



Agriculture and Allied Activities Banks direct finance to agriculture and allied activities is classified into (i) Croploans (ii) Term loans.

(i) Crop loans : Crop loans are the loans given to farmers for cultivation of annual crops and for maintenance of yielding perennial crops. Crop loans are given for purchase of production inputs like seeds, pesticides fertilizers and other cost of cultivation. The scale of finance consist of cash and kind components. Crop loans are short-term loans. Repayment period should coincide with harvesting and marketing of produce. Crop loans upto Rs.25000 are extended without mortgage of land. However hypothecation of crops is required. Hypothecation of crops and mortgage of land (at bank's discretion) or third-party guarantee is required when the loans exceed Rs.25,000.

(ii) Term loans: Term loans or investment loans are given to farmers for purchase of agricultural implements, tractors, power tillers, rubber rollers, plough animals, development of irrigation through dugwells / bore-wells, lift irrigation schemes, installation of pump sets etc., land development ie, levelling, bunding, terracing etc. They are also allowed for processing of hybrid seeds, development of plantations, horticulture, forestry, and activities allied to agriculture such as dairy, goat and sheep rearing, fisheries, poultry, piggery, sericulture, bee-keeping. Bio-gas plants etc. In the case of term loans, where movable assets are created, hypothecation of assets is sufficient as security for loans upto Rs.25,000. For loans exceeding Rs.25,000 hypothecation of assets created and mortgage of land (at bank's discretion) or third party guarantee is insisted by banks. Where movable assets are not created (eg. dug-well, development of land, etc) mortgage of land (at bank's discretion) is required for loan amount of Rs. 10,000 and above.

## II. PRIORITY SECTOR LENDING (PSL)

Priority Sector Lending (PSL) is a policy introduced by the Reserve Bank of India to ensure that important sectors of the economy, especially agriculture, receive adequate and timely institutional credit. Under this policy, Scheduled Commercial Banks (SCBs) are required to allocate a specified portion of

their total lending to priority sectors such as agriculture, MSMEs, education, housing, and weaker sections of society.

Agriculture is one of the most important components of priority sector lending. SCBs play a significant role in meeting the credit requirements of farmers by providing crop loans, investment loans, irrigation finance, farm mechanization loans, and credit for allied agricultural activities. Priority sector lending has helped expand the outreach of SCBs in rural areas and improve farmers' access to formal credit, reducing their dependence on informal moneylenders.

According to RBI guidelines, domestic Scheduled Commercial Banks are required to lend 40% of their Adjusted Net Bank Credit (ANBC) to priority sectors, with 18% earmarked for agriculture. This policy has significantly increased the flow of institutional credit to the agricultural sector and supported rural development in India.

However, challenges such as regional disparities, credit concentration, and limited access for small and marginal farmers still remain, highlighting the need for more inclusive implementation of priority sector lending.

## III. ROLE OF SCBS IN AGRICULTURAL CREDIT

Scheduled Commercial Banks are largest credit providers followed by Cooperatives and Regional Rural Banks. It is observed that after the nationalization of commercial banks of India in 1969, the commercial banks as a whole have increased consistently its share in institutional credit to agriculture sector. SCBs expanded their branch network, mobilized rural savings, and provided both short-term and long-term agricultural loans to farmers. Their contribution has been particularly significant in financing crop production, farm mechanization, irrigation projects, and allied agricultural activities, thereby supporting agricultural modernization and rural economic development. Over the years, several institutional reforms, such as the establishment of National Bank for Agriculture and Rural Development (NABARD), Regional Rural

Banks, and the introduction of schemes like the Kisan Credit Card, further strengthened the agricultural credit system. Among all institutional sources, SCBs have emerged as major contributors to agricultural credit, accounting for a substantial share of total institutional lending to agriculture. Their role has been instrumental in supporting the Green Revolution and improving agricultural productivity.

#### IV. OBJECTIVES OF THE STUDY

- To study the growth of agricultural credit provided by Scheduled Commercial Banks in India.
- To analyze the statewise contribution of SCBs in agricultural financing.

#### V. REVIEW OF LITERATURE

Barot & Pate(2015) Existing literature indicates that although institutional credit to the agricultural sector in India has increased significantly over the years, several challenges still exist regarding its effective allocation and utilization. Research highlights that agricultural credit should reach the intended beneficiaries in a timely manner, at the appropriate location, and in sufficient quantity to generate meaningful improvements in agricultural productivity and rural development. Therefore, efficient distribution, proper targeting, and timely delivery of institutional credit are essential for achieving sustainable and inclusive growth in the agricultural sector.

Pandey et al (2022)The study shows that institutional credit per hectare and agricultural GDP have increased over time. Initially, cooperative banks played a major role in agricultural lending, but later scheduled commercial banks became more important, although their share has declined significantly.

It also finds that along with credit, factors like labour and irrigation help improve agricultural output, while cropping intensity has little effect. The study suggests the need for new policies and funding support, especially for small and tenant farmers. It also recommends simplifying loan procedures to increase access to institutional credit.

Dilip Bhanagade (2012)<sup>2</sup> in his study on The study on “Agricultural Credit – Truths and Fallacies in India” highlights the gradual weakening of cooperative credit institutions, which has limited small and marginal farmers’ access to institutional finance. It argues that the mere presence of commercial banks in rural areas is insufficient to meet farmers’ growing credit needs. Commercial banks, driven by profit motives, are often reluctant to lend to small farmers and instead focus on meeting priority sector targets, frequently directing credit toward large landholders due to perceived lower risk. The study concludes that structural issues such as irregular irrigation, high input and labor costs, and declining soil quality make agriculture a high-risk and low-return sector for commercial banks.

Sudha Narayanan (2015) in her research paper titled “The Productivity of Agricultural Credit in India” examined the association between the agricultural credit and agricultural GDP (Gross Domestic Production) in India. The statelevel panel data from the year 1995 to 2012 has been used collectively to measure the relationship. The outcome showed that agriculture credit has played a significant role to respond against the background constraints of the agriculture sector. However, it had also been observed that agricultural credit had not transformed fully into agricultural GDP growth.

Harjeet Singh & Dr. Himanshu Gupta (2020) They determined study on institutional agricultural credit and repayment behaviour in India. This factors that influence farmers' borrowing and repayment behaviour in India. It highlights the need for policies that improve farmers' access to credit and provide better support for loan repayment, especially for small and marginal farmers. The study has important implications for policymakers and financial institutions involved in agricultural lending in India, and provides useful insights into how to improve the effectiveness and sustainability of agricultural credit programs.

Mihir Shah, Rangu Rao and P.S. Vijay Shankar (2007)suggested in the paper “Rural Credit in 20th Century India An Overview of History and Perspectives” that to meet the requirements of finance in rural India massive increase in public

investment in natural resource regeneration, market support for crops grown in rainfed areas, reforms of public sector banking, reforms of the cooperative credit structure and strengthening of the SHG-bank linkage program is required.

Panandikar S. G. (1975)<sup>50</sup> in his book entitled "Banking in India", highlighted that channelizing the credit flow to priority sectors was the prime objective of nationalization, accordingly nationalized banks have marked their journey towards lending to priority sectors. Share of total credit to priority sectors jumped from 15 percent in 1969 to 25 percent by 1973. Number of accounts with public sector banks rose from 2.6 lakhs to 15.59 lakhs for various priority sectors during the same period. Advances improved from Rs 438 Crores to Rs 1367 Crores, out of which 80% of credit was extended to agriculture and small-scale industries.

Gowhar Bashir, Ashaq Hussain Ganie and MohdUmmer Jan Padder (2013) assess the quantum of loans issued and outstanding by institutional agencies and to examine the progress of Scheduled Commercial Banks in supplying agricultural credit in India. It has been found that the institutional credit has been increased in the quantum but still, the bank has to take the prompt measure for the repayment of the institutional credit for the development of the country.

## VI. RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature and is primarily based on secondary data. The purpose of the study is to examine the growth, trends, and performance of agricultural credit provided by Scheduled Commercial Banks (SCBs) in India, along with understanding their contribution to agricultural development and rural financing.

The data used for this study has been collected from various authentic and published sources. Major sources include annual reports, statistical publications, and databases of the Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), reports published by the Ministry of Finance, Government of India, Economic Surveys, and other official government publications.

In addition to this, relevant information has also been collected from research journals, academic books, published articles, working papers, and previous studies related to agricultural finance and rural credit. To analyze the collected data, graphs, and charts have been used. These graph help in understanding the changing pattern of agricultural credit, the share of SCBs in total institutional credit, and their role in supporting agricultural development in India.

This methodology provides a systematic framework for evaluating the effectiveness and contribution of Scheduled Commercial Banks in agricultural financing.



The bar graph shows the changing share of institutional agricultural credit provided by Scheduled Commercial Banks (SCBs) Co-operative Banks Regional Rural Banks (RRBs) from 1981–82 to 2017–18.

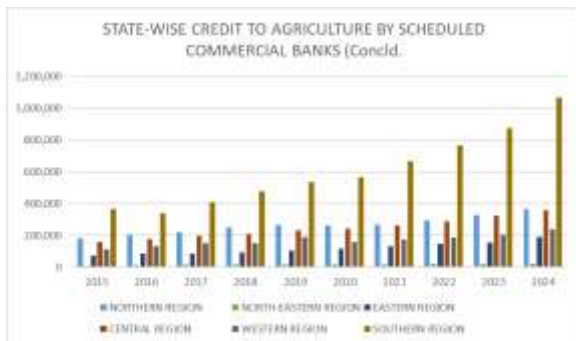
### Interpretation of the figure

The share of Scheduled Commercial Banks (SCBs) increased significantly over the study period: Around 42% in 1981–82 Increased to nearly 75% by 2017–18. This indicates that SCBs became the dominant source of institutional agricultural credit in India. Their expansion after bank nationalization, rural branch expansion, priority sector lending, and schemes such as Kisan Credit Cards helped increase their role. Decline of Co-operative Banks The share of Co-operative Banks declined considerably: Around 55–56% in 1981–82

Reduced to nearly 13% in 2017–18 This suggests that although cooperative banks were once the major lenders to agriculture, their relative contribution decreased over time as commercial banks expanded. Moderate Role of RRBs

Regional Rural Banks (RRBs) maintained a smaller but stable contribution: Around 3–4% initially Increased gradually to 10–13%. RRBs mainly serve small and marginal farmers in rural areas.

The data clearly shows a structural shift in agricultural credit delivery in India. Over time, SCBs emerged as the leading institutional source of agricultural finance, replacing cooperative banks as the major credit providers. This reflects increasing formalization of rural credit, stronger banking outreach, and policy support toward commercial banking participation in agriculture. However, cooperative banks still remain important due to their grassroots connection with small farmers.



The graph shows the region-wise distribution of agricultural credit provided by Scheduled Commercial Banks (SCBs) in India from 2015 to 2024. It is observed that the Southern Region received the highest agricultural credit throughout the study period and showed strong growth over the years. The Northern, Central, and Western Regions also recorded steady increases in credit flow. The Eastern Region showed moderate growth, while the North-Eastern Region received the lowest share of agricultural credit during the entire period. Overall, the data indicates significant regional disparities in agricultural credit distribution. The higher credit flow in the Southern Region reflects better banking penetration and agricultural development, whereas lower credit in the North-Eastern Region highlights the need for improved financial inclusion and banking outreach.

## VII. MAJOR FINDINGS

The analysis of agricultural credit provided by Scheduled Commercial Banks (SCBs) in India

reveals several important findings. The study shows that agricultural credit disbursed by SCBs has increased significantly over the years due to policy initiatives such as bank nationalization, priority sector lending norms, and rural branch expansion. SCBs have gradually emerged as the largest institutional source of agricultural finance, replacing cooperative institutions in terms of credit share. According to various banking reports, the share of SCBs in institutional agricultural credit has shown continuous growth over the last few decades.

The study further finds that public sector banks contribute a larger share in agricultural lending compared to private sector banks due to their wider rural branch network, social banking objectives, and government-directed lending programs. However, private banks have also shown gradual participation in recent years.

Another important finding is that small and marginal farmers, despite forming the majority of agricultural households, continue to face barriers in accessing institutional credit. Issues such as lack of collateral security, low financial literacy, incomplete documentation, and procedural complexities often limit their access to formal banking services. Studies also indicate that informal sources of credit still exist in rural areas.

The analysis also identifies regional disparities in agricultural credit distribution. Regions such as Southern and Central India receive comparatively higher agricultural credit, while North-Eastern and some Eastern regions continue to experience lower institutional credit flow. Such disparities are influenced by differences in branch penetration, infrastructure development, and credit absorption capacity

Further, loan recovery and increasing Non-Performing Assets (NPAs) remain significant challenges for SCBs. Agricultural lending is affected by factors such as crop failure, climatic uncertainties, natural disasters, price fluctuations, and periodic loan waiver schemes, which impact repayment behavior and banking efficiency

#### VIII. SUGGESTIONS

Based on the findings of the study, it is suggested that Scheduled Commercial Banks should simplify loan procedures and documentation to improve farmers' access to institutional credit, especially for small and marginal farmers. Financial literacy programs should be strengthened in rural areas to increase awareness about banking services and agricultural loan schemes. SCBs should also expand digital banking facilities to improve credit accessibility in remote regions. In addition, better credit monitoring and recovery mechanisms should be adopted to reduce loan defaults. Special focus should be given to underserved regions through effective implementation of priority sector lending, along with stronger coordination among the Reserve Bank of India, National Bank for Agriculture and Rural Development, commercial banks, and government agencies for strengthening agricultural finance in India.

#### IX. CONCLUSION

The study concludes that Scheduled Commercial Banks have played a transformative role in the development of agricultural finance in India. Their contribution has significantly increased the flow of institutional credit to agriculture and allied activities, supporting farm modernization, productivity enhancement, rural employment, and overall economic development. Over the years, SCBs have emerged as the dominant source of agricultural credit due to policy support, branch expansion, and institutional reforms. However, challenges such as unequal regional distribution, limited outreach to small and marginal farmers, credit inefficiencies, and rising NPAs continue to affect the effectiveness of agricultural lending.

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