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AGRICULTURAL FINANCE CORPORATION

The transformation of Indian agriculture as a result of the application of modern technology is likely to greatly alter both the magnitude and the character of agricultural finance. Till very recently there was a remarkable consensus on the question of the ideal agency for the supply of agricultural credit. As late as 1965, the Informal Group on Institutional Arrangements for Agricultural Credit, appointed by the Reserve Bank of India, stated that "the co-operative agency remained the best means of promoting institutional agricultural credit under Indian conditions," and a grudging concession was made in favour of Agricultural Credit Corporations in a few States, but purely as a temporary and transitional phase. There is now a sudden volte-face and everybody—including the Government and the Reserve Bank—has commenced accusing other banking institutions of neglecting the agricultural sector. Be it, as it may, it is obvious that there are now second thoughts on the subject and what has come to be known as the 'multi-agency approach' is being accepted. The establishment of Agricultural Finance Corporation bears testimony to this development.

With a view to helping the commercial banks participate actively and extensively in the development of agriculture, the Agricultural Finance Corporation Ltd. has been formed on 10th April, 1968. It is a limited liability company registered under the Companies Act, 1956 with an authorized capital of Rs. 100 crores and a paid-up share capital of Rs. 5 crores.

The main objects of the Corporation are to finance by all possible ways and means, among other things, by lending or advancing moneys or by rendering other financial facilities and assistance on such terms as seem expedient whether with or without security, to or in respect of agriculture, agricultural produce and agricultural operations and all activities connected with agriculture and in particular the financing of and assisting in the following activities : (a) mechanization of agriculture and agricultural operations; (b) processing of agriculture, agricultural operations or agricultural produce and industries connected therewith; (c) construction of warehouses, godowns, silos and of buildings and structures for storage, preservation and protection of agricultural produce and materials required for the carrying on of agricultural activities; (d) transportation of agricultural produce and other materials required for agricultural operations; (e) construction of markets and other works to promote the sale and distribution of agricultural produce; (f) promotion, establishment and maintenance of food industries; (g) production, supply and distribution of agricultural produce, fertilizers and pesticides, ploughs, tractors and other agricultural machinery equipments and implements; (h) purchase, sale, breeding and rearing of livestock and animals; (i) growing, improving, preserving and maintaining of forests, forest products and other forest wealth, etc.

The Corporation is to perform the following two specific functions, viz., (1) to promote commercial banks' advances for agricultural development, and (2) to finance individuals, institutions and organizations, undertaking agricultural enterprises. The promotional role of the Corporation is highlighted by the fact that it will support and strengthen the commercial banks in their programmes of lending for agricultural development. In particular, the Corporation will help to locate and identify areas or projects for investment by banks, assess the econo-

mic and technical feasibility of the projects and suggest projects to be taken up by the banks either singly or on a consortium basis. It will also assist the banks in conducting surveys of the potential for investment, production and deposit mobilization with a view to selecting operational areas as well as in establishing agricultural finance departments, in recruiting and training the staff and guiding their operations in the field of agricultural finance. More importantly, it will act as a guarantee organization providing guarantee to banks in respect of projects suggested and cleared by it. It will also promote and conduct studies on completed projects, projects under implementation and the potential ones with a view to drawing lessons of experience in regard to the types of projects and the pattern of financial assistance best suited to achieve the objects. It is proposed to establish contacts with Central and State Governments, Agricultural Development Corporations, Agricultural Universities and Departments of Agriculture, State Electricity Boards, Associations of Agricultural Industries, etc., with a view to keeping in touch with the policies, locating areas of interest to the banking sector and promoting co-ordination of efforts between the various agencies engaged. The Corporation will act as a clearing house for exchanging experience gained by banks in financing agricultural development programmes.

The second important function of the Corporation is direct financing of farmers for production purposes which will be limited to only a few selected projects/areas. This is mainly with a view to gaining experience in financing new projects and to pass on the experience to the commercial banks. The Corporation may formulate a project, work out its economics and invite a consortium of banks to lend to the project. It may also participate in financing the project with a view to giving a lead to the commercial banks.

Provision of finance for the building up of the infra-structure for agricultural development is another important function of the Corporation. The projects which will be supported by the Corporation include (a) service units, institutions and/or organizations rendering agricultural services to farmers for reasonable charges, (b) agricultural processing industries, (c) production, distribution and marketing of agricultural inputs, (d) vertical integration of agriculture by bringing together the agro-processing industries and farmers and meeting of credit requirements of these industries to enable them to supply production requisites to farmers on credit, (e) construction of warehouses, regulated markets, etc., (f) minor irrigation and (g) other such projects which contribute to increased agricultural production. Recently, the Corporation has provided finance to State Electricity Boards.

AGRICULTURAL REFINANCE CORPORATION*

Another important financial institution for promoting agricultural development is the Agricultural Refinance Corporation, set up in July, 1963. The object of the Corporation is to help in augmenting the resources available for provision of medium and long-term finance for agriculture. It is primarily a refinancing agency providing financial accommodation of a long-term nature for those major

* Based on the Speech by the Chairman, Shri P. N. Damry, at the Fifth Annual General Meeting of the Shareholders of Agricultural Refinance Corporation held in Bombay on 27 September, 1968 and Agricultural Refinance Corporation: Fifth Annual Report 1967-68, Bombay, 1968.