Importance of Agricultural Credit to Rayalaseema

We have noticed in the first chapter that one of the distinguishing features of Rayalaseema, is, its heavy dependence on agriculture absolutely and relatively. It has also been noted that the accelerated economic development of Rayalaseema depends on the development of agriculture. For developing agricultural sector, provision of adequate credit is indispensable. For the development of agricultural sector in Rayalaseema, there are two main requirements: (1) mitigation of the effects of natural calamities - we have seen that this region is prone to recurrent droughts, which affect the crops adversely. Though the fight with the nature is difficult, we can, however plan for the drought - resistant crops and adopt a suitable cropping pattern. Extension of irrigation facilities, particularly in the field of minor irrigation schemes is another important step to be taken, keeping in mind that only 23% of the cropped area is irrigated in Rayalaseema. The irrigation commission (1972) estimated that to enable an area to sustain a reasonably stable agriculture, at least 30% of the net sown area should have assured irrigation facilities. 1. In order to raise the percentage

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of irrigated area to the cropped area to 30 as laid down by the
Irrigation Commission, additional area of at least four lakh
hectares has to be irrigated in Rayalaseema which naturally
requires a heavy investment in money and materials.

Secondly, provision of adequate inputs is another important
step for the development of agriculture. Modernisation of agri-
culture, includes, cultivation of high yielding varieties, use
of fertilisers, pesticides etc., adoption of improved agricul-
tural techniques and use of modern farm implements etc., This,
leads to an increase in the demand for agricultural credit every-
where and more so in the case of a backward region like Rayalaseema.
More over, there is a preponderance of small farmers in this area.
They should be provided with adequate credit to improve their
economic conditions. As the perspective plan of Rayalaseema
States:

"Not with standing the natural handicaps attached to this
area, the technological developments taking place in the agricultural,
sector in many parts of the country are beginning to make impact
in this area also. The cultivation of high yielding varieties, use
of fertilisers and improved agricultural techniques and use of
modern farm implements, the implementation of rural

2. Vide 1st Chapter for estimates of future fertiliser consumption
in Rayalaseema districts by Fertiliser Association of India.
3. De. S.N.'Agricultural Credit in Rayalaseema' Planning & Develop-
deptartment, Govt. of A.P.
Electrification schemes have all led to the stepping up of the demand for agricultural credit in this region. The future growth of agriculture depends in a large measure on the extent to which these emerging credit needs are met by institutional sources.  

Farmers need both short-term and long-term credit. The short-term credit-needs mostly relate to operating expenses or the cost of inputs. They may also include family expenses besides investment in agriculture. The long-term credit-needs relate to farm development or improvement. They may include a wide range of things like farm mechanisation, irrigation, land reclamation, planting, purchase of land, bunding and soil conservation measures etc.

The credit needs of farmers vary from crop to crop and from season to season. The financing institutions like commercial banks and co-operatives have their own procedures in estimating the credit requirements for all crops in both kharif and rabi seasons. The estimates of costs of cultivation per acre are called as 'scales of finance' by the lending institutions like commercial banks and co-operatives. These estimates vary from year to year. One important thing to be noted is that these estimates serve as guide lines for advancing loans and while doing so, the actual quantum of advance may differ from the amount in the estimates.

CREDIT ESTIMATES

Before estimating the agricultural credit needs of Rayalaseema region, we may discuss about the scales of finance being followed by some of the leading commercial banks in this region.

In three out of the four districts of Rayalaseema, Syndicate Bank is the lead bank viz., Anantapur, Cuddapah and Kurnool.

The Table 2.1 presents the cost of cultivation particulars of some of the important crops which are being used by the Syndicate Bank for advancing loans.

It may be seen from the table 2.1, that the cost of cultivation is different for the local and high-yielding varieties. It also varies between irrigated and rainfed crops. This is due to the fact that the costs of irrigation are included in the loans advanced for irrigated crops. Quantum of fertilisers to be used also will be more for irrigated crops. It may also be seen that the cost of cultivation for paddy is more than other food crops like Jowar and Ragi. Among the non-food crops, sugar cane accounts for the highest cost of cultivation.

SCALES OF FINANCE FOLLOWED BY THE STATE BANK OF INDIA

Since the State Bank of India accounts for bulk of the agricultural finance (Vide Chapter III) in Rayalaseema, we may examine
TABLE 2.1
SCALES OF FINANCE FOLLOWED BY THE SYNDICATE BANK IN THE DISTRICTS OF ANANTAPUR, CUDDAPAH AND KURNOOL

<table>
<thead>
<tr>
<th>Crop</th>
<th>Type</th>
<th>Irrigated Cost of cultivation/acre</th>
<th>Rainfed Cost of cultivation/acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>L.V</td>
<td>400-600</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>H.Y.V</td>
<td>600-900</td>
<td>...</td>
</tr>
<tr>
<td>Jowar</td>
<td>L.V</td>
<td>300-500</td>
<td>200-400</td>
</tr>
<tr>
<td></td>
<td>H.Y.V</td>
<td>600-800</td>
<td>500-800</td>
</tr>
<tr>
<td>Bajra</td>
<td>Hybrid</td>
<td>400-600</td>
<td>300-400</td>
</tr>
<tr>
<td>Ragi</td>
<td>L.V</td>
<td>400-500</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>H.Y.V</td>
<td>500-600</td>
<td>...</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>Ekaali</td>
<td>1500-1800</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>Ratoon</td>
<td>1000-1200</td>
<td>...</td>
</tr>
<tr>
<td>Groundnut</td>
<td>L.V</td>
<td>500-600</td>
<td>300-500</td>
</tr>
<tr>
<td></td>
<td>H.Y.V</td>
<td>600-800</td>
<td>600-800</td>
</tr>
</tbody>
</table>

Source: Syndicate Bank, Anantapur.

L.V = Local variety
H.Y.V = High yielding variety.
the estimates of cost of cultivation of the State Bank of India which are given in the following table.

**TABLE 2.2**

**SCALES OF FINANCE OF STATE BANK OF INDIA FOR 1975-76**

<table>
<thead>
<tr>
<th>Crop</th>
<th>Type</th>
<th>Irrigated/ Rainfed.</th>
<th>Recommended per acre scales of finance</th>
<th>Net profit Rs./acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>HYV</td>
<td>Irrigated</td>
<td>270 530 800</td>
<td>710</td>
</tr>
<tr>
<td></td>
<td>Local</td>
<td>Irrigated</td>
<td>320 160 480</td>
<td>430</td>
</tr>
<tr>
<td>Jowar</td>
<td>LV</td>
<td>Rainfed</td>
<td>80 140 220</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>HYV</td>
<td>Rainfed</td>
<td>100 250 350</td>
<td>410</td>
</tr>
<tr>
<td></td>
<td>HYV</td>
<td>Irrigated</td>
<td>140 520 660</td>
<td>1100</td>
</tr>
<tr>
<td>Bajra</td>
<td>HYV</td>
<td>Irrigated</td>
<td>140 210 350</td>
<td>370</td>
</tr>
<tr>
<td></td>
<td>HYV</td>
<td>Rainfed</td>
<td>110 120 230</td>
<td>170</td>
</tr>
<tr>
<td>Ragi</td>
<td>..</td>
<td>Irrigated</td>
<td>210 110 320</td>
<td>370</td>
</tr>
<tr>
<td>Redgram</td>
<td>blackgram etc.</td>
<td>Rainfed</td>
<td>40 80 120</td>
<td>280</td>
</tr>
<tr>
<td>Groundnut</td>
<td>..</td>
<td>Rainfed</td>
<td>170 130 300</td>
<td>350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Irrigated</td>
<td>220 200 420</td>
<td>630</td>
</tr>
<tr>
<td>Sugarcane Plant</td>
<td>Irrigated</td>
<td>1290 510 1800</td>
<td>2100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ratoon</td>
<td>540 580 1120</td>
<td>2340</td>
<td></td>
</tr>
</tbody>
</table>

Source: State Bank of India, Agricultural Development Branch, Anantapur.

L.V = Local variety
HYV = High yielding variety
It is obvious that for high-yielding variety, sown in irrigated areas, the cost of cultivation is more and the profit also is directly proportional to it. As for local varieties sown in irrigated areas a reduction in cost of cultivation and also in profit may be noted. For rainfed crops, the cost of cultivation and profit are still low. This may be mainly due to lack of irrigation, which results in low productivity.

Since, 83% of the cropped area in Rayalaseema is rainfed, it may be said that the crop yields and profit are low in this region. So there is need to step up the agricultural credit for the effective utilisation of resources in this region. But we must have an estimate of the quantum of credit that is needed for Rayalaseema. To fulfil this objective, the short-term credit-needs for this region are estimated for the year 1975-76. The procedure adopted is as follows.

**SHORT-TERM AGRICULTURAL CREDIT REQUIREMENTS OF RAYALASEEMA FOR THE YEAR 1975-76**

Credit requirements have been estimated for important crops like rice, jowar, bajra, ragi, other cereals and Millets, pulses, groundnut and cotton which covered 88% of total cropped area in 1975-76.

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The per acre cost of cultivation particulars are given by the State Bank of India. By using them, per hectare cost of cultivation is calculated (1 hectare = 2.471 acres) for each crop.

The holding-wise and crop-wise statistics for Rayalaseema region are given in the World Agricultural Census Book of 1970-71. On the basis of these statistics for 1970-71, the holding-wise and crop-wise statistics (cropped area) for 1975-76 are calculated for Rayalaseema. Finally the total credit requirement is estimated by multiplying the cropped area with the cost of cultivation. Table 2.3 gives the details of credit estimates, (Vide Page No.35)

Explanation of the table 2.3

Columns 1, 4, 6, 8 give the cropped area of important crops (holding-wise, irrigated and un-irrigated)

Columns 2 gives the per hectare cost of cultivation of different crops.

Columns 3, 5, 7, 9 give the total estimated credit requirements for all the crops (holding-wise, irrigated, un-irrigated)

Column 10 gives the total credit needs crop-wise.

It may be seen from table 2.3, that the total short-term credit needs of Rayalaseema comes to about Rs. 249.30 crores for the year 1975-76. If we take small and marginal farmers who have holdings less than two hectares their credit needs amounted to Rs.54.91 crores. If we assume that farmers who have holdings above two hectares can meet 50% of their credit needs themselves, their total credit needs come to Rs. 97 crores. So on the basis of these assumptions the minimum short-term agricultural total credit needs of Rayalaseema for 1975-76 work out to Rs.152 crores.

Crop-wise it may be noted that, groundnut requires maximum credit. This is due to the fact that ground-nut occupied major (29%) portion of the total cropped area in 1975-76 in this region. The credit estimated for ground-nut crop accounted for 35% of the total credit requirements. Next comes paddy with 26% of the total credit requirements. Jowar and cotton follow with 15% and 7% respectively. With the help of the above analysis, we may say that this region requires large amount of credit for the development of agriculture.

LIMITATIONS

However, this type of calculation is not free from limitations. Firstly, the scales of finance may not be cent per cent accurate, since they are subject to price variations. Secondly, the
holding-wise and crop-wise percentages of cropped area, obtained from 1971 Agricultural Census Book might have changed slightly. Yet the credit estimates may be taken as indicative figures. The district-wise credit estimates are given in the Appendices at the end of this chapter.

CREDIT ESTIMATES BY THE LEAD BANKS

The credit estimates given above are confined to short-term loans i.e., for cultivation of crops. But the estimates of medium and long-term credit are also important since farmers need credit for the improvement of land. The Lead Banks of the four Rayalaseema districts estimated the medium and long-term credit requirements of Rayalaseema besides short-term credit needs. They have prepared credit plans for each district in this region.

In the Rayalaseema region, Syndicate Bank is the Lead Bank for three of its four districts viz., Anantapur, Cuddapah and Kurnool and Indian Bank is the Lead Bank for Chittoor district. Accordingly, Syndicate Bank estimated the credit requirements for the three districts and the credit requirements for Chittoor district were estimated by the Indian Bank. While estimating the credit needs, these banks adopted different methods and the coverage of periods also differed. While the Syddicate Bank
estimated the credit requirements of the agricultural sector for the years 1976-79, the Indian Bank assessed the credit needs of agriculture for the years 1977-78 to 1981-82.

METHODOLOGY

As has been stated above, the Syndicate Bank and the Indian Bank followed different methodology for estimating the credit requirements of agriculture in Rayalaseema. We may not study the methodology of both these banks.

METHODOLOGY ADOPTED BY THE SYNDICATE BANK

The preparation of the credit plans for the districts of Anantapur, Cuddapah and Kurnool is attempted through an In-depth study of all the taluks of the three districts by evolving various bankable and developmental schemes subject to their technical feasibility and economic viability. The credit plan is intended to be a blueprint for all the lending agencies in the district and also for the Government for the successful implementation of various developmental schemes suggested. The procedure adopted in the preparation of the credit plans is as follows:

7. Credit Plans of Anantapur, Kurnool and Cuddapah, Planning Department, Syndicate Bank, Manipal, PP. 3, 4 & 5.
1. Critical appraisal of the present level of development is made based on a thorough economic survey of all the 31 taluks in the three districts viz., Anantapur, Kurnool and Cuddapah with regard to their physio-geographical conditions, natural resources and with reference to the pattern of agricultural and industrial activities.

2. On the basis of the data, technically feasible and economically viable schemes covering all the sectors (mainly agriculture) of the economy which could be taken up for financing with immediate effect, within the framework of the present infrastructural and other social facilities are evolved.

3. The credit requirements for all these schemes are estimated on the basis of the existing credit pattern and the deposit potential of the district.

4. All the banks, co-operative and other financial institutions would be entrusted with specific responsibilities in bringing the credit gaps on the basis of the factors like present credit structure, resources etc. The allocations are to be accepted by different institutions in the special banker's meeting.
The approach to the study as outlined above has to be translated into an Action-plan after spelling out the developmental potential for the three sectors of the economy viz., Agriculture, industry and Tertiary sectors. Since we are at present interested only in the Agricultural sector, we may now discuss the steps involved in preparing the Action-plan for the agricultural sector. These steps include:

1. Study of the present pattern of land utilisation and examination of the possibilities of any beneficial change anticipated during the plan period.

2) Study of the present irrigation potential and the changes anticipated in the context of the proposed minor irrigation works during the plan and the likely impact on the cropping intensity.

3) Study of the present cropping pattern and output.

4) Study of the scope for the development of other allied activities viz., dairyfarming, Poultry development, sheep rearing etc.

LIMITATIONS

Some of the limitations of the credit planning exercise may also be enumerated. The credit plan prepared is not substitute for the Masterplan for the development of the district. It is
a broad indicative plan which outlines the requirements of credit for the development of the district. Again it does not cover the economy of the district in its entirety. It has been rather selective in nature, confining its estimates to some segments of different sectors of the district economy. The volume of credit requirements estimated, therefore, is not a once-for-all target of credit requirements for the district.

METHODOLOGY ADOPTED BY THE INDIAN BANK

Considering the magnitude of the work involved and the limited time available to the Survey Team for the preparation of the credit plan, the District was divided into three homogeneous regions viz., a) the western region comprising Kuppam, Palamaner, Punganur, Madanapalle and Voylapad taluks; (b) Central region consisting of Bangarupalem, Chittoor, Chandragiri and Puttur taluks and (c) Eastern region of Srikalahasti and Satyavedu taluks. One taluk was selected from each region for detailed Survey and In-depth study. On the basis of the study, the demand for each region was projected. The projected plan for each region has been designed to make the plan for the whole district. Madanapalle taluk in the Western region, Bangarupalem from the Central region and Srikalahasti taluk from the Eastern region were selected as

8. Credit Plan for Chittoor, P.4. Indian Bank, North Beach Road, Madras.
Representative taluks. The estimates represent the total assistance to be granted by the Financial Institutions operating in Chittoor district. The estimates have been arrived at after deducing the margin money to be provided by the borrowers.

We may now discuss the credit estimates made by the Lead banks in Rayalaseema. The table 2.4 shows the credit requirements of Rayalaseema as estimated by the Lead banks.

It is clear from the table 2.4 that the Lead banks have given top priority to the agricultural sector in all the districts of Rayalaseema. The agricultural sector accounts for 51, 75, 78 and 93 percent of total credit estimates in Anantapur, Kurnool, Cuddapah and Chittoor districts respectively. The total estimated credit (for crop loan requirements + allied activities of agriculture) upto March 1979 amounts to Rs.94 crores for all the districts, of which crop loan requirements form a big chunk i.e., about 74% or Rs.70 crores. We shall now discuss the purpose-wise credit requirements of the region.

CROP LOANS

Crop Production is the main agricultural activity in Rayalaseema and crop loans, therefore, form the bulk of bank advances to Agricultural sector. Accordingly, the estimates of the Lead banks indicate that 74% of total loans to agriculture should be in the
TABLE 2.4
CREDIT ESTIMATIONS FOR RAYALASEEMA
Rs. Lakhs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AGRICULTURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crop Loan</td>
<td>456.90</td>
<td>2286.86</td>
<td>2217.69</td>
<td>2003.50</td>
<td>4003.82</td>
</tr>
<tr>
<td>of which HYV programme</td>
<td>53.76</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Dairy Farming (General scheme)</td>
<td>51.93</td>
<td>75.00</td>
<td>231.23</td>
<td>91.53</td>
<td>79.29</td>
</tr>
<tr>
<td>DPAP Scheme</td>
<td>8.84</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Poultry Farming</td>
<td>4.50</td>
<td>45.00</td>
<td>0.45</td>
<td>27.92</td>
<td>33.38</td>
</tr>
<tr>
<td>Sheep Rearing</td>
<td>21.94</td>
<td>59.00</td>
<td>..</td>
<td>3.66</td>
<td>7.07</td>
</tr>
<tr>
<td>Minor Irrigation</td>
<td>247.43</td>
<td>64.88</td>
<td>86.44</td>
<td>543.37</td>
<td>499.07</td>
</tr>
<tr>
<td>Soil Conservation</td>
<td>36.00</td>
<td>10.92</td>
<td>..</td>
<td>114.00</td>
<td>207.6</td>
</tr>
<tr>
<td>Farm Implements</td>
<td>48.94</td>
<td>39.41</td>
<td>5.49</td>
<td>166.20</td>
<td>952.7</td>
</tr>
<tr>
<td>Sericulture</td>
<td>48.28</td>
<td>..</td>
<td>..</td>
<td>85.00</td>
<td>255.00</td>
</tr>
<tr>
<td>Agro Service Centres</td>
<td>7.50</td>
<td>10.56</td>
<td>..</td>
<td>6.30</td>
<td>6.30</td>
</tr>
<tr>
<td>Farms Service Societies</td>
<td>..</td>
<td>30.00</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Others</td>
<td>..</td>
<td>9.00</td>
<td>..</td>
<td>6.24</td>
<td>12.08</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>932.26</td>
<td>2630.63</td>
<td>2541.30</td>
<td>3339.36</td>
<td>6056.31</td>
</tr>
<tr>
<td><strong>Percentage of credit required for agriculture to total credit plan estimates for all sectors.</strong></td>
<td>51</td>
<td>75</td>
<td>78</td>
<td>93</td>
<td>93</td>
</tr>
</tbody>
</table>

**Industry**

| Total                 | 610.42            | 541.00          | 588.85           | 190.18           | 341.39           |
| Percentage to total   | 34                | 16              | 18               | 5                | 5                |

**Tertiary**

| Total                 | 278.73            | 319             | 127.24           | 62.23            | 119.72           |
| Percentage to total   | 15                | 4               | 9                | 2                | 2                |

**Total for all sectors**

| 1821.41 | 3491.00 | 3257.39 | 3591.77 | 6517.42 |

2. Credit Plan for Chittor - Indian Bank, North Beach Road, Madras.
form of crop loans. That is a sum of about Rs. 70 crores would be required for the raising of important crops like paddy, jowar, bajra groundnut in this region up to March, 1979. The crop loan requirements will be more when the high yielding varieties become popular. In this region, the process of raising high yielding varieties is yet to gain momentum. The credit plans have kept this point in view and separate estimates have been made for increasing the area under high yielding varieties.

For Anantapur district, it is estimated that Rs. 53.76 lakhs would be necessary for raising high yielding varieties during Kharif season up to March, 1979 while for Rabi season an amount of Rs. 2.4 lakhs would be required to be spent. In Kurnool district of the total credit requirements, high yielding crops account for Rs. 124 lakhs in the kharif season and Rs. 33 lakhs in the rabi season.

CREDIT FOR ALLIED ACTIVITIES OF AGRICULTURE

The allied activities of agriculture include Dairy Farming, Poultry Farming, Minor Irrigation, Soil conservation, Sericulture and starting of Agro-Service centres and Farmers' Service Societies. It is estimated that a sum of Rs. 24 crores will be required to be

9. Credit Plan for Anantapur, P.42.
spent for the development of these allied activities upto the end of March, 1979, which is discussed below scheme-wise.

MINOR IRRIGATION

In Anantapur district, keeping in view the ground water potential, the ground water department has decided to set up 365 tube wells/filter points, to dig 6911 wells and to install 13,026 pump sets. It is estimated that a sum of Rs.247 lakhs is to be deployed for the provision of minor irrigation facilities upto March, 1979\(^{11}\). In Cuddapah district, clearance has been accorded to dig 7180 wells, to instal 7695 pump sets and to set up 1239 tube wells/filter points for which a sum of Rs. 86 lakhs is to be spent\(^ {12}\). In Kurnool district, a sum of Rs. 68.88 lakhs is estimated to be spent for minor irrigation purposes\(^ {13}\). And in Chittoor district, wells are the Principal source of irrigation. No ground water Survey has been carried out so far either by the Central Ground Water Board or by the State Government. For Minor Irrigation purposes, it is estimated that Rs. 543 lakhs would be required to be spent during 1977-79\(^ {14}\).

DAIRY FARMING

Since, small and marginal farmers form bulk of the rural population in Rayalaseema, the supply of milch-cattle to them would

\(^{11}\) District Credit Plan, Anantapur, P.50
\(^{12}\) District Credit Plan, Anantapur, P.34
\(^{13}\) District Credit Plan, Kurnool, P.37
\(^{14}\) District Credit Plan, Chittoor, P.10.
definitely result in the betterment of their lot. It is estimated that a total credit of Rs. 450 lakhs will be needed up to March, 1979 for the development of dairy farming.

CREDIT FOR OTHER ALLIED ACTIVITIES OF AGRICULTURE

The credit requirements have been estimated for other activities like poultry farming for which Rs. 78 lakhs is needed, for sheep rearing Rs. 85 lakhs, for soil conservation Rs. 161 lakhs and for sericulture Rs. 133, till March, 1979 (table 2.4).

SUMMARY

The short-term agricultural credit requirements have been calculated for Rayalaseema region for the year 1975-76. The estimates are tentative and subject to certain limitations. They indicate the magnitude of the problem and the credit that is required for agriculture in this region. Lead Banks also have estimated the credit requirements for each district in this region. They have estimated the credit requirements for various agricultural activities i.e., for crop loans and for the allied activities viz., minor irrigation, dairy farming, poultry farming, soil conservation sericulture and sheep-rearing and so on. That these estimates might be less than the actual requirements, has been conceded by the banks themselves.