



Role of Institutional Credit To Agriculture Sector

KEYWORDS

Institutional credit, GDP, Agriculture.

REETU

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ABSTRACT After the Independence, money-lenders were the major source of finance to the farmers. They provide loan not only at high rate of interest but other malpractices also adopted by them. Rural indebtedness is noted as a major reason for the increase in farmer suicides during recent times across a number of states like Punjab, Maharashtra etc. According to a well known saying the Indian peasant is born in debt, lives in debt & dies in debt. After the green revolution, agriculture activities have become cash-based & farmers require high investment in modern inputs. Due to increased liberalization & globalization the cropping pattern has become changed from staple crops to cash crop like-oilseeds & cotton which enhanced credit need. While the price of the crops has been declined thus farmers have no means to supplement their income. This paper is based on the secondary data collected from Govt. of India, Economic Survey 2009-10 & 2012-13. This paper aims to examine the flow of institutional credit to agriculture & allied activities & the role of agriculture sector in GDP. It is found that after independence 75% population were engaged in the agriculture sector. But now the agriculture sector is providing employment to 54% people only. Population is shifting towards industry & service sector. The contribution of agriculture sector in GDP in 1950-51 was 55.40% while 14.4% in 2011-12. So, credit is important input for agriculture development.

INTRODUCTION

The prosperity of this country depends on agriculture because agriculture is the backbone of Indian economy. After the green revolution agriculture activities have become cash-based that's why peasants require high investment in modern inputs. Due to increased liberalization & globalization the cropping pattern has become changed from staple crops to cash crop like-oilseeds & cotton which enhanced credit need. Credit, says an old French proverb, "supports the farmer of the hangman's rope support the hanged". Farmers need credit for productive & unproductive purposes as well as for Short- term, Medium- term & Long- term for social & religious functions, litigation, purchase of seeds, machines, payment of old loan, increasing the size of the holdings & to start self employment, subsidiary occupations like bee keeping, poultry farming. Many institutional & non- institutional sources provides credit to farmers like Co-operative Banks, Scheduled Commercial Banks, RRBs, NABARD & money-lenders, relatives, commission agents, landlords etc. In India only 0.3% of GDP is spent on agriculture research. So, credit is one of the important inputs for agriculture development because it takes months to receive of its labour & the supply of agricultural produce is seasonal while the demand exists all the year & majority of the population are engaged in the agriculture sector in which 75% farmers are smallholders.

OBJECTIVES OF THE STUDY

To examine the flow of institutional credit to agriculture & allied activities.

To examine the role of agriculture sector in GDP.

METHODOLOGY

The present study is based on secondary data. The secondary data has been collected from the various secondary sources.

FLOW OF INSTITUTIONAL CREDIT TO AGRICULTURE SECTOR

At present 65% loans are provided by institutional sources. Institutional sources provided credit Rs. Replace Rs. 15,169 crore in 1992-93 with Rs.9,830 crore in 1990-91. 2009-10 to Rs.4,68,291 crore in 2010-11. Govt. set the target to provide agriculture credit by institutional sources was Rs. 4, 75,000 crore in 2011-12 but the amount of Rs. 5, 11,029 crore was distributed. Govt. again set the target for 2012-13 of Rs. 5, 75,000 Crore which increased Rs.7,00,000 Crore in 2013-14 & further increased Rs.8,00,000 Crore in 2014-15.

Table-1

Flow of Institutional Credit to Agriculture & allied activities

Year	Co-operative banks	Schedule commercial banks	Regional rural banks	Total credit to agriculture Rs. In crore
1970-71	100%	-	-	744
1980-81	62%	38%	-	3,292
1990-91	49%	48%	3%	9,830
2000-01	39%	53%	8%	52,827
2001-02	38%	54%	8%	62,045
2002-03	34%	57%	9%	69,560
2003-04	31%	60%	9%	86,981
2004-05	25%	65%	10%	1,25,309
2005-06	22%	70%	9%	1,80,486
2006-07	19%	73%	9%	2,29,401
2007-08	19%	71%	10%	2,54,658
2008-09	15%	76%	9%	3,01,908
2009-10	17%	74%	9%	3,84,514

Year	Co-operative banks	Schedule commercial banks	Regional rural banks	Total credit to agriculture Rs. In crore
2010-11	17%	74%	10%	4,68,291
2011-12 [^]	17%	72%	11%	5,11,029
2012-13*	27%	60%	13%	2,39,629

Source: Govt. of India, Economic survey 2009-10, 2012-13(^provisional;*up to September 2012)

In 1970-71 co-operative banks were financed 100% to the agriculture sector but from 1980-81 to 2011-12 there is decline trend in financed by co-operative banks, the share of schedule commercial banks & regional rural banks is increasing & total credit to agriculture is also increasing. From the past years the tendency of decreasing the share of co-operatives banks in the flow of institutional credit. Which indicate the need of restructured & improvement in these banks.

SHARE OF AGRICULTURE SECTOR IN GDP

Giving focus on the slow growth of agriculture credit, the Govt. announced a credit package for the agriculture sector, which made doubling of agriculture credit over a period of three years. Govt. sets the target every year for agriculture credit but the flow of credit far exceed from the target. Govt. is providing crop loan at lower rate of interest to farmers from 2006-07. Govt. provided 3% interest subsidy on crop loans to the farmers who paid their loan at time for the year 2011-12. Govt. is providing resources almost 80% in the form of subsidy on fertilizers & PDS while only 20% is investing in agriculture.

Table-2
Share of Agriculture Sector in GDP

Year	Share in GDP (%)
1950-51	55.40%
1960-61	48.7%
1970-71	42.3%
1980-81	36.1%
1990-91	29.6%
2001-02	26.3%
2005-06	18.5%
2007-08	17.8%
2008-09	17.0%

2010-11	14.5%
2011-12	14.4%
2012-13*	13.9%
2013-14*	13.9%

Source: Secondary data

In this table the share of agriculture sector is continuously decreasing from 1950-51 to 2013-14. The share of agriculture sector in GDP was 55.40% in 1950-51, 29.6% was in 1990-91, 14.4% in 2011-12 & estimated that it will be 13.9% in 2012-13 &. In the Debt Waiver & Debt Relief Scheme (2008) the loans that were over dues on dec.31, 2007 & which remained unpaid until Feb.29, 2008, under the one time settlement (OTS), a rebate of 25% was given against payment of the balance of 75% present. Signing an agreement for debt relief under the OTS, the farmer was entitled to fresh agricultural loans from the banks in accordance with normal rules. In this plan the target of the govt. was for loan waived approx. Rs. 71,680 crore of 4.29 crore farmers. Govt. estimated that about 3crore small & marginal farmers & about 1 crore other farmers would benefit from this scheme. The total value of over dues waived was estimated at Rs. 50,000 crore & the OTS relief on the over dues loans at Rs. 10,000 crore. According to the plan approx. the loan of Rs. 7,000 crore of 25 lakh farmers only waived by SBI. The SBI played a greater role in loan waiving.

CONCLUSION

Since the growth of agriculture is an instrument for spreading prosperity to all. That's why soil laboratories, kisan vikas kendra and farm school should be implemented at the district level in each State. There should be more investment on agriculture research and more bank branches should be opened under the NABARD like Kisan Udhaar Bank. Banks should be developed in same extent in all regions. There should be co-ordination between the different agencies which providing loans and MSP should be higher than the cost of production. Good quality warehouses should be opened and skill of farming should be provided to the peasants. All these are some of the measures which should be taken by the Govt. to improve present agriculture structure, remove indebtedness & suicide cases.

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