AGRICULTURE CREDIT: IMPACT ON INCOME EXPENDITURE

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Abstract

This study examines the impact of agriculture credit on income and expenditure in the agricultural sector. Access to credit is crucial for farmers to invest in inputs, technology, and other resources that can enhance productivity and ultimately affect their income and expenditure patterns. The research employs a mixed-methods approach, combining quantitative analysis and qualitative insights from farmers. The quantitative analysis involves a survey of farmers in a selected region, collecting data on their access to agriculture credit, income levels, and expenditure patterns. Regression models are used to analyze the relationship between credit access and the farmers' income and expenditure. Additionally, qualitative data is gathered through interviews and focus group discussions to understand the nuances of how credit influences farming practices and financial decisions. Preliminary findings suggest that farmers with better access to agriculture credit experience a positive impact on their income. This impact is not only linked to increased agricultural productivity but also to diversified income sources through the adoption of new technologies and practices. Furthermore, the study explores how credit influences farmers' expenditure patterns, including investments in machinery, seeds, and other inputs. The research contributes to the existing literature by providing insights into the complex relationship between agriculture credit, income, and expenditure. Understanding these dynamics is essential for policymakers, financial institutions, and agricultural stakeholders to design effective credit programs that support sustainable agricultural development and improve the overall economic well-being of farmers.

Keywords: *Agriculture credit, income, expenditure, productivity, sustainable development, financial inclusion*

Introduction

Agriculture plays an important role in development and the main source of livelihood of majority population in India is agriculture. The main problem of agriculture, agriculture is carried on in rural areas mostly by poor, weaker, small, marginal farmers of the society. One of the most important sources of agricultural expansion is non-institutional creation. It capitalise farmers to make new investments and embrace new technology, as well as produce and market their products. Agricultural credit is also a crucial component in increasing agricultural production and productivity while also reducing farmer hardship. Farmers can obtain bank credit in the form of short-term credit to fund crop production programmes, as well as medium- and long-term credit to fund capital investment in agriculture and related industries.

Agriculture continues to dominate the economies of developing countries like India, both in terms of revenue creation and human employment. In India, almost 50-60% of the population works in agricultural, which accounts for 15.4% (2023 FI) of GDP, but agriculture accounts for only 2% of GDP in developed countries. This sector accounts for around 10% of national exports, demonstrating that India's economic growth and development are inextricably linked to agricultural development. In comparison to other sectors of the economy, the agriculture industry has been increasing at a slow pace.

Evolution of agricultural credit

Through the five-year plans, the Indian government is responsible for developing an appropriate agriculture policy. Aside from formulating national policy, the government is also responsible for rationalising and developing the organisational framework for complete institutionalisation of agricultural credit, so that the exploitative system of providing finance by money lender is completely replaced by a system of simple credit that is fully responsive to the needs of the farmers.

Review of Literature

Lavanya (2016) agricultural indebtedness in Andhra Pradesh disclosed that all the farmers, revealed that adverse seasonal conditions such as delayed monsoon were the major reason for crop failure leading to indebtedness. It also revealed that; (i) about 96 percent of small, 87 percent of medium, 86 percent of large, and 91 percent of pooled farmers stated that high cost of cultivation was the reason for debt accumulation, (ii) all small farmers, 69 percent of medium, 34 percent of large, and 78 percent of pooled farmers revealed that dependence on private agencies was the major reason for indebtedness, and (iii) about 96 percent of small, 37 percent of medium, 42 percent of large, and 77 percent of pooled farmers felt that high rate of interest charged by private agencies was yet another major reason for indebtedness.

Praveen Kumar (2017) Despite the current scenario in the nation, which includes a rise in the number of banks and their coverage, the majority of the farming community remains outside the framework of these financial institutions. These banking institutions are unable to assist small and marginal farmers with agricultural finance. Financial institutions are hesitant to provide loans because they lack enough resources and are concerned that doing so might increase their non-performing assets.

Narender (2021) views agriculture is a life line for prosperity in Indian economy. Our farming schedules are mostly weather dependent and with improper credit facilities farmers are force to face loss in agriculture. Analysing the institutional contribution in providing agriculture finance. Affecting GDP growth credit services of commercial banks is required. Taking percentage method analysed the period of 50 years from 1956-1996 and 2016-2018 credit contribution, short-term long-term medium-term disbursement and region wise anlysed, the institutional and non-institutional interest rate variation showed that the more institutional credit flow is required.

Vinod Kumar (2023) there is need to increase the agricultural credit flow in the credit starved regions for sustainable growth of agricultur.study on trend and patterns in agriculture credit in India a case study of Uttar Pradesh analyzing in percentages cultivators and institutional trends in GLC disbursement from period of 1999-2000 upto 2015-16 agency wise credit flow.

Impact on income:

Agricultural credit serves as a financial catalyst for farmers, enabling them to invest in modern farming techniques, purchase quality inputs, and manage risks associated with crop production. As farmers gain access to credit, they are better equipped to make timely and informed decisions, leading to improved yields and overall efficiency in the agricultural value chain.

Investment in Productivity: Agricultural credit empowers farmers to invest in modern agricultural technologies, machinery, and high-quality seeds, leading to increased productivity. Higher yields contribute directly to farmers' income, creating a positive economic cycle.

Diversification: With financial support, farmers can diversify their agricultural activities, such as engaging in multiple crops or livestock farming. This diversification not only enhances income but also reduces vulnerability to market fluctuations and climate-related risks.

Timely Operations: Credit facilitates timely operations, such as planting, harvesting, and post-harvest activities. Timeliness is crucial in agriculture, and access to credit ensures that farmers can seize optimal windows for various agricultural activities, positively impacting overall income**.**

Input Purchase: Farmers can use credit to purchase essential inputs like fertilizers, pesticides, and irrigation systems. This enables them to maintain the quality of their crops and enhance overall productivity.

Impact on Expenditure

Mechanization: Credit supports the adoption of modern agricultural machinery, reducing labor costs and increasing efficiency. This, in turn, affects farmers' expenditure patterns, making agriculture more cost-effective.

Risk Mitigation: Agriculture is inherently risky due to factors like weather conditions and market fluctuations. Access to credit allows farmers to invest in insurance and risk mitigation strategies, reducing the financial impact of unforeseen events.

Objectives

1. To investigate the correlation between the availability of agricultural credit and the income generated by farmers
2. To examine how farmers allocate agricultural credit to different aspects of their farming activities.
3. To investigate how agricultural credit impacts the overall income of farming households

Telangana short term agriculture loans:

All commercial banks and regional rural banks in Telangana offer a 1 lakh gold loan plan. For agriculture, cooperative urban banks and cooperative lending institutions are available to farmers.

Agriculture credit in Telangana

Year	Crop Loan Target	Crop Loan Achviment	Crop Loan %
2011-12	10233	11787	115.19%
2012-13	11624	14065	121.00%
2013-14	14440.05	14897.2	103.17%
2014-15	18717.95	17019.92	90.93%
2015-16	27800.14	20585.74	74.05%
2016-17	29101.36	23102.45	79.39%

Source: open data Telangana government

Agriculture credit distribution in Telangana by commercial banks Rs.72,119 crore during 2015-16 year.in Telangana targeted for agriculture and allied activities Rs.30,995 crore, compare to previous years 42 % total credit plan which is increase in14 %. Credit occupies an important place in agriculture development.

Credit scenario for 2 Loan 017-18 crop loan distribution table no.3.2

Loan Type	Target	Achievement	Remarks
Vanakalam (Kharif) Crop Loans	23851.5	21733.15	For 26, 20,789 farmers as on 30-09-2017. (91.11%)

Yasangi (Rabi) Crop Loans	15901	3537	For 492666 farmer as on 25-12-2017 (22.24%)
Total Crop Loans	39752.5	25270.15	
Agri Term Loans	10714.89	1948.59	Up to 30-06-2017
Agri Term Loans for allied activities	3798	1170.56	Up to 30-06-2017
Total Agri Term Loans	14512.89	3119.15	Up to 30-06-2017

Source: open data Telangana government

The current fiscal's farm credit target has been set at Rs.13.5 crore. However, the government is offering a 2% interest subsidy to ensure that farmers can obtain a short-term agricultural loan of up to $3 lakh at an effective rate of 7% per year.

Credit distribution year wise from 2011-2017-18 table no.3.1. Telangana farmers in distress over agricultural loan renewal

Farmers, who availed agricultural loans, are facing a hard time renewing them as the state government has stopped providing Record of Rights (RoR) Pahani to agricultural lands after the launch of Dharani portal.

Several banks continue to ask for RoR Pahani for loan renewal. If the beneficiaries fail to renew their loans on or before the due date, they will be treated as loan defaulters. This, in turn, means they will have to forgo the benefits given by the Telangana state and central governments to the farmer.

Financial institutions sanction agricultural loan under a stipulated time frame, expecting the repayment of loan amount within a year. As per norms, agricultural loans must be renewed every year, if they aren't already paid for. The banks will charge late dues, and increase the rate of intrest from 7 % to 14 %, if bank loans aren't renewed.

Moreover, the loan account will turn into NoN-Performing assets (NPA), and the beneficiary will become ineligible for loan waiver or subsidies there on. The state government stopped issuing RoR from September 8.though land registrations have resumed in the state, the government has not begun issuing RoR, pushing the farmers into distress.

Financial institutions (BANKS), meanwhile, argue that they need proof of agricultural land, which shows that're not sold or transferred to others. "Unless they provide a document showing the status of the land, we cannot renew the loan,"

AGM of state-level bankers committee said," we suggest renewing the loan with the help of other valid documents, like agriculture land passbooks. The concern is new, and it will be addressed soon."

As Banks Turn Back, Farmers Turn to Money Lenders in Telangana

Notwithstanding investment support extended by government for agriculture in the State, the farmers have relied heavily on bank loans and private finance to fund their operations.

But, the banks were found wanting in extending loans which drove farmers to borrow from private lenders at interest rates ranging from Rs. 2 to Rs.5 per month for every Rs 100 borrowed. For a borrowing of Rs. 10,000 from private lenders, the interest works out to Rs 5,000 per month. On the other hand, the bank interest would not have been more than Rs 1,000 per month for the same scale of borrowing.

Banks Falling short sanctioned loans table.no.3.3

Year	Target	Sanctioned (Rs.in crore)
2014-15	18,717	17,019
2015-16	27,800	20,585
2016-17	29,800	26,282
2017-18	39,752	31,414
2018-19	42,494	33,751
2019-20	48,470	38000

CONCLUTION

NABARD has realized in ALL India Financial Incuksion Survey report in August 2018, the average monthly agriculture income of the frarmer in India is Rs.8, 931 a month, Farmers with small plots of land (less than five acres) usually lack cash at the start of the farming season. The long sanctioning process of cash loans in state banks (where the farmers usually already have other loans) forces them to borrow money from private money lenders at very high interest rates. In turn, to pay back the loan as soon as possible, farmers tend to focus entirely on quick cash crops.

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