Management of Agricultural Credit and the Impact of Indian Banking Sector Reforms on Agriculture

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Abstract

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. Agriculture has a greater role in the development of industries such as textiles, sugar, tea etc. The prosperity of these agro-based industries depends upon the availability of inputs from the agricultural sector. The contribution of the banking and financial sector to the current economic growth of the Indian economy is very significant. Despite the significant strides achieved in terms of spread network and outreach of institutions, the qualities of flow of financial resources to agriculture continue to be inadequate. The progress of agricultural credit in India has depended crucially on Government intervention over the years. Banking sector reforms affected the agricultural sector. This paper describes the management of agricultural credit in India and the impact of various banking sector reforms on agriculture.

Key words: Agricultural credit, Kisan credit card [KCCs], NAIS, RIDF, Prudential norms
1. Introduction

India’s foreign trade especially in the three agro based export of traditional commodities like jute, cotton, textiles and tea depends to a great deal on the supplies of agricultural sector. The Indian agricultural sector has been undergoing economic reforms since the early 1990s in the move to liberalise the economy to benefit from Globalisation. Agriculture is an unorganised profession. Its success and failure depend to great extent on the availability of adequate, timely and low cost credit from institutional sources. Programmes for the development of irrigation soil conservation, mechanisation and increased use of inputs like fertilisers and pesticides require substantial credit support. Many economists and policy makers increasingly believe that the future growth of the domestic economy to a large extent will depend on the robust performance of the agricultural and rural sector. The rural population of India suffers from a great deal of indebtedness and is subject to exploitation in the credit market due to high interest rates and the lack of convenient access to credit. Rural householders need credit for investing in agriculture and smoothening out seasonal fluctuations in earnings. The latest census reveals the low level banking usage among Indian households in general (35.5%) and rural households in particular (30.1%). This reflects on the latest demand for general banking needs in rural as well as urban segments. An equally important concern that needs attention is the flow of institutional credit to agriculture.

2. Literature Review

A large volume of literature is available on the concept agricultural credit. Studies were made on public sector banks, private sector banks and RRBs in relating to agricultural credit. Though studies on management of agricultural credit and how Indian banking sector reforms affect the agricultural sector are very few. A brief review of relevant literature is done below.

Rakesh Mohan(2004), viewed in his article, “A review of performance of agricultural credit in India, though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, limited deposit mobilisation and heavy dependence on borrowed funds by major agricultural credit purveyors. The study suggested that in the changing scenario strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure.

Ramesh Golait (2007) has made an attempt to study the current issues in agricultural credit in India. The Researcher observed that the credit delivery to the agriculture sector continues to be inadequate. The study has identified crop losses, consecutive failure of monsoon, recurrent drought, mounting debts and land tenancy, as some of the main causes which led many distressed farmers to commit suicide. He suggest merging and revamping of
RRBs that are predominantly located in tribal /backward regions is seen as a potentially significant institution arrangement for financing the hitherto unreached population.

Dr. Kewal Kumar and Atul Gambhir (2012) in their article have discussed about the problems faced by farmers and suggest some frame work changes regarding problems and sound financing system for the near future. The study found that all types of farmers have forced to avail credit with higher interest rate and cumbersome process of getting loan. They suggest that policy makers should simplify the procedure of agriculture credit, interest rate for marginal and small farmers should be reduced. Staff training college of bank should provide compulsory rural oriented training to staff.

Dr. S. Gandhimathi (2012) has made an attempt to analyze the impact of economic reform on the distribution of agricultural credit in India. The study titled “Distribution of agricultural credit in the pre and post reform period” shows that the co-operative banks dominated in the total agricultural credit disbursement in the pre reform period. The study revealed that the rural banking system in India made tremendous quantitative achievement by neglecting the qualitative aspects of the credit delivery system.

Dr. Vandana Tyagi (2012) analysed the contribution of agriculture to India’s GDP. Agriculture contributes almost about 18 per cent to the country’s GDP. The study found that, although the ratio of agricultural credit to agricultural GDP has increased from 5.4 per cent in 1970s to 8.7 per cent in 2001-02, it may be noted that agricultural credit as a proportion to total credit has declined from 20.5 per cent to 10.5 per cent during the same period indicating lower deployment of credit in agriculture.

Veerpaul Kaur Maan, Dr. Sandeep kumar (2012) conducted a study on the topic “State wise agricultural sector growth and performance” reveals Agriculture is the major sector of the Indian economy as a source of income, employment and export earnings. Commercial crops plays a significant role, not only in the domestic sector but also in the external trade by meeting the domestic requirements of oils, fibres and sugar as well as earning the foreign exchange through export or import substitution. Their significance has further grown recently due to liberalization and globalization of the Indian economy since 1991.

G.C. Pande and S. Priyakumar (2013) in their study found that agricultural sector in India is facing several critical challenges like increasing pressures on land, diminishing soil fertility, water scarcity and adverse environmental conditions etc. They suggest these critical issues can largely be countered by use of emerging technologies having high growth potential. The study also suggest that financing to contract farming by banks is a boon to farmers who can access institutional credit easily for crop production arranged by the companies.
Veerpaul Kaur Maan and Amritpal Singh (2013) a study titled “Role of NABARD and RBI in agricultural sector growth” analyzes NABARD has taken over refinancing functions from the Reserve Bank of India with respect of State Cooperative Banks and Regional Rural banks. This study reveals NABARD is involved in the implementation of projects assisted by World Bank and its affiliate, the International Development Association (IDA). NABARD has been associated with implementation of 42 projects with external credit out of which 38 projects are assisted by IBRD.

Gowhar Bashir Ahangar and Ashaq Hussain Gaine (2013) in their study assess the quantum of loans disbursed and outstanding by institutional agencies and to examine the progress of scheduled commercial banks in supplying agricultural credit in India. The study observed that the credit provided by various institutional sources has increased its advances. But an effort has to be taken by the banks to reduce its loans outstanding, so that the recovered institutional credit should be pumped into agricultural sector further for its growth.

3. Objectives of the Study

The present study has been carried out to achieve the following objectives:

- To study the management of agricultural credit in India
- To analyse the measures announced by RBI for increasing the flow of credit to agriculture
- To study the comprehensive credit schemes announced by the Government of India for doubling credit flow to agriculture
- To examine the effect of banking sector reforms on agriculture and provide recommendations based on the findings of the research.

4. Methodology of the Study

The study has been conducted mainly on the basis of literature survey and secondary information. Various journals, research papers, Annual reports, and Newspaper articles have been surveyed in making this study.

4.1 Agricultural Credit in India

Agricultural development was given high priority in the past fifty years and especially under various Five year plans. Bank credit is available to the farmers in the form of short term credit for financial crop production programmes and in the form of medium-term/ long-term credit for financing capital investments in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanisation, diary development, poultry animal husbandry, fisheries, plantation and horticulture. Loans are available for storage, processing and marketing of agricultural produce.

Management of Agricultural credit in India in the following ways:
4.1.1 Institutional Arrangement

Agricultural credit is disbursed through a multi-agency network consisting of commercial banks, Regional Rural Banks and Cooperatives. There are approximately 121,225 million village level primary agricultural credit societies (PACS), 371 District Cooperative banks (DCBS) with 13327 branches and 31 State Cooperative banks (SCBS) with 1028 branches providing primarily short and medium term agricultural credit in India. The long-term cooperative structure consists of 20 states cooperative Agricultural and Rural Development Banks with 2609 operational units.

4.1.2 Flow of Credit

A comprehensive credit policy was announced by the Govt. of India containing measures for doubling agricultural credit flow and providing debt relief to farmers affected by natural calamities. The following are the highlights of this announcement.

- Credit flow to agriculture sector to increase at the rate of 30% per year.
- Special One-Time settlement scheme for old and chronic loan accounts of small and marginal farmers.
- Debt restructuring in respect of farmers in distress and farmers in arrears providing for rescheduling outstanding loans over a period of five years including moratorium for two years, thereby making all farmers eligible for fresh credit.
- Banks were allowed to extend financial assistance for redeeming the loans taken by farmers from private money lenders. Commercial banks should finance at the rate of 100 farmers per branch, total 50 lakh new farmers to be financed by the banks in a year.
- New investments in agriculture and activities were done at the rate of two or three projects per branch.

Estimated credit flow during last year is listed below

- The target of agriculture credit is kept at Rs.7,00,000 crore for the financial year 2013-14, actual credit flow is Rs.7,23,225 crore, represents 103% of the targets(Source: Annual Reports NABARD 2013-14,P-9)
- Debt waiver essentially signified 100 per cent waiver of the ‘eligible amount’ while debt relief signified waiver of 25 per cent of the ‘eligible amount’ under a One-time settlement (OTS) scheme. DFS informed Audit (February 2012) that up to 31 January 2012, Rs.52,153 crore (provisional figures) was extended as debt waiver/relief by lending institutions to 3.45 crore farmers account under the scheme. Further, as of 31 March 2012, DFS had released Rs.52,516 crore to RBI/NABARD between 2008-09 and 2011-12.(Source: CAG Report of performance of audit on “Implementation of the Agricultural Debt waiver and debt Relief Scheme(ADWDRS),2008-Report No.3 of 2013).
Public sector commercial banks provided 36.25 crore as advances to 8722 farmers to enable them to redeem their debt from moneylenders. The cooperative Banks provide 10.76 crore loans to farmers.

During 2011-2012 34.92 lakh new farmers were financed by public sector commercial banks and 4.23 lakh new farmers by private sector commercial banks. The total number of new farmers financed by commercial banks and RRBs together aggregated to 53.37 lakh, which exceed the target of 50 lakh farmers for the year.

The data shows trend in the flow of agricultural credit over the given period of time.

### Table1: Flow of agricultural credit (Rupees in Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td>175,000</td>
<td>229,400</td>
</tr>
<tr>
<td>2007-2008</td>
<td>225,000</td>
<td>254,658</td>
</tr>
<tr>
<td>2008-2009</td>
<td>280,000</td>
<td>301,908</td>
</tr>
<tr>
<td>2009-2010</td>
<td>325,000</td>
<td>384,514</td>
</tr>
<tr>
<td>2010-2011</td>
<td>375,000</td>
<td>446,779</td>
</tr>
<tr>
<td>2011-2012</td>
<td>475,000</td>
<td>476,550</td>
</tr>
<tr>
<td>2012-2013</td>
<td>575,000</td>
<td>607,375</td>
</tr>
<tr>
<td>2013-2014</td>
<td>700,000</td>
<td>7,23,225</td>
</tr>
</tbody>
</table>

As on 3rd March 2014
Source: Annual Report NABARD
Annual Report RBI, Ministry of Agriculture

#### 4.1.3 Data Analysis

Table1 shows that targeted credit flow to agriculture during the year 2006-2007 is 175,000 (in crores), corresponding achievement is 229,400. The percentage of achievement on targeted is 131%. During the year 2007-2008 agricultural credit flow achieved Rs.254,658 against the targeted amount Rs. 225,000. It shows that agricultural credit flow achieved is 113%. As compared to the year 2006-07 agricultural credit flow is less during the year 2007-08. Five years after i.e. 2011-12 the target of credit fixed Rs.4,75,000 crore and the achievement Rs.4,76,550 crore, represents 100.32% of the targets. During 2013-14 the targeted credit flow Rs.7,00,000 crore and the achievement is Rs.7,23,225 crore, 103 per cent of target. We can understand the percentage of credit flow is showing decreasing trend up to 2011-12 and slightly improved thereafter.
4.1.4 Credit Card Scheme

The Kisan Credit card introduced by Govt. of India in 1998 as a part of economic reforms introduced in Agricultural sector. The Kisan Credit Card (KCC) was introduced for short and medium term loans to provide adequate and timely credit support from the banking system in a flexible and cost-effective manner, covers 644.65 lakh farmers throughout India during 2011-2012.

Table- 2: Agency-wise Kisan Credit Card(KCC)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Target for 2013-14 (KCCs to be issued)</th>
<th>During the year Up to DEC 2013</th>
<th>Outstanding balance Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage</td>
<td>No of cards Issued</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>522440</td>
<td>52.24</td>
<td>383258</td>
</tr>
<tr>
<td>RRBs</td>
<td>294560</td>
<td>29.45</td>
<td>346726</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>183000</td>
<td>18.31</td>
<td>139944</td>
</tr>
<tr>
<td>Total</td>
<td>1000000</td>
<td>100</td>
<td>869928</td>
</tr>
</tbody>
</table>

Sources: Regional Rural Banks
Table 2 provides information regarding the agency wise KCCs issue. The banks (including RRBs and Co-operatives) have issued 869928 KCC Cards during 2013-14 with credit limit of Rs.10461 Crore.

It is clear from the table that RRBs issued more credit cards than their targeted limit.

4.1.5 Interest Subvention to Farmers

Government of India announced an interest subvention scheme in 2006-07 to enable banks to provide short term credit to agriculture (Crop loan) up to Rs.3 lakh at 7% interest to farmers. Govt announced additional interest subvention of 1% to those farmers who repay their crop loans promptly in the Union budget for 2009-10. This was raised to 2% in 2010-11, 3% in 2011-12 and 2012-13 also. During 2013-14 interest subvention scheme extended for crop loans borrowed from private sector commercial banks.

4.1.6 Rehabilitation Package for Distressed Farmers

The rehabilitation package aims at sustainable and viable farming and livelihood support system through debt relief to farmers, improved supply of institutional credit, a crop-centric approach to agriculture, assured irrigation facilities watershed management, better extension and farming support services, and subsidiary income opportunities through horticulture, livestock, dairying, fisheries etc.

4.1.7 Simplification Procedures

The RBI has issued instructions to banks to waive margin/security requirements for agricultural loans up to Rs50,000 and agri-business and agro-clinics up to Rs.5 lakhs. RBI conducted a survey with the help of an agency to make an assessment of customer satisfaction on credit delivery in rural areas by banks.

4.1.8 Guideline for Relief due to Natural Calamities

The RBI has issued guidelines for providing relief to farmers in area affected by natural calamities. These guidelines enable banks to take uniform and concerted action to provide financial assistance to farmers affected by natural calamities. Rescheduling/Restructuring of the outstanding loan of the farmers in Districts declared as calamity. Rescheduled loan shall be repayable over a period of 5 years, at current interest rates, including an initial moratorium of two years.

4.1.9 National Agricultural Insurance Scheme (NAIS)

The main objective of the scheme is to protect farmers against crop losses suffered on account of natural calamities, such as drought, flood, pests and diseases. The scheme is being implemented by the Agricultural Insurance Company of India Ltd (AICL). The scheme is available to all farmers both loanee and non-loanee irrespective of their size of holding. It envisages coverage of all food crops (cereals, millets and pulses), oil seeds, and annual commercial/horticultural crops, in respect of which past data is available for an adequate number of years.
4.1.10 Rural Infrastructural Development Fund (RIDF)

NABARD is an Apex body to look after the credit requirements of the rural sector. NABARD has played a vital role in the development of rural areas, by assisting the agricultural sector through Co-operative banks, Regional Rural Banks and commercial banks. NABARD administers the Rural Infrastructural Development Fund, which was set up in 1995-1996. This fund would provide loans to state Governments and state -owned corporations for completing the on-going projects relating to medium and minor irrigation, soil conservation, watershed management and other forms of rural infrastructure. All scheduled commercial banks other than foreign banks operating in India which have not reached the agricultural lending sub-target of 18% of net bank credit would be required to contribute to the RIDF.

4.1.11 Micro Credit

NABARD playing an important role in microcredit through the conduct of self-help groups (SHGS). NABARD has played a vital role in the development of rural areas by assisting the agricultural sector through Cooperative banks, Regional Rural Banks and Commercial banks. A major part of NABARD’s short term credit support is disbursed for financing seasonal Agricultural Operations (SAO). NABARD provides refinance assistance under the Integrated Rural Development programmes (IRDP) for schemes like minor irrigation dairy development sheep/goat development, land development, poultry, fisheries etc. NABARD has set up a Research and Development Fund for granting assistance to SCBs, RRBs, and various other institutions. The three main functions of NABARD are refinancing, institutional development and inspection of District and State Co-operative Banks and Regional Rural Banks.

4.2 Important Policy Measures in Agricultural Sector during the Various Plans

4.2.1 Land Reforms

Land reform measures to abolish intermediaries and to transfer land to the actual tillers of the soil. Abolition of intermediaries and Tenancy reforms are the various measures taken in this regard.

4.2.2 Technological Measures

To sustain and extend the agricultural development programmes to larger areas of the country, steps were taken to increase the production of high yielding varieties of seeds, fertilizers.

4.2.3 Institutional Credit

An important measure initiated was to make available the institutional credit to farmers, especially through co-operatives and commercial banks. As a result of these measures the importance of money lenders declined to a great extent.
4.2.4 Subsidies

The Government of India has provided various subsidies to farmers on agricultural inputs like irrigation fertilizers, electricity and credit.

4.2.5 Public Distribution System

One of the important measures taken by the government of India was to introduce Public Distribution System (PDS). The basic idea of introducing this was to provide food grains and other essential goods to consumers at cheap and subsidised rates.

4.2.6 Rural Employment Programmes

Government of India has introduced several rural employment programmes over the various Five Year Plans. Some of them are- Small Farmers Development Agency (SFDA), Marginal Farmers and Agricultural Labours Development Agency (MFAL), Integrated Rural Development Programme (IRDP), Jawahar Rojgar Yojana (JRY).

4.2.7 Other measures

1. Provision and extension of irrigation facilities through major/medium projects and power for minor irrigation through the rural electrification programmes.
2. Improving the system of agricultural marketing through the establishment of regulated markets and introducing other measures such as standardization of weights, grading etc.
3. Provision and expansion of storage and warehousing facilities so that the government can build up buffer stocks to cope with the food problems in case of emergency.
4. Promotion of agricultural research and training for better high yielding varieties of seed and development of other latest techniques in agriculture.

With a view to further increasing the flow of credit to agriculture, several measures were announced by RBI in its Annual policy statement 2005-2006. These include:

- Setting up of an Expert Group to formulate strategy for increasing investment in agriculture.
- Conducting a survey with the help of an outside agency to make an assessment of customer satisfaction on credit delivery in rural areas by banks.
- Special package for the Districts severely affected by farmers suicide: The incidents of suicide by farmers have been mainly reported from the State of Andhra Pradesh, Karnataka, Maharashtra, and Kerala. To mitigate the distress of farmers, the Govt. of India decided to launch a special rehabilitation package in 31 Districts in the states of Maharashtra, Andhra Pradesh, Karnataka and Kerala. The 31 Districts were identified based on the severity and magnitude of the incidence of farmers, suicide as reported by the state Govt. The intent is to initially solve the problem and correct the situation in those areas reporting high number of suicides. The package aims at establishing sustainable and viable farming and livelihood support system through debt relief to
farmers. For alleviating the hardships caused to debt stressed families of farmers in the affected districts, ex-gratia assistance from Prime Ministers National Relief Fund (PMNRF) was also proposed. RBI set up an Agriculture credit Department which was to have an expert staff to advise the Central Govt., State Govt., State Cooperative banks and other banks, and to coordinate RBI functions for agriculture credit.

5. Impact of Banking Sector Reforms on Agriculture

The banking sector is an important subsector of financial sector which plays the role of financial intermediary. Indian Banking sector has undergone changes and reforms during economic reforms. Though it was a part of overall economic reforms, it has changed the very functioning of Indian banks. This reforms have not only influenced the productivity and efficiency of many Indian Banks, but has left everlasting footprints. Major objective of banking sector reforms has been to enhance efficiency and productivity through increased competition. Economic reforms in banking sector affected the agriculture sector. Major economic reforms in Banking sector in India and its impact on agricultural credit:

a. Reduced CRR and SLR: The CRR (cash reserve ratio) and SLR(statutory liquidity ratio) are gradually reduced during the economic reforms period in India. It is reduced from the earlier high level of 15% to 4%level. Now CRR is 4% .SLR is also reduced from early 38.5% to current minimum of 22% level. This has left more loan able funds with commercial banks, solving the liquidity problem. But the commercial banks not utilise the excess fund for providing agricultural loans. Commercial banks invest in diversified activities.

b. Banking Diversification: The Indian banking sector was well diversified during the economic reforms period. Many of the banks have started new services and new products. Many of the banks have started new services and new products. Some of them have established subsidiaries in merchant banking, mutual fund, insurance etc which has led to diversified source of income of them. All commercial banks especially new generation banks engaged in diversified activities to improve the profitability. Hence less importance is given to agricultural credit.

c. Deregulation of Interest Rate: During economic reforms period, interest rates of commercial banks were deregulated. Interest on bank loan above Rs2lakhs is fully decontrolled. It gives more freedom to commercial banks in interest rate regime. It adversely affects agricultural sector credit.

d. New Generation Banks: During reforms period many new generation banks have successfully emerged in the financial horizon. As per the Guidelines of RBI, all commercial banks which have not reached the agricultural lending sub-target of 18% of net bank credit would be required to contribute to the RIDF. Recently i.e. during 2011-2012 majority of
commercial banks not interested in giving agricultural loans but contribute 18% of the bank credit to the RIDF at lowest interest rate.

e. Operational Autonomy: During the reforms period commercial banks employed the operational freedom. Freedom in opening new branches, they get liberal lending norms etc. As a result banks give loans to allied activities of agriculture such as loan to fertilizers company, agency etc. It is not available to the original farmers for their agricultural purposes.

f. Fixing Prudential Norms: In order to induce professionalism in its operation, the RBI fixed prudential norms for commercial banks. It includes recognition of income source, classification of assets, provision for bad debts, maintaining international standard in accounting practices etc. As per the prudential norms of RBI loan due on KCC (kisan credit card) after two crop season, on term loans (Medium/Long term) after 90 days is declared as NPA (Non-performing assets). So banks are very cautious and not interested in granting loans to agricultural sector. The Indian banking system is facing a serious situation in view of the mounting gross and net NPAs of Scheduled Commercial Banks. The recovery rate of direct agricultural advances of public sector banks (Nationalised banks plus SBI and its Associates) has been declining for last couple of years 2008 and 2009(Table.3). NPAs of public sector banks in priority sector is showing increasing trend because agriculture comes under this sector. According to recent CRISIL report, the gross NPAs of banks are slated to increase from 3.3 per cent in March 2013 to 4 per cent by March 2014.

Table.3: Composition of NPAs of Public Sector Banks in India -2003 to 2012 as on March.
(Rs. in crore)

<table>
<thead>
<tr>
<th>Bank group</th>
<th>Priority sector</th>
<th>Non priority sector</th>
<th>Public sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector Banks</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>2003</td>
<td>24939</td>
<td>47.2</td>
<td>26781</td>
<td>50.7</td>
</tr>
<tr>
<td>2004</td>
<td>23841</td>
<td>47.5</td>
<td>25698</td>
<td>51.2</td>
</tr>
<tr>
<td>2005</td>
<td>23397</td>
<td>49.05</td>
<td>23849</td>
<td>50</td>
</tr>
<tr>
<td>2006</td>
<td>22374</td>
<td>54.1</td>
<td>18072</td>
<td>43.68</td>
</tr>
<tr>
<td>2007</td>
<td>22954</td>
<td>59.5</td>
<td>14861</td>
<td>38.8</td>
</tr>
<tr>
<td>2008</td>
<td>25287</td>
<td>63.6</td>
<td>14015</td>
<td>35.39</td>
</tr>
<tr>
<td>2009</td>
<td>24168</td>
<td>54.8</td>
<td>19394</td>
<td>44.04</td>
</tr>
<tr>
<td>2010</td>
<td>30846</td>
<td>53.84</td>
<td>25923</td>
<td>45.25</td>
</tr>
<tr>
<td>2011</td>
<td>41288</td>
<td>58.09</td>
<td>29514</td>
<td>41.52</td>
</tr>
<tr>
<td>2012</td>
<td>56201</td>
<td>49.96</td>
<td>55246</td>
<td>49.11</td>
</tr>
</tbody>
</table>

Source: RBI Statistical Report

6. Conclusion

Agricultural credit has played a vital role in supporting agricultural production in India. The target of agricultural credit flow was fixed at Rs.700,000crore during 2013-14 and the achievement Rs.7,23,225crore, represents 103% of target. The banks (including RRBs and Co-operatives) have issued 869928 KCCs (Kisan Credit Cards) during 2013-14 with credit...
limit of Rs.10461 crore. A review of performance of agricultural credit in India reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, limited deposit mobilisation and heavy dependence on borrowed funds. Efforts are required to address and rectify these issues. Banking sector reforms like fixing prudential norms, reduced SLR, CRR, banking diversification all affect the Indian agricultural sector. CRR is reduced to 4%, it provides more loanable funds to the banks. The choice of a credit outlet and quantum of institutional credit availed by farming households have been found to be affected by a number of socio-demographic factors. The effect of education has indicated the need for capacity building of borrowing farmers. Imparting training to borrowers regarding procedural formalities of financial institutions could be helpful in increasing their access to institutional credit. In the changed scenario, strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure. Banks and Government should revaluate their pre-conceived notions about commercial opportunities in serving the rural and agricultural sector. Co-operative banks and RRBs should enlarge the scope of the KCC scheme to cover term loans for agriculture and allied activities.

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