



Institutional Finance and Its Impact on Agribusiness Development in India

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Abstract:

The present study deal with the trends of agriculture credit in India, it is mainly focus on institutional finance to farming sector. Most the Indian agricultural farmer's dependent on external finance to the cultivation practices. In the recent decades, the new innovation technologies adapting in agricultural sector and also more diversified. The study observed that from the last decade, the institutional credit as increased significantly at the rate of 10.95 per cent. However, in the reality, due to lack of proper government policies implementation, high level bureaucratic in the getting of institutional credit, a large number of farmers still now depending upon informal finance sector. Therefore, the central and state government initiating to improving agriculture credit flow to rural areas, and implementing proper existing policies were development of agriculture sector. It is very needful that the all institutions are should be proper work together and good linkage between all the different financial agencies needed to improving credit flow in agriculture sector.

Key Words: Agriculture, Institutional Finance, Intuitional Credit, Credit Flow

Introduction:

Agriculture sector is always most important contribution for the India economy. According to Economic Survey 2023-24, the agricultural sector contributing about 18.20 per cent of the country's GDP and 42.30 per cent of the population engaged in agriculture and allied activities. Most the Indian agricultural farmer's dependent on external finance to the cultivation practices. In the recent decades, the new innovation technologies adapting in agricultural sector and also more diversified. Therefore, the institutional credit very much needed for the rural farming system. The institutional credit has an important role in the agricultural sector and development of the Indian economy.

The Indian agricultural credit system is multiple financial approaches to used disbursing credit in farming sector. It is most comprises both of the institutional and non-institutional credit system. Institutional finance represents about the big number of financial agencies, it is including cooperatives, regional rural banks, commercial banks and self-help groups, on the other hand non-institutional credit sources presents about professional money lenders, input suppliers, landlords, and commission agents and also large farmers.

Trends in Institutional Credit in India

According to RBI Deputy Governor Swaminathan J clearly mention that the driving of agriculture growth has been positively high and also institutional credit to reach all terms credit as increase of Rs.25.10 lakh crore during the period of 2023-24. He also estimated that the Indian agriculture lot off problems faces, one more highlighted the demographical challenge, with the farmers an average age declined at 50.1 years, so that the need to create younger generation farmers to the agriculture sector. One more interestingly observed that the Kisan Credit Cards have emerged as vital role of providing right time of credit and flexible that matter of short-term needs. Though, the all over Indian states regional disparities are very critical for access of credit.

The performance of the short term institutional credit flow to agriculture sector in India during the period of 2012-13 to 2022-23 presented in the Table-1. The table clearly revealed that the Compound Annual Growth Rate (CAGR) has been 5.85, 12.01, 7.20 and 7.67 per cent respectively all institutional credit, viz., Co-operatives Banks, RRBs, and Commercial Banks and total all institutional short term credit flow. The trends of Credit flow of Co-operative banks has been increased from Rs.102592 to 164034 crores, Regional Rural Banks also increased from Rs.55957 to 208058 crores, Commercial Banks has been increased Rs.314951 to 642349 crores. Hence, all total institutional credit flow has been increased from Rs.473500 to 1014441 crores with CAGR as grown at the rate of 7.67 per cent during the period of 2012-13 to 2022-23.

Table-1: Short Term Institutional Credit Flow to Agriculture Sector in India During a Period of 2012-13 to 2022-23 (in Crore)

Years/Agency	Co-operatives Banks	RRBs	Commercial Banks	Total
2012-13	102592	55957	314951	473500
2013-14	113574	70697	364164	548435
2014-15	130350	89326	415736	635412
2015-16	143803	101579	419930	665312
2016-17	131880	105001	452576	689457
2017-18	136102	119790	497322	753214
2018-19	142750	125654	483805	752209
2019-20	148287	138069	538795	825151
2020-21	179267	156369	558121	893757
2021-22	229093	166782	703804	1099679
2022-23	164034	208058	642349	1014441
CAGR	5.85	12.01	7.20	7.67

Source: Calculation is based on the data collected from Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India

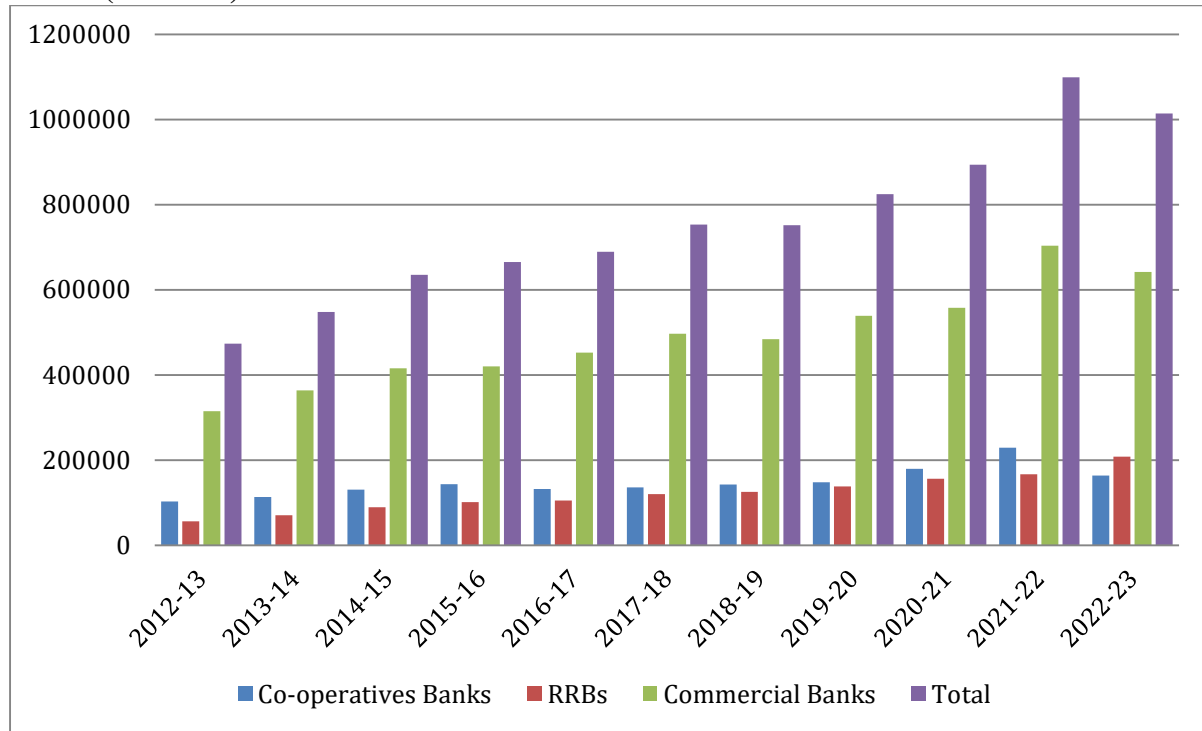
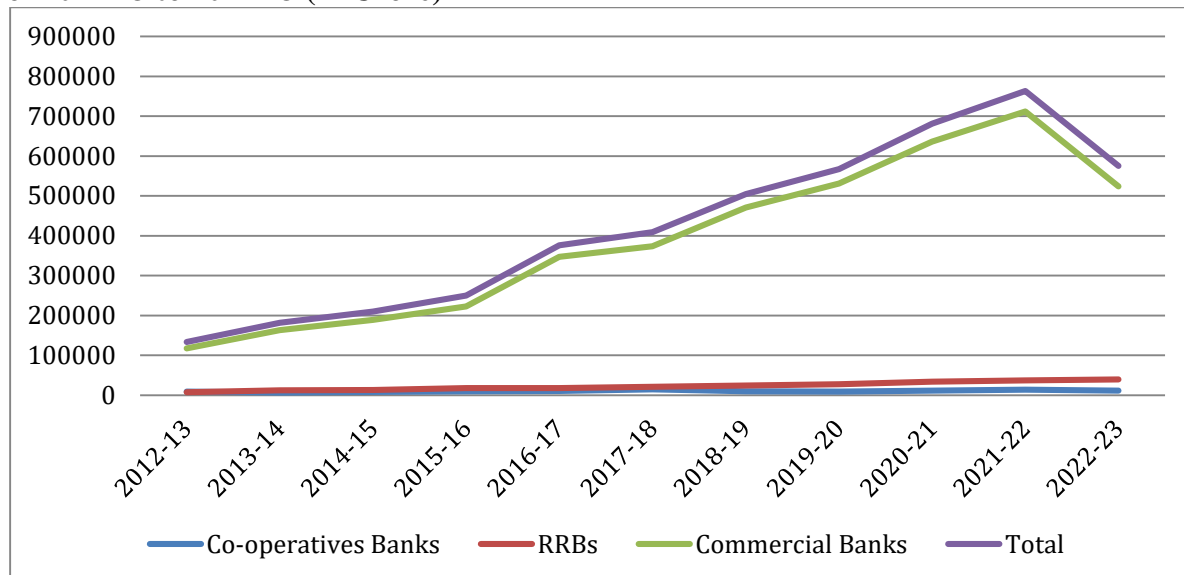
Figure-1: Short Term Institutional Credit Flow to Agriculture Sector in India during a Period of 2012-13 to 2022-23 (in Crore)

Table-2 reveals that the performance of the medium and long terms institutional credit flow to agriculture sector in India during the period of 2012-13 to 2022-23. The co-operatives banks credit has been increased from Rs.8611 to 11245 crores with CAGR about 4.95 per cent, Regional Rural Banks grown at the rate of 16.39 per cent and credit increased from Rs.7724 to 39599 crores. And one more interestingly, the Commercial Banks has tremendous grown at the rate of 18.91 per cent with credit increased from Rs.117540 to 524116 crores during the period of 2012-13 to 2022-23. And total all institutional credit has been increased from Rs.133875 to 574960 crores with CAGR of about 18.31 per cent during the same period.

Table-2: Medium/Long Terms Institutional Credit Flow to Agriculture Sector in India During a Period of 2012-13 to 2022-23 (in Crore)

Years/Agency	Co-operatives Banks	RRBs	Commercial Banks	Total
2012-13	8611	7724	117540	133875
2013-14	6389	11956	163342	181687
2014-15	8119	13157	188640	209916
2015-16	9492	17681	223024	250197
2016-17	10878	18215	347205	376298
2017-18	14219	21426	373758	409403
2018-19	9591	24013	471017	504620
2019-20	9080	27257	531241	567579
2020-21	11415	33643	636583	681641
2021-22	14127	37398	712160	763685
2022-23	11245	39599	524116	574960
CAGR	4.95	16.39	18.91	18.31

Source: Calculation is based on the data collected from Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India

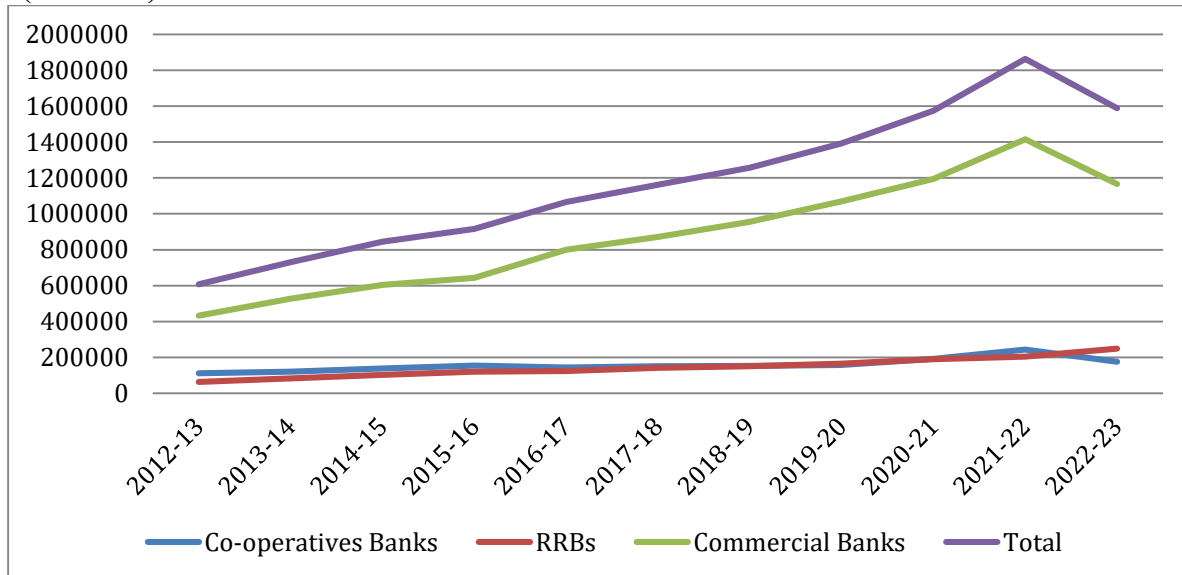
Figure-2: Medium/Long Terms Institutional Credit Flow to Agriculture Sector in India During a Period of 2012-13 to 2022-23 (in Crore)

The Table-3 presents the performance of all terms total institutional credit flow in India during a period 2012-13 to 2022-23. The analysis clearly indicates that the Co-operative Banks credit has been increased from Rs.111203 to 175279 crores with CAGR 5.78 per cent, RRBs as increased from Rs.63681 to 247657 crores with CAGR about 12.66 per cent and total all institutional credit as increased from Rs.607375 to 1589400 crores with CAGR being 10.95 per cent. However, the commercial Banks credit flow trends has been high compared to Cooperative Banks and RRBs, it is credit flow has been increased from Rs.432491 to 1166465 crores with CAGR grown at the rate of 11.68 per cent during the same period.

Table-3: Total Institutional Credit Flow to Agriculture Sector in India During a Period of 2012-13 to 2022-23 (in Crore)

Years/Agency	Co-operatives Banks	RRBs	Commercial Banks	Total
2012-13	111203	63681	432491	607375
2013-14	119963	82653	527506	730122
2014-15	138469	102483	604376	845328
2015-16	153295	119260	642954	915509
2016-17	142758	123216	799781	1065755
2017-18	150321	141216	871080	1162617
2018-19	152340	149667	954823	1256830
2019-20	157367	165326	1070036	1392729
2020-21	190682	190012	1194704	1575398
2021-22	243220	204180	1415964	1863363
2022-23	175279	247657	1166465	1589400
CAGR	5.78	12.66	11.68	10.95

Source: Calculation is based on the data collected from Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India

Figure-3: Total Institutional Credit Flow to Agriculture Sector in India During a Period of 2012-13 to 2022-23 (in Crore)**Conclusion:**

The institutional finance a vital role in Indian agricultural sector. Over the last decade, the institutional agriculture credit is very much performance in rural areas. The government policies are creating agricultural credit too directly providing adequate credit to rural farmers at reasonable rate. However, in the reality, due to lack of proper government policies implementation, high level bureaucratic in the getting of institutional credit, a large number of farmers still now depending upon informal finance sector. Therefore, the central and state government initiating to improving agriculture credit flow to rural areas, and implementing proper existing policies were development of agriculture sector. It is very needful that the all institutions are should be proper work together and good linkage between all the different financial agencies needed to improving credit flow in agriculture sector.

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