

# Institutional Finance for Agriculture: With Reference to SPSR Nellore District in Andhrapradesh

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## ABSTRACT

In India the vital role of agriculture arises out of the position the grain sector occupies in the overall economy of the country. Agriculture is the largest sector of the economic activity and has crucial to play in the country's economic development by providing food and raw materials, employment to a large proportion of population, capital for its own development and surpluses for economic development. The problem of agricultural finance in India, like that of other developing countries, is both quantitative and qualitative. The district agriculture credit market is described by dualism. The main sources of farm credit are co-operatives, commercial Banks and Regional Rural Banks (APGB). With the presentation of single window system in the state in the state of Andhra Pradesh. The co-operative credit structure was rearranged in 1987. The present co-operative credit comprise of SPSR Nellore District Co-operative Central Bank (NDCCB) at district level, with its 21 branches managing with short term, medium term and long term credit of 79 PACS. The readiness of the credit plan and co-ordination of credit capacities at the district level is the duty of the syndicate bank i.e., the lead bank of the district.

## 1. Introduction

Nellore district is situated in the south eastern portion of the state with a coastal length of 163 km bounded by bay of Bengal on the East. The district was known as Vikramasimhapuri until 13<sup>th</sup> century and later it come to be referred to as Nellore. Nellore district is famous for high paddy yield and so it got its name from "Nelli", an equalent word for Paddy in Tamil. Historically the district was under the rule of Mouryas, Sathavahanas, Pallavas, Cholas, Telugu Cholas, Pandyanas etc..., the great Telugu poet Tikkanasomayaji translated 15 parvas of Sanskrit Mahabharatha into Telugu in Nellore.

The district is surrounded with in the East the Bay of Bengal, in the West Veligonda hills which separates it from Kadapa district, in the North Prakasam district and in the south Chittoor district and Tamilnadu. There are five revenue divisions with headquarters viz., Kavali, Nellore, Gudur, Atmakur and Naidupet, 46 revenue mandals with equal number of mandal parishads are also existing in the district. A total of Gram panchayats are position comprising all notified Gram panchayats. There is one municipal corporation at Nellore, 5 municipalities at Kavali, Gudur, Venkatagiri, Atmakur and Sullurpet.

The topographical zone of Sri PottiSriramulu Nellore district is 13,07,600 hectares. The land utilisation for cultivation is 81,808 hectares, which is 6.26 per cent of the total area of the district in the year of 2017-18. The net irrigated area under canals in the district is 42.61 percent which is higher than the percentage in the state which is 35.80 per cent. Rice is the dominate product in the district represents 78.3 per cent of gross trimmed region as against its off 64.12 per cent in the state.

## 2. Review of Literature

A.Ranga Reddy (2004) studied that the National Commission on Agriculture (1976) projected that the actual requirements of credit for agriculture would be Rs.9,400 crore by 1985. But, the Planning Commission target for 1984-85 was Rs. 5415 crores, while actual disbursement of credit was Rs. 6167 crores in 1985-85. Although Planning Commission's target figure for 1984-85 was surpassed by the actual disbursement, the National Commission's projected figure was not achieved.

Dev and Rao (2010), Have recently analysed the issue of profitability utilising temporal data, but focusing only on paddy and wheat crops. Except for this study, there are not many other studies available, which utilises the cost of cultivation data covering different crops and longer period with a specific focus on profitability. Cost of cultivation survey data published by the Commission for Agricultural Costs and Prices (CACP) contains rich information on the cost and the output of various crops on a temporal basis. An attempt is made in this study to find out the trends in the profitability of major crops i.e. wheat, rice and sugarcane.

Ahangar (2013), Studied the quantum of loans issued and outstanding by institutional agencies and the progress of Scheduled Commercial Banks in supplying agricultural credit in India. The relevant information was gathered through secondary data and compound growth rate were used for the analysis of data. The study reveals that the highest increase in loans issued was in the case of Scheduled Commercial Banks while the lowest was in the case of Co-operatives on the other hand the total number of account holders in scheduled commercial banks has increased from 5841 to 30538, whereas the amount of finance increased from 14516 to 271670 in the period from 2000-01 to 2011-12. The total direct and indirect

advances to agriculture outstanding by scheduled commercial banks shown gradual increased from 59310 crore to 583343 crore during the referred periods.

### 3. Need for the study

Several studies have been undertaken to evaluate the role of institutional finance for the agriculture at the national level by individual researchers, financial institutions and Government. But area specific studies are comparatively limited in number. In a vast state like Andhra Pradesh with varying agro-climatic and socio economic conditions, location specific studies are required to understand the nature and character of agricultural credit structure in different regions. In view this, this study is planned at micro-level to examine the institutional finance for agriculture: with reference to SPSR Nellore District in Andhra Pradesh with the following specific objectives.

### 4. Objectives

1. To study the different sources of agriculture credit in SPSR Nellore district and
2. To analyse the disbursement of credit by institutional agencies in SPSR Nellore district.

### 5. Database

This study is based on secondary data only. Secondary data collected from the period 2006-07 to 2017-18.

### 6. Tools and techniques

Various statistical tools applied for analysis the data like CGR, Percentages and Averages.

### 7. Farm credit structure

The district agriculture credit market is described by dualism. The main sources of farm credit are co-operatives, commercial Banks and Regional Rural Banks(APGB).

## A. CO-OPERATIVES

With the presentation of single window system in the state in the state of Andhra Pradesh. The co-operative credit structure was rearranged in 1987. Under single window frame work both short and long term credit institutions were clubbed together and they directed credit through single organization. The genuine destinations of the single window frame work are to stay away from duplication of financing from foundations side and to maintain a strategic distance from troubles in moving toward two diverse institutions for short and long term necessities from the agriculturist perspective. The present co-operative credit comprise of SPSR Nellore District Co-operative Central Bank (NDCCB) at district level, with its 21 branches managing with short term, medium term and long term credit of 79 PACS.

### (i) Nellore District Co-Operative Central Bank(NDCCB)

The SPSR Nellore district co-operative central Bank Ltd is one of the most oldest Banks in the state of Andhra Pradesh was enlisted and it initiated its business from 11-1-1918. There was an adjustment in its district because of exchange of Kandukur division to Prakasam district in 1961. At present NDCCB has a network of 21 Branches. To adopt to the developing volume of business and to guarantee powerful supervision and administration of co-operative credit. Ensuring to the usage of "single window credit delivery system all the district co-operative central

Bank. The central Bank has been giving here and now medium term and long term credits through the re-sorted out PACS to agriculturist in the district. The advancement of NDCCB over a time of 4 years is given in Table 1.1.

**TABLE 1.1**  
**Working of Nellore district co-operative central bank**

S. No.	Particulars	2013-14	2014-15	2015-16	2016-17	Percentage Increased in 2017 over 2014
1	Paid-up shareCapital	5,828.16	5,858.04	6,160.79	6,495.28	11.45
2	Reserves	1,827.91	2,609.27	2,521.00	2,648.41	44.89
3	Own funds	18,279.16	20,179.13	22,181.65	30,180.75	65.11
4	Deposits	12,885.95	13314.17	17880.13	20688.5	60.56
5	Borrowings	20,241.08	21,978.65	30,155.92	33,019.44	63.13
6	Loan issued	<b>23,610.89</b>	<b>25,674.78</b>	<b>49,288.56</b>	<b>49,393.63</b>	109.2
7	Loan out standing	<b>29,912.52</b>	<b>29912.5</b>	<b>43073.36</b>	<b>46822.09</b>	56.53

**Source:** District Co-operative office, SPSR Nellore district, 2017.

The paid up share capital in Nellore District Co-operative Bank increased from Rs.5828.16 lakhs in 2013-14 to Rs.6495.28 lakhs in 2016-17, the increment being 11.45 per cent. The reserves increased from Rs.1827.91 lakhs in 2013-14 to Rs.2648.41 in 2016-17, the increment being 44.89 per cent. The bank's own funds increased from Rs. 18,279.16 lakhs in 2013-14 to Rs.30,180.75 lakhs in 2016-17, the increment being 65.11per cent. The deposits increased from Rs.12,885.95 lakhs in 2013-14 to Rs.20,688.50 lakhs in 2016-

17, with increment being 60.56 per cent. The borrowings increased from Rs. 20,241.08 lakhs in 2013-14 to 33,019.44 lakhs in 2016-17, the increment being 63.13 per cent. The loan issued increased from Rs. 23,610.89 lakhs to Rs.49,393.63 lakhs in 2016-17, the increment being 109.20 per cent. The loan outstanding increased from Rs.29,912,52 lakhs to Rs.46,822,09 lakhs in 2016-17, the increment being 56.53 per cent.

## (ii) Primary Agricultural Credit Societies (PACS) in SPSR

**Nellore District**

PACS are critical offices in giving farming credit in the co-operative division. Amid the underlying time frame, participation of PACS basically comprised of agriculturists with boundless risk. Keeping in mind the end goal to meet the credit needs of its individuals, the social order changing low rates of interests. These social orders embanged conveyance of

controlled waves like food grains, sugar, cloth and lamp oil. Presently a portion of social orders are attempted the organizations for appropriations of enhanced seeds, substance composites and current agrarian actualizes to the agriculturists in the district. District co-operative central Bank is the fundamental wellspring of back for these social orders. Once in a while uncommon help is additionally given by the government. Table 1.1 demonstrate the details of these societies.

**TABLE 1.2**  
Primary agricultural credit societies in SPSR Nellore district

(Rs. in lakhs)				
S.No	ITEM	2012-13	2016-17	Percentage Increased in 2017-2012
1	Societies	79	99	25.31
2	Membership no's	7,12,777	9,53,837	33.82
3	Share capital (Rs.)	4,554.64	5,108.83	12.17
4	Deposits (Rs.)	1,011.80	7,602.82	47.23
5	Borrowings (Rs.)	39,515.77	42,516.75	7.59

*Source: District Co-Operative Office, SPSR Nellore, 2017.*

The Societies increased from 79 in 2012-13 to 99 in 2016-17, with an increment being 25.31 per cent. The membership no's increased from 7,12,777 in 2012-13 to 9,53,837 in 2016-17, the increment being 33.82 per cent. The share capital increased from Rs. 4554.64 lakhs in 2012-13 to Rs. 5,108.83 lakhs in 2016-17, the increment being 12.17 per cent. The deposit increased from Rs. 1011.80 lakhs in 2012-13 to Rs. 7602.82 lakhs in 2016-17, the increment being 47.23 per cent. The borrowings increased from Rs. 39,515 lakhs in 2012-13 to Rs. 42,516.75 lakhs, the increment being 7.59 per cent.

**B. COMMERCIAL BANKS**

Imperial Bank of India (Now the state Bank of India) was the first commercial Bank to open its Branch at Nellore in 1923.

By this, the Andhra Bank opened its branches at Nellore and Gudur in 1941 and 1946 respectively other than these two banking institutions, the Indian Bank, the Indian overseas bank, the syndicate bank and Canara bank have additionally settled their branches at different places in the district since nationalization. At exhibit commercial banks have been working in the district with a network of branches. The readiness in the credit plan and co-ordination of credit capacities at the district level is the duty of the syndicate bank i.e., the lead bank of the district. The advancements of aggregate commercial bank in the district is appeared in Below table.

**Table 1.3**  
Progress of commercial banks in SPSR Nellore district  
(Rs. In Lakhs)

S. No.	Particulars	2010-11	2017-18	Percentage Increase/Decrease in 2017-18 over 2010-11
1	Number of Branches	291	423	45.36
2	Total Deposits	4762.3	12328.72	150.88
3	Total Advances	7075.1	16188.4	128.8
4	Credit Deposit ratio	148.56	131.31	11.61
5	Priority sector advances	5123.98	10086.03	96.84
6	Item 5 as percent to total Advances	75.14	62.3	17.3
7	Agricultural advances	2640.18	6345.06	140.33
8	Item 7 as percent to total Advances	50.7	39.19	22

*Source: Syndicate Bank, Lead district office, Nellore, SPSR Nellore District, 2017.*

That the quantity of branches of banks expanded from 291 in 2010-11 to 423 in 2016-17 and the rate of increment was 45.36 per cent. Deposits expanded from Rs. 4,762.30 lakhs in 2010-11 to Rs. 12,328.72 lakhs in 2016-17, the level of deposits increment being 150.88 per cent. Advances expanded from Rs. 7,075.10 lakhs in 2010-11 to Rs. 16,188.4 lakhs. The

level of increment being 128.80 per cent. The credit deposit ratio decreasing from 148.56 in 2010-11 to 131.31 with a level of decrement being 11.67 per cent. The priority sector advances expanded from Rs. 5,123.98 lakhs in 2010-11 to Rs. 10,086.03 lakhs with a level of increment being 96.84 per cent. The percentage of priority sector advances to total

advances decreased from 75.14 in 2010-11 to 62.30 in 2017-18 with a level of decrement being 17.30 per cent. The agricultural advances increased from Rs.2640.18 lakhs in 2010-11 to 6345.06 lakhs in 2017-18 with a level of increment being 140.33 per cent. The percentage of agriculture advances to total advances increased from 50.70 in 2010-11 to 39.19 in 2017-18 with a level of increment being 22 per cent.

### C. ANDHRAPRAGATHI GRAMEENA BANK (APGB)

With a specific end goal to enhance the operational stability of the RRBs and to exploit the economies of scale, it has been chosen to amalgamate the three RRBs in Andhra Pradesh, supported by the main public sector bank -the Syndicate bank. As needs be, the Government of India has

amalgamated 4 RRBs in particular Rayalaseema Grameena Bank in Kadapa (YSR) region, Anantha Grameena Bank in Ananthapur area and Pinakini Grameena bank in SPSR Nellore district into a solitary regional country bank called " Andhra Pragathi Grameena Bank" with its head office at Kadapa in 2006. The zone of the task of Andhra Pragathi Grameena bank comprises of Karnool region, YSR region, Ananthapur area, Prakasam district and SPSR Nellore region. Improvement of these areas firmly connected with provincial advancement, particularly the advancement of farming and associated exercises, Trivial exchange or independent company enterprise and rural artisans. Details of branch expansion are given in Table 1.4.

**TABLE 1.4**  
**District-wise distribution of APGB branches during 2006-07 to 2016-17**

Year	Number of Branches					Total No. of Branches
	YSR District	Kurnool District	Prakasam District	SPSR Nellore District	Ananthapur District	
2006-07	69	65	53	64	81	332
2007-08	70	67	53	65	85	340
2008-09	76	71	58	65	86	356
2009-10	76	72	61	68	88	365
2010-11	79	76	68	69	93	385
2011-12	85	82	77	77	100	421
2012-13	88	89	80	77	104	438
2015-16	92	93	82	79	104	450
2017-15	94	95	82	81	106	458
2015-16	107	100	96	85	110	498
2016-17	112	114	98	90	116	530
LGR(%)	4.67	5.76	7.94	5.08	4.42	4.72
"t" Value	14.48*	12.32*	13.47*	8.38*	12.46*	14.67*

\*significant at 1 per cent level

Source : Annual Reports of Andhra Pragathi Grameena Bank; Head Office, Kadapa. (Various issues)

That branches of Andhra Pragathi Grameena bank are dispersed in five regions, to be specific, YSR, Kurnool, Anantapur, SPSR Nellore and Prakasam. After the arrangement of Andhra Pragathi Grameena bank in 2006, it has stretched out its activities to Two extra districts i.e., SPSR Nellore District, Anantapur in 2008-09. Inferable from this, the quantity of bank offices has expanded from 332 of every 2006-07 to 530 out of 2016-17. The linear growth rate (LGR) for YSR, Kurnool, Prakasam, SPSR Nellore and Anantapur was 5.76 per cent, 4.67 per cent, 7.94 per cent, 5.08 per cent, and 4.42 per cent respectively.

Andhra Pragathi Grameena bank, since its origin, has possessed the capacity to accomplish the destinations of helping the country poor. The execution of the bank can be evaluated as far as development of stores, advances and by the large business. The advances have become moderately higher than the deposits between Credit-Deposit ratio (C-D) and it has been very amazing which demonstrates that advances made by the bank are higher than the deposits. The execution of Andhra Pragathi Grameena bank is displayed in Table 1.5.

**TABLE 1.5**  
**PERFORMANCE OF ANDHRA PRAGATHI GRAMEENA BANK**  
**(In Rs. lakh)**

Year	Total Branches (Numbers)	Total Deposits (Rs.)	Total Advances (Rs.)	Total Business (Rs.)	Per Branch Business (Rs.)	Credit Deposit Ratio
2006-07	332	2,36,780	2,37,793	4,74,573	1473.82	101
2007-08	340	2,41,209	2,97,217	5,78,427	1701.25	105.6
2008-09	356	3,03,771	3,08,233	6,12,004	1719.11	101.47
2009-10	365	3,48,456	3,54,876	6,58,480	1804.05	103.56
2010-11	385	4,07,905	4,29,102	7,27,377	1888.89	105.19

2011-12	421	4,51,275	5,49,026	10,21,862	2427.22	121.66
2012-13	438	5,00,107	6,75,962	11,76,069	2685.09	135.16
2015-16	450	5,94,769	7,31,448	13,26,217	2947.15	122.98
2017-15	458	6,13,840	7,66,506	13,80,346	3013.86	124.87
2015-16	498	6,52,915	8,42,260	14,95,175	3002.36	129
2016-17	530	6,94,074	8,86,5350	15,80,609	2982.28	127.73
LGR(%)	14.16	15.86	15.08	10.44	4.07	13.76
„t“ Value	14.25*	15.88*	11.21*	8.74*	8.01*	4.06*

\*significant at 5 per cent level

Source: Annual Reports of Andhra PragathiGrameena Bank; Head Office, Kadapa.

That bank has prepared aggregated deposits of Rs.2367.80 crore , and stretched out advances to the tune of Rs . 2,377.93 crores with 101 per cent credit deposit portion amid 2006-07. The Andhra PragathiGrameena bank has recorded a critical development in assembly of deposits and payment of credit totalling Rs.6,940.74 crores and Rs.8,865.35 crore separately toward the finish of March 2017.

The aggregate business of the APGB has like wise altogether expanded from Rs.4745.73 crores in 2006-07 to Rs.15806.09 crores in 2016-17 with the Growth rate of 10.44 per cent. The credit-Deposit ratio like wise expanded from 101 out of 2006-07 to 127.73 per cent in 2016-17.

## 8. Conclusion

Agricultural credit market in SPSR Nellore district is characterised by separation with its institutional and non institutional sectors functioning with different business practices and rates of interest. The formal sector consists of financial institutions both general and specialised in the sphere of co-operative and commercial banking at all levels and the credit flow from the government at a different levels in the name of both social equity and economic growth. The informal sector comprises of the plurality of credit agencies in rural India ranging from the landlords to the relatives. The link between the formal and informal sectors are weak and hence the persistence of the separation between two markets.

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