
Agricultural Finance through commercial Banks in India

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Introduction

Agriculture is the largest and most important sector of the Indian economy. The prosperity of people in India is very much inter-related with progress in her agriculture in view of predominantly agrarian character of the economy. It accounts for about 18 percent of GDP and still about two third of the working population depends upon this sector for their livelihood. Any change in agriculture production and productivity creates spillover effects on other sector and all over growth rate of the economy. Agriculture development depends upon a number of factors-favorable monsoons, available of irrigation, high yielding seeds credit etc. however the adequate and timely availability of credit is the crucial factor which augmenting agriculture production and productivity.

In the colonial period the lack of institutional credit facilities persuaded the peasant to depend the money lender both for consumption and investment credit. The money lenders provided credit on the basis of the borrowing peasants. In most cases the money lenders giving loans was less than the actual value of mortgaged land. The beginning of the institutional finance for agriculture in India dates back to 1793, when the system of taccvi loans was introduced. The seeds of the co-operation in India were sown in 1904 when the first cooperatives societies act was passed. It enabled formation of agricultural credit cooperative in villages in India under government sponsorship. There was no alternative to cooperative at village level for the provision of agricultural credit. The rural credit survey committee in 1954 has made the historical statement, "the co-operative have failed, but the co-operation must succeed".

There after the land mortgage banks were set up to help the farmers by providing long term loans to repay the old debts and loans to money ledgers. During the period of green revolution it was found the co-operatives alone would not be able to meet the full requirement of agricultural credit. It resulted into the nationalization of the 14 major commercial banks in july 1969 to meet the requirement of the priority sector of the economy. They opened their branches in rural area to provide credit to agricultural sector. The number of rural branches of commercial banks had increased from 1890 in 1969 to 35396 in 1994, but later on it declined to 31667 in 2009 and 101261 increasing bank's branches in 2012. Rural regional banks (1975) were set up to focus exclusively the financial need of the weaker section of the rural society i.e. small and marginal farmers. Rural Regional banks were expected to constitute low cost banking system with local feel and a high degree of efficiency with the commercial banks which not only contributed to their share capital but also provided key man power and guidance. In 1982 NABARD was set up for providing and regulating credit and other facilities for the promotion and development of agricultural and allied activities in rural area.

❖ Need For Agricultural Credit

Credit is the key factor to accelerate agricultural development in a developing country like India. The credit needs of the farmers are of three kinds.

1. Farmers need Short-term credit to finance agricultural operations like purchase of seeds, pesticides and fertilizers.
2. Farmers need medium term credit for purchase of ploughs, agricultural equipments, tractors and other implements to cultivate their lands with the help of modern implements.
3. Farmers need credit for long term agricultural development such as improvement of land, construction of boundaries and horticulture.

United Nations publication has stressed the need for credit for earners when it observed "Most of the world's farmer has to borrow at some, many of them heavily. To raise agricultural production, they will have to borrow still more. And more is almost always needed where there is distribution of the rights on the land. It is thus in the interest of agriculture and general progress, the credit shall be available to farmers in adequate amount and at appropriate costs". Prof. John D Black has very rightly sated, if we are all concerned about increasing total agricultural output in the shorter time, we must provide credit first and foremost. This will enable them to buy more labour saving equipments, more

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seeds and fertilizers and wells as well as other channels of irrigation and purchases of land. Farmers also need loan for non-agricultural purpose such as repayment of old debts, building and repairing of houses, acquisition of consumer durables, payment of land revenue and meeting expenditure on social customs and litigations. The most important factor regarding development of Indian agriculture is non-availability of adequate, timely and cheap finance needed by agriculturists for the purchase of farm inputs and tools. With the introduction of modern technology in agriculture, credit plays a vital role. Before the advent of planning era in 1951, agriculture credit was largely provided by informal channels such as money-lenders, traders, relatives and friends.

Research Methodology:-

This study is conducted mainly on the basis of the secondary data. We have collected the required secondary data from the central Government Publications and various Annual Reports of Reserve Bank of India, Mumbai. The time period of the present study is from 2000-01 to 2011-12. For the analysis of the data we have used the required statistical techniques like ratio, percentage, average etc.

Agricultural Credit through commercial Banks:-

We have tried to find out whether commercial banks have succeeded in achieving the 18 percent target of agricultural credit from 1999-91 to 2008-09 and especially after the initiation of second economic reforms i.e. after 2000. We have also tried to find out the trends in agricultural credit through commercial banks and the share of commercial banks in institutional agricultural credit in India during the study period.

Trends in Commercial banks credit

Year	No. of branches	Total Bank credit(crores)	Direct Agricultural Credit(crores)	Indirect Agricultural Credit(crores)	Total Agricultural Credit(crores)	Percentage of Agricultural Credit to total credit
2000-01	65919	511434	16440	3967	20407	4.00
2001-02	66190	589723	18638	7990	26628	4.52
2002-03	66535	729215	25256	6261	31517	4.32
2003-04	67188	840785	36203	8936	45139	5.37
2004-05	68355	1100428	48367	21728	70095	6.37
2005-06	69471	1507077	80599	27751	108350	7.19
2006-07	71839	1931189	115266	38766	154032	7.98
2007-08	76050	2361914	113472	40278	113750	6.51
2008-09	80547	2775549	1245541	41254	124563	6.81
2009-10	85432	2854692	1298653	42516	132546	6.90
2010-11	94019	2986543	1365429	43652	145263	7.00
2011-12	101261	3154680	1452367	44582	152462	7.51
2012-13	110265	31658492	1498654	54216	165421	7.90

Source: - www.rbi.in

The table no.01 shows that the commercial banks total agricultural credit has increased considerably in India during the period under study. Number of branches of commercial banks has also increased during the study period. During 2000-01, total number of commercial banks was 65919, which increased to 101261 in 2011-12. Total credit of commercial banks has also increased from Rs. 511434 cr. During 2000-01 to Rs. 2361914 cr. 2007-08. There after total credit of commercial banks has considerably a bank has considerably increased to during 2011-12. During the same period total agricultural credit of commercial banks has also considerably increased. It was Rs. 20407 cr. During 2000-01, this increased. During 2011-12. Thus it can be found from the table no. 01 that commercial banks have failed in achieving the 18 percent target of agricultural credit during the period under study. Percentage of agricultural credit to total credit of commercial banks was observed to be 4.00 during 2000-01. Thereafter percentage of commercial banks agricultural credit to total credit has increased; it increased to 7.98 percent during 2006-07 and 7.98 percent during 2011-12. Percentage of commercial banks agricultural to total credit was observed to be highest during the period 7.90

Conclusion

The study of the trends in commercial banks during the 2000-01 to 2011-12 has shown that total credit and agricultural credit of commercial banks have considerably increased during the period under study. But it has failed in achieving the 18 percent target of agricultural credit during the period under study. Though it has shown increasing trend after the initiation of second Economic Reforms, it was observed that percentage of agricultural credit in total credit of commercial banks has remained very low throughout the period. It was also observed that the share of commercial banks agriculture credit in total instructional agricultural credit has significantly increased in India during the study period.

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