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TRENDS IN AGRICULTURAL CREDIT IN RAYALASEEMA REGION OF ANDHRA PRADESH

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ABSTRACT----------
Agricultural credit plays a key role in increasing farm productivity by adoption of new technologies and modern agricultural practices. Present paper examines the trends, sources, and distribution of agricultural credit in the Rayalaseema region of Andhra Pradesh. It analyzes source-wise availability of credit, bank-wise distribution, and per account agricultural credit over time. It is observed that institutional credit increased over a period of time. Public sector commercial banks contribute the highest share of total credit, while private sector banks provide higher per account credit. Despite overall growth in agricultural credit, small and marginal farmers continue to face access constraints. The study highlights rising per account and per hectare credit over the years, reflecting increased financial requirements in agriculture.
KEY WORDS: *Agriculture, Credit, Rayalaseema, Commercial Banks, Co-operative Banks.----------*

1.0 INTRODUCTION

Agricultural credit has become increasingly important due to the rising use of modern farming technology and the limited financial resources of farmers. Timely and affordable loans help farmers adopt better agricultural practices and improve productivity. In India, agricultural loans are classified into short-term, medium-term, and long-term loans based on their purpose and duration. The Government of India and the Reserve Bank of India support agriculture through institutions like Cooperative Banks, Commercial Banks, and Regional Rural Banks. Although agricultural credit has increased over the years, many farmers especially small and marginal farmers still face problems in accessing adequate loans due to high risk, low income from farming, and institutional limitations. This study examines the trends in agricultural credit in Rayalaseema region of Andhra Pradesh.

1.1 Objectives of the study

To analysis the source-wise availability of agricultural credit in Rayalaseema region in Andhra Pradesh.
To examine the agricultural credit across banks in Rayalaseema region.
To assess the distribution of Per Account Agricultural Credit given by Commercial Banks in Rayalaseema.

1.2 Methodology

This Study is based on secondary data only. Secondary data is collected from both the published and unpublished sources. The main published sources are Statistical Abstracts, Directorate of Economics and Statistics, Hyderabad, Statistical Abstracts, Directorate of Economics and Statistics, Amaravati, Andhra Pradesh, Data of Debt and Investment Survey, NSSO, 48th, 59th, 70th and 77thRounds, Banking Statistics: Basic Statistical Returns, (various Issues), RBI, State Level Banking Committee Report 2021-22, Andhra Pradesh.

2. REVIEW OF LITERATURE

Dantwala (1989) provides an extensive overview of the evolution of agricultural credit in India, emphasizing the role of institutional credit sources such as commercial banks, cooperatives, and regional rural banks (RRBs). His work highlights the significant expansion of rural credit post-independence, facilitated by government policies aimed at enhancing credit accessibility for farmers. Dantwala notes that while the overall flow of credit to agriculture increased substantially, issues such as the unequal distribution of credit and the persistent reliance on informal credit sources among small and marginal farmers remained prevalent.

Binswanger and Khandker (1992) focus on the impact of rural credit on agricultural productivity and poverty alleviation. Their empirical analysis demonstrates that access to institutional credit positively influences agricultural output and income levels. They find that credit availability helps farmers invest in modern inputs and technologies, leading to increased productivity. Binswanger and Khandker also highlight the critical role of credit in mitigating the

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adverse effects of income shocks and enhancing household welfare. However, they point out that institutional credit often fails to reach the poorest farmers, who continue to depend on informal moneylenders.

Bell, Srinivasan, and Udry (1997) examine the functioning and effectiveness of rural financial markets in India. Their research delves into the reasons behind the coexistence of formal and informal credit sources. They argue that while formal institutions offer lower interest rates, the procedural complexities and collateral requirements make them less accessible to small farmers. Bell et al. emphasize the need for policy interventions to simplify access to institutional credit and enhance the capacity of rural financial institutions to serve the diverse needs of the farming community.

NABARD (2003) presents a comprehensive report on the progress and challenges in the provision of agricultural credit in India. The report highlights the achievements of initiatives such as the Kisan Credit Card (KCC) scheme, which has simplified credit access for farmers. It also discusses the role of self-help groups (SHGs) and microfinance institutions in bridging the credit gap for marginalized farmers. NABARD identifies key challenges, including the high levels of non-performing assets (NPAs) in agricultural lending and the need for better risk management strategies to address credit defaults.

Rakesh Mohan (2006) provides a comprehensive analysis of the state of agricultural credit in India, highlighting its critical role in supporting farm production. Despite agriculture's contribution to 21% of India's GDP and the dependence of two-thirds of the population on this sector, the paper underscores several systemic weaknesses affecting the viability and sustainability of agricultural credit institutions. From the 1970s to the early 2000s, there has been a noticeable shift in the sources of agricultural credit, with the share of commercial banks increasing from 21% to 60.3% by 2003-04, while the contribution of cooperatives declined from 79.5% to 30.9%.

R.S Sidhu and Sucha (2006) delved into the complex landscape of agricultural credit and the pervasive issue of farmer indebtedness. Historically, Indian farmers have struggled with debt, a situation traced back to the 19th century with significant periods of agrarian distress noted by the Deccan Riots Commission and the Famine Commissions. By 2003, 57.2% of cultivators were indebted, a stark increase from 22.3% in 1981. Factors contributing to this rise include a deceleration in agricultural growth during the 1990s and regional disparities, with states like Andhra Pradesh and Tamil Nadu reporting indebtedness levels of 82.0% and 74.5%, respectively. To combat this, India has seen significant policy changes aimed at enhancing the flow of institutional credit. This includes the expansion of primary agricultural cooperative societies and an increase in the number of rural branches of scheduled commercial banks from 1,833 in 1969 to 32,121 in 2004. The establishment of Regional Rural Banks and NABARD has further supported this credit infrastructure.

D.N Reddy (2007) opined that despite significant improvements in institutional credit to the farming sector post-2004-05, nearly half of the farmers' debt in Andhra Pradesh and Telangana still comes from informal sources with exorbitant interest rates. The average debt burden in A.P. is significantly higher than the national average, raising concerns about the sustainability of agricultural livelihoods.

Chand, Prasanna, and Singh (2011) analyze the trends and determinants of agricultural credit in India, with a focus on the post-liberalization period. They observe a significant increase in credit flow to agriculture, driven by policy measures such as priority sector lending mandates and interest rate subsidies. Chand et al. also explore the impact of credit on agricultural investment and productivity, finding a positive correlation between credit access and farm investment. However, they raise concerns about the sustainability of credit growth, given the rising levels of indebtedness among farmers and the challenges in loan recovery.

Devi et. all (2012) highlights the significant impact of credit cooperatives on the region's economic progress. These societies have played a crucial role in providing financial services to rural populations, thereby enhancing agricultural productivity and supporting small-scale industries. The study indicates that credit cooperatives have contributed to a substantial increase in agricultural output, with statistics showing a growth of 15-20% in regions with active cooperative societies. Additionally, these societies have facilitated access to credit for over 70% of the rural households, which has led to improved living standards and reduced poverty levels.

GN Rao (2015) studied Primary Agricultural Credit Societies (PACS) in Andhra Pradesh, particularly in Guntur District, highlights several key statistics and findings. The financial analysis of PACS shows concerning trends. The annual growth rate of overdue loans is 439.114%, with the highest simple growth rate of 610.45% in 2010-11. Short-

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term loans issued trend at 3933.511, while recovery is at 3516.344, indicating poor loan recovery rates. Medium-term loan recovery trends at 35.724 compared to disbursements of 94.923. Interestingly, long-term loans show higher recovery (77.369) than issuance (22.896), though their overall impact is minimal due to the small amounts involved. These figures underscore the increasing trend of overdue loans year by year, emphasizing the need for better management and recovery systems within PACS.

K.S Rao (2016) highlighted the rapid expansion of institutional credit to the agricultural sector, noting that the number of rural bank branches increased from 1,833 in 1969 to 32,121 in 2004. Despite this, indebtedness among farmers rose from 22.3% in 1981 to 57.2% in 2003, with states like Andhra Pradesh and Tamil Nadu experiencing particularly high levels at 82.0% and 74.5%, respectively. The heavy reliance on non-institutional sources for credit, due to high transaction costs and complex borrowing procedures from formal institutions, exacerbates this issue.The study underscores that while institutional credit has grown, almost half of the farmers' debt in Andhra Pradesh and Telangana still comes from informal sources at high interest rates. The average debt burden in A.P. is several times higher than the national average, influenced by high costs, low yields, poor returns, and frequent natural calamities.

3. CHANGES IN AGRICULTURAL CREDIT

This section examines the evolution, trends, and composition of institutional credit extended to the agricultural sector in the Rayalaseema region. Farm credit is crucial for agriculture, reinforcing its unique role in India's macroeconomic framework and poverty alleviation. It enables farmers to make new investments and adopt new technologies. Recognizing the importance of agriculture in India's development, the Government and the Reserve Bank of India (RBI) have established a broad-based institutional framework to meet the sector's growing credit needs. Agricultural policies in India are periodically reviewed to align with the sector's changing requirements. Agriculture is a significant segment of the priority sector lending of scheduled commercial banks (SCBs), with a target of 18 percent of net bank credit set for the sector. Currently, commercial banks are the primary providers of agricultural credit, contributing 71 percent.

The Government of India has taken several measures to improve farmers' access to institutional credit. The focus has been on the progressive institutionalization of credit to provide timely and adequate support to all farmers, especially small and marginal farmers and weaker sections. This support enables them to adopt modern technologies and improved agricultural practices, thereby increasing agricultural production and productivity. The Approach Paper to the Eleventh Five Year Plan set a target of 4 percent growth for the agriculture sector within the overall GDP growth target of 9 percent. Thus, the need for affordable, sufficient, and timely supply of institutional credit to agriculture is critically important.

India has a vast network of financial institutions, with a dual system of institutional and non-institutional financial systems operating in the rural credit market. Numerous institutional and non-institutional agencies lend money to farmers for their short- and long-term needs. Institutional credit agencies include rural cooperatives, Regional Rural Banks (RRBs), Scheduled Commercial Banks (SCBs), NABARD, Non-Banking Financial Institutions (NBFIs), Microfinance Institutions (MFIs), Small Finance Banks (SFBs), and other government agencies. Among these, SCBs, RRBs, and cooperatives are the main rural financial institutions (RFIs) that provide credit to the agricultural sector at the village level, leveraging their geographical and demographic reach.

Non-institutional sources include moneylenders, friends, relatives, traders/commission agents, landlords, and others. Within this multi-agency approach, Rural Cooperative Institutions are mandated to address the 'last mile' problem of delivering affordable credit to farmers. These can be broadly classified into short-term and long-term institutions, each with distinct mandates. Short-term cooperatives, such as state cooperative banks (StCBs), district central cooperative banks (DCCBs), and primary agricultural credit societies (PACS), primarily provide crop loans and working capital loans to farmers and rural artisans. Long-term cooperatives, such as state cooperative agriculture and rural development banks (SCARDBs) and primary cooperative agriculture and rural development banks (PCARDBs), offer medium- and long-term loans for activities including land development, farm mechanization, and minor irrigation.
The distribution of outstanding debt holdings by credit agencies shows that institutional credit agencies have increasingly replaced non-institutional agencies as dominant holders of farm debt over the years. Cooperative societies and commercial banks account for the bulk of farmers' debt from institutional sources. Cooperative societies' share rose from 3.5 percent in 1951 to 28.6 percent in 1981, then fluctuated thereafter. Commercial banks had a meager share of 0.3 percent of total credit in 1961, which rose to 2.2 percent in 1971. With policies for priority sectors, bank nationalization, and the formation of RRBs, the share of institutional credit significantly increased between 1971-

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1981. Commercial banks' share rose to 33.7 percent of total rural debt in 1991 but fell to 25 percent by 2012. The overall share of institutional credit agencies in total rural debt declined from 64 percent in 1991 to 56 percent in 2012, largely due to the reduced role of commercial banks. According to the NABARD All India Rural Financial Inclusion Survey (NAFIS), institutional sources now dominate 70 percent of loans, although 30 percent of cultivator households still borrow from informal sources.

4. SOURCE-WISE AVAILABILITY OF AGRICULTURAL CREDIT IN RAYALASEEMA

In India, a multi-agency approach involving cooperative banks, scheduled commercial banks, and RRBs is used to provide agricultural credit. The agricultural credit policy focuses on ensuring adequate and timely credit availability at reasonable rates through the expansion of the institutional framework, its outreach, and scale, as well as directed lending. Significant progress has been made in expanding the institutional framework for agricultural credit.

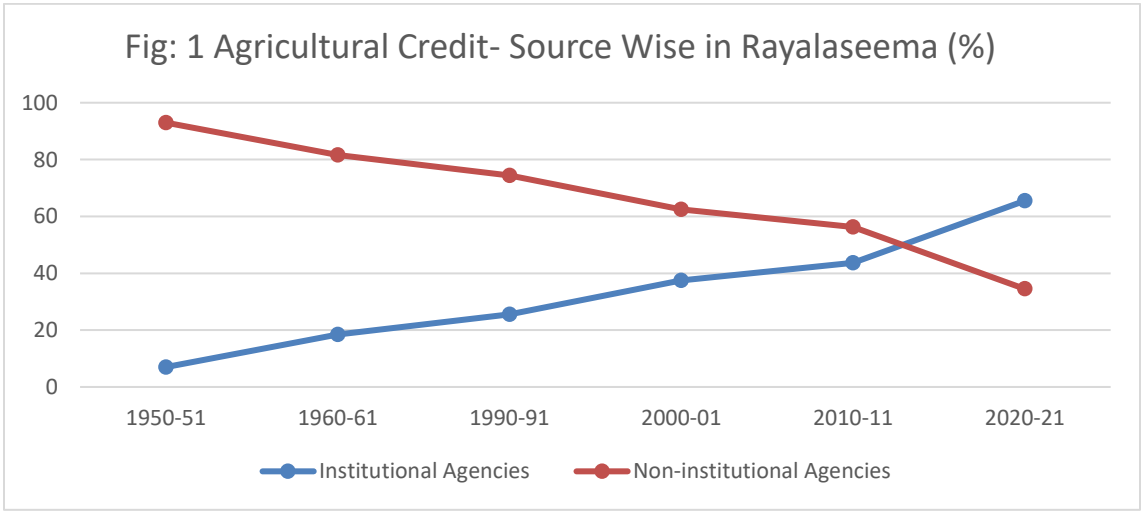
Public sector banks have notably expanded their banking network, particularly after bank nationalization. The number of public sector bank offices increased from 8,262 in June 1969 to 68,355 by March 2005. One major achievement in post-independent India has been the widening of the institutional credit machinery and the decline of non-institutional sources. The share of institutional credit rose from over 7 percent in 1950-51 to over 65.5 percent in 2020-21, while non-institutional credit's share fell from around 93 percent to about 34.5 percent during the same period (Table .1). Despite their extensive network, cooperative banks have lost dominance to commercial banks since the 1990s. The share of cooperative banks decreased from 62 percent in 1992-93 to 22 percent in 2005-06, while the share of commercial banks, including RRBs, nearly doubled during this period.

Efforts to increase agricultural credit flow have yielded better results in recent decades, with total institutional credit to agriculture growing around 40 percent from 1990-91 to 2020-21, compared to just over 7 percent from 1950-51 to 1990-91. Commercial banks saw considerable growth in total agricultural credit, while cooperative banks' share declined during this period.

Table .1 Agricultural Credit- Source Wise in Rayalaseema (%)

Year	Institutional Agencies	Non-institutional Agencies	Total
1950-51	7.0	93.0	100
1960-61	18.4	81.6	100
1990-91	25.6	74.4	100
2000-01	37.5	62.5	100
2010-11	43.7	56.3	100
2020-21	65.5	34.5	100

Source: Data of Debt and Investment Survey, NSSO, 48th, 59th, 70th and 77thRounds



Source: Table 1

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5. Agricultural Credit by Activities in Rayalaseema Region

The table.2 shows the total agricultural credit provided by banks in Rayalaseema during the 2021-22 period, amounting to ₹62,396.7 crores. The majority of the credit, ₹59,747 crores, was allocated to Farm Credit, followed by ₹978.7 crores for Agricultural Infrastructure, and ₹1,671 crores for Ancillary Activities. Chittoor received the highest total agricultural credit at ₹17,969.1 crores, with the largest share also going to Farm Credit (₹16,982.7 crores). Anantapuram followed with a total of ₹16,411.8 crores, primarily for Farm Credit as well (₹15,838.4 crores). Kurnool and Kadapa received ₹15,326.5 crores and ₹12,689.3 crores respectively, again with the majority allocated to Farm Credit. The figures indicate that Farm Credit is the dominant component of agricultural credit in each district, with smaller amounts directed towards infrastructure and ancillary activities.

Table .2 Total Agricultural credit given by Banks in Rayalaseema-2021-22 (Crores)

District	Farm Credit	Agri. Infra	Ancillary Activities	Total
Anantapuram	15838.4	210.6	362.8	16411.8
Chittoor	16982.7	358.2	628.2	17969.1
Kurnool	14684.2	183.4	458.9	15326.5
YSR Kadapa	12241.7	226.5	221.1	12689.3
Rayalaseema	59747.0	978.7	1671.0	62396.7

Source: State Level Banking Committee Report 2021-22, Andhra Pradesh

6. Agricultural Credit across Banks in Rayalaseema Region

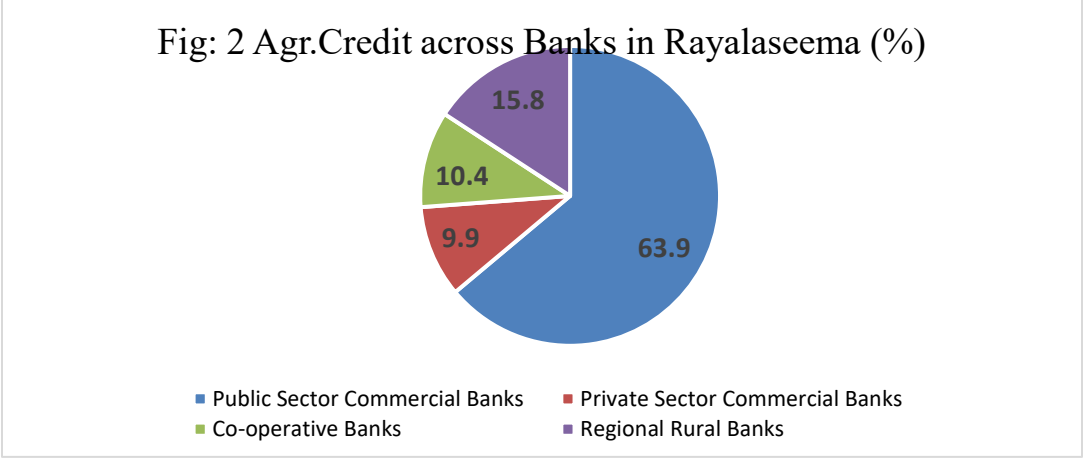
The table.3 illustrates the distribution of agricultural credit across different types of banks in Rayalaseema during 2021-22, along with the average credit amount per account. Public Sector Commercial Banks provided the majority of agricultural credit, accounting for 63.9% of the total, with an average credit of ₹170,329 per account. Private Sector Commercial Banks contributed 9.9% of the total credit, but offered the highest average per account at ₹329,586. Co-operative Banks and Regional Rural Banks contributed 10.4% and 15.8% of the total credit, with average credits of ₹101,011 and ₹129,745 per account, respectively. Overall, the average agricultural credit per account across all banks was ₹156,845. This data highlights the significant role of Public Sector Banks in agricultural financing in Rayalaseema, although Private Sector Banks provide higher credit amounts per account.

Table .3 Credit Availability for Agriculture across Banks in Rayalaseema: 2021-22

Type of Bank	Agr.Credit (%)	Per Account Credit (Rs)
Public Sector Commercial Banks	63.9	170329
Private Sector Commercial Banks	9.9	329586
Co-operative Banks	10.4	101011
Regional Rural Banks	15.8	129745
Total	100	156845

Source: State Level Banking Committee Report 2021-22, Andhra Pradesh

Fig: 2 Agr.Credit across Banks in Rayalaseema (%)



Source: Table 3

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7. Agricultural Credit Per Account given by Scheduled Commercial Banks in Rayalaseema

The table.4 highlights the progression of agricultural credit per account and per hectare provided by Scheduled Commercial Banks (SCBs) in Rayalaseema from 1985-86 to 2021-22, with a notable increase over time. In 1985-86, the per account credit was ₹4,414, and the per hectare credit was ₹768. By 2004-05, these amounts had risen significantly to ₹22,381 per account and ₹6,269 per hectare, reflecting increased financial support as agriculture costs grew. This upward trend continued, and by 2021-22, the per account credit had escalated to ₹170,329, and the per hectare credit reached ₹95,436.

Table .4 Distribution of Per Account Agricultural Credit given by SCBs in Rayalaseema

Year	Per Account Credit (Rs)	Per Hectare Credit (Rs)
1985-86	4414	768
1991-92	6383	1387
2004-05	22381	6269
2008-09	34210	14779
2021-22	170329	95436

Sources: 1. Banking Statistics: Basic Statistical Returns, (various Issues), RBI
2. State Level Banking Committee Report 2021-22, Andhra Pradesh

8. CONCLUSION

The analysis of agricultural credit in the Rayalaseema region clearly indicates a substantial transformation in the structure and flow of farm finance over time. There has been a steady shift from non-institutional to institutional sources of credit, reflecting the success of government policies, banking reforms, and priority sector lending initiatives. Institutional agencies particularly Scheduled Commercial Banks, Regional Rural Banks, and cooperative institutions have significantly expanded their outreach, resulting in improved access to formal credit for farmers. The rising share of institutional credit from a mere 7 percent in the early 1950s to over 65 percent by 2020–21 underscores the growing formalization of rural credit markets. This expansion has played a crucial role in supporting agricultural investment, adoption of modern technologies, and enhancement of productivity in the region. Public Sector Commercial Banks remain the principal source of agricultural finance in Rayalaseema, though private banks provide higher credit per account, indicating differential lending patterns. The sharp increase in per account and per hectare credit over the decades reflects rising input costs, commercialization of agriculture, and improved credit absorption capacity of farmers.

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