Universe International Journal of Interdisciplinary Research
(Peer Reviewed Refereed Journal)

© UIJIR | ISSN (O) – 2582-6417
OCT. 2020 | Vol. 1 Issue 5
www.uijir.com

AGRICULTURAL CREDIT INSTITUTION IN INDIA A REVIEW

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DOI No. – 08.2020-25662434

Abstract

The banking system in India plays an important role in the achievement of the credit delivery policy formulated carefully to the core objectives of our national policy such as development, modernization, self-reliance, and social justice. Banks are priests of money and credit, and they help in accelerating the economy. It plays a strategic role in raising the savings rate, by cancelling available savings for financing investment and better utilization of available resources in all sectors of the economy through an adequate supply of debt. Thus the credit is the life-blood of every economic activity in a country. The flow of credit is like the circulation of blood in the body. The circulation of blood to all the organs of the human body should be smooth and equal. Likewise, credit must flow continuously and evenly through the country's credit structure. This article is providing a detailed history of agricultural credits intuitions in India, suggestions, for writing the background, methods, results, and conclusions. The main objective of the present article is to find useful ideas with all levels of experience.

Keywords: *RRBs, SCBs, DCBs, PACSs, SCARDBs*

INTRODUCTION

India has financial institutions in both organized and unorganized sectors of money and capital markets that cater to the credit needs of various sectors of the economy. The unorganized sector consists of moneylenders and indigenous bankers who cater to rural areas. The organized sector of the money market comprises the Reserve Bank of India at the top level, followed by cooperative banks, commercial banks and regional rural banks in India.

The first bank managed by Indians was' Awadh Commercial Bank 'established in 1881, later 94 Punjab National Bank' was established in 1894, and 'People's Bank of India' established in the year 1901. The Swadeshi movement of 1906 provided a great opportunity. Promote and encourage the introduction of several commercial banks in India. However, this Indian banking system experienced a series of crises and, as a result, it witnessed many bank failures. Hence the growth of deposits, advances, working capital and to a certain extent the banking industry, despite the establishment of a large number of commercial banks in India, was quite slow and unstable during the first half of the branch expansion of the twentieth century.

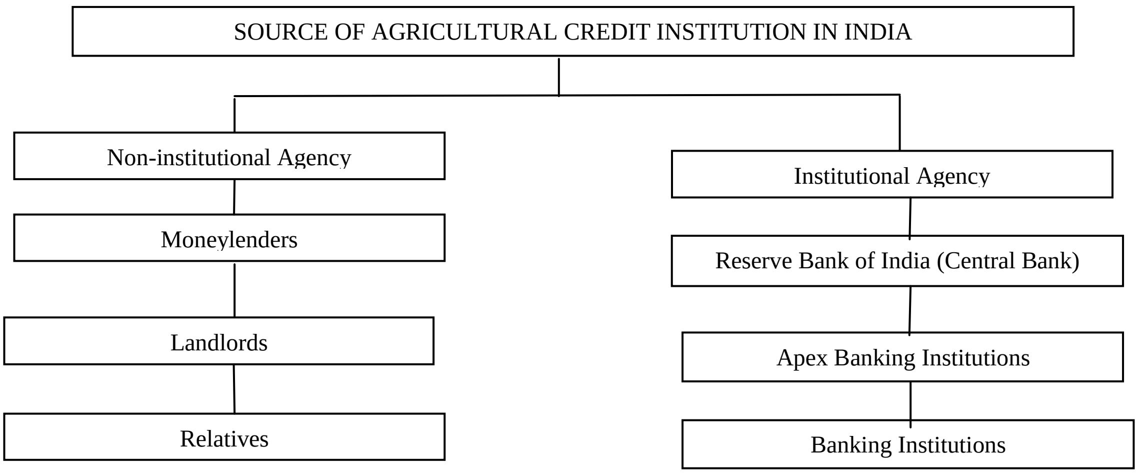
Three presidency banks namely Bank of Bengal, Bank of Bombay, and Bank of Madras were merged with the Imperial Bank of India in 1920 to reform the banking sector. The Reserve Bank of India was established in 1934 and started functioning from 1 April 1935, as the Central Bank of India. It was swept away by the nationalization of the Imperial Bank. The State Bank of India Act was passed in 1955 to convert the Imperial Bank of India into a state-owned bank named 'State Bank of India'. The State Bank of India (Subsidiary Banks) Act was passed in 1959; the State Bank of India was empowered to take 8 state-linked banks as its subsidiaries.

Through bringing commercial banks into the mainstream of economic development with definite social obligations and objectives, the government issued an ordinance on 19 July 1969, which took ownership and control of 14 major banks in the country. For the expansion of rural credit, regional rural banks have emerged as the third important component of the multi-agency credit system on the Indian banking landscape. Subsequently, on 15 April 1980, six more commercial banks were nationalized. The current ability of the commercial banking system in India includes scheduled public sector banks and private sector banks. Ten public sector undertakings (PSU) banks will be amalgamated into four banks from today on 1 April. In August 2019, the government announced the merger of 10 public sector lenders into four large and strong banks in the largest consolidation exercise in the banking sector. With this, the number of public sector banks in India will come down from 27 in 2017 to 12.[1] It was widely speculated that the government may postpone consolidation practice for some time due to the novel coronavirus epidemic affecting our economy.

SOURCES OF AGRICULTURAL FINANCE IN INDIA

In India, many sources and agencies are engaged in lending for economic activities. Some agencies are in the organized sector, others are in the unorganized sector. The unorganized sector of the money market in rural areas includes money lenders, friends, relatives and landlords. In the organized sector, the banking structure includes top level banks and other banking institutions such as cooperative banks, land development banks, commercial banks, regional rural banks, etc. The sources of finance in India are classified in the following chart.

Figure-1



The above accepted classification of unorganized agencies and institutional sources is discussed below.

2.1. (A) Non-Institutional Agencies

The contribution of institutional credit to Indian agriculture has increased from 7 percent in 1950–51 to 63 percent in 1981–82.[2]But despite the adequate supply of formal loans in many cases, small and marginal farmers in India are dependent on informal loans, since at least formal loans are not available on time. Non-institutional sources are those which operate outside the provision of the Indian Banking Companies Act. The non-institutional sector encompasses a wide range of sources and systems, some of which have been operating for a while some have started with changes in the economy. The figure clearly presents the flow of this source of credit.

Figure-2 **Non-Institutional Source of Agricultural Credit in India**

Moneylenders		Indigenous Bankers		Nidhis	Chit-Funds
Professionals	Non-Professionals	Professionals	Non- Professionals		
	Landlords	Multanis	Traders		
	Merchants	Shroffs	Commission Agents		
	Agriculturists	Chettiars	Marwaris		
	Friends & Relatives	Others	Others		

Source: Mamoria, C.B., Rural Credit in India, 1982.

(I) MONEY LENDERS

The money lenders have been a major source of agricultural finance. They are leading agricultural financing in terms of both debt and trade volume. No standard pattern or system is followed by moneylenders and they differ in their characteristics across the country. Therefore, it does not include any special class or community except professional moneylenders.[3] Moneylenders generally provide short-term loans on personal security of movable property. Loans are provided for both productive and consumption purposes and farmers get it very easily without any premises and formalities. But there are some malicious practices in rural areas that are linked to village moneylenders such as manipulating accounts, cutting interest in advance, not issuing receipts for payment of interest and selling their produce in advance to farmers borrowing principal forcing a lower price than the money market. There are two main categories of moneylenders.

(A) PROFESSIONAL MONEYLENDERS

In almost all regions in India, some forms of professional moneylenders are present and their primary business is money lending and they usually hold licenses for money lending. They are known by different names such as 'Seth', 'Sahaokar', 'Munim' etc. They are either traders or rich agriculturists. They are more business oriented and strict in collecting interest and principle sum and are ready to lend large amount depending upon the repayment capacity of the borrowers.

(B) NON-PROFESSIONAL MONEYLENDERS

Non-professional moneylenders are an important source of credit for small farmers and who do not want to enter the clutches of professional moneylenders. There is no fixed group involved and any good person who is ready to lend money to the needy can do this work. Generally, wealthy landowners pay money to their tenants or small farmers. Traders and comparatively well-off farmers are involved in borrowing money. However, relatives, friends and neighbours are the first to contact the needy people because in their case the employment pressure is low and the interest rate is also low.[3]

(II) Indigenous Bankers

These are generally groups or associations of people from the same community or similar profession involved in banking. They act as banks and receive deposits and deal in hundis. An indigenous banker can also combine banking and business but banking is his main profession. The Indian Central Banking Investigation Committee defines indigenous bankers as "any individual or private firm receiving deposits and dealing with hundis or money and

Moneylenders, whose primary business is not banking, but money-lending".

There are about 2000 such communities involved in indigenous banking. They provide loans based on promissory notes for productive purposes and are also involved in mobilizing people's savings.[5]The system of indigenous banking in India dates back to ancient times. By the middle of the nineteenth century, indigenous banking constituted the bulk of the Indian financial system. But the arrival of the British adversely affected their business. With the growth of commercial and cooperative banks geographically and functionally, especially since the mid 1950s, the area of operation of indigenous bankers has further contracted. Still in western and southern parts of India, they serve as bankers of the traditional style. Indigenous bankers do not establish direct relationships with farmers. Loans obtained indirectly to the farmer through traders provide a credit based on indigenous banker bills and bills. There are three types of indigenous bankers-

(i) Whose main business is banking
(ii) Those who combine banking business with trade and commission business
(iii) Those who are mainly merchants and commission agents but also do little banking business.

(III) LANDLORD

Landlords also provide finance for productive purposes before the crops mature. Generally, in rural areas, small and needy farmers depend on landlords to fulfil their financial needs. The moneylenders have some shortcomings, due to the malfeasance of the landlords, their importance has declined with the introduction of land reform measures.

(IV) NIDHIS

These are some loan societies and were started in South India in the mid-19th century. These are a type of quasi-banking institution registered under the Indian Companies Act. They act as mutual funds and therefore deal only with their members. Their major source of funds is collected from members. They promote savings among members and also return the share in monthly instalments. They provide loans for such purposes as house building or repair etc. and at a cheaper rate of interest so as to protect members from moneylenders. Loans are mostly secured. His main features are; Encourage austerity, raise small savings, promote corporate effort, and promote planned spending. Funds are highly localized, single-office institutions that provide low-cost financial intermediation services to their members. But the deposits raised by them are not large as well as weak in management and often engaged in earning high profits at the cost of borrowers.

(V) RELATIVES AND FRIENDS

Farmers generally borrow from own relatives and friends in cash or kind in order to tide over temporary difficulties. These loans are generally contracted in an informal manner; they get it on low or no interest. Farmers repay this type of loan soon after the crop but this source of lending is not sufficient due to its uncertain characteristic and increasing needs of modern agriculture.

(VI) CHIT-FUNDS

It is a system based on association, confidence & honest dealing. It promotes regular savings and provides cheap credit. It has been very popular in rural areas especially in South India. The loan is given for purchase of land, jewellery, marriages, trade and settling prior debts. However, some chit funds have been found to be involved in gambling business. From the above it appears that the non-institutional sources show a vast network for credit provision in rural areas. The extent of credit provided by these institutions has been wide and large over the decades.

(B) INSTITUTIONAL AGENCIES
COMMERCIAL BANKS

Commercial banks also include foreign commercial banks and commercial banks in India. Again, Indian commercial banks are classified as public sector banks and private sector banks. At the time of the establishment of Presidency Banks in the 19th century in 1913-18, commercial banking was introduced in a systematic way, such commercial banks were functioning. Was passed in the year 1949 and as per this Act, the Reserve Bank of India was conferred with extensive regulatory power over commercial banks. There were many small non-scheduled banks in India during the pre-nationalization period (1951–1968) but gradually all these banks merged into larger banks. In 1969, 14 large banks were nationalized and in the second phase, 6 other commercial banks were nationalized in 1980. In the year 1999, 28 public sector banks had the mandate to provide loans to needy farmers. In addition, there had 246 private commercial banks operating in the country. Recently the government ordered ten public sector banks will be merged into four banks from April 2020 this had announced in August 2019. The impact of this merger becomes too strong, and the largest consolidation exercise in the banking sector. With this, the number of public sector banks in India will come down from 27 in 2017 to 12 in April 2020.

Therefore, commercial banks have to be assigned an important role in the field of agriculture.[6] A change came very rapidly in the context of the Green Revolution, which underscored the importance of strengthening institutional machinery for agricultural credit to facilitate technological development and modernization of agricultural techniques. The commercial banks with their strong financial and organizational base had to be actively involved in the rural credit delivery system. These banks help the agricultural sector in many ways; they open branches in rural areas to provide agricultural credit. They also provide finance for high-yielding seeds and fertilizers, for modernizing the agricultural sector and for mechanization of fields, for the marketing of their produce, for facilitating irrigation. They provide medium or long-term finance for the purchase of tractors and other equipment, for the electrification and installation of electric or diesel pump sets, or to develop or improve the land.

The expansion of rural bank branches has increased from 17656 in 1980-81 to 48498 in 2014-15 indicating a tremendous increase more than two times during that period. After the year 1994-95, the branch expansion has been decreasing. Total branches were 30551in 2006-07 which further to 32494 in the year 2009-10. From 1994 the rural bank branches declined sharply till 2007. The total deposits and credits end of the financial year 2015 is Rs. 88989.01 billion and Rs. 64998.29 billion respectively with credit and deposits ratio has approximately 73 percent[7].

REGIONAL RURAL BANKS (RRBS)

On the recommendation of the ‘working group of rural banks,’ the Government of India initially had established six Regional Rural Banks[8] in the country with the objective of spreading banking facilities in rural areas where even co-operatives are not in a position to cater to the credit needs of the rural society and to provide credit facilities at a lower rate of interest, especially to the target group, which consisted of small and marginal farmers, rural artisans and small traders, and, to inculcate the habit of thrift and savings. In addition to these RRBs were established to supplement commercial banks as (i) in spite of the impressive progress of the rural branches of commercial banks, there was no hope of their spreading to all the unbanked pockets, even in the course of a decade. (ii) Commercial banks suffered from two deficiencies in relation to rural credit i.e. (a) lack of rural background, and (b) high-cost structure of operations. The main aim was that the farmers as well as the rural poor could be saved from the clutches of private moneylenders, who charge a very high rate of interest.

Regional rural banks (RRBs) form an integral part of the Indian banking system with a focus on service to rural areas. RRBs were created with the objective of combining the good features of co-operatives and commercial banks to provide regionally-oriented institutions that could direct credit to the underprivileged sections of the rural population. The Government of India promoted the formation of RRBs under the RRB Act, 1976, with a goal of formation of a new set of regionally-oriented rural banks which would combine the co-operatives' local feel and familiarity with problems and the commercial banks business acumen i.e. ability to mobilize deposits, access to central money market and modern outlook [9]. Therefore, the RRB Act mandates the RRBs to "develop the rural economy by providing credit and other facilities"[10].

Generally, the Regional Rural Banks (RRBs) are sponsored by scheduled commercial banks. Each Regional Rural Banks has on authorized capital of Rs. 10 million issued and paid-up capital of Rs. 2.5 million. The 50 percent share capital of Regional Rural Banks (RRBs), is subscribed by the central government, 35 percent by commercial banks, and 15 percent by the state government. As in march 1997, there were 196 Regional Rural Banks (RRBs), by 27 SCBs and one State Co-operative Bank was operating in the country with a network of 14,484 branches spread over 523 districts as on March 31, 2005. Consequent upon the amalgamation, the number of RRBs declined to 82 operating in 26 states and in one union territory covering 619 districts with a network of 15,475 branches as of March 31, 2010.[11] In presently only 56, RRBs banks working with total deposits and credits amount has been Rs. 371900 million and Rs. 2115340 million in March 2016-17.[12]

CO-OPERATIVE BANKING IN INDIA

Rural credit co-operatives in India were originally envisaged as a system for pooling the resources of people with small means and providing them with access to different financial services. It has very important role to play in the Indian financial system and especially in the sphere of rural finance, both for agriculture and small scale and cottage industries. In spite of concerted efforts being made to open branches of nationalized commercial banks since 1969 in rural areas, it may still be the most satisfactory institution for providing finance to borrowers in rural areas of India.

As the Punjab Banking Committee Report pointed out, "A scheme of Government or Joint Stock Finance might reduce the rates of interest, but only co-operation can teach the peasant to borrow at the right time, and in the right amounts and for right ends, and to repay on right dates, and, only co-operation can teach him to serve so that he may not have to borrow at all".[13] Co-operative credit institution is supposed to be "an association of borrowers and non-borrowers, who, residing in a locality, know one another and take interest in one another's affairs". Membership of the society is open to any person in the locality, provided fellow-

Members approve the membership. While admitting a new person, his character (regardless, of caste and creed) is taken into account.[14] Co-operative credit institutions have emerged as a ray of hope and vehicle of rural finance for economic development. Till the nationalization of 14 commercial banks in 1969, the organized sector that stood to provide rural credit was the co-operative credit network only. The major beneficiary of co-operative banking is the agricultural sector in particular and the rural sector in general.[15]

The history of co-operative movement in India is about a century old. The movement was started in India with a view to encourage and promote thrift and mutual help for the development of persons of small means such as agriculturists, artisans and other segments of the society. It was also aimed at concentrating the efforts in releasing the exploited classes out of the clutches of the money lenders. Keeping this as one of the objectives, credit societies were formed under Co-operative Societies Act of 1904.

The 1904 Act was largely based on the English Friendly Societies Act, 1896. Under this Act, only primary credit societies were permitted to register and non-credit and federal organizations of primary co-operative credit societies were left out. This lacuna was bridged by the Co-operative Societies Act, 1912. This Act paved the way for the organization of central co-operative banks throughout the country. But the provisions of 1912 Act were inadequate to meet the requirements of those states where co-operative movement had made considerable progress. Bombay, the pioneers in this regard passed a new Act, viz., the Bombay Co-operative Societies Act, 1925 for serving the many sided development of the state. Later on, Madras, Bihar and Bengal passed their own Acts in 1932, 1935 and 1940 respectively.

India's co-operative banking structure consists of two main segments, viz., agricultural and non-agricultural credit. There are two separate structures in the case of agricultural credit; one for short and medium term credit and the other for long term credit. The co-operative credit structure for short and medium terms is a three tier one with primary agricultural credit societies at the base level, the central co-operative bank at the district level and state co-operative bank at the apex level. Over and above these institutions, grain banks are actively functioning as primary societies in certain states. Though the organization of central and state co-operative banks was mainly for the benefit of the agricultural credit sector, they serve non-agricultural societies too.

The co-operatives provide short & medium-term credit and the long-term credit. The short & medium-term credit is provided by the three-tier structure consisting of PACSs at the grass root level, DCB at the district level and SCB at the state level. There are urban co-operative banks functioning in towns and cities. The long-term credit is provided by two-tier structure having Primary Land Development Banks (Primary Co-operative Agricultural and Rural Development Bank) at tehsil level and Central Land Development Banks (Central Co-operative Agricultural and Rural Development Bank) at the state level.

These are the generic names, now these are known as Primary Co-operative Agricultural and Rural Development Banks (PCARDBs) at the base level and State Co-operative Agricultural and Rural Development Banks (SCARDBs) at the apex level.

(I) SHORT AND MEDIUM-TERM CREDIT STRUCTURE

The short-term & Medium-term co-operative banking system in India is federal in structure. It has a pyramid type of three-tier structure constituted by this institution. In each state, there is State Co-operative bank (SCB) at the apex level. In each district, there is a District or Central Co-operative Bank (DCBs) and at the base level, there are Primary Agricultural Credit Societies (PACSs).

(I) (A) STATE CO-OPERATIVE BANK (SCB)

The State Co-operative Bank is the highest agency of the three tier co-operative credit institution in each state, it serves as a link between RBI and District Central Co-operative Banks (DCCBs) and PACS, vested with the responsibility of providing credit support to agriculture and allied activities through a network of DCCBs and other state level co-operative organizations and government corporations. National Agriculture Bank for Rural Development (NABARD) provides credit to lower level co-operatives through the state co-operative banks. State Co-operative banks are also entitled to undertake banking business under the provisions of Banking Regulation Act. As apex bodies, the State Co-operative banks exercise control and provide guidance to the co-operative network in the respective states. The State Co-operative banks exercise control and supervision over DCCBs and PACS. For financing the affiliated banks and societies, the State Co-operative banks derive resources from owned funds, reserves, borrowings and deposits. More than half of their working resources are through deposits from the lower step banks like DCCBs and PACS.
The number of total offices over the country has 1168 with the membership of SCBs is 600278 in the year 2015-16. Banks have total deposits and loans issued Rs. 1049220 million and 1216560 million in this year. The total working capital of SCBs in the year 1980-81 was Rs. 27490 million whereas in the year 1991-92 it amounted to Rs. 133490 million and further to Rs. 198673 million in 2015-16.[16]

(I) (B) DISTRICT/CENTRAL CO-OPERATIVE BANKS (DCBS)

The Central Co-operative Banks occupy a crucial position in the pyramidal structure of co-operative credit institution in the state. DCCBs act as a link between the state co-operative banks (SCBs) and primary agricultural credit societies (PACS) under three-tier structure. Their main function is mobilization of deposits from the members and non-members and provision of adequate credit to the lower tier credit institutions like PACS. It is also expected to act as a guide, philosopher and leader of the co-operative movement in the district. To feed the co-operative credit structure the DCCBs should have a strong resource base. The resource base or working capital of DCCBs consists of owned funds, reserves, deposits, borrowings, etc. They are not allowed to have horizontal cash flows, that is, DCCBs are not allowed to borrow or lend among themselves. Instead, they are required to deposit their surpluses if any with the concerned SCBs, which in turn lend to DCCBs depending upon their necessity [17]. The Central Cooperative Banks are of two types:
DCCB is the middle tier of the rural short-term co-operative credit structure. The physical and financial indicators of the performance of DCCBs are Rs. 2826090 million deposits with the total loans issued Rs. 2493760 million at the end of the financial year 2015-16. Thus the number of banks has increased marginally from 337 in the year 1980-81 to 1424 in 2015-16 with Rs. 2826090 million deposits and Rs. 2493760 million loans issued by the DCBs operated by 3208720 members over the country.[17]

(C) PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETIES (PACSS)

Primary Agricultural Co-operative Societies (PACSs) are the foundation of the co-operative credit structure and form the largest number of co-operative institutions in India. Most of these societies have been organized mainly to provide credit facilities and to inculcate the habit of thrift and economy among their members.

PACS occupy a predominant position in the co-operative credit structure. The edifice of the co-operative credit structure has been built on the foundations of PACS. These banks constitute the base and vast network of credit institutions at the village level. They link the total credit structure with the needy artisan or agriculturist. It deals directly with the agricultural borrowers, provide them with the loans and collects repayments of loan given. It serves as the final link between the ultimate borrowers and the higher financing agencies such as SCB, RBI and NABARD.

The operating capital of the PACS is derived from owned funds, deposits, borrowings and other miscellaneous sources. Borrowing constitutes a major source of the working fund in PACS [18]. Their members have unlimited liabilities and they contribute their share capital. The PACS accept deposits from both the members and non-members but only the members are entitled to borrow from them. Most of the loans are for agricultural purposes and are of short-term nature.

The success of the co-operative credit movements depends crucially upon health and strength of these societies. Attached to the organization of the co-operative credit institutions, there are two refinancing agencies in the country at the national level; the RBI, which is, the

Central Bank of the country providing through its agricultural credit department, refinance to the State Co-operative Bank for both short-term and medium-term agricultural credit, and the Agricultural Refinance and Development Corporation (ARDC), renamed as NABARD, a statutory body that provides finance by way of long-term development loans, mainly to State Co-operative Agricultural and Rural Development Banks SCARDBs).

The membership of PACSs growth is 12.12 million in 2015-16; this impact is raised by co-operative movement at the village level and highlights the relevance of the co-operatives to the million small and marginal farmers in India. The membership of societies has increased from 57653 in 1980-81 to 132350 in 2008-09 with the total deposits and loans issued by PACSs have been Rs. 1010650 million and Rs. 200678390 million years 2015-16. The number of working primary agricultural cooperative societies is 95595 thought the country.[17]

(II) LONG-TERM CO-OPERATIVE CREDIT INSTITUTION

Indian farmers need three types of credit viz. short-term, medium-term, and long-term. The Indian farmers require long-term credits for the purpose of permanent improvement of land, irrigation development, farm mechanization and for non-farm activities too. Thus, availability of development loans in time and in adequate amount is the most important for accelerating the pace of development [21]. The log-term credit requirements of the farmers were traditionally met by non-institutional agencies but these agencies were not fulfilling the requirements of credit. Therefore, there had been a need for institutions especially designed to cater long-term credit needs so that large amount may be advanced at moderate rates of interest and that may be received in installments spread over a number of years. These institutions are knows as Land Mortgage Banks, as they have been established in most of the countries of the world.

In the beginning, banks were named as Land Mortgage bank because the purpose of providing

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OCT. 2020 | Vol. 1 Issue 5
www.uijir.com

loan was mainly for redemption of prior debts by mortgaging the land. Later on, they started providing loans for agricultural development also and, therefore ,it was renamed and become Land Development banks (LDBs).Since 1989-90 banks has started financing for non-farm sectors also. In many states it is renamed as Co-operative Agricultural and Rural Development Bank (CARDB).

In India, Land Development Banks have been organized on a co-operative basis. These are voluntary associations of farmers. The structure of Land Development Banks has not any uniform pattern. In some states they are unitary and some other they are federal in nature. The federal structure has two–tier system:

(a) State Cooperative Agricultural and Rural Development Bank (SCARDB) at the State level.

(b) Primary Cooperative Agricultural and Rural Development Bank (PCARDB) at the District level.

There is only one SCARDB in each state and one PCARDB at the district level. The PCARDB are affiliated to the SCARDB in the state.

(II) (A) STATE CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS (SCARDBS)

The amount of advances and loans outstanding of SCARDBs has increased from Rs. 2030 million in 1986-87 to 640450 million in 2008-09 with the Year-wise advances and outstanding data from 1986-87 to 2008-09 indicate that though the advances have marked a rising trend after 1991-92. The average loan advanced through SCARDBs was Rs. 16570.4 million. The loans outstanding have also depicted unstable values before 1991-92 but after that, it retained an increasing trend and reached Rs. 162790 million in 2008-09 from Rs. 3010 million in 1986-87. With the number of loans issued is Rs. 52.37 billion in the year 2015-16.

(II) (B) PRIMARY CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS (PCARDBS)

Primary co-operative agriculture and rural development banks (PCARDBs) are at the bottom layer of the long-term structure of co-operative credit institutions. The own resource base of these banks is weak. The resources for their operations are raised through Borrowings from NABARD and other institutional investors, supplemented by owned funds comprising share capital, reserves, and a small number of deposits.

The working and functioning of PCARDBs have been examined in terms of their disbursement of the loan amount has increased consistently. In 1980- 81 it was just Rs. 3620 million and the same has touched the level of Rs. 3510 million in 1989-90, to Rs. 18180 million in 1999-00 and further to Rs. 564.20 million in 2008-09. Similarly, the outstanding amount of loans from PCARDBs has increased from Rs. 16.09 billion in 1980-81 to Rs. 19.25 billion in 1989-90, to Rs. 75.74 billion in 1999-00 and further to Rs. 140.19 billion in 2015-16.

CONCLUSIONS

From the above discussion, it can be seen that the scale of agricultural credit in India is very inadequate, and private non-institutional sources are still very important in providing loans to farmers. Furthermore, the main problem of institutional lending faced by lending institutions, especially cooperatives, is that the huge level of overdue volatility is not satisfactory.

In the past green revolution period, farm mechanization has been more important and popular for the improvement of agricultural production. India, which is a predominantly agricultural, based country; the commercial banks and RRBs are providing loans under agriculture credit of amount Rs. 64998.29 billion and Rs. 371900 million respectively till the end of the financial year 2015-16, as well as the short and medium-term loans, amount Rs. 200678 billion given the same period by PACSs. The long-term credit disburses by SCARDBS and PCARDBs Rs. 52.37 billion and Rs. 140.19 billion respectively in the financial year. Thus, the combined effect of short- and medium-term credit with long-term credits to increase fertilizer and pesticide consumption, facilitating increased irrigation of agricultural mechanization and other agricultural sector activities boosting agricultural production. This has led to poor health for agricultural financial institutional credit and thus these lending institutions will not be able to provide advanced loans to meet the growing needs of our farmers.

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