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## **Agricultural Credit in India – Innovations in Design and Delivery of Products and Services**

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### **Abstract**

The concept of bringing farmers together in a voluntary group was initiated in 1982 through the Farmers' Club Programme. This institutional innovation has received a renewed focus from 2007-08 onwards. Nevertheless, access to farm credit sector has not been easy and adequate. In this paper, innovative approaches to improve agricultural credit flow have been captured from the secondary sources and analysed using compound annual growth rate and descriptive analytical tools. The share of private moneylenders has decreased with the institutional agencies making inroads into the rural scene. The structure of the sources of credit has witnessed a clear shift wherein the scheduled commercial banks and RRBs have emerged as the major sources of direct and indirect institutional credit to agriculture in recent years. The SHG-bank linkage programme, Kisan Credit Card, Farmers Clubs, Joint Liability Groups and Interest Subvention Scheme have been promoted to supplement rural credit delivery effectively and have also shown a significantly increasing growth rates over the years. In addition, there are a number of other small innovations that have taken place across the spectrum of agricultural credit markets. All these would eventually contribute to making sustainable access to agricultural finance leading towards a path for prosperity of farming community, especially the small and vulnerable farm households.

**Key words:** Agricultural credit, institutional innovation, RRBs, kisan credit card, SHGs, farmers clubs, joint liability groups, NABARD

**JEL Classification:** Q14, Q16, Q13

### **Introduction**

In developing countries, most rural households lack access to reliable and affordable finance for agriculture and other livelihood activities. The smaller the net worth of the farm household, the greater is the degree of exclusion from availing finance. In the first two decades after independence, the conduit for institutional credit to agriculture was the cooperative sector. Although sound in concept, the cooperative sector failed to live up to expectations. With the nationalization of commercial banks, the decade of 1970s marked the entry of commercial banks into the

agricultural credit arena. The economic reforms of 1990s, starting with the first Narasimhan Committee of 1991, emphasized on soundness and operational efficiency of the financial sector, including rural financial institutions. The Reserve Bank of India gradually deregulated the interest rate regime to aid improvement in the operational efficiency of banks. The next two decades witnessed several important innovations in agricultural credit (Subbarao, 2012). Both direct and indirect credit to agriculture was recognized as the priority sector, *albeit* with some ceilings on the indirect credit. What is included under direct and indirect agricultural credit has been revised from time to time in keeping with the changing requirement.

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The concept of bringing the farmers together in a voluntary group was initiated in 1982 through the Farmers' Club Programme, which was then started with the philosophy of 'Development through Credit'. This institutional innovation has received a renewed focus from 2007-08 onwards. The activities of technology transfer, credit facilitation and counselling, market advocacy, market support and input facilitation have been taken up by a large number of Farmers Clubs across the country, across various agro-climatic zones and across various regions and communities. This proves the fact that it is an institutional innovation, which can be mainstreamed, irrespective of the specific nature of an area or the profile of the members (Satish, 2011).

In 1989, the National Bank for Agriculture and Rural Development (NABARD) introduced the Kisan Credit Card (KCC) which a farmer could use to draw credit for all production needs, almost as if on tap, through the production cycle. The Department of Financial Services, Ministry of Finance, Government of India, constituted a working group to review the KCC scheme with a view to suggest changes to make it a smart-cum-debit card. As per the new KCC Guidelines (2012), all KCC customers should have the facility of withdrawal through ATM/Debit cards. NABARD, in January 2013 set up SPU-KCC (Special Project Unit-Kisan Credit Card) with a mandate for encouraging co-operative banks and RRBs across the country to issue Rupay KCC Debit cards.

The Self-Help Group – Bank Linkage Programme stands out amongst the process innovations. This initiative of NABARD was a supplementary credit delivery mechanism for the sections of the population who have been left out of the purview of formal financial institutions and who have been considered as non-bankable. NABARD has explored other innovative alternatives to SHGs. In this effort, the Joint Liability Group (JLG) approach pioneered by a bank, Agriculture and Agricultural Co-operatives (BAAC), in Thailand has been viewed as a viable approach. The JLG model too was taken up on a pilot basis in 2005-06 and it was later introduced as a mainstream banking process in 2008-09.

### **Institutional Reform Packages for Cooperative Banks and Regional Rural Banks**

The revival package under Vaidyanathan Committee's recommendations is aimed at reviving the

Short Term Cooperative Credit Structure (STCCS) and making it a well managed and vibrant medium to serve credit needs of the rural India, especially of the small and marginal farmers. The Vaidyanathan Committee for the Long-Term Cooperative Credit Structure (LTCCS) envisages reforms similar to the STCCS package. On the other side, considering the important role played by RRBs in dispensation of credit in the rural areas, the government decided to recapitalize the weak RRBs to improve their financial health. Later, the Vyas Committee recommended the amalgamation of RRBs into the state level institutions as it felt that the process of amalgamation would lead to significant reduction in cost of administration and economies of scale. The total number of RRBs after the amalgamation process has reduced from 82 as on April 2012 to 67 in the first week of January 2013.

Later, the RRBs were made to play a greater role in agricultural credit. For that, their branch presence needs to be doubled to nearly 30,000. With this, RRBs would be poised to take a major stake in agricultural credit — a role in tune with their original mandate (Satish, 2011).

In 2004, a 'Comprehensive Credit Policy' was announced with a mandate of doubling the agricultural credit, as a part of its strategy to boost agricultural production. The programme envisaged accelerated expansion of Kisan Credit Cards, financing of new investments, rescheduling and restructuring of loans/debts in areas affected by the natural calamities, one time settlement (OTS) for farmers in distress, redemption of loans from informal sources and also to step-up institutional credit to agriculture by 30 per cent every year. Also, banks were enjoined to ensure that every branch finances at least 100 farmers (5 million farmers at the aggregate level) and at least two or three agricultural projects every year.

Crop loans, up to an amount of ₹ 3.00 lakh, are being provided effectively at an interest rate of 4 per cent per annum — accounting for the rebate of 3 per cent for timely repayment of loans, besides the interest subvention. An interest subvention scheme was introduced in 2006-07 on the short-term credit at the rate of 7 per cent extended to farmers. The budget for 2011-12 announced an additional subvention of 3 per cent for prompt repayment by farmers. The benefit of interest subvention has been extended to small and

marginal farmers having Kisan Credit Card for a further period up to six months post-harvest, against negotiable warehouse receipt for keeping their produce in warehouses to avoid any distress sale. If further state support is reckoned, in some states crop loan is available at zero per cent (under certain terms). The limit of collateral-free loan has been increased from ₹ 50,000 to ₹ 1,00,000 (NABARD, 2012-13).

### **Innovations – Other Areas**

The other innovations in agricultural credit markets are the inventory/warehouse receipt financing, supply/value chain financing, leasing, contract farming and producer companies.

#### **Inventory Financing and Warehouse Receipts Financing**

— The credit extended against commodities stored in bonded warehouses is a mainstay in developed countries. Appropriate inventory finance contributes directly to the increased access of producers to credit and indirectly by reducing the instability of inter-seasonal commodity prices, ensuring loan security and transforming low-income farming households from non-creditworthy to creditworthy ones.

**Supply / Value Chain Financing** — The supply chain can be described as interrelated links that include production, input-use, transportation, storage, processing, marketing in domestic markets and exporting to foreign markets, finally reaching the ultimate consumers. Finance can be delivered directly by financial institutions to each link in the supply chain or indirectly by one link to another that participates in the supply chain. Therefore, the supply chain encompasses the use of inputs such as land, labour, seeds, fertilizers and pesticides, part of which can be purchased with credit extended by other participants in the supply chain (e.g., input traders) or by pure creditors like financial institutions.

**Leasing** — Leasing could be promoted as a substitute when absence or severe scarcity of long-term credit exists, as is typically the case in most developing countries.

**Contract Farming** — With an increasing demand for value-added and high quality products and the need for increase of full value chain, funds have been directed by some of the corporate firms to adopt contract-farming mechanism. They also provide production credit to farmers and act as payment

channels for companies providing crop insurance products to farmers. They also offer various banking products like warehouse receipt financing and commodity-based financing for their clients / farmers.

**Producer Companies** — Agri-business enterprises with high capital investment are increasingly looking for direct tie-ups with farmers to ensure consistent, continuous and adequate supplies. Producer companies which combine positives of a co-operative enterprise and efficiency of the company mode of operation meet the expectations of agri-business enterprises. NABARD has created ‘Producer Organisation Development Fund’ with an initial corpus of ₹ 50 crore to comprehensively support all types of producers’ organisations, including producer companies.

### **Agricultural Credit in Union Budget (2014-15) – Some Highlights**

- A target of ₹ 8 lakh crore has been set for agriculture credit disbursement during 2014-15.
- Finance to be provided to 5 lakh joint farming groups of “Bhoomi Heen Kisan” through NABARD in the current year.
- The Interest Subvention Scheme for short-term crop loans to continue in 2014-15.
- A “Long Term Rural Credit Fund” is proposed in NABARD for providing refinance support to Cooperative Banks and Regional Rural Banks with an initial corpus of ₹ 5,000 crore.
- To ensure increased and uninterrupted credit flow to farmers and to avoid high cost market borrowings by NABARD, an amount of ₹ 50,000 crore is allocated for the Short Term Cooperative Rural Credit (STCRC) – Refinance Fund during 2014-15.
- A “Producers’ Organization Development Fund” is proposed by NABARD for producers’ development and upliftment called PRODUCE with a sum of ₹ 200 crore which will be utilized for building 2,000 producer’s organizations across the country over the next two years.

In this backdrop, this study was undertaken to (i) examine the performance of agricultural credit flow including the inequity in the disbursement of institutional agricultural credit flow, and (ii) analyse

the progress in various agricultural credit-related innovations.

### Data and Methodology

The study is based on the secondary data compiled from diverse sources. The data on credit and SHG-bank linkages were collected from the *Hand Book of Statistics of Indian Economy 2012-2013*, published by the Reserve Bank of India (RBI). The data on Kisan Credit Cards (KCCs), Farmer's Club Programme and Joint Liability Groups (JLGs) were collected from *Annual Reports* of NABARD for various years. The study also used the data pertaining to share of institutional and non-institutional credit from *All India Debt and Investment Survey* carried out by National Sample Survey Organization (NSSO) up to 2003 (59<sup>th</sup> round). This survey is generally carried out once in 10 years by NSSO.

### Analytical Tools

The performance of agricultural credit system has been assessed in terms of different indicators. The growth rates were calculated to capture the flow of institutional credit to agriculture and allied activities,

and also the progress in various innovations like KCCs and SHGs. The descriptive analysis was done to document the status of agriculture credit, Joint Liability Groups (JLGs) and Farmers Clubs programme in the country and to know the share of institutional and non-institutional agencies in financing agriculture.

### Results and Discussion

#### Institutional and Non-Institutional Rural Credit

Table 1 presents details about contribution of various sources to institutional and non-institutional rural credit during the past 50 years (1951 – 2002). A perusal of Table 1 revealed that the informal/non-institutional finance gradually declined during 1960s and very nearly broke down during the 1970s, with institutional agencies making steady inroads in the rural scene. The share of institutional credit agencies in the outstanding dues of the rural households at the all-India level increased from 29 per cent in 1971 to 61 per cent in 1981 and then the pace of increase was arrested and it rose to 64 per cent in 1991. During the following decade, the share declined by about 7 percentage points and reached 57 per cent in 2002. It seems that credit cooperatives, commercial banks, and other formal

**Table 1. Trends in institutional and non-institutional rural credit: 1951 – 2002**

(in per cent)

Source of finance	1951	1961	1971	1981	1991	2002
<i>Institutional agencies</i>	7.2	14.8	29.2	61.2	64.0	57.1
Government	3.3	5.3	6.7	4.0	5.7	2.3
Cooperative Society/bank	3.1	9.1	20.1	28.6	18.6	27.3
Commercial bank including RRBs	0.8	0.4	2.2	28.0	29.0	24.5
Insurance	—	—	0.1	0.3	0.5	0.3
Provident Fund	—	—	0.1	0.3	0.9	0.3
Other institutional agencies*	—	—	—	—	9.3	2.4
<i>Non-institutional agencies</i>	92.8	85.2	70.8	38.8	36.0	42.9
Landlord	1.5	0.9	8.6	4.0	4.0	1.0
Agricultural moneylender	24.9	45.9	23.1	8.6	6.3	10.0
Professional moneylender	44.8	14.9	13.8	8.3	9.4	19.6
Traders and commission agents	5.5	7.7	8.7	3.4	7.1	2.6
Relatives and friends	14.2	6.8	13.8	9.0	6.7	7.1
Others	1.9	8.9	2.8	4.9	2.5	2.6

Notes: \* include financial corporation/institution, financial company and other institutional agencies.

— It denotes not available.

Percentage share of different credit agencies to the outstanding cash dues of the households as on 30<sup>th</sup> June.

Source: *All India Debt and Investment Survey* (various years)



**Table 2. Agency-wise direct institutional credit to agriculture (short-term and long-term): 1977-78 to 2011-12**  
(in billion ₹)

Year	Cooperative banks	State governments	Scheduled commercial banks	Regional Rural Banks
1977-78	14.44	0.98	5.69	0.44
1982-83	27.17	1.88	12.25	2.22
1987-88	47.10	3.89	35.26	4.83
1992-93	64.84	8.58	49.60	6.98
1997-98	141.59	-	115.37	21.03
2002-03	340.40	-	252.56	58.78
2007-08	576.43	-	1134.72	238.38
2011-12	-	-	3128.77	530.58
Share in total (%)	26.62	0.37	61.62	11.37
<b>CAGR (%)</b>	<b>13.25***</b>	<b>7.79***</b>	<b>18.34***</b>	<b>22.94***</b>

Source: *Handbook of Statistics of Indian Economy*, 2012-13 (published by RBI).

financial sector programs in the rural areas could not check the informal sources of credit altogether. The 2002 AIDIS survey also revealed that 43 per cent of the rural households continued to rely on informal finance, which included professional moneylenders, agricultural moneylenders, traders, relatives, friends, and others (Narayan, 2013).

#### **Agency-wise Direct Institutional Credit to Agriculture (Short-term and Long-term Loans) during 1977-78 to 2011-12**

The share of different institutional agencies in direct institutional credit flow to agriculture (short-term and long-term loans) is depicted in Table 2. The perusal of Table 2 revealed that the institutional sources for direct agricultural credit flow have undergone a structural change. The share of scheduled commercial banks (SCBs) was 61.62 per cent in the total direct institutional credit to agriculture with a significant compound annual growth rate (CAGR) of 18.34 per cent at 1 per cent probability level during the period 1977-78 to 2011-12. Prior to nationalization (1969), the commercial banks were virtually not lending credit to the agricultural sector. Among the institutional agencies, the share of RRBs in direct institutional credit disbursement was 11.37 per cent with highest CAGR of 22.94 per cent during the period 1977-78 to 2011-12. The co-operative banks which were the primary source of institutional credit to agriculture had

witnessed a CAGR of 13.25 per cent in direct institutional agricultural credit disbursement which was comparatively low in comparison to RRBs and SCBs. It was due to the resource constraints faced by the co-operative banks. In addition, the State Cooperative Agricultural and Rural Development Banks (SCARDBs) in many states became weak and this led to a decline in the share of cooperative banks in the agricultural credit flow. However, in absolute terms the credit disbursement by the cooperative banks has maintained a steady increase (NABARD, 2012-13). It was then followed by the state government (7.79%) during the same period with the least CAGR.

#### **Agency-wise Indirect Institutional Credit to Agriculture and Allied Activities during 1977-78 to 2011-12**

The share of different institutional agencies in the indirect institutional credit flow to agriculture and allied activities is presented in Table 3. A look at Table 3 revealed that, across the institutional sources for indirect agricultural credit flow during the period 1977-78 to 2011-12, the share of cooperatives was highest (65.39%) with the CAGR of 20.93 per cent, followed by SCBs (24.61%) with the highest CAGR of 35.78 per cent, Rural Electrification Corporation (9.99%) with the CAGR of 17.01 per cent and RRBs witnessing a negative CAGR (-1.86%).

**Table 3. Agency-wise indirect institutional credit to agriculture and allied activities: 1977-78 to 2011-12**

(in billion ₹)

Year	Co-operative banks	Scheduled commercial banks	Regional Rural Banks	Rural Electrification Corporation Ltd.
1977-78	5.69	-	0.03	1.12
1982-83	19.65	-	0.08	2.52
1987-88	24.53	2.26	0.11	6.55
1992-93	20.73	1.58	0.05	4.74
1997-98	199.72	19.04	0.06	10.93
2002-03	921.52	62.61	-	66.07
2007-08	1457.78	402.78	-	129.53
2011-12	-	-	-	278.21
Share in total (%)	65.39	24.61	0.01	9.99
<b>CAGR(%)</b>	<b>20.93***</b>	<b>35.78***</b>	<b>-1.86</b>	<b>17.01***</b>

Note: \*\*\* Significant at 1 per cent probability level.

Source: *Handbook of Statistics of Indian Economy*, 2012-13 (Published by RBI).

**Table 4. Agency-wise and year-wise issue of Kisan Credit Cards: 1998-99 to 2011-12**

(Number in millions)

Year	Cooperative banks	Regional Rural Banks	Scheduled commercial banks	Total
1998-99	0.16	0.01	0.62	0.79
1999-00	3.75	0.18	1.99	5.92
2000-01	9.36	0.83	5.38	15.57
2001-02	14.80	1.66	8.45	24.91
2002-03	19.38	2.62	11.15	33.15
2003-04	24.26	3.89	14.24	42.39
2004-05	27.82	5.62	18.64	52.08
2005-06	30.42	6.87	22.80	60.09
2006-07	32.72	8.28	27.61	68.61
2007-08	34.81	10.05	32.21	77.07
2008-09	35.87	11.26	33.67	80.80
2009-10	37.03	12.87	36.42	86.32
2010-11	39.84	14.65	39.09	93.58
2011-12	42.80	16.64	44.21	103.65
Total	353.02	95.43	296.48	744.93
Share in total (%)	47.39	12.81	39.80	100.00
<b>CAGR (%)</b>	<b>30.51***</b>	<b>52.52***</b>	<b>30.93***</b>	<b>31.1***</b>

Note: \*\*\* Significant at 1 per cent probability level.

Source: Anjani *et al.* (2010) and NABARD Databases (various years)

### Issue of Kisan Credit Cards

Table 4 depicts the agency-wise and year-wise distribution of Kisan Credit Cards (KCCs). The KCC scheme, introduced in 1998-99 to facilitate farmer's

access to short-term credit from the formal financial institutions, has made a rapid progress and till 31 March, 2012, about 745 million KCCs were issued by the co-operative banks, commercial banks and RRBs. In the distribution of KCCs, the share was highest of

co-operative banks (47.39%), followed by commercial banks (39.80%) and RRBs (12.81%). The distribution of KCCs grew at a significant rate of 31 per cent per annum during the period 1998-99 to 2011-12 with the highest growth rate witnessed by RRBs (52.52%), followed by cooperative banks (30.51 %) and commercial banks (30.93 per cent ).

### Self Help Group-Bank Linkage Programme

The progress in number of SHGs, bank loans and refinance assistance from the National Bank for Agriculture and Rural Development (NABARD) during the period 1995-96 to 2011-12 is presented in Table 5. The SHG-Bank Linkage programme, started as a pilot project, was limited to 500 groups in 1992. It has reached a stage where 11,47,878 SHGs have been linked to the banking sector involving commercial

banks, RRBs and cooperative banks in 2011-12. This linkage of SHGs with the banking sector has shown a significant growth rate of 49.74 per cent. The finance from banks and refinance assistance from NABARD have shown the growth rates of 73.45 per cent and 52.83 per cent, respectively during this period.

### Year-wise Rate of Interest Subvention

Table 6 presents the year-wise rate of interest subvention made available by the Government of India to the banks out of their own resources. The government had decided to ensure that a farmer receives short-term credit at 7 per cent per annum, with an upper limit of ₹ 3.00 lakh, on the principal amount. The amount of subvention was to be calculated on the amount of crop loan and from the date of disbursement to the date of repayment. In pursuance of this announcement, the Government of India provided interest subvention of 2 per cent to public sector banks, RRBs and cooperative banks in respect of short-term production credit up to ₹ 3.00 lakh given to the farmers out of bank resources, provided they had made available short-term credit at the rate of 7 per cent per annum at ground level. The scheme was continued in the following years with certain changes in the rate of subvention. From 2009-10, the Government of India revised the scheme and additional interest subvention was extended to farmers who would repay their loans on or before the due date or the date fixed by the bank, i.e. it was fixed at 1 per cent in 2009 and presently at 3 per cent, subject to a maximum period of one year.

**Table 5. Self-help Group-Bank Linkage Programme**

Year	No. of SHGs linked#	Bank loan (in billion ₹ )	Refinance assistance (in billion ₹ )
1995-96	2635	0.04	0.04
1996-97	3841	0.06	0.05
1997-98	5719	0.12	0.11
1998-99	18678	0.33	0.31
1999-00	81780	1.36	0.98
2000-01	149050	2.88	2.51
2001-02	197653	5.45	3.96
2002-03	255882	10.22	6.22
2003-04	361713	18.56	7.05
2004-05	539665	29.94	9.68
2005-06	620109	44.99	10.68
2006-07	1105749	65.70	12.93
2007-08	1227770	88.49	16.16
2008-09	1609586	122.54	26.20
2009-10	1586822	144.53	31.74
2010-11	1196134	145.48	31.74
2011-12	1147878	165.35	30.73
<b>CAGR (%)</b>	<b>49.74***</b>	<b>73.45***</b>	<b>52.83***</b>

Notes: \*\*\* Significant at 1 per cent probability level.

#Data relate to SHGs linked with Commercial Banks, RRBs and Co-operative Banks.

Source: *Handbook of Statistics of Indian Economy*, 2012-13 (Published by RBI).

**Table 6. Year-wise rate of interest subvention made available to banks by Government of India: 2007-08 to 2012-13**

(in per cent)		
Year	Rate of interest subvention	Incentive on prompt payment
2007-08	2	-
2008-09	3	-
2009-10	2	1
2010-11	1.5	2
2011-12	2	3
2012-13	2	3

Note: Revised interest subvention scheme w.e.f. 2009

Source: *NABARD Annual Reports* (various years)



**Table 7. Progress in formation of Farmers' Clubs: 2007-08 to 2013-14**

(in number)

Year	NGOs	Cooperative banks	Regional Rural Banks	Scheduled commercial banks	SAUs/KVKs	Others	Total (during the year)	Cumulative
2007-08	3278	704	656	534	61	43	5276	20276
2008-09	6205	1335	1242	1010	115	82	9989	30265
2009-10	8939	2507	2521	2276	185	347	16775	47040
2010-11	13599	2922	2215	2733	255	179	21903	68943
2011-12	15870	4359	2103	2104	807	-	25243	94186
2012-13	17559	3365	1824	1453	601	-	24802	118988
2013-14	11192	1742	1433	1056	856	-	16279	135267

Source: NABARD Annual Reports (various years)

### Farmers Club Programme

Table 7 depicts the progress in the number of Farmers Clubs formed during the period 2007-2014 through different credit agencies and non-profit organizations. Vikas Voluntary Vahini (VVV), launched by NABARD in 1982 was renamed as Farmers Club Programme in 2005. During 2007-08, a total of 5,276 Farmers Clubs (FCs) were formed and this number gradually increased to 24,802 in 2012-13, but in 2013-14, it decreased to 16,279. The total number of FCs across the country reached 1.3 lakh with membership of 15 to 20 per club. Apart from facilitating farmers in accessing credit, extension services, technology and markets, some FCs also function as Self Help Promoting Institutions (SHPIs) and Business Facilitators/ Business Correspondents. The NGOs promoted the highest number of clubs (11,192), followed by cooperative banks (1,742), RRBs (1,433), scheduled commercial banks (1,056) and SAUs/KVKs/ other agencies (856) during 2013-14.

### Financing of Joint Liability Groups

Table 8 presents the financing of Joint Liability Groups (JLGs) through the banks and grants from NABARD. The objectives of promoting JLGs are to augment flow of credit to the tenant farmers, extend collateral-free loans to them and build mutual trust and confidence between banks and JLG members. The JLG approach was started as a pilot project in the year 2005-06 with formation of 488 JLGs with a bank finance of ₹ 6.79 crore. Later, the number of JLGs increased to

**Table 8. Financing of Joint Liability Groups (JLGs): 2010-11 to 2013-14**

Year	No. of JLGs	Bank finance (crore ₹)	Grant assistance (crore ₹)
2010-11	125000	660	25
2011-12	194000	947	37
2012-13	196000	1170	54
2013-14	399000	1393	77

Source: NABARD Annual Reports (various years)

3.99 lakh with grant assistance of ₹ 77 crore being sanctioned for their promotion across the country as on 31 March 2014. During 2013-14, ₹ 1,393 crore were disbursed by banks to around 3.99 lakh JLGs.

### Conclusions

Agricultural credit being one of the critical inputs and an effective means of rural development in India, innovations in agricultural credit market have gained importance over the years (Shraddha, 2013). The study has revealed that informal credit has certainly declined as a percentage of total debt and simultaneously the institutional credit flow to agriculture has increased over the years with the institutional agencies venturing into the rural areas, nationalization of major commercial banks, and setting up of regional rural banks with initiatives of the Reserve Bank of India. The structure of the sources of credit has witnessed a clear shift, wherein the scheduled commercial banks and RRBs have emerged as the major sources of direct

and indirect institutional credit to agriculture in recent years.

The innovations in agricultural credit markets should be designed in a manner that would not distort the market by providing at below market related cost. At the ground level, imparting training to borrowers regarding procedural formalities of financial institutions could be helpful in increasing their access to institutional credit. Further, the procedure for loan disbursement could be made simple so that it may not be difficult even for the less-educated and illiterate households to have access to institutional financing agencies for credit. Subsidies should be directed for capacity building which would serve a much larger clientele. In particular, such subsidized interventions should reach the farmers that have remained unreached so far.

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