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Flow of institutional credit to agriculture

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Three types of loans are provided to Indian farmers to meet their financial requirements –

– Short term loans

– Medium term loans

– Long term loans

Short term loans are provided for a period of less than 15 months to meet out expenses of routine farming and domestic consumptions. This type of loans is demanded by farmers for purchasing seeds, fertilizers and for meeting out family requirements.

Medium term loans are provided for a period of 15 months to 5 years to purchase agricultural equipments, animals and for land improvements.

Long term loans are provided for a period of more than 5 years. This type of loan is taken by the farmers to purchase land and expensive agricultural equipments and for repayment of old loans.

Indian farmers acquire above types of loans from two sources –

– Non-institutional Sources like moneylenders, landlords big business men etc.

– Institutional Sources like commercial Banks, Co-operative Banks and Governments sources.

Policy on agriculture credit aims at progressive institutionalization of credit agencies for providing credit to farmers for raising agricultural production and productivity. Agricultural credit is disbursed through a multi-agency network consisting of Co-operatives. Commercial Banks and Regional Rural Banks (RRBs).

The 'Farm Credit Package' announced in June 2004 stipulated doubling the flow of institutional credit for agriculture in the ensuing three years. The credit flow to farm sector got doubled during two years as against the stipulated time period of three years. The credit flow in 2008-09 is placed at Rs. 2,64,455 crore.

Revamping of co-operative credit structure – In January 2006, the Government announced a package for revival of Short-term Rural co-operative Credit Structure involving financial assistance of Rs. 13,596 core. NABARD has been designated as the implementing agency for the purpose. A Department for co-operative Revival and Reforms has been set up in NABARD for facilitating the implementation process. States are required to sign a Memorandum of Understanding (MoU) with NABARD committing to implement the legal, institutional and other reforms as envisaged in the revival package. So far, 25 States (Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Sikkim, Mizoram, Rajasthan, Orissa, Uttarakhand, Uttar Pradesh, Tripura, Nagaland, Tamil Nadu, Punjab and West Bengal) have executed the MoU with the Government of India and NABARD. This covers 96 per cent of the Primary Agricultural Credit Societies (PACS) and 96% of Central Co-operative Banks (CCBs) in the country. Package for revival of long term co-operative credit structure is also under consideration of the government.

Flow of institutional credit to agriculture (Rs. Crore)

Institutions	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (upto Nov. 2007)
Co-operative banks	23,716	26,959	31,424	39,404	42,480	33,070
Per cent share	34	31	25.1	21.8	20.9	24.0
Regional rural banks	6,070	7,581	12,404	15,223	20,435	15,925
Per cent share	9	9	9.9	8.4	10.1	11.6
Commercial banks	39,774	52,441	81,481	1,25,859	1,40,382	88,765
Per cent share	57	60	65	69.8	69.0	64.4
Total	69,560	86,981	1,25,309	1,80,486	2,03,297	1,37,760

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