Agriculture 25/11/19

(7) streamlining the agri-credit system to facilitate higher crop loans to farmer - producer organizations against commodity stocks can be a win-win to agriculture growth

Flow of credit or credit growth is the indicator of health of any sector.

In financial year 2018-19 bank disbursed 12.55 trillion credit against government target ₹ 11 trillion

Unfortunately this huge credit flow into agriculture sector not able to increase GDP share even to 20%

The reason for this drawback in agri credit system

(1) Institutional credit

According to NABARD's All India Financial inclusion survey (NAFIS) 2015-16 only 30.3% of agriculture houshold availed credit from institutional sources leaving larger population from financial inclusion

(2) Intrest subversion scheme

In order to increase people to have institutional credit government introduced Intrest subvorson scheme in 2008. But it is misutilized & cheaper credit being diverted to non-agriculture sector

(3) Increase in short term loan

From 1980 to 2015 the short term credit increased from 44% to 74.3, in mean time Long term loan fell to 25.3% since long term loan only facilitate capital formation thus affected overall agriculture productivity

(4) Kisan credit scheme

To facilitate short term loan to farmer KCC scheme was introduced but according to NAFIS survey only 10% of farmers used such card in 2015-16.

This shows lack of streamlining in agri credit system, even though government increased agri credit as percentage of GDP from 4.2% in 1970's to 12% in 2015-16

What can be done

As large share of Indian farmers are small & marginal (80%), Government can utilize platform like collective farmers group like Farmer producer organization.

Facilitating Crop loans to FPO as benefits like wide reach, easy information dissmation & inclusive growth