



Agriculture Credit in India: Issues and Challenges

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India is essentially a “Rural Nation” as per the information provided by the Union home minister and minister of cooperation around 65% of Indian population still depends heavily on agriculture and allied activities. However, it is essentially imperative to ensure the flow of credit for agriculture and non-agricultural purposes, savings, insurance and money transfers.

To achieve this objective of agricultural credit, the stand of policy towards rural credit was to ensure provision of sufficient and timely credit at reasonable rates of interest to a large segment of the rural population. The strategy devised for the purpose rested on three pillars: Expansion of the institutional structure, Direct lending to disadvantaged borrowers and lower interest rates. The chosen institutional vehicles for the task were cooperatives, commercial banks and Regional Rural Banks [RRB's] and NABARD.

Agriculture credit is considered as one of the basic inputs for executing all agricultural development programmes. In India there is a necessity for proper channelization of agricultural credit so that the farmers have easy access to these credit schemes.

This paper primarily deals with the flow of credit in the agricultural sector, and different schemes and initiatives available for farmers in India.

Keywords: Agricultural Credit, Credit policy, Agriculture development.

INTRODUCTION:

Agriculture credit is the study of financing and liquidity services as well as credit services provided to the farmers for agricultural purposes. It also takes into consideration those intermediaries who provide credit services to the farmers for agriculture and allied activities.

As we know capital is one of the key input in factors of production, farmers can carry out the activity of farming only when they have the sufficient funds available with them, usually farmer's inadequate funds and they look for credit facilities. Agricultural credit boosts the morale of the farmers by providing different credit options to them as per their requirement.

Agriculture plays a vital role in the development of Indian economy, it contributes approximately 18.2 percent to the country's GDP at current prices. The importance of farm credit is critical to agriculture sector as it is reinforced by the Indian agriculture itself, it also plays important role in developing macroeconomic framework and poverty alleviation. Recognising the importance of agriculture sector in India's overall development, the government and the reserve bank of India(RBI) has played a crucial role in creating a broad – based institutional framework for catering to the increasing credit requirement of the sector

With the passage of time newer credit delivery system such as PM Kisan, Pradhan Mantri Fasal Bima Yojana(PMFBY) Kisan credit Card (KCC) etc. were introduced in order to provide easy access of credit to country's farmers, there are standardised procedures for various schemes of agricultural credit, However the "Crop loans" has the major share. In addition to this farmer also get credit for purchase of tractor, combine harvester, grain threshers, sprayers, dusters plough drills, power tiller, trailer and accessories and other farm equipments required for agricultural purposes.

LITERATURE REVIEW:

1. **Agricultural Finance Sub-Committee (1945):** Under the Chairmanship of Prof. D.R.Gadgil, observed that, "the spread of co-operation would provide the best and the more lasting solution for problems of rural economy in general and that of agricultural credit in particular." However, it was considered that it might not possible for the co-operative movement to supply the entire credit needs of agriculturists. Therefore, it was recommended that state aid should be given in much larger measure that was provided in the past so that the co-operatives might be enabled to supply better credit facilities.
2. **All India Rural Credit Survey or Gorwala Committee (1954):** Committee was appointed by the Reserve Bank of India in 1951, to supervise a survey regarding facilities available in rural areas for providing agricultural loans to the agriculturists and to make necessary recommendations. The Committee submitted its report in 1954.
3. **Mehta Committee (1959):** Committee on Co-operative Credit gave its report in October 1960, with many important recommendations, to determine the question of viability, providing adequate finance and state participation at the primary level. The Committee suggested suggestions to expand credit facilities for agricultural production as well as credit structure for strengthening co-operative movement.
4. **M.L.Dantwala Committee (1964):** Government of India appointed a committee on agriculture credit for marketing to review the pattern of organization of co-operative marketing and give recommendations for ensuring sound and speedy development of agricultural marketing.

5. **All India Rural Credit Review Committee (1966)** Under the chairmanship of B.Venkatappiah, and the Committee submitted its report in 1969. Which recommended the entry of commercial banks into the rural credit system stated clearly that this was being done to supplement and not supplant the agriculture credit structure. According to the committee a large number of Primary Agricultural Credit Societies are neither viable nor even potentially viable and must be regulated as inadequate and unsatisfactory agencies for dispensing production oriented credit.
6. **Sivaraman Committee (1979):** At the instance of the Government of India, the Reserve Bank of India (RBI) appointed, on March 30, 1979, a Committee under the Chairmanship of Shri B. Sivaraman, to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD). NABARD was established on the recommendations of Sivaraman Committee, by an act of Parliament on 12 July 1982 to implement the National Bank for Agriculture and Rural Development Act 1981. It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC). It is one of the premiere agencies to provide credit in rural areas.
7. **Ardhanarishwaran Committee (1987)** – Pointed out towards the modern and professional management, financial discipline, human resource development, composition of Board of Directors, criteria for selection of the staff and General Manager.
8. **Khusro Committee (1989)** The Agricultural Credit Review Committee under the chairmanship of A.M. Khusro was appointed by the Reserve Bank of India in August, 1986 to undertake among others a review of the rural financial system and to assess the credit requirements of the agricultural sector during the next decade. Khusro Committee submitted its report in August 1989.
9. **The Narsimhan Committee Report (1991)** Does not show concern to review the working and evaluating the performance of UCBs and did not make suggestions to how challenges in future should be met by the UCBs. Cognizance taken of the problem of banking in the various sectors is tilted more towards the nationalized and private sector banks.
10. **The Narsimhan Committee Report (1998)** The second part of the report of the Narsimhan committee was submitted on 24/4/1998. Committee recommended close up the branches which are under loss or percentage of NPAs over 2%.
11. **A.Vaidyanathan Committee (2004)** Government of India constituted a committee under the Chairmanship of A.Vaidyanathan, The committee submit its report on agricultural credit is the Task Force on Co-operative Credit System. It has come out with detailed recommendations for recapitalising the credit system, subject to actions by the co-operative credit system and the Government itself

formulating a new Co-operative Act. Importantly, it demands that Governments forswear intervention in the functioning of co-operative societies.

12. Radhakrishana R. Committee (2006) – The Expert Group on Agricultural Indebtedness was set up in August 2006 under the chairmanship of Radhakrishana. The Group came out with detailed report which gave a large number of recommendations covering immediate credit measures, financial architecture, institutional architecture, risk mitigation and other measures.

Issues & Challenges faced by the Agricultural Sector

India has witnessed a significant farmer protests in the recent and past, these protests were an overwhelming expression of the desperation and challenges faced by the average Indian farmer due to the deep crisis in the agricultural sector. It is more painful to witness the suicides committed by the farmers in the country. Maharashtra has consistently recorded the highest number of suicides, Telangana, Andhra Pradesh, Karnataka, Chhattisgarh and Madhya Pradesh are the states where farmers are largely affected.

Decrease in overall agricultural growth implies lower productivity for those engaged in agricultural sector, this is also the reflection of contribution of agriculture sector to GDP over the years relative to the share of the workforce employed in agricultural activities. As we witness the trend since independence, the contribution of agriculture to India's GDP has steadily declined but the number of people depending on agriculture sector for employment has not reduced, thus it ensures adequate rise in the productivity of the workforce.

Let us identify some of the major causes of low productivity in Indian agriculture

1. Highly fragmented land holdings
2. Slow adoption of high yielding varieties
3. Imbalanced fertilizer application
4. Outmoded crop yields forecasting
5. Absence of farm input Quality Control
6. Grossly inadequate cold chain infrastructure
7. Limited access to credit and post- harvest facilities.
8. Inadequate rural infrastructure and support services

Importance of Agriculture Credit

1. **Fosters Rural Development:** Agricultural credit contributes majorly to rural development by fostering economic growth in agricultural societies, it generates employment opportunities, improve infrastructure, and improves the overall quality of life in rural areas.
2. **Boosts Agricultural Productivity:** Agricultural credit provide the access of capital to agricultural labourer So that they can purchase high quality seeds, fertilizers and other inputs, invests in modern technologies. This activity enhances the agricultural productivity and guarantees the steady supply of food grains to meet the growing demands of the population

3. **Helps in Risk Management:** Agricultural activity is exposed to different types of risks which involves Climate change, water scarcity, soil degradation, pest infestations and market uncertainties. Adequate financial assistance enables farmers to plan for risk against the future losses.
4. **Sustainable Agricultural Practices:** Agricultural credit also encourages farmers to implement sustainable agricultural practices which focuses on long term environmental health and food security through adopting various measures such as water conservation, pest management, crop rotation and augmenting renewable energy in agriculture.
5. **Accessibility to Market:** Agricultural credit assists in market accessibility by providing backup to the development of transportation infrastructure, warehousing facilities, and market networks. This helps the farmers to secure a higher price for their agricultural yield also promotes market oriented farming practices.

VARIOUS AGRICULTURAL SCHEMES IN INDIA:

Brief of major schemes implemented by the department of Agriculture and Farmers Welfare

I Central Sector Schemes		
S. No	Name of the Scheme	Purpose
1	Pradhan Mantri Kisan Samman Nidhi (PM Kisan)	It is a central scheme which was launched on 24th February,2019 Under this scheme, financial benefit of Rs. 6000 per year is transferred in 3 equal instalments in to the bank account of farmers through (DBT) mode.
2	Pradhan Mantri Kisan Maan Dhan Yojana(PM-KMY)	This is also a central sector scheme which was launched on 12th September 2019 to provide security to most vulnerable farmer families. It is a contributory scheme, famers can opt to become member of this scheme and need to pay a monthly subscription to the pension fund
3	Pradhan Mantri Fasal Bima Yojana (PMFBY)	This scheme was introduced in 2016 , the purpose of this scheme is to provide crop insurance cover to the farmers against the non-preventable natural risks involved in agriculture. Since 2016-2017 an amount of Rs 150589.10 crore has been paid in the form of claim.
II Centrally Sponsored Schemes		
4	Rastriya Krishi Vikas Yojana Detailed Project Report (DPR Based Schemes)	Under this scheme emphasis is given to pre and post- harvest infrastructure in agriculture

		and allied sectors that assist in providing quality inputs, market facilities etc. to farmers. Under this scheme since 2019-2020 1524 start-ups have been selected and Rs.106.25 crore has been released as a grant for funding the start- ups
5	Soil Health Card (SHC)	It provide information on the nutrient status of the soil to farmers, This card also recommend upon the dosage of nutrients to be applied for improving soil health and its fertility.
6	Rainfed Area Development (RAD)	RAD was launched in the year 2014-2015 , Under RAD area based approach is adopted in cluster mode in order to promote Integrated farming system (IFS) which emphases on multi- cropping rotational cropping, inter-cropping, mixed cropping practices etc.
7	Agro Forestry	The idea of agro forestry was conceived on the recommendation of the national agro forestry policy 2014 to encourage plantation on the farm lands
II (ii) Krishonnati Yojana		
8	National Food Security Mission (NFSM)	The main objective of this mission is to increase the production of pulses, rice, wheat, cereals, maize and barley. Another objective of this mission includes restoring soil fertility and productivity at the individual farm level.
9	Sub-Mission on Seed and Planting Material (SMSP)	It covers the entire range of seed production chain, starting from the production of nucleus seed till up to the supply of certified seeds to the farmers. This mission was launched on 19th April, 2023 SMSP is now merged with NFSM.
10	Mission for Integrated Development of Horticulture (MIDH)	MIDH is a centrally sponsored scheme, it was introduced in the year 2014-15 for holistic growth of the horticulture sector, covering fruits, vegetables, mushrooms, flowers, coconut, spices, cocoa, cashew and Bamboo.

		Around 872 nurseries has been established for production of quality planting material.
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Table :1 Agency –Wise Credit Flow to Agriculture Sector in India

(Rs in Crores)

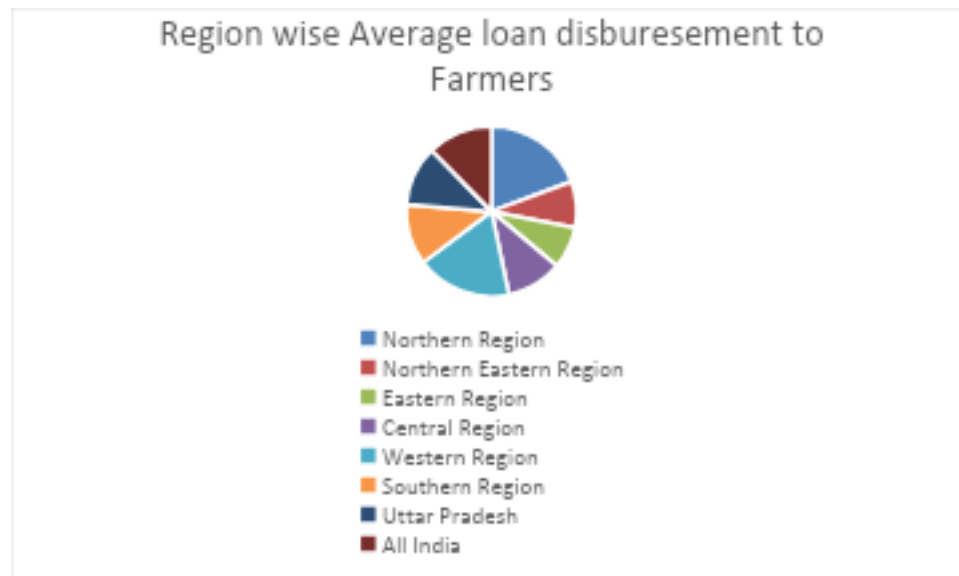
Year	Cooperative Banks	Regional Banks	Rural	Commercial Banks	Other Agencies	Total
2015-2016	153295 (16.74)	119261 (13.03)		642954 (70.23)	-	915510
2016-2017	142758 (13.40)	123216 (11.56)		799781 (75.04)	-	1065755
2017-2018	150389 (12.87)	140959 (12.06)		877155 (75.07)	-	1168503
2018-2019	152340 (12.12)	149667 (11.91)		954823 (75.97)	-	1256830
2019-2020	157367 (11.30)	165326 (11.87)		1070036 (76.83)	-	1392729

Source: NABARD data bank (various issues) and Ensure Portal, NABARD

Table :2 Region –wise Average Loan Disbursement per Account during 2019 -2020

Region/State	Average loan amount for Farmers	Average loan amount of SF/MF
Northern Region	160165	95351
Northern Eastern Region	72571	61295
Eastern Region	66307	51592
Central Region	88545	61324
Western Region	150094	80636
Southern Region	95599	73520
Uttar Pradesh	93906	69689
All India	102482	71034

Source: NABARD data bank (various issues) and Ensure Portal, NABARD

Diagram1: Depicting Region –wise average loan disbursement to Farmers

Conclusion: This paper has brought a meagre idea about the sources of flow of credit available in agricultural sector, as we know agriculture credit in India plays a vibrant role in boosting agricultural and rural development but its access remains a challenge specially for small and marginal farmers. During the last decade we have witnessed a remarkable shift in the flow of credit in this sector, with an increase in of schemes and opportunities emerged in the recent years such as scheme of Pradhan Mantri Fasal Bima Yojana (PMFBY) which has widened the scope of farming and allied activities. With the introduction of financial inclusion farmers have now easy access to credit services with limited formalities, they are able to access the innovative loan products without much formalities and complexities involved in the process.

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