RESEARCH PAPER | Commerce | Volume : 5 | Issue : 8 | August 2015 | ISSN - 2249-555X

Impact of Agricultural Credit on Income Generation

KEYWORDS: Agricultural Credit, Income Generation, Gross Domestic Product (GDP)

Dr. HANUMAN PRASAD MALONIA

ASSISTANT PROFESSOR, DEPARTMENT OF COMMERCE, S.R.K.(PG) COLLEGE, FIROZABAD

ABSTRACT *The credit support to agriculture is important not only for enhancing the crop productivity or increasing farmer's income and employment, it is also a means of capital formation in the rural areas. It also serves as an important tool of poverty alleviation and helps in bringing about greater equitable distribution of wealth. Time and again it has been demonstrated that agriculture is indispensable for the growth of the economy. Therefore strengthening this sector through sound credit policies is crucial. We have to look at agricultural credit not merely as a segment of the credit market, but in terms of the wider perspective of accelerating overall GDP growth and other growth imperatives like poverty alleviation, food security, employment generation etc.*

INTRODUCTION

An assessment of the impact of the production credit supplied by the financial institutions on the economy of the farmers is made on the basis of the changes in production / output, employment generation, income generation, generation of savings, improvement in the standard of living, extension of cultivable area etc. Various studies have been made on the subject at the micro and macro level, but these studies do not provide an insight into the problems and special features of different regions. Hence the present study conducted at micro level based on survey data intends to arrive at conclusions which could help in the formulation of an effective policy for the regions.

The main objective of institutional lending should be to help farmers to earn higher incomes through larger output brought either through an increase in net sown area or through improvements in yield rates or both. The benefits accruing to the beneficiary cultivators and its impact are analyzed on the basis of the following criteria.

OBJECTIVE

The study is carried out to examine the impact of agriculture credit on income generation.

Hypothesis

There is no significant difference in the impact of agriculture credit on income generation.

METHODOLOGY

The research design chosen for the examining the impact of agriculture credit on income generation was based on descriptive research design.

RESULT AND DISCUSSION

The purpose of such analysis is to examine the net additional benefits derived by the farmers while availing the loan from the institutional agencies. A word of caution has to be made at this juncture. It was observed that a good number of sample beneficiaries are taking loans from other agencies for various purposes, using their own savings to contribute to the borrowed amount, diverting the credit for nonagricultural purposes etc. Hence any attempt made to estimate the net benefits of institutional credit to agriculture need not be precisely accurate and therefore cannot be generalized.

Table A: Impact of credit on production output on a regional basis

Name of increase in production	Region I				Region II				Region III				All the Region s			
	No of beneficiaries	Nature of increase			No of beneficiaries	Nature of increase			No of beneficiaries	Nature of increase			No of beneficiaries	Nature of increase		
		Reasonable	Significant	Insignificant		Reasonable	Significant	Insignificant		Reasonable	Significant	Insignificant		Reasonable	Significant	Insignificant
Increase in production	31 59.52	15 48.39	15 48.39	4 12.90	38 36.19	18 47.37	11 28.95	9 23.68	37 35.24	25 67.57	3 8.11	9 24.32	106 33.65	58 54.72	56 24.53	22 20.75
No. increase in production	74 70.48	-	-	-	67 63.81	-	-	-	68 64.76	-	-	-	209 66.35	-	-	-
Total	105 100	15 14.29	12 11.43	4 3.81	105 100	18 17.14	11 10.48	9.8.57	105 100	25 23.81	3 2.86	9 8.57	315 100	58 18.41	56 8.25	22 6.98

Source: Survey data.
Note: Figures in brackets are percentage to total.

Volume : 5 | Issue : 8 | August 2015 | ISSN - 2249-555X

Table B: Impact of credit on production output on a regional basis

Name of increase in production	Region I				Region II				Region III				All the Regions			
	No of beneficiaries	Nature of increase			No of beneficiaries	Nature of increase			No of beneficiaries	Nature of increase			No of beneficiaries	Nature of increase		
		Reasonable	Significant	Insignificant		Reasonable	Significant	Insignificant		Reasonable	Significant	Insignificant		Reasonable	Significant	Insignificant
Increase in production	36 34.29	15 41.67	12 33.33	9 25	34 32.38	21 61.76	5 14.71	8 23.53	36 34.29	22 61.11	9 25	5 13.89	106 33.65	58 54.72	26 24.53	22 20.75
No. increase in production	69 34.29	-	-	-	71 67.62	-	-	-	69 65.71	-	-	-	209 66.35	-	-	-
Total	105 100	15 14.29	12 11.43	4 3.81	105 100	18 17.14	11 10.48	9.8.57	105 100	25 23.81	3 2.86	9 8.57	315 100	58 18.41	56 8.25	22 6.98

An analysis of the survey data on a crop wise basis regional / institutional basis as shown in table 4.10 revealed that 40.63 % of the Gram cultivators, 31.46 % of the Wheat cultivators and 30 % of the barley cultivators generated an increase in output. Among the Wheat cultivators who generated an increased output, 60.71 % has a reasonable increase in production/output and 17.86 % a significant increase in production/output. Among the Gram cultivators 46.15 % had reasonable increase in production/output and 28.21 % a significant increase in production/output. 58.97 % of the barley cultivators were able to generate a reasonable increase in production/output and 25.64% significant increase in production/output.

An inter-regional analysis of the survey data also revealed that it was the Gram cultivators in Region II (48.48 %) who generated increased production and output and was followed by the Wheat cultivators of Region III (37.78 %). Again the real achievement in terms of increased production and output was attained by the barley cultivators of Region I with 54.55 % having reasonable increase in production/output and 45.45% having significant increase in production/output. Our analysis of the field level data on a crop wise basis/institutional wise basis revealed that51.43 % of the Gram cultivators financed by the Federal Bank Ltd. had increased production/output, and was followed by the Wheat cultivators financed by the co-operatives (45.71 %).

CONCLUSION

Increased production/output and employment generated has to be translated into additional income to enjoy the real benefits of the institutional credit to agriculture. Analysis of the field level data on this basis revealed that the impact of agricultural credit on income generation was not remarkable or significant. Only 13.33 percent of the beneficiaries could realize increased income with regional crop wise and size wise variation. Among the Regions, Region 111 had a higher proportion of beneficiaries (15.24 percent) attaining higher levels of income and among the institutions co-operative banks lead with 18.1 percent of the beneficiaries generating additional income. Among the crops it was the gram cultivator borrowers (36.46 percent) who were able to generate higher levels of income and among the different sue class of farmers it was the large farmers (29.09 percent) who were able to generate additional income.

REFERENCE Allen, Franklin & Carletti, Elena (2008). The Roles of Banks in Financial Systems, University of Pennsylvania | Bexley, James B., Bond, Paul & Maniam, Bala (2011). The globalization of commercial banking, Research in Business and Economics Journal | Gangal, V. K. & Jain, Richa (2013). Role of Commercial Banks in Socio Economic Development : A Case Study of SBI, AISECT University Journal Vol II/Issue IV Sep 2013, ISSN: 2278-4187 | Ibrahim, M. Syed (2012). Role Of Indian Regional Rural Banks (Rrbs) In The Priority Sector Lending- An Analysis, International Management Journal, Vol. 1 No. 1-2 (January-December, 2012) | Johnson, Katherine (2013). The Role Of Islamic Banking In Economic Growth, CMC Senior Theses, http://scholarship.claremont.edu/cmc_theses/642 | Krishnakumar, K. & Tamilselvan, P. (2014). Role of Commercial Banks in Socio-Economic Development of Scs and Sts (A Study with Special Reference to Tahdco Schemes in Tamil Nadu), INDIAN JOURNAL OF APPLIED RESEARCH, Volume : 4 | Issue : 3 | Mar 2014 | ISSN - 2249-555X | Roy, S. Kumar (2014). Rural Development in India: What roles do NABARD & RRBs play?, Journal of Business Management & Social Sciences Research (JBM&SSR), Volume 3, No.9, September 2014, ISSN No: 2319-5614 | Sharma, Eliza (2013). A study on performance of Indian commercial banks and its relationship with human aspects in banking, Ph.D. Thesis, Department of humanities and social sciences, Jaypee institute of information technology Noida. | Sharma, Deepti & Ranga, Mamta (2014). Impact of Saving Deposits of Commercial Banks on GDP, INDIAN JOURNAL OF APPLIED RESEARCH, Volume : 4 | Issue : 9 | September 2014 | ISSN - 2249-555X | Sharda, Gaurav & Swamy, Namratha (2014). Impact of Foreign Banks on the Indian Economy, Indian Institution of Management, Bangalore | Siudek, Tomasz (2008). Role of The Cooperative Banks In Realization of Agricultural and Rural Development Policy Objectives In Poland, Warsaw University of Life Sciences, Department of Economics and Organization of Enterprises, Warsaw, Poland. | A. Ogar; S.E. Nkamare & Charles Effiong (2014). Commercial Bank Credit and Its Contributions on Manufacturing Sector In Nigeria, Research Journal of Finance and Accounting, Vol.5, No.22, 2014, ISSN 2222-1697 (Paper) ISSN 2222-2847 |