Review of Agricultural Credit Committees and Policy in India since Pre and Post Independent Period

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Abstract: Darling’s (1925) statement that “the Indian peasant is born in debt, lives in debt and dies in Debt”. Agricultural finance is the economic study of borrowing of funds by farmers; of the organization and operation of farm lending agencies; and of society's interest in credit for agriculture”. Developing economies like India and its rapid growth of population and the demand for food increases at a fast rate. The demand for food rises sharply therefore, unless agriculture is able to continuously increase it’s the marketed surplus of food grains, a crisis is likely to emerge. Due to beginning of green revolution it necessities huge capital for cultivation and cost of cultivation greater than before for buy input and purchase new technological method that’s why farmers forcefully depends on institutional credit. This article discussed the recommendations of various credit committees set up after independence in India. Some merits and demerits were also discussed. Although there are many credit policies adopted till now, we mainly looked into the policies which are mainly related to the agricultural credit. The initial committees identified cooperative structure as the suitable way to link farmers to institutional credit. As a result, there have been a massive growth cooperative societies and banks under respective legislations. However, these cooperative societies became defunct due to excessive political interference. They also lacked refinance agency to bolster their functioning. Thus, we understand that the present credit structure is a result of several recommendations of several expert committees to improve the rural credit delivery. While it has made a long journey in evolving a credit structure, by learning lot of lessons, the problem of effective credit delivery to all farmers still seem to be elusive.

Keywords: Agricultural finance, green revolution, cost of cultivation

INTRODUCTIONS: 1.2 IMPORTANT OF AGRICULTURE

According to Webster's Dictionary, "agriculture is the art or science of production of crops and livestock on farm". Agriculture plays very important role in the life of an economy. Agriculture is source of livelihood, contribution to national income, supply of food to fodder and also importance of international trade, market surplus, sources of raw material, foreign exchange and provides the vast employment.

PRESENT SITUATION OF INDIAN AGRICULTURE IN INDIA:

Agricultural sector is always ridden with risk and uncertainty. Given the biological nature of production, farmers face crop failures due to unseasonal rains, hailstorms, pest attacks, water shortage, insufficient electricity and price volatility. Present situation of Indian agriculture is Share of workers directly depended on this sector was 69.5% in 1951, it fell to 47% in 2013 (agricultural census). Agricultural GDP (allied activities) has fallen from 55.3 percent in 1950-51, and 15.35 percent 2015-16. (Cso). Liberal Import of Agricultural Products. Cutback in Agricultural Subsidies, Lack of Easy and Low-cost Loan to Agriculture and also, Decline in Government Investment in the Agricultural Sector, Restructuring of the Public Distribution System (PDS) Special Economic Zones India govt can be divided into four phases.

It is important to understand the evolution of credit policy in India in order to understand the credit markets in the rural areas. Government has set up several expert committees to improve the credit delivery to the farmers since Independence. Yet, small, marginal and tenants farmers continue to face various problems in getting credit from the banks. Colonial rule even though introduced commercial agriculture has left farmers to private moneylenders. Rural banking in India was virtually absent by the turn of
Independence. Mid-sixties slowdown in Indian economy and recognition of agricultural constraint to growth led to a strategy of achieving self-reliance as well as growth of food grain economy and credit market’s role was explicitly recognized since then. Policy makers clearly recognized the link between credit and adoption of new technology and the need to get rid the farmers from the yoke of moneylenders. Not less than 10 committees have so far been appointed. The present credit structure is largely due to recommendations made by these committees. Therefore in order to understand the structure of rural credit, we would briefly review the recommendations of various expert committees in the following. Before that let us know the structure of the rural credit market in India.

NEED OF AGRICULTURAL CREDIT IN INDIA.
Agricultural backwardness, Low income of farmer, Uneconomic holdings, Shortages of marketing, Debt, Form productivity, Irrigation facilities, Modern technology and Natural climates etc.

CLASSIFICATION OF AGRICULTURAL CREDIT MARKET IN INDIA
Broadly credit market in the economy can be divided into of two types, namely (a) agricultural credit and (b) Industrial credit

TYPES OF AGRICULTURAL CREDIT:
According to Ramesh Singh (2014) there are three types of agricultural credit in India provided to farmers to meet their financial requirements, they are

• Short-term loans: loans provided for a period of less than 15 months to meet their day to day expenditures of routine farming and domestic consumption and purchasing inputs.
• Medium- term loans: These loans are given for a period of 15 months to 5 years to purchase agricultural equipment and, animal and for land development
• Long- term loans: These loans are given for a period of more than 5 years to obtain land and expensive agricultural tools and for repayment of old loans.

SOURCES OF AGRICULTURAL CREDIT IN INDIA:
They are two sources of agricultural credit in India, namely, Institutional and non-Institutional credit. Credit given by formal institutions like banks, cooperative societies etc are called institutional credit and credit given by moneylenders, relatives, commission agents on the oral basis are referred as non-institutional credit.

The major institutional credit agencies in India are Commercial Banks (CBs), Regional Rural Banks (RRBs) which are mainly sponsored by the Scheduled Commercial Banks and state governments. There are also the Cooperative Banks which are further divided into rural cooperatives and urban cooperatives. Rural cooperative banks further differ based on the time periods of loan. The short term structures of loans are provided by the State Cooperative Banks, District Central Cooperative Bank (DCCB) and Primary Agricultural Credit Societies (PACS). The long term structures of loans are provided by State Cooperative Agricultural and Rural Banks (SCARDBs) and Primary Agricultural and Rural Development Banks (PARDBs)
Sources of Agricultural Credit in India

Government of India

NABARD

Commercial Banks

Rural Co-Operative Credit Institutions

Regional Rural Banks

Long-Term Credit Structure

State Co-Operative Agriculture and Rural Development Banks

Primary Co-Operative Agriculture and Rural Development Banks

Short-Term Credit Structure

State Co-Operative Banks

District Central Co-Operative

Primary Agricultural Credit

Depositors and Borrowers

Sources: RBI bulletin 2004 Rakesh Mohan article agricultural credit in India. EPW
NON-INSTITUTIONAL FRAMEWORKS FOR AGRICULTURAL CREDIT IN INDIA

**Source:** Mamoria, C.B., Rural Credit in India, 1982.

**NEED OF THE STUDY**

We understand that agricultural credit from formal institutions has not developed in our country so as to link everyone to credit market. Second, the coverage is still a problem. There is a need to periodically study as long as problems are not resolved.

Finance in agriculture is as important as development of technologies, and technical inputs can be bought and used by the farmers only if they have money. But their own money is continuously scarce and they needs outdoor finance or credit. The basic obligation for the development of agriculture is the infusion of the much-needed credit at reasonable rates of interest. The demand for capital in agricultural arises because of: a) Need for land and its enhancement b) Need for agricultural apparatus, machines and livestock c) Essential inputs such as seeds, fertilizers, irrigation pesticides, etc. d) Need for food, clothing and asylum to maintain the farmer and his family.

**OBJECTIVES**

1) To study agricultural credit committees and policy pre and post independent in India

**AGRICULTURAL CREDIT IN INDIA**

Historically, India was a backward country with reference to capitalist development. During the colonial times there is evidence that banking system never catered to agriculture [Bagchi (1987)]. As Habib (1964) argued that that the bankers during colonial time mainly financed the needs of traders, nobles and the State while money lenders advanced loans to cultivators. There are many evidences of usury by the landlords and professional moneylenders in the sixteenth and seventeenth centuries practiced usury. In the absence of income tax, the Land Revenue was the chief source of income to the State. Agricultural taxation during the colonial time became the chief reason main reason why peasants became severely indebted. [Habib (1964)], because 1/4th of their produce was taken by the emperors during Mughal period. As a consequence they borrowed
the credit. During the medieval period, peasants approached moneylenders to meet the land revenue demands; to meet subsistence needs between uncertain harvests and for social expenditures and litigation. It became a national goal of forefathers of the nationalist movement to liberate these peasants from the clutches of moneylenders. However, whether this promise is not fulfilled by the post-colonial governments in the past sixty years.

As noted by RadhaKrishna committee report (2007), which emphasized on providing agricultural credit through formal institutions as the informal credit institutions are exploitative in nature. So the government had set up a multi-agency approach for delivering agricultural credit to rural areas. Broadly the development of formal agricultural credit institutions in India can be divided into four phases. The first phase starting from 1947 to 1969 saw the cooperative movement. Through the second phase from 1969-75, a main development in the area of rural credit was the Nationalization of commercial banks in 1969 heralded their entry into rural credit market. Third phase starts from 1975 with the establishment of Regional Rural Banks to provide credit to small and marginal farmers and weaker sections of the society. And the credit situation has changed in the fourth phase, which is after the financial reforms in the year 1991 onwards. The idea of social banking got diluted after the reforms due to the implementation of the fiscal and efficiency norms in the name of liberalizing interest rates of cooperatives, commercial and regional rural banks, and recapitalization of inefficient RRBs etc... There are various new programmers like Kisan Credit Cards, Self-Help Groups and financial inclusion came into to the credit front in this latter period. The total institutional credit increased significantly in the post nationalization period, while the importance of short term credit has declined over the same period. The relative importance of cooperative and commercial bank credit to agriculture was reversed. The share of cooperatives declined compared to the commercial banks since 1975, though, the reach of cooperative is wider than Commercial Banks. The failure of the PACS and CCBs is due to their inability to raise resources through deposit mobilization. Instead, they depend on external funds from the government or higher layers of cooperatives. Low recovery rate and mounting over dues impaired their ability to avail of refinance facilities from the NABARD, increased transaction costs led the potential borrowers off the opportunity to avail of credit facilities from cooperatives. The regional distribution of cooperative credit is highly uneven.

Mathew Aethayil (2008) and Dr M.S. Swaminathan and After 1991 the lending pattern of commercial banks, as well as nationalized banks, to agriculture drastically changed with the result that loan was not easy to get to and the interest was not reasonable. That’s why farmers are rely on moneylenders and therefore pressed up the expenses on agriculture. And also pointed out elimination of the lending services and concessions of banks for the period of the post-reform period have accelerated the crisis in agriculture. When the farmers were not able to pay back loan with high interest, they fell into the debt trap. Studies show that most of the farmers’ suicides were due to the debt trap. It is part of the policy of privatization that banks, even nationalized banks, look for profit over their social responsibilities to the people.

AGRICULTURAL CREDIT DEMAND:

From the beginning of Green revolution, the investment requirements huge capital of for cultivation has continuously increased, as almost all inputs like seeds, pesticides, fertilizers, motor pump sets, tractors, pipe lines, etc are to be purchased and several other services such as tractors, sprayers, rotors, harvesters etc are to be hired from the market, all of this make for buy input and purchase new technological method that’s why farmers strongly depends on institutional credit role of finance vital [Shivamaggi (1984)].

Narasimham Committee Report (1971) highlighted the need to improve the agricultural credit for rapid adoption of technology in agriculture. The report highlighted that fact the modern technology cannot be translated into action unless there is finance. He pointed that the stepping up of agricultural production would lead to an increased credit demand from the agro-processing sectors. For the agricultural credit to be productive, it needs also to be supervised. But the banking reforms committee in 1991, chaired by the same person, Mr.M.Narasimhan reversed this philosophy, called the banks to become profitable. This has adversely affected the agricultural sector through squeeze of credit. The aims of the committee were to progress the efficiency and productivity of all credit institutions. For rural financial institutions the reforms sought to: (i) improve areas of commercial freedom, (ii) raise outreach to the poor, (iii) motivate extra credit flows to the sector, (iv) change the incentive regime by liberalizing interest rates for cooperatives and RRBs, (v) deregulation of lending rates of commercial banks for loans above Rs 2 lakh. And (vi) recapitalization and restructure of RRBs. Recommendations of this committee had far reaching implications.
As noted by several scholars like Ramakumar (2005), thanks to Narasimhan Committee recommendations, the number of rural area commercial branches has fallen from 34867, which stands at 58.2% in 1990 which has fallen to 32673 i.e. with 48.7% in 1999-2000 by 2002. It was adverse effects of it on medium, small and farmers were severe. From the bank interestingly, the overall agricultural credit this apparently do not show up in terms of aggregate credit which shows a rising trend. Then Ramakumar (2012) has shown that the indirect credit has increased much more than the direct credit to agriculture, where indirect credit is what is lent to auxiliary activities around agriculture such as storage, cold chains, transport, packaging, and agribusiness and so on.

In this section, we shall discuss the some of the important studies that have brought out the significant features of Indian institutional credit market. Particularly, we would present the observations done by different agricultural credit committees and polices in India.

**EVOLUTION OF AGRICULTURAL CREDIT IN INDIA:**

**CREDIT COMMITTEES DURING PRE-INDEPENDENCE PERIOD**

The credit transactions in medieval India were based on personal relations without a legal system. Most of the credit was available for working capital requirements and not for starting a new venture (Rothermund, 1993). Under the colonial period, indigenously developed bankers provided credit to agriculturalists and artisans. They also financed internal trade for the country. On the other hand, traders’ money lenders supplied credit to the peasants in the form of seeds and food grains. They occasionally gave cash credit for their life cycle formalities.

**THE DECCAN RIOTS COMMISSION (1876):**

There was a big peasant revolt and disruption to life and property. In the colonial authorities period evident the land transfers was the vital vision of the moneylenders. The more critical view of moneylenders, particularly in relation to land transfers, became evident on the part of the colonial authorities. After the riots, this commission pointed out the main causes of the riots was rural indebtedness and the riots were directed towards money lenders charged high rates of interest the risk of non-repayment as a result of irregular monsoons. They combine trading with money lending in different parts of the country. This commission main aim was Regulation of the moneylenders and opposing with the moneylenders by institutionalizing the provision of rural credit through alternative channels. Institutional credit to agriculture by providing the farmers credit by the government during drought years.

**LAND IMPROVEMENT LOANS ACT OF 1883 AND AGRICULTURISTS LOAN ACT OF 1884:**

Low interest loans were provided after the Land Improvement Loans Act of 1883 and the Agriculturists Loan Act of 1884. But these loans remained really scarce and ineffective. **Appraisal:** Recommendations of long term and short terms credit this Acts brought awareness between policy makers and general public. Lots of debates came up like agriculture credit banks. It was decided based on the scale and local nature of the problem to compete with the moneylender by establishing small village level service providers, i.e., cooperative credit societies. This initiative was formalized through the Cooperative Societies Act 1904 and cooperatives were seen as premier institutions for disbursing agricultural credit. Thus, the early years of the 20th century in India was characterized by the continuous official attention to the provision of rural credit. Latter the short comings of the Act were rectified through passing another Act called Cooperative Societies Act 1912. The Act gave provision for registration of all types of the Cooperatives Societies.

**MACLAGAN COMMITTEE, 1915:**

This Committee was set up to see the structure of the cooperative societies. This committee on cooperation supplied a report in 1915 advocating the establishment of regional cooperative banks in India. In 1925, fifty thousand of rural cooperatives in the country established and they established the provision of formal agricultural credit. By 1930, the cooperative banks established in almost all-in the country. This gave rise to the three tier cooperative credit structure in the country.

**ROYAL COMMISSION ON AGRICULTURE IN INDIA (1927):**

Royal commission on Agriculture in India additional observed the program of rural credit in 1926-27. Sir Malcolm Darling submitted the report on cooperative credit to the government of India in 1935. It was reported that in many provinces credit overdue to these credit cooperative institutions constituted 60 to 70% of the outstanding highest due.
CENTRAL BANKING ENQUIRY COMMITTEE REPORT (1929):
This is one of the most important documents CBEC Report (1929) and its associated Provincial Reports. Out of many Provincial Reports, the Madras Provincial Banking Enquiry Committee (MPBEC) report is regarded as a classic one. This committee explains how the mechanisms of debt typically had a growing force and estimated that the accumulated burden of inherited rural indebtedness in India was Rs.900 cores. The sudden fall in agricultural prices during the Great Depression opened the floodgates of legal suits for attachment of lands of borrowers.

RESERVE BANK OF INDIA ACT, 1934:
In 1935 Reserve Bank of India was formed. Section 54 of its Act orders RBI to develop credit facilities to agriculture through the banking system. Section 17 of the Act empowered it to provide agricultural credit through state cooperative banks or any other banks engaged in the business of agricultural credit.

Amongst the first activities of the RBI in agricultural credit were two studies in 1936 and 1937. The RBI found that almost the entire finance required by agriculturalists was supplied by moneylenders during those periods. The role of cooperatives and other formal agencies played a negligible part in rural credit disbursement. In this period RBI given only 3.3 % of farmers had access to banks in those times. Of the cultivators having access to credit from cooperatives and about 0.9% from commercial banks. With most forms of the institutional credit, cooperative credit acted as a supplement rather than an alternative to the moneylenders and other informal sources.

ALL INDIA RURAL CREDIT SURVEY REPORT (1954):

The first ever committee to know the situation farmers with regard to debt is All India Rural Credit Survey (RCS committee) set up by the RBI in 1954. The report showed the policy, progress and problems in this field over the past forty years. The survey showed that in 1951-52, the private credit agencies taken together (excluding commercial banks) supplied 93% of the total amount borrowed by the cultivators. Out of this, 50% was for their family expenditure, 28% for their capital expenditure and10% for their current farm expenditure.

Large proportions of the borrowings of big and large cultivators were from institutional agencies whereas the dependence of the medium and small cultivators on private agencies was much greater. The Report suggested cooperative sector to play a vital role to reach grass roots farmer for agricultural credit.

The major recommendations of the RCS Committee were as following:

(i) There should be a state cooperative bank, a central land mortgage bank and a state cooperative marketing society at the apex in each state.
(ii) At the district level, there should be preferably a District Central Cooperative Bank (DCCB) or a branch of state cooperative bank, a primary level mortgage bank and a district marketing society.
(iii) There were to be large sized primary agricultural credit societies, primary land mortgage banks, grain banks and primary marketing societies at the primary level.
(iv) Visualizing cooperatives as an exclusive agency for providing credit to agriculture, the committee urged a well-defined role for the commercial banks in delivering credit in specialized areas, such as marketing, processing, storage and warehousing.

The RBI and Government of India accepted the recommendations of RCS committee. As result of the implementation of recommendations, there was an extension of the commercial banking facilities to rural and semi-urban areas. Thus, the concern for the inadequate extension of agricultural credit was removed to some extent. It had also brought a change in nomenclature and functions of Imperial Bank of India, renamed it State Bank of India (SBI). The SBI was established by an act of parliament in 1955. The RBI Act was amended in 1955 to provide for the establishments of two funds, namely:

- The National Agricultural Fund (NAF) for long term operations and
- The National Agricultural Credit (Stabilization) Fund

In February 1956, the NAF was created to provide loans to the states to enable them to subscribe to the share capital of cooperative credit institutions. The RBI could also give long term support from this fund to Central Land Mortgage Banks.
ALL INDIA RURAL DEBT AND INVESTMENT SURVEY, 1961-62:

In 1962, the RBI undertook a resurvey called the All India Rural Debt and Investment Survey, 1961-62, to assess changes since the implementation of recommendations of the RCS 1951-52. The survey found some positive effects over 10 years of its implementation, borrowings from the cooperatives had increased from 3.1 to 15.5 percent but those from private sectors still dominated. There was a wide range branch expansion in rural areas. The number of the Primary Agricultural Cooperative Societies has increased from 1,15,462 in 1950-51 to 2,12,129 in 1960-61 in the country.

Apart from these, there were also negative effects which showed that there were several limitations in the functioning of the cooperative sector in some parts of the country in spite the efforts made during the first two five-year plan periods. Moreover, there were regional disparities in branch expansion and credit disbursement.

The Planning Commission during the Third Five-year Plan (1961-1966) wanted the RBI to play an even larger role. Consequently, specifically the Planning Commission proposed to set up the Agriculture Refinance Corporation (ARC) as the way of refinance agency providing medium term and long term finance to State Cooperative Banks, Central Land Development Banks and Scheduled Commercial Banks.

It was increasingly recognized that the credit cooperatives were not functioning too well and could not meet the credit necessities of the rural India.

ALL INDIA RURAL CREDIT REVIEW COMMITTEE (RCR COMMITTEE 1966)

The All India Rural Credit Review Committee (RCR Committee 1966) was appointed by the Reserve Bank of India in July 1966 as a successor to review the situation. It submitted its report in 1969 after reviewing the RCS committee for fifteen years.

The committee noted

(i) That since 1956, on the whole the progress of cooperative credit has been impressive. Short term and medium term cooperative credit in 1951-52 was barely Rs.24 crores and in 1967-68 it reached Rs.428 crores.

(ii) The share of the cooperatives as the source of the cultivator’s borrowings has increased from 3 percent to around 22-25 percent in 1967-68.

(iii) Cooperative long term credit agencies have also shown progress by raising loans about tenfold to Rs.100 crores between 1960-61 and 1968-69.

(iv) More specifically, these loans are now increasingly being made for productive investment rather than repayment of past debt.

The Committee noted the major failure as the integrated scheme of Rural Credit assigned by the RCS committee (1954) with the state participation at every level of the cooperative structure had not been pursued or implemented vigorously in all the states. There was also non-viability of the primary agricultural credit societies.

The made the following observations:

1. The remedy to effective credit delivery suggested was to set up Agricultural Credit Corporations in the relatively backward states as they are still lagging behind.
2. To reorganize the non-viable Primary Credit Societies into economically viable ones.
3. To let central bank and apex bank to refinance the cultivators directly and societies in areas where they are weak or dormant.
4. Again they emphasized that if central banks and apex banks were to provide finance to cultivators then they will be having unbearable burden. So the committee emphasized that credit must be more easily accessible to the small farmers.

The RCR Committee recommended setting up of Small Farmers Development Agencies (SFDA) to identify the problems of small but potentially viable farmers with inputs, services and credit (funds) which should be provided by the Government of India (GOI). With the advent of the new technology in agriculture, the All-India Rural Credit Review Committee (1966) expected the demand for credit would increase and that the cooperative credit structure would not be able to meet the entire demand. So the committee recommended that the commercial banks should play a complementary role along with the cooperatives in extending rural credit.

- Subsequent to recommendations of RCR 1966, in the next two decade the major changes that took place in the Indian credit
In July 1969 (and in 1980), the largest 14 commercial banks were nationalized and their lending policies and procedures were oriented to meet the requirements of the priority sectors of the economy.

- Decentralized credit planning through the Lead Bank Scheme was also introduced, under which each district was placed with one of the commercial banks (called the District Lead Bank) to spearhead the credit allocation for agricultural lending.
- In the Fourth Five year Plan (1969-74), SFDA were established in 45 selected districts to assist small holders for the provision of supplementing occupations and other employment opportunities.

NATIONAL COMMISSION ON AGRICULTURE (NCA)

In 1971, a special commission was appointed called the National Commission on Agriculture (NCA) which submitted an interim report on the credit needs and services for the small and marginal farmers and agricultural laborers. The NCA recommended the institution of an integrated agricultural credit service and to have a single agency providing short, medium and long term credit as also inputs and services. The NCA pointed out that the cooperatives and commercial banks did not make any serious attempt to understand the special credit needs of the farmers. In the mid-1970s it was recognized that though the commercial banks had done well in terms of branch expansion but they are tending to reach only the middle-income and rich farmers. So, committee was appointed in 1975, chaired by M. Narsimhan (known as Narsimhan Credit Committee 1975) to examine whether another type of institution could target the unbanked areas/people of the country.

NARASIMHAN CREDIT COMMITTEE 1975:

The Narsimhan Committee 1975 has suggested creation of regional rural banks (RRBs). The main role of RRBs was to grant loans and advances to small and marginal farmers, agricultural laborers and to rural artisans, and also to small entrepreneurs engaged in trade and other productive activities. This committee suggested that

1) To give the credit to small and marginal farmers, artisans, small entrepreneur and other weaker section.
2) The farmers must be protected from the money lenders.
3) And also suggested that the increase in speed of economic growth in particular regions was imperative.
4) Mainly these committees endeavored to provide essential amenities in rural regions, to develop immature areas and so attempt to eliminate economic disparity among regions.
5) Encourage banking habits among rural people and encourage for economic development in rural area.

The RRBs were supported by the Commercial Banks, Government of India and their respective State Governments. At first, they performed very well but later on, their performance deteriorated. In order to emphasize the developmental and promotional role assigned to the ARC in addition to refinancing, the corporation was renamed as the Agricultural Refinance and Development Corporation (ARDC) by an amendment to the Act in 1975.

However, because of creation of multiple institutional agencies in the field of the rural credit like cooperatives, commercial banks, RRBs etc., it result to increase the number of problems such as uncoordinated credit disbursal, diversion to unproductive purposes, inability of the credit agencies. [Narasimham, M. (1971), EPW]

1.24 The Khusro Committee 1986:

RBI commissioned another expert committee under the chairmanship of A.M.Khusro, called, Agricultural Credit Review Committee. This committee report was submitted in August 1989.

This Committee found that the performance of RRBs as worsening over time. The Committee also made some observations regarding cooperative structure:

(i) Cooperative structure needs some comprehensive legislative reforms.
(ii) The role of federations in strengthening their constituents was recognized.
(iii) Establishment of National Cooperative Bank of India to remove the systemic gap in the organizational structure of cooperative financing system was taken note of.
(iv) Bringing more rural poor within the ambit of primary agricultural cooperatives.
(v) Increased involvement of women in the membership, management and leadership positions in cooperatives.

One of the main weaknesses of the committee was that it did not focus on how to restructure agricultural production rather its energies were directed towards trying to reorganize the structure of rural credit [Kempe Gowda. P (2014)].

**BANKING REFORMS COMMITTEE 1991:**

1991 marked a major strategic change in the economy policy, ushering in liberalization and structural adjustment. For overhauling banking sector to suit the reform philosophy, Narasimhan Committee was appointed, which is known as Banking Sector Reforms Committee. The aims of the reforms were to improve the efficiency and productivity of all credit institutions. For rural financial institutions the reforms sought to: (i) enhance areas of commercial freedom, (ii) increase outreach to the poor, (iii) stimulate additional credit flows to the sector, (iv) change the incentive regime by liberalizing interest rates for cooperatives and RRBs, (v) deregulation of lending rates of commercial banks for loans above Rs 2 lakh and (vi) recapitalization and restructure of RRBs.

Narasimhan committee recommendations had far reaching impact on agricultural credit. The Committee has done away with the earlier norm of maintaining 4 rural branches for every urban, reduction of priority sector lending, and relaxation of lending norms to individuals with an idea of increasing the profitability of banks. The era of social banking came to an end with the recommendations of the Committee [Ramakumar and Chavan (2008)].

**GUPTA COMMITTEE 1997 ON RURAL CREDIT:**

In 1997 to review the credit situation of agricultural sector, RBI has appointed a fresh committee under the chairmanship of R.V.Gupta. The Report of this Committee was submitted to RBI on 21 April 1998. The main recommendations of this were: (I) practical simplification for credit delivery through rationalization of internal returns of banks, (ii) delegation of more powers to branch managers, (iii) introduction of composite cash credit limit to farmers and introduction of new loan products with saving components, cash disbursement of loans, dispensation of ‘no due certificate’ and discretion to banks on matters relating to margin security requirements for agricultural loans above Rs. 10000, (iv) introduction of at least one specialized agricultural bank in each state to cater to the needs of high-tech agriculture, (v) introduction of cash credit facility and (vi) banks should prepare special agricultural-credit plans (SACPs) to accelerate the flow and improve lending quality. (Vii) Worth of security must be equal with the size of the loan. The post-reforms period received continued criticism over the neglect of agricultural credit and marginalization of the sector. Taking them into consideration, a fresh committee was drafted to suggest improvements in rural credit delivery under the chairmanship of V.S Vyas.

**V.S VYAS COMMITTEE 2000:**

This Committee was appointed by NABARD in August, 2000 and it recommended decreasing the rates of interest on agricultural credit given by RRBs, cooperative banks and commercial banks. This committee observed the role of NABARD as the apex organization forgiving and regulating credit for the promotion and development of agriculture and the role of RRBs in telling agricultural credit and suggest measures for improving the same without sacrificing overall viability considerations, said an RBI press release.

The committee also recognized the role of the rural infrastructure development fund and recommended an increased direct agriculture lending. It focused on the amelioration of socially disadvantaged people such as small and marginal farmers, tenant farmers, oral leases and landless laborers and suggested actions to be taken by banks for having given that financial aid to them, the release said. The committee measured the role of micro finance in poverty reduction and implementation of the SHG scheme in spreading banks to the deprived sectors and to see how essential it is to control micro finance institutions and to recommend a suitable controlling model. Based on the recommendations contained in the report of the Vyas Committee, the RBI, in its annual policy statement for 2004-05, announced a number of measures to improve credit delivery to agriculture. These included the treating of loans to storage units designed to store agricultural products, irrespective of location and indirect credit to agriculture. As recommended by the Vyas Committee, RBI announced that microfinance institutions would not be permitted to accept public deposits, unless they comply with the extant regulatory framework.

**VAIDYANATHAN COMMITTEE 2004:**

Two important reports were submitted on the revival of the cooperative credit institutions that is Long Term Credit Cooperative Credit Institutions...
The Committee made the following recommendations:

1. The Banking Regulation Act, NABARD Act and the State Cooperative Societies Acts need to be appropriately amended in order to develop the controlling/governance of cooperative credit institutions.

2. States which have so far not signed the MOU for this purpose must be asked to do so without further loss of time.

3. A model Accommodating Law needs to be approved by the States. States which do not wish to pass the Model Act should introduce a separate chapter on Agricultural and Rural Credit Societies containing the salient provisions of the Model Law in their existing Cooperative Legislation.

4. State should formulate an integrated social policy which will ensure importance of State action on key issues relating to social justice and empowerment.

5. Government should deliver an important portion of its plan distribution for Implementation of this integrated social policy.

**RANGA RAJAN COMMITTEE ON FINANCIAL INCLUSION 2006:**

From the 11 Plan, inclusive growth became a slogan for the growth strategy. In line with the new thinking, the UPA government appointed a new expert committee to suggest ways to include rural poor in the financial structure of the nation. Financial inclusions understood to be the delivery of financial facilities at reasonable costs to massive sections of deprived and small income groups. The Committee under the chairmanship of Rangarajan made some important recommendations: it recommended launching of a National Rural Financial Inclusion Plan (NRFIP) in mission approach with a clear objective to afford access to comprehensive financial services, including credit, to at least 50 per cent of the financially excluded rural households by 2012. This ought to be done through rural and semi-urban branches of commercial banks and RRBs. have to ensure that the remaining households are to be covered by 2015.

There are constitution funds with NABARD viz. the Financial Inclusion Promotion & Development Fund (FIPF) and the Financial Inclusion Technology Fund (FITF) with an initial amount of Rs 50 billion each to be contributed by the Government, RBI and NABARD. The FIPF will focus on interventions like Farmers’ Service Centers, Promoting Rural Entrepreneurship, Self-Help Groups and their Federations, Developing Human Resources of Banks, Promotion of Resource Centers and Capacity Building of Business Facilitators and Correspondents. Access to finance by the deprived and vulnerable groups is essential for poverty reduction and social unity. Financial inclusion signifies supply of financial services at a reasonable cost to the massive sections of the deprived small income people and the many financial services contain, savings, credit insurance and payments and payment amenities. The important objective of financial inclusion is to spread the possibility of events of the organized financial system to include within its territory people with low incomes. Through progressed credit, the effort essentially lifts the poor from one level to another so that they come out of poverty.

**THE EXPERT COMMITTEE ON AGRICULTURAL INDEBTEDNESS (2007):**

Following the concern that several farmers are excluded from the institutional credit, a fresh Committee on Agricultural credit is appointed under the chairmanship of Radhakrishna. The Committee noted that only 48 percent of the farmers have access to institutional credit. Moneylenders are financing only 47% of agricultural needs today, which used to be 30% in the 1980s, and we have gone back to 1970 situation. There is a desperate need to beef up agricultural credit at least to 18%. They appealed for a distinction to be made between the irrigated and non-irrigated areas. The committee’s report consists of five chapters. It starts with recommendations to relieve farmers of agricultural indebtedness. The present agricultural crisis in India, agricultural credit, indebtedness of farmers and the rehabilitation programs are discussed by the committee. The report ends with discussing future tasks that need to be taken for agricultural development in India. Given the persisting problems in Indian agriculture, the committee starts up with a few recommendations. The recommendations touch the financial institutions and other related areas of agriculture. The
committee recommends increasing agriculture production through technological innovations and other measures, providing timely and adequate institutional credit to farmers, especially small and marginal farmers, reducing price fluctuations and risk mitigating efforts from formal institutions. The committee also recommends on the need of institutional system which provides adequate credit requirement of the farmers and other innovative alternatives like better access to appropriate technology, extension services, improving processing and marketing capabilities and risk management. The committee also stresses importance of Self-Help Groups (SHGs), revamping cooperative societies and diversifying livelihood opportunities of farmers. They recommended interest waiving policy in areas receiving normal rainfall during droughts with the financial burden being borne by the centre and state. They also recommended reduced interest rates and extension of the SHG model to the farmers. The committee also recommends some immediate credit requirements such as proper implementation of prime minister’s package, rescheduling of loans of farmers affected by natural calamities and providing them fresh loans, waiving of interest burden in drought affected areas, providing cyclical credit in rain fed areas, formalizing informal credit which is highly exploitative and inclusion of financially excluded farmers. With respect to the financial architecture of the formal institutions, the committee recommends on the need for the spread of branches of commercial banks, regional rural banks and cooperatives at the rural level. It also recommends that Agency banking and Mobile banking should be implemented effectively in rural areas. The committee feels that the Lead Bank programme should be resumed in order to bring about close coordination between district planning authorities and banking institutions. Farmers should be given appropriate credit counseling, particularly for diversification of their economic activities. A simplifying procedure for mortgages and reducing transaction costs through SHGs and Bharat Kisan Card should be undertaken.

Regarding the role of NABARD, the committee feels that NABARD has to strengthen its resource base and research capabilities in order to improve effective guidance and training to the banks in the formulation of projects related to agriculture and the rural non-farm sector. Government should ensure the 18per cent priority sector lending commitment to agriculture by banks is enforced. The expert group feels that the RIDF funds should be entirely earmarked for agricultural development. The committee also recommends a two tier approach to the management of agricultural risks; crop and weather insurance, price risk mitigation at the taluka or district level and distress relief at the state level. Mitigating risks from spurious inputs, strengthening research and extension services, other measures like expanding livelihood base and rural health facilities also suggested by the committee.

**RESEARCH METHODOLOGY**

This research is descriptive and explorative in nature and data would be collected from secondary sources. Secondary sources like, NSSO, NABARD, RBI, CSO, state and central government reports concern with institutional credit, books, journals etc. will be considered for this study.

**SUMMARY**

This chapter discussed the recommendations of various credit committees set up after independence in India. Some merits and demerits were also discussed. Although there are many credit policies adopted till now, we mainly looked into the policies which are mainly related to the agricultural credit. The initial committees identified cooperative structure as the suitable way to link farmers to institutional credit. As a result, there have been a massive growth cooperative societies and banks under respective legislations. However, these cooperative societies became defunct due to excessive political interference. They also lacked refinance agency to bolster their functioning.

By 1969, nationalization of commercial banks played important role for replacing the cooperative structure which were considered to be less professional in carrying the activity of lending. New norms were laid for banks to expand rural branches that resulted in unprecedented expansion of rural banking. This has helped the adoption of new technology in agriculture and achieves higher growth in production of food grains as well as in non-food grains.

The spatial spread of certain institutions like commercial banks and cooperatives has been impressive. These institutions have been playing a major role by reducing the dependence of the rural people on money lenders and other informal sources. The Government has been continuing to increase the credit flow to agriculture by setting up of different committees and polices. Mainly the committees were set up to see the flow of credit in rural areas and frame policies according to it. The policies set by the Government and RBI was mainly aimed at restructuring of the agencies.
whose performances were deteriorating over time and also to increase the flow of credit to all the sections of the people.

The Narsimhan Credit Committee 1975 was concerned with the provision of credit through the medium of regional rural banks. It took note of how their performance gradually deteriorated and suggested protection of farmers from moneylenders and availability of necessities in rural areas. The Khusro committee (1986) studied Commercial Banks, Regional Rural Banks and the Cooperatives and recommended the removal of the systemic gap in the organizational structure of cooperative financing system. The role of women in the running of co-operatives was given predominance. The Narasimham committee, 1991 reversed all major gains made in the past by suggesting banks to single-mindedly pursue the goal of improving the efficiency and productivity of all credit institutions through recapitalization and restructuring of RRBs. It resulted in reduction of rural branches, reduction in the share of agricultural credit and introduced inequalities in the distribution of credit.

Following criticism that banking has become exclusive, new committees were appointed in the post reform period. R. V. Gupta committee in 1997 suggested simplifying banking procedures through customer friendly measures and specialized agricultural credit institutions. V.S.Vyas Committee August 2000 recommended lowering the rates of interest on agricultural credit lent by RRBs, co-operatives and commercial banks under the supervision of NABARD. The role of microfinance in eradicating poverty and implementation of SHG schemes was discussed. Vaidyanathan 2004 suggested the running of co-operative credit societies as ones governed by their own members autonomously for the common good. Radhakrishna committee suggested following SHG model to include tenants and other poor into the credit system. Thus, we understand that the present credit structure is a result of several recommendations of several expert committees to improve the rural credit delivery. While it has made a long journey in evolving a credit structure, by learning lot of lessons, the problem of effective credit delivery to all farmers still seem to be elusive.

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