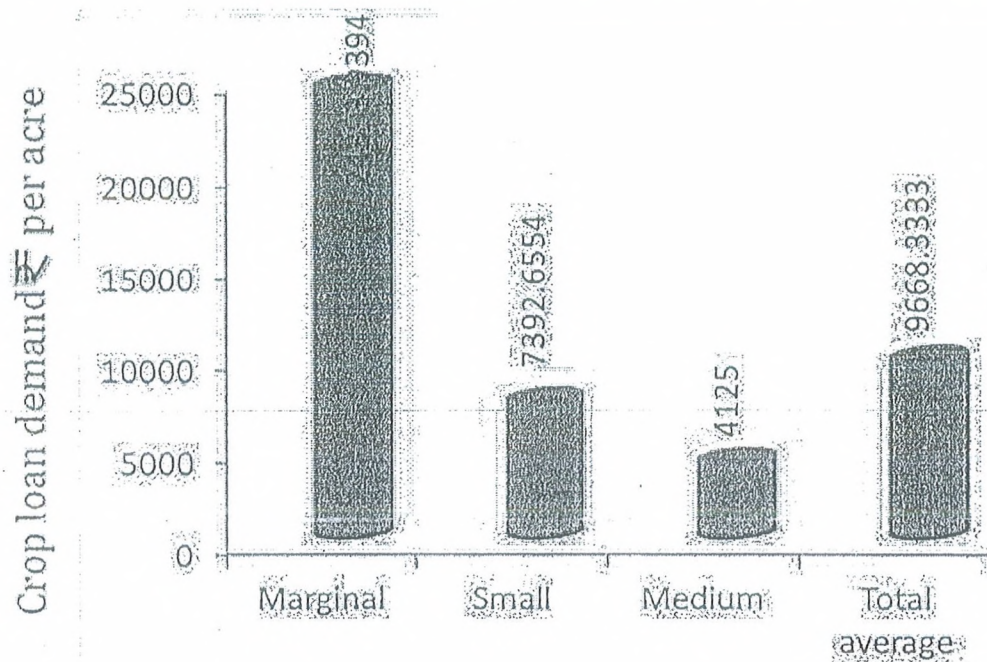


Figure 1: farmer category wise distribution of demand for crop loan

In case of borrowers, per acre demand for crop loan was higher for marginal farmers. It was amounted to ₹42121 per acre followed by small and medium farmers. It showed that as the size of land holding increased, the per acre demand for crop loan had declined. Non borrowers did not demand for crop loan. On an average, all categories of farmer borrowers demanded ₹18694.44 as crop loan.

### 3.1.2. Demand For Investment Loan:

The investment loan is demanded for construction of bore well and land development. Farmer category wise distribution of investment loan is shown in table – 3.

(₹ per acre)

S. No.	Farmer category	Amount
1	Marginal	24393.9394
2	Small	7392.6554
3	Medium	4125.0000
Total average		9668.3333

Source: Field survey, 2011

Table 3: farmer category wise distribution of average demand for investment loan

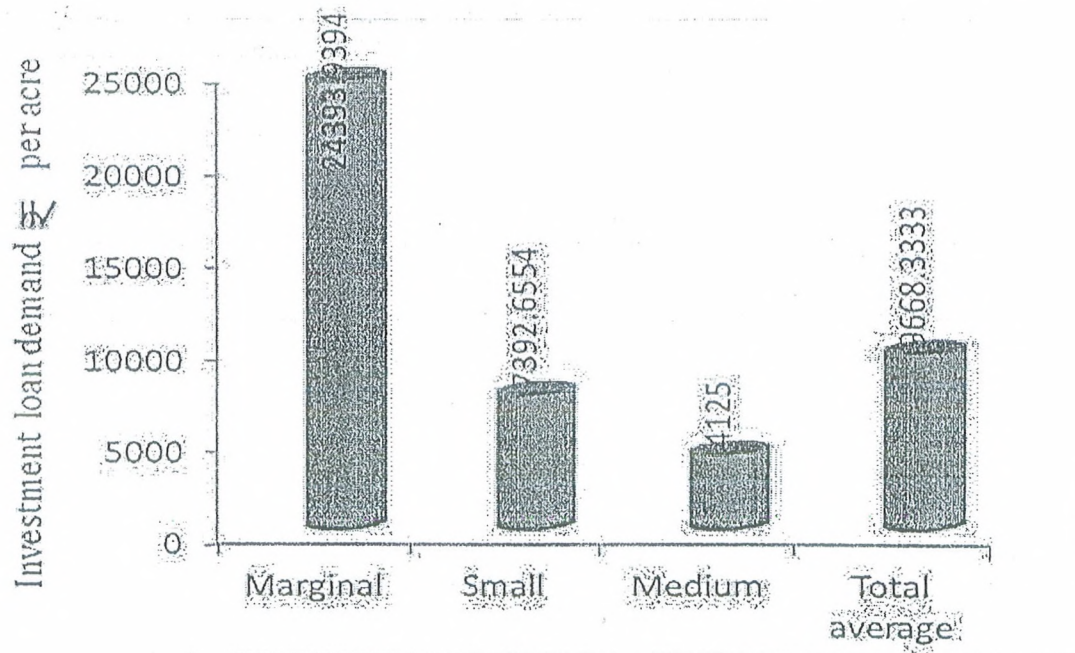


Figure 2: Farmer Category Wise Distribution Of Demand For Investment Loan

In case of borrowers, the investment loan demand for marginal farmers was amounted to ₹ 24393.94 per acre. It was the highest amount compared to other categories of farmers. The small farmers needed ₹7392.66 per acre followed by the medium farmers, ₹4125 per acre. It showed that the demand for investment loan had decreased along with size of land holding among borrowers. On an average, all borrowers demanded investment loan ₹ 9668.33 per acre. The non borrowers did not demand for investment loan.

### *3.2. Availability Of Agriculture Credit:*

Credit is one of pre-requisites for farmers to increase the agricultural development of a country. In the current risky economic environment, credit should be managed as closely and carefully as other production inputs. Provision of institutional credit to agriculture has assumed growing significance in the new strategy for agricultural development. Availability of credit was analyzed under the following heads.

1. Farmer of category wise availability of crop loan.
2. Farmer of category wise availability of investment loan

#### *3.2.1. Farmer Category Wise Availability Of Crop Loan:*

The commercial banks, self help groups and co operative banks were the important sources of agricultural credit. The commercial banks provided both crop loan and investment loan. The co-operatives provided only short term loan (crop loan). Farmer category wise distribution of crop loan is shown in table -4

(₹ per acre)

S. No.	Farmer category	Amount
1	Marginal	87348.4848
2	Small	21806.4972
3	Medium	4750.0000
Total average		30282.2222

Source: Field survey, 2011

*Table 4: Farmer Category Wise Distribution Of Availability Of Croploan*

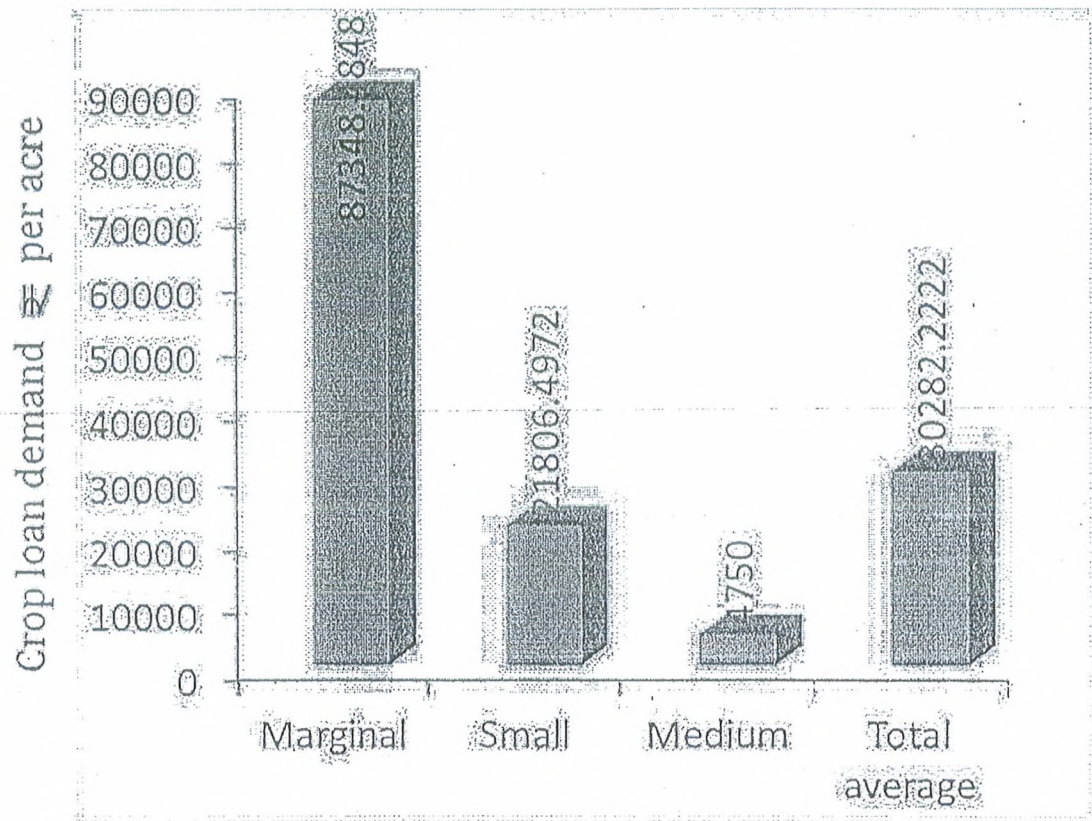


Figure 3: Farmer Category Wise Distribution Of Availability Of Crop Loan

Of the 150 farmer respondents, 75 farmers were the borrowers. All of them were the borrowers of crop loan. The per acre availability of crop loan had decreased along with the size of land holding among borrowers. The per acre availability of crop loan was ₹87348.48 for marginal farmers in case of borrowers. The small farmer borrowers borrowed an amount of ₹21806.5 per acre while it was only as ₹4750 per acre for medium farmer borrowers. On an average, all the borrowers had availed an average amount of crop loan ₹30282.22 per acre. Non borrowers did not avail crop loan as they did not demand for it.

### 3.2.2. Availability Of Investment Loan:

Investment loan is provided in agriculture for creating adequate infrastructure to adopt new strategy of production. The core of new production strategy implies the application of heavy doses of fertilizers, intensive irrigation and modern equipments etc., which essentially assume the development of an adequate infrastructure on the farm. The table -5 shows farmer category wise distribution of investment loan among borrowers.

(₹ per acre)

S. No.	Farmer category	Amount
1	Marginal	24393.9394
2	Small	7392.6554
3	Medium	4125.0000
Total average		9668.3333

Source: Field survey, 2011

Table 5: Farmer Category Wise Distribution Of Availability Of Investment Loan

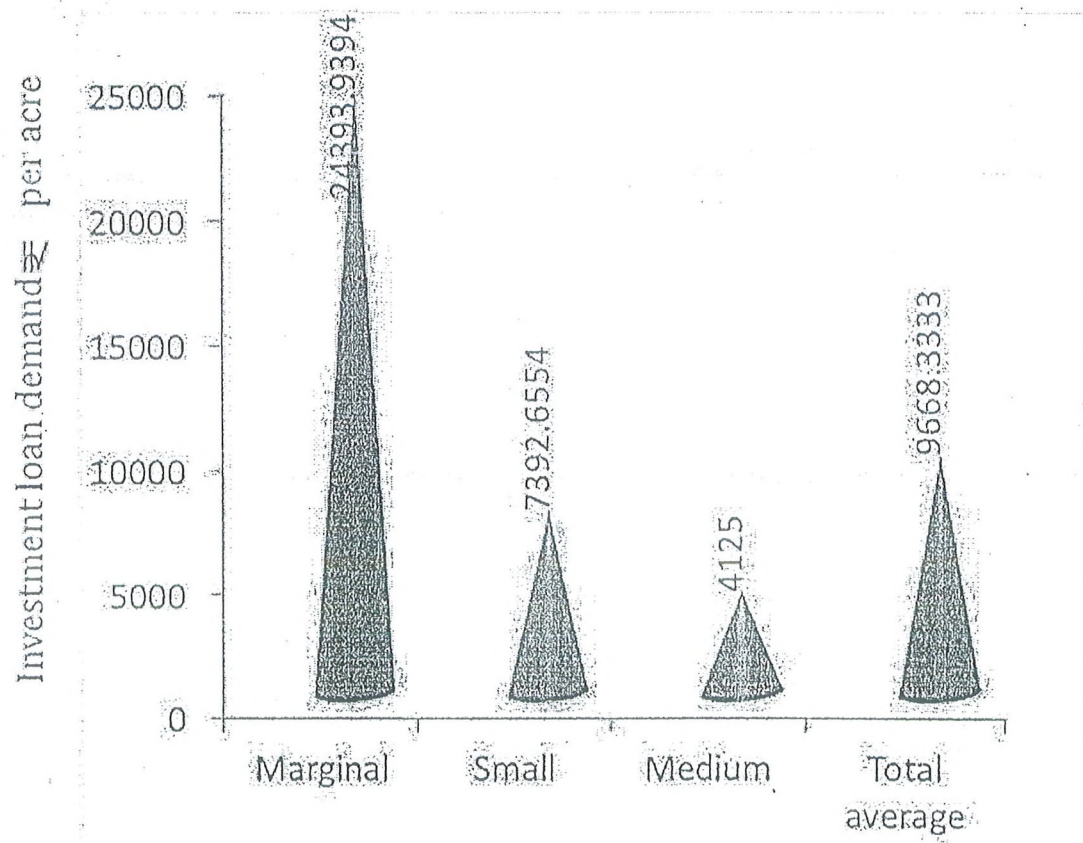


Figure 4: Farmer Category Wise Distribution Of Availability Of Investment Loan

Among borrowers, marginal farmers alone received an amount of investment loan ₹24393.94 per acre. It was the highest amount compared to small and medium farmers. The small farmers received ₹7392.66. The medium farmers received only ₹ 4125 per acre. It was the least amount.

#### 4. Conclusion:

To conclude, per acre demand for crop loan was higher for marginal farmers. It was amounted to ₹42121 per acre followed by small and medium farmers. It showed that as the size of land holding increased, the per acre demand for crop loan had declined. The demand for investment loan had decreased along with size of land holding among borrowers. On an average, all borrowers demanded investment loan ₹ 9668.33 per acre. The per acre availability of crop loan had decreased along with the size of land holding among borrowers. Marginal farmers alone received an amount of investment loan ₹24393.94 per acre. It was the highest amount compared to small and medium farmers.

**References:**

1. Agarwal. K.P., Puhazhendhi.V and K.J.S.Sathyasai (1997), "Gearing Rural Credit for Twenty First Century", National Bank News Review, Vol.13, No.3, PP.5-19.
2. Hand book of Indian Economy (2011), Reserve Bank of India, Bombay
3. Gurupada chakrabarty (2011), "Income status of scheduled caste in Uttar Pradesh" The Indian journal of economics, Vol, LXXXI, No. 322.