

AGRICULTURAL CREDIT IN INDIA**Suman Devi****Research Scholar, Department of Commerce,
Kurukshetra University, Kurukshetra.****ABSTRACT**

Agriculture is the backbone of Indian economy. So it has all along been treated as a priority sector for the allocation of the institutional credit. The agricultural credit, particularly the institutional credit, has been to play a significant role in the agricultural development of India. Various institutional agencies are engaged in the payment of credit to agricultural sector i.e. scheduled commercial bank, regional rural banks, co-operative credit societies, co-operative banks etc. with their vast network, wider coverage and outreach extending to the remotest part of the country, the co-operative credit institutions, both in short and long term structure are the main institutional mechanism for dispensation of agricultural credit. An attempt has been made in the present paper to analyze the position of agricultural credit in India.

INTRODUCTION

In almost all developing countries, agriculture plays a predominant role in shaping the lives of people to a great extent. The largest portion of the natural resources of India consists of land and by far the largest number of its people is engaged in agriculture. Therefore in any scheme of economic development of the country, agriculture holds a position of basic importance. Agriculture sector occupies a key position in the Indian economy also. It has been a source of livelihood in India since ancient times. It provides employment to about 65 per cent of the working population of India. Around one-quarter of India's national income originates from the agricultural sector. Indian agriculture was backward and stagnant at the time of independence in 1947. Ever since the launching of the first five year plan (1951-52 to 1955-56), agricultural sector has received the prime attention of the Government in the overall strategy of economic development. As a result, farm productivity has increased over the years and the country has achieved high degree of self sufficiency in terms of foodgrains and raw material for agro based industries. The breakthrough in agricultural has been achieved as a result of substantial public investment in irrigation, agricultural research and extension schemes, subsidized inputs, credit facilities and price support programs. Agricultural credit is an important factor in the adoption of technological innovations. Farmers need credit for the purchase of material inputs like seeds, pesticides, fertilizers etc.

Credit is also required for the purchase of cattle, implements, raw materials, to improve land, and to create irrigation infrastructure. These types of loans (agricultural credit) are provided to Indian farmers to meet out there financial requirements. Modern agriculture requires high quantum of credit. Various short- term cash inputs, like, use of improved seeds, fertilizers, insecticides etc., medium and long- term investment for irrigation, land improvements, etc., are compulsory for increasing agricultural production. For meeting these increased needs the institutional channel of credit is necessary.

Agricultural credit may be explained as the amount of investible funds made available for the purpose of development of farm productivity. According to the Agricultural Finance corporation, it is the amount of money needed by a farmer to achieve a proper combination of productive factor, like, land, labour, inputs, machinery, livestock and managerial ability, so that the planned level of income is generated at his farm [k prabhaker]. credit is an important factor of integrated approach for improving production and productivity, marketing, land tenures, farmers' organizations and other aspects which are dependent on each other. The main objectives of the present paper is to examine the progress of agricultural credit in India. Most of the cultivators live just below the poverty line. Naturally, they tend to borrow money for conducting agricultural operations. These needy farmers should be helped with the sanction of credit as and when they require it. A strong foundation of agriculture is essential to maintain and continue the overall performance of agriculture sector in the economy and for socio-economic development in general.

ESSENTIAL FEATURES OF AGRICULTURAL CREDIT

Some essential features of agricultural credit are as follows:

- The credit system for modern agriculture should integrate the credit with services, like arrangements of inputs etc. which is better than facile credit, since because the farmer may use it for wasteful consumption purposes, which may impose an extra burden on the borrower. On the other hand, facile credit is more dangerous because it may lead the borrower to avail credit without any basic needs.
- Under the credit system, all areas and farmers (specially small and marginal farmers) should be covered.
- The cost of handling credit and services should be lower.
- Under the sound credit system, guidance should be available to credit institutions in this regard from time to time.

REVIEW OF LITERATURE

A.K. Soni and Harjinder Pal recommended in their paper, "Role Of Co-Operative Bank In Agricultural Credit: A Study Based On Chhattishgarh", that the Cooperative Banks should try to increase their deposits by opening new branches in business areas, improve the services to their clients, introduce different types of deposit schemes and offer competitive rates of interest. They suggested that Cooperative Banks should change their loan policies on the basis of crop loan systems. The Cooperative Banks must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.

Archana S. Mathur, Surajit Das and Subhalakshmi Sircar found in their paper the status of agriculture in India. This paper looks at trends in the growth of agricultural production in India over the last one and a half decades, identifies factors that affect agricultural growth and analyses constraints that have affected growth in the sector. They conclude that there has been a decline in the growth of the agriculture sector during the 1990s till the recent past. This is accompanied with recent decline in yields per hectare for a number of food crops. There are vast inter-state differences in growth rate of agriculture and even more so for foodgrains.

Gagan Bihari Sahu and D. Rajasekhar in their paper had analyzed the trends in credit flow to agriculture by SCBs during the period 1981 to 2000. The analysis brings out that the share of credit to agriculture in total net bank credit had significantly declined, especially after the introduction of banking sector reforms. Across the bank groups also, a similar decline was observed. In the case of cooperatives the situation was grimmer.

Rakesh Mohan published a paper namely, "Agricultural Credit in India: Status, Issues and Future Agenda". He reveals in his paper that agricultural credit has played a vital role in supporting agricultural production in India. The green revolution characterized by a greater use of inputs like fertilisers, seeds and other inputs, increased credit requirements which were provided by the agricultural financial institutions. He says that though the outreach and the amount of agricultural credit have increased over the years, several weaknesses have crept in which have affected the viability and sustainability of these institutions. Furthermore, antiquated legal framework and the outdated tenancy laws have hampered the flow of credit and development of strong and efficient agricultural credit institutions.

J. S. Sogo-Temi and S. O. Olubiyo, in their paper, "THE ROLE OF AGRICULTURAL CREDIT IN THE DEVELOPMENT OF AGRICULTURAL SECTOR: THE NIGERIAN CASE", shows the role of agricultural credit in the development of agriculture. The results presented and analyzed by them underscore the strategic role of financial credit in accelerating agricultural production and growth in Nigeria. The results generally proved that one of the most important determinants of growth in agricultural output is availability of productive credit in required quantities. However, given the short-term nature of credit provision of the banking system, it is opined that greater attention in policy strategies and resource allocation should be accorded the sector.

PERIOD BASED CLASSIFICATION OF AGRICULTURAL CREDIT

Agricultural credit may be classified in the following ways:

1. Short term credit-

Short term loans are provided for a period of less than fifteen months to meet out expenses of routine farming and domestic consumptions. This type of loans is demanded by farmers for purchasing seeds, fertilizers and for meeting out family requirements.

2. Medium term credit-

Medium term loans are provided for a period of 15 months to 5 years to purchase agricultural equipments, animals and for land improvements.

3. Long term credit-

Long term loans are provided for a period of more than 5 years. This type of loan is taken by the farmers to purchase land and expensive agricultural equipments and for repayment of old loans.

SOURCES OF AGRICULTURAL CREDIT IN INDIA

Indian farmers acquire above types of loans from two sources-

Non Institutional Sources like moneylenders, landlords, big business men etc. till independence, money lenders and the landlords were the principle sources of rural credit.

Institutional Sources like commercial banks, cooperative banks and government sources.

Policy on agriculture credit aims at progressive institutionalization of credit agencies for providing credit to farmers for raising agricultural production and productivity. Agricultural credit is disbursed through a multiagency network consisting of co-operatives, commercial banks and regional rural banks (RRBs).

INSTITUTIONAL CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES IN INDIA:

It is studied here by dividing it into three parts-

1. Short term direct institutional credit for agriculture and allied activities.
2. Long term direct institutional credit for agriculture and allied activities.
3. Total (short term and long term) direct institutional credit for agriculture and allied activities.

Table 1: Direct Institutional Credit for Agriculture and Allied Activities - Short-Term

Billion								
Years	Loans Issued				Loans Outstanding			
	Co-operatives	SCBs	RRBs	Total	Co-operatives	SCBs	RRBs	Total
2003-04	293.26	241.34	61.33	595.93	308.08	319.82	76.64	704.54
2004-05	318.87	299.78	98.83	717.48	324.81	427.98	109.80	862.59
2005-06	356.24	456.44	128.16	940.84	341.40	599.71	138.77	1079.88
2006-07	407.96	652.45	170.31	1230.72	377.64	760.06	187.07	1324.77
2007-08	473.90	682.43	203.77	1360.10	436.96	961.52	227.48	1625.96
2008-09	480.22	1077.66	228.51	1786.39	456.86	1262.85	266.52	1986.23
2009-10	569.46	1246.46	305.29	2121.21	357.17	1676.23	336.63	2370.03
2010-11	690.38	1460.63	385.60	2536.61	496.45	1932.62	406.63	2835.70
2011-12	818.29	2178.97	470.11	3467.37	445.17	2690.30	465.80	3601.27
2012-13	1025.92	-	577.57	-	-	3534.25	552.55	-
CGR								

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

SCBs: Scheduled Commercial Banks.

RRBs: Regional Rural Banks.

The above table reveals the data on short term direct institutional credit on agriculture and allied activities from 2003-04 to 2012-13. The table shows that the loans issued increased gradually from 595.93 billion in 2003-04 to 3467.37 billion in 2011-12. The highest increase in loans issued was in case of SCB (scheduled commercial banks), and lowest in the case of co-operatives. At the same time loans outstanding increased from 704.54 billion in 2003-04 to 3601.27 billion in 2011-12.

Table 2 : Direct Institutional Credit for Agriculture and Allied Activities - Long-Term

Billion								
Years	Loans Issued				Loans Outstanding			
	Co-operatives	SCBs	RRBs	Total	Co-operatives	SCBs	RRBs	Total
2003-04	107.23	120.69	10.42	238.34	405.95	361.21	40.58	807.74
2004-05	131.22	183.89	20.43	335.55	463.41	527.21	57.30	1047.91
2005-06	124.99	349.55	24.84	499.38	481.87	756.32	76.32	1314.51
2006-07	132.23	500.21	31.98	664.42	516.79	930.12	87.45	1534.36
2007-08	102.53	452.29	34.61	589.43	219.70	1066.44	104.68	1390.82
2008-09	107.65	529.24	36.48	673.37	183.59	1298.34	107.15	1589.08
2009-10	65.51	636.07	41.11	742.69	240.74	1478.13	126.19	1845.06
2010-11	90.83	767.29	54.05	912.17	270.29	1643.22	144.04	2057.55
2011-12	61.34	949.80	60.48	1071.62	280.28	1742.68	172.44	2195.40
2012-13	86.11	-	68.92	-	-	1690.53	194.06	-

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

SCBs: Scheduled Commercial Banks.

RRBs: Regional Rural Banks.

The table 2 depicts the data on the long term direct institutional credit to agricultural and allied activities. It shows a significant increase in the loans issued during the period under study. These loans increased from 238.34 billion in 2003-04 to 1071.62 in 2011-12. The lowest loans issued increase was in the case of co-operatives while the highest in the case of scheduled commercial banks. At the same time the loans outstanding increased from 807.74 billion in 2003-04 to 2195.40 billion in 2011-12. It was also highest in case of SCB and lowest in the case of co-operatives.

Table 3: Direct Institutional Credit for Agriculture and Allied Activities -Total (Short-Term and Long-Term)

Years	Billion								
	Loans Issued					Loans Outstanding			
	Co-operative	State governments	SCBs	RRBs	Total	Co-operatives	SCBs	RRBs	Total
2003-04	400.49	-	362.03	71.75	834.27	714.03	681.03	117.21	1512.28
2004-05	450.09	-	483.67	119.27	1053.03	788.22	955.19	167.09	1910.50
2005-06	481.23	-	805.99	153.00	1440.21	823.27	1356.03	215.10	2394.39
2006-07	540.19	-	1152.66	202.28	1895.13	894.43	1690.18	274.52	2859.13
2007-08	576.43	--	1134.72	238.38	1949.53	656.66	2027.96	332.16	3016.78
2008-09	587.87	-	1606.90	264.99	2459.76	640.45	2561.19	373.67	3575.31
2009-10	634.97	-	1882.53	346.40	2863.90	597.91	3154.56	462.82	4215.09
2010-11	781.21	-	2227.92	439.65	3448.78	766.74	3575.84	550.67	4893.25
2011-12	879.63	-	3128.77	530.58	4538.98	725.45	4432.98	638.23	5796.66
2012-13	1112.03	-	4844.99	646.49	-	-	5224.78	746.61	-

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

The above table displays the data on the total direct institutional credit on agriculture and allied activities. The loans issued increased from 834.27 billion in 2003-04 to 4538.98 billion in 2011-12. The loans outstanding increased from 1512.28 billion in 2003-04 to 5796.66 billion in 2011-12.

INDIRECT INSTITUTIONAL CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES:

An increase has been noted in the indirect institutional credit for agriculture and allied activities during 2003-04 to 2012-13. It is depicted in the following table:

year	co-operatives	SCBs	RRBs	REC	Total	co-operatives	SCBs	RRBs	REC	Total
2003-04	935.66	89.36	-	60.17	1085.19	1023.07	285.2	-	183.05	1331.16
2004-05	1141.32	217.28	-	74.41	1433.01	1101.32	360.71	-	210.62	1491.32
2005-06	1220.67	277.51	-	74.89	1573.07	1199.32	571.75	-	245.64	1672.65
2006-07	1357.4	387.66	-	107.33	1852.39	1363.92	825.64	-	312.62	2016.71
2007-08	1457.78	402.78	-	129.53	1990.09	1479.82	934.43	-	386.15	2502.18
2008-09	-	737.21	-	171.57	-	-	1107.02	-	506.53	2800.4
2009-10	-	828.39	-	211.32	-	-	1455.54	-	659.79	-
2010-11	-	867.32	-	245.19	-	-	1469.23	-	817.25	-
2011-12	-	694.44	-	278.21	-	-	1425.85	-	1014.26	-
2012-13	-	-	-	392.75	-	-	1111.02	-	1273.56	-

Source: Handbook of Statistics on Indian Economy, RBI Mumbai

CONCLUSION

In brief, in the modernization of agriculture and to improve its productivity, credit has a great role to play. The institutional credit to agriculture and allied activities has been increased in India. It is an effective step to promote the growth rate of agricultural sector because it helps the farmers in various ways. They can buy the essential equipments for agricultural activities with the help of this credit. But there is need of taking some efforts by the banks to reduce its outstanding, so that the improved institutional credit can be pumped into the agricultural sector which will in turn help in the further growth of agriculture.

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