

Agriculture Credit Institutions-A Study of Issues and Challenges

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This paper looks at the worries and issues in horticultural credit in India. The examination expresses that the credit conveyance to the horticulture area keeps on being inadequate. Apparently the financial framework is as yet reluctant on different grounds to give credit to little and minimal ranchers. Change in financial approaches and rehearses and the resultant of and admittance to add up to bank credit during the post-bank nationalization period have not acceptably tended to fair and productive conveyance of farming and country credit. Due to declining in open capital development in the provincial and horticulture area and the tenacious apathetic mentality of country investors towards formal financing, the organizers and policymakers are accept on microfinance to reasonably enhance formal banking in rustic India.

INTRODUCTION

Rustic money involves credit worry in a creating economy like India where 64% of the populace relies on farming. The interest for rural credit emerges because of i) absence of synchronization between the acknowledgment of pay and demonstration of consumption; ii) knottiness of interest in fixed capital arrangement; and iii) stochastic floods in capital requirements and saving that go with mechanical developments. Credit, as one of the basic non-land inputs, has two-measurements from the perspective of its commitment to the increase of agrarian development viz., accessibility of credit (the quantum) and the dissemination in horticulture credit. India has embraced three pronged system for creating horticulture credit, throughout the long term, viz (i) Promoting of institutional construction, (ii) Directing loaning, and (iii) Concessional or endowments credit. Expanding commercialization and globalization additionally require extended and further developed foundation.

The National Agricultural Policy not just imagines quicker horticultural development at 4% per year, yet in addition its fair spread across locales and classes of ranchers. Simultaneously, some significant arrangements of the WTO arrangements have the capability of expanding India's offer in world exchange of rural items. Every one of these convert into higher credit interest and speed increase in its

development, just as financially savvy systems for its conveyance. The advancement of institutional credit to farming could be extensively characterized into four particular stages - 1904-1969 (power of co-agents and setting up of RBI), 1969-1975 [nationalization of business banks and setting up of Regional Rural Banks (RRBs)], 1975-1990 (setting up of NABARD) and from 1991 onwards (monetary area changes). The beginning of institutional inclusion in the circle of agrarian credit could be followed back to the authorization of the Cooperative Societies Act in 1904. The foundation of the RBI in 1935 built up the course of institutional improvement for rural credit. The RBI is maybe the primary national bank on the planet to have checked out the issue identified with agribusiness and horticultural credit, and it keeps on doing as such. Throughout the long term, country credit framework has been experiencing various impediment. Since the times of Rural Credit Survey Committee (1954), India has gone to far as its continued looking for a fitting provincial financial set-up. From that point forward one panel after another has analyzed this issue.

REVIEW OF LITERATURE: Some investigations identified with the different issues of agribusiness credit are:

Sharma and Prasad (1971) They expressed that the presentation of most recent innovation without credit offices would not have importance effect on the pay of the ranchers. Agribusiness acknowledge has direct relationship for the pay level homestead efficiency and horticulture advancement.

Naryanan (1987) Studied the majority of residents who took advance were little and negligible ranchers and farming workers. He further saw that because of deficient credit given to them, there was no addition in the pay of recipients.

Binswanger and Khandker (1992) tracked down that the yield and business impact of extended country finance has been a lot more modest than in the nonfarm area. The impact on crop yield isn't huge, regardless of the way that credit to horticulture has unequivocally expanded manure use and private interest in machines and animals. High effect on inputs and humble effect on yield unmistakably imply that the extra capital venture has been more significant in filling in for agrarian work than in expanding crop yield.

A.Ranga Reddy (2004) contemplated that the National Commission on Agriculture (1976) extended that the genuine necessities of credit for horticulture would be Rs.9, 400 crore by 1985. However, the Planning Commission focus for 1984-85 was Rs. 5415 crores, while real dispensing of credit was Rs. 6167

crores in 1985-85. In spite of the fact that Planning Commission's objective figure for 1984-85 was outperformed by the real payment, the National Commission's projected figure was not accomplished.

Burgess and Pande, (2005) tracked down that a one percent increment in the quantity of country banked areas decreased rustic destitution by generally 0.4 percent and expanded complete yield by 0.30 percent. The yield impacts are exclusively represented by expansions in non-horticultural yield – a discovering which recommends that expanded monetary intermediation in country India helped yield and business differentiate activity out of farming.

Mohan (2006) contemplated the general development of agribusiness and the job of institutional credit. Concurring that the general inventory of acknowledge to agribusiness as a level of complete disbursal of credit is going down, he contended that this ought not be a reason for stress as the portion of formal credit as a piece of the agrarian GDP is developing. This sets up that while credit is expanding, it affects worth of yield figures which calls attention to the limits of credit.

Golait (2007) analyzed the issues in farming credit in India. The investigation uncovered that the credit conveyance to the farming area keeps on being deficient. It gave the idea that the financial framework is as yet reluctant on different grounds to furnish credit to little and negligible ranchers. It was proposed that purposeful endeavors were needed to expand the progression of credit to farming, close by investigating new advancements in item plan and techniques for conveyance, through better utilization of innovation and related cycles. Wellsprings of institutional agrarian credit

1. Institutional credit

(a)Co-Operative credit social orders should be the modest est and most significant wellspring of rustic credit. At the point when co-agents were first set up it was felt that they would have the option to meet practically the whole credit needs of various little and me-dium ranchers. Thus, the moneylenders would retreat to the foundation. In any case, this has not actually occurred. Till 1950-51 they assumed an aloof part in the space of provincial credit. Be that as it may, during the arrangement time frame the co-usable social orders have gained consistent headway and have prevailed to some ex-tent in advancing frugality and self improvement among ranchers.

(b)Land devel-opment bank (land contract banks) - predominantly give long haul advances to ranchers against the home loan of their properties at low paces of revenue over a time of 15 to 20 years. Ranchers discover getting from such banks alluring as expensive land improvement programs (like

burrowing or developing of wells) can be embraced, or extra land can be obtained through inside and out buy, or past obligations can be reimbursed with assistance of this source.

(c) Commercial Bank-Before nationalization of top 14 business banks in June 1969, they had a metropolitan predisposition. They principally acknowledge stores from the metropolitan individuals and give advances to exchange and enterprises. Agribusiness and rustic enterprises were disregarded by them. Since agribusiness by its tendency was an unsafe endeavor, private business banks got some distance from rustic regions since the nationalization of business banks in 1969 the pressure has been on extending and fortifying the institutional construction of provincial credit. Be that as it may, even today the rustic regions in India are yet not appropriately served by banking establishments.

(d) Regional Rural bank-In 1975, the Government set up an organization of territorial country banks to investigate the exceptional requirements of little and blemish ginal ranchers, landless specialists, rustic craftsman's and the country poor overall. The one of a kind element of the 196 RRBs operating since September 1990 is that they provide food only to the more vulnerable segments of the provincial local area through almost 14,800 branches spread over India. Practically every one of the ancestral regions are covered. The RRBs have been loan ing around Rs. 400 for each annum on a normal.

(e) The Government-has additionally given present moment and long haul credits to ranchers in the midst of crisis like floods or starvation. Such advances are known as Taccavi credits. Such credits are offered at a concessional pace of revenue (6%) and the method of reimbursement is likewise extremely advantageous. It very well may be reimbursed in a few portions at the hour of installment of land charge.

2. Non institutional credit : (a) Money loan specialists From the absolute starting point moneylenders have been propelling a significant portion of homestead credit. Moneylenders are of two distinct sorts (a) Professional moneylenders (b) Agriculturist moneylenders These moneylenders were providing a significant piece of horticultural credit (69.7 percent in 1951-52) and reveled into misbehavior like control of records and charged extreme pace of revenue on their advance regularly 24% and over (b) Traders and Commission specialists Traders and commission specialists are additionally propelling advance to the agriculturist for useful purposes before the development of harvests and afterward constrained the ranchers to sell their yields at exceptionally low costs and charge weighty commission on deals from them. This sort of credits is for the most part progressed for cash crops. (c) Relatives-Cultivators additionally regularly get reserve from their own family members in the midst of their

emergency both as far as money or kind. These credits are a sort of casual advances and convey no interest and are ordinarily returned after gather.

Agrarian Credit: Some Trends and Developments:

i. Similar Appraisal of Rural Financial Institutions (RFIS): despite their wide organization, co-usable banks, especially since the 1980s have lost their predominant situation to business banks. The portion of co-employable banks was 30% during 2007-08 which is not exactly 50% of what it was in 1971-72 (87 percent). The portion of business banks enlisted increment from 2% to 58 percent and the RRBs (4 to 12 percent) threefold during the above same time frame. In this way, the agreeable banks had a significant offer followed by business banks and RRBs. Between 1971-72 and 2007-08, farming credit saw a leap of around multiple times from only Rs. 883 crore to Rs. 1,94,953 crore. The generally speaking higher-request credit development in financial framework has not upheld the ideal extension of agribusiness credit a lot to limited scope ventures.

ii. Examination of Sources of Agriculture Credit: The portion of institutional credit, which was little 7.3 percent in 1951, worked on complex to more than 61% in 1991 while then again a noteworthy decrease in the portion of non institutional credit from 92.7 percent to 39per penny during a similar period was enrolled. However, it is additionally recollect capable that the most recent NSSO Survey uncovers that the portion of non-institutional credit has taken a converse swing which is a reason for concern.

iii. Examination between horticulture credit and farming GDP: On the one hand, the proportion of rural credit to agrarian GDP expanded from 5.4 percent during the 1970s to 8.7 percent in 2001-02 while then again the portion of rural credit in complete credit declined from 20.5 percent to 10.5 percent during a similar period.

iv. Locale - astute Imbalance Agriculture Credit: There is adequate inconstancy in the accessibility of institutional credit per hectare of gross edited region in various States in India. During 2001-02.it was pretty much as high as 14.9 percent in Tamil Nadu, 13.5 percent in Andhra Pradesh, 10.4 percent in Punjab, and 9.7 percent in Karnataka, while it was just about as low as 0.5 percent in North-Eastern Region and 7.4 percent in Eastern Region. The states that have a bigger portion of poor people, the inclusion is relatively low. The openness to institutional credit is higher in the Southern locale More than 50% of the absolute SHG credit linkages in the nation are packed in the Southern States. It was seen that

the banks have not embraced the Kisan Credit Card Scheme in a uniform way, bringing about certain States like Andhra Pradesh, Maharashtra, Rajasthan and U.P. giving in excess of 10 lakhs of KCCs (in each state). While States of Karnataka, Orissa and Tamil Nadu have given 5-10 lakh KCCs every, some different States like Bihar, Assam, Gujarat, Haryana, Himachal Pradesh, J&K, Kerala, M.P., Punjab and West Bengal have given under 1 lakh KCCs each.

A few Concerns and Issues:

Throughout the long term, country credit framework has been experiencing various misfortunes like restricted effort, skewness in the accessibility of credit in various locales, areas and segments of the cultivating local area, lower recuperation of advances, developing non-performing of resources, and misfortune making establishment and so forth Another issue looked by ranchers is that provincial monetary establishments are not propelling agribusiness credit at the rate justified by the expanded necessities of credit with the bigger utilization of procurement inputs. The absolute most unfortunate piece of the nation for example the ancestral belt stretching out from Jharkhand to Andhra Pradesh and including ancestral space of Bihar, Orissa, Maharashtra and Chattisgarh, are enough served by RFIs. Indeed, even in other horticulturally progressed regions, the portion of the credit from RFIs in the complete expense of the data sources is low and there is no marker of the hole filled.

RFIs principally business banks advance three purposes behind their inadmissible presentation in rustic regions. These are:

- (a) Low absorptive limit in rustic regions,
- (b) High exchange costs, and
- (c) Greater dangers.

With the hesitance and failure of RFIs, ranchers need to take asset to non-formal sources, for example input providers, merchants and greater property managers to acquire credit. While it very well might be not difficult to get credit from these sources, it likewise evident that the terms they offer are grave; additionally be more savage. Ranchers who are vigorously obliged to these sources, however unfit to produce extra yield and, consequently default in reimbursement, face serve results. It is no occurrence that the biggest quantities of suicides are accounted for from regions where ranchers get vigorously obliged to non proper wellsprings of credit. The developing aberrations between peripheral, little and huge ranchers keep on being a reason for concern. The huge extent of populace in the lower layers,

which is having significant offer in the land possessions, gets considerably less credit than its prerequisites.

A new World Bank or NCAER review shows that lone 24% of the Andhra Pradesh and 19 percent of the Uttar Pradesh families approached formal credits, while 56 and 51 percent of the families in two states individually relied upon private credit. The extents of little and minimal ranchers getting to formal credit were lower than those in the medium and huge class in both the states. In this way admittance to formal credit was poor and slanted for the bigger property. Less accessibility of credit impacts unfavorably the reception of current innovation and private capital speculations, which thus brings down the useful limit of the agrarian area and results in lower efficiency and creation, and furthermore pushes the ranchers to get from non-institutional sources.

Subsequently, the accessibility for agrarian credit for short and long haul intentions is lacking The Finance Minister in his Union Budget 1995-96 conceded "Insufficiency of public interest in horticulture is today a question of general concern. This is a region which is the obligation of states. However, many states have ignored interest in framework for agribusiness. There are numerous provincial foundation projects which have been begun however are lying fragmented for need of assets. They address a significant deficiency of expected pay and work to rustic populace."

Policy Measures and Reliefs: In the series of reliefs and drives the Union spending plan 1995-96 proposed the formation of Rural Infrastructure Development Fund (RIDF) in NABARD with a corpus of Rs. 2000 crores. The Fund has proceeded with extra corpus being reported each year in the Union Budget. Two developments, viz., miniature money and Kisan Credit Card Scheme (KCCS) have been presented in August 1998. The Government of India declared uncommon measures in June 2004 to twofold the progression of horticultural credit during the period 2004-05 to 2006-07 by every one of the monetary foundations. Towards this end, it was proposed to build the agrarian credit by 30% to about Rs.1.05 lakh crore in 2004-05. Further, the RBI has empowered Non-Governmental Organizations (NGOs) occupied with miniature money exercises to get to outer business borrowings (ECBs) dependent upon US \$ 5 million during a monetary year for permitted end-use, under programmed course, as an extra channel of asset preparation.

The Reserve Bank has attempted a few measures taking into account the target set in the Union Budget to accomplish a multiplying of stream of credit to horticulture and self destruction by ranchers in the country. These are:

a) To raise the horticultural credit stream at the pace of 30% each year.

b) To rebuild the exceptional obligation of the ranchers under the rules gave by RBI or NABARD:

a) Farmers in trouble – Rescheduling or rebuilding of the exceptional credit of the ranchers on March 31, 2004 in the regions announced as cataclysm – influenced by the State Government. Rescheduled advance will be repayable over a time of five years, at current loan costs, including an underlying ban of two years.

b) Farmers falling behind financially - Loans in default of ranchers who have gotten ineligible for new credit as their prior obligations have been gathered as unacceptable or dicey will be rescheduled according to the rules so such ranchers become qualified for new credit.

c) To allow a one-time settlement (OTS) including fractional waiver of interest or advance to the little and minimal ranchers who have been proclaimed as defaulters and have gotten ineligible for new credit.

d) The middle has effectively executed a plan where ranchers face sharp trouble on account of the significant weight of obligation from non-institutional loan specialists. Banks were coordinated to propel credits to such ranchers give them help from obligation.

e) The Public Sector banks were coordinated to diminish their loaning rate for farming to a solitary digit pace of not more than 9% per annum on crop credits up to a roof of Rs.50, 000. e) To forgo edge or security prerequisites for farming advances up to Rs.50, 000 and agri-business and agriclincs up to Rs.5 lakhs. An uncommon bundle for facilitating the agrarian emergency and keeping ranchers from ending it all in around 30 regions of the four most noticeably terrible influenced territories of Andhra Pradesh, Karnataka, Maharashtra, and Kerala. The Center has endorsed uncommon bundle for the recognized locale in the States of Andhra Pradesh, Maharashtra Karnataka, and Kerala which includes an aggregate sum of Rs.16,978 crore comprising of Rs.10,579 crore as sponsorship or awards and Rs.6,399 crore as credit. The proposed bundle will cover six issues-credit, protection, water system, horticulture usefulness, absence of expansion administrations and absence of advertising foundation. An extra

bundle of Rs. 720 crore to support ranch schooling was given. World Bank likewise contributed \$ 200 million for National Agricultural Innovation Project.

ii. Misutilisation, Recovery, Overdue and Defaulters Position:

It has been seen that 30% little ranchers, 53% minimal ranchers and 47% enormous ranchers misutilised the advance on buying resources, utilization, and development of houses and in paying old obligation. Around half ranchers misutilised the credit in installment of old obligation. Among the ranchers who pay credit on time are 70% little ranchers, 47% medium ranchers and 53% enormous ranchers. Medium ranchers has bigger offer in over duty than enormous ranchers followed by little ranchers. Among the defaulters 30% were enormous ranchers, 20% medium ranchers and 17% were little ranchers. Among the non-obstinate defaulters 80% were little ranchers, 67% medium ranchers and 56 % enormous ranchers. The among non-stiff-necked defaulters were: Minimum help cost, Ineffective advertising framework, mounting input costs and insufficient conventional credit, crops disappointment, changing design of ground water, to reimburse old obligation, low stockpile power and no other kind of revenue. 46% enormous ranchers, 33% medium ranchers and 20% little ranchers were unshakable defaulters. The reasons among hardheaded defaulters were: To reimburse old obligation, low interest trouble, low pressing factor for recuperation (both socially and lawfully), propensity for paying in future and political impact.

The reports show the current situation of NPA of State Cooperative Banks in India. At the total level, the level of Non Performing Assets to advances exceptional in regard of STCBs, decreased to 4.08 percent as on 31 March 2017 as against 4.50 percent as on 31 March 2016. Locale savvy investigation showed that the NPA levels in rate terms of the State Cooperative Banks in the focal, North-eastern and Western areas were higher than the all-India level. The Non Performing Assets to credits extraordinary fluctuates across the organizations in India. Identified with the StCBs, the NPAs' position has declined as referenced as of now. Be that as it may, the normal gross NPAs for DCCBs across India expanded from 9.4 percent as on 31 March 2016 to 10.45 percent as on 31 March 2017. Consequently, these expanded NPAs might cause for the financial emergency in India during the significant stretch when the financial area brought about misfortune.

Conclusion:

The examination draws out that the patterns of institutional credit to the horticulture area during the post-change time frame were high than the pre-change time frame, and the arrangement additionally changed altogether over this period. The patterns of direct short and long haul credit to the horticulture area were expanded during the post-change time frame. Subsequently, the roundabout credit to the agribusiness area was expanded immensely during the post-change time frame. The co-usable credit structure needs redoing to work on the effectiveness of the credit conveyance framework in rustic regions. Consolidating and redoing of RRBs that are prevalently situated in ancestral/in reverse districts is viewed as a possibly critical institutional course of action for financing the until recently unreachable populace. The circumstance calls for coordinated endeavors to increase the progression of credit to horticulture, close by investigating new developments in item plan and strategies for conveyance, through better utilization of innovation and related cycles. Change in financial strategies and rehearses and the resultant of and admittance to add up to bank credit during the post-bank nationalization period have not agreeably tended to fair and effective conveyance of horticulture and rustic credit. Due to declining in open capital arrangement in the rustic and horticulture area and the determined tepid mentality of country brokers towards formal financing, the organizers and policymakers might accept on microfinance to reasonably enhance formal banking in provincial India.

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