



Economic Reforms In Agricultural Sector With The Support Of Commercial Banks

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Abstract:

The study has successfully conducted to know the importance of priority sector lending in general and agricultural lending in particular. Agricultural credit should be provided to the farmers when they are in need. Rigid and complicated procedure, delay in sanctioning ,rejecting the applications by demanding security should be avoided. Customer oriented approach is necessary. And with this exploitation of the poor farmers by the money lenders and private financiers can be avoided. With the help of timely lending to the agricultural sector, we can avoid Poverty Bonded Labourers' problems, Uncertainty in gaining income and Farmers' suicide problems. And it also helps in improving productivity and employment opportunities. By developing agricultural and allied activities, which inturn increases the per capita income. The agriculturists are able to get more income . The banks are expected to play an important role in economic development in which the removal of regional disparities has been emphasized as a key objective. India's real development can be seen only when rural India is developed.

Key Words: Priority Sector Lending, Agricultural Lending, Rural Development, Farmer Welfare, Financial Inclusion.

Introduction:

Agriculture and Industries are backbone of Indian economy. These two sectors require major portion of finance.

The economic activities are subdivided into primary, secondary and tertiary sectors. Primary sector includes Agriculture, Forestry, Logging and Fishing Secondary sector includes Mining and Quarrying registered and unregistered manufacturing units , Electricity, Gas, water supply and construction Tertiary services includes Trade, Hotels and Restaurants, Transport, storage, communication,

Financing, Insurance, Real Estate and Business services, Public administration, Defence and other services. Agriculture comes under primary sector.

The development of a country depends on this sector. In previous years more than 70% of the total population was depending on agriculture. Now it is 50% to 60%. So it has to be developed well for the economic development of the country. Before nationalization of commercial banks, banking services were exclusively meant for creamy layer category of the Indian society.

Since Independence, a multi agency approach consisting of Co-Operatives, Commercial banks and Regional Rural Banks –known as **Institutional credit** has been adopted to provide cheaper and adequate credit to farmers. The major policy in the sphere of agricultural credit has been progressive institutionalization of agricultural and rural development programmes with adequate and timely flow of credit to assist weaker sections and less developed regions.

The basic objectives of the policy are – to ensure timely and increased flow of credit to farming sectors to reduce and gradually eliminate the money lenders from the rural scene and to make available credit facilities to all the regions of the country.

Finally Institutional credit is fully integrated with the other needs of an agriculturist. The farmers require not only credit, but also guidance in the planning of their agricultural operations like the use of seeds, fertilizers, pesticides etc. Assistance in raising crops and in general, help for maximizing their income.

The Research Problem:

- Before nationalization, Agriculture was not included under priority sector Banking services were exclusively meant for creamy layer Category of the Indian Society.
- Agricultural Productivity is day by day deteriorating due to shortage of funds.

Objectives of the Study:

1. The research work is an attempt to find out how do farmers and other needy people access finance.
2. To know how does priority sector lending is useful in enrichment and empowerment of farmers.
3. How does it help to improve their social status.

Hypotheses:

- 1) Priority sector lending has succeeded in implementing poverty alleviation programmes of the Government.
- 2) By increasing the priority sector lending, farmers' dependence on non- institutional sources can be reduced.
- 3) By Priority sector lending employment opportunities will increase, which helps in economic development.

- 4) By giving wide scope for priority sector we can lead towards economic development of the country. That is empowerment of Indian economy.
- 5) The priority lending is not equitable among various segments under priority sector.

Methodology

- * By using secondary data

Limitations of the Study:

- * The study is confined to the priority sector lending by Commercial banks only.
- * The Time constraints affect the study.

Scope of the Study :

Commercial banks were not keen in extending loan to agriculture and allied activities on account of which productivity trends were low. Moreover Commercial Banks didn't earmark enough resources for providing assistance to farmers. The entire agricultural sector was treated as "**Neglected sector**" By Commercial Banks.

Findings:

Before nationalization, the major banks in India i.e, commercial banks were concentrated only in urban areas. The services were meant only for creamy layer category of the society. After nationalization, commercial banks were forced to move towards rural areas. The concept of banking prior to Nationalisation was "**class banking**", now it has been changed and we can see "**mass Banking**" concept.

The Central Government is providing Agricultural Loans to farmers at 6% rate of interest.

This reduced interest rates are available only when the repayment of loans made within due date if repayment is not made within stipulated time, they have to pay usual rate of interest. So the rate of recovery is also improving year by year.

Suggestions:

The banks are expected to play an important role in economic development in which the removal of regional disparities has been emphasized as a key objective. India's real development can be seen only when rural India is developed.

Agricultural credit should be provided to the farmers when they are in need. Rigid and complicated procedure, delay in sanctioning ,rejecting the applications by demanding security should be avoided. Customer oriented approach is necessary. And with this exploitation of the poor farmers by the money lenders and private financiers can be avoided.

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