

THE IMPORTANCE OF CROP LOAN SYSTEM IN AN INDIAN AGRICULTURE

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I) Introduction:

In our country, Credit is the first prerequisite for most of the cultivators because the average individual cultivator in the country is incapable, by himself alone, of breaking loose from his poverty-stricken status. The cooperative effort can play an important role in breaking the strong hold of the money lenders and traders on the marketing operation and supply and credit function in the village. The crop loan system was a bold measure recommended under the second Five year Plan of our country to rationalize the co-operative agricultural credit system. *The main object of the new system was to make credit broad based, production and marketing oriented and better administered.* For this, 2 strong and viable net-works of credit and marketing co-operatives had to be established and suitable operational device formulated. By now, the crop loan system has been fully accepted in principal all over the country.

In India, the origin of the CLS can be traced back in the recommendations of the agricultural finance. Sub-committees appointed by the Government of India in 1944, under the chairmanship of Dr. D. R. Gadgil. The committees made a thorough appraisal of the cooperative credit structure in the content of providing timely and adequate credit to all credit-worthy farmers. The co-operative planning committee, under the chairmanship of Shri. R. G. Saraiya in 1945 also endorsed the recommendations of the Gadgil committee in this connection. The CLS plays a vital role in an Indian agriculture. Therefore what is the concept of CLS & their needs, how it is benefited to farmers and the progress of crop loan in India are crucial to study. The researcher aims to analyse the Importance of Crop Loan System in an Indian agriculture.

Objectives:

The researcher covers the following objectives:

- To know the concept of Crop loan system.
- To study the advantages of CLS.
- To examine the share of crop loan in an Indian agriculture

Research Methodology : Data Collection :

The present study relates The Importance of Crop Loan System in an Indian Agriculture. The importance of CLS has been studied by certain indicators like Agriculture loan & share of Crop loan in agriculture of India.

Scope of the Study: The present study.

II) Concept of Crop Loan System (CLS):

Crop Loans are also called Short Term Loans for “Seasonal Agricultural Operations.” The Seasonal Agricultural Operations connote such activities as are undertaken in the process of raising various crops and are seasonally recurring in nature. The activities include, among others, ploughing and preparing land for sowing, weeding, transplantation where necessary, acquiring and applying inputs such as seeds, fertilizers, insecticides etc. and labour for all operations in the field for raising & harvesting the crops. Thus, the credit required to meet the current expenditure for raising the crops on land till the crops are harvested is construed as production or short term credit.

Needs of Crop Loan System

It has been found that every tier of credit structure depends for its own resources of owned funds and deposits. In the context of the fiscal responsibilities which such an arrangement enjoining for borrowing at the primary level is discouraged especially when the

especially when the borrowings are courged especially when the borrowings are for agricultural production. These borrowings are for agricultural production. This justification arises on account of these factors.

A] While timely sanctions and disbursement of agricultural loans are important for the success of the operation itself insistence on mortgage of land security in each case would considerable delay.

B] A large number of tenant farmers who do not have the right to mortgage for what they cultivate will have to be denied credit.

C] Even those who own their land may not have adequate land to offer as security. They have already avoided of a large medium-term loan or a long term loan from the land mortgage banks.

D] Mortgage of the borrowers land does not always adequately protect the interest of the credit agency if the borrowers default. In view of these defects, it has been rightly said that the best form of security for the loan advanced by the credit society would be that the clientele is a continuing one; and the land which constitutes the means of production for the farmer, must not be alienated.

Advantages of Crop Loan System

1] Crop-loan system is production oriented and not security oriented.

2] After the introduction of crop loan system, weaker section of the Community was able to get finance.

3] As the loans were disbursed in kind and in cash. This was less scope for misutilization of funds.

4] Financial requirements were assessed on the basis of cost of cultivation. Thus scientific approach is found in case of crop loan policy.

5] Loans are given when the seasons starts. Thus, seasonality in disbursement and recovery is the main feature of crop loan policy.

6] Credit worthiness is assessed on the basis of crop-cultivated and expected income. It is production oriented.

7] As the crop is the security for the crop loan. The farmers are able to mortgage their land to get long term finance from land development banks.

8] Repayment of loan is made through the linking of credit with marketing.

9] Under the crop-loan system even medium term loan was issued up to a certain extent without security of land.

III) Crop Loan in India:

Agricultural credit is an important input for improving agricultural production and productivity and reducing farmer distress. Financial assistance is provided to farmers by way of short-term loan, credit etc. by government through various banks and co-operative agencies. The following tables show an important role of financial agencies in agriculture as well as crop loan disbursement.

Table No. 1 Agency-wise ground-level credit flow to agricultural sector in India

(Rs. In Crore)

Year	Co-operative Bannks	% Share	Regional Rural Banks	% Share	Commercial Banks	% Share	Total
2002-03	23636	33.98	6070	8.73	39774	57.18	69560
2003-04	26875	30.90	7581	8.72	52441	60.29	86981
2004-05	31231	24.92	12404	9.90	81481	65.02	125309
2005-06	39404	21.83	15223	8.43	125477	69.52	180486

2006-07	42480	20.90	20435	10.05	166485	81.89	203296
2007-08	48258	18.95	25312	9.94	181088	71.11	254658
2008-09	45966	15.23	26765	8.87	228951	75.83	301908
2009-10	63497	16.51	35217	9.16	285800	74.33	384514
2010-11	78121	16.68	44293	9.46	345877	73.86	468291
2011-12	87963	17.21	54450	10.65	368616	72.13	511029
2012-13	111203	18.31	63681	10.48	432491	71.21	607375
2013-14	119964	16.86	82652	11.61	509005	71.53	711621
2014-15	138469	16.47	102483	12.19	599691	71.34	840643
Average	65928.23	18.06	38197.38	10.46	262859.8	72.01	365051.6
CGR	16.03		25.36		24.21		22.52

Source: Annual Report of NABARD, Mumbai from 2006-07 to 2014-15.

Above table 1 indicates agency-wise ground-level credit flow in India. It shows that total agricultural credit from institutional sources had steadily increased from Rs.69560 crore in 2002-03 to Rs. 840643 crore in 2014-15. The contribution of co-operatives was 33.98 percent of agriculture credit in 2002-03 which declined to 16.47 per cent in 2014-15. Correspondingly commercial banks have raised their share from 57.18 percent to 71.34 percent during 2002-03 to 2014-15. The share of regional rural banks in credit to agriculture has been steadily rising from 8.73 percent to 10.46 percent during the same period. The Compound growth rate of Co-operative banks is 16.03 per cent and 24.21 per cent for Commercial banks. It indicates that growth rate of Commercial banks is more compared to Co-operative banks.

Table No. 2 Deployment of credit for agriculture in India(Rs. In Crore)

Year	Crop loan	% Share	Term loan	% Share	Total Agriculture
2001-02	20509	65.29	21536	34.71	62045
2002-03	45586	65.53	23974	34.47	69560
2003-04	54977	63.21	32004	36.79	86981
2004-05	76062	60.70	49247	39.30	125309
2005-06	105350	58.37	75136	41.63	180486
2006-07	138455	60.36	90945	39.64	229400
2007-08	181393	71.23	73265	28.77	254658
2008-09	210461	69.71	91447	30.29	301908
2009-10	276656	71.95	107858	28.05	384514
2010-11	335550	71.65	132741	28.35	4682291
2011-12	396158	77.52	114871	22.48	511029
2012-13	473500	77.96	138775	22.04	607375
2013-14	573001	80.52	138620	19.48	7116221
2014-15	636099	75.67	201544	23.97	840643
Average	253125.5	69.262	91933.07	30.71251	345272.9
SD	193871.3	6.898697	49293.59	6.922937	241195.8
CV	76.59	9.96	53.619	22.54	69.85657
CGR	25.29	-	16.82	-	22.75

Source: Annual Report of NABARD, Mumbai from 2006-07 to 2014-15.

Table 2 reveals that sector wise deployment of credit for agriculture and allied activities in India. Crop loan is most important among agriculture sector. Both commercial and cooperative banks are providing credit to different crops like food grain, rice wheat,

coarse cereals pulses, oilseed, groundnuts, Soyabean, rapeseed and mustard and cotton. Percentage share of crop loan by all banks was 65.29 per cent in 2002-03 which increased to 75.67 per cent in 2014-15. Term loan means loan provided to minor irrigation, land development, farm mechanism, plantation and horticulture, animal husbandry, fisheries and hi-tech agriculture. Percentage share of term loan by all banks was 34.71 per cent in 2002-03 which increased to 23.97 per cent in 2014-15. The value of coefficient variation of crop loan under agriculture was 76.59 per cent and 53.61 per cent for term loan. Thus it indicates that term loan is more stable and consistent than crop loan in terms of variance. The Compound growth rate of crop loan of all banks is 25.29 per cent and 16.82 per cent in case of term loans. It indicates that growth rate is more of crop loan compared to term loan among agriculture.

Conclusion:

Agricultural credit is one of the inputs for improving production and productivity and reducing farmers' distress. Credit institutions play vital role in agricultural sector. The crop loan system is a comprehensive blue print of the credit. It is short term credit. The percentage share of crop loan is higher than other term loans in agriculture sector. Some disadvantages of this system include mistakes in valuing the crop, a bad crop year meant longer indebtedness and merchants could control the prices of the supplies and therefore the debt. However, Government is always trying to overcome those drawbacks through various schemes, committee's recommendations and credit institutions. The credit institutions in India & crop loan system have emphasized both horizontal and vertical integration, Credit-no doubt a significant which must be bulky provided through cooperative banks than commercial banks to agriculture but now commercial banks are also taking higher share of crop loan in last few years. And it should qualify the condition of good credit.

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