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NEED AND SOURCE OF AGRICULTURAL FINANCE IN INDIA

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INTRODUCTION

Indian agriculture plays an important role in the development of the country. Agriculture is the main source of livelihood of majority of Indian population. About 72 percent population was working in 1950-51 and 52 percent population is working in agriculture sector at present (Economic survey 2013-14). Agriculture still remains the backbone of our Indian economy. Agriculture sector accounts 13.9 percent of Indian GDP in the year 2013-14. Share of this sector in the GDP has falling since independence, in the year 1950-50 agriculture held 56.5 percent of GDP. In 1970-71 share of this sector was 45.9 percent and in the year 1990-91 it was 34 percent after continue falling it came up to 14.6 percent in the year 2010-11 and in the year 2013-14 it was 13.9 percent. It means trend of agriculture production share in GDP is continuing decreasing till present. Indian agriculture has many crucial problems; Agricultural development in India has been given due importance right from India's First Five Year Plan (1951-56). The key problem of agriculture, carried on in rural areas mostly by poor, small and marginal farmers and weaker section of the society, is credit. Credit is one of the critical inputs for agricultural development. It capitalizes farmers to undertake new investments and/or adopt new technologies, production and marketing activities. Agricultural credit is an important input for improving agricultural production and productivity and mitigating farmer distress. Bank credit is available to the farmers in the form of short-term credit for financing crop production programs and in the form of medium-term/long–term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture.

RESEARCH METHODOLOGY:

This a descriptive research paper based on secondary data. Data have been found out from R.B.I, NABARD, Commercial Bank, Cooperative Banks and RRBs on different view point.

AGRICULTURE FINANCE IN INDIA -

The importance of farm credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in the macroeconomic framework and its role in poverty alleviation. Availability and access to adequate, timely and low cost credit from institutional sources is of great importance especially to small and marginal farmers. All India Rural Credit Survey Committee (1954) observed that "The credit fell short of the right quantity, was not of the right type and did not serve the right people". The flow of credit to the agriculture sector failed to exhibit any appreciable improvement

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due mainly to the fact that commercial banks were not tuned to the needs and requirements of the small and marginal farmers, while the co-operatives, on the other hand, lacked resources to meet the expected demand. The finance to agriculture is broadly in two parts direct and indirect it is later in which more emphasis has been and thus direct support to agriculture has been minimal. All India Rural Credit Survey (AIRCS) has confirmed that formal credit institutions provided less than 9% of rural credit needs in India. Money lenders, traders and rich landlords accounted for more than 75% of rural credit

Sources of Agriculture Credit: There are mainly two source of credit to agriculture (a) Non-Institutional/informal sources. (b) Institutional/ Formal sources Non-Institutional:- They include money lends traders, commission agents, relatives and land lords. There are rich farmers or land lords, who combine farming with money lending, freely supply credit to farmers for productive and non-productive purpose. Traders and commission agents supply funds to farmers for productive purpose especially for crop production. These types of sources of finance are important in the case of cash crops. Farmer often borrows from their own relatives in cash or kind for various purposes. Institutional: - Earlier agriculture credit requirement was depends upon private money lender and they charged high interest rate and land or other assets were kept as collateral. This arise the need for institutional credit arrangement for agriculture. The institutional arrangement for agriculture credit comprises cooperatives, commercial banks, RRBs, NABARD and micro Finance Institution in India.

Cooperative credit Societies – Commonly known as the primary agricultural credit society, is the gross root arm of the short term credit structure, dealing directly with farmer borrowers and also undertaking farm input marketing and distribution function

. Commercial Banks – They are providing direct and indirect finance to the farmers and distribution firms or agencies and cooperative engaged in supply of farm implements and machinery on a hire purchase basis. They finance the operations of state and central government for procurement and storage of food grains.

Co-operative Agriculture and Rural Development Banks – They grant loans on the basis of agricultural properties. They provide credit for a variety of purpose such as redemption of old debts, land improvement, to purchase expensive agricultural machinery and construction of wells. Regional Rural Banks (RRBs) – RRBs were setup under the recommendation of the working group on rural banks headed by M.Narsimham in 1975 to provide banking facilities in rural and backward areas. The main objective of RRBs is to provide credit and other banking facilities particularly small and marginal farmers, agricultural labourers and rural artisan.

National Bank for Agricultural and Rural Development (NABARD) – Recommendation of the committee to review arrangements for institutional credit for agricultural and rural development, The NABARD was set up in 1982 as the apex of rural institutional credit network.

Status of Institutional Credit to Agriculture and Allied Sector:

As a result of the institutional expansion policy thousands of bank branches were opened in rural and semi urban areas and government established a new network of RRBs in 1975 for strengthening the rural credit delivery mechanism. Consequently,

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RBI in 1982 transformed its agricultural credit department with a new bank-NABARD. The opening up of rural bank branches was not only the supply side push of credit but increase in demand side due to population increase and diversification of agriculture in the post-Green Revolution era. In order

financial institutions has been established over the years. The initiatives taken by the Reserve Bank and the Government of India towards promoting financial inclusion since the late 1960s have considerably improved the access to the formal financial institutions. Banking sector plays considerable role in to expand the credit and financial services to the wider sections of the population, a wide network of bringing financially excluded people in to formal financial sector as policies of the government and Reserve Bank towards financial inclusion are implemented through banking sector. Distribution of banking system is another indicator of level of financial inclusion in a country.