

(SJIF) Impact Factor-8.575

ISSN-2278-9308

B. Aadhar

Peer-Reviewed & Refereed Indexed

Multidisciplinary International Research Journal

May -2022

ISSUE No- 352(CCCLII) A



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Role Of Cooperative Banks In Agricultural Credit And Its Importance In Rural Development

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ABSTRACT

As we all know India is developing country and almost 68 percent of population lives in rural areas of the country according to Census 2011. Although Indian economy is one of the fastest growing economy, it is also fact that still majority of the peoples are depending upon the agriculture sector. The cooperative banks have more reach to the rural India because having huge network of credit societies in the institutional credit structure. The cooperative sector has played a key role in the Indian rural economy. As per study conducted by the Reserve Bank of India it is observed that the share of co-operative banks in ground level credit to agriculture has been declining consistently. In this paper we will review the important role of cooperative banking in agricultural credit. Also we will focus on need of improving agricultural credit through cooperative banking and provide some suggestions.

KEY WORDS

Cooperative banking, Agricultural credit, Rural Development

INTRODUCTION

India is an emerging and developing country. Finance plays an important role in any economy as par as its development consider. In every economy there is requirement of good financial system which has included several institutions which plays vital role in flow of money from the savers to the seekers of fund. Banking institution is well-known and popular components of any financial system. The cooperative banking sector is one of the main partners of Indian banking structure, the cooperative banks have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. The cooperative sector has played a key role in the economy of the country and always recognized as an integral part of our economy especially in case of rural area development.

STATEMENT OF PROBLEM

The declining participation of co-operatives in agricultural credit supply is a matter of concern and there is a need to improve the credit allocation system in co-operative banks.

OBJECTIVES

1. To study the performance of cooperative banking in respect of agricultural credit and rural development.
2. To study the role of cooperative bank in agricultural credit.
3. To suggest improvements needs to be done in agricultural credit structure of the cooperative bank.

HYPOTHESIS

Cooperative banking finance is crucial as far as its role in agricultural credit and rural development of India is concerned. There is no alternative to achieve economic reforms and strengthening rural economy.

RESEARCH METHEDODOLOGY AND DATA COLLECTION

The present study is mainly based on the secondary data published by Reserve Bank of India and NABARD. The required data and literature for the study purpose were collected from the number of reference books, Journals and Internet.

CO-OPERATIVE BANKING IN INDIA

In India cooperative banking has mainly divided into two categories one is urban cooperative and another is rural cooperative. There are total 98,042 cooperative banks in India according to the RBI and NABARD data, out of which 96,508 are rural cooperative banks which is 98.43% of total banks. This percentage shows the wide spread network of the cooperative banking in rural areas of the country. There are several sub categories in urban as well as rural cooperative banks but the major share of branches are come under the Primary Agricultural Credit Societies (PACS) which is 95,509 branches which is 97.41% of total cooperative banks in India. These PACS banks main objective is to work at grassroots gram panchayat and village level and to provide short-term and medium-term agricultural loans.

SIGNIFICANCE OF AGRICULTURAL SECTOR IN INDIA

Agricultural is one of the most important sectors for any economy to growth. In India even today a large volume of population depends upon agriculture. Indian rural economy is basically depends on agricultural and agriculture based industries. Though the share of agriculture in Indian economy is progressively declining from more than 50% of total GDP at beginning of independence to today it is just less than 15% of total GDP. Agriculture plays vital role in supplying food to people, generating employment and support to allied industries.

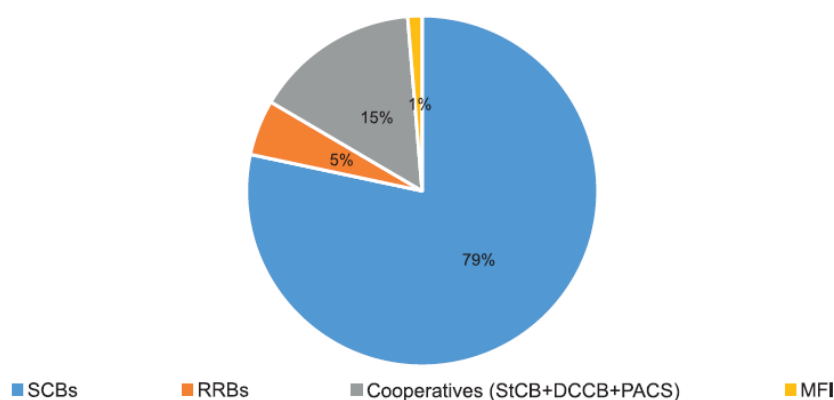
AGRICULTURAL CREDIT IN INDIA

In early days, after the independence Indian agriculture is generally financed by the non-institutional credit sources. Now the scenario is changed and share of institutional credit is increased. Last few decades, due to government initiatives the network of financial institution is spread throughout the country. The main source of agriculture during the two decades of independence is cooperative sector. There are several other policy milestones such as starting Regional Rural Banks (RRB) 1976, Nationalization banks 1980, Establishment of NABARD 1982, Kisan Credit Card 1998. Ground Level Credit (GLC) policy announced in 2003-02, under this policy government set the target for agricultural and allied sector.

ANALYSIS

It is been observed that from the NABARD statistics cooperative banks even though having very good network in rural area still the contribution in agriculture credit is not considerable. On the other side the Scheduled Commercial Banks (SCB) which is mainly work with the objective of earning profit contributing highest share (79% as per below given chart) in agricultural credit.

Chart 1: Agency-wise share in total agricultural credit outstanding as on March 31, 2017



Source: Data from RBI, NABARD and MFIN, published in Report of the Internal Working Group to review agricultural credit.

If we go by the state-wise numbers some of the state reflecting the different scenario. Cooperatives have played a significant role in Odisha (46 per cent), Goa (34 per cent), Maharashtra (31 per cent), Chhattisgarh (27 per cent), Madhya Pradesh (27 per cent), Gujarat (22 per cent) and



Haryana (20 per cent) in providing agricultural credit. The high share of cooperative banks and RRBs in agricultural credit in these states is on account of their significant presence as compared to commercial bank branches in rural areas.

According to Reserve Bank of India's publication at end-March 2020, the cooperative banking sector rural co-operatives make up 65 per cent of the total asset size of all cooperatives taken together. Although the focus of rural co-operative lending is on agriculture, its share in total agricultural lending has diminished considerably over the years, from as high as 64 per cent in 1992-93 to 11.3 per cent in 2019-20 (Table V.1 below).

Table V.1: Share in Credit Flow to Agriculture			
(Per cent)			
1	Share in Credit Flow to Agriculture		
	Co-operative Banks	RRBs	Commercial Banks
2	3	4	
2014-15	16.4	12.1	71.5
2015-16	16.7	13.0	70.2
2016-17	13.4	11.6	75.0
2017-18	12.9	12.1	74.9
2018-19	12.1	11.9	76.0
2019-20(P)	11.3	11.9	76.8
Note: (P) Data are provisional			
Source: Data submitted by Banks on ENSURE portal of NABARD.			

In India there is 68.84 percent of population lives in rural area according to 2011 census. If we check the employment data there is 151.79 million labor forces is involved in agriculture sector which is almost 42.6% out of total workforce. As we can say agriculture and allied industries only option to facilitate the rural development. Cooperative banking system is major source of agricultural finance. Above table shows us that the share of cooperative banks in agricultural credit is declining year by year. It reveals the fact that we are not utilizing yet the cooperative credit and there is lot of scope for work agriculture sector and cooperative credit with hand by hand for better future. Cooperative banking finance will create better opportunities for economic reforms.

Even though the agriculture sector contributes highest share in employment generation it is not doing well from last few decades. The biggest problem of Indian farmer is indebtedness at the same time on the other hand banking sector facing the issue of increasing Non Performing Assets (NPA). If we concentrate on agricultural credit it will automatically solve the problem of NPA and it will support farmer empowerment ultimately the rural economy empowerment. After analyzing all the above given facts and figures in this study we have come across the some suggested solution which is given below.

SUGGESTIONS

- Government of India has to take initiative to ensure uniformity in implementation throughout the country and form a federal institute on line of GST council where each state has participant. This institution will define the policy for distribution of agricultural credit.
- State governments should use the cooperative bank branch network for implementing various government schemes for rural and agricultural sector.
- Cooperative banks should arrange the educational programs to the farmers.
- Cooperative banks should appoint the agricultural expert at every region to guide the farmers regarding latest innovation and technology in agriculture and allied industries. Also it will help to farmers to decide suitable crop-mix and produce according to the market demand which will help to increase the earnings.



- Scaled up credit to promote the latest innovation and facilities in agriculture and allied areas such as big cold storage, machineries, mobile apps, Online markets, etc. Cooperative banks should take initiative and assist in foundation, management and control of the projects
- Farmer Producer Organization or Producer Company is having huge scope for the farmers to establish their own brand and identity in market. Cooperative banks should promote and focus on this area instead of traditional way of agriculture.
- As the average land holding of Indian farmers is very low, majority of the farmers has less than 2 hectors. Cooperative farming or group farming will be the best solution which will reduce the cost and efforts. Cooperative bank will be the ideal platform to gather the farmers together for common farming as they are already members of bank.
- Women force is the hidden strength of our country. Even it has containing almost half of the population it is been ignored always. Cooperative banks should design the schemes which would be encouraged to women to come in front and contribute towards the economic development.
- Indian farmers are generally covered under the low income category and due to having the lack of financial management knowledge they are facing various economic problems such as children's education, druthers marriage, etc. Cooperative banks should make some saving and investment plans to meet this kind of expenditure of farmers.

CONCLUSION

Even though we are celebrating the diamond jubilee of India's independence we are not able to breach the gap between rich and poor, urban and rural. Several studies has shown that inequality has been rising sharply for the last few decades. The above report clearly shows that agriculture and agro-based industries have a distinct and very important place in the Indian rural economy. Also co-operative and agriculture are the two wheels of Indian rural development. Proper utilization of network of co-operative banks to finance agriculture and allied businesses will help the rural economy to flourish. To make full use of the co-operative banking system and have balanced urban and rural development is the need of the day to move India towards self-reliance.

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