Introduction

Agriculture continues to be an important sector of Indian economy. Agriculture is important for our economy from several point of view, viz., provision of food, dependence of large population (around 2/3rd) for employment and livelihood on agricultural sector, contributing significant part of the Gross Domestic Product (despite gradual reduction in the share of agriculture in GDP from 56.5% in 1950-51 to around 14.6% in 2009-10), provision of important inputs for industries and making a sizable contribution to India’s foreign trade.

Considering the great significance of agriculture, our policy makers have always given high priority to the development of agriculture. For the development of agriculture, several inputs such as, technology (in the form of good seeds, tools and machines etc.), irrigation and insurance for crop failure are required and for meeting the cost of all these inputs, credit is required as the farmers are not able to meet all these costs from their private sources. Thus, availability of credit becomes a crucial input for the success of agriculture in the country. Despite several efforts of the Government of India, Reserve Bank of India (RBI) and institutions like the National Bank for Agriculture and Rural Development (NABARD), agriculture in general and resource poor farmers like small and marginal farmers and oral lessees, are not able to receive adequate and timely credit at a reasonable interest rate. This forces them to borrow from non-institutional sources of credit like moneylenders, which has primarily led to the ‘agricultural distress’ which culminated in unfortunate suicides by farmers in several parts of the country. The major initiatives taken by the policy makers and strategies adopted to enhance credit flow to agriculture could be summarized as under:

- **Nationalization of Banks:** The nationalization of 14 major commercial banks in 1969 was a historic event in the history of India on the ground that the commercial banking system had failed to play adequate role in the planned development of the nation including agriculture. In 1980, another 6 commercial banks were nationalized, taking the total to 20.

- **Lead Bank Scheme:** Lead Bank Scheme was started by RBI in 1969 wherein major public sector and private sector banks were allotted specific districts and were asked to play ‘lead role’ in development of the districts.
Fixation of Targets for Priority Sector and Agriculture: The RBI launched a policy to fix targets for ‘Priority Sector’ including agriculture in 1974. The target for this purpose was that 40% of the credit outstanding should be for Priority Sector. Further in order to provide focused attention to agriculture, a sub-target of 18% has been allocated to agriculture (RBI Master Circular, 2008).

Multiagency Approach to Agricultural and Rural Banking: In India as a strategy, multi-agency approach has been adopted following the recommendation of ‘All India Rural Credit Survey Committee’ in 1969 allowing space for various kinds of agencies offering banking services as only cooperative banks could not meet the requirements of rural credit. These include, commercial banks, cooperative banks, Regional Rural Banks (RRBs) and Agriculture and Rural Development Banks (ARDBs) (Dutt and Sundaram, 2009). Micro-finance institutions (MFIs) have also joined this group of agencies more recently for supporting rural population.

Kisan Credit Card (KCC): The KCC scheme was introduced in August 1998 to provide credit to farmers in flexible manner. Now, it has emerged as a major mechanism for purveying credit to agriculture. Up to September 2010 about 970.64 lakh KCCs have been issued. The scheme provides timely and adequate credit to farmers for crop cultivation which allows to withdraw and deposit as per the cash flow of the farmers. Now this scheme includes reasonable components of consumption credit and investment credit within the overall credit limit sanctioned to the borrowers.

The Context of Maharashtra:

Maharashtra is a major state in the country which accounted for around 9.7 crore people as per the 2001 census – about 9.4% of the country’s population of 102.8 crore. Out of the operational holdings of about 12 crore in the country in 2001, Maharashtra accounts for 1.21 crore, i.e. 10.1% of the total. Further Maharashtra accounts for 1.74 crore hectare of net sown area out of the total 14.2 crore hectare in the country in 2005-06 which works out to be 12.25% of the total sown area in the country. Thus, Maharashtra accounts for over 10% of number of holdings as well as the net sown area (Agricultural Statistics at a Glance 2008, Government of India)
The Region of Vidarbha:

In the 1990s, India woke up to a spate of farmers suicides. In the beginning it was believed that most of the suicides were happening among the cotton growers, especially those from Vidarbha region. However, data indicated that it was not just the cotton farmers but farmers as a professional category were suffering, irrespective of their holding size. This data prompted the selection of this region for this research work.

Vidarbha region is the eastern region of Maharashtra comprising of 11 districts namely, Amravati, Akola, Bhandara, Buldana, Chandrapur, Gadchiroli, Gondia, Nagpur, Wardha, Wasim and Yavatmal out of the 35 districts of the state. The total population of the region was 2.06 crore as per the census of 2001 which was 21% of total population of the state. The area comprises of 31.6% of total area of the state indicating lower density of population.

As per the published records, as many as 166,304 farmers committed suicide in India between 1997 and 2006. Thus, going by the official data, on an average nearly 16,000 farmers committed suicide every year over the last decade or so. Further, that 15.2% of total or every seventh suicide in the country was a farm suicide. Out of these suicides, Maharashtra accounted for 3536 farmers’ suicides which accounted for 21.54% of total farmers’ suicides at all India level at 16415 in 2001. Maharashtra also had the dubious distinction of highest number of suicides among the states. The total number of suicides in Maharashtra for the 10 year period 1996-2006 was 33364 accounting for 20.1% of the total for the country. The number of farmers’ suicides in 2009, however, has reduced to 2872 in Maharashtra while it has increased to 17368 at all India level (National Crime Records Bureau, GOI, 2009).

Now from all available evidence, there are certain pockets within each of the states where farm suicides are concentrated and where the problem is very acute. The Vidarbha region in Maharashtra is one such region. Consequently the governments in these states have been forced to acknowledge the problem and are forced to take some steps to mitigate the crisis. The Prime Minister announced a package of Rs. 3,750 crore for 6 districts of Vidarbha on July 1, 2006.

The reasons of suicides in some regions including Vidarbha are multifarious but the
combination of rain fed vulnerable agriculture, high cost of agriculture – particularly cotton, low availability of bank credit, dependence on moneylenders cum input dealers (like fertilizer and pesticides), high level of indebtedness and realisation of poor sale price, lack of alternative livelihood, etc., among others, are the issues (Nagraj K., 2008). The availability of credit from banking system is one factor, which could reduce the vulnerability of the farmers in this region. Hence this region has been selected for the study.
Statement of Problem:

Timely flow of credit to agriculture and related activities (like allied activities) is very important for the economy of the country. The issue is highly sensitive due to its political dimension. Against this backdrop, the study intends to analyze the problems of and prospects of credit flow from the banking system to Vidarbha region in general and Amravati district in particular to the disadvantaged section of rural population like small/marginal farmers and oral lessees. It is now increasingly recognised that rural areas especially underserved areas like Vidarbha provide vast potential for credit business in a competitive scenario of banks wherein the urban market is over crowded with a variety of banks like public sector commercial banks, private sector commercial banks, foreign banks, cooperative banks, urban cooperative banks, Regional Rural Banks (RRBs), etc. The competition is not so tough in rural areas especially backward regions like Vidarbha.

The present study will examine the causes of poor credit flow from banks in the region and will also explore the perspective of farmers, i.e., why they are not getting credit on reasonable terms as and when they require in spite of agricultural sector being priority sector. The study will cover all types of banks operating in the rural areas such as nationalised banks, RRBs, cooperative banks and Primary Agricultural Cooperative Societies (PACS).

The study will focus attention on the fact that cooperative banks/PACS and RRBs are the most appropriate agencies in the rural areas for credit delivery in view of liberalisation by capitalising on the strengths like long-term relations with the customers, familiarity with the socio-economic milieu and flexibility of operations to suit the requirements of the rural customers.