



## **Recent Development of Agricultural Finance in Indian scenario: An Overview**

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### **ABSTRACT**

*Agricultural finance plays a key role for Indian Agriculture development and Indian economy realizing the importance of agricultural credit in fostering agricultural growth and development, the emphasis on the institutional framework for agricultural credit is being emphasized since the beginning of planned development era in India. Before 70 year rural indebtedness and dependence on private moneylenders is an age-old problem in India. The central government and the Reserve bank of India have been making efforts to enhance institutional credit in rural areas particularly to assist in agricultural sector. In this paper have discusses the recent development in agricultural finance through institutional credit, past and present position, sources and dimension of agricultural finance and assesses its progress in India. The paper is based on the secondary data compiled from various sources and analyzed using descriptive statistical tools. In the findings of paper have discuss the two major sources of finance in agriculture are institutional and non-institutional sources. In 1950-51 non-institutionalized sources have 90% of total finance. Over the years, there has been a sharp decline in the percentage of agricultural credit of non-institutionalized sources from 90 per cent to 35 per cent in 2015. The quantum of Agricultural finance provided by banking system (commercial bank, Co-operative bank and regional Rural Bank) increased from Rs. increased from 15,364 crores in 2000-01 to 11,68,502 crores in 2017-18. The option of microfinance and Kisan Credit Card (KCC) have adopted and streamlined to alleviate the plight of the marginal, small, tribal farmers. Currently, there are 6.95 crore active KCCs, under which crops loans are given at a subsidised interest rate. The KCC has been extended to farmers involved in animal husbandry and fishery activities as well. The farmer have linked effectively to the Self Help Groups (SHGs) its find in study from 1992 to 2018 number of SHGs increased Frome 500 to 87.4 lakh in last 26 years*

**Keywords:** *Agricultural Finance, Institutional and Non-institutional sources, KCC, SHGs*

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### **INTRODUCTION**

Finance has been recognized as the life blood of all economic activities. Like all other producers and agriculturist also needs credit. According to an old proverb "Credit supports the farmers as the hangman's rope supports the hanged." This statement is fully true in the context of Indian farmers. Thus, for stimulating the tempo of agricultural production, an adequate and timely credit supply is an important determinant of investment in agriculture [1]. Since the nationalisation of commercial banks in 1969, India had strongly pursued a policy of "social and development banking" in the rural areas. As a result, formal institutions of credit provision, mainly commercial banks, emerged as important sources of finance to agriculture displacing usurious moneylenders and landlords. The policy of social and development banking was a supply-led policy; it aimed at augmenting the supply of credit to rural areas, and that too at an affordable interest rate [2-5]. As a result, if there were only 1443 rural branches of banks in 1969, there were 50,860 rural branches of banks by 2017. Government of India introduced the Kisan Credit Card scheme (KCC) scheme in 1998 as an innovative credit delivery mechanism to enable the farmers to meet their production credit requirements in a timely and hassle-free manner. Farmers also linked with the SHGs batter development of their livelihood. On the basis of strong Agricultural Financing structure Indian Agriculture occupies a key position in Indian economy. In the last few years, the Indian economy has emerged as one of the fastest growing economies in the world.

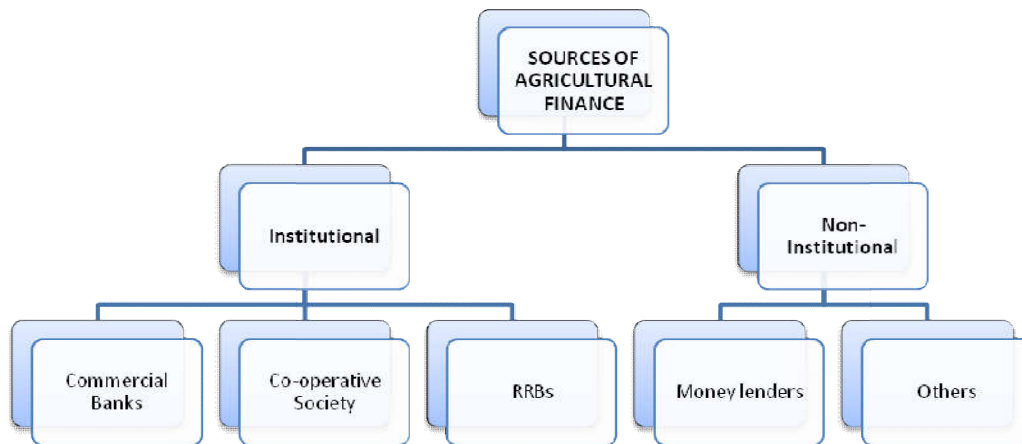
### Objectives of the Study

1. To study the Institutional structure and schemes for recent development of agriculture finance.
2. To study the current position of Institutional credit flow and growth in agriculture finance.

### MATERIAL AND METHODS

The study has been conducted mainly on the basis of secondary data and literature survey. Data have been found out from various journals, research papers, Annual reports, and Newspaper articles, R.B.I, NABARD annual report, Commercial Bank, Cooperative Banks and RRBs have been surveyed in making this study.

### SOURCES OF AGRICULTURAL FINANCE



The table 1 shows the contribution of these different sources to the total agricultural credit in India since 1951-52 to 2010-11. It is shown in the table that among all the different non-institutional sources the contribution of moneylenders was highest and that was to the extent of 90.7%. However, its contribution gradually came down to 49.2% in 1961-62 and then to 7% in 1996. Total contribution of non-institutional source towards agricultural credit has gradually declined from 92.9% in 1951-52 to 21.9% in 2010-11. The share of institutional sources to the total agricultural credit which was 7.3% in 1951-52 gradually increased to 18.70% in 1961-62 and then to 71% in 2010-11. Out of these institutional sources cooperatives contributed 24.90% and commercial banks contributed 43.1% of the total farm credit in 2010-11. Although the share of non-institutional sources in the rural areas decreased but still remained very important in supplying credit to the farmers.

**Table 1: Different sources to total agricultural credit in India since 1951-52 to 2010-11**  
(In Percentages)

Particular	1951-52	1961-62	1971-72	1981-82	1991-92	2001-02	2010-11
<b>A. Institutional</b>							
i. NBs	0.9	0.6	4.0	28.0	33.7	27.0	43.1
ii. CoSs	3.1	15.5	22.7	28.6	21.6	26.0	24.9
iii. RRBs	3.3	2.6	3.6	4.0	6.1	3.0	4.0
Sub Total	7.30	18.70	30.30	60.60	61.40	56.00	71.00
<b>B. Non- Institutional</b>							
i. Money lenders	90.9	67.4	68.4	38.8	32.7	41.0	21.9
ii. Other	1.8	13.9	1.3	0.6	5.9	3.0	6.1
Sub-total	93.70	81.3	69.7	39.40	38.60	44	29
Grant Total	100	100	100	100	100	100	100

NBs=Nationalise Banks; CoSs=Co-operative Societies, RRBs=Regional Rural Banks

Source: Report of the all India rural credit review committee 1969, RBI bulletin and NSSO Economic Survey

### Flow of institutional credit to agricultural and allied activities agency-wise in Rs. crore

In order to improve the flow of credit to the agricultural sector, the Reserve Bank had advised public sector banks to prepare Special Agricultural Credit Plans (SACP) in 1994-95. Under the SACP, the banks

are required to fix self-set targets for achievement during the year (April- March). The targets are generally fixed by the banks about 20 to 25 per cent higher over the disbursements made in the previous year. With the introduction of SACP, it is concluded in the table 2. the flow of credit to agricultural sector has increased significantly from Rs.1593 crore in 1975-76 to Rs.11,00,000 crore in 2018-19 which were 657 time higher than the previous year 1975-75.

**Table 2: flow of institutional credit to agricultural and allied activities agency-wise (in Rs crore)**

Particular	1975-76	1983-84	1993-94	2001-02	2010-11	2018-19
SCBs	405	1885	5400	33587	345877	792000
Co-op.Society	1186	2938	10117	23524	78121	165000
RRBs	02	263	977	4854	44293	143000
Total	1593	5086	16494	61965	468291	1100000

Source: NABARD; \*: Provisional; RRBs:Regional Rural Banks.

#### Estimated credit flow during last ten years is listed below

A comprehensive credit policy was announced by the Govt. of India containing measures for doubling agricultural credit flow in each five years to farmers at the growth rate of 17 % per year so that from last ten years credit flow increased from Rs.2,80,000 crore to 10,00,000 crore in the year 2008-2009 to 2017-2018 in last ten years The target of agriculture credit and actual credit flow is represents per year an average 110% of the targets from financial year 2008-09 to 2017-18 (Source: Annual Reports NABARD and Ministry of Agriculture, Cooperation and Farmers Welfare)

**Table 3: Targets and achievement of agriculture credit flow for the last ten years**

S. No.	Year	Target	Achievement	Target Credit flow growth	Achievement % of Target
1	2008-2009	280,000	301,908	24	107.83
2	2009-2010	325,000	384,514	16	118.32
3	2010-2011	375,000	446,779	15	119.15
4	2011-2012	475,000	476,550	27	100.33
5	2012-2013	575,000	607,375	21	105.60
6	2013-2014	700,000	7,23,225	22	103.40
7	2014-2015	800000	8,45,328	21	105.67
8	2015-2016	850000	915510	6.2	107.70
9	2016-2017	900000	1065756	5.8	118.42
10	2017-2018	1000000	1168503	11	116.85
Average Growth & Achievement % of Target				17 %	110.32

Source: Annual Report NABARD Annual Report RBI, and Year End Review 2018 Ministry of Agriculture, Cooperation and Farmers Welfare

#### Agency and purpose wise agriculture credit targets for 2018-19

To give higher thrust to capital formation in agriculture for improving production and productivity in agriculture sector, a sub target of 35% under Term loan, which works out to Rs.3,85,000 crore within the overall agriculture credit target of Rs.11,00,000/- crore has been fixed for the year 2018-19 and the Agency-wise, purpose-wise agriculture credit targets for 2018-19 is as under:-

**Table 4: Agency and purpose wise agriculture credit targets for 2018-19(Rs. in crore)**

Agency	Crop Loan	Term Loan	Total
Commercial Banks	4,63,000	3,29,000	7,92,000
Cooperative Banks	1,42,000	23,000	1,65,000
Regional Rural Banks	1,10,000	33,000	1,43,000
Total	7,15,000	3,85,000	11,00,000

Source: Annual Report NABARD Annual Report RBI, and Year End Review 2018 Ministry of Agriculture, Cooperation and Farmers Welfare

#### Agency-wise Kisan Credit Cards Issued

The Kisan Credit Card scheme aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs like to meet the short term credit requirements for cultivation of crops, Post-harvest expenses, Produce marketing loan and consumption requirements of farmer household. The scheme is

implemented by SCBs, RRBs and co-operative banks. It comprises both short-term crop loan and term loan components. The progress on the scheme for the last ten years is presented in the table 5.

Agency-wise distribution of total cards issued since last ten year till date suggests that about 61 per cent of cumulative KCCs have been issued by commercial banks followed by about 27.7 per cent by cooperative banks and 18.1 percent by Regional Rural Banks. In fact, the share of cooperative bank in total KCC issued has come down from as high as 27% in 2006-2007 to 12.7% during 2015-16 and that of commercial bank has gone up from 56.49% to 69.18% during the same period. It is find in the study high share of Commercial Banks (69.45%) as compared to RRBs (19.35%) and Cooperative Banks (12.18%) in total number of operative/ live KCC (as on 2015-16) indicates that despite the fact that the number of cards issued by cooperative bank is continuously declining and share of Commercial Banks (69.5%in 2015-16) number of operative/ live KCC is increasing [6-9].

**Table 5: Agency-wise Kisan Credit Cards Issued during the past ten years (In Lakh)**

Year	KCC Cards issued (lakhs)				% share in total no of cards issued		
	Coop	RRBs	Comm Banks	Total	Coop	RRBs	Comm Banks
2006-07	22.97	14.06	48.08	85.11	26.99	16.52	56.49
2007-08	20.91	17.73	46.06	84.7	24.69	20.93	54.38
2008-09	13.44	14.14	58.3	85.88	15.65	16.46	67.89
2009-10	17.5	19.5	53.1	90.1	19.42	21.64	58.93
2010-11	28.1	17.7	54.92	101.6	27.66	17.42	54.92
2011-12	29.95	19.96	68.04	117.54	25.18	16.93	57.89
2012-13	26.79	20.3	82.43	129.52	20.68	15.67	63.65
2013-14	26.89	21.35	76.39	124.63	21.63	17.13	61.29
2014-15	17.32	24.96	94.01	136.29	12.7	20.02	68.97
2015-16	15.19	22.36	84.29	121.84	12.46	18.35	69.18
Total	219.06	192.06	665.62	1077.21	207.06	181.07	613.59

Source: NABARD Report on Study on Implementation of Kisan Credit Card Scheme Des.2016

### SHGs Progress and their contribution in recent agricultural finance development

For the progress of marginal farmers, landless labourers, petty traders and rural artisans belonging to socially and economically backward classes and tribes whose propensity to save is limited or too small to be mopped up by the banks. For various reasons, credit to these sections of the population has not been institutionalized to the extent desired. To fulfil these desire NABARD launched a pilot project to cover Self-Help Groups (SHGs) promoted by Non-Governmental Organizations, banks and other agencies and supported it by way of refinance.

In November 1994, RBI constituted a Working Group comprising eminent NGO functionaries, academicians, consultants and bankers, under the Chairmanship of Shri S K Kalia, the then Managing Director, NABARD. The Working Group was of the view that linking of SHGs with banks is a cost effective, transparent and flexible approach to improve the accessibility of credit from the formal banking system to the unreached rural poor, which is expected to offer the much needed solution to the twin problems being faced by the banks, viz. recovery of loans in the rural areas and the high transaction costs in dealing with small borrowers at frequent intervals [10].

In this paper have present past two year progress of SHGs in the table 7 .It is concluded in this table that 19.1% number of SHGs indorses in 2017-18 and 21.7% amount. The saving crossed Rs.19592 crore an increased almost 21.6% over 2017, and NPA level have decline from 6.5 % as on march 2017 to 6.12 % as on march 2018. From 1992 to 2018 no of SHGs increased from 500 to 87.4 lakh in past 26 years also SBP touched over ten crore poor house hold of India .

**Table 6: SHGs Progress- through bank linkage programme [Amount in Rs. Crore]**

Particulars	2016-17		2017-18		% Change	
	Number of SHGs	Amount	Number of SHGs	Amount	Number of SHGs	Amount
Loans disbursed	1,898,120	38,781,	2261,132	47,186	19.1	21.7
Loans outstanding	4,848,287	61,581	5,020,358	75,598	3.5	22.8
Savings of SHGs with banks	8,576,875	16,114	8,744,437	19,592	1.9	21.6
NPA level %	6.50		6.12			
Average loan per SHG	2.04 lakh		2.09 lakh			

Source: Annual Report NABARD Annual Report RBI, and Year End Review 2018 Ministry of Agriculture, Cooperation and Farmers Welfare

## CONCLUSION

It is concluded in the study in 1950-51 non-institutionalized sources have 90% of total finance. Over the years, there has been a sharp decline in the percentage of agricultural credit of non-institutionalized sources from 90 per cent to 35 per cent in 2015. It is also found in the study the Govt. of India containing measures for doubling agricultural credit flow in each five years to farmers at the growth rate of 17 % per year so that from last ten years credit flow increased from Rs.2,80,000 crore to 10,00,000 crore in the year 2008-2009 to 2017-2018 in last ten years. The target of agriculture credit and actual credit flow represents per year an average 110% of the targets from financial year 2008-09 to 2017-18. The quantum of Agricultural finance provided by banking system (commercial bank, Co-operative bank and regional Rural Bank) increased from Rs. 15,364 crores in 2000-01 to 11,68,502 crores in 2017-18. The option of microfinance and Kisan Credit Card (KCC) have adopted and streamlined to alleviate the plight of the marginal, small, tribal farmers. Currently, there are 6.95 crore active KCCs, under which crops loans are given at a subsidised interest rate. The KCC has been extended to farmers involved in animal husbandry and fishery activities as well. The farmer have linked effectively to the Self Help Groups (SHGs) its find in study from 1992 to 2018 number of SHGs increased From 500 to 87.4 lakh in last 26 years

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