

"Role of Institutional Finance in Agriculture: A Case Study on Chittoor District of Andhra Pradesh"

P. Sunitha¹; Lt.Dr. G.Ranganatham²; Prof.D. Anjaneyulu³

¹Research scholar, Dept. of Commerce, SK University, Ananthapur

²Associate Professor, Dept. of Commerce, Central University of Karnataka, Kalaburagi.

³Co- Research Supervisor, Head & Chairman, BOS, SK University, Ananthapur

Abstract: Agriculture has an important role in India because of the grain sector's importance in the country's economy. The government has chosen critical industries that banks previously neglected for nationalisation as priority areas for mainstream banking. Priority areas were agriculture, small-scale and village industries, retail trade and small businesses, and small road operators (cars, rickshaws, bullock carts, and road carriers). Dualism describes the difficulty of agricultural financing in districts, such as loan provision, time frame, and farm credit market. The primary sources of household financing are Cooperatives, Regional Rural Banks (SGBs) and Commercial banks. This article examined the various agricultural financing sources accessible in the District and discussed methods to supply institutional credit in the District.

Keywords: Agriculture, Institutional, Credit, and co-operatives.

I. Introduction

Chittoor District was established on April 1, 1911, by combining the cultures and traditions of the 3 bordering states of Andhra Pradesh, Tamil Nadu, and Karnataka. It then included the division of Palamaner, Chittoor and Chandragiri from Tamil Nadu's old north Arcot District, the Voyalpadu and Madanapalle division from Kadapa District, and the ex-Zamindari regions of Puttur, Punganur, Srikalahasthi, and the old Karvetinagar estate. Later, on December 1, 1928, Kangundidivision of North Arcot District, which excluded 22 villages, was moved to Palamanerdivision. This division also received 8 villages that were Mysore (Karnataka) State's enclaves under the Provinces and States order of 1950.

Instead, Chittoor District was expanded to include one division, Sathyavedu, which included 76 villages from Tiruvallur division, 72 villages from Ponneridivision, both from Chengalpattu District in Tamil Nadu, 17 villages from Putturdivision, and 19 villages from Tiruttani. On the same day, the Sub-divisions of Kuppam and Bangarupalem were established, with 220 villages from Palamaner Taluk and three villages from Krishnagiridivision in Salem District, Tamil Nadu, creating Kuppam Sub-division and 145 villages from Chittoor division constituting Bangarupalem Sub-division. Kuppam and Bangarupalem were finally granted full taluk status. In 1985, the

district's taluks were split into 66 revenue mandals. On April 4, 2022, the District was reorganised into 31 Mandals and four Revenue Divisions.

The district agriculture credit market is defined by duality. The most prevalent agricultural financing providers are cooperatives, commercial banks, and regional rural banks (SGBs). The existing co-operative credit system comprises the Chittoor District Co-operative Central Bank (DCCB) at the district level, which has 20 branches and administers 37 PACS in short, medium, and long periods.

II. Review of Literature

Changyu Hu and Qicheng Zhao (2023)¹ As the Chinese economy transforms from rapid growth to high-quality development. Agriculture, as the national economy's foundation, has also entered an era of high-quality development, with an emphasis on quality efficiency rather than output. The primary contribution of this paper is to advance research on the economic effects of RF. As a result, this work comprehensively explores the non-linear features and regional spillover impacts of RF on agricultural high-quality development, allowing for more complete and scientific research results. Fourth, this study presents actual proof that RF promotes agricultural development in China. It also acts as a benchmark for other countries with similar beginnings.

Sadhik S (2023) the agriculture industry in India presents a number of difficulties for the rural economy. Extreme weather events brought on by climate change present a serious risk to agricultural productivity and widespread asset devastation in our nation. Sustainable growth in agriculture and the rural economy requires Substantial investment in rural infrastructure, with a focus on water use efficiency and including irrigation, crop total productivity enhancement, technology-driven agriculture, agritech start-ups, climate agricultural innovation, growth in efficient agrivalue chains, agri-marketing reforms, agri-export promotion, increased spending on scientific and technological advancement, and modernisation.

III. Need for the Present Study

Regional study is required to understand the nature and character of agricultural loan structures in different areas of a large nation like India, where socioeconomic and agro-climatic factors fluctuate. In light of this, this micro-level research is designed to investigate the impact of bank financing on agricultural households in Andhra Pradesh's Chittoor District, with the particular objectives listed below.

IV. Objectives

- To study the various sources of agricultural finance available in the Chittoor District and
- To examine institutional agencies to provide credit in the Chittoor.

V. DataBase

The present study is based on secondary data only. The evaluating 5-year data from 2018-19 to 2022-23.

VI. Tools and Techniques

The data collected from various sources were analysed statistically and by using approaches such as averages and percentages.

VII. Farm Credit Structure

The district farm credit is characterised by duality. Cooperatives, regional rural banks (SGB) and commercial banks are the most common providers of farm finance.

VII. A. Co-Operatives

To make it easier for farmers to obtain loans, the state of Andhra Pradesh established a single window system. In 1987, the co-operative credit system was reorganized. Both long-term and short-term lending organisations were merged together and credit was directed via a single entity using a single window framework. The fundamental goals of the single window framework are to eliminate foundation funding duplication and to deliberately avoid complications that arise from farmers having to go to two distinct institutions for both urgent and long-term requirements. The current co-operative credit system includes the Chittoor District Co-operative Central Bank (DCCB) in district which has 20 sub-branches and manages 37 PACS in short, medium, and long terms.

a. Chittoor District Cooperative Central Bank (DCCB)

The Chittoor District Cooperative Central Bank Ltd., established on February 1, 1919, is one of Andhra Pradesh's oldest banks. The bank is committed to agricultural and rural development in Andhra Pradesh's Chittoor district through its 40 branches, 76 PACSs, and other affiliated co-operative organizations. DCCB presently has a network of twenty branches to accommodate the rising amount of business while also providing excellent control and administration of cooperative credit. Primary Agricultural Credit Societies (PACS) are the government's way of providing loans to farmers through a single window system. Table 1 depicts DCCB progress during a five-year period.

Table-1
Operational Mechanisms of Chittoor District Cooperative Central Bank
(In Lakhs)

No.	Items	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Percentage Increased in 2023 over 2019
1.	Contributed Capital	6,160.79	6,495.28	6,284.61	8,119.43	8,416.93	36.62
2.	Reserves	16,521.00	18,648.41	20,186.81	21,594.37	22,715.61	37.49
3.	Deposits	46,880.13	52,688.50	67,636.56	79,764.57	85,713.08	82.83
4.	Borrowings	30,155.92	33,019.44	52,078.59	84,306.28	77,838.96	158.12
5.	Loan issued	68,288.56	86,393.63	109,821.64	135,599.56	156,391.88	129.01
6.	Loan outstanding	4,073.36	4,822.09	3,827.75	4,148.19	6,751.80	65.76

Source: Cooperative office, Chittoor district, 2023.

Table 1 indicates that Chittoor District Co-operative Bank's paid-up share capital rose by 36.62 percent, from Rs. 6,160.79 lakhs in 2018-19 to Rs. 8,416.93 lakhs in 2022-23. The reserves climbed from Rs. 16,521.00 lakhs in 2018-19 to Rs. 22,715.61 lakhs in 2022-23, representing a 37.49% growth. Deposits climbed from Rs. 46,880.13 lakhs in 2018-19 to Rs. 85,713.08 lakhs in 2022-23, a rise of 82.83 percent. Borrowings climbed from Rs. 30,155.92 lakhs in 2018-19 to 77,838.96 lakhs in 2022-23, representing a 158.12% rise. The loan granted grew from Rs. 68,288.56 lakhs to Rs. 156,391.88 lakhs in 2022-23, representing a 129.01 percent rise. The amount outstanding has grown from Rs. 4,073.36 lakhs to Rs. 6,751.80 lakhs in 2022-23, the increment being 65.76 per cent.

b. Primary Agricultural Credit Societies (PACS) in Chittoor District

Primary agricultural credit societies play an important role in providing farm loans in the cooperative division. In the underlying time frame, PACS involvement was primarily limited to agriculturists who were willing to take on any risk. With the social commitment to ensure the delivery of basic services to impoverished families, such as food grains, oil, sugar, and so on, the PACS gives credit to farmers so that they may produce the food grains and other necessary commodities that the public requires. The government occasionally provides special assistance. Table 2 indicates the information of credit societies.

Table- 2
PrimaryAgriculturalCreditSocietiesinChittoorDistrict
(InLakhs)

S/No		2018-2019	2022-2023	Percentage Increasedin2023-2019
1	Societies	65	77	18.46
2	Membershipno's	4,26,589	6,15,868	44.37
3	Sharecapital(Rs.)	37,749.00	42,554,64	12.73
4	Deposits (Rs.)	1,011.80	1,139.62	12.63
5	Borrowings (Rs.)	32,515.77	39,623.25	21.86

Source:CooperativeOffice,Chittoor,2023.

Table 2 indicates that the societies expanded from 65 in 2018-19 to 77 in 2022-23, an increase of 18.46 percent. Membership climbed from 4, 26,589 in 2018-19 to 6, 15,868 in 2022-23, representing a 44.37 percent gain. The share capital will increase from Rs. 37,749.00 lakhs in 2018-19 to Rs. 42, 554, 64 lakhs in 2022-23, representing a 12.73 percent increase. Deposits climbed from Rs. 1,011.80 lakhs in 2018-19 to 1,139.62 lakhs in 2022-23, representing a 12.63 percent rise. Borrowings grew from Rs. 32, 515, 77 lakhs in 2018-19 to Rs. 39,623.25 lakhs in 2022-23, a 21.86% rise.

VII. B. CommercialBanks

The Central Bank of India was established in 9011 as Chittoor's first commercial bank. In 1923, the Imperial Bank of India (Present SBI) established offices in Chittoor and Tirupathi, becoming the second commercial bank to do so. Following that, the Andhra Bank established branch in Chittoor in 1941 and Tirupathi in 1946. In addition to these 2 banks, the Indian Bank, the Syndicate Bank, the Indian Overseas Bank, and the Canara Bank have established branches throughout the region since its nationalisation. Several commercial banks have operated in the area through a network of branches.The Indian Bank, the district's principal bank, is in charge of developing the credit strategy and organising credit capacity at the district level. Table 3 shows the advancements made by the district's aggregate commercial bank.

Table-3

**Progress of Commercial Banks in Chittoor District
(in lakhs)**

S/No.	Items	2018-19	2022-23	Percentage Increase/ Decrease in 2022-23 over 2018-19
1	Number of Branches	316	442	39.87
2	Total Deposits	31,584.80	42,160.18	33.48
3	Total Advances	20,575.20	34,728.35	68.79
4	Credit Deposit ratio	65.14	82.37	17.23
5	Preference sector advances	10,677.49	17,605.58	64.88
6	Item 5 as per total Advances	51.89	50.69	1.20
7	Agricultural advances	8,180.43	12,820.48	56.72
8	Item 7 as per total Advances	39.76	36.92	2.84

Source: Indian Bank, Lead district office, Chittoor District, 2023.

Table 3 indicates that the number of branches expanded from 316 in 2018-19 to 442 in 2022-23, with a 39.87 percent annual growth rate. Deposits rose from Rs. 31,584.80 lakhs in 2018-19 to Rs. 42,160.18 lakhs in 2022-23, representing a 33.48 percent increase. Advances rose from Rs. 20,575.20 lakhs in 2018-19 to Rs. 34,728.35 lakhs in 2022-23, representing a 68.79 percent increase. The credit deposit ratio rose from 65.14 in 2018-19 to 82.37, representing a 17.23 percent rise. Preference sector advances rose from Rs. 10,677.49 lakhs in 2018-19 to Rs. 17,605.58 lakhs, representing a 64.88 percent increase. The ratio of Preference sector advances to total advances fell from 51.89 in 2018-19 to 50.69 in 2022-23, representing a 1.20 percent decline. The agricultural advances grew from Rs. 8,180.43 lakhs in 2018-19 to 12,820.48 lakhs in 2022-23, representing a 56.72 per cent rise. The ratio of agricultural advancements to overall advances is dropping from 39.76 in 2018-19 to 36.92 in 2022-23, a reduction of 2.84 percent.

VII. C. Saptagiri Grameena Bank (SGB)

In Andhra Pradesh three RRBs were merged into the principal govt. sector bank, the Indian Bank, with the goal of increasing operational stability and leveraging economies of scale. According to a Government of India GO dated June 29, 2006,

Saptagiri Grameena Bank was established on July 1, 2006, with its headquarters in Chittoor, Andhra Pradesh, by merging Sri Venkateswara Grameena Bank in Chittoor District and Kanakadurga Grameena Bank, Gudivada, Krishna District.

The bank's operations region covers the districts of Chittoor, Annamayya, Tirupati, Krishna, NTR, and Eluru in Andhra Pradesh state. The bank has 245 branches (67 in Chittoor, 52 in NTR, 47 in Tirupati, 36 in Krishna, 31 in Annamayya, and 12 in Eluru district). Of the 245 branches, 166 are rural, 59 are semi-urban, and 20 are in metropolitan regions. The contribution of share capital is from Government of India (50%), Indian bank (35%) and government of Andhra Pradesh (15%). The performance of Saptagiri Grameena Bank is given in Table 4.

Table- 4
Performance of Saptagiri Grameena Bank
(Inlakh)

Year	Total Number of Branches	Total Deposits	Total Advances	Total Business	Per Branch Business	Credit Deposit Ratio (CDR)
2018-19	211	5,75,055	5,26,914	11,01,969	5,21,300	91.63
2019-20	221	6,52,346	5,36,491	11,88,837	5,93,302	82.24
2020-21	225	8,02,803	6,55,068	15,43,436	6,86,000	81.60
2021-22	236	9,10,622	7,05,471	17,45,320	7,62,100	77.47
2022-23	247	11,93,712	8,42,933	22,05,871	9,42,700	70.61

Source: Saptagiri Grameena Bank Annual Reports, Chittoor.

Table 4 indicates that the bank prepared aggregate deposits of Rs. 5,75,055 crore and extended advances of Rs. 5,26,914 crores in 2018-19, with 91.63 percent credit deposit component. Saptagiri Grameena Bank has noted a key growth in securing payment and deposits of credit totalling Rs. 11, 93,712 lakhs and Rs. 8, 42,933 lakhs, respectively in March 2023. The overall business of the SGB has also rose from Rs. 11, 01,969 lakhs in 2018-19 to Rs. 22, 05,871 lakhs in 2022-23. The CDR failed from 91.63 percent in 2018-19 to 70.61 percent in 2022-23.

VIII. Conclusion

This paper examined how the government has selected critical industries that banks had disregarded prior to nationalisation as priority areas for mainstream

banking. Agriculture, small-scale and village industries, retail trade, and small businesses with short and medium-term term loans were among the priority sectors. Dualism describes the difficulty of agricultural financing in districts, such as loan provision, time frame, and farm credit market. The primary funds of farm financing are cooperatives, regional rural banks (SGBs), and commercial banks. The numerous agricultural finance sources accessible in District, as well as methods to give institutional credit in District.

IX. References

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