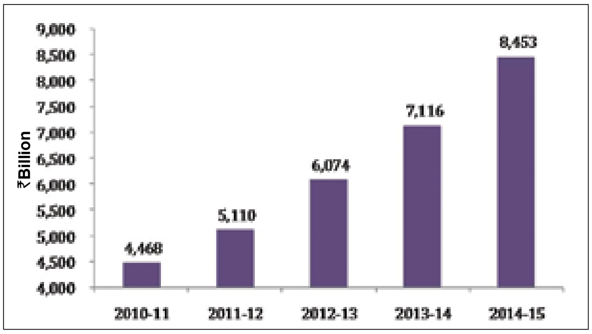
भारतीय कृषि एवं खाद्य परिषद्
INDIAN COUNCIL OF FOOD AND AGRICULTURE

AGRICULTURE CREDIT IN INDIA

Agriculture Credit in India

Since Green revolution, the investment requirements for cultivation has continuously increased, as almost all inputs like seeds, pesticides, fertilizers, motor pump sets, tractors, pipe lines, etc., are to be purchased and several other services such as tractors, sprayers, rotors, harvesters etc.,are to be hired from the market. The agricultural credit in India increased at a CAGR of 13.6% from Rs. 4468 billion in 2010-11 to Rs. 8453 billion in 2014-15.

Total Agriculture Credit in India



Source: Department of Agriculture, Cooperation & Farmers Welfare

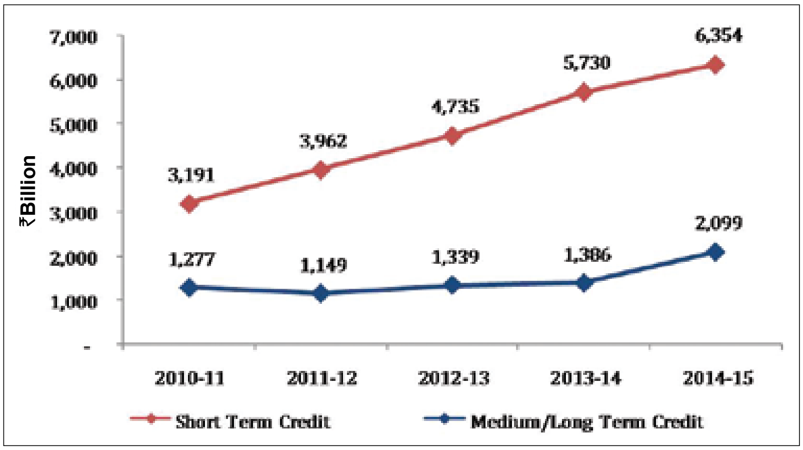
AGRICULTURE CREDIT TYPES

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, namely, short term, medium term and long term credit.

The Indian farmers require credit to meet their short term needs viz., purchasing seeds, fertilizers, paying wages to hired workers etc. for a period of less than 15 months. Such loans are generally repaid after harvest and are called short term credit. In fact, the proportion of such loans has been quite high as compared to the medium term/long term credits. The increase in the short term credit loans was at a CAGR of 14.77% during 2010-2014.

Medium term 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. Medium term credits are normally larger in size than short term credit.Farmers also require finance for a long period of more than 5 years for purposes such as buying additional land or for making any permanent improvement on land like sinking of wells,

Total Agriculture Credit in India by Type



Source: Department of Agriculture, Cooperation & Farmers Welfare

reclamation of land, horticulture etc. This type of loan is called long term credit.There has been significant increase in medium/long term credit to Rs. 2,099 billion in 2014-15 from Rs. 1,277 billion in 2010-11, at a CAGR of 10.45%.

SOURCES OF AGRICULTURE CREDIT

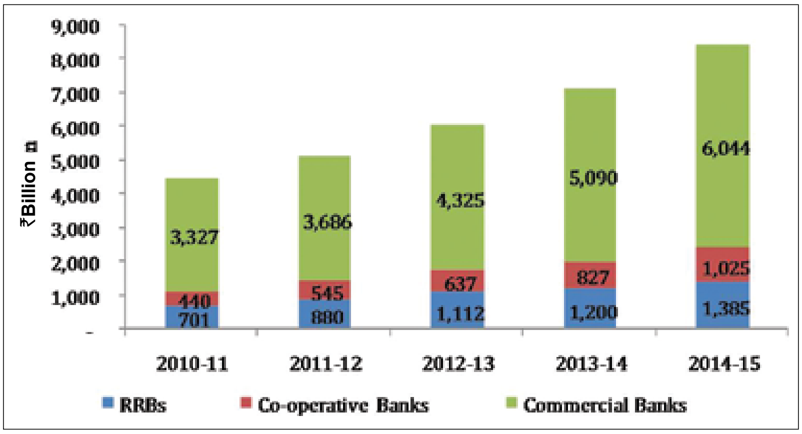
The major institutional credit agencies in India are Commercial Banks (CBs), Regional Rural Banks (RRBs) which are mainly sponsored by the Scheduled Commercial Banks and state governments. There are also the Cooperative Banks which are further divided into rural cooperatives and urban cooperatives. Rural cooperative banks further differ based on the time periods of loan. The short term structures of loans are provided by the State Cooperative Banks, District Central Cooperative Bank (DCCB) and Primary Agricultural Credit Societies (PACS). The long term structures of loans are provided by State Cooperative Agricultural and Rural Banks (SCARDBs) and Primary Agricultural and Rural Development Banks (PARDBs).

There have been changes in relative share of sources of institutional credit. It is observed that after the nationalization of commercial banks of India in 1969, the commercial banks as a whole have increased consistently its share in institutional credit to agriculture sector from 38.4% in 1980-81 to 71% in 2014-15. Resultantly, the relative share of co-operative societies declined from 61.6% in 1980-81 to 12% in 2014-15.

STATE – WISE AGRICULTURE CREDIT

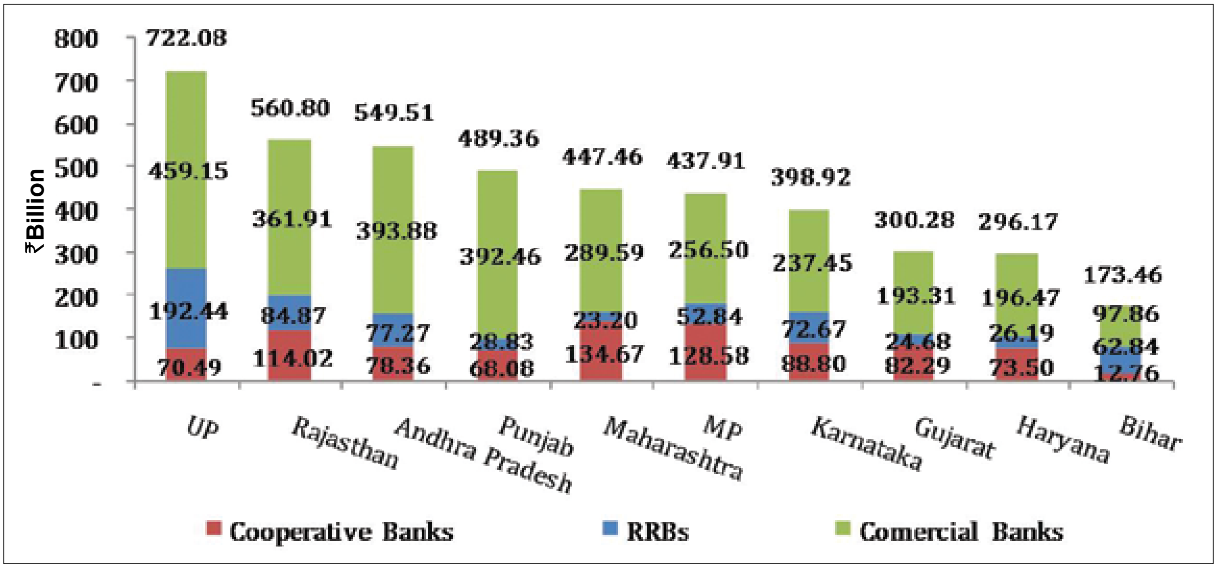
In recent years, the disbursement of agricultural credit has reached a new

Total Agriculture Credit in India by Source



Source: Department of Agriculture, Cooperation & Farmers Welfare

Top 10 States with Maximum Amount Outstanding as on 31st March 2015



Source: Department of Agriculture, Cooperation & Farmers Welfare

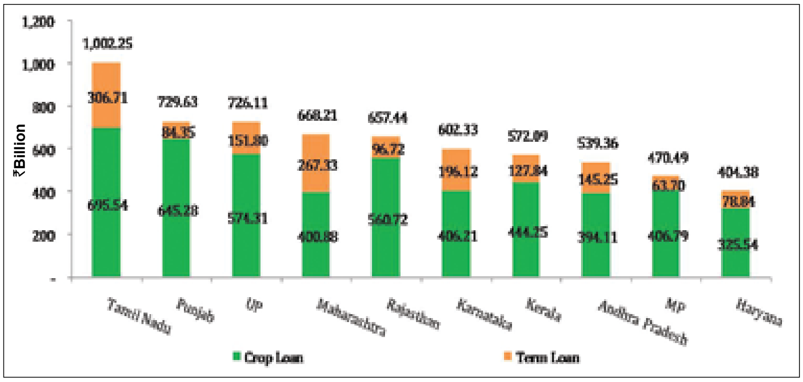
dimension. Co-operatives, commercial banks and Regional Rural Banks (RRBs) are advancing both short-term, medium term and long term credit to Indian farmers to help them adopt modern technology and improved agricultural practices for raising crop productivity and production.

The government provides short-term crop loans up to Rs.3 lakh at subsidized interest rate of 7% per annum. An additional incentive of 3% is provided to farmers for prompt repayment of loans within due date, making an effective interest rate for them at 4%. The states with maximum loan disbursements in 2014-15 were Tamil Nadu, Punjab, Uttar Pradesh, Maharashtra and Rajasthan.

The total agricultural loan outstanding as on 31st March 2015 stood at Rs.5,203.07 billion. The agricultural loan outstanding stood at Rs.758.93 billion with regional rural banks, Rs.1,096.87 billion at cooperative banks and Rs.3347.27 billion at commercial banks.

Access to finance, especially by small holders, is crucial for improved agricultural performance. Credit flow doubled in the Eleventh Plan but mainly by credit deepening, with little increase in farmer coverage and still leaving 60% of farmers without institutional credit. There are several ways in which credit access can be widened. Primary Agricultural Co-operative Societies (PACS) still have the widest coverage and must be made more members driven and less dependent on higher tiers. Joint Liability Groups (JLGs) are still the most appropriate mechanisms for farmers and livestock owners who have productive assets but cannot access credit because they have no land records, are located too far from banks or have last mile problems. The SHGs Bank Linkage programme is still the most appropriate financial mechanism to extend credit to marginal and dry land farmers as this allows better income smoothing since SHGs provide space for diversity in loan purposes and sizes, enabling financing for a variety of activities that such families select as part of livelihood strategies when income from agriculture is low. ■

Top 10 States with Maximum Agriculture Loan Disbursement in 2014-15



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