

Impact of agricultural banking on farmers

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Abstract

The Indian agricultural sector is the main source of employment in India. Near about 70% employment provided by agricultural and agricultural related business. The Indian agricultural sector contributed in GDP near about 17% in 2014-15. The every business organisation needs the working capital as like agricultural sector also needs working capital. Farmers also need credit facility which provided by different sources. It includes commercial banks, cooperative banks, money lenders and government etc. if farmers get proper credit facility in proper time it directly affects the quality of product. For the production farmer needs four basic inputs land, water, man power and cash.

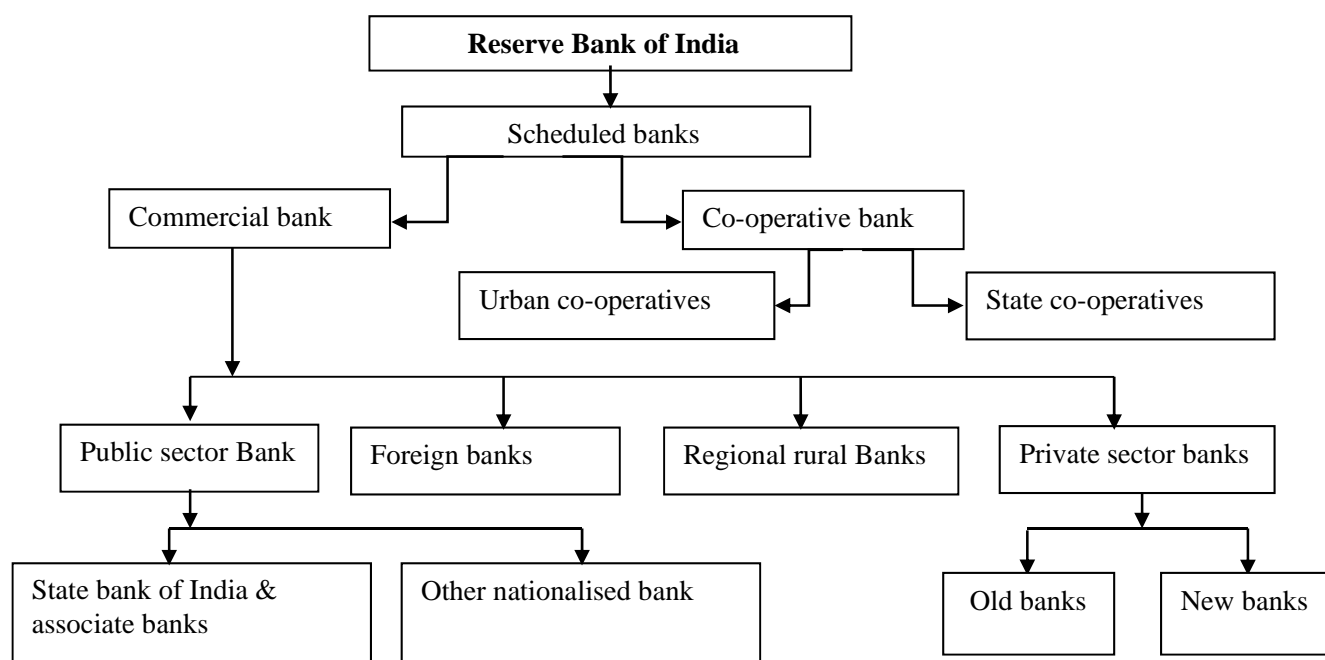
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Introduction

The Indian banking system starts from 18th century. First bank of India was started in 1770 “Bank of Hindustan” and its go to liquidate in 1829-32. Then after second Indian bank of India established in 1786 “General Bank of India”. India has no long past history of banking because of in India Barter Trading

Method been used. It’s the method which directs exchange of goods and services for other goods and services. Barter trading done without use of money. Then after money came in Indian trading market after that people needs the banking services. It’s the way of banking system came to existence in India.

Structure of the organised banking sector of India



The Indian agriculture banking starts the growing from 1975. Its goal is to expand the banking the activities in rural area. Banking sectors try to provide better quality services to the customers for that reasons they adopt new technology to satisfy the customers. The Reserve bank of India and Government try to encourage agricultural banking. In 1975 RBI established Regional Rural Bank (RRB) with motives to expand the rural banking in rural areas and farmers will take benefits of banking facility. Thereafter in 1982 RBI again established new

agricultural financial corporation which is National Bank for Agricultural and Rural Development (NABARD) to provide finance and carry agricultural policy and scheme in the favour of farmers.

Nationalise Banks

In the 1949 banking regulation act enacted, after that “The Imperial bank of India” was nationalised. It was known as “State Bank of India (SBI)”. It’s handling the central and state

banking transactions also functioning as principal agent of “Reserve Bank of India (RBI)”. In 1959 seven SBI subsidiaries bank nationalise then after 1969 14 major banks was nationalised. In 1980 6 major banks nationalised .They also provide the agricultural credit facility to farmers. It is the major source of agricultural credit in India.

Regional Rural Bank (RRB)

It was established in 1975. It works under the “1975 act (Section 54 of the RBI act)”. Its main propose to available the financial credit to the farmers on the lowest interest rate.

- It fulfils the basic need of working capital of farming.
- Its provide loan and Advances to the co-operative society and other society which is related to the agricultural.
- Accepting deposits from rural area and related area.
- Provide loans and advances to the small entrepreneurs and others who are engaged in trade, commerce & industry.

National Bank of Agricultural and Rural Development (NABARD)

It was established in 1982 under “the national bank for agricultural and rural development act 1981”. NABARD provides long-term refinance for minor irrigation, plantation, horticulture, fisheries etc. It also provides short-term loans for financing of seasonal agricultural operations marketing of

crops etc. It offers medium term loans facilities for approved agricultural purpose.

Co-operative Banking

It is registered under co-operative society act, governed by the banking regulation act 1949 and banking law (cooperative society) act 1955. When a co-operative society engages itself in banking business it is called as ‘co-operative bank’. It provides the credit facility to farmers, salaried employees and small scale industry. They also take deposits from them.

It is dived into three parts

- Central co-operative bank
- State co-operative bank
- District central co-operative bank

Sources of Agricultural Credits:-

The various sources of agricultural credit can be classified in two parts.

- 1) Non Institutional Agencies
- 2) Institutional Agencies

Non institutional agencies include the local village’s money lenders, their agents and landlords. Institutional agencies include cooperative societies, commercial banks regional rural and NABARD.

Source	1951-52	1961-62	1970-71	1981-82	1991-92	2002-03	2010-11
Government	3.3	2.6	3.6	4	6.1	3	4
Cooperative societies	3.1	15.5	22.7	28.6	21.6	26	24.9
Commercial banks	.9	.6	4.0	28	33.7	27	43.1
Moneylenders	90.9	67.4	68.4	38.8	32.7	41	21.9
Others	1.8	13.9	1.3	.6	5.9	3	6.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Report of the all India rural credit review committee 1969, RBI bulletin and NSSO, May 2011, Economic survey-2010-11.

Services provided by agricultural banks

The Indian banking sector provides different services to the farmers. Which are beneficial to farmers to take credit from banks.

- **Cash Credit:** It is one of the major source of agricultural credit. Most of banks provide the cash credit facility on behalf crops in farmers land. This credit is provided on very low interest near about 4%.it is short term loan.
- **Term loan:** It is also main source of agricultural credit. Banks provides it for long term. This is beneficial for agricultural development.
- **Gold Loan:** It is also one of the types of credit facility. Banks give credit on behalf of gold which given by farmers as mortgage. It also fulfils working capital need of farmers.
- **Crop Insurance:** This facility is also provided by the bank. This is also beneficial to farmers to reduce the risk of farming.
- **Mobile Banking:** Bank started to provide banking facility on mobile. This is beneficial for farmers to see their account balance and transaction.
- **Online Banking:** Farmers started to take benefits of online banking. It is helpful to them save time and money.

Impact of Agricultural Banking on Farmers

- 1) **Expand the irrigation area:** Using the credit facility farmers able to expand the area of irrigation in farm. It also

increases production of crops. They are able to take all three season crop. E.g. Drip irrigation.

- 2) **Use of Machinery:** Farmers use machinery in farming activity which helps do work accurately and in proper time. Farmers save their efforts and time by using machinery. E.g. Harvester, Tractor equipments etc.
- 3) **Storage Godown (warehouse):** Farmers are able to develop the storage facility in their area. It is beneficial to them to store the crop for better price and supply in market as per requirement. NABARD has separate schemes for agricultural godown.
- 4) **Processing units:** Now a day’s farmer concentrates on food processing. Using this they are able to do proper marketing of products.
- 5) **Horticultural:** Farmers go towards horticulture farming in their land area. It is possible for bank credit available in proper time and ease.
- 6) **Freedom from moneylenders:** farmers become free from old moneylenders and landlord control. They are able take proper price of their product and sell their product in different markets.
- 7) **Farmers become economically stabled and socially developed:** Using banking facility they are able to earn better profits and they also be able to spend money on primary needs.

Conclusion

In India farmers are not economically stable as like foreign countries. For that reason in our country farmers need proper credit supply to expand their standard of living. It's totally depend on the growth or increase the production and reduce the production cost. When farmers adopt new technology as well as concentrate on organic farming. Farmers need credit supply from authorise sources like banks and cooperative societies in low interest rate. Now a day's near about 70 % credit supply provided by authorise sources we need to expand it near about 100 %. Banking and cooperative society need to reduce the paper work in credit and loan facility. Overall banking facility is really useful for farmers.

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