



Role of Banks in Agricultural Credit

KEYWORDS

Needs for Agricultural credit, Sources of Agricultural credit , Institutional credit to Agriculture.

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ABSTRACT Banks play a vital role in the economic development of a country. Agriculture is the largest Sector of the Economic activity and has a crucial role to play in country's economic development by providing food and employment to a very large proportion of population and surplus for nation economy. Credit is one of the critical inputs for agricultural development.

Introduction:

Agricultural Credit is one of the most crucial in put in all agricultural development programmes . The Indian banking sector consists of commercial and Co-operative banks. The Role of both types of banks is very significant in Indian Agriculture. Co-operative banks were considered as the major Source of credit flow to agriculture, but with the time commercial banks too have come forward to extend credit to agriculture. The Share of Commercial banks in providing credit to agriculture has been Steadily rising.

Objective of the present Study.

To Study the needs for agricultural Credit.

To Examine the important sources of agricultural credit.

To highlight the Institutional credit to agriculture.

Needs for Agricultural Credit

The financial requirements of the Indian farmers can be classified in to three types depending upon the period and the purpose for which they are required .

Farmers need funds for shorts periods of less than 15 months for the purpose of cultivation or for meeting domestic expenses. They want to buy seeds, fertilizers, fodder for cattle, etc.

The farmers require finances for medium period ranging between 15 months and 5 years for the purpose of making some improvement on land, buying cattle, agriculture implements ,Etc.

The farmers need finance for the purpose of buying additional land,to make permanent improvements on land, to pay off old debt, and to purchase costly agricultural machinery. These loans are for long periods of more than 5 years.

Sources of agricultural credit.

Broadly, there are two sources of credit available to the farmers-Institutional and private. Institutional credit refers to loans provided to farmers by Co-operative Societies, and co-operative banks and commercial banks including regional rural banks (RRBS). Non Institutional or private sources include money leader, traders and commission agents, relatives and land loads.

Institutional Sources of credit

The need for institutional credit arises because of the weakness or inadequate of private agencies to supply of credit to farmers. Institutional credit is not exploitative and the basic motive is always to help the farmer to raise. His productivity and maxmise his income. The rate of interest is not only relatively low but can be different for different groups of farmers and for different purposes. In the field of co-operation the primary agricultural credit societies provide mainly short team loans and rural development banks provide long term loans to the agricultural sector. The Commercial banks including regional rural banks provide both short team and long term loans for agricultural and allied activities. The NABARD was established in 1982. The National bank for agriculture and rural development is the apex institution at the national level for agricultural credit and provides refinance assistance to primary Lending institutions. The RBI Plays a crucial role by giving overall direction to rural credit and financial Support to NABARD for its operations.

Growth of Institutional credit for farmers.

The extent of Institutional credit for farmers in recent years is given in the following table,

Table:1: Institutional Credit to Agriculture.

Years	Co-operative banks Amount	%	RRBS Amount	%	Commer- cial Banks Amount	%	Total	%
2006-07	42480	21	20440	10	140380	69	203300	100
2007-08	48258	19	25312	10	181088	71	254658	100
2008-09	36762	13	26724	9	228951	78	292437	100
2009-10	63497	17	35217	9	285800	74	384514	100
2010-11	78121	17	44293	9	345877	74	468291	100
2011-12	87963	17	54450	11	368616	72	511029	100

Source: Economic Survey-2010-11 NABARD, Annual Report (Various Issues) Agricultural Statistics at a glance, 2012.

The above table Shows that agricultural credit from Institutional Sources had steadily increased from Rs-203300 crore in 2006-07 to 511029 crore in 2011-12. The contribution of Co-oparative was 21 per cent of total Institutional credit in 2006-07 but was only 17% in 2011-12 correspondingly commercial banks including RRBS have raised the Share from 79 % to 83 % during this period. The share of RRBS Contuned to Remain low around 10% to 11%. The Share

of Commercial banks has been steadily rising and reached 72% in 2011-12.

Conclusion:

Banking Played an important role in providing assistance to Agriculture and allied activities. The RBI has also made it mandatory for Commercial banks to land 40 percent of their advance to the priority Sector. The Service Area Approach was introduced by the government in 1989 which imparted development orientation to Agricultural lending.

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