



## Agriculture Credit in Gujarat by Banks: Status & Issue

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### ABSTRACT

*Indian agriculture plays significant role in the development of the country. It is the foremost*

*Source of livelihood for majority of Indian population. Credit is one of the critical inputs for agricultural development.*

*Agricultural credit is an important input for improving agricultural*

*Production and productivity and mitigating farmer distress. Bank credit is available to the Farmers in the form of Crop loan for financing crop term production and in the form of Term Loan for medium-term/long-term credit for financing capital investment in agriculture and*

*Allied activities. In this research paper researchers focused on flow of agricultural credit in Gujarat by banks and its issues and challenges.*

### KEYWORDS :

#### 1.1 INTRODUCTION

Agriculture is the backbone of Indian Economy. Agriculture development is essential part for the overall development of the economy. Agriculture provides rewarding employment and livelihood for majority of the population in India. At the time of Independence about 72% of working population was engaged in agriculture activity in India

<sup>1</sup> and the share of Agriculture and allied activities was 51.45% to total GDP of India.<sup>2</sup> According to 2011 census 68.8% of working population still engaged in agriculture activity and the share of agriculture and allied activity was only 14% to total GDP.<sup>3</sup>

As Mahatma Gandhi said, "India lives in villages and agriculture is the soul of Indian economy" before six decade ago. As we entered in the new millennium, the situation remains the same; however the concern now is declining agriculture growth. In terms of growth, the performance of agriculture in the post-Independence era has been impressive as compared to the pre-Independence period. Small land-holding, low agriculture productivity, lack of knowledge and information absence of access to credit markets or imperfect credit markets, poor human resource base, inadequate irrigation system, less use of technology, imperfect markets for inputs, changes in the climate, low level of formal education and skill are general issues of the farmers in India.<sup>4</sup>

#### 1.2 OBJECTIVE & METHODOLOGY

In this background, the present study is to analyse the trends and pattern of agriculture credit in Gujarat. The Present Study is based on secondary sources. Secondary data are collected from Government of India Reports, RBI reports, Directors of economics and statistics Gujarat reports, Ministry of Agriculture reports, books, articles, State level banking committee reports and annexures and Economic Survey of India.

#### 1.3 AGRICULTURE IN GUJARAT

The State has an international boundary and has a common border with the Pakistan at the north-western fringe. The two deserts, one north of Kachchh and the other between Kachchh and the mainland Gujarat are saline wastes. The State has a long coast-line of about 1600 kms and is the longest among all States of country. As per 2001 population census, Gujarat State comprised 25 districts, sub-divided into 225 talukas, having 18066 inhabited villages and 242 towns. Gujarat has geographical area of 1.96 lakh sq. kms and accounts for 6.19 percent of the total area of the country. At present state comprise 26 districts. Gujarat has reached 6.03 crore population as per 2011 census. The Urban population of the state is 42.6% and the rural population of the state is 57.4%.<sup>5</sup>

Gujarat has diversified cropping pattern include the food grains and

pulses, cash crops and oil seeds. Gujarat is the largest producer of cotton, groundnut, and onion. In 2013 Gujarat received total food grain production award by the president of India.<sup>6</sup>

#### 1.4 AGRICULTURE GROWTH IN GUJARAT

The agricultural growth rate in Gujarat raised from 3.3 per cent in the 1990s to 11.1 per cent during the decade 2001-2002 to 2011-2012. In fact, the production of cotton, wheat, fruit crops and milk have played a vital role in sustaining the agricultural growth in the State economy.

Although, the farmers of Gujarat have shown a move towards cash crops, fruits and vegetables and oil seeds, it is a matter of pride that the total production of food grains crossed 100 lakh MT for the first time in the history of the State in 2010-2011. Agriculture continues to contribute 15 per cent of Gujarat's Gross State Domestic Product (GSDP) and provides employment to almost 51.58 per cent of our workforce.

According to CARE Ratings the State contributes more than 7 per cent to India's GDP; in particular, it for 13 per cent of manufactured and 11 per cent of primary sector output (mainly agriculture) of the country.<sup>7</sup> During the 11th five year plan period (2007-12) the average agriculture growth rate of Gujarat was 5.49 per cent per annum as compared to all India average growth rate of 4.06 per cent per annum. As against 21.64 per cent growth in 2010-11 and 5.02 per cent growth in 2011-12, Gujarat has registered -6.96 per cent growths in 2012-13, which is the first year of 12th Five Year Plan, stated the CAG report.<sup>8</sup>

#### 1.5 AGRICULTURE CREDIT IN GUJARAT

Rural indebtedness is one of the challenging issues of Gujarat. In the nineteenth century, commercial Banking was non-existent in rural areas, and farmers were completely in the hands of usurious money-lenders. They exploited the farmers by charging very high rate of interest and the situation still continues to exist to some extent. In Gujarat the agriculture is fully depend on the monsoon. Because of very high fluctuation in the monsoon the production of crops also varies and ultimately farmers have to pay the penalty for this situation. To combat this concern the government of India has extended the banking network to the rural sector and announced various agriculture credit schemes for the furtherance of the farmers who live in the rural but works for the Urban.

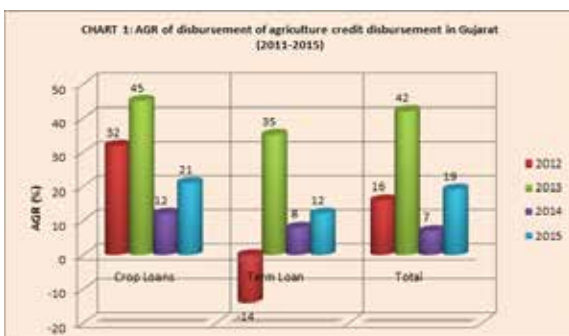
Various kinds of agriculture credit are provided to the farmers by banks at a lower rate of interest to sustain the life of farmers to make it more contented. Government is also offering agriculture subsidy to the farmers for definite precise undertaking. Table1 shows year wise agriculture credit disbursement in Gujarat.

Table 1: Year wise disbursement of agriculture credit in Gujarat (2011-2015) (Rs. in lakh)

|     | Particulars                                 | 2011    | 2012    | 2013    | 2014    | 2015    | CAGR (%) |
|-----|---|---------|---------|---------|---------|---------|----------|
| (A) | Crop Loans                                  | 1128656 | 1492031 | 2157577 | 2418625 | 2936252 | 21       |
| (B) | Term Loans                                  |         |         |         |         |         |          |
| a   | Minor Irrigation                            | 30870   | 30858   | 35505   | 38713   | 60621   | 14       |
| b   | Land Development                            | 20109   | 27828   | 32825   | 52834   | 85491   | 34       |
| c   | Farm Mechanization                          | 110698  | 95100   | 109071  | 92825   | 107382  | -1       |
| d   | Plantation and Horticulture                 | 36019   | 34909   | 86530   | 28852   | 71076   | 15       |
| e   | Dairy Development                           | 52143   | 45283   | 57298   | 30520   | 47662   | -2       |
| f   | Poultry                                     | 397     | 944     | 6093    | 1875    | 10363   | 92       |
| g   | Sheep/Goat/Piggery                          | 362     | 625     | 1307    | 766     | 118     | -20      |
| h   | Fisheries                                   | 100293  | 24776   | 42422   | 28628   | 62994   | -9       |
| i   | Forestry and Wasteland Development          | 2512    | 3008    | 2927    | 1445    | 4257    | 11       |
| j   | Rural Go down, Cold Storage and Market Yard | 20846   | 18651   | 123036  | 34520   | 37808   | 13       |
| k   | Bio gas (Renewable source of energy)        | 0       | 490     | 46      | 27      | 0       | -61      |
| l   | Agriculture Others                          | 269223  | 272357  | 250332  | 379383  | 282924  | 1        |
|     | Sub-total-Term Loans                        | 643473  | 554828  | 747392  | 690388  | 770694  | 4        |
|     | Total Agri.Credit (A+B)                     | 1772129 | 2046859 | 2904968 | 3109013 | 3706948 | 16       |
|     | Total AGR (%)                               | 0       | 16      | 42      | 7       | 19      |          |

(Source: SLBC Gujarat Year wise annexure 24)

The total agriculture credit disbursement in 2011 was 1772129 lakhs which amplified by 109% and extended to 3706948 lakhs in 2015. The total crop loan disbursement is increased by 160% and the total term loan disbursement is increased by 20% in 2015 as compared to 2011. It undoubtedly confirms that still the farmer of India is careworn for the basic prerequisite in the agriculture.



(Source: SLBC Gujarat Year wise annexure 24)

It is observed from the data that the highest crop loan growth was in 2013 at the annual rate of 45% where as it was lower in 2014 at the rate of 12% only. It is also found from the data that in 2012 there was negative growth in term loan at the rate of 14% whereas in 2013 it shows positive trend with 35% growth rate.

It is observed that the highest loan disbursement was made for the purpose of Farm Mechanization and land development and the lowest loan disbursement were made for the purpose of biogas, fisheries and for the animal husbandry (sheep, goat and piggery) in Gujarat from 2011 to 2015. More fluctuations are found for the loan disbursements for the purpose of rural go down, cold storage, fisheries while the loan disbursement for the purpose of minor irrigation and land development shows the upward trend in Gujarat from 2011 to 2015 as shown in Table 2

Table 2: Year wise disbursement of highest and lowest credit by banks in Gujarat (Rs.in lakh)

| Year | Ranking | Disbursement of Highest agriculture credit |        | Disbursement of lowest agriculture credit |        |
|------|---------|--|--------|---|--------|
|      |         | Purpose                                    | Amount | Purpose                                   | Amount |
| 2011 | 1       | Farm Mechanization                         | 110698 | Sheep/Goat/Piggery                        | 362    |
|      | 2       | Fisheries                                  | 100293 | Poultry                                   | 297    |
| 2012 | 1       | Farm Mechanization                         | 95100  | Bio gas                                   | 490    |
|      | 2       | Dairy Development                          | 45283  | Fisheries                                 | 625    |
| 2013 | 1       | Farm Mechanization                         | 109071 | Bio gas                                   | 46     |
|      | 2       | Plantation and Horticulture                | 86530  | Sheep/Goat/Piggery                        | 1307   |
| 2014 | 1       | Farm Mechanization                         | 92825  | Bio gas                                   | 27     |
|      | 2       | Land development                           | 52834  | Sheep/Goat/Piggery                        | 766    |
| 2015 | 1       | Farm Mechanization                         | 107382 | Bio gas                                   | 0      |
|      | 2       | Land development                           | 85000  | Sheep/Goat/Piggery                        | 118    |

(Source: SLBC Gujarat Year wise annexure 24)

Government has also introduced krushi Mahostav and other financial literacy programmes especially for the farmers to educate the farmers. E-portal and mobile application are also new initiatives by government of Gujarat for updating the farmers regarding new credit schemes and latest weather information in local language. Crop insurance scheme announced by the government to protect the farmers from the loss incurred due to seasonal fluctuation. Subsidy for the tractors, bio gas, Irrigation and green house are also provided by the government to the farmers for prompt growth of agriculture in the state.

## 1.6 CONCLUSION

Despite of increase in the agriculture credit disbursement and other several initiatives by Government of Gujarat and Banks, the agriculture growth of the state is not up to the mark. Many farmers fail to pay the interest and principle amount within the specified time due to crop failure or any other reason and as a result they have to pay high rate of interest. To make credit available to the farmers is not the

only way out of this problem but there are lots of other concerns in Gujarat like Inadequate use of technology, inadequate management of Irrigation, Low Education, Low awareness regarding agriculture schemes, Tedious documentation Process, Low selling prices for the agriculture products, No proper marketing facility which prerequisites responsiveness now for the enlargement and improvement of agriculture sector.

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