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Impact on Performance of Rural Agricultural Finance – An Analysis

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ABSTRACT

Agriculture is the backbone of the Indian economy. Although the sector accounts for 15 percent of the national GDP, as well as roughly 11 percent of its exports, half the population still relies on agriculture as the most important source of income, and agriculture is a source of raw material for a large number of domestic industries. India ranks second in total farm output on a global level. During 2013-14 the total production of cereals amounted to 245.6 million tonnes. The horticulture production reached 277.4 million tonnes in 2013-14, representing a 66.2 percent increase from 2004-05. The dairy sector is one of the major livelihood activities in rural India, and a significant contributor to the country's agricultural economy. With an estimated 139.7 million tonnes of production, the country is responsible for approximately 17 percent of global milk production, the majority of which is consumed domestically. Milk production has increased by approximately 51 percent during the last 10 years. By keeping a sustained growth rate, the production is expected to reach 180 million tonnes by 2020-21.

INTRODUCTION

Indian agriculture finance is a most important of development and technologies for sustainable agriculture cultivations in India. The Indian agriculture cultivation technical inputs can be purchased and used has farmers only if the sufficient funds available with the Indian farmers. Most of the time farmers suffer from the problem of inadequate financial state. This situation leads to borrowing from an easy and comfortable source. In the Indian at farmers borrow the agriculture credit has heavily burdened of debt in the rural farmers. Agricultural finance has liquidity services credit provides to farm of borrowers. It is also considered as the study of those financial intermediaries who provide loan to agriculture and the financial intermediaries obtain their loan able funds of farmers.

Agricultural production in this country depends upon millions of small farmers. The farming community must be kept informed about the various sources of agriculture finance. Agricultural finance possesses its usefulness to the farmers, lenders and extension workers. The knowledge of lending institutions, their legal and regulatory environment helps in selecting the appropriate lender who can adequately provide the credit with terms and related services needed to finance the farm business.

STATEMENT OF THE PROBLEMS

Agriculture plays a crucial role in the development of the Indian economy. It accounts for about 19 per cent of GDP and about two thirds of the population is dependent on this sector. Agricultural finance is a subset of rural finance dedicated to financing agricultural related activities such as

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input supply, production, distribution, wholesale, processing and marketing. Financial service providers face distinct challenges when dealing with this sector. For example, the seasonal nature of production and the dependence on biological processes and natural resources leave producers subject to events beyond their control such as droughts, floods or diseases. The modern agriculture has increased the use of inputs especially for seed, fertilizers, irrigational water, machineries and implements, which has increased demand for agricultural credit. The adoption of modern technology, which is capital intensive, has commercialized agricultural production in India.

AGRICULTURE TYPES OF LOOMS

Short-Term: The "short-term loans" are generally advanced for meeting annual recurring purchases such as, seed, feed, fertilizers, hired labour expenses, pesticides, weedicides and hired machinery charges which are termed as seasonal loans/crop loans/production loans. These are expected to be repaid after the harvest. It is expected that the loan plus interest would be repaid from the income received through the enterprise in which it was invested. The time limit to repay such loans is a year.

Medium-Term (from 15 months up to 5 years): "Medium-term loans" areϖ advanced for comparatively longer lived assets such as machinery, diesel engine, wells, irrigation structure, threshers, shelters, crushers, draught and milch animals, dairy/poultry sheds, etc., where the returns accruing from increase in farm assets is spread over more than one production period. The usual repayment period for such type of loan is from fifteen months to five years.
Long-Term 15 month to 5 years (above 5 Years): Loans repayable over a longer period (i.e.ϖ above 5 years) are classified as long-term loans. "Long-term loans" are related to the long life assets such as heavy machinery, land and its reclamation, erecting of farm buildings, construction of permanent-drainage or irrigation system, etc. which require large sums of money for initial investment. The benefits generated through such assets are spread over the entire life of the asset. The normal repayment period for such loans ranges from five to fifteen or even up to 20 years.

MURRAY (1952) examines the farming investment as a monetary study of borrow finances by farmers, the association and process of farm house lend agency within society’s concern in credit for cultivation.

TANDON AND DHONDYAL (1960) to study undeveloped finance “as a subdivision of rural economics, which deal with and monetary fund’s related to individual farm units”.

OBJECTIVES OF THE STUDY

1. To study analyze growth of Agriculture credit in India
2. To examine the Institutional credit for Agriculture and allied activities in India
3. To find out the Agency level of Agriculture credit flow of borrows in India

METHODOLOGY

The secondary data collected from various Journals, Reference Books, Magazine, Perditicals, NABARD Report, the study on analyzed of 2001-2016-17 data collected from the RBI Report.

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RESULTS AND DISCUSSION

TABLE -1: DIRECT INSTITUTIONAL CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES - SHORT-TERM

YEAR	LOANS ISSUED				LOANS OUTSTANDING			
	CO-OPERATIVES	SCBS	RRBS	TOTAL	CO-OPERATIVES	SCBS	RRBS	TOTAL
2001-02	216.70	126.61	38.10	381.41	215.40	188.82	48.12	452.34
2002-03	236.29	168.25	48.34	452.88	245.18	232.11	64.95	542.24
2003-04	293.26	241.34	61.33	595.93	308.08	319.82	76.64	704.54
2004-05	318.87	299.78	98.83	717.48	324.81	427.98	109.80	862.59
2005-06	356.24	456.44	128.16	940.84	341.40	599.71	138.77	1079.88
2006-07	407.96	652.45	170.31	1230.72	377.64	760.06	187.07	1324.77
2007-08	473.90	682.43	203.77	1360.10	436.96	961.52	227.48	1625.96
2008-09	480.22	1077.66	228.51	1786.39	456.86	1262.85	266.52	1986.23
2009-10	569.46	1246.46	305.29	2121.21	357.17	1676.23	336.63	2370.03
2010-11	690.38	1460.63	385.60	2536.61	496.45	1932.62	406.63	2835.70
2011-12	818.29	2178.97	470.11	3467.37	445.17	2690.30	465.80	3601.27
2012-13	1025.92	-	577.57	-	766.22	3534.25	552.55	-
2013-14	1135.74	-	706.46	-	1807.64	3335.72	682.67	-
2014-15	1998.72	-	846.86	-	1893.99	4649.20	826.20	-
2015-16	2275.71	-	981.50	-	2031.90	5203.95	967.02	-
2016-17	2178.97	-	-	-	-	-	-	-
SCBs : Scheduled Commercial Banks RRBs : Regional Rural Banks								

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TABLE -2: DIRECT INSTITUTIONAL CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES LONG-TERM

YEAR	LOANS ISSUED				LOANS OUTSTANDING			
	CO-OPERATIVES	SCBS	RRBS	TOTAL	CO-OPERATIVES	SCBS	RRBS	TOTAL
2001-02	88.99	59.77	7.36	156.12	305.70	262.24	34.74	602.68
2002-03	104.11	84.31	10.45	198.87	345.46	305.93	37.66	689.05
2003-04	107.23	120.69	10.42	238.34	405.95	361.21	40.58	807.74
2004-05	131.22	183.89	20.43	335.55	463.41	527.21	57.30	1047.91
2005-06	124.99	349.55	24.84	499.38	481.87	756.32	76.32	1314.51
2006-07	132.23	500.21	31.98	664.42	516.79	930.12	87.45	1534.36
2007-08	102.53	452.29	34.61	589.43	219.70	1066.44	104.68	1390.82
2008-09	107.65	529.24	36.48	673.37	183.59	1298.34	107.15	1589.08
2009-10	65.51	636.07	41.11	742.69	240.74	1478.13	126.19	1845.06
2010-11	90.83	767.29	54.05	912.17	270.29	1643.22	144.04	2057.55
2011-12	61.34	949.80	60.48	1071.62	280.28	1742.68	172.44	2195.40
2012-13	86.11	-	68.92	-	275.79	1690.53	194.06	-
2013-14	63.90	-	77.28	-	339.70	1699.60	220.27	-
2014-15	81.19	-	131.51	-	327.63	2190.49	277.42	-
2015-16	94.92	-	203.84	-	265.87	2944.46	361.10	-
2016-17	108.78	-	-	-	-	-	-	-

TABLE -3: DIRECT INSTITUTIONAL CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES -TOTAL (SHORT-TERM AND LONG-TERM)

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YEAR	LOANS ISSUED					LOANS OUTSTANDING			
	CO-OPERATIVES	STATE GOVERNMENTS	SCBS	RRBS	TOTAL (2 TO 5)	CO-OPERATIVES	SCBS	RRBS	TOTAL (7
2000-01	272.95	4.87	164.40	39.66	481.87	461.35	382.70	72.49	916.54
2001-02	305.69	4.43	186.38	45.46	541.95	521.10	451.06	82.86	1055.02
2002-03	340.40	-	252.56	58.79	651.75	590.64	538.04	102.61	1231.29
2003-04	400.49	-	362.03	71.75	834.27	714.03	681.03	117.21	1512.28
2004-05	450.09	-	483.67	119.27	1053.03	788.22	955.19	167.09	1910.50
2005-06	481.23	-	805.99	153.00	1440.21	823.27	1356.03	215.10	2394.39
2006-07	540.19	-	1152.66	202.28	1895.13	894.43	1690.18	274.52	2859.13
2007-08	576.43	-	1134.72	238.38	1949.53	656.66	2027.96	332.16	3016.78
2008-09	587.87	-	1606.90	264.99	2459.76	640.45	2561.19	373.67	3575.31
2009-10	634.97	-	1882.53	346.40	2863.90	597.91	3154.36	462.82	4215.09
2010-11	781.21	-	2227.92	439.65	3448.78	766.74	3575.84	550.67	4893.25
2011-12	879.63	-	3128.77	544.50	4538.98	725.45	4432.98	703.84	5796.66
2012-13	1112.03	-	4844.99	636.81	-	1197.75	5224.78	794.99	-
2013-14	1199.64	-	-	826.52	-	1352.45	5035.32	982.06	-
2014-15	1384.69	-	-	1024.82	-	1542.86	6839.69	1126.03	-
2015-16	1532.94	-	-	1192.60	-	1561.20	8148.41	1334.01	-
2016-17	1427.58	-	-	1232.16	-	2266.97	-	1534.16	-
SCBs : Scheduled Commercial Banks. RRBs : Regional Rural Banks.									

Source: SCBs : Scheduled Commercial Banks. RRBs : Regional Rural Banks.

TABLE- 4: GVA AND GCF IN AGRICULTURE AND ALLIED SECTOR IN INDIA

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YEAR	GROSS VALUE ADDED	GROSS CAPITAL FORMATION	SHARE OF GCF IN GVA OF AGRICULTURE& ALLIED SECTOR (%)
2011-12	15,01,816	2,74,432	18.27
2012-13	15,24,398	2,53,308	16.62
2013-14	15,88,237	2,84,134	17.89
2014-15	16,06,140	2,77,436	17.27
2015-16	16,17,208	2,63,147	16.27

Source: National Accounts Statistics, CSO, MOSPI, GoI, 2017)

The table-4 shows that the percentage share of Gross Capital Formation (GCF) in agriculture and allied sector in the Gross Value Added (GVA) from agriculture declined from 18.27 per cent in 2011-12 to 16.62. likewise the GC TO Agricultural activities per cent in 2015-16 Considering the importance of agriculture and allied sector in increasing income and employment, and also achieving inclusive growth, it is imperative to increase investment in the sector. 17.27 declined 17.89The declining GCF to GVA ratio in agriculture can be attributed to the decline in public sector investments. Hence, budgetary allocations for capital expenditure in agriculture and allied sector need to be increased by states.

TABLE-5: AGENCY –WISE GROUND LEVEL CREDIT FLOW IN INDIA

AGENCY	2012-13	2013-14	2014-15	2015-16	2016-17
CBS	4,32,491	5,27,506	6,04,376	6,42,954	7,33,201
RRBS	63,681	82,653	1,02,483	1,19,261	1,03,974
Coops	1,11,203	1,19,964	1,38,469	1,53,295	1,22,651
Total	6,07,375	7,30,123	8,45,328	9,15,510	9,59,826

Source: National Accounts Statistics, CSO, MOSPI, GoI, 2017.

Agricultural term loan include agri and agri-allied, agri-infra and ancillary activities. Out of total term loan disbursement, share of Indirect Term Loan is R1,27,070.52 crore (not given to non-corporate farmers as per definition of RBI) The agency-wise share of credit flow to the agricultural sector during the last five years is furnished Agricultural credit disbursement continues to be dominated by commercial banks, followed by co-operative banks and RRBs.

TABLE-6: GROUND-LEVEL DISBURSEMENT TO AGRICULTURE SECTOR

YEAR	CROP LOAN	TERM LOAN	TOTAL
2012-13	4,73,500	1,33,875	6,07,375
2013-14	5,48,435	1,81,688	7,30,123
2014-15	6,35,412	2,09,916	8,45,328
2015-16	6,65,313	2,50,197	9,15,510
2016-17	6,22,685	3,37,141	9,59,826

Source: National Accounts Statistics, CSO, MOSPI, GoI, 2017

In the table examine the Ground l level disbursement to agriculture sector crop loan and term loans issued said the report The share of agriculture credit to agriculture GDP (at current prices) has

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Shown an increasing trend over the last decade though it declined to 40.5 per cent in 2016-17 from 42.1 per cent in 2015-16

CONCLUSION

The paper examine its various schemes of finance has agriculture aim at helping farmers and by helping it attempts to promote the growth and productivity of agriculture. This enhancing attempt is a major encouragement to farmers to sustain the growth in agriculture. The schemes of finance explained are a continuous and sustained effort of the government to encourage farmers. There has been an increasing trend towards institutional rural financing. The financial institutions are under stress, particularly since the financial sector reforms. The commercial banks have started feeling shy of lending to agricultural sector and rural poor. The provisions of mandatory lending for priority sector and the agricultural activities should continue. The banks should take the help of NGOs and local formal institutions in their lending programmes to reduce the transaction costs and improve recoveries. The financial cum consultancy approach needs to be followed. For meeting the credit needs of the poor, the programmes like linking of Self-Help Groups (SHGs) with lending agencies are to be further strengthened.

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