Institutional Credit Flow for Farm Sector – Share and Pattern of Investment Credit in Udham Singh Nagar in Uttarakhand

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ABSTRACT

Institutional finance is necessary for rural development. It is the framework of rural development. It is seen that many Governmental schemes launched by the Government for up-liftment of rural poor to achieve the target of employment, are absurd due to delay in implementation and lack of proper monitoring. Rural poor only have meager income for their survival. In these institutions there is necessity of gainful employment of generation having keen interest to serve the rural poor. This will help in expanding institutions' branches in rural and far flung areas, in spite of the problems at credit agency level. Udham Singh Nagar District seems to have better credit delivery system. This study attempts to examine the impact of institutional credit in the rural development of Udham Singh Nagar District.

Keywords: Institutional finance; rural development; rural poors.

INTRODUCTION

In the post independence period, India has witnessed a phenomenal increase in every walk of life. Though India's major population lives in rural areas, however, there has been a growing flux of rural population to urban areas. Thus, the rural-urban development has been the concern of policy, planner and administration. During British rule, the rural area almost remained neglected. The Britishers were primarily concerned with areas of industrial development, which centered on urban areas only rural areas were centers of cottages and village industries and agricultural input for which the tenant cultivators as well as farmers were every dependent on money lenders, sahukars, chetties, and trade for their borrowing. However, in the post independence period, the policy planners emphasized upon rural development and laid stress on various development programme. For the purpose the

rural farmers, tenants as well as laborers were given economic support through new agencies of financial institution, such as commercial banks, co-operative banks, and regional banks. These intuitions played a vital role in the development of rural areas.

Rural development is related with rural people, rural regions, and, dealing with difficulties of rural societies. The objectives of rural development are multi-directional as well as multi-dimensional, with aims at increased employment opportunities, higher productivity, and higher income, as well as minimum acceptable lave of foods.

Todaro (1977) explained development with the help of its three basic elements, viz, basic necessities of life, self respect, and freedom. Without these necessities it is difficult for humans to survive.

By the time of the fourth Five-Year Plan (1969), the community development programme had been largely phased out and its name changed to reflect a new emphasis on rural-over-community development.

The basic goal of development as well as development policy is to improve the conditions under which rural people can work and live.

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limited financial assistance to the states to impart training to create awareness among the elected representatives of Panchayats and concerned government functionaries. The ministry has been providing financial assistance through the Council for Advancement of People's Action and Rural Technology (CAPART) to the non-government organizations for conducting training and awareness, research and evaluation studies related to Panchayati raj for the development to be in consonance with the people's wishes and aspirations. The emphasis has also been shifted towards Panchayati Raj institutions. Two main schemes for providing wage employment "Swarnjayanti Gram Swarozgar Yojana" (SGSY) to rural poor are under way in the rural areas of the country, with the objectives to provide additional gain of a durable community along with social and economic infrastructure in rural areas. By merging the ongoing schemes of rural development, the programme is targeting for self-reliance with special emphasis to provide wage employment to women of schedule caste and schedule tribe.

In fact, the major thrust of the present study is to examine the impact of institutional credit in the rural development of district Udham Singh Nagar. In the present situation, capital and financial ability are essential components for the development of rural areas, without financial availability it is useless to think about rural and regional development.

Studies reveal that inadequacy of financial health in the field of agriculture, animal husbandry, rural handicraft, horticulture, etc., has been the main hurdle in rural development, and one may over come this hurdle through financial help by the various agencies of institutional finance, such as co-operative societies, co-operative banks etc. The all Indian rural credit survey committee (1951-52) observed that rural credit system was very short of being the right quality and did not serve the right purpose and often failed to go to the right people.

However, after nationalization of the commercial banks in the country in July 1969, the single-agency approach to rural credit was replaced by multi-agencies credit system. It was felt that the institutional finance was not available to all sections in the rural areas. The co-operative

and commercial banks are not able to meet all the planned credit recruitments of the rural areas. The major objectives of nationalization of banks were to bring them under the control of the government and ensure lending to fulfill social objectives. After nationalization banks introduced network in rural areas through branch expansion in the rural and semi-urban. there was establishment of specialized branches for lending, lead bank scheme, and district credit plans (1969), differential rate of interest (1972) scheme, village adoption scheme (1974), and service area approach (1989). Further, RRBS (1975) the NABARD (1982) was established to take up the role of a leader in the entire rural credit system in the country. The banking sector emerged as an important agency in extending rural development credit.

RESEARCH METHODOLOGY

The research study was carried out in Udham Singh Nagar District in Uttarakhand. The study sample included 50 rural women selected through simple random sampling with chit method. Interview schedule and observation was used to collect data. The collected data were classified, tabulated and analyzed using appropriate statistical methods like percentage and mean scores.

Brief description of Udham Singh Nagar District

Udham Singh Nagar district is located in the southern region of Uttarakhand. The district was formed in 1995 by separating some parts of Nainital district. Originally, Buxas and Tharus inhabited this area. However, during the fifties, under government patronage and other incentives/schemes, settlers from Punjab, eastern and hilly regions migrated to this place. The district is situated at 28 degree south east, 30 degree north latitude, 78 degree and 81 degree east longitude of Kumaon. Nainital is to the north; Bijnour, Moradabad, Rampur to west; Bareilly, Pilibhit to south; and district Champawat is in the east of this district. South east-lies the border of Nepal. Reserved forest area lies at the borders of district Nainital and Champawat. The total district is Tarai. Water is available at the depth of 10 to 20 metres. Due to its special geographical structure, the district leades in agriculture in the country.

Arpita Sharma & Adita Sharma/Institutional Credit Flow for Farm Sector – Share and
Pattern of Investment Credit in Udham Singh Nagar in Uttarakhand

17

Many freedom fighters and military men also settled down in this area. The total geographical area of the district is 3,372 sq. kilometres. The population of the district is 10 lakhs (Census, 2001). The district comprises three main sub-divisions: Rudrapur, Kashipur, and Khatima, and is surrounded by the exotic Himalayan ranges. The tehsils in the district are Kashipur, Kichha, Khatima, Sitarganj; Bajpur and Garadpur are sub-tehsils. This district has the reputation of being progressive and practicing modernized agriculture besides having higher land holding.

Udham Singh Nagar is basically an industrial district and many industry-related professions are prevalent here. It is a perfect example of 'Unity in Diversity' for which India is so widely known. On the other hand different cultures, religions, and life styles are blended in absolute harmony.

The fertile land lends itself to different forms of agriculture, giving rise to agriculture related activities and industries, making this land a green place which has resulted into prosperity all around. Pantnagar University is leading temple of learning in the fields of agriculture and technology, with one of the finest built universities all around the world. This place has a rare sightseeing scenory as it is surrounded by Kumaon Himalayas on one side and Nepal on the other (Tanakpur touches the Khatima border which is in Champawat district). Nanak Matta dam, Dronasagar and many other places are worth visiting. Atariya mandir mela and Chaiti mandir mela is famous where one can find local folk activities and mingle with local culture and traditions.

Table 4 exhibited the Uttarakhand being agriculturally dominant state the major portion of credit ie 42.79 per cent was provided to

Table 1. Brief description of district Udham Singh Nagar

S.No.	Particulars	Statistical data
1.	Area	1989 acre.
2.	Altitude	550mts.
3.	Population	9.15 Lakhs
4.	Airport	Nearest Airport - Pant Nagar, 11kms.
5.	Hospital	Government Hospital,
6.	Post Office	Post Office, Rudrapur 27 sub post offices, 78 branch post offices
7.	Food grains was	517490 Metric Ton
8.	Tehsils	Khatima, Sitarganj, Kichha, Gadarpur, Bazpur, Kashipur, Jaspur
9.	Blocks	Khatima, Sitarganj, Rudrapur, Gadarpur, Bazpur, Kashipur, Jaspur
10.	Nyaya Panchayats	27
11.	Number of Villages	656
12.	Nagar Palika Parishads	Jaspur, Kashipur, Bajpur, Gadarpur,. Rudrapur, Kichha, Sitarganj, Khatima
13.	Nagar Panchayats	MahuaDabra, Mahuakheraganj, Kelakhera, Dineshpur, Sultanpur Patti, ShaktiGarh
14.	Water Availability	At 10 meters
15.	Languages used	Hindi, English, Punjabi
16.	Neighboring Districts	Bijnour, Moradabad, Rampur, Bareilly, Pilibhit, Champawat, Nainital

Source- 2007 4dham.com - Uttarakhand Information Centre

Table 2. Banking Institutions in District Udham Singh Nagar

S. No.	Name of Development Block	No. of Gram Shaba	Areas in Sq. Km	No. of Bank Branches
1.	Bajpur	91	244	07
2.	Gadarpur	96	541	19
3.	Jaspur	111	671	11
4.	Kashipur	85	170	05
5.	Khatima	74	235	06
6.	Rudrapur	86	293	04
7.	Sitarganj	38	298	08

Table 3. Bank Branches is District Udham Singh Nagar

S. No.	Name of Bank	No. of Branches in District	No. of Branches in Pauri Block
1.	State Bank Of India	41	02
2	Punjab National bank	15	02
3	Canara Bank	08	-
4	Bank of India	04	-
5	Central Bank of India	02	01
6	Union Bank of India	03	01
7	Punjab and Sindh Bank	01	-
8	Oriental Bank of Commerce	01	-
9	Allahabad Bank	03	01
10	Syndicate Bank	02	-
	Total Commercial Banks	64	-
1	Uttarakhand Gramine Bank	34	07
2	District Co-operative bank	01	02
3	Central Co-Operative Bank	02	02
4	U.P. Sahkari Gram Vikas Bank	02	01
5	ICICI Bank	01	01
6	National Bank	02	-
	Total	134	21

agriculture sector. The share if industries and services sector worked out to 18.62 per cent and 38.59 per cent respectively. This shows that being agriculture dominant state the combine share of credit in industries and services are higher than the agriculture.

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Arpita Sharma & Adita Sharma/Institutional Credit Flow for Farm Sector – Share and
Pattern of Investment Credit in Udham Singh Nagar in Uttarakhand

19

Table 4. Banking Institutions in District Udham Singh Nagar

S. No.	Sector	2007-08			2008-09		
		Target	Achievement	Percentage	Target	Achievement	Percentage
1	Agriculture	3200	3021.83	94	4074	2306	44
2	Industry	355	313.33	86	504.50	736	127
3	Services & Others	5635	7152.19	127	6975	11619	128
	Total	**3190**	**10487**	**114**	**115551**	**14552**	**99**

Table 5. Sectoral Profile of Credit Disbursement in Uttarakhand

Sector	Outlay	Achievement	Percentage
Agriculture	258520 (42.79%)	155745	60.25
Industry	11246 (18.62%)	81687	72.64
Services	233145 (38.59%)	140371	60.21
Total	604125	377803	62.54

Source: State Level Bankers's Committee, 32nd meeting, 20th March, 2010 (Review for quarter ended 31st Dec 2009)

agriculturally dominant state. The major portion of credit i.e, 42.79 per cent was provided to agriculture sector. The share of industries and services sector worked out to 18.62 per cent and 38.59 per cent respectively. This shows that being an agriculturaly dominant state, the combined share of credit in industries and services are higher than the agriculture.

Sectoral profile of credit deployment in district Udham Singh Nagar (Table 3 and 4) shows credit deployment achievement in service sector is higher than the agriculture and industry sector. But the employment and income generation in agriculture sector is lower than the other sectors.

RESULTS AND DISCUSSION

Socio personal profile of the respondents:
1. **Age:** Maximum number of respondents (50 per cent) belonged to middle age group (35-45 years) followed by young age group (25-35) (44 per cent), whereas, only six per cent respondents belonged to the old age group (45 and above). Similar results were also reported by Begum (2000) who also found

group.

2. **Education:** Data reveals that maximum number of respondents (60 per cent) had completed education up to graduate level. 30 per cent respondents were post graduate. A limited number of respondents (10 per cent) were at intermediate level.

3. **Caste:** Table 5 reveals that maximum number of respondents (60 per cent) belonged to general caste followed by Other Backward Caste (30 per cent) and Schedule caste/ Schedule tribe (10 per cent).

4. **Income and Occupation:** The average size of land holding works out to more than 4.79 nalli, which is littel for the agricultural purposes. Main occupation of respondent borrowers was small traders and business work (52.5 per cent). Agriculture and allied activities represent 27.5 per cent. Maximum borrowers felt in the income groups of 5001-7000 (21 per cent) minimum fell in the income groups of above 15000. Majority of respondents (91 per cent) fell below the poverty line and only 9 per cent in the category above poverty line,

Table 5. Socio-personal characteristics of respondents

Sl. No.	Characteristic	Number of respondents	Percentage
1	**Age**		
	Young (25-35)	22	44
	Middle (35-45)	25	50
	Old (45-above)	3	6
2.	**Education**		
	Intermediate	5	10
	Graduate	30	60
	Post graduate	15	30
3.	**Caste**		
	General caste	30	60
	OBC	15	30
	SC/ST	5	10
			10
5.	**Media Ownership**		
	Television	50	100
	Newspaper	45	90
	Magazine	30	60
	Mobile	50	100
	Computer	25	50

Table 6. Income wise distribution of respondent's borrowers

Sl. No.	Annual Income	Number of respondents	Percentage
1.	0-1000	7	3.5
2.	1001-3000	37	18.5
3.	3001-5000	39	19.5
4.	5001-7000	42	21.5
5.	7001-9000	34	17.0
6.	9001-11000	23	11.5
7.	11001-13000	08	4.0
8.	13001-15000	09	2
9.	15000-above	01	4.5

masts.

5. **Media ownership:** From the perusal of Table 5, it can be inferred that a high majority of the respondents (100 per cent) owned television, mobile phone (100 per cent) followed by print media (90 per cent) and magazine (60 per cent). Computer was possessed by 50 per cent of the respondents. This is supported by the findings of Sharma (2009) that majority of respondents possessed television with cable

connection.

The main problems in the rural development were lack of financial institutions for adequate financial help in the field of agriculture, animal husbandry, rural handicrafts, horticulture and rural industry. It was supposed that the financial institutions through primary, secondary and tertiary sectors could, overcome the financial hurdle. Development and financial institutions are intimately associated with one another. On

Arpita Sharma & Adita Sharma/Institutional Credit Flow for Farm Sector – Share and
Pattern of Investment Credit in Udham Singh Nagar in Uttarakhand

21

Table 7. Income-wise distribution of respondent borrowers

| S. No. | Annual Income | Agriculture based activities | | | | | Small Business | | | Total | Per cent |
		Agriculture	Animal Husbandry	Mules	Rural Artisan	Shops	House Wiring	Tea Stall	Swing Machines		
1	0-1000	-	07 (3.5)	-	-	-	-	-	-	07	3.5
2	1001-3000	-	0 (5.0)	-	-	10 (5)	-	10 (5)	07 (3.5)	37	18.5
3	3001-5000	06 (3.0)	10 (0.5)	03 (1.5)	01 (0.5)	09 (4.5)	05 (2.5)	02 (1)	03 (1.5)	39	19.5
4	5001-7000	02 (1)	16(8)	01 (0.5)	01 (0.5)	15 (7.5)	01 (0.5)	03 (1.5)	03 (1.5)	42	21.0
5	7001-9000	01 90.5)	21 (10.5)	-	01 (0.5)	05 (2.5)	01 (0.5)	02 (1)	02 (1)	34	17.0
6	9001-11000	03 (1.5)	07 (3.5)	-	-	11 (5.5)	-	01 (0.5)	01 (0.5)	23	11.5
7	11001-13000	01 (0.5)	02 (1.0)	-	-	04 (2)	-	-	01 (0.5)	08	4
8	13001-15000	-	02 (1.0)	-	-	05 (2.5)	01 (0.5)	-	01 (0.5)	09	4.5
9	15000-above	-	-	-	-	01 (0.5)	-	-	-	01	0.5
		13	75	03	03	16	08		18	200	100
		16.5	37.5	1.5	1.5	30	09		09	100	

Table 8. Institution-wise classification of credit obtained by respondent borrowers

Sl. No.	Institutions	Number of respondents Borrowers	Credit Obtained	Percentage of Credit Obtained
1.	State Bank of India	82	898500	47.7
2.	Punjab National Bank	42	401200	21.4
3.	Central Bank	07	59000	3.1
4.	Regional Rural bank	32	322000	17.1
5.	Total	200	1883100	100

the one hand, development promoted investment and saving among the rural poor, while financial institutions promoted development activities on the other. However in remote regions of rural Udham Singh Nagar, we lack development due to its peculiar hilly topography as well as its general backwardness.

Impact of institutional credit respondent bor-rowers

Institutional financing agencies disburse credit to the rural people with a view to achieving economic development. It is only natural that these agencies expect the borrowers to make judicious use of funds, and, thereby, make them economically better off than before. A micro study of institutional finance in reference to

Udham Singh Nagar is important to analyze the position of respondent borrowers.

The annual income from loan-based activity has increased from Rs. 970,800 in the pre-loan period to Rs. 14,05,600 in the post loan periods, resulting in a net incremental income of Rs. 4,14,800 (44.7 per cent increased after the post loan period).

In order to qualify the effect of institutional credit on reducing underemployment and unemployment, required data have been collected from the average number of hours work per day in the occupation for which loan is taken, both before and after they availed the institutional credit. The study reveals 9.5 percent and 20 per cent six-month employment respectevely.

CONCLUSION

The agriculture sector alone can not sustain growing rural communities. Most of the rural communities in the District Udham Singh Nagar derive their income from multiple sources of livelihood. In particular, the rural poor derive significant income shares from rural non-farm (Non Priority Sector) activities. Thus, the development of the rural sector can be an important mechanism for reducing the rural / urban disparities. The social objectives of deriving higher employment and output gains for every unit of capital invested are readily fulfilled through a chain of rural industrial activities.

Rural income distribution is much less unequal in area where a wide network of non-farm avenues of employment exist. The lower strata of the rural societies participate much more intensely in non-farm activities, though their involvement is much less remunerative as compared with that of the upper strata. (Bhalla and Chadda, 1983).

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