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## **Agriculture financing: A study on the role of commercial banks with special reference to India**

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### **Abstract**

India is fundamentally an agribusiness based nation and the individuals of India actually infer a great deal up on farming profitability for their work. The agriculture improvement is preposterous without account, yet sufficient and ideal acknowledge isn't accessible for agriculturist for meeting present moment and long haul requirements for current farming. The investigation will zero in on openness of institutional credit for the improvement of ranchers. It will likewise feature the presentation of public area banks in money of agribusiness advance.

From 19 percent in 2004-05, the rate portion of agribusiness and united areas in GDP dropped to 18.3 percent in 2005-06 and afterward to 17.4 percent in 2006-07. It further dropped to 16.8 percent in 2007-08 and 15.8 percent in 2008-09 preceding arriving at 14 percent in 2011-12, the information appeared. The principle reason for this exploration paper was to achieve into light the significance of banking sector uncommonly the significance of commercial banks which assume a significant function in giving agribusiness credit and to eliminate them from the grasp of nearby cash moneylenders.

**Keywords:** Agriculture, Farming, Regional Rural Banks, Credit, Moneylender

### **1. Introduction**

Farming is the foundation of Indian economy. It is as yet a significant occupation in a few pieces of the world. It gives food to the individuals without which they can't live. Additionally, giving crude materials to businesses, it underpins inside and unfamiliar exchange, contributes a sizeable to the country Income, gives political security and great protection for the nation. Normally, farming improvement is the establishment for the monetary prosperity of any economy portrayed by the power of agrarian area. Despite acquaintance of a few measures relating with agrarian credit, farming advertising, water system, and so on, under the flag of Five-year plans since 1951, agribusiness in India has been plagued with a few issues.

Money is the existence blood of a modern and business endeavours and farming also. As it were, the words viz., credit, account, obligation and advance are equivalent; cash or credit or money is the oil that encourages the activity of machine. Financing of Agriculture implies the utilization of money to meet the budgetary prerequisites of individuals occupied with different horticultural exercises. Accordingly, agribusiness account alludes to the way toward organizing money for agrarian exercises, viz; crop advances, minor water system, land improvement, ranch motorization, estate and agriculture, dairy improvement, poultry, sheep and goat raising, fishery, ranger service and others.

### **1.1 Financing and Development of Agriculture in India**

After the nationalization, the business banks have been concentrating on the budgetary needs of agriculturists. This is belovod from the different estimates taken by the business banks all in all and public area banks specifically. Since 1975, the nationalized banks, Regional Rural Banks to stretch out less expensive credit to little ranchers, provincial craftsmans and others.

The Commercial banks have been progressively receiving region approach in agrarian loaning by choosing gatherings of towns in various regions and meeting complete credit needs of ranchers in those towns. The business banks have begun numerous creative plans to guarantee enormous progression of credit to the poor ranchers and its powerful use. a. The business manages an account with their organization of branches have been channelizing the credit to various areas of the general public as a rule and to farming and unified exercises

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specifically. Presumably, there has been sizable development in money made by business banks.

## 2.0 Review of Literature

Dinesh (1970) has brought up that before bank nationalization, business banks were primarily keen on moving toward the more mechanically prosperous ranchers where security chances were least.

Desai and Desai (1970), in their observational investigation brought up that the working capital was insufficient to meet the prerequisites of the new innovation in horticultural area.

Singh (1975) as he would see it on SFDA task of Fatehpur area of Uttar Pradesh on different parts of credit announced that credit was not given as expected, the sum was insufficient, pace of intrigue and security were high and standards of reimbursement were not positive for the ranchers.

Lavenia, Bhalerao and Tiwari (1976), in their investigation directed in Gazipur area, Uttar Pradesh, found that the rich ranchers were profited more from institutional account, while poor people ranchers were denied of advantages. The examination likewise indicated that all the institutional offices have an inclination of helping huge ranchers.

Rajput and Singh (1977) have seen that the most noteworthy number of borrowers took credits for the augmentation of water system offices, trailed by those taking advances for acquisition of improved farming actualizes. Furthermore, the quantity of borrowers taking credit for composts yield and dairy improvement was the least.

Reddy (1980), for a situation investigation of six example towns of Anantpur locale in Andhra Pradesh, analyzed the course of farming credit progressed to 51 members by three business banks. He saw that there was no predisposition in the dispersion of business banks' credits among test ranchers as the little and minor fanners.

Narasimhan (1986) in his examination, brought up that the development of horticultural credit was remarkable since nationalization of banks in 1969. He likewise found that there was an expansion in the quantity of borrowers' records. Sunil Kumar (1987) deduced that the business banks have turned towards provincial zones since nationalization, yet their inclusion regarding financing was insufficient

## 3. Research Objectives

- To analyze the pattern of agriculture financing in India
- To study the distribution of agriculture credit by commercial banks in India

- To study the impact of financing on Agriculture in India

## 4. Need for the present study

The commercial banks are considered as the most appropriate budgetary organizations for horticulture and partnered exercises. Commercial Banks are relied upon to meet the general budgetary prerequisites of agriculturists. So as to improve the working of the financial area especially the business banks in India, the Govt, has been attempting to take care of rustic credit issue.

In the present monetary climate portrayed by liberation and worldwide rivalry, the pivotal part of business banks in meeting the financial necessities of the cultivating network has been appropriately perceived. All things considered, reinforcing and advancing the business banks expects more noteworthy noteworthiness. Notwithstanding, the total exhibition assessment for example large scale approach hides numerous streams. Such a methodology doesn't illuminate provincial awkward nature. Consequently, an evaluation of the horticultural credit necessities and issues that have developed is a significant advance in figuring an appropriate strategy for generally direction.

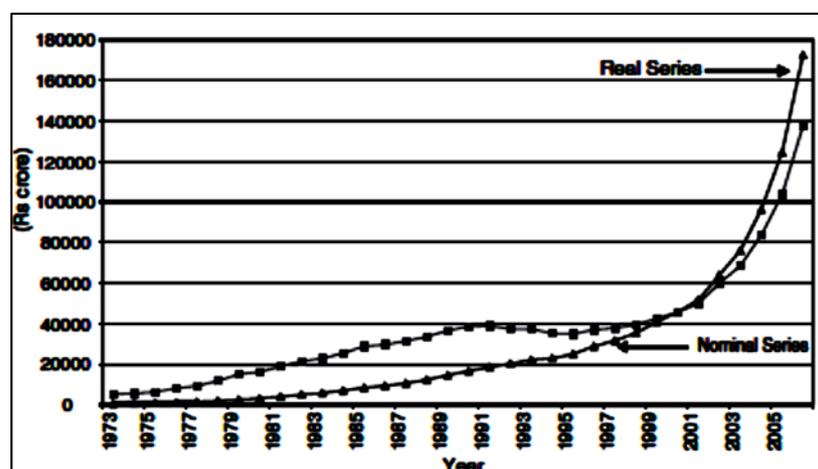
## 5. Impact of Financing on the Agriculture Sector

**Expansion in Productivity:** - Due to land improvement banks the efficiency expanded in light of the fact that the waste and barren land which was beforehand not utilized with the end goal of development would now be able to be use which builds profitability.

**Expands Innovation:** - For doing efficiency on squander and fruitless land development is essential for which capital is needed in colossal amount which the helpless ranchers of the area not had. This issue was unravelled by the presence of land improvement banks which gave them advances to the reason for new examination because of which efficiency expanded in light of the fact that the waste and barren land which was already not utilized with the end goal of development is currently utilized.

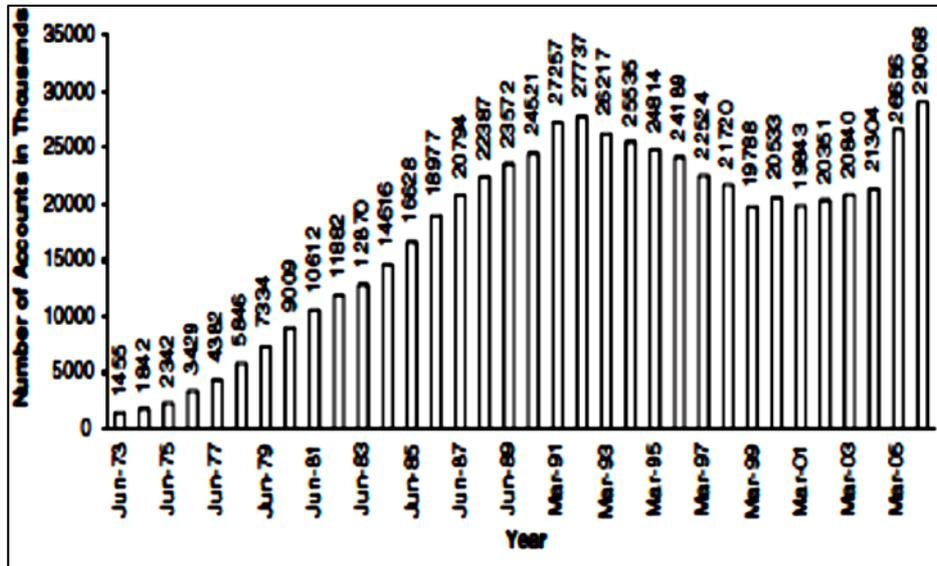
**Builds Standard of Living:** - As a result of improvement of land and expansion in the productivity the barren land have been utilized for the agriculture purpose. This ultimately improved the way of life of the ranchers.

## 6. Data Presentation



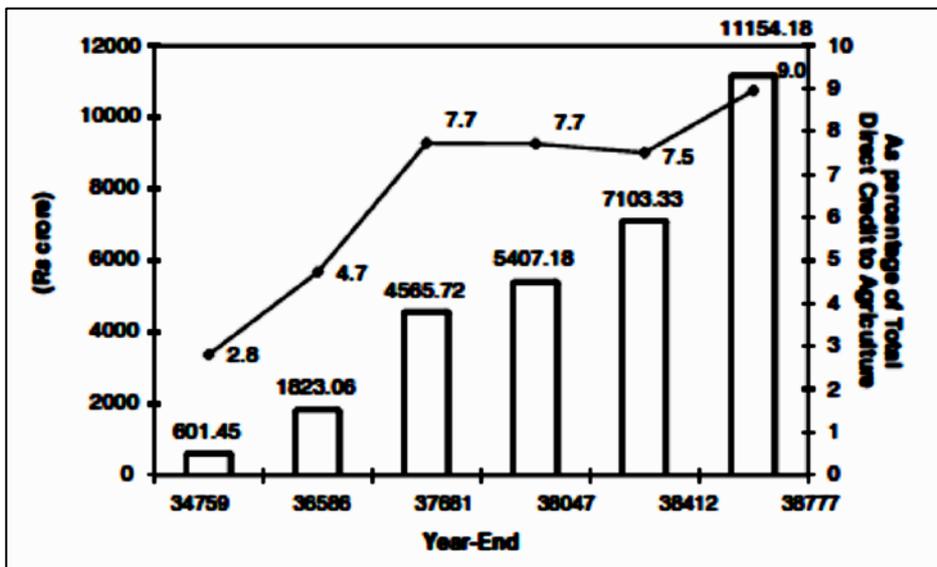
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Fig 6.1: Total Agriculture Credit of Scheduled Commercial Banks



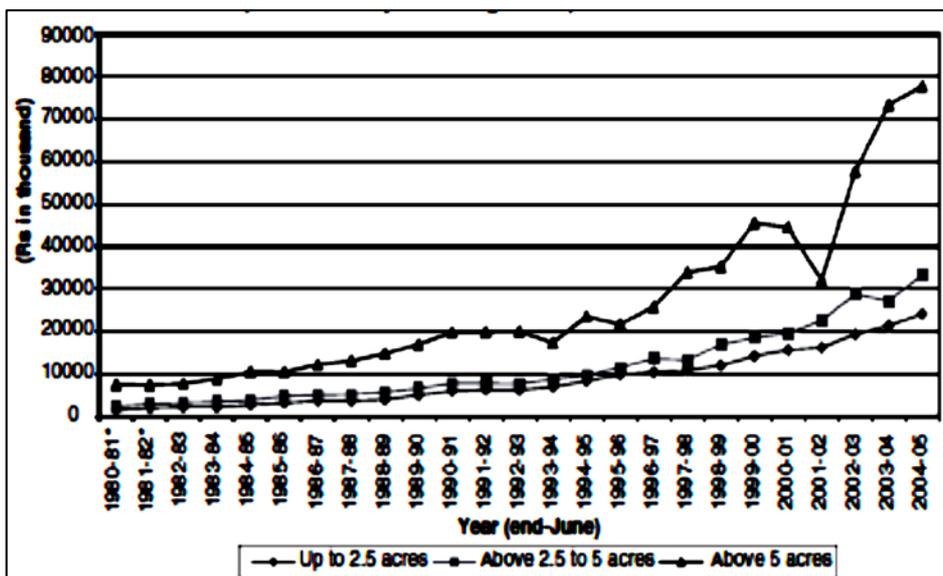
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Fig 6.2: Trends in Agricultural Credit: Number of Borrowed Accounts



Source: <http://www.iibf.org.in/documents/research-report/Report-16.pdf>

Fig 6.3: Direct Agriculture Credit: Amount Outstanding and as Percentage of Total Agriculture Credit



Source: <http://www.iibf.org.in/documents/research-report/Report-16.pdf>

Fig 6.4: Size of Landholdings and Average Disbursements per Loan Account

**Table 6.1:** Region-wise Shares in Agricultural Credit and Proportions of Farmer Households

Region	MARCH 2006						Jan-Dec 2003	
	No. of Bank Offices	Per Cent to Total	No. of Loan Accounts	Per Cent to Total	Credit Outstanding (Rs. Crore)	Per Cent to Total	Estimated No. of Farmer Households ('100)	Per Cent to Total
	1	2	3	4	5	6	7	8
Northern	11,821	16.7	29,74,089	10.2	40,615	23.5	56,380	6.3
North-Eastern	1,949	2.8	4,46,242	1.5	1,458	0.8	3,48,74	3.9
Eastern	12,308	17.4	39,34,473	13.5	14,133	8.2	21,11,40	23.6
Central	14,104	19.9	61,76,074	21.2	30,416	17.6	27,13,41	30.4
Western	10,996	15.5	24,64,602	8.5	29,739	17.2	15,67,42	17.5
Southern	19,598	27.7	130,72,633	45.0	56,322	32.6	16,15,78	18.1
ALL-INDIA	70,776	100	29,068,113	100	172,684	100	89,35,04	100.0

Source: <http://www.iibf.org.in/documents/reseach-report/Report-16.pdf>

**Table 6.2:** Priority Sector Advances

Year	Agriculture	SSI	Others		Total
(1)	(2)	(3)	(4)		(5)
1990-91	16,750	17,181	8,984	(20.9)	42,915
1999-00	44,381	52,814	34,632	(26.3)	131,827
2000-01	51,922	56,002	46,490	(30.1)	154,414
2001-02	60,761	57,199	57,299	(32.7)	175,259
2002-03	73,518	60,394	77,697	(36.7)	211,609
2003-04	90,541	65,855	107,438	(40.7)	263,834
2004-05	125,250	74,588	181,638	(47.6)	381,476
2005-06	173,972	91,212	245,554	(48.1)	510,738
2006-07	230,398	117,880	285,864	(45.1)	634,142

Source: <http://www.iibf.org.in/documents/reseach-report/Report-16.pdf>

## 7.0 Key findings

**Marginal and small ranchers don't get sufficient credit facilities:-** There is absence of advance offices for the little and minimal ranchers since they need more security to keep as home loan Also the ranchers in the area are unskilled who can't comprehend the mind boggling conventions of banking area.

**Higher Rate of Interest:** - Although the pace of intrigue is diminished by numerous monetary foundations giving credit yet on the off chance that we contrast it from the financing

costs with different areas we find that the pace of enthusiasm for vulnerability based farming is high.

**No Loans for inefficient Purposes:-** The money related establishments which are intended with the end goal of farming for the most part don't give advances to useless purposes, for example, birth, passing, relationships and so forth because of which the ranchers feel less keen on going to such banks and in any event, for their profitable reason they want to go to cash moneylenders

**Credits to different sectors:** - The banks which are essentially implied for the advancement of farming likewise gives advances to different areas though the budgetary foundations of other area don't give advance to agribusiness reason.

**Complex paperwork:** - The conventions in these banks are likewise especially because of which poor people and ignorant ranchers of the region waver in going to banks and they like to go to the neighbourhood cash loan specialists where there are less conventions.

**Not situated in rural areas:** - As we realize that most of the populace doing agribusiness dwells in country regions and the banks giving credits to horticulture reason ought to likewise be in the rustic regions. Be that as it may, this isn't the condition. The banks which are to give credits to horticulture are in the metropolitan territories because of which the ranchers are in the metropolitan regions because of which the ranchers delay in taking advances from these banks.

## 8.0 Conclusion

As an assessment we can see that the budgetary foundations giving credits to the reason for agribusiness ended up being complete disappointment. In spite of the fact that there is a slight improvement in the state of labourers yet the general position is that the monetary establishments don't fill the need of horticulture. Accordingly the horticulture area is falling behind and because of it the financial development of the nation is additionally back ward since Indian economy is an agribusiness economy and if the state of farming economy won't improve it will influence the Indian Economy and its development.

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