

AGRICULTURE FINANCING — AN OVER VIEW

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Credit plays an important role in improving agricultural production, productivity and thus mitigates the distress of the farmers. The co-operative credit societies have been important sources of credit to the farmers. Some commercial banks have been active in providing credit to the farmers which has led to increase in rural bank branches. The government has adopted a policy of 'multi-agency approach' in Agricultural credit. At present, Primary Agricultural Co-operative Societies, Land Development Banks, Commercial Banks and Regional Rural Banks are financing Agriculture.

TABLE-1 FLOW OF CREDIT TO THE AGRICULTURE SECTOR

YEAR	TOTAL CREDIT TO AGRICULTURE(Rs.Cr.)
1909-91	9,830
2000-01	52,827
2001-02	62,045
2002-03	69,560
2003-04	86,981
2004-05	1,25,309
2005-06	1,80,486
2006-07	2,29,400
2007-08	2,54,658
2008-09	3,01,908
2009-10	3,84,514
2010-11	4,68,291
2011-12	5,11,029
2012-13	6,07,375
2013-14	7,11,621
2014-15	8,40,600
2015-16	8,50,000
2016-17	9,00,000
2017-18	10,00,000
2018-19	(Target)11,00,000

Source:PSBS/NABARD

There has been a substantial increase in the flow of credit to the Agricultural Sector over the period 1990-91 to 2018-19, as per the table given above.

TYPES OF AGRICULTURAL CREDIT

The financial requirement of the Indian farmers can be classified into three types, depending upon the period and another three types based on the purpose for which they are required. Farmers need funds for short periods of less than 15 months for the purpose of cultivation expenses. The main agencies sourcing short term loans are the money lenders and cooperative societies. Medium term loans are generally obtained for the purchase of cattle, small agricultural implements, repairs etc. The period of such loans extends from 15 months to 5 years. These loans can be extended from 5 years to 7 years and these loans are generally provided by money lenders, co-operative societies and commercial banks. Long term loans are for a required for the purchase of tractors, land development and such other activities. These loans are for period of 10 to 15 years or beyond. These are provided by Agricultural Development Banks against the security of land documents.

PURPOSE-BASED CREDIT

The credit requirements of farmers can be classified on the basis of purpose of the following categories.

PRODUCTIVE NEEDS

All credit requirements of farmers directly affect agricultural productivity - help buying seeds, fertilizers, manures and agricultural implements, digging and repair of wells and tube wells, payment of wages, improvement of land etc.

CONSUMPTION NEEDS

In the interval between two crops, farmers do not have sufficient income and need credit to meet their basic needs.

UNPRODUCTIVE NEEDS

The Indian farmers often borrow for unproductive purposes like celebration of marriage, birth, death, litigation, religious functions, festivals etc.

SOURCES OF CREDIT

The credit requirements of Indian farmers are met by Non-institutional sources and institutional sources. Institutional credit is always better than Non-Institutional credit. Both the Institutional and Non-Institutional credit plays a major role in rural credit.

(i) INSTITUTIONAL CREDIT**I) GOVERNMENT**

Government provides credit for short period. Government loans to farmers are called as taccavi loans. They are generally given during famines, floods and cyclones. They carry low rate of interest but the loan amount is meager. The medium and big landlords are concerning these loans.

II) CO-OPERATIVE CREDIT SOCIETIES

Co-operative finance is the cheapest and best for the farmers. They do not cheat the farmer. Rate of interest is also low. The role of co-operative credit societies should be enhanced to reduce the influence of village money lenders. But the problem is cooperative movement is a failure in India.

III) COMMERCIAL BANKS

Prior to the nationalization of commercial banks, farmers received very meagre credit from them. They used to lend to commerce, trade and industry. As far as agriculture is concerned they lend to wholesale and retail trade in food-grains. But after nationalization they have been liberally lending to agricultural sector.

IV) LAND DEVELOPMENT BANKS

They were previously called as Land Mortgage Banks. They provide loans to the farmers for a long period at low rate of interest. But these banks have not really contributed much to the financial needs of the farmers.

V) REGIONAL RURAL BANKS

Their main objective is to provide credit and other facilities, particularly to the small and marginal farmers, agricultural laborers and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in the rural areas.

ii) NON-INSTITUTIONAL SOURCES**1. MONEY LENDERS**

They are the most important source of credit to the Agriculturist. There are two types of money lenders.

A) AGRICULTURAL MONEY LENDERS

They combine farming with money lending.

b) PROFESSIONAL MONEY LENDERS

These provide loans to agricultural and non-agricultural purposes. The role money lenders has been gradually coming down. But still they play a major role in supplying main credit. They charge a very high rate of interest and resort to several malpractices.

2) TRADERS AND COMMISSION AGENTS

They also advance credit to the farmers against the crop. They charge high rates of interest and force the farmers to sell the output at low prices. Commission agents charge very high commission, unfortunately this type of finance has been assuming importance.

3) RELATIVES AND FRIENDS

Farmers also borrow from friends and relatives. Such loans are generally informal and thus not carry interest. Farmers cannot depend upon these loans.

4) LAND LORDS

Small and marginal farmers generally borrow from land lords for productive and unproductive purposes. The rate of interest will be very high. The best source of agricultural finance is institutional credit.

SERVICE AREA APPROACH

National Bank for agriculture and rural development (NABARD) is refinancing to the commercial banks, RRBs and Co-Operatives. In order to reduce the competition amongst the commercial banks in rural areas, a policy of "Service Area Approach" has been adopted since 1988. As per this, each bank has to adopt a few villages to provide requiring credit to farmers.

CONCLUSION

In spite of all these challenges, the need of the hour is to provide food security to the people and income security to the farmer. Though multiple schemes have been introduced for the welfare of the farmer, there is a long way to go to reach the said goals as far as the present scenario is concerned.

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