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REGIONAL DISPARITIES IN AGRICULTURAL CREDIT IN INDIA

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ABSTRACT

One of the major objectives of development planning initiated immediately after Independence has been, among others, reduction of regional disparities in social and economic development. Direct investment by the Central Government and Centrally directed investment of the private sector have been two powerful instruments to achieve this objective. During the first four decades of development planning, most of the large units in basic and heavy industries were set up in the public sector in a regionally well-balanced manner. Indeed, their location, other things being equal, was biased towards backward regions as natural endowments such as mineral deposits were concentrated in those regions. Massive public investments have been made to provide economic and social infrastructure in the backward regions to accelerate their overall development. In agriculture sector capital input is a big problem and government trying provides these input in various form but in disbursements regional disparity is reflected. So in this paper main goal are to know the regional disparity in institutional agricultural credit disbursement.

Keywords: Agricultural Credit, Commercial Banks, India Stat, RBI, Nabard.

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Introduction

An analysis of the historical trends, especially the more recent trends, leads to the inevitable inference that regional disparities are bound to aggregate in the coming decades. Regions, which are characterized as backward in our foregoing discussions, have very weak growth impulses. Their demographic disadvantage is implicit in the fact that major States in this region, viz., Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh are likely to have fertility rates exceeding the replacement level well beyond 2025, a level which some of the forward States like Kerala and Tamil Nadu have already achieved and others are expected to achieve within a decade or so. We have noted that if the current trend is projected, Madhya Pradesh will reach replacement level only by 2060, and Uttar Pradesh only by 2100 (N.J.Kurian). The implications of these divergent demographic trends on population density, employment opportunities, social sector investments and the overall development can be extremely grave.

The efforts of the first four decades of planned development to reduce various imbalances across the regions have been only partially successful. At best they have ensured that regional disparities in terms of various indicators of development are not aggravating. Of course, even this is no mean achievement. Economic reforms initiated in 1991 implied among, other things, that the private sector would be the principal engine of economic growth. Most of the restrictions on private investment have been removed. Mounting debt burden of the government has imposed a cap on public investment. As a result, while there was significant increase in the quantum of private investment, there was a sharp fall in the public investment over the last decade.

The flow of private investment, both domestic and foreign, has been extremely biased in favour of the more developed regions of the country. This has enabled the developed regions to achieve accelerated economic growth during the 1990s. On the other hand, backward regions of the country, which were unable to attract any significant private investment flows, experienced decelerated economic growth during this period. The ability of the governments at the Centre and in the States to counter this trend by effecting countervailing public investment also has been reduced considerably. In the context of macro-economic stabilization policies initiated in 1991, the ability of the Centre to finance public investment by borrowings has been severely constrained. Revenues of the Centre also experienced reduced buoyancy in the wake of tax reforms especially due to reduction in customs tariff to levels comparable to those of our trading partners.

The factors which attracted more and more private investments to developed regions have been their better developed economic and social infrastructure as well as more efficient and investor friendly State governments. The backward regions, to be attractive to the private investors, have to improve their infrastructure facilities, both economic and social, considerably. This needs substantial public investment. The State governments in the backward regions are, however, strapped for funds even to meet the current expenditure.

Almost all the State governments in the backward regions find that their entire revenues are not sufficient to meet even the committed revenue expenditure like interest liability, salaries and pensions. A sizable share of their borrowings is diverted to fill the gap between the revenue receipts and revenue expenditure. There are several States where borrowings have been steadily increasing, but investments have been decreasing secularly.

The adverse impacts of the deteriorating State finances are much more severe for the backward States as compared to the developed States, where investments of the past have created adequate social and economic infrastructure to attract private investments. The backward States are facing multiple dilemmas. They are not able to attract investments due to lack of infrastructure. They are not in a position to provide these facilities on their own due to lack of investible funds. Unlike in the past, Centre is not in a position to help them either as the Centre itself has a serious fiscal constraint.

Along with social and economic infrastructure, efficiency of administration and the quality of governance including law and order situation are important factors in attracting private investment. Studies conducted by NCAER and some of the apex associations of industries have indicated that prospective investors give higher weight-age to these factors than various incentives, including fiscal incentives offered by the State governments. Indeed, there are enough evidences to the effect that the investors don't mind paying speed money to get things done fast. In other words, a corrupt but efficient regime is preferred to an honest but inefficient regime in the context of investment decisions. Other aspects of governance like the law and order situation, trade union activism, etc., are also important factors affecting the flow of private investments. On almost all indicators of governance discussed above, the backward States are at a disadvantage. Indeed, even perceptions about the governance issues based on past may haunt the States in such matters. The cases of Kerala and West Bengal are typical in this regard. All the efforts of these two States during the last decade to woo the investors, both domestic and foreign, have not yielded any significant results. This was mainly on account of the general perception of investors that these States are dens of militant trade union activism, though in reality such militancy, of late, has been significantly subdued in these States. The agricultural credit policies, in general, aim to have positive influence on the total volume of institutional credit, the use of agricultural inputs, investment on machinery and irrigation, agricultural output and productivity, rural income distribution and so on. Therefore, to ensure sufficient and timely credit to agriculture sector at reasonable rate of interest, the expansion of formal lending institutions, directed lending and subsidized credit policies were introduced at different points of time.

Undeniably, these resulted in a vast network of rural financial institutions and rapid growth of lending to all sectors including agriculture. However, the rural banking system in India made tremendous quantitative achievement by neglecting the qualitative aspect of the credit delivery system. The inequalities in the banking system across the regions and social classes persisted (DR.S.GANDHIMATHI, DR.P.AMBIGADEVI & V.SHOBANA, 2012). But what happen without credit? Can any farmers imagine about modern agriculture without credit? Other problems emerge in front of farmer that they demand more credit but the facilitator institutions are not so interested and lack of credit expend the credit disparity among states.

Development of agriculture in Uttar Pradesh over the year has remained polarised in Western region followed by Central region. Bundelkhand region has been the least developed over the periods 1990-1991 to 2008-09, Rakesh Raman & Reena Kumari (2012). There is need for region specific policies in this state which is huge in size. For the high density eastern regions where excessive dependence of population is causing adoption of backward technology and small size of holding, more that resurrecting agriculture we need to create alternative employment opportunities in rural areas in form of Rural Non Farm Sector.

Anjani Kumara, K. M. Singh and Shradhajali Sinha (2010), the institutional credit has been conceived to play a pivotal role in the agricultural development of India. A large number of institutional agencies are involved in the disbursement of credit to agriculture. However, the persistence of money lenders in the rural credit market is still a major concern. In this backdrop, the present study has examined the performance of agricultural credit flow and has identified the determinants of increased use of institutional credit at the farm household level in India.

Objective

The regional disparity in the distribution of agricultural credit was analyzed under the following categories.

- ❖ State-wise Credit to Agriculture by Scheduled Commercial Banks in India.
- ❖ Region-Wise Total Amount of Credit for Agriculture Sector by Scheduled Commercial Banks in India.
- ❖ Region-Wise Total Amount in % of Credit for Agriculture Sector by Scheduled Commercial Banks in India.

Methodology

Simple percentage analysis is used to explore the disbursement of agricultural credit dimension over the state and region. Mainly RBI, NSSO and India stat data are used to explore the study. Excel is the main tool for data interpretation on graphs and in tables.

State wise credit disbursements

This is clear from the India Stat data (figure1) then the result was not in a linear form. Data show that Andhra Pradesh, Tamil Nadu, Punjab, Rajasthan, Uttar Pradesh, Maharashtra, Karnataka, and Kerala got above 500 billion rupees in 2015 but Andhra Pradesh and Tamil Nadu got more than 1000 billion rupees in same year means some states have dominated to access the credit and some were very low. While Uttar Pradesh, Maharashtra, West Bengal, Bihar and Madhya Pradesh have maximum number of population and land holding size of agriculture land in country so they want maximum credit but unfortunate; can't access the credit at proper time means they were discriminated in the process of providing or access credit. Madhya Pradesh, Haryana, Delhi, Bihar, West Bengal and Gujarat got two hundred to four hundred ninety nine billion rupees credits in 2015. But the pattern followed by the state is not as same in previous years. Some states are in very critical situation to access the credit so when we considered them; then the disparity of agriculture credit more extended among states, Figure 1.

India stat data shows disparity of agricultural credit not only in sate dominated but among the states also. So problem is related to region the maximum states whose are dominated in access of credit belong to a specific region. If we take north-eastern region then we found Assam, Tripura, Manipur, Nagaland, Arunachal Pradesh, Meghalaya and Mizoram states which had access less than the other states so north-eastern region in bottom of the access of agricultural credit. Then how can we develop our economy in sustainable ways. So government should try to increased flow to north-eastern region otherwise the problems related to disparity of agriculture will increase. As above mentions some states like Andhra Pradesh, Tamil Nadu, Karnataka and Kerala have dominated as individual access of agricultural credit in the region except Lakshadweep and Pondicherry. So southern region has maximum access among all the regions and dominated in the regional disparity in regions. The different between southern and northern region is almost double to access of credit in 2015.

Region-Wise Total Amount in % of Credit for Agriculture Sector by Scheduled Commercial Banks in India

(As on 31st March, 2001 to 2015) (In %)

Region	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Northern Region	21.20623	21.99688	5	22.788762	22.58842	23.50898	25.02172	22.29113	23.45719	22.598	22.38612	20.64424	19.3787	20.64623	20.0376
Eastern Region	0.77821	0.936037	3	0.8324662	0.723473	0.868558	0.781929	0.729661	0.807754	0.845503	0.889371	0.978822	1.109467	1.0335	1.094769

INDIA	Southern Region	Western Region	Central Region	Eastern Region
100	36.57588	14.78599	18.67704	7.976654
100	34.47738	16.22465	18.09672	8.268331
100	4	9	5	5
100	35.275754	15.192508	17.793965	8.1165453
100	35.53055	14.791	18.40836	7.877814
100	32.59988	17.19745	17.60278	8.164447
100	33.23197	15.9861	16.2033	8.688097
100	33.81977	17.73076	17.11054	8.245166
100	35.89661	13.63489	18.35218	7.851373
100	36.27978	13.65616	18.11427	8.480656
100	38.78525	12.73319	16.42082	8.785249
100	40.96814	12.6535	16.30183	8.453461
100	41.10947	13.78698	16.09467	8.52071
100	40.79354	12.71086	16.31029	8.505583
100	40.58388	12.59538	17.3615	8.326883

Sourse: RBI various reports till 2015.

The situation of central and western region is almost same to access of agricultural credit so the disparities among two regions are not so high. Reasons of the same condition of the regions are almost states of the regions are Madhya Pradesh, Uttar Pradesh, Chhattisgarh, and Uttarakhand are the same socio-economic status so they are too backward in agriculture because of the disparity were created at higher label and same condition followed by the western region. Northern region has also second dominated region to got the access of credit because of Punjab, Haryana, Rajasthan, Jammu-Kashmir, Delhi, Chandigarh, and Himachal Pradesh have also the some top of the agricultural credit accessory so the region has the second highest got credit after the southern region. Some Eastern region states have a tag of BIMARU state as Bihar, Odisha, and Jharkhand are unable to got credit according to their need some other state Sikkim and Andaman Nicobar have some access of agricultural credit so the condition of this region second least of the disparity of agricultural disparity of agricultural credit.

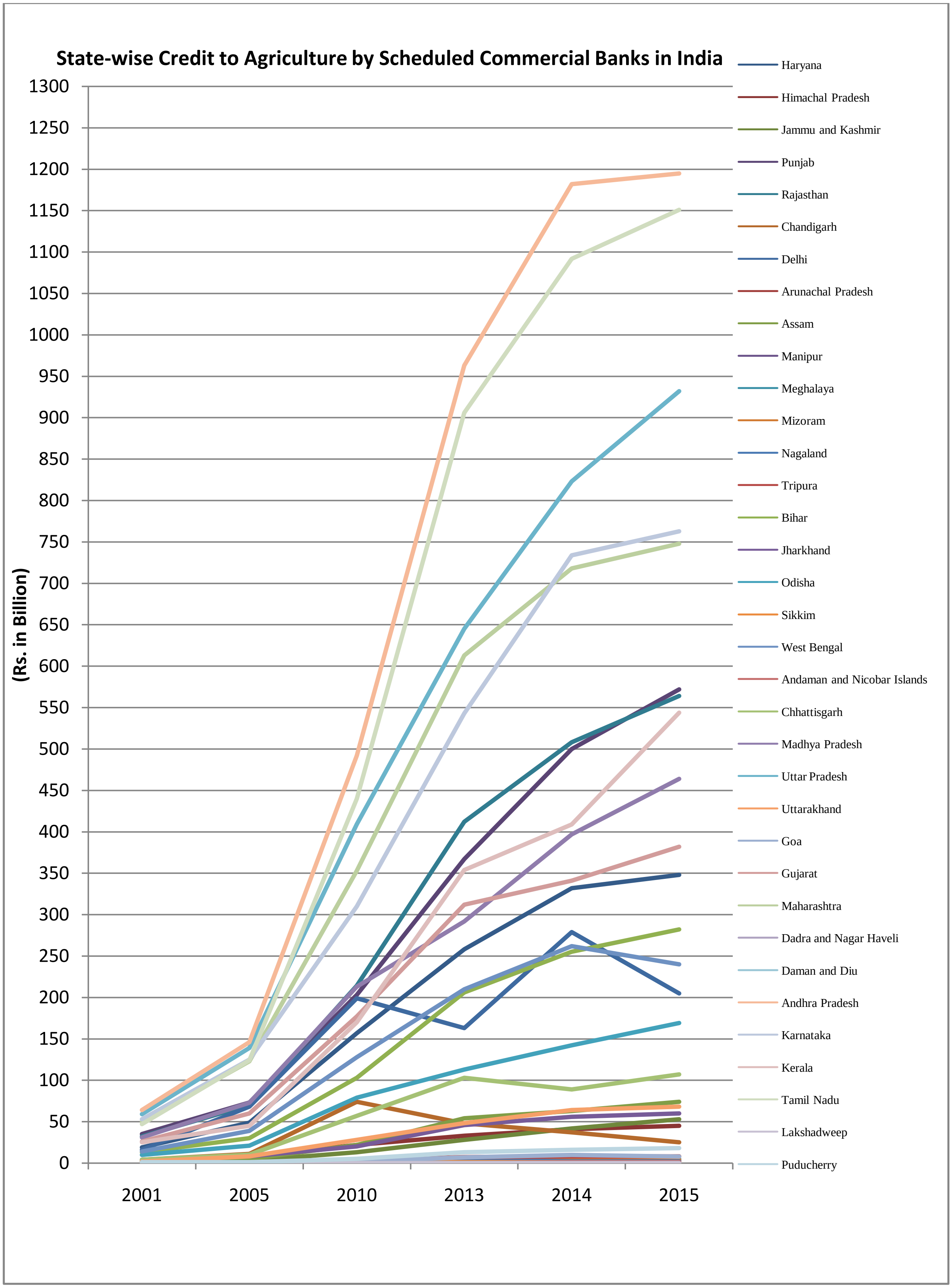
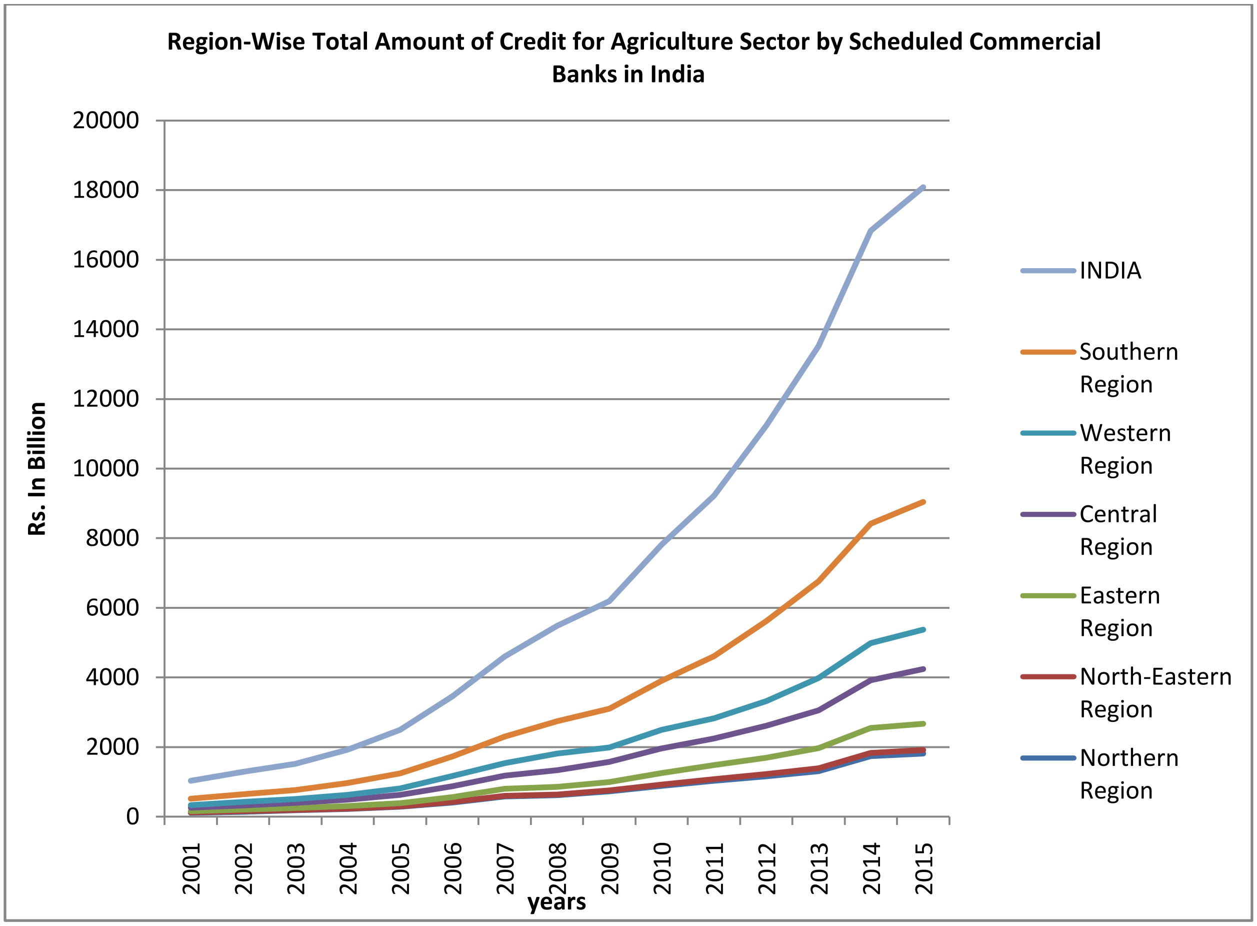

State-wise Credit to Agriculture by Scheduled Commercial Banks in India
(Rs. in Billion)
1300
1250
1200
1150
1100
1050
1000
950
900
850
800
750
700
650
600
550
500
450
400
350
300
250
200
150
100
50
0
2001
2005
2010
2013
2014
2015
Haryana
Himachal Pradesh
Jammu and Kashmir
Punjab
Rajasthan
Chandigarh
Delhi
Arunachal Pradesh
Assam
Manipur
Meghalaya
Mizoram
Nagaland
Tripura
Bihar
Jharkhand
Odisha
Sikkim
West Bengal
Andaman and Nicobar Islands
Chhattisgarh
Madhya Pradesh
Uttar Pradesh
Uttarakhand
Goa
Gujarat
Maharashtra
Dadra and Nagar Haveli
Daman and Diu
Andhra Pradesh
Karnataka
Kerala
Tamil Nadu
Lakshadweep
Puducherry

Figure: 2



Data source- India Stat

The percentage of total amount of credit got by each region, table shows disbursement of credit between from 2001 to 2015, how a regional disparity increased from 2001; North-eastern region credit of total amount of institutional credit provided at India label is few means only 0.78 percentage of total they got and the same pattern followed by 2012 after that from 2013 to 2015 the region got around one percentage of total so after analyze; a question is forward that why they are not increased their percentage of total in other hand southern region which is dominated from beginning almost one third of the total credit they got and an increasing trend followed till 2015. And now from 2012 to 2015 they got around 40 percentage of total credit provided for agriculture sector by scheduled commercial bank in India.

Figure: 3.a

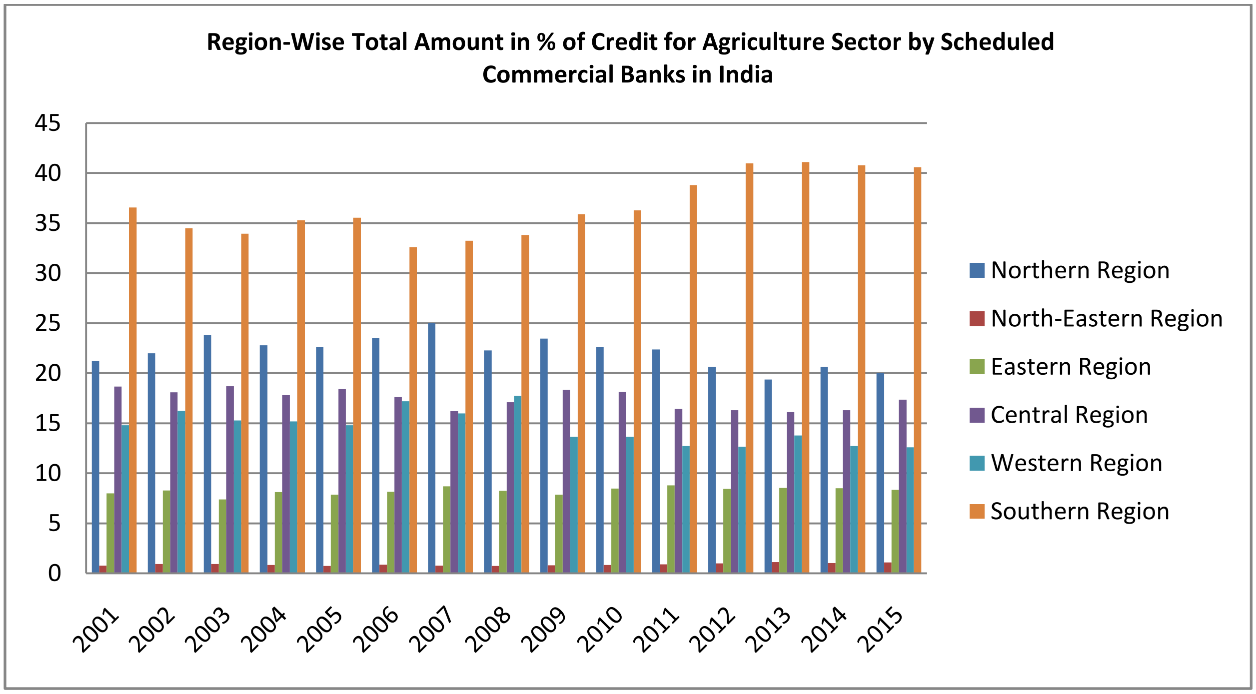
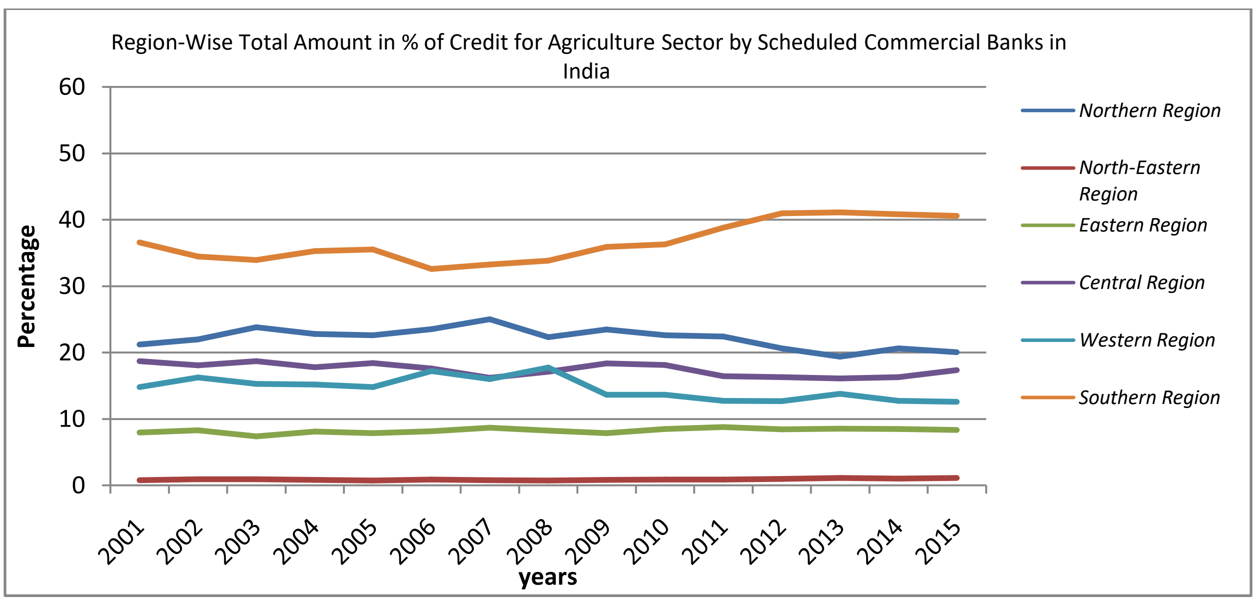


Table: 3.b



Data source- India Stat

Western region share of total agricultural credit is not in linear ways because in beginning their percentage is 14 percentage of total credit in 2001 and an increasing trend till 2008 but after

2008 a decreasing trend followed 17 to 13 percentages and now in 2015 they got only 12 percentage of total credit. Eastern region from beginning to till 2015 are followed almost constant trend; around 8 percentage of total agriculture credit. The disbursement of credit for central region is not so fluctuated; it's between 17 to 18 percentages. So disparity of agricultural credit increased in recent years due to some regions.

Conclusion

Credit disparity among the region is increased in recent years and only one region which is dominated and increasing continue. The findings of the study, that the Southern Region (Rs. 3670 billion) dominated the other region Northern Region (Rs. 1812 billion), Central region (Rs. 1570 billion) Western region (Rs. 1139 billion), Eastern Region (Rs. 753 billion) and Northeastern region (Rs. 99 billion). The state domestic product (SDP) alone contributed 98.85 percent in discriminating the high credit intensive and low credit intensive states. It shows that the states with higher state domestic product had greater amount of agricultural credit distribution. To conclude this section, it will be appropriate to state that there are hardly any signs of reversing the recent trend of accentuating regional disparities in the country in the coming decades. Indeed, almost all the relevant forces are such that the disparities are likely to widen deriving the next years. It will require Herculean tasks on the part of the Centre and the leadership in the concerned regions to ensure that the gap does not widen further.

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