

Institutional Credit to Agriculture in India

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Abstract: - Agriculture credit has been conceived to play an important role in agricultural development of India large number of institutional agencies are involved in the disbursement of credit to agriculture. However, the persistence of money lenders in the rural credit market is still a major concern. In this backdrop, the present study aims at to assess the quantum of loans issued by institutional agencies i.e. co-operatives, Scheduled Commercial Banks and regional rural banks to agriculture in India. The highest increase in loans issued was found in the case of Scheduled Commercial Banks i.e from 36.11% in 1982-83 to 73.47% in, 2015-16 while in the case of Co-operatives the amount of finance decreased from 59.83% in 1982-83 to 16.83%, in 2015-16. The total direct advances to agriculture and outstanding by scheduled commercial banks shown gradual increased.

Keywords: - short term credit, medium term credit, long-term credit, scheduled commercial banks, co-operatives, agriculture credit.

I. INTRODUCTION

Agriculture is the backbone of Indian economy. The prosperity of the country depends up on the agriculture sector. It plays a strategic role in the economic life of the Indian society. Agriculture contributes one-third of the national income. Agriculture sector. It provides employment to 67 percent of the work forces. It Plays a decisive role in economic development and planning and provides numerous to the industrial and service sector.

The requirement of finance in the agricultural sector is more very few farmers will have capital of their own to invest in agriculture. Therefore, a need arises to provide credit to all those farmers who require it. Even if we look into the expenditure pattern of the farmer families, they have hardly any savings to fall back on. Therefore, credit enables the farmer to advantageously use seeds, fertilizers, irrigation, machinery, etc. farmers has to invariably search for a source, which supplies adequate farm credit.

At the time of independence the most important source of agricultural credit was the money lenders. In 1951 the year of initiation of planning in the country, money lenders accounted for as much as 71.6 per cent of the rural credit. This predominant position of the money lenders was due to the lack of any worth while alternative source of credit for the farmers. Farmers were therefore forced to barrow from them. The dependence of the farmers on the money lenders, enabled them

to dictate terms and exploit the farmers in a numbers of ways like money lenders charged exorbitant rates of interest ranging from 18-50 per cent or even more, they often manipulated accounts to their advantage by not entering the money returns and interest paid in to the account, they also forced the farmers to sell the agricultural produce to them at lower prices.

The govt. of independent India took various measures to help the farmers to meet the needs of agricultural farmers such as; Nationalization of 14 major commercial banks in 1969 followed by 6 more banks in 1980, Establishment of regional rural bank in 1975, setting up of the national bank for agriculture and rural development (NABARD) in 1982.

II. TYPES OF AGRICULTURE CREDIT

The source of agriculture finance can be divided into two categories Institutional finance and non-institutional finance. The Institutional finance consists of co-operatives, scheduled commercial banks and regional rural banks, non-institutional finance consists of moneylenders, traders and commission agents, relatives and landlords.

Considering the period and purpose of the credit requirement of the farmers of the country, agricultural credit in India can be classified into major types

Short term credit: Indian farmers require credit to meet their short term needs viz., purchasing seeds, fertilizers, paying wages to hired workers etc. for a period of less than 15 months. Such loans are generally repaid after harvest.

Medium term credit: This type of credit includes credit requirement of farmers for medium period ranging between 15 months and 5 years and it is required for purchasing cattle, pumping sets, other agriculture implements etc. medium term credits are normally larger in size than short term credit.

Long term credit: Farmers also need finance for a long period of more than 5 years just for the purpose of buying additional land or for making any permanent improvement on land like sinking of wells reclamation of land, horticulture etc. thus the long term credit requires sufficient time for the repayment of such loan.

III. OBJECTIVES OF THE STUDY

This study is undertaken

- (i) To assess the quantum of loans issued and outstanding by institutional agencies in India.
- (ii) To examine the progress of co-operatives, Scheduled Commercial Banks and Regional Rural Banks in supplying agricultural credit in India.

Different institutions in India played very important role in financing agricultural sector in India. For the purpose of study only secondary data are taken for the period from 1982-83 to 2015-16.

IV. METHODOLOGY

This study was mainly focused on progress on institutional credit to agricultural sector in India. The time series data on institutional credit in India to agricultural sector was collected from the following published sources. Handbook of Statistics on the Indian economy published by Reserve Bank of India, Report on trend and progress of banking in India.

Like all other producers, the farmers also require credit support as the hangman's rope supports the hanged **. That agriculturist cannot carry on his business without outside finance is a fact proved by history and evidenced by the poverty and indebtedness of the persons engaged in the business of agriculture. Agriculture credit is an essential input for augmenting agricultural productions and helping the poverty stricken farmers of India in meeting their investment requirement.

Table 1. Shows the issue of agricultural loans by cooperative banks, scheduled commercial banks and Regional Rural Banks. The direct short term institutional credit for agriculture and allied activities during 1982-83 to 2015-16. A look at the table reveals that the direct loans issued increased gradually from Rs

2759 crores in 1982-83 to Rs 745651 crores in 2015-16. As for as the loans outstanding was concerned. The loans outstanding increased from Rs 3685 crores in 1982-83 to Rs 820287 crores in 2015-16.

Table-2 shows the data on direct long term institutional credit for agriculture and allied activities during 1982-83 to 2015-16. The direct loans issued increased from Rs 1593 crores in 1982-83 to Rs 252880 crores in 2015-16. As for as the loans outstanding were concerned, the loans outstanding grown from Rs 5995 crores in 1982-83 to Rs 357143 crores in 2015-16.

Table-3 presents the data on short term and long term direct agriculture credit for agriculture and allied activities during 1982-83 to 2015-16. The direct loans issued increased from Rs 4164 crores in 1982-83 to Rs 915509 crores in 2015-16. As for as the loans outstanding was concerned, the loans outstanding were increased from Rs 9680 crores in 1982-83 to Rs 1104362 crores in 2015-16.

Table-4. Shows the data comparison of the direct institutional credit for agriculture and allied activities and loan out standings during 1982-83 to 2015-16. The direct loans issued by schedule commercial Banks was increased from 29.42% in 1982-83 to 70.23% in 2015-16. Loan extended by Regional Rural Banks were increased from 5.33% in 1982-83 to 13.03% in 2015-16 and co-operatives loans decreased from 62.25% in 1982-83 to 16.74% in 2015-16.

As for as the loans outstanding was concerned, the schedule commercial banks increased loan outstanding from 42.80% in 1981-82 to 73.78% in 2015-16, the regional rural banks increased loan outstanding from 3.95% in 1982-83 to 12.08% in 2015-16, the co-operatives loans decreased loan outstanding from 53.25% in 1982-83 to 14.14% in 2015-16.

Table -1

Direct institutional credit for agriculture and allied activities(short-term). (Rs in Crores)

| year | Loans issued | | | | Loan outstanding | | | |
|---------|--------------|------|-----|-------|------------------|------|------|-------|
| | CO-OPs | SCBs | RBs | Total | CO-OPs | SCBs | RRBs | Total |
| 1982-83 | 1908 | 565 | 098 | 2759 | 2225 | 1351 | 109 | 3685 |
| 1983-84 | 2158 | 872 | 120 | 3335 | 2554 | 1638 | 147 | 4339 |
| 1984-85 | 2323 | 1035 | 132 | 3731 | 2836 | 1964 | 206 | 5006 |
| 1985-86 | 2747 | 1252 | 176 | 4529 | 3237 | 2355 | 265 | 5858 |
| 1986-87 | 2620 | 1482 | 201 | 4512 | 3293 | 2619 | 324 | 6236 |
| 1987-88 | 3120 | 1672 | 246 | 5516 | 3871 | 3071 | 400 | 7342 |
| 1988-89 | 3594 | 1765 | 250 | 5884 | 4668 | 3414 | 479 | 8561 |
| 1989-90 | 3974 | 1898 | 336 | 6499 | 4948 | 4005 | 575 | 9527 |
| 1990-91 | 3448 | 2048 | 125 | 5979 | 5178 | 4235 | 590 | 10002 |
| 1991-92 | 3934 | 2341 | 337 | 6611 | 5110 | 4631 | 679 | 10419 |
| 1992-93 | 4394 | 2432 | 451 | 7665 | 5900 | 4988 | 799 | 11687 |

| | | | | | | | | |
|---------|--------|--------|-------|--------|--------|--------|-------|--------|
| 1993-94 | 6039 | 2860 | 476 | 9752 | 6640 | 5425 | 887 | 12952 |
| 1994-95 | 6996 | 3842 | 688 | 11932 | 7091 | 6154 | 1115 | 14361 |
| 1995-96 | 9243 | 4628 | 849 | 15273 | 9312 | 7173 | 1308 | 17793 |
| 1996-97 | 9489 | 5625 | 1174 | 16956 | 9618 | 8766 | 1625 | 20009 |
| 1997-98 | 10084 | 6233 | 1457 | 18632 | 10060 | 9522 | 1914 | 21469 |
| 1998-99 | 10698 | 7742 | 1750 | 20610 | 10462 | 10821 | 2238 | 23521 |
| 1999-00 | 17255 | 9505 | 2285 | 29045 | 16241 | 12610 | 2808 | 31659 |
| 2000-01 | 18556 | 10704 | 3095 | 32355 | 18168 | 15442 | 3692 | 37302 |
| 2001-02 | 21670 | 12661 | 3810 | 38141 | 21540 | 18882 | 4812 | 45234 |
| 2002-03 | 23629 | 16825 | 4834 | 45288 | 24518 | 23211 | 6495 | 54224 |
| 2003-04 | 29326 | 24134 | 6133 | 59593 | 30808 | 31982 | 7664 | 70454 |
| 2004-05 | 31887 | 29978 | 9883 | 71748 | 32481 | 42798 | 10980 | 86259 |
| 2005-06 | 35624 | 45644 | 12816 | 94084 | 34140 | 59971 | 13877 | 107988 |
| 2006-07 | 40796 | 65245 | 17031 | 123072 | 37764 | 76006 | 18707 | 132477 |
| 2007-08 | 47390 | 68243 | 20377 | 136010 | 43696 | 96152 | 22748 | 162596 |
| 2008-09 | 48022 | 107766 | 22851 | 178639 | 45686 | 126285 | 26652 | 198623 |
| 2009-10 | 56946 | 124646 | 30529 | 212121 | 35717 | 167623 | 33663 | 237003 |
| 2010-11 | 69038 | 146063 | 38560 | 253661 | 49645 | 193262 | 40663 | 283570 |
| 2011-12 | 81829 | 217897 | 47011 | 346737 | 44517 | 269030 | 46580 | 360127 |
| 2012-13 | 102592 | 314951 | 57757 | 475300 | 76622 | 343425 | 55255 | 475302 |
| 2013-14 | 113574 | 364164 | 70646 | 548384 | 180764 | 333572 | 68267 | 582603 |
| 2014-15 | 199872 | 415736 | 84686 | 700294 | 189399 | 494920 | 82620 | 766939 |
| 2015-16 | 217571 | 429930 | 98150 | 745651 | 203190 | 520395 | 96702 | 820287 |

Sources: 1. Reserve bank of India
2 National bank for agriculture and rural development.

Table-2

Direct institutional credit for agriculture and allied activities (Long term). (Rs in Crores)

| year | Loans issued | | | | Loan outstanding | | | |
|---------|--------------|------|------|-------|------------------|-------|------|-------|
| | CO-OPs | SCBs | RRBs | Total | CO-OPs | SCBs | RRBs | Total |
| 1982-83 | 809 | 660 | 124 | 1593 | 2930 | 2792 | 273 | 5995 |
| 1983-84 | 780 | 986 | 143 | 1909 | 3180 | 3642 | 363 | 7185 |
| 1984-85 | 831 | 1426 | 178 | 2436 | 3531 | 4649 | 490 | 8670 |
| 1985-86 | 927 | 1477 | 226 | 2629 | 3710 | 6061 | 606 | 10377 |
| 1986-87 | 1081 | 1851 | 276 | 3208 | 2172 | 6736 | 737 | 11645 |
| 1987-88 | 1591 | 1854 | 237 | 3682 | 4476 | 8353 | 913 | 13742 |
| 1988-89 | 1279 | 2048 | 170 | 3497 | 4740 | 9426 | 1073 | 15239 |
| 1989-90 | 1433 | 2385 | 312 | 4129 | 5618 | 11279 | 1263 | 18160 |
| 1990-91 | 1372 | 2628 | 210 | 4209 | 5353 | 12797 | 1163 | 19313 |
| 1991-92 | 1863 | 2465 | 260 | 4588 | 7067 | 12351 | 1306 | 20723 |
| 1992-93 | 2089 | 2528 | 247 | 4864 | 7869 | 13300 | 1407 | 22576 |
| 1993-94 | 2445 | 2540 | 276 | 5261 | 8676 | 13688 | 1673 | 24037 |
| 1994-95 | 2879 | 3566 | 395 | 6841 | 9718 | 14766 | 1894 | 26378 |

| | | | | | | | | |
|---------|-------|--------|-------|--------|-------|--------|-------|--------|
| 1995-96 | 3240 | 4647 | 532 | 8419 | 9814 | 16255 | 2158 | 28227 |
| 1996-97 | 3765 | 5050 | 575 | 9389 | 10938 | 17561 | 2413 | 30911 |
| 1997-98 | 4075 | 5304 | 645 | 10007 | 11330 | 18924 | 2769 | 32950 |
| 1998-99 | 4401 | 6921 | 765 | 12087 | 11737 | 18998 | 3151 | 33886 |
| 1999-00 | 8423 | 6845 | 700 | 15968 | 25709 | 20832 | 3183 | 49724 |
| 2000-01 | 8739 | 5736 | 871 | 15346 | 27967 | 22828 | 3557 | 54352 |
| 2001-02 | 8899 | 5977 | 736 | 15612 | 30570 | 26224 | 3474 | 60268 |
| 2002-03 | 10411 | 8431 | 1045 | 19887 | 34546 | 30593 | 3766 | 68905 |
| 2003-04 | 10723 | 12069 | 1042 | 23834 | 40595 | 36121 | 4058 | 80774 |
| 2004-05 | 13122 | 18389 | 2043 | 33555 | 46341 | 52721 | 5730 | 104791 |
| 2005-06 | 12499 | 34955 | 2484 | 49938 | 48187 | 75632 | 7632 | 131451 |
| 2006-07 | 13223 | 50021 | 3198 | 66442 | 51679 | 93012 | 8745 | 153436 |
| 2007-08 | 10253 | 45229 | 3461 | 58943 | 21970 | 106644 | 10468 | 139036 |
| 2008-09 | 10765 | 52924 | 3648 | 67337 | 18359 | 129834 | 10715 | 158908 |
| 2009-10 | 6551 | 63607 | 4111 | 74269 | 24074 | 147813 | 12619 | 184506 |
| 2010-11 | 9083 | 76729 | 5405 | 91217 | 27029 | 164322 | 14404 | 205755 |
| 2011-12 | 6134 | 94980 | 6048 | 107162 | 28028 | 174268 | 17244 | 219540 |
| 2012-13 | 8611 | 117540 | 6892 | 133043 | 27579 | 169053 | 19406 | 216038 |
| 2013-14 | 6390 | 163342 | 7728 | 177460 | 33970 | 169960 | 22027 | 225957 |
| 2014-15 | 8119 | 188640 | 13151 | 209910 | 32763 | 219049 | 27742 | 279554 |
| 2015-16 | 9492 | 223024 | 20384 | 252880 | 26587 | 294446 | 36110 | 357143 |

Sources: 1. Reserve bank of India

2 National bank for agriculture and rural development.

Table-3

Direct institutional credit for agriculture and allied activities (short-term& Long-term) (Rs in Crores)

| year | Loans issued | | | | Loan outstanding | | | |
|---------|--------------|-------|------|-------|------------------|-------|------|-------|
| | CO-OPs | SCBs | RRBs | Total | CO-OPs | SCBs | RRBs | Total |
| 1982-83 | 2717 | 1225 | 222 | 4164 | 5155 | 4143 | 382 | 9680 |
| 1983-84 | 2938 | 1858 | 263 | 5059 | 5735 | 5280 | 509 | 11524 |
| 1984-85 | 3154 | 2461 | 310 | 5925 | 6367 | 6613 | 696 | 13676 |
| 1985-86 | 3674 | 2729 | 402 | 6805 | 6947 | 8416 | 871 | 16234 |
| 1986-87 | 3701 | 3332 | 477 | 7510 | 7465 | 9355 | 1061 | 17881 |
| 1987-88 | 4710 | 3526 | 483 | 8719 | 8347 | 11424 | 1313 | 21084 |
| 1988-89 | 4873 | 3813 | 420 | 9106 | 9408 | 12840 | 1552 | 23800 |
| 1989-90 | 5407 | 4282 | 647 | 10336 | 10566 | 15283 | 1838 | 27687 |
| 1990-91 | 4819 | 4676 | 335 | 9830 | 10531 | 17032 | 1753 | 29316 |
| 1991-92 | 5797 | 4806 | 596 | 11199 | 12176 | 16981 | 1984 | 31142 |
| 1992-93 | 6484 | 4960 | 698 | 12142 | 13769 | 18288 | 2206 | 34263 |
| 1993-94 | 8484 | 5400 | 752 | 14636 | 15316 | 19113 | 2560 | 36988 |
| 1994-95 | 9876 | 7408 | 1083 | 18367 | 16810 | 20920 | 3009 | 40738 |
| 1995-96 | 12483 | 9274 | 1381 | 23138 | 19126 | 23427 | 3467 | 46020 |
| 1996-97 | 13254 | 10675 | 1748 | 25677 | 20556 | 26327 | 4038 | 50921 |

| | | | | | | | | |
|---------|--------|--------|--------|--------|--------|--------|--------|---------|
| 1997-98 | 14159 | 11537 | 2103 | 27799 | 21390 | 28445 | 4683 | 54518 |
| 1998-99 | 15099 | 14663 | 2515 | 32277 | 22199 | 29819 | 5389 | 57408 |
| 1999-00 | 25678 | 16350 | 2985 | 45913 | 41950 | 33442 | 5991 | 81383 |
| 2000-01 | 27295 | 16440 | 3966 | 47701 | 46135 | 38270 | 7249 | 91654 |
| 2001-02 | 30569 | 18638 | 4546 | 53753 | 52110 | 45106 | 8286 | 105502 |
| 2002-03 | 34040 | 25256 | 5879 | 65175 | 59064 | 53804 | 10261 | 123129 |
| 2003-04 | 40049 | 36203 | 7175 | 83427 | 71403 | 68103 | 11721 | 151228 |
| 2004-05 | 45009 | 48367 | 11927 | 105303 | 78822 | 95519 | 16709 | 191050 |
| 2005-06 | 48121 | 80599 | 15300 | 144021 | 82327 | 135603 | 21510 | 239439 |
| 2006-07 | 54019 | 115266 | 20228 | 189513 | 89443 | 169018 | 27452 | 285913 |
| 2007-08 | 57643 | 113472 | 23838 | 194953 | 65666 | 202796 | 33216 | 301678 |
| 2008-09 | 58787 | 160690 | 26499 | 245976 | 64045 | 256119 | 37367 | 357531 |
| 2009-10 | 63497 | 188253 | 36440 | 286390 | 59791 | 315436 | 46282 | 421509 |
| 2010-11 | 78121 | 222792 | 43965 | 344878 | 76674 | 357584 | 55067 | 489325 |
| 2011-12 | 87963 | 312877 | 54450 | 453898 | 72545 | 443298 | 70384 | 579666 |
| 2012-13 | 111203 | 484499 | 63681 | 659383 | 119775 | 522478 | 79499 | 721752 |
| 2013-14 | 119963 | 527506 | 82653 | 730122 | 135245 | 503532 | 98206 | 736983 |
| 2014-15 | 138469 | 604376 | 102483 | 845328 | 154286 | 683969 | 112603 | 950858 |
| 2015-16 | 153295 | 642954 | 119260 | 915509 | 156120 | 814841 | 133401 | 1104362 |

Sources: 1. Reserve bank of India
2 National bank for agriculture and rural development.

Table-4

Direct institutional credit for agriculture and allied activities (1982-83.to2015-16) (Rs in Crores)

| year | Loans issued | | | | Loan outstanding | | | |
|--------|--------------|--------|---------|--------|------------------|--------|---------|--------|
| | 1982-83 | % | 2015-16 | % | 1982-83 | % | 2015-16 | % |
| CO-OPs | 2717 | 62.25 | 153295 | 16.74 | 5155 | 53.25 | 156120 | 14.14 |
| SCBs | 1225 | 29.42 | 642954 | 70.23 | 4143 | 42.80 | 814841 | 73.78 |
| RRBs | 222 | 5.33 | 119260 | 13.03 | 382 | 3.95 | 133401 | 12.08 |
| Total | 4164 | 100.00 | 915509 | 100.00 | 9680 | 100.00 | 1104362 | 100.00 |

Sources: 1. Reserve bank of India
2 National bank for agriculture and rural development

V. CONCLUSION

The institutional credit in India to agriculture sector has been increased in its quantum. Banks Should takes suitable measures to reduce its outstanding, so that the recovered institutional credit can be utilized for the growth of agriculture.

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