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AGRICULTURE FINANCE IN INDIA – ISSUES & FUTURE PERSPECTIVES

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ABSTRACT

The paper is aimed at highlighting the scope to strengthen Agriculture Finance system for the comprehensive growth of agriculture, food security and rural development. The scope of Agriculture Finance was limited to increase productivity by introduction of high yielding seeds, use of chemical fertilizers and pesticides, and making availability of institutionalized credit for purchasing the preceding inputs. Agriculture Finance till today was addressing institutionalization of credit at farmers' level in marketing, trade, processing and agribusiness.

The study reveals that; though the institutional credit in India to agriculture sector is increased in quantum, serious efforts are required to provide it to the right kind of people, at right time, on right places and in right quantity; that boost Indian agriculture sector in a right way.

KEYWORDS: Agriculture Finance, Credit Policy, Poverty, Rural Development

INTRODUCTION

The rural finance in India begins in 19th century. It is basically concern with providing agricultural finance to the farmers of India. Though the Agriculture Finance commenced in the 19th century, it's still not reaches on its pinnacle even in the 21st century. The history pays close attention to the positive and negative changes in the Agricultural Finance in India. Agriculture Finance was begin in the colonial period. The problems faced by farmers reveal a remarkable continuity from this situation through the period under study. Dependence on local money lenders creates exploitative environment which affects badly to the rural poor farmers.

The growth of cooperative credit society also could not help poor farmers to come out of the situation. The era of nationalized banks in 1969 documents positive impact on rural finance provide access to Agriculture Finance to rural farmers. It worked as a foundation for growth of agriculture finance in India; under the nationalization programme. Post that microfinance sector also arise to address the crisis of agriculture finance through its different approaches of Microfinance Institutions (MFI) and Self-help Group-Bank Linkage (SBL) to make a positive impact on security and empowerment of farmers. Though these reforms have undoubtedly increased agriculture finance scenario in India, agriculture finance to the poor and India's backward regions, has been extremely adverse that leads to farmers to commit suicide.

Back Ground

Indian agriculture always dependent on Agriculture Finance provided with high interest rates. It creates serious problems of exploitation leading to farmers indebtness in a country. The problem was first addressed by the British government in early 1870s. Government has started providing credit in the form of Takkavi loans during the drought years.

The first step for institutionalization has begun with the cooperative societies act in 1904. According to the report of Maclagan Committee on Cooperation in 1915 a 3-tier cooperative credit structure has been established in all provinces. The Royal Commission on Agriculture in 1926-27 emphasized on access to rural credit. The Reserve Bank of India Act, 1934 also make provision for Agriculture Finance. As a first step towards rural institutionalized credit Reserve Bank of India has conducted different studies in 1936 and 1937 and found that major share of the credit required by the rural community was financed by the non-institutional.

Reserve bank of India has initiated several steps to provide institutionalized credit to the rural community. It has initiated a new structure to provide two types of time bound credits namely short term and loan term credit. After injecting several measures to increase Agriculture Finance in country, till 1951 the institutional credit stood at 4.2 per cent of total Agriculture Finance, of which 3.3 per cent contributed by cooperatives, and 0.9 per cent by commercial banks. According to the All India Rural Credit Survey (1954) Agriculture Finance fell short of the right quantity, right type, did not serve the right purpose and often failed to go to the right people.

Nationalization of banks promote commercial banks to extend Agriculture Finance. RBI is also insisting to provide 40 percent net bank credit towards priority sector with a sub sector target for agriculture with 18 percent (out of which 13.5 per cent for direct agriculture and 4.5 per cent for indirect agriculture). Lead Bank Scheme is also introduced for ground level planning to monitor and report the performance of agricultural sector. High credit is also required for the purchase of seeds, irrigation systems, fertilizers and chemical pesticides. Besides the cost of production has also raised drastically that focuses on requirement of Agriculture Finance policy in the country.

Institiutional Arrangements for Agriculture Credit:

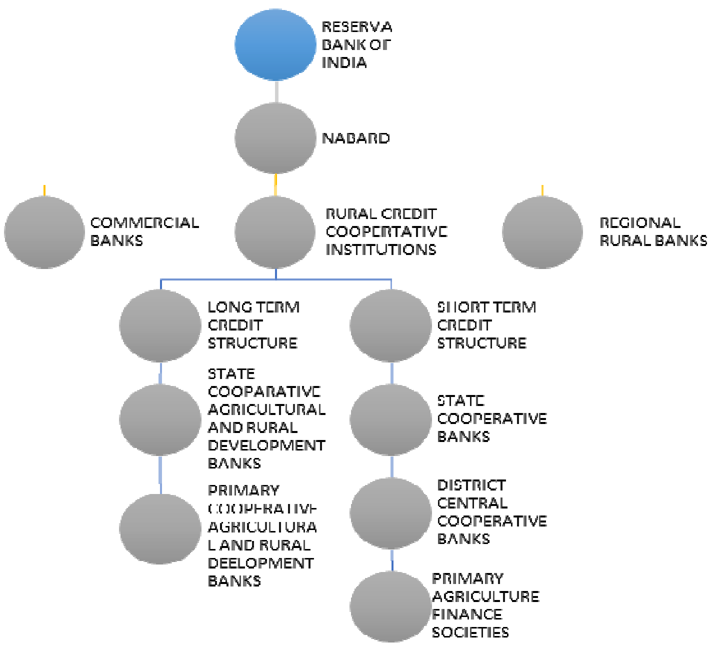

Figure 1: Institutional Arrangements

Agriculture Finance is channelized through multi-agency network consisting of Commercial Banks (CBs), Regional Rural Banks (RRBs) and Cooperatives. There are approximately 121225 million village level Primary Agriculture Finance Societies (PACS), 371 District Central Cooperative Banks (DCCBs) with 13327 branches and 31 State

Cooperative Banks (SCBs) with 1028 branches providing primarily short-term and medium term Agriculture Finance in the country. The long term cooperative structure consists of 19 State Cooperative Agriculture and Rural Development Banks (SCARDBs) and 755 Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) with 1219 branches and 689 branches respectively, which are catering to the requirement of investment credit. Besides, there are 45957 rural and semi-urban branches of Commercial Banks, 14462 branches of RRBs and more than 7 million micro finance institutions.

Agriculture Finance Policy

Government has implemented several measures to improve the accessibility of farmers to the institutional sources of credit. The objective of this policy measures is to provide required credit easily as and when required by the farmers. The policy focused on providing timely and adequate credit support to all farmers to enable them to adopt modern technology and improved agricultural practices to increase production. The policy also put emphasis on rationalization of procedure, ground level support and credit planning. The progress report card of the policy is shown below. It can be seen that during last three years the target established for providing institutional credit is not achieved due to procedural delays and less accuracy in implementation of policy measures.

Table 1: Amount Granted to Agriculture Sector

Year	Target (Rs. In Crores)	Achievement (Rs. In Crores)
2004-05	105000	125309
2005-06	141000	180486
2006-07	175000	229400
2007-08	225000	254658
2008-09	280000	287149
2009-10	325000	384514
2010-11	375000	468291
2011-12	475000	511029
2012-13	575000	308025
2013-14	700000	421365

Source: Reserve Bank of India

DIRECT INSTITUTIONAL CREDIT: Short Term and Long Term

Table 2: Direct Institutional Credit for Agriculture - Short Term

Year	Loans Issued (Rs. In Crores)			
	Co-Operatives	SCBs	RRBs	Total
2000-01	18556	10704	3095	32355
2001-02	21670	12661	3810	38141
2002-03	23629	16825	4834	45288
2003-04	29326	24143	6133	59593
2004-05	31887	29978	9883	71748
2005-06	35624	45644	12816	94084
2006-07	40796	65245	17031	123072
2007-08	47390	68243	20377	136010
2008-09	48022	107766	22851	178639
2009-10	61951	124646	30529	217126
2010-11	63231	146063	38560	259234
2011-12	66439	217897	47011	286790

Source: Reserve Bank of India

Table shows the amount of short term finance provided to agricultural activities during 2000-01 to 2011-12. It shows that the overall loans issued is increased from 32355 crores to 286790 from 2000-01 to 2011-12 respectively. The increase in loans issued amount to almost 900 percent during ten years. Even in each sub category the granted amount for agricultural purpose is also increased. The highest increase in reported in case of SCBs for agricultural purpose.

Table 3: Direct Institutional Credit for Agriculture - Long Term

Year	Loans Issued (Rs. In Crores)			
	Co-operatives	SCBs	RRBs	Total
2000-01	8739	5736	871	15346
2001-02	8899	5977	736	15612
2002-03	10411	8431	1045	19887
2003-04	10723	12069	1042	22834
2004-05	13122	18389	2043	33555
2005-06	12499	34955	2484	49938
2006-07	13223	50021	3198	66442
2007-08	10253	45229	3461	58943
2008-09	10765	52924	3648	67337
2009-10	12987	63607	4111	80705
2010-11	7235	76729	5405	89369
2011-12	7500	94980	6048	108528

Source: Reserve Bank of India

Above table shows the amount of long term finance provided to agricultural activities during 2000-01 to 2011-12. It shows that the overall loans issued is increased from 15346 crores to 108528 from 2000-01 to 2011-12 respectively. The increase in loans issued amount to almost 700 percent during ten years. In case of SCBs and RRBs the amount granted for agriculture purpose in increased during the study period. While in case of Co-operatives the amount is decreased during last couple of years. The highest increase in reported in case of SCBs for agricultural purpose.

DISCUSSIONS

It is seen from above tables that the amount issued in form of loans and advances to the agriculture sector is increased during last decade. In addition to that for increasing access of credit to the farmers of country, government has taken several initiatives. Government has also introduced Farm Credit Package, Interest Subvention to Farmers, Extensions of Interest subvention scheme to post harvest loans, Collateral free loans, Interest subvention for loan restructure in the drought affected states, Kisan Credit Card Scheme, Agriculture Debt Waiver, Debt Relief Scheme, etc. to provide Agriculture Finance. It can be also seen from above data that though the amount granted to agriculture sector is increased year on year the target for growth of agriculture is still not achieved after six decades of independence.

CONCLUSIONS

To strengthen the economy it is important to eliminate poverty, food insecurity and unemployment in India. This problem can be resolved by targeting Agriculture Finance issue. Since inception Agriculture Finance strategy was focused on addressing institutionalization of credit at farmers' level in marketing, trade, processing and agribusiness. The All India Rural Credit Survey (1954) has mentioned that Agriculture Finance in India fell short of the right quantity, right type, did not sever the right purpose and often failed to go to the right people. Though the amount granted to agricultural sector is increased since last couple of decade, the benefit of it reached to right people, on right time and in right quantity is a great matter of concern in India. Even today rural credit for infrastructural requirements for production, processing, marketing, distribution, utilization, trade with value added service required serious attention of government. The study reveals that though the institutional credit in India to agriculture sector is increased in quantum, but an effort has to be taken to provide it to the right kind of people, at right time, on right places and in right quantity, that boost Indian agriculture sector in a right direction.

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