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CREDIT TO AGRICULTURE SECTOR IN INDIA

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Abstract: This paper deals with the credit to agriculture sector in India. Agriculture is an important sector in India which is still the primary source of livelihood for majority of the people in rural areas and this lively hood needs to be made sustainable for many. Therefore the growths this crucial sector this key detriment in overall economic development of country. Credit is an important input the agriculture development. In recent past since the initiation of financial reforms the flow of credit to agriculture in relation to its demand has declined. The investment in agriculture also declined much in this period. It resulted in declining the growth of agriculture sector and reduction in its contribution to GDP. The severe crisis in the vital sector led many farmers to attempt suicide in many advanced states in the country. Despite the robust growth of banking sector the informal sector still plays vital role in credit needs of the rural people.

Keyword: Rural credit, GDP, Agriculture growth, Sustainable Development, Formal credit.

INTRODUCTION:

Credit plays a vital role in the development process in any country. Especially in the developing countries like India where the agriculture sector is a primary sector, the growth of this crucial sector depends of the provision credit providing by the governments. In this paper an attempt made to analyse the credit to agriculture sector in India. Rural credit market in Indian context is characterized by few distinctive features that the formal credit is readily available for elite class people such as large farmers who are trusted by the institutional lenders on the basis of their paying capacity, on the other hand, the access of poor marginal and small farmers to institutional credit is quite limited (Rao, 1980; Basu, 1983; Swain, 1986; Sarap, 1987; Sarap, 1991; Jodhka, 1995 and others). The inability to provide collateral such as land, jewellery, or house buildings as mortgage is the major hindrance for the marginal and small farmers in availing institutional credit. In most of the cases they don't possess such assets or lack valid documents to prove their ownership of land. Tenant farmers are also deprived of credit facilities from institutional sources, as the tenanted land is not legally accepted as mortgage by banks or cooperatives. So the poor marginal and small farmers are automatically screened out as potential beneficiaries of formal credit agencies (Swain, 2001). They not only suffer due to lack of their economic power, but also humiliated due to not having political influence. As a result, they fail to avail the benefits of a large numbers of developmental programmes those are specifically meant for them. Higher strata of the society are able to siphon off the resources originally meant for the poorer section. The only alternative left for the landless and marginal farmers is to repeatedly visit the moneylenders' doorstep to get the linked loans at exorbitant interest rates accepting large-scale exploitation.

1. Agricultural Credit: Discernible Trends

In India a multi-agency approach comprising co-operative banks, scheduled commercial banks and RRBs has been followed for purveying credit to agricultural sector. The policy of agricultural credit is guided mainly by the considerations of ensuring adequate and timely availability of credit at reasonable rates through the expansion of institutional framework, its outreach and scale as also by way of directed lending. Over time, spectacular progress has been achieved in terms of the scale and outreach of institutional framework for agricultural credit. Some of the major discernible trends are as follows:

Over time the public sector banks have made commendable progress in terms of putting in place a wide banking network, particularly in the aftermath of nationalization of banks. The number of offices of public sector banks increased rapidly from 8,262 in June 1969 to 68,355 by March 2005.

he share of institutional credit, which was little over 7 per cent in 1951, increased manifold to 68 per cent in 2010, reflecting concomitantly a remarkable decline in the share of non institutional credit from around 93 per cent to about 30 per cent during the same period. However, the latest NSSO Survey reveals that the share of non-institutional credit has taken a reverse swing which is a cause of concern (Table

Table 1: Relative Share of Borrowing of Cultivator Households from Different Sources

Sources	1951	1961	1971	1981	1991	2002	2010
1	2	3	4	5	6	7	8
Non-Instructional of which	92.7	91.3	68.3	36.8	30.6	38.9	29.7
Money Lenders	69.7	49.2	36.1	16.1	17.5	26.8	21.9
Institutional of which	7.3	18.7	31.7	63.2	66.3	61.3	68.8
Cooperative Societies/Banks	3.3	2.6	22.0	29.8	23.6	30.2	24.9
Commercial Banks	0.9	0.6	2.4	28.8	35.2	26.3	25.1
Unspecified	-	-	-	-	3.1	-	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: All India Debt and Investment Survey and NSSO.

Notwithstanding their wide network, co-operative banks, particularly since the1990s have lost their dominant position to commercial banks. The share of co-operative banks (22 per cent) during 2005-06 was less than half of what it was in1992-93 (62 per cent), while the share of commercial banks (33 to 68 per cent) including RRBs (5 to 10 per cent) almost doubled during the above period.

One of the major achievements in the post-independent India has been widening the spread of institutional machinery for credit and decline in the role of non- institutional sources, notwithstanding some reversal in the trend observed particularly in the 1990s.

The efforts to increase the flow of credit to agriculture seems to have yielded better results in the recent period as the total institutional credit to agriculture recorded a growth of around 23 per cent during 1995-96 to 2008-09 from little over14 per cent during 1991-92 to 2008-09. In terms of total credit to agriculture, the commercial banks recorded a considerable growth (from around 43 per cent to about 69 per cent), while cooperative banks registered a fall (over 52 per cent to over 18 per cent) during the above period. There is a considerable increase in RRBs from five percent to 13 per cent (Table 2).

Table 2: Institutional Credit to Agriculture (Rs.Crores)

Years	Institutions							
	Cooperative Banks	Share (%)	RRBs	Share(%)	Commercial Banks	Share(%)	Total	Percent Increase
1991-92	5,800	52	596	5	4,806	43	11,202	27
1992-93	9,378	62	831	5	4,960	33	15,169	35
1993-94	10,117	61	997	6	54000	33	16494	9
1994-95	9406	50	1083	6	8255	44	18,744	14
1995-96	10479	48	1381	6	10172	46	22032	18
1996-97	11944	45	1684	6	12783	48	26411	20
1997-98	14,085	44	2040	6	15831	50	31956	21
1998-99	15,916	43	2538	7	18441	50	36897	15
1999-00	18363	40	3172	7	24733	53	46268	25
2000-01	20801	39	4219	8	27807	53	46268	14
2001-02	23604	38	4854	8	33587	54	62045	17
2002-03	23716	34	6070	9	39774	57	69560	12
2003-04	26959	31	7581	9	52441	60	86981	44
2004-05	31424	25	12404	10	81481	65	125309	44
2005-06	39404	22	15223	8	125859	70	180486	49
2006-07	33987	24	15170	10	100999	67	150156	49
2007-08	35875	20	17987	10	128876	70	182738	51
2008-09	36165	19	19325	10	132761	71	188251	53
2009-10	32871	18	23984	13	121879	69	178734	--

Note: Commercial Banks and RRBs were clubbed together up to 1990-91.
Source: Economic Survey and NABARD various issues.

However, the growth of direct finance to agriculture and allied activities witnessed a decline in the 1990s (12 per cent) as compared to the 1980s (14 per cent) and1970s (around 16 per cent). Furthermore, a comparative analysis of direct credit to agriculture and allied activities during 1980s and since 1990s reveals the fact that the average share of long-term credit in the total direct finance has not only been much lower but has also decelerated (from over 38 per cent to around 36 per cent), which could have dampening effect on the agricultural investment for future growth process. The disaggregated picture as per size-wise distribution of credit reveals that the growth of direct finance to small and marginal farmers witnessed a marked deceleration from about 24 per cent in the 1980s to little over 13 per cent during the 1990s.

KEY CONCERNS IN CREDIT TO AGRICULTURE

1.Lack of adequate and timely credit to agriculture sector.
2.Small percentage of share in total outstanding loans in banking sector having by the small and marginal farmers.
3.High dependence of farmers on informal source of credit.
4.De growth of co-operative societies
5.Lack of special provision and in implementing policies towards agriculture.

SUGGESTIONS

1.There is need of restructuring the co-operative system to improve efficiency.
2.Increasing the amount of credit to agriculture sector with special provisions.
3.Need of innovative product design and implementation.
4.Special provision towards marginal and small farmers who having majority share in total land holding operations.
5.Extending the credit disbursement at gross root level to reduce dependence of farmers on informal sector.
6.Effective implementation of crop insurance schemes and KCCS.
7.Extending SHGs-Bank linkage programmes widely.

CONCLUSION

An assessment of agriculture credit situation brings out the fact that the fact that the credit delivery to the agriculture sector continues to be inadequate despite the rapid growth banking sector since its nationalization. The situation calls for concerted efforts to augment the flow of credit to agriculture through exploring new innovations in product design and methods of delivery and better use of technology. There is need of concrete efforts in spreading formal institutional credit to the agriculture sector in order to protect the farmer and achieving the targeted growth rate in agriculture. Special credit provision policies can helps to overcome the problem of agrarian crisis in India.

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