



Effective Utilization of Banking Credit: A bird's eye view

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Abstract: *India is an agricultural country and it plays a significant role in the development of our economy. Approximately two third of the Indian Population is depend on agriculture sector. According to the data released by National Sample Survey (NSS) reflects that about 65 to 70 per cent of all agricultural holdings belonged to the smaller size groups of families. These small and marginal farmers required credit facility. Agricultural credit appears to be an essential input to take the advantage of modern technology in agriculture sector for enhancing productivity. That is the reason credit has been taking a crucial role in designing strategies for the development of agriculture. This paper put emphasis on proper planning for effective utilization of credit facilities.*

Keywords: *Agriculture, Significant, Economy, Farmers, Crucial*

I. INTRODUCTION

India is an agricultural country and it plays a significant role in the development of our economy. Approximately two third of the Indian Population is depend on agriculture sector. Agriculture boosting economic growth whether it is a developed country, developing or, under developed nation. Genetic development of seed with 'green stain' has indicated a new revaluation in agriculture across the globe. Since India ranks second in terms of population, agricultural development is necessary to feed increasing population. Extensive and intensive is two directions for agricultural sector to be improved. Since total cultivated geographical area is fixed and it is not possible to increase that area. Whether the development is intensive or extensive investment on agriculture must increase to cope up with increasing demand for food. However, small and marginal farmers are not rich enough to invest money in agriculture for its improvement. These small and marginal farmers have only option is credit facilities. According to the data released by National Sample Survey (NSS) reflects that about 65 to 70 per cent of all agricultural holdings belonged to the smaller size groups of families.

"In these predominantly rural economies the key to alleviating poverty is to accelerate the growth of agricultural incomes, because of the majority of the population and of the poor live in rural areas and earn incomes directly linked to the growth of agriculture. The growth of nonfarm incomes in rural areas.... Also depends on the pace of agricultural growth". - The World Bank

Agricultural credit appears to be an essential input to take the advantage of modern technology in agriculture sector for enhancing productivity. For last three decades it is seen that small and marginal farmers have been taking the advantage of credit for their survival and big farmers are using the same for enhancing their income and profit. That is the reason credit has been taking a crucial role in designing strategies for the development of agriculture. The importance of farm credit as an important input to agriculture is reinforced by the unique role in poverty alleviation. Misuse of credit is not restrained to agricultural sector alone. It is also prevailing in Industrial areas on large scale basis. Misuse and mis-management of credit casuses sickness in the industries. "Most of the loan amount was actually received by the middlemen and in all probability shared by the branch manager and some others, without benefiting any poor people for whom such loans were sanctioned. A good programme was thus maltreated and frustrated due to lack of proper check and control".

Proper identification of the needy small and marginal farmers is a difficult task, but it is possible if the credit advancing agencies puts sincere effort. Then the basis for distribution may be 'Farmer's Pass Book' or 'Farmers Credit Card'. The planning process must reach the village on a reasonable ground. The service approach must be adopted by credit advancing agencies. There must be commitment on the part of the officers towards the beneficiaries. Financial aid helps the small and marginal farmers to use it and enhance the agriculture produce. Giving credit or providing other facilities to the right or needy people is a biggest achievement. But, financed credit should be used for the purpose for which it is sanctioned and should increase agricultural production.



The Pass-Book or Credit Card facility enable the small and marginal farmers to purchase fertilizers, seeds, pesticides and other inputs on credit basis from the vendors. But where to use these pass book and credit card, with Private dealers or with Public distribution. Both have their major demerits and merits. Ultimately in a welfare state public distribution system has to be evolved. As alternative farmers co-operatives may take up the job. But over politicalisation has to be checked. Any credit system works under politico-socio-economic set-up. First of all social set-up has to be geared up towards new values of life and goals of new credit programme. Proper human relationship between planner-administrator banking personnel and farmer is a pre-request to effective implementation of welfare programmes in general and distribution of agricultural credit in particular. As a part of credit Management aspect the officers must be considerate and friendly towards small and marginal farmers. A friendly advice to the farmers is how to use, when to use, and need to repay the credit goes a long way. If peasants are properly educated about the need to pay back credit so that it will be a feedback, the whole system of credit management will be a grand success. Recycling of funds is a must for development of agriculture sector.

Often total 'write off' of credits is not a very sound proposition since it weakens the vary credit advancing structure. Legal actions should be initiated against willful defaulters. Case-by-case analysis of chronic over-dues may help to identify willful defaulters. Further such analysis helps to exempt the really poor people and people affected by natural hazards. A clear strategy to compensate for the overwhelming role played by nature is to be worked out. A recent proposal of the center to have National Agricultural Credit Relief Fund (NACRF) to provide financial aid to farmers who are affected by successive natural calamities like drought and flood. However, the modus operand must be so drawn such that the plan benefit reaches the needy people in time.

The studies undertaken by various agencies thoroughly testify that the main reason for mounting over dues is 'willful default' of the dominant section in the society. The other factors contributing include 'political pressure', natural calamities, deficiency in loaning policies, including untimely disbursement of credit, unrealistic schedule of loan repayment, lack of effective supervision and failure of linking credit to marketing.

II. RESULTS AND DISCUSSION

The Kisan Credit Card (KCC) scheme introduced in August 1998 has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The scheme is under implementation in the entire country by the vast institutional credit framework involving commercial banks, RRBs and Co-operatives and has received wide acceptability amongst bankers and farmers. The scheme was revised in 2012 to make room for ATM enabled debit card, operation through wider delivery channels including mobile handsets, inbuilt cost escalation for assessing limits, wider coverage under crop loans, etc. As per the data available, during 2013-14 (upto August 2013), 10.78 lakh KCCs were issued by co-operative banks and the amount outstanding was 3,124.51 crore. During the same period, RRBs had issued 7.83 lakh KCCs with outstanding amount of 6,184.50 crore. The cumulative number of operative KCCs issued by co-operative banks and RRBs upto August 2013 was 357.65 lakh and 105.79 lakh, respectively. The amount outstanding was Rs. 96,732.14 crore and Rs. 55,864.71 crore, respectively, for the above two agencies.

The share of the co-operative banks, with regard to credit disbursement since from 1991 (51.78%) have lost their dominant position to 15.69 per cent in 2010-11, whereas the share of commercial banks roses from 42.90 per cent in 1991-92 to 74.47 per cent in 2010-11. But there is no much change in the share of the Regional Rural Banks during the period 1991-92 to 2010-11.

III. MAJOR CONCERNS IN AGRICULTURAL CREDIT

SMALL OPERATIONAL LAND HOLDING:

Agriculture Census (2010-11), out of 138 million farming holdings in the country, 117 million is small and marginal holdings. From 62 per cent in 1960-61, small and marginal landholdings constitute around 85 per cent of total number of land holdings and hold nearly 44 per cent of the cultivated area. The average size of operational land holding stood at 1.16 ha. Posing challenge to the viability of agriculture. Aggregation/ collectivisation seem to be the plausible solutions to this challenge. Aggregation is relevant for production as well as marketing as it reduces transaction costs for availing services/inputs and also enables the producers to negotiate for better prices. Co-operative farming, collective farming, producers organisations, joint liability groups (JLGs), leasing out land or contract farming are some possible ways of aggregation. Leasing out land to individuals/tenants on a long-term basis with an unequivocal legal undertaking that the tenant would acquire no right on land can be contemplated as a long term solution. This will give comfort to the owners and the same will help in tenants getting the necessary support services which will ultimately increase the income generated out of agriculture.

SLOW OFF-TAKE OF INVESTMENT CREDIT:



Flow of credit has increased impressively over the last thirteen years (2000-01 to 2012-13), especially after the ‘doubling period’ (2004-07), showing more than 10 fold increase (Chart 1.4). Around `34 lakh crore have been disbursed during the 13 years. As per 12th Five Year Plan Estimates, `35 to `42 lakh crore are expected to be invested during the plan period. Clearly, agriculture credit has emerged as a major strategy for accelerating investments in agriculture. Even though credit flow has increased over the years, the long term credit in agriculture or investment credit has showed a declining trend over the years. The share of long term credit in overall ground level credit flow reduced from 40 per cent in 2006-07 to 22 per cent in 2012-13 (Chart 1.5). Since investment credit is the major driver of private sector capital formation in agriculture, the persistent decline in its share raises concern about the agricultural production and productivity.

IV. SUGGESTIONS

To provide the credit to needy small and marginal farmers proper credit system should be implemented. Proper assessment of need for loan, Timely disbursement, Efficient supervision whether the loan is properly used, Proper assessment of product for which loan is distributed, Produce based and market linked credit recovery. In the absence of insurance for crop failure due to reasons beyond the control of farmer, may not able to repay the loan. Pressuring for repayment leads to further complications to him. In the credit structure it here must be an inbuilt system to take care of these relief measures which should come to operation automatically. But once credit is linked with marketing of produce then there will be some more problems which need careful consideration and realistic planning.

There can be two ways of organizing the marketing first is commodity marketing boards, secondly providing a common marketing centre. Already there are commodity marketing boards for certain commodities. Under this scheme almost all important crops must be covered. Proper financing, planning management of these boards must be built up. Secondly for marketing vegetables and other miscellaneous commodities common market centre’s are to be established with all basic infrastructural facilities. These centres must be organized at mandal level and if possible in one or two places in mandal area. People should be specially trained to manage these centres in respected areas. In regional development studies the concept of small market towns is an important programme.

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