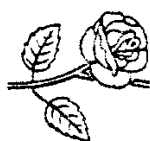


- Kanwar, J.S.1991. Indian Agriculture at Cross Roads - Challenges and Strategies. IASSI Quarterly 9 (2):1-18.
- Rai, Mangala.2004. Research Policies: Meeting the Challenges. The Hindu (Survey of Indian Agriculture):16-19.
- Rola, A.C. and P.L. Pingali.1993. Pesticides, Rice Productivity and Farmers' Health-An Economic Assessment. World Resource Institute and IRRI, Los Banos, Philippines.
- Thorat, Y.P.S. 2005. Rural Credit in India - Issues and Concerns. Presidential address delivered at 65th Annual Conference of Indian Society of Agricultural Economics held at Punjab Agricultural University, Ludhiana, November, 24-26.



CORRIGENDUM :

Article entitled "Co-operative Agricultural Finance Scenario in India", jointly authored by Dr. R.P. Singh and **Mr. K.P. Saha** was published in March 2007 issue of Land Bank Journal (page nos. 1 - 9). Inadvertantly, name of Mr. K.P. Saha was erroneously printed as Mr. K.P. Sinha. The error is regretted.

Co-operative Agricultural Finance Scenario in India

K. P. Sinha¹ and Dr. R. P. Singh²

Abstract

The adoption of input-intensive agriculture during the Green Revolution has made India self-sufficient in meeting its food-grains requirement. It is well evident that the enhanced flow of agricultural credit, improved technologies and institutional access to markets and development programmes have played an instrumental role in meeting these objectives of self-sufficiency. The role played by the co-operative credit agencies like Primary Agricultural Credit Societies, the District Central Co-operative Banks, and the State Co-operative Banks is very much crucial for this development. Moreover, they are also engaged in mobilising of rural saving and encouraging the habit of thrift among the farmers. There is a significant growth in the flow of agricultural credit from the co-operative sectors that is positively influenced by the initiatives taken by the government and the complementary public policies on the agricultural co-operative scenario. In the long run, this may be helpful for the growth and development of agricultural sector as well as for

elimination of the indebtedness of the rural people.

Introduction

It is an undisputed fact that Indian agriculture has made a tremendous progress since the independence of the country. The food-grains production has been increased to about 214 million tonnes in 2003-04 from only 51 million tonnes in 1950-51. Not only the production, the productivity of food-grains has also been increased by more than two and half times during this period. The country has also witnessed a massive technological development in the field of agriculture with diversification of cropping pattern for achieving the self-sufficiency in food production to meet the need of an ever-growing population of the country. The credit for this remarkable achievement should not only go to agricultural research, development of irrigation facilities and public policy on agriculture but also to the impressive institutional agricultural credit delivery systems through an extensive network of co-operative societies.

1. Ph.D. Scholar, Department of Agricultural Economics

2. University Professor cum Chairman, Department of Agricultural Economics, Birsa Agricultural University, Kanke, Ranchi - 834 006, Jharkhand.

Despite this remarkable achievement in the agricultural sector of the country, the problem of widespread illiteracy, general poverty on account of uneconomic landholdings and heavy indebtedness is prevalent among the majority of rural households in India. The low level of real per capita income and savings in the rural households also leads to very low level of formation of capital assets and poor adoption of improved technologies like high yielding varieties of seeds, chemical fertilizers, irrigation and land improvement measures and plant protection measures. As we all know that the Indian agriculture is still traditional, subsistence and stagnant in nature, hence a massive investment is needed to create the supporting infrastructure in the form of major and minor irrigation projects, rural electrification and construction of village roads and markets, installation of fertilizer plants and execution of promotional programmes for agriculture and allied activities for an early and rapid adoption of new and improved technology. To facilitate this herculean task, a considerable amount of investment is needed both at the micro and macro level in the agricultural sector of the country. But the farmers in general have a very low or negligible amount of marketable surplus of their farm produce out of which savings can be made. Thus, the majority of rural households have

hardly any savings, which can be utilized, as a source of fund for investment in the farming business. In India, the extensive network of well-established co-operative credit societies along with other institutional credit agencies is well capable of meeting the credit needs of the rural people. This paper aims at analyzing the performances and contributions made by the co-operative credit societies and banks towards the development of Indian agriculture.

Materials and methods

The paper is based on secondary data collected from various sources like publications of Ministry of Agriculture and Ministry of Finance of Government of India as well as many other government and private publications including electronic references and web sites. The data were collected on the number of the various co-operative credit institutions like primary agricultural credit societies, district central co-operative banks and the state co-operative banks along with the amount of loans advanced in each year by them and the flow of co-operative credit to the agricultural sector since the introduction of Green Revolution in the country. The collected data were compiled and analyzed for finding the trends of co-operative credit supply in Indian agriculture.

Results and discussion

Co-operative Societies and Banks:-

The Co-operatives are playing a most important role in providing institutional credit in the rural areas since the independence of the country particularly after the Green Revolution in the late sixties and early seventies. The adoption of input intensive agricultural practices by the Indian farmers generated a heavy demand for commercial inputs like high yielding varieties of seeds, chemical fertilizers, plant protection chemicals, irrigation and the agricultural implements and machineries for crop production and post-harvest operations. Subsequently, the need of making a huge investment in agriculture was felt by the farmers for increasing the production and productivity of the crops. To meet this requirement, the co-operative credit societies and other institutional agencies for extending agricultural credit came forward with complimentary government initiatives and encouraging public policies. At present, there exists a well organized co-operative credit structure for providing different types of loans viz., short-term, medium-term and long-term loans to the Indian farmers. For disbursement of short-term and medium-term credits, there is a three-tier structure, consisting of the State Co-operative Bank at the state level, the Central Co-operative Bank at the district level and Primary Agricultural Credit Society at the village level and

for disbursement of long-term credit, there exists a two-tier (sometimes unitary) structure consisting of a State Co-operative Land Development Bank at the state level and Primary Land Development Banks at the primary level.

Primary Agricultural Credit Society:-

The Primary Agricultural Credit Societies (PACS) function at the base of the co-operative credit system. The organization of these societies dates to 1904, when the first Co-operative Credit Societies Act was passed. These societies were started with the object of providing cheap credit to the farmers. The main functions of these societies are to provide short-term and medium-term credit to the farmers, to supply various production inputs like seeds, fertilizers, insecticides, agricultural implements etc., and making arrangement for marketing of agricultural produce, to supply certain consumer goods like sugar, kerosene and other essential commodities, to supervise the use of credit and recover it punctually and to encourage the habit of thrift and savings among the members. Just after independence, the number of the primary agricultural credit societies and the amount of loans advanced by them had recorded a remarkable progress during 1950-60. However, a declining trend for both of them was observed during the next three decades. The growth rate of the loans advanced by the PACSs became even negative during the eighties. But,

after the announcement of the new economic policies in 1991, an upswing of institutional investment to agriculture through co-operatives was observed and an encouraging growth rate of 32.96 percent for the loans advanced by the PACs was recorded during 1991-2001,

keeping the number of active PACS at a constant level of around one lakh. Positive growth for both the number of PACS and the loans advanced by them was also observed in the new millennium (Table 1).

Table 1 :

Number and Loans advanced by the Primary Agricultural Credit Societies

Years	Number of PACS, (thousands)	Loans advanced during the year (Rs. crores)	Compound Annual Growth Rate of loans advanced (%)
1950-51	105	23	—
1960-61	212	202	24.26
1970-71	161	578	11.08
1982-83	94	2100	11.35
1990-91	88	1349	-5.38
1995-96	91	10795	32.96
1996-97	92	12732	
1997-98	92	13606	
1998-99	93	13724	
1999-2000	95	17768	
2000-01	101	23298	
2001-02	99	25698	13.42
2002-03	98	30770	
2003-04	112	33996	

District Central Co-operative Banks :- primary agricultural credit societies

co-operative banks, which operate at district level and act as a connecting link between the state co-operative bank and the primary agricultural credit societies. The main sources of their funds are their own share capital and reserves, deposits from the public and loans from the state co-operative bank. The main functions of the central co-operative banks are to meet the credit

requirements of the PACSs for production, supply and marketing process, to act as the balancing centre for adjusting the surplus and deficiency of the capital of the primary societies, to supervise and inspect the primary societies which come within its jurisdiction and to provide leadership to all primary level societies. The number of district central co-operative banks

Table 2 :

Number and Loans advanced by the Central Co-operative Banks

Years	Number of DCCBs	Loans advanced during the year (Rs. crores)	Compound Annual Growth Rate of loans advanced (%)
1950-51	505	83	—
1960-61	390	350	15.48
1970-71	341	890	9.78
1982-83	340	850	-0.38
1990-91	361	17744	46.20
1995-96	361	32700	10.88
1996-97	364	36375	
1997-98	367	40781	
1998-99	368	39778	
1999-2000	369	42905	
2000-01	369	49833	5.90
2001-02	370	55780	
2002-03	371	61303	
2003-04	367	59198	

have made a steady decline since the independence before coming to a constant level around 370 during recent period. But the loans advanced by these banks has been increasing, though with a decreasing growth rate, during the last few decades (Table 2).

State Co-operative Banks :- At the apex level of the three-tier co-operative credit structure, there exist state co-operative banks. The chief objective of

this bank is to co-ordinate the work of the central banks and to link co-operative credit societies with the money market and the NABARD from which it borrows. At present there is a state co-operative bank in each state of India. The State Co-operative Bank supervises, controls and renders guidance to the central banks, assists the state government in drawing up co-operative development plans for the state and performs other functions such

Table 3 :
Number and Loans advanced by the State Co-operative Banks

Years	Number of SCBs	Loans advanced during the year (Rs. crores)	Compound Annual Growth Rate of loans advanced (%)
1950-51	15	42	—
1960-61	21	258	19.90
1970-71	25	749	11.25
1982-83	28	1550	6.25
1993-94	28	14107	22.23
1995-96	28	22145	16.01
1996-97	28	30819	
1997-98	28	33751	
1998-99	28	34095	
1999-2000	29	35801	
2000-01	29	39894	
2001-02	30	33613	-0.58
2002-03	30	34065	
2003-04	30	39203	

as issuing draft, cheques and letter of credit etc. The number of the apex level co-operative banks have increased two-fold since independence and the loans advanced by them has also maintained a positive growth rate in different decades after independence. However, a marginal negative growth rate (-0.58 per

cent) has been observed in the new millennium (Table 3).

Co-operative Land Development Banks :- In the case of long-term co-operative credit, there is a two-tier federal structure consisting of a state co-operative land development bank at

Table 4 :
Flow of Co-operative Credit to Indian Agriculture

Years	Amount of credit flow	Decade-wise Compound Annual Growth Rate (%)
1970-71	679	—
1980-81	2126	12.09
1990-91	3973	6.45
1993-94	10117	18.00
1994-95	9406	
1995-96	10479	
1996-97	11944	
1997-98	14085	
1998-99	15916	
1999-2000	18363	
2000-01	20801	10.69
2001-02	23604	
2002-03	24296	
2003-04	26959	
2004-05	31231	

the state level and primary land development banks at the primary level. But in some states, there is a unitary structure for long-term co-operative credit, i.e., the primary land development banks do not exist. The branches of central land development banks cover the entire state. These banks generally raise their funds through the sale of debentures and grant long-term loans after proper valuation of the land and examining the title deeds of the land for mortgage security. The number of primary land development banks and central land development banks increased from 286 and 5 in 1950-51 to 1830 and 19, respectively, in 1982-83. The amount of long-term co-operative credit has been increased from Rs.11.62 crores in 1960-61 to Rs.631 crores in 1982-83.

Flow of co-operative credit to agriculture :- Since the introduction of Green Revolution in the agricultural sector of the country, the amount of co-operative credit advanced to Indian agriculture has increased by many folds. The amount of co-operative credit advanced to agriculture has increased from Rs.679 crores in 1970-71 to Rs.31231 crores in 2004-05 (Table 4). The introduction of input intensive agricultural practices has made it mandatory to invest huge amount of funds in agriculture both in the short-term and long-term periods. To meet this requirement, the co-operative sector

of the country has been strengthened and it has come forward to take up this gigantic task. As a result, the amount of co-operative credit has achieved an annual growth rate of about 12 per cent during seventies that has been slightly reduced to about 6.5 per cent during eighties. But with the implementation of new economic policies in the country, the growth rate of co-operative credit flow to agriculture has increased to 18 per cent in the nineties. However, in the first half of twenty first century, the growth rate of flow of co-operative credit to agriculture is observed to be reduced at 10.7 per cent due to increased competition from other institutional agencies dealing in agricultural finance like commercial banks.

Conclusion

The agricultural credit system in India is one of the largest in the world. A dynamic agriculture, moving towards the higher level of productivity and production facilitated by technological innovations, requires increasing amount of production and investment credit, as credits provide access to inputs and technology. The basic objective of the credit policy of the Government of India has been to set up provision of timely and adequate credit to the farmers, particularly to the small and marginal farmers. The impressive performance of

the co-operative credit agencies backed by the special initiatives taken by the government have done a splendid work

for the growth and development of agricultural sector as well as for elimination of the indebtedness of the rural people.

References :

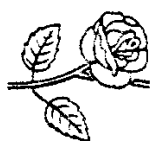
- All India Rural Credit Survey Report (1951-52), Vol. I and II (1956), Reserve Bank of India.
- All India Rural Debt and Investment Survey (1961-62), Reserve Bank of India Bulletin, 1963 (17) and 1965 (19).
- Economic Survey 2005-06, Ministry of Finance, Government of India, New Delhi.
- Subba Reddy S and Raghu Ram P (1996). Agricultural Finance and Management, Oxford and IBH Publishing Co. Pvt. Ltd., New Delhi.

Web sites referred :

- <http://www.nafscob.org/DECADE/pacs.htm>
- <http://www.nafscob.org/DECADE/Decade.htm>
- <http://www.nafscob.org/DECADE/scb.htm>



- Kanwar, J.S.1991. Indian Agriculture at Cross Roads - Challenges and Strategies. IASSI Quarterly 9 (2):1-18.
- Rai, Mangala.2004. Research Policies: Meeting the Challenges. The Hindu (Survey of Indian Agriculture):16-19.
- Rola, A.C. and P.L. Pingali.1993. Pesticides, Rice Productivity and Farmers' Health-An Economic Assessment. World Resource Institute and IRRI, Los Banos, Philippines.
- Thorat, Y.P.S. 2005. Rural Credit in India - Issues and Concerns. Presidential address delivered at 65 th Annual Conference of Indian Society of Agricultural Economics held at Punjab Agricultural University, Ludhiana, November, 24-26.



CORRIGENDUM :

Article entitled "Co-operative Agricultural Finance Scenario in India", jointly authored by Dr. R.P. Singh and **Mr. K.P. Saha** was published in March 2007 issue of Land Bank Journal (page nos. 1 - 9). Inadvertantly, name of Mr. K.P. Saha was erroneously printed as Mr. K.P. Sinha. The error is regretted.