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Nandita Sharma
Department of Business
Management College of
Horticulture Dr. YS Parmar
University of Horticulture and
Forestry Nauni, Solan, Himachal
Pradesh, India

KK Raina
Department of Business
Management College of
Horticulture Dr. YS Parmar
University of Horticulture and
Forestry Nauni, Solan, Himachal
Pradesh, India

Impact of agricultural credit on agriculture production in Balh Valley Mandi district in Himachal Pradesh

Nandita Sharma and KK Raina

Abstract

The present study was conducted in Balh Valley of Mandi district. This block was selected purposively because this is the most fertile valley of Himachal Pradesh and is known for commercial agriculture production. The farmers of the area adopts modern technologies for production and there is growing requirement of capital. The PNB is operational in the area for meeting the need of the farmers. The Balh valley lies in Mandi district at an average elevation of 800 meters. The main crops are wheat, maize, sugarcane, ginger and paddy. It is the most fertile valley of Himachal Pradesh and is known for commercial agriculture production. The farmers of the area adopt modern technologies for production. Punjab National Bank has its presence in this area through a network of branches in different rural locations. The majority of respondents have farming as the major source of income and 76.25 percent have production between 40 -80 quintals. Nearly 7.5 percent of the respondents have farm production level more than 80 quintals.

Keywords: agricultural credit, status, balh valley

Introduction

A large proportion of the population in India is rural based and depends on agriculture for a living. Enhanced and stable growth of the agriculture sector is important as it plays a vital role not only in generating purchasing power among the rural population by creating on-farm and off-farm employment opportunities but also through its contribution to price stability. Credit plays an important role in increasing agriculture production. Availability and access to adequate, timely and low cost credit from institutional sources is of great importance especially to small and marginal farmers. Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. Most of the farmers in India are small producers engaged in agricultural activities in areas of widely varying potential. The major concern of the Government is therefore; to bring all the farmer households within the banking fold and promote complete financial inclusion. The Government of India has initiated several policy measures to improve the accessibility of farmers to the institutional sources of credit. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit support to all farmers with particular focus on small and marginal farmers and weaker sections of society for enabling them to adopt modern technology and improved agricultural practices. The policy lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies and rationalization of lending policies and procedures.

Agriculture sector is vital for India in view of the food and nutritional security of the nation as well as the fact that the sector remains the principal source of livelihood for more than 58 percent of the population though its contribution to the national Gross Domestic Product (GDP) has declined over the past years and has reached 14.2 percent in 2010-11 due to higher growth experienced in industries and services sectors. Indian agriculture is dominated by small and marginal farmers as Small and marginal holdings (below 2.00 ha.) taken together constituted 83.29 percent of the total number of holdings in 2005-06 against 81.80 percent in 2000-01 (GoI 2011). For agricultural operations, availability of credit is a critical input as the farmers have to purchase inputs like fertilizers, pesticides and make payments for irrigation, labour and hiring machinery, etc., for agricultural operations. The farmers in general and small and marginal farmers in particular are resource poor and are dependent on credit for this purpose. Availability of credit is, therefore, very critical for agriculture. Recognising the importance of credit in the development of agricultural sector in India's economy, the Government of India, the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) have played a vital role in creating a broad-based institutional

Correspondence
Nandita Sharma
Department of Business
Management College of
Horticulture Dr. YS Parmar
University of Horticulture and
Forestry Nauni, Solan, Himachal
Pradesh, India

framework for catering to the increasing credit requirements of the sector. Agricultural credit is disbursed through multi-agency network consisting of Commercial Banks (CBs), Regional Rural Banks (RRBs) and Cooperatives. There are approximately 6,38,596 lakh village, level Primary Agricultural Credit Societies (PACS), 371 District Central Cooperative Banks (DCCBs) with 13,327 branches and 31 State Cooperative Banks (SCBs) with 1028 branches providing primarily short-term and medium term agricultural credit in the country. The long term cooperative structure consists of 19 State Cooperative Agriculture and Rural Development Banks Besides; there are 45,957 rural and semi-urban branches of Commercial Banks, 14,462 branches of RRBs and more than 7 lakh micro finance institutions. The Punjab National Bank (PNB) is playing a major role in capital formation in agriculture. The bank is extending agricultural loans to a large number of farmers in the study area. The Punjab National Bank has also formulated many policies and schemes for the welfare of distt Mandi, Himachal Pradesh in all the section of farming community. An increase number of farmers in Balh valley are also regular customers of the bank and have been adopting the schemes of Punjab national bank.

Material and Methods

The following research methodology was adopted for successful execution of the present study.

Study Area

The present study was conducted in Balh Valley of Mandi district. This block was selected purposively because this is the most fertile valley of Himachal Pradesh and is known for commercial agriculture production. The farmers of the area adopt modern technologies of production and there is the requirement of capital. The Panjab National Bank is operational in the area for meeting capital requirements of the farmers.

Sample Size

A multistage random sampling technique was used. In the first stage Balh valley of Mandi district was selected purposively due to the following reasons:

- Land is fertile in Balh valley.
- Farmers use the modern techniques of farming.
- Requirement of the capital is high.

In the next stage, a complete list of all the villages in Balh Valley was prepared. A 10 number of villages were selected randomly from the list. From the selected villages, a complete list of the loan taking farmers will be prepared with the help of the PNB officials. From the list, 8 farmers from each of the selected village were selected. The total sample size constituted 80 farmers who availed agriculture loan from the Punjab National Bank.

Data collection

Both primary and secondary data was collected.

The primary data was collected through schedules and questionnaires. The information was collected on the following thematic areas.

- Education of the farmers.
- Income of the farmers (Farm / Non-Farming).
- Land holding (Irrigated / Non-Irrigated).

- Amount, Tenure and Purpose of loan.
- Increase in income and productivity.
- Impact of crop loan on production (On farm/Off farm increase).
- Quality of services offered by banks.

The secondary data was collected from banks and published sources.

Data analysis

Data was analysed through simple tabular analysis. Averages and percentages were calculated. The averages and percentages were calculated as follows:

Percentage method

To find out the percentage, individual frequency was divided by sum of frequency and multiplied with 100.

$$\text{Percentage} = \frac{X}{Y} * 100$$

Where

X=Individual frequency, Y=Sum of frequency

Results and Discussion

A perusal of data in the Table 1 indicate that majority of the respondents 76.25 percent have production between 40-80 quintals. Nearly 7.5 percent of the respondents have farm production level of more than 80 quintals. (Barah *et al.* 2011) [1].

Table 2 shows that the increase in income of the respondents after availing the loan. It can be observed that 63.75 percent of the respondents have experienced an increase of farm income in the range of Rs 10,000-20,000 thousand. This increase was experienced due to the introduction of new crops. Another 23.75 percent of the respondents have experienced an increase in the farm income upto Rs 10,000 thousand. This suggests that all the respondents borrowers have made productive use of the agriculture loans. (Golait and Ramesh, 2007) [2].

Data observed from the table 3 that majority of the respondents have farming as the major source of income. Maximum number of respondents 65 percent were earning <Rs 1 lakh from farming occupation. About 32.5 percent of the respondents were earning between Rs1-2 lakh from the farming sector. (Sriram and MS, 2007) [4].

Data observed from the table 4 that majority of the respondents 28 percent have availed loan for crops followed by 21 percent of the respondents who have availed loan for agriculture equipment's. About 20 percent of the respondents have availed loan for machinery. The loan for seeds was availed by 16 percent of the respondents whereas loan for fertilizer was availed by 9 percent of the respondents. (Mohan and Rakesh, 2004) [3].

Table 1: Farm Production of the Respondents

Production	Frequency	Percentage
0-40 quintals	13	16.25
40-80 quintals	61	76.25
Above 80	6	7.5
Total	80	100

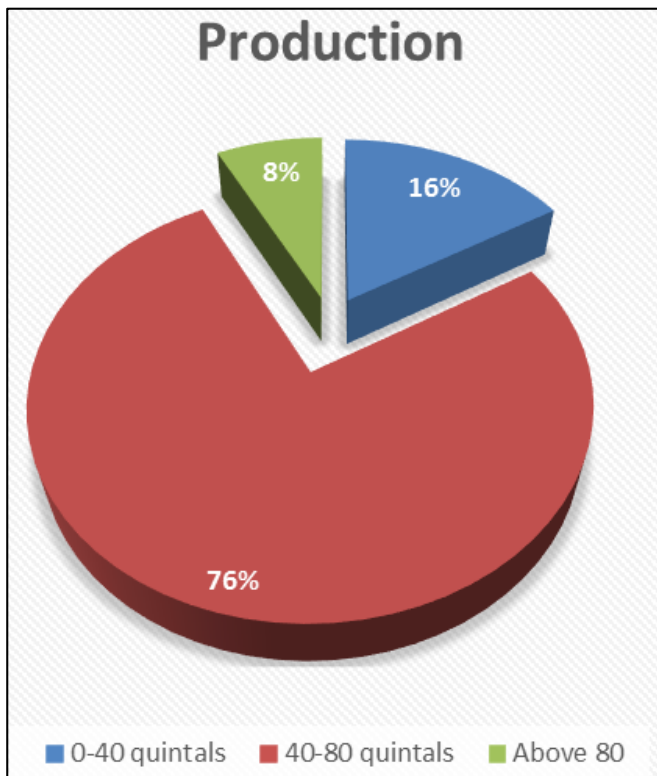


Table 2: Increase in Income

Income	Frequency	Percentage
Below 10,000	19	23.75
10,000-20,000	51	63.75
Above 20,000	10	12.5
Total	80	100

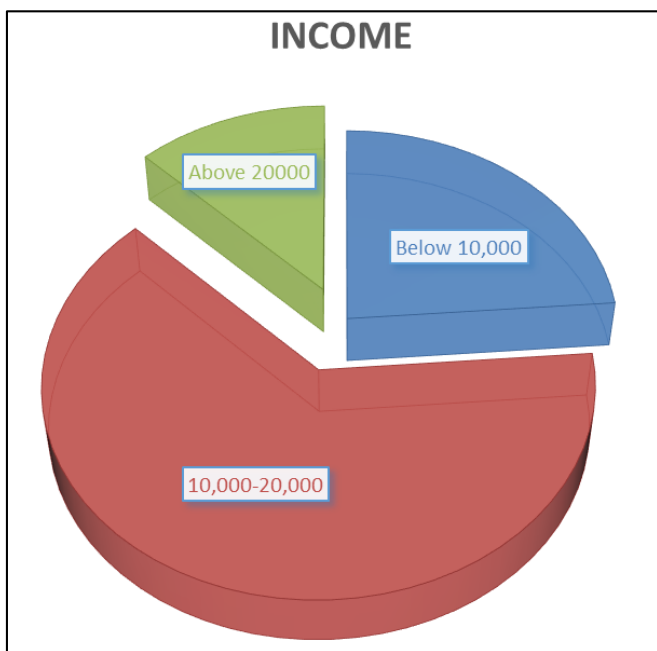


Table 3: Income Source of the Respondents

House Income	Farming	Non-farming	Percentage Farming	Percentage Non-farming
<1 lacs.	52	6	65	7.5
1-2 lacs.	26	40	32.5	50
>2lacs.	2	34	2.5	42.5
Total	80	80	100	100

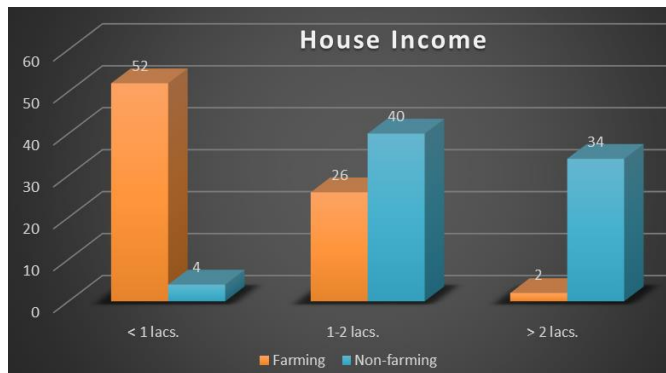
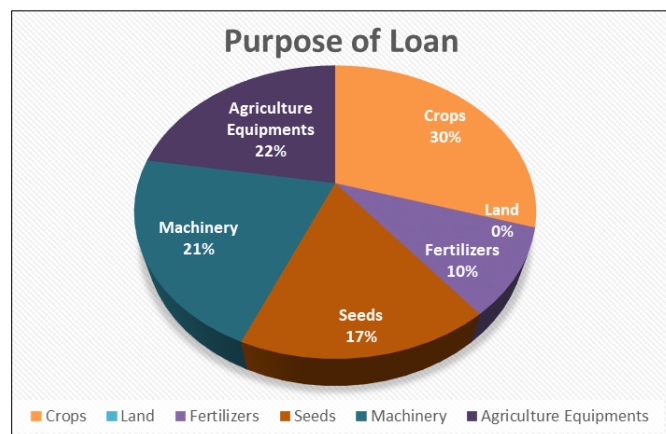


Table 4: Purpose of Loan of the Respondents

Purpose	Percentage
Crops	28
Land	0
Fertilizers	9
Seeds	16
Machinery	20
Agriculture Equipment	21



Conclusion

Majority of the respondents have their own house and majority of the respondents have farming as the major source of income. Maximum of the respondents were earning less than one lakh from farming occupation. About 32.5 percent of the respondents were earning between 1-2 lakh from farming sectors.

According to the study it was found that majority of the respondents have availed loan from the banks were the lending agency to the farmers of the Balh Valley. Majority of the respondents have availed loans for 2 years. There were less numbers of respondents who availed loans for more than 3 years.

Majority of the respondents have availed loans for crops, some of the respondents have availed loan for agriculture equipments and some of the respondents have availed loan for seeds and fertilizers.

Majority of the respondents agreed that there is increase in income after availing the loans. This increase was experienced due to the introduction of the new crops. This shows that respondents burrowers have made productive use of the agricultural loans.

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