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"A Review On Litrature Of Agricultural Institutional Credit In Haryana: An Analytical Study Of Recovery Of Loans"

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ABSTRACT

Finance is one of the important factors for higher agricultural productivity. Private moneylenders had been providing needful finance to this sector but the rate of interest charged by them and other conditions imposed by them ruined the peasantry in Haryana. Finance is one of the important factors for higher agricultural productivity. Private moneylenders had been providing needful finance to this sector but the rate of interest charged by them and other conditions imposed by them ruined the peasantry in Haryana. Indian government has started several policy measures in order to enhance the comprehensibility of farmers to the institutional sources of credit. As a matter of fact agriculture is being converted into a commercial venture and as such it has become more capital-intensive. Due to the peculiarities in agriculture - particularly uncertainties, small scale production, scattered operation, low return, high rate of interest and limited scope for employment - a large proportion of cultivators cannot manage from one harvest to another without recourse to borrowings. Finance is one of the important factor for higher agriculture productivity. Private moneylenders have been providing needful finance to this sector but the rate of interest charged by them and other conditions imposed by them ruined the peasantry in Haryana. To save this sector from the clutches of private moneylenders the other various financial institutions like cooperative banks, commercial banks and Grameen banks were setup. The main purpose of these institutions is to save agriculture sector from usurious money lenders.

KEYWORDS

Banks, farmer, agriculture, credit.

INTRODUCTION

Being a developing nation, Indian economy is an agricultural economy and real people of India lies in village. More than 62 per cent people of India depend on agriculture; 60 per cent of industries are agro based; 50 per cent of national income is contributed by rural sector and the agriculture sector is the largest foreign exchange earner to India. In modern farming, credit becomes one of the crucial inputs. Agriculture occupies a significant place and has been regarded as the backbone of Indian Economy. Agriculture is no doubt an important industry and like other industries it also requires capital. Agricultural credit extended to farmers is of three types, short term to purchase seeds, manure, fodder etc. medium term to purchase cattle and agricultural implements and long term finance for making permanent improvements in land for reclamation and long term constructing well or dug well.

AGRICULTURAL CREDIT

"Finance plays a pivotal role in carrying out any economic activity and more so in agriculture. As a result of the new agricultural strategy, the higher prices for fertilizers, increased wages of labour and other cultivation expense, low return, and high rate of rent, a large number of cultivators can't manage the needed finance without recourse to borrowing. Sophisticated farm production technology and scientific crop planning have also created a heavy demand for credit. Finance is required not only to meet the shortage arising in the production activity, but it is also required to bolster up a chronically deficit agricultural economy, because farmers generally live at the brink of starvation." ***(Dingra. I.C. 1982)***

CREDIT AND IT'S IMPORTANCE IN AGRICULTURE

Finance is one of the important factors for higher agricultural productivity. Private moneylenders had been providing needful finance to this sector but the rate of interest charged by them and other conditions imposed by them ruined the peasantry in Haryana. To save this sector from the clutches of moneylenders the other various financial institutions like cooperative banks and commercial banks were set up. The main purpose of these institutions is to save agriculture sector from usurious moneylenders. What is the extent of their relative performance in mobilizing rural savings and in meeting the credit system as a whole? When a loanee fails to repay his/her instalment amount within the stipulated time, the amount is considered as overdue. A common complaint by the rural lending institutions is that the loan once availed by agriculturists is hardly repaid in time.

Indian government has started several policy measures in order to enhance the comprehensibility of farmers to the institutional sources of credit. The main focus of these policies has been on growing institutionalization for providing sufficient credit support in a timely manner to all sections of society including small and poor farmers which helps them to adopt the latest technology by which they can improve the productivity as well as production of their agriculture. The policy majorly focuses on multiplying credit flow at ground level by adopting area specific strategies, rationalization of loan policies and procedures and credit planning.

The major source which determines the success of a lending institution is the effective utilization of resources and timely return of the borrowed amount at successive intervals helps in the smooth functioning of business and helps farmers by reducing the loan burden which in turn helps them getting a fresh loan in future easily which helps in running or planning system successfully. On the other side the non-repayment of lending amount plus unproductive utilization within its specified duration has certain distressing effects on the entire structure which eventually weaken the entire lending structure of credit institutions. For banks, in order to recycle their funds for further lending, a timely recovery of loans helps them to determine the certain financing activities. One of the prudent deployment of funds is the repayment of loans in a timely manner.

As a matter of fact agriculture is being converted into a commercial venture and as such it has become more capital-intensive. It can't be carried on much less expanded and modernized, unless funds are available for maintenance, replacement and improvement of capital equipment and for the working expenses of production activities. Due to the peculiarities in agriculture - particularly uncertainties, small scale production, scattered operation, low return, high rate of interest and limited scope for employment - a large proportion of cultivators cannot manage from one harvest to another without recourse to borrowings. In India, the need for credit is more pressing, where farmers are almost without liquid resources because credit on reasonable terms is needed to finance preparation for next crop, to enable them to make modest start in adopting improved methods of farming and often to enable them to avoid selling at very low prices ruling immediately after the harvest.

"Finance is an essential requirement for every productive activity. Agriculture in India needs more attention as it provides livelihood for 65per cent of population and directly contributing 20per cent to the National income. It is obvious that the contribution of agriculture sector to the national income is not in line with the number of people engaged in that sector, which calls for an immediate attention for increasing the production and hence for a prosperous agricultural economy." ***(Javir et. al. 1998)***

REVIEW OF RELATED LETRATURE

A brief overview of the literature related to the proposed investigation is given as below.

The All India Rural Credit Survey Committee headed by Gorwala (1954) made a study on rural credit. This nation-wide survey was carried on at the institutional level as well as at the cultivator level. It was observed that about 70 % of the total credit requirements of the agriculturists were supplied by the professional money-lenders. The government and the co-operatives have supplied just 3.3 and 3.7 % respectively.

Reserve Bank of India (1956- 1960) surveys were conducted on four rural credit follow up in selected districts on systematic lines. These surveys had covered the short-term co-operative credit societies. They highlighted the following drawbacks in the co-operative credit structure: (1) Uneven growth of co-operatives in different regions; (2) Holding of co-operative credit institutions by the big landlords and money-lenders and (3) Inadequate flow of farm finance due to defective lending policy.

Udayakumar and Gabriel Simon Thattil (2001) studies on "*Agricultural finance and total credit requirements of farmers - a study based on kisan credit cards"* and examined the status of kisan credit card business in India as well as in the State of Kerala. In this study, it was found that the misutilisation of credit was a major factor which threatens the successful growth of kisan credit card scheme.

Sen (2004) analyzed on the "*Co-operative credit sector in India: a crisis of confidence and tasks ahead*" and he has concluded that co-operative banks continue to play a critically significant role in the socio-economic matrix of India. As such, these institutions cannot simply be washed away. Effective measures are, therefore required to be taken on an urgent basis so that they continue to contribute towards the development process in the country.

Muley (2007) in his study on "*Role of co-operative banks in rural credit"* has revealed that the recovery performance of co-operative banks is not satisfactory and they are facing problems of recovery and its associated problems. He has suggested that considering the importance of co-operative credit in rural area, the government should protect the co-operative societies and co-operative banking agencies in new environment.

Sikandar Kumar and Rakesh Singh (2007) in their study on "*Impact of co-operative credit on the agriculture sector of Himachal Pradesh: A study of Mid Hill Zone*" have suggested the proper guidance regarding utilization of the available high yielding varieties of seeds, fertilizers and pesticides depending on soil conditions and effective supervision from time to time.

Gowhar Bashir Ahangar and Ashaq Hussain Gaine (2013) the researcher assess *the "Quantum Of Loans Disbursed And Outstanding By Institutional Agencies And To Examine The Progress Of Scheduled Commercial Banks In Supplying Agricultural Credit In India*." In this, it was found that the capacity of providing credit by the financial institutions have increased. But the banking institutions want to decrease their Non- Performing Assets (NPA), so that more credit may be divert to agriculture sector.

Prof. Ratan Lal Godara et. al. (2014) analyzed on "*Agriculture Credit in India: An Analytical Study.*" The study of difference between requirements and availability of agriculture credit among small, marginal and large farmers was the main objective of this study. As per current situation, collective efforts required to elevate the flow of credit to agriculture by using better technology and new innovations in product design and delivery through better processes.

Seena P. C, (2015), analyzed on "*Management of Agricultural Credit and the Impact of Indian Banking Sector Reforms on Agriculture.*" The objective of this study was to analyse the assessment announced by RBI to increase the flow of credit in agriculture, understanding the agriculture credit management in India, to read about various schemes for doubling the credit flow in agriculture announced by Govt. of India and to analyse the effect of banking sector reforms on agriculture.

The study has indicated the need for capacity building of borrowing farmers. In order to build the necessary institutional and marketing infrastructure the robust and feasible agricultural financial institutions are required to accommodate the financial requirements. To serve the rural and agricultural sector, both banks and Government should revise their pre-conceived notions about commercial opportunities.

Kiran bala et. al. (2015) survey on "*Analysis of Loan Disbursement to Agricultural Sector by Regional Rural Bank in Sirsa District of Haryana, India.*" This study tells about the loan disposal to agriculture sector in Sirsa district and to discuss the Compound Growth Rates of expenditure to agriculture during expenditure period. The data has been collected from Regional Rural Bank of Sirsa district. Following results have been found during the study as shown below. During the period of reference the expenditure percentage has been fluctuated a lot. The disposal to agriculture was found maximum during 2005-06 even though the disbursement out of total expenditure was found to be very low comparatively with other years. The total expenditure has grown with a rate of 9.28 % whereas the agriculture sector loan growth rate was 7.94%.

Kiran Bala (2015), An Analysis of *"Agricultural Loan Repayment Performance of Regional Rural Bank: A case study of District Sirsa, India"*. The objective of this study is to analyse the recovery performance of agricultural loan of RRB Sirsa (Haryana) and found out the problems faced by the respondents during loan repayment Loan recovery depends on various factors like annual income, loan amount and farm size etc. and then a good recovery of loan helps in economic growth which encourages other economic activities. For farmers the major reason of becoming loan defaulter was crop failure in high amount which leads to low income and hence they failed in their loan repayment.

Harikesh Maurya (2015), analyzed on "*Role of Co-Operative Bank in Agriculture: A Case Study of District Mohali, Punjab.*" The objective of this study is to determine the impact of agricultural finance provided by Co-Operative banks and assessment of the impact on economic social conditions with specific emphasis on assets, level of income, employment, savings etc.

Seema Chandel and Guru Swarup (2015) analysed on "*Rural Banking System through Credit And Its Effect On Agricultural Productivity In Nagrota Bagwan Block In Kangra District Of Himachal Pradesh*." For the purpose of the study the main objective was to examine the impact of credit on farm productivity in study area. Present study was confined to Kangra district of Himachal Pradesh.

Pandey H.K. (1972) conducted an evaluation study of 'Credit requirements and advances to farmers by Lead Bank' in Varanasi district of Uttar Pradesh and found that the small farmers had obtained more credit than medium and large farmers. *Pandey H.K., 'A study of credit requirement and advances to farmers by Lead bank in Varanasi-Uttar Pradesh', The Economic Affairs' Vol. 17, No.9-10, Sept.-Oct 1972, pp.442-447.*

A case study, on the Cost of short-term agricultural credit for small and marginal farmers' of Aligarh district of Uttar Pradesh conducted by S.P. Singh and Mruthyunjaya (1990) revealed that the cost of getting credit from the banks was high. They suggested that banks should consider setting up regular or satellite mobile branches at appropriate places in order to reduce the cost and to provide credit at the doorstep of farmers. *Singh S.P., and Mruthyun Jaya, A study on the cost of short-term agricultural credit for small and marginal farmers of Aligarh District in Uttar Pradesh', Financing Agricub'zire* VoI.XXII, Oct-Dec. 1990, pp.12-15.

N.S. Bhat (1995) in an impact study of 'Agricultural borrowers from banks in Dakshina kannada District of Andhra Pradesh, suggested that in order to reduce the inequality in the distribution of income among agriculturists, the financial institutions should make the small farmers their target group and adopt appropriate credit policies that discriminate in favour of the target group in terms of the availability and the cost of credit. *Bhat N* s, *'Agricultural Borrowers from banks-A profile and policy implications, Financing* ***Agriculture,*** Vol.XXVIII, No.2, April-June 1995, pp.15-19.

K.K. Gaur (1999) in his book Role of Agricultural Credit in the prosperity of scheduled castes' in Bulandshahr district of Uttar Pradesh observed that credit absorption capacity of the beneficiary was not taken into account while deciding the quantum of assistance before forwarding the application to the bank. This led to the misutilisation of funds and added to the burden of the beneficiary. It is therefore incumbent on the officials of the block, to make careful assessment from this angle and suggest the amount to be lent in consultation with the bank manager. Gaur K.K, *'Role of 4grwultural Credit in the Prosperity of Scheduled Castes'* Manak Publications Pvt. Ltd., New Delhi, 1999.

J D Jam (1971) in his article The Role of Commercial banks in financing agriculture' suggested that for extending quicker and easily available, timely credit to the farmers at lesser cost, a credit information bureau must be set up in each village.

CONCLUSION

In the field of academics, research is an ongoing process; the process that knows no limits and no full stops. However, a single study is always conclusive with its findings. The main findings emerging out of the present study have been listed in this paper.

Finance is one of the important factor for higher agriculture productivity. Private moneylenders have been providing needful finance to this sector but the rate of interest charged by them and other conditions imposed by them ruined the peasantry in Haryana. To save this sector from the clutches of private moneylenders the other various financial institutions like cooperative banks, commercial banks and Grameen banks were setup. The main purpose of these institutions is to save agriculture sector from usurious money lenders.

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