INSTITUTIONAL CREDIT FOR AGRICULTURE

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Availability of Credit is the sine qua non for progress and growth of any sector, particularly agriculture, since most of those who are engaged in this sector belong to marginal and small farmer categories. Availability of timely and affordable credit facilitates the farmer to gain access to quality inputs and other support services. The strategy has, therefore, been to strengthen the role of institutional sources of credit to agriculture so as to replace informal sources of credit such as money lenders.

Agriculture including crop husbandry, animal husbandry (dairy, poultry, etc.), fisheries, forestry, agro processing, etc., provide the underpinning for our food and livelihood security. Agriculture provides significant support for economic growth and social transformation in the country. As one of the world's largest agrarian economies, agriculture sector (including allied activities) in India accounted for 14.8% of the GDP (at 2011-12 prices) in 2017-18, compared to 18.9% in 2004-05 and around 30% in 1990-91. Its role remains critical as it provides employment to around 50% of the workforce.

Production of major agricultural crops

The total food-grain production in India has witnessed a phenomenal increase, especially over the last decade. It has increased from 234.50 million tonnes in 2008-09 to a record 284.83 million tonnes in 2017-18. [Table 1]

Production of commercial crops like Oilseeds, Cotton, Jute and Sugarcane and horticulture crops like Tomato, Onion and Potato also witnessed steady growth, during the same period.

Investments in Agriculture

The increase in production seen above pre-supposes flow of investment, both public and private, for agriculture and allied activities. Besides production, such investments also helps in increasing agricultural incomes, mitigating poverty and enhancing food security. In 2014-15, the private Gross Capital Formation in Agriculture [GCFA] accounted for 83% share, while that of public GCFA was 15%. Further, a push in public GCFA was seen to induce higher private GCFA.

Role of institutional credit in private GCFA

Availability of Credit is the *sine qua non* for progress and growth of any sector, particularly agriculture, since most of those who are engaged in this sector belong to marginal and small farmer categories[1].Availability of timely and affordable credit facilitates the farmer to gain access to quality inputs and other support services. The strategy has, therefore, been to strengthen the role of institutional sources of credit to agriculture so as to replace informal sources of credit such as money lenders.

As per AIDIS 2012-13, nearly 86% of the farm capital investment in India is undertaken with institutional/non-institutional sources of funds. While the farmers' dependence on borrowings for investment is more than 50% across all States, it is relatively higher and in excess of 90% in developed States like Andhra Pradesh, Kerala, Tamil Nadu, Punjab, Karnataka, Maharashtra and Madhya Pradesh. Further, at the all-India level, the share of such borrowings from institutional sources is estimated to be around 63%. (Table 2)

Table 1: Production of food grains [mn. tonnes]

Particulars	2008-09	2010-11	2013-14	2016-17	2017-18[1]
Rice	99.20	96.00	106.70	109.70	112.91
Wheat	80.70	86.90	95.90	98.50	99.70
Coarse Cereals	40.00	43.40	43.30	43.80	46.99
Pulses	14.60	18.20	19.30	23.10	25.23
Total Food grains	**234.50**	**244.50**	**265.20**	**275.10**	**284.83**

(Source: Annual Report 2017-18, NABARD)

Table 2: Percentage of Farm Investment from Borrowings and share of Institutional Credit in total Borrowings in 2012-13

State	% of farm investment from Borrowings	Of which, % of Borrowing from institutional sources
Andhra Pradesh	98.9	44.6
Assam	49.9	61.4
Bihar	70.2	53.2
Chhattisgarh	76.9	58.3
Gujarat	84.4	78.8
Haryana	65.7	61.1
Himachal Pradesh	42.6	64.2
Jammu & Kashmir	36.9	43.8
Jharkhand	65.3	47.1
Karnataka	89.2	58.4
Kerala	95.5	82.7
Madhya Pradesh	90.5	79.8
Maharashtra	91.7	71.3
Odisha	66.1	70.9
Punjab	95.4	77.7
Rajasthan	86.6	55.9
Tamil Nadu	95.5	46.6
Telangana	98.8	41.8
Uttar Pradesh	83.5	47.2
Uttarakhand	85.5	64.3
West Bengal	79.2	69.4
All India	**85.9**	**63.4**

(Source: AIDIS, 2012-13 [Schedule 18.2])

However, it is also an accepted fact that in most of the States of the country, the marginal and small farmers are more dependent on the informal sources for meeting their credit needs. The percentage of credit that is met from informal sources is 40.6%, 52.1% and 30.8%, for the landless, marginal and small farmers, respectively.

Flow of Institutional Credit for Agriculture

India had adopted the multi-agency approach to purvey rural credit, since nationalization in the late 1960s. A large number of formal agencies like the Co-operative Banks, Commercial Banks and the Regional Rural Banks were actively involved in providing bank credit for agriculture and its allied activities. Even Non-Banking Financial Institutions [NBFCs], Micro Finance Institutions [MFIs] and Self Help Groups [SHGs] were also involved in purveying agricultural credit.

Agricultural Credit Flow vis-à-vis GoI targets

In 2004, the GoI had announced a Farm Credit Package for doubling credit to agriculture sector in three years: 2004-07. The concerted efforts of all banks resulted in credit flow to agriculture doubling in two years from Rs.86,981 crore in 2003-04 to Rs.180,486 crore in 2005-06.

In the subsequent annual budgets, GoI set targets for institutional credit to agriculture to ensure flow of adequate bank funds to this sector. Since then, all banks, put together, have been consistently surpassing the targets set by GoI in sofar as credit flow to agricultural sector is concerned. (Table 3)

Table 3: Agricultural Credit: Target Vs. Achievement [Rs. cr]

Year	GoI agri credit flow target	Achievement by Banks	% Achievement
2010-11	375,000	468,291	125
2011-12	475,000	511,029	108
2012-13	575,000	607,375	105
2013-14	700,000	730,123	104
2014-15	800,000	845,328	106
2015-16	850,000	915,509	108
2016-17	900,000	10,65,755	118
2017-18	10,00,000	11,79,428	118

(Source: IBA, SLBC & NABARD)

Since March 2011, the agricultural credit flow has grown at a CAGR in excess of 14%! Further, it may also be observed from the above table that the credit flow has more than doubled since March 2012, which is quite remarkable. It may also be a reasonable assumption that this increase in credit flow had a more than direct impact in production of food grains touching record levels over the last decade, as already indicated in Table 1.

Further analysis of the agricultural credit flow based on tenure of loans [short-term availed mainly for crop cultivation, a.k.a. Crop Loans; and medium/long term mainly for investment activities in agriculture] reveals an interesting picture. (Table 4)

The decreasing trend observed in share of MT/LT agricultural loans till 2012-13 has seen a welcome reversal and its share has steadily gone up to a high of 35.60% in 2017-18. This is encouraging, especially from the point of view of private capital investments in agriculture and allied activities like farm mechanization, minor irrigation structures including pump-sets, land development works, orchards, farm ponds and other water harvesting structures, animal husbandry, fisheries, etc. In short, quite a few of these investments go towards making permanent improvement in land quality, which will help in improving productivity of crops, which are financed out of ST Crop Loans. Further, States that have a high % of borrowing from institutional sources (see Table 2) are also the States which account for a higher share in flow of MT/LT agricultural credit.

In fact, this reversal has not happened by itself. It was the result of concerted efforts to improve productive capacity of farms by institutions like Govt. Depts., NABARD and other stakeholders, working closely with one another. These efforts bore fruit, as the sub-targets for MT/LT agricultural loans was surpassed for the first time in 2016-17. (Table 5)

These long-term investments in agriculture has definitely contributed to production of various commercial and horticultural crops. (Table 6)

Table 4: Agricultural Loans: Short Term Vs. MT/LT Loans [Rs. cr]

Year	ST Crop Loans	MT/LT Agri Loans	% share of ST Crop Loans	% share of MT/LT Loans
2010-11	335,550	132,741	71.65	28.35
2011-12	396,158	114,871	77.52	22.48
2012-13	473,500	133,875	77.96	22.04
2013-14	548,435	181,687	75.12	24.88
2014-15	635,412	209,916	75.17	24.83
2015-16	665,313	250,197	72.67	27.33
2016-17	689,457	376,298	64.69	35.31
2017-18	759,552	419,876	64.40	35.60

(Source: IBA, SLBC & NABARD)

Table 5: Target Vs. Achievement of MT/LT Agricultural Loans [Rs. cr]

Year	MT/LT Agri Loan Target	Achievement by Banks	% Achievement
2010-11	155,000	132,741	86
2011-12	195,000	114,871	59
2012-13	230,000	133,875	58
2013-14	200,000	181,687	91
2014-15	225,000	209,916	93
2015-16	255,000	250,197	98
2016-17	285,000	376,298	132
2017-18	320,000	419,876	132

(Source: IBA, SLBC & NABARD)

Table 6: Production of Commercial & Horticulture Crops

Crops	2013-14	2014-15	2015-16	2016-17	2017-18*
Commercial Crops					
Oilseeds [MT]	32.8	27.5	25.3	31.3	30.6
Cotton [mn. bales of 170 kg each]	35.9	34.8	30.0	32.6	34.9
Jute and Mesta [mn. bales of 180 kg each]	11.7	11.1	10.5	11.0	10.6
Sugarcane [MT]	352.1	362.3	348.5	306.1	355.1
Horticulture Crops [MT]					
Tomato	18.7	16.4	18.7	20.7	22.3
Onion	19.4	18.9	20.9	22.4	21.4
Potato	41.6	48.0	43.4	48.6	49.3

*(*3rd Advance Estimates of Production of Commercial Crops [2017-18], DoAC&FW, GoI)*

How the different agencies contributed to agricultural credit flow

The *inter se* share of various agencies in flow of agriculture credit indicates a mixed trend. (Table 7)

Amongst the agencies, RRBs exhibited the highest CAGR, while the Co-operative Banks reported CAGR of nearly 10%.On analyzing *inter-se* share, it is seen that Commercial Banks have consistently maintained a share of more than 70%, while the share of Co-operative Banks at 13% has witnessed a steady slide from as high as 40% during 1999-2000. The Share of RRBs is slowly inching upwards and stands at 12% during 2017-18.

Widening Access to Agricultural Credit

To correlate the growth in agricultural production vis-à-vis no. of persons accessing institutional credit, one needs to look at the data on number of agricultural loan accounts financed by Banks. On this count also, there has been a steady and appreciable growth, across agencies, except Co-operative Banks. (Table 8)

The Commercial Banks, as a group, have exhibited phenomenal growth in number of borrowers financed, with a CAGR of nearly 20%. Co-operative Banks, which had a greater number of agricultural loan accounts among all agencies until 2012-13, have witnessed a steady fall in their number of agricultural borrowers, while the RRBs have shown a growth of around 10%.

Coverage of Small and Marginal Farmers

Land holdings in our country are getting fragmented by the day. The share of land holdings less than 2 ha. (SF/MF holdings) are on the increase: from 70% in 1970-71 to 85% in 2011-12. Within this, what is more worrying is the increase in the number of marginal farm holdings (upto 1 ha.) which went up from around 3.56 crore to nearly 9.30 crore, now constituting two-thirds of the total agricultural land holdings. This fragmentation of land has serious consequences in terms of owning and using modern technology and farm equipments, and also in provision of inputs including agricultural credit and extension as also marketing.

Providing timely and affordable credit to this resource-constrained group is the key to attaining inclusive growth. The good news is that the share of small and marginal farmers in loan accounts as well as credit flow have improved, of late. Small and Marginal Farmers accounted for about 72% of agricultural loan accounts and 50% of the

Table 7: Agency-wise share in flow of Agricultural Credit [Rs. cr]

Year	Commercial Banks	Co-operative Banks	Regional Rural Banks	Total
2010-11	345,877	78,121	44,293	468,291
2011-12	368,616	87,963	54,450	511,029
2012-13	432,490	111,203	63,682	607,375
2013-14	527,506	119,964	82,653	730,123
2014-15	604,376	138,469	102,483	845,328
2015-16	642,954	153,295	119,260	915,509
2016-17	799,781	142,758	123,216	10,65,755
2017-18	886,771	150,242	142,415	11,79,428
CAGR [%]	**14.40**	**9.79**	**18.16**	**14.11**

(Source: IBA, SLBC & NABARD)

Table 8: Agency-wise No. of Agricultural Loan Accounts [No. in lakh]

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR [%]
Commercial Banks	255	307	385	426	442	664	733	19.24
Co-op. Banks	309	311	321	306	324	269	256	(3.09)
Regional Rural Banks	82	85	99	121	133	137	145	9.97

(Source: IBA, SLBC & NABARD)

agricultural credit flow in 2016-17, up from 63% and 44% earlier. Loan amount per account has also seen improvement, across all categories of farm holdings. It means that there has been both widening (more people getting credit) and deepening (same people getting more credit) of institutional credit flow for agriculture, in recent years.

The Way Forward

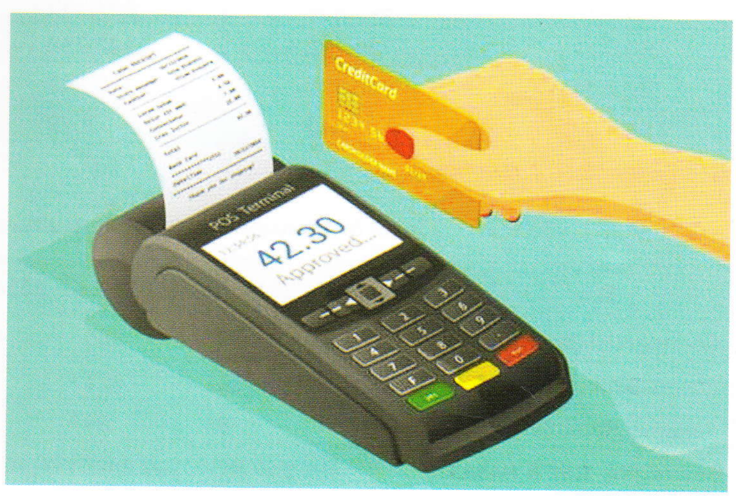
Over the last so many years, key indicators like agricultural land use, area under cultivation and production of various crops, production and use of agricultural inputs, all have shown an impressive growth, contributing to increase in production of food grains and flow of institutional credit.

However, while our Net Sown Area[NSA], which was about 123 million hectares [mha] in 1950-51, increased to around 140ha during 1970-71 after the Green Revolution campaign, the NSA has remained almost stable thereafter, as competing pressures on land did not allow any new land to be brought under cultivation.

Our Gross Cropped Area (GCA) which was only 138 mha in the early 1950s [meaning only about 15 mha were double cropped then], steadily increased to about 185 mha by 1991, and has reached around 198 mha in the last few years. In other words, about 58 mha are multiple-cropped now, primarily due to availability of public or private irrigation. It is understood, however, that even if all irrigation sources are fully developed, almost half the cultivated land will remain unirrigated and will have to depend on the monsoons.

Further, increase in production will have to, therefore, come from improved productivity. The productivity issues can be improved by ensuring better irrigation - through public or privately owned modes, better use of farm equipments, and timely availability and use of better seeds, fertilisers (bio or chemical) and other inputs. Availability and use of all these would depend a lot on availability of timely agricultural credit, extension services, better models of credit delivery and the like.

In order to realise the Vision of GoI to double the farmers' income by 2022, many new initiatives have been taken up and are being implemented by the Govt. of India, RBI, NABARD and the various stakeholders in this regard. The Kisan Credit Card [KCC] Scheme was envisaged to provide easy and hassle-free credit to the farmer. It has met with admirable success and with the launch of *RuPay* KCC, became more cost-effective. Policy enablers in the form of interest subvention on crop loans and credit-linked capital subsidy schemes have also contributed in providing a fillip to agricultural financing by banks. Financing to Self Help Groups and Joint Liability Groups [JLGs] are attempts to leverage on group collateral to provide credit to rural poor women and small and marginal farmers. Volunteers of Farmers' Clubs are encouraged to form JLGs for accessing institutional credit. Cooperative farming, collective farming, Farmer Producers Organizations [FPOs], JLGs, leasing out land or contract farming are some possible ways of aggregation, both for input supplies to reduce costs as also for marketing to ensure better prices.



Recent amendments to the Priority Sector guidelines by the RBI providing for specific sub-targets in flow of credit to SF/MF is also a welcome step. Financial products aimed at supporting more climate resilient and adaptive farming practices is the need of the hour. Credit flow for agro processing units, storage facilities, marketing infrastructure, etc., will facilitate in providing last-mile connect to enhance post-harvest value of agricultural produce. Simple insurance products that provides for hassle-free cover will also help improve resilience of the average Indian farmer and make agriculture a risk worth taking. A robust Negotiable Warehouse Receipt [NWR] system will enable farmers to monetize their produce early and avoid distress sale. The Union Budget 2018-19 also provides special focus for marketing of agricultural produce through electronically-linked *Gram in* agricultural markets. Riding on the achievements thus far, the Budget also envisages enhanced flow of institutional credit for agriculture of Rs. 11 lakh crore during 2018-19. Higher investments in agricultural infrastructure from out of the dedicated Long Term Irrigation Fund [LTIF] and the Rural Infrastructure Development Fund [RIDF] will further boost credit flow to this sector, thereby ensuring realization of the mission to double farmers' income, in a manner ideally envisaged. Lot of change is happening, for sure. What is needed is to further speed up the pace of change. That will help in realizing the desired outcomes faster, and in full measure.

Endnotes

1 Marginal Farmers: having land holdings upto 1 ha.; Small Farmers: between 1 ha. and 2 ha.

Footnotes

1 As per 4th Advanced Estimates of Ministry of Agriculture and Farmers' Welfare, Govt. of India: released on 28th Aug. 2018

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National Youth Parliament Festival 2019

The National Youth Parliament Festival 2019 was launched on 12th January 2019 by the Minister of State (I/C) for Youth Affairs and Sports Col Rajyavardhan Rathore thereby beginning the celebration of the National Youth Day 2019.

The Prime Minister Shri Narendra Modi, in his Mann Ki Baat address on 31st December 2017, had shared his idea of organizing Youth Parliaments for young people in every district of the country. It is to provide a chance to the youth to brainstorm about new India and to find ways and chalk out plans to realize our resolves before 2022. He reiterated his idea to capture the voice of the youth in his address to the youth.

Ministry of Youth Affairs and Sports proposes to take the Youth Festival to each district of the country and celebrate it as the "National Youth Parliament Festival". National Youth Parliament Festival 2019 is organised on the theme of "Be The Voice of New India" and "Find solutions and contribute to policy". Youth in the age bracket of 18-25 years are invited to participate in the District Youth Parliaments. The National Youth Parliament Festival will also encourage the youth to engage with public issues, understand the common man's point of view, form their opinion and express these in an articulate manner. It is expected that more than 50 thousand youth will participate through Youth Parliaments at all levels and the narrative will be strengthened and made more vibrant by their voices and ideas and suggestions.