FINANCIAL ROLE OF RBI IN AGRICULTURE DEVELOPMENT

Research Student
Vishal Narayanrao Bawankar
RTMNU Nagpur, University,
Nagpur
Email ID. vishalkumarmaholi@gmail.com

Abstract :-

The present paper studies the institutional credit flow to agriculture.Institutional is the backbone of the modern economic system without which no system can survive . In agriculture development it plays a much important role. Agriculture is the backbone of our economy. It plays a very important role directly and indirectly in an economy. Therefore agriculture and rural development has been the purity agent of policy makers. The RBI may be regarded as an engine of growth. It not only regulates Bank finance but deliberately promotes Development finance.Agriculture is the King -pin Indian ruler economy.Thus rural credit agriculture finance is the prerequisites of agriculture growth and development. The study evaluates the performance of RBI in deploying agriculture credit. The object of the study is to review the performance of institutional agencies in deploying agriculture credit.

Keywords:- Agriculture, Backbone, credit, finance, RBI

Introduction:-

RBI is the Central Bank of India.The origin of RBI Bank can be tracted to 1926, when the Royal commissions on Indian currency and finance, commission recommended the creations of a central bank to separate the central of currency and credit from the government of augment banking facility throughout the country.The RBI act of 1934 established the reserve Bank as the bankers to the central government and set in nation a series of action culminating in the start of operations in 1935.Science then the Reserve bank role and functions have undergoes numerous changes as the nature of Indian economy has changed.Reserve Bank of India was nationalized in the year 1949.The reserve Bank affairs are governed by central body of directors.The board is appointment by the government of India in keeping with the reserve Bank of India act.The Central board of directors has 21 members, the governors and 4 deputy governor to finance minister representative 10 government nominated director to represent important elements from India's economy and four directors to represent local board headquarter at Mumbai ,Kolkata ,Chennai and New Delhi. India has four zonal offices.It has 19 regional offices at most state capitals and a few major cities in India.The bank has also two training colleges for its officers and 4 zonal training centers.

Main Objectives of RBI:-

1) To manage the monetary and credit system of the country.
2) Two stabilize the internal and external value of rupees.
3) For balanced and systematic development of banking in the country.
4) For proper arrangement of agriculture and industrial finance.

Objective of the study :-

1) To study the role of RBI in agriculture development.
2) To study the institutional agricultural credit structure.

Research Methodology :-

This research study is based on secondary sources.

Role of RBI in Agriculture Development

Agriculture is the heartbeat of the Indian economy. The agriculture sector remains dominant despite remarkable progress made in the realm of industrial development especially in the field of science and technology. The RBI always wanted an Apex institute to be set up to help the growth of this sector in India. According to the section 54 of the RBI act, it is required to set up a separate agriculture credit department. The department initiates different measures to develop a healthy rural credit structure and provides guidelines to the state government and cooperative credit structure. The ACD of the bank however primarily confines itself to research rather than financing of agriculture. RBI also established the Agriculture Refinance Corporations in 1963 to support investment credit needs for agriculture development consequent to undertaking of development and promotional function, ARC was renamed Agriculture Refinance and Development Corporations with the formations of NABARD in 1982 all the activities of ACD and ARDC have been transferred to NABARD.

Agriculture credit

Agriculture credit is the key factor to accelerated agriculture development in India the credit needs of the farmers are three kinds. Firstly short term credit to finance agriculture operations like purchase of seats, pesticides and fertilizer. Secondly medium term credit for purchase of ploughs, agriculture equipments tractors and other implements to cultivate their land with the help of modern implements.Thirdly long term credit for agriculture development such as improvement of land, construction boundaries and horticulture. And the main sources of agri credit to the farmer where the money lenders traders and commissions agent who charged high rate of interest and purchase the agriculture product at low price. So it was necessary to provide institutional credit to the farmers.It was a 1935 that the reserve Bank was founded the Reserve Bank of India act is unusual among the central to have specific provision for attention and to agriculture credit Bank to set of an agricultural credit development which was to have and expert staff to advise the Central Government, State Government, State cooperative banks and other banks and to coordinate RBI functions for agriculture credit. Section 17 of the act empowered it to provide agriculture credit throughout the State cooperative bank or any other banks in the business of agriculture credit. The RBI being the central bank of the country does not provide a direct facility of agriculture through the State cooperative Bank. Through the media of cooperative credit system, the RBI thus provided three types of loan to the agricultural as under :-

1) Short term credit
2) Medium term credit
3) Long term credit

Short and medium term loans to the agriculture sector are made available through the state cooperative banks and long term credit is provided through the state land Development Bank by purchasing their debentures. The RBI purchases or rediscounts the bill of exchange of nearby refinance facilities. The bank has also made provision of a long term loan to the state government through National agricultural Credit Fund.The RBI investigations and survey relating to the ruler finance the bank has been given very valuable advice to the central and state government and to the State cooperative Bank on the matter relating to rural finance.

The RBI was assigned a crucial role in the scheme of integrated credit and in the building of the cooperative credit organizations. The RBI'S role was not only a conventional Central banker's but it was an active agency that took all necessary measures for the cooperative system to provide a growingly larger share of rural credit. The adoptions of the special program for increasing agriculture production and spread of green revolutions on intensive use of fertilizer, water, better seeds and machines power have enhanced the RBI'S responsibility further.The RBI has also started offering greater financial assistance to cooperatives for the credit facility to small farmers and other weaker sections and for minimize disparities in flow of credit to various reasons.

With the setting up of the National Bank of agriculture and rural development in July 1982. The RBI'S functions relating to the cooperative movement have been taken over by the NABARD.Beside the RBI still offers loans and advance to SCBS.

NABARD

Nabard was established in July 1982 to oversee and develop the entire ruler credit system including agriculture credit. Consequently, the major of the agriculture credit department of RBI and the entire undertaking was taken over by it.

Cooperative credit societies

An agriculture cooperative also known as a farmers cooperative is a cooperative where farmers pool their resources in certain areas of activity. Cooperative credit society act of 1904 and 1912 was the first important landmark in the agriculture credit policy in India.

Regional rural Bank

The regional rural bank was established on October 2nd 1975. The main objectives of these banks are to provide credits and other facilities particularly to small and marginal farmers, agriculture labor, ruler artists and small entrepreneurs to develop agriculture,trade, commerce etc.

Commercial banks

The all India rural credit review committee under the chairmanship of B.Venktappah 1966 examined the rural credit system. It observed that the cooperative credit frequently fell short of standard of the timelines adequate and dependability. The nationalization of commercial banks in 1969 was therefore a landmark in the history of Indian banking and an opportunity to bring these banks in a big way in the area of agriculture finance to provide it a strong background for economic development.

Agency wise ground level credit flow for Agriculture

(Rs. in Crore)

Year	Co-operative Bank	Regional Rural Banks	Commercial Bank
2015-16	153295 (16.74)	119261 (13.03)	642954 (70.23)
2016-17	142758 (13.40)	123216 (11.56)	799781 (75.04)
2017-18	150389 (12.87)	140959 (12.06)	877155 (75.07)
2018-19	152340 (12.12)	149667 (11.91)	954823 (75.97)
2019-20	157367 (11.30)	165326 (11.87)	1070036 (76.83)

Source :- NABARD Annual Report

Findings of the study

RBI has played a unique role in the development of institutional finance for the agriculture sector in our country. But in spite of this institutional credit structure have faced some problems :-

1) The performance of cooperatives in providing rural credit is poor.
2) The process of agriculture credit is very critical for farmers.

Conclusion

Institutional credit has increased over the years but there are several gaps in the system which include adequate provision of credit to small and marginal farmers. The non institutional forces of agriculture credit still remain and they of our credit at higher rate of interest to overcome this the farmer should be made more than cable the loan to farmers need to be adequate without any rules and regulation special packages have to be designed to insure time recovery uploads.

References

1) Vijay Balu Raskar (2012) the role of RBI in agriculture development in India
2) Nabard annual report
3) RBI annual report