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AGRICULTURAL FINANCE IN INDIA

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ABSTRACT

Finance is similar to other agricultural instruments used in agricultural production. Realizing the importance of agricultural credit in promoting agricultural growth and development, emphasis has been placed on the institutional framework of the agricultural credit system since the beginning of the planned development era in India. This paper discusses the history of India's agricultural economy and agricultural needs, sources and magnitude of agricultural finance and evaluates its progress.



KEYWORDS: *agricultural instruments , agricultural credit system, agricultural needs, sources and magnitude of agricultural finance.*

INTRODUCTION

Rural finance in India dates back to the 19th century. Basically, financing agriculture in India is a concern for farmers. Although agricultural financing began in the thirteenth century, it has not yet reached its peak in the 20th century. History has a close eye on the positive and negative changes in India's agricultural economy. Agricultural financing started during the colonial period. Problems affecting farmers show remarkable continuity in this situation over the study period. Reliance on local moneylenders creates an exploitative environment that adversely affects poor farmers in rural areas. Due to

the growth of cooperative credit societies, the poor peasantry could not escape. 1969. Documenting the Positive Impact on the Rural Economy in the Age of Nationalized Banks in Inc. Provides Agricultural Finance to Rural Farmers. Served as the foundation for India's agricultural finance development; Under nationalization programs, Microfinance Institutions (MFIs) and Sachsgat-Bank-Link Linkage (SBL) through various methods to address the agricultural finance crisis in the microfinance sector have been found to have a positive impact on the security and empowerment of farmers. Although these reforms have undoubtedly improved the agricultural finance situation in India, agricultural finance in poor and backward areas of India is

extremely unfavourable leading to farmer suicides.

Indian agriculture has always depended on agricultural finance at high interest rates. This creates serious problems of exploitation which puts the country's peasantry in trouble. The issue was first addressed by the British government in the late 1870s. In times of drought, the government has started providing credit in the form of fixed loans. In the first phase of institutionalization, the Co-operative Act was enacted in 1904. According to the report of the Maclagan Committee on Co-operative Society in 1915, a level co-operative credit society has been established in all provinces. . The Royal Commission for Agriculture in 1926-27 emphasized the provision of rural credit. Agricultural subsidies are

also provided for in the Reserve Bank of India Act, 1934. In 1936 and 1937 the RBI as a first step in providing rural institutional finance carried out various studies and found that the bulk of credit required by the rural community was provided by non-institutions. Reserve Bank has taken several steps to provide credit to institutions in rural areas. A new design has been introduced to provide two types of term credit namely short term and loan term credit. By 1951, with the implementation of several measures to increase agricultural finance, institutional credit was 4.7 per cent of total agricultural finance, of which 3.5 per cent were cooperatives and 1.3 per cent were banks. What is the share of commercial banks in this? According to the All India Rural Credit Survey, agricultural finance did not serve the right purpose, in the right amount, in the right form, and often failed to reach the right people. Nationalization of banks encourages commercial banks to expand agricultural financing. RBI is insisting on 42 per cent net bank credit for priority sectors. The agriculture sector has a target of 19 percent of the subsector. A lead bank scheme for ground level planning has also been launched to monitor and report on the performance of the agricultural sector. The purchase of seeds, irrigation systems, fertilizers and chemical pesticides also requires large amounts of credit. Moreover, there has also been a substantial increase in the cost of production, which has focused on the need for an agricultural finance policy in the country.

POLICY OF AGRICULTURAL FINANCE:

The government has implemented several measures to improve farmers' access to credit institutions. The objective of these policy measures is to provide farmers with easy access to the credit they need. This policy helped in providing timely and adequate credit to all farmers so that they could adopt modern technology and improve their farming practices. This strategy emphasizes process rationalization, ground-level support and credit planning. The policy progress report card is shown below. The objective of institutional lending has not been achieved in the last three years due to procedural delays and lack of precision in implementation of policy measures.

Table 1.1 Amount Approved to Agriculture Sector (In Crores) 2008-09 to 2017-18

Sr. No.	Year	Target	Achievement
1.	2008-09	280000	187149
2.	2009-10	325000	384514
3.	2010-11	375000	468291
4.	2011-12	475000	511029
5.	2012-13	575000	308025
6.	2013-14	700000	421365
7.	2014-15	705100	532140
8.	2015-16	815000	489357
9.	2016-17	785000	502371
10.	2017-18	803000	524872

Source: Reserve Bank of India, Agriculture Financial Committee Report 2017-18

The above table 1.1 describes about the total amount approved to agriculture sector from the year 2008-09 to 2017-18 and it was observed that in the year the target amount was 280000 crore and it was achieved 18749 crore, it was seen that every year there is huge difference in target and achieved amount, it seems that every year the achieved amount is high rather than target amount, only in the

year 2016-17 the target amount was 785000 where as it was achieved at 502715 crore and in the year 2013-14 the target amount was 803000 and the achieved amount was 524872 crore.

Table 1.2 Direct Institutional Credit for Agriculture in Short Term

Sr. No.	Issued Loan (in Crores)				
	Year	Cooperative	SCB's	RRB's	Total
1.	2000-01	18556	10704	3095	32355
2.	2001-02	21670	12661	3810	38141
3.	2002-03	23629	16825	4834	45288
4.	2003-04	29326	24143	6133	59593
5.	2004-05	31887	29978	9883	71748
6.	2005-06	35624	45644	12816	94084
7.	2006-07	40796	65245	17031	123072
8.	2007-08	47390	68243	20377	136010
9.	2008-09	48022	107766	22851	178639
10.	2009-10	61951	124646	30529	217126
11.	2010-11	63231	146063	38560	259234
12.	2011-12	66439	217897	47011	286790

Source: Reserve Bank of India, *Agriculture Financial Committee Report 2013-14*

The table shows the ratio of short-term financing given to agricultural activities in the period 2000-01 to 2011-12. It has been shown that the total loan disbursement increased from 2000-01 to 2011-12 to 32355 crore respectively from 286790. Has been increasedddDuring the ten-year period, about 900 per cent of the loan growth was paid. In each category, the amount paid for agricultural purposes is also increased. The highest increase was recorded in the case of SCB for agricultural purposes.

Table 1.3 Direct Institutional Credit for Agriculture in Long Term

Sr. No.	Issued Loan (in Crores)				
	Year	Cooperative	SCB's	RRB's	Total
1.	2000-01	8739	5736	871	15346
2.	2001-02	8899	5977	736	15612
3.	2002-03	10411	8431	1045	19887
4.	2003-04	10723	12069	1042	22834
5.	2004-05	13122	18389	2043	33555
6.	2005-06	12499	34955	2484	49938
7.	2006-07	13223	50021	3198	68442
8.	2007-08	10253	45229	3461	58943
9.	2008-09	10765	52924	3648	67337
10.	2009-10	12987	63607	4111	80705
11.	2010-11	7235	76729	5405	89369
12.	2011-12	7500	94980	6048	108528

Source: Reserve Bank of India, *Agriculture Financial Committee Report 2013-14*

The above table shows the ratio of long-term financing to agricultural activities for the period 2000-01 to 1-2. It shows that the total loan disbursement has increased from 15346 to 108528 and it has increased from 2-5 to 4-6 respectively. During the ten-year period, about 700 percent of the loan growth was paid. In the case of SCB and RRB, the amount paid for agricultural purposes has increased during the study period. In the case of co-operatives, the amount has dropped in the last few years. The highest increase was recorded in the case of SCB for agricultural purpose.

CONCLUSION:

Eradication of poverty, food insecurity and unemployment in India is essential to strengthen the economy. This problem can be solved by targeting the problem of agricultural finance. From the very beginning, agricultural finance policies focused on marketing, trade and processing and agribusiness purposes at the farmer level. The All-India Rural Credit Survey (1954) states that agricultural finance in India falls short of the right amount, does not serve the right purpose and often fails to reach the right people. The disbursement to the agriculture sector has increased over the last two decades, but whether it has benefited the right people, at the right time and in the right amount, is a concern in India. Even today, rural credit needs serious attention of the government for basic business needs including production, processing, marketing, distribution, utilization, value added services.

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