



The Problems And Prospects Of Agricultural Credit To Farmers In India

* R.SATHYA, **Dr.S, DHANASEKARN, ***Dr.K.NAGEDIRAN

Abstract

Agricultural credit is considered as one of the most basic inputs for conducting all agricultural development programmes. In India there is an immense need for proper agricultural credit as Indian farmers are very poor. From the very beginning the prime source of agricultural credit in India was moneylenders.

After independence the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers, at a cheaper rate of interest. Moreover, with growing modernisation of agriculture during post-green revolution period the requirement of agricultural credit has increased further in recent years.

Agricultural lending and financing play a crucial role in India's agriculture sector, which employs over 50% of the country's workforce and contributes around 17-18% to the country's Gross Domestic Product (GDP). The availability of affordable credit is essential for farmers to invest in modern agricultural practices, purchase quality inputs, and increase productivity.

In India, agricultural financing is provided by various institutions, including commercial banks, regional rural banks, cooperative banks, and microfinance institutions. Apart from traditional lending, agricultural financing in India also involves various other forms of credit support, such as crop loans, Kisan Credit Card (KCC) scheme, agricultural term loans, and agricultural insurance. These schemes aim to provide financial assistance to farmers for crop production, purchase of agricultural inputs, and capital investment in agriculture.

This paper focuses on understanding the problems and prospects of agricultural credits to farmers of Indian.

Key Words: Agricultural famer, Agricultural credits, RBI, commercial Banks, Co-operative Banks, Crop loans, Kisan Credit Card, Agricultural Insurance, Crop Production, Agricultural Inputs, Capital Investment, GDP.

Introduction

Agricultural credit is considered as one of the most basic inputs for conducting all agricultural development programmes. In India there is an immense need for proper agricultural credit as Indian farmers are very poor. From the very beginning the prime source of agricultural credit in India was moneylenders.

After independence the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers, at a cheaper rate of interest. Moreover, with growing modernisation of agriculture during post-green revolution period the requirement of agricultural credit has increased further in recent years.

Agricultural lending and financing play a crucial role in India's agriculture sector, which employs over 50% of the country's workforce and contributes around 17-18% to the country's Gross Domestic Product (GDP). The availability of affordable credit is essential for farmers to invest in modern agricultural practices, purchase quality inputs, and increase productivity.

In India, agricultural financing is provided by various institutions, including commercial banks, regional rural banks, cooperative banks, and microfinance institutions. Apart from traditional lending, agricultural financing in India also involves various other forms of credit support, such as crop loans, Kisan Credit Card (KCC) scheme, agricultural term loans, and agricultural insurance. These schemes aim to provide financial assistance to farmers for crop production, purchase of agricultural inputs, and capital investment in agriculture.

Meaning of Agricultural Credit

Agricultural credit is considered as one of the most basic inputs for conducting all agricultural development programmes. In India there is an immense need for proper agricultural credit as Indian farmers are very poor. From the very beginning the prime source of agricultural credit in India was moneylenders.

Types of Agricultural Credit

Considering the period and purpose of the credit requirement of the farmers of the country, agricultural credit in India can be classified into three major types:

1. Short Term Credit

The Indian farmers require credit to meet their short term needs viz., purchasing seeds, fertilisers, paying wages to hired workers etc. for a period of less than 15 months. Such loans are generally repaid after harvest.

2. Medium Term Credit

This type of credit includes credit requirement of farmers for medium period ranging between 15 months and 5 years and it is required for purchasing cattle, pumping sets, other agricultural implements etc. Medium term credits are normally larger in size than short term credit.

3. Long Term Credit

Farmers also require finance for a long period of more than 5 years just for the purpose of buying additional land or for making any permanent improvement on land like sinking of wells, reclamation of land, horticulture etc. Thus, the long term credit requires sufficient time for the repayment of such loan.

Sources of Agricultural Credit

1. RBI
2. NABARD
3. Commercial banks
4. Co-operative Credit Societies
5. Land Development Banks
6. Farm service agencies
7. Insurance companies
8. Farm credit systems
9. Non-bank lending organizations
10. Savings and loan associations

Agricultural credit is important because it Promotes agricultural production, improves the quality of life for farmers, and Helps distribute income in rural areas. Agricultural credit is a type of financial support that provides investment funds to the agricultural sector. It's used to finance agricultural transactions and operations, such as:

Buying equipment, Planting crops, Harvesting crops, Marketing crops, Fertilizing fields, Transport, and Agricultural field management.

Problems of Agricultural Credit in India

Access

Many farmers, especially in rural areas, have difficulty accessing banking services and credit information.

Collateral

Small and marginal farmers often lack the assets to provide collateral for loans.

Interest Rates

High interest rates can make it difficult for small farmers to repay loans.

Awareness

Many farmers are unaware of the financial products and services available to them.

Credit History

Many small farmers don't have a credit history, which can make it difficult for financial institutions to assess their creditworthiness.

Seasonality

Agricultural credit demand is seasonal.

Transportation

Poorly developed transportation infrastructure can make it difficult to serve rural clients.

Management

Managing and supervising rural bank branches can be expensive.

Additional Costs

Borrowers may incur additional costs such as transport costs, bribes, and fees.

Regional Disparity

There is a lot of regional disparity in the distribution of loans.

Bureaucratic Bottlenecks

Farmers are sometimes forced to look for non-institutional sources of finance, which can exploit them.

Insufficient Finance

Rising agricultural input prices and high production costs have led to insufficient finance

Prospects of Agricultural Credit

Poverty Reduction

Agricultural credit can help reduce poverty.

Rural Development

Agricultural credit can help with rural development.

Employment

Agricultural credit can help generate employment.

Skill Development

Agricultural credit can help develop skills.

Innovation

Agricultural credit can help lead to new innovations.

Resource Utilization

Agricultural credit can help with the effective utilization of local resources.

Output Expansion

Agricultural credit can help with output expansion

Conclusion

Among the problems identified are access to banking services in rural communities, lack of acceptable collateral/ security, perceived high agricultural risk, lack of access to credit information, high cost of credit administration, access to market, infrastructural challenges and subsistence nature of farming. The various prospects highlighted include; economic empowerment of farmers, poverty reduction, gains from international trade, employment generations, rural development, skill development, new innovations, effective utilization of local resources and output expansion. Consequent upon the problems noted, the paper recommends that the supervisory authorities should enforce standards so as to address the issue of poor management of funds meant for credit disbursement.

Reference

1. Thingalaya, N.K. (1999), The Banking Saga: History of South Kanara Banks, Corporation Bank, Mangalore.
2. Someshwara Rao, K. (1998), Economics of Rural Banking, Anmol Publications, New Delhi.
3. Reddy, Y.V (2001), "Indian Agriculture and Reform: Concern, Issues and Agenda", RBI Bulletin, March.
4. Mohan, Rakesh (2004), "Agricultural Credit in India: Status, Issues and Future Agenda", RBI Bulletin, November.
5. Ramachandran, V.K., and M. Swaminathan (ed) (2005), Financial Liberalisation and Rural Credit in India, Tulika Books, New Delhi.
6. Golait, Ramesh (2007), "Current Issues in Agricultural Credit in India: An Assessment", Reserve Bank of India Occasional Papers, Vol. 28, No. 1, Summer.
7. Shah, Mihir et.al. (2007), "Rural Credit in 20th Century India: Overview of History and Perspectives", Economic and Political Weekly, April 14.
8. PoojaGiri (2015), "Agriculture Credit in India", International Journal of Science Technology and Management, Vol:4, Issue no:1, pp.158-164
9. SharmishthaMatkar and Anil KeshavJadha (2015), "Agricultural Credit in India: Status and Problems", Research Front, Vol.3, No:2, pp.125-131.
10. "Agricultural Credit in India: Status and Challenges" by K. S. Verma, S. K. Singh, and G. K. Singh (https://www.researchgate.net/publication/321292952_Agricultural_Credit_in_India_Status_and_Challenges)