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BANK CREDIT TO AGRICULTURE IN INDIA: TRENDS IN THE 1990s AND 2000s

R. Ramakumar[1]

I
INTRODUCTION

Credit supply is an important determinant of investment in agriculture. Since the nationalisation of commercial banks in 1969, India had strongly pursued a policy of "social and development banking" in the rural areas. As a result, formal institutions of credit provision, mainly commercial banks, emerged as important sources of finance to agriculture displacing usurious moneylenders and landlords. The policy of social and development banking was a supply-led policy; it aimed at augmenting the supply of credit to rural areas, and that too at an affordable interest rate (Shetty 2006; Chavan 2005).

Three aspects of the post-1969 policy of social and development banking stand out. *First*, according to the new branch licensing policy, commercial banks were required to open four branches in unbanked rural areas for every branch opened in metropolitan or port areas. As a result, if there were only 1443 rural branches of banks in 1969, there were 35,134 rural branches of banks by 1991. *Secondly*, according to the policy of priority sector lending, 40 per cent of the net bank credit was to be compulsorily provided to those sectors of the economy (or sections of the society) that would not get timely and adequate credit in the absence of binding targets. These sectors were, typically, loans to farmers for agriculture and allied activities (18 per cent), micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections (10 per cent). *Thirdly*, according to the differential interest rate scheme of 1974, loans were provided at concessional interest rates on advances made by public banks to selected low income groups to engage in productive and gainful activities. The differential rate of interest was fixed uniformly at 4 per cent per annum, i.e., 2 per cent below the bank rate.

There is little quarrel among economists on the effect that the increased flow of bank credit after 1969 had on agricultural growth in India. The regulations on banking and the promotional role of the government were premised on the recognition that rural credit markets are deeply imperfect. The social and developing banking policy consciously mopped up surplus-savings as deposits from richer rural areas and diverted them as loans to savings-deficient areas (Ramachandran and Swaminathan, 2001). Increased availability of credit from public banks helped small and marginal farmers adopt the costlier new technologies and farming practices, which were a part of the green revolution strategy.

Yet, in the early-1990s, the policy of social and development banking was criticised by the proponents of financial liberalisation. Each of the three aspects of rural credit expansion listed above were sought to be undone. First, the Committee on the Financial System (Narasimham Committee) made a sharp pitch for delinking monetary policy from the objective of redistribution (RBI, 1991). It argued that banks should function on a commercial basis, and profitability should be the prime concern in their activities. Thus, banks were to be permitted to close rural branches, in the name of rationalisation of branch networks. Secondly, the norms

[1] Associate Professor, School of Development Studies, Tata Institute of Social Sciences, Mumbai – 400 088, India; email: rr@tiss.edu. The arguments in this article come from my joint research work undertaken with Pallavi Chavan over many years.

related to the definition of priority sector lending were increasingly diluted. Thirdly, it was argued that banks should be given a free hand to charge rates of interest because administering interest rates would lead to "financial repression." Financial repression is a situation where the degree of financial intermediation is weak due to negative real rates of interest on deposits and a large spread between borrowing and lending rates. As a result, it was argued, private savings and investments are discouraged in the economy.

It was completely erroneous to argue that savings and investment rates in India were discouraged in the period of the so-called "financial repression". Even among neo-liberal economists, there is no consensus on whether administered interest rates discourage savings and investment in the economy. In fact, the work of Vijay Joshi and I. M. D. Little – two protagonists of economic reform in India – show that nationalisation of banks in 1969 was a major driver of financial intermediation (Joshi and Little, 1998). The share of deposits to GDP rose from 13 per cent in 1969 to 38 per cent in 1991 and the share of advances to GDP rose from 10 per cent in 1969 to 25 per cent in 1991 (p. 36). They noted that:

> "the increasing degree of financial intermediation was closely associated with the *very rapid spread of commercial banking* throughout the country after bank nationalisation in 1969…This spread has also surely contributed to the rapid rise in household financial savings and probably also to the rise in the overall rate of saving (p. 36)…*Financial repression was therefore mild* and any deleterious effects on savings were offset by the rapid spread of banking" (Joshi and Little, 1998, p. 255, emphasis added).

Recommendations of the Narasimham Committee, except a few, were implemented to a large extent in the 1990s and 2000s.[2] Consequently, the period of financial liberalisation after 1991 was a period of reversal of the achievements of social and development banking. It is by now well documented that the trends that emerged in India in the 1990s with respect to the supply of rural credit in general, and agricultural credit in particular, were deeply disturbing. In the 1990s, there was (a) large-scale closure of commercial bank branches in rural areas; (b) a widening of inter-State inequalities in credit provision, and a fall in the proportion of bank credit directed towards regions where banking was historically underdeveloped; (c) a sharp fall in the growth of credit flow to agriculture; (d) increased sidelining of small and marginal farmers in the supply of agricultural credit; (e) increased exclusion of the disadvantaged and dispossessed sections of the population from the formal financial system and (f) strengthening of the hold of moneylenders on rural debt portfolios (for details, see the collected papers in Ramachandran and Swaminathan, 2005; Shetty, 2006; Chavan, 2005, 2007).

In 2004, the government announced its intent to double the flow of credit to agriculture over a period of three years. Increase in credit flow was an integral part of the so-called "New Deal for Rural India" promised by the United Progressive Alliance (UPA) government. A "comprehensive credit policy" was announced in June 2004, which included the commitment to raise agricultural credit flow by 30 per cent every year, financing of 100 farmers per branch (thus, 50 lakh farmers in a year), two to three new investments in agricultural projects per branch every year and a host of debt relief measures, such as debt restructuring, one-time settlement and financial assistance to redeem loans from moneylenders (see Ministry of Agriculture, 2007).

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[2] Narasimham Committee's recommendations were more than backed up by the two major regulators of the Indian financial sector: the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD). A booklet brought out by NABARD in 1997 asserted that the argument that "rural poor...need credit on concessionary rate of interest and soft terms" is a "myth" (NABARD, 1997, p.8). In this view, the "reality" was that the "rural poor...[are] not much concerned with cost of credit, but want timely and adequate credit" (*ibid*, p. 8). Similarly, the RBI noted in a report, outrageously so, that "freedom from poverty is not for free. The poor are willing and capable to pay the cost" (RBI, 1999b, p. 12).

From 2004 onwards, it is regularly claimed in official circles that the flow of credit to agriculture has been increasing at a rapid rate, even surpassing its annual targets (Ministry of Finance, 2007; NABARD, 2006). In fact, an impression is often gained from official statements that the problem of agricultural credit has been set right with the doubling of credit flow. The present article deals with the trends in agricultural credit in the 2000s and closely examines the claim of the government that the problem of agricultural credit has been set right after 2004. In this article, we deal only with credit from commercial banks; the issues with agricultural credit from co-operatives are proposed to be taken up separately elsewhere.

II
TRENDS IN GROWTH OF AGRICULTURAL CREDIT IN THE 1990s AND 2000s

Historically, agricultural credit has comprised mainly of credit provided directly to cultivators, which was called "direct finance to agriculture". Within direct finance to agriculture, short-term-credit or credit for seasonal agricultural operations has accounted for a significant share. Short-term loans to agriculture are referred to as "crop loans", as they are advanced for crop cultivation against the hypothecation of the crop to be cultivated by the farmer. Crop loans are provided as cash or in kind, such as the supply of fertilisers and seeds. Apart from crop loans, direct finance also includes credit for medium and long-term investment in agriculture. The second component of agricultural finance is called "indirect finance", which does not go directly to cultivators but to institutions that support agricultural production in rural areas. The typical forms of indirect finance to agriculture were loans to input dealers for their role in the provision of agricultural inputs and loans to electricity boards for supplying power to cultivators.

In the 1990s, when India began to implement the policy of financial sector liberalisation, there was a significant slowdown in the growth of commercial bank credit to agriculture compared to the 1980s.[3] As Table 1 shows, after recording an annual rate of growth of 6.8 per cent between 1981 and 1990, agricultural credit grew at just 2.6 per cent per annum between 1991 and 2001. Further, the growth rate of agricultural credit in the 1990s was less than the growth rate of the rural population in the corresponding period (Chavan, 2002).

Table 1 *Rate of growth of credit to agriculture, total bank credit and agricultural GDP, 1972 to 2011*, in per cent per annum

Period	Annual growth rates (%) in		
	Credit to agriculture	Total bank credit	Agricultural GDP
1972-1980	16.1	8.4	2.3
1981-1990	6.8	8.0	3.5
1991-2001	2.6	7.3	2.8
2002-2011	17.6	15.7	3.3

Source: 'Basic Statistical Returns', Reserve Bank of India, various issues.

The slowdown of agricultural credit in the 1990s appears to have been reversed in the period after 2000. Between 2002 and 2011, agricultural credit grew by 17.6 per cent per annum, which

[3] The slowdown in the growth of agricultural credit flow in the 1990s had prompted. Y. V. Reddy, the then Governor of the Reserve Bank of India (RBI) to note that: "…the flow of credit to rural areas by [public sector] banks in recent years has not been up to the mark…In fact, the very purpose of deregulation of interest rates for this sector, which was expected to encourage banks to lend higher, does not seem to have served its purpose fully" (Reddy, 2001, pp. 4-5).

was significantly higher than the growth rate recorded for the 1990s. The increase in the growth rate of agricultural credit in the 2000s was so significant that the level of credit reached in 2011 was considerably higher than what it would have been if credit had grown in the 1990s and 2000s at the growth rate of the 1980s.

It was not just the growth rate of the flow of agricultural credit that increased. There was also an increase in the number of rural branches of commercial banks after 2006. Between 1995 and 2005, there was a closure of 922 rural bank branches across India. However, between 2006 and 2012, the number of rural bank branches sharply rose by 5,662: i.e., from 30,188 branches to 35,850 branches.

Between 2004 and 2011, agricultural credit rose from Rs 96,245 crore to Rs 461,021 crore: an increase of Rs 364,776 crore. How much of this is indeed "agricultural credit", as we know it? To what extent is the claim of agricultural credit expansion real?

III
CERTAIN FEATURES OF AGRICULTURAL CREDIT GROWTH IN THE 2000s

There are three distinct features of the growth in agricultural credit, which have had a major role in determining the *extent* of increase in credit supply as well as its *distribution* within the agricultural sector. These features are discussed separately in the sub-sections below.

The Role of Indirect Finance

First, a significant proportion of the increase in total bank credit to agriculture in the 2000s was accounted for by *indirect finance* to agriculture. Of the total increase in credit supply to agriculture between 2000 and 2011, about one-third was contributed by indirect finance.

In the decade of the 1990s and after, the share of indirect finance in total agricultural finance has consistently risen (see Table 2). Between 1985 and 1990, there was a fall in the share of indirect finance in total agricultural finance; the share began to rise after 1990 to reach 15.5 per cent in 2000, 23.9 per cent in 2005 and 25.5 per cent in 2007. Thus, while the share of indirect finance in total agricultural finance had begun to rise in the 1990s, its increase in the 2000s was considerably faster.

Table 2 *Shares of direct and indirect finance to agriculture in total credit to agriculture from scheduled commercial banks, India, 1985 to 2010*, in per cent

Year	Share in total agricultural credit (per cent)		
	Direct finance	Indirect finance	**Total**
1985	83.2	16.8	**100.0**
1990	86.8	13.2	**100.0**
2000	84.5	15.5	**100.0**
2005	76.1	23.9	**100.0**
2006	72.1	27.9	**100.0**
2007	74.5	25.5	**100.0**
2008	77.5	22.5	**100.0**
2009	77.1	22.9	**100.0**
2010	76.1	23.9	**100.0**

Source: 'Basic Statistical Returns', Reserve Bank of India, various issues.

From the 1990s onwards, the definition of what constitutes indirect finance to agriculture has been broadened significantly by the RBI.[4] The widening of the scope of indirect finance has, in all likelihood, influenced the growth of indirect finance from the mid-1990s. The major changes introduced in the definition of indirect finance are given below:

- Till 1993, only direct finance to agriculture was considered as a part of the priority sector target of 18 per cent for agriculture and allied activities. From October 1993 onwards, direct and indirect finance were considered together for meeting the priority sector target.
- In October 1993, it was stipulated that indirect finance to agriculture only up to one-fourth of the total agricultural advances would be considered while meeting the priority sector target of 18 per cent for agriculture. However, indirect finance over and above one-fourth of total agricultural advances was allowed to be reckoned while meeting the overall target of 40 per cent for priority sector advances.
- From May 1994 onwards, loans up to Rs 5 lakh for financing distribution of inputs for allied activities in agriculture, such as cattle feed and poultry feed, were considered as indirect finances to agriculture. The upper limits were revised and fixed at Rs 15 lakh in April 2000, Rs 25 lakh in April 2002, and Rs 40 lakh in October 2004.
- From June 1996 onwards, loans to dealers in drip irrigation systems, sprinkler irrigation systems and agricultural machinery were considered as indirect finances to agriculture. From October 2002 onwards, the credit limit to these dealers was raised from Rs 10 lakh to Rs 20 lakh; it was further raised to Rs 30 lakh in October 2004. Till April 2003, only loans to those dealers *located in rural or semi-urban areas* were under the ambit of indirect finances. However, from April 2003 onwards, all dealers, *irrespective of their location*, were treated as eligible for such advances.
- Loans extended to State Electricity Boards (SEBs) for reimbursement of expenditure towards providing low-tension connection to individual farmers from step-down points for energising wells were always classified as indirect finance to agriculture. From 2001 onwards, loans to SEBs for systems improvement under the Special Project Agriculture (SI-SPA) were also considered as indirect finance to agriculture. From July 2005 onwards, loans to power distribution corporations or companies, emerging out of the bifurcation or restructuring of SEBs as part of power sector reforms were also considered as indirect finance to agriculture.
- From August 2001 onwards, loans extended under the scheme for financing "agriclinics" and "agribusiness centres" were considered as indirect finance to agriculture.
- From July 2001 onwards, subscription to the bonds issued by Rural Electrification Corporation (REC) exclusively for financing the pump set energisation programme in rural an semi-urban areas was considered as indirect finance to agriculture.[5]
- From April 2000 onwards, loans from banks to Non-Banking Financial Companies (NBFCs) for on-lending to agriculture were considered as indirect finance to agriculture.
- From November 2002 onwards, loans for the construction and running of storage facilities (warehouse, market yards, go-downs, silos and cold storages) *in the producing areas* and loans to cold storage units *located in rural areas*, which were used for hiring and/or storing mainly agricultural produce, were considered as indirect finance to agriculture.

[4] Similar changes have been introduced in the 1990s by the RBI in the definition of priority sector also. According to Y. V. Reddy, "…coverage of definition of priority sector lending has been broadened significantly in the recent years, thus overestimating credit flows to actual agricultural operations in recent years" (Reddy, 2001, p. 5).
[5] However, in July 2004, it was decided not to consider the investments made by banks after April 1, 2005 in the bonds of Rural Electrification Corporation (REC) under indirect finance to agriculture.

However, from May 2004 onwards, loans to storage units, including cold storage units, that were *designed to* store agricultural produce, *irrespective of their location*, were treated as indirect finance to agriculture.

- From May 2004 onwards, if the securitised assets of a bank represented indirect finances to agriculture, investment by banks in such assets was considered as indirect finance to agriculture.
- From April 2007 onwards, loans to food- and agro-based processing units with investments in plant and machinery up to Rs 10 crore (other than the units run by individuals, Self Help Groups and cooperatives in rural areas) were considered as indirect finance to agriculture.
- From April 2007 onwards, two-thirds of loans given to *corporates, partnership firms* and *institutions* for agricultural and allied activities (such as beekeeping, piggery, poultry, fishery and dairy) in excess of Rs 1 crore in aggregate per borrower was considered as indirect finance to agriculture. The rest of one-third was to be treated as direct finance.
- From October 2012 onwards, all of the loans given to *corporates, partnership firms* and *institutions* for agricultural and allied activities in excess of Rs 2 crore in aggregate per borrower was treated as indirect finance. All such loans below Rs 2 crore were to be treated as direct finance.

As we have seen, indirect finance to agriculture expanded rapidly since the late-1990s, thus aiding significantly the growth of total agricultural credit. Most of the above-cited definitional changes (that either expanded the ambit of indirect finance or steeply raised ceilings on loan sizes) also took place since the late-1990s. In other words, the task of banks to follow the government's directive in 2004 to double agricultural credit became considerably easier given the major changes in the definition of indirect finance.

Increase in indirect finance is necessary to improve the capacity of farmers to absorb more direct finance. However, the promotion of indirect finance should not lead to an undermining of direct finance. The RBI's "Advisory Committee on Flow of Credit to Agriculture and Related Activities" in 2004 noted the demand made by banks to relax the stipulation that indirect finance to agriculture should not exceed 4.5 per cent of the net bank credit.[6] This stipulation was earlier put in place in order to channel bank finance directly to farmers. The Advisory Committee rejected this demand by banks and noted that "indirect lending needs to be subject to certain limitations, lest banks neglect direct finance for agricultural production, which may jeopardise the goal of achieving annual growth of 4 per cent in agricultural production" (RBI, 2004, p. 32).[7]

Increase in Agricultural Loans with Large Credit Limits

Secondly, much of the increase in the total advances to agriculture in the 2000s were on account of a sharp increase in the number of loans with size of Rs 10 crore and above, and particularly Rs 25 crore and above. In Table 3, I have provided the distribution of the amount of agricultural advances (direct *plus* indirect) by credit limit size-classes of loans for the period 1985 to 2011. A comparison of figures for 1990 with those of 2010 shows that the share in total of advances of loans of size "less than Rs 2 lakh" shrunk significantly. The share in total advances of advances of size less than Rs 2 lakh declined from 82.6 per cent in 1990 to 44.3 per cent in 2010. On the

[6] It may be reiterated here that indirect finance to agriculture over and above 4.5 per cent of the net bank credit is considered under total priority sector credit. This provision has provided an easy route for banks to meet the overall target set for priority sector credit.

[7] It is a different matter, however, that many of the changes in the definition of indirect finance to agriculture in 2004 were made on the basis of the report of the same Advisory Committee.

other hand, the share in total advances of advances of size above Rs 10 crore increased sharply from 1.3 per cent in 1990 to 20.4 per cent in 2010.

Table 3 *Distribution of amount outstanding under total agricultural advances by scheduled commercial banks, by credit limit size-classes of loans*, in per cent

Credit limit size class of loans (Rs)	Share of amount outstanding in total amount outstanding (%)			
	1990	2000	2005	2010
Less than 2 lakh	82.6	67.6	51.9	44.3
2 lakh to 10 lakh	4.3	11.7	17.9	22.6
10 lakh to 1 crore	7.6	6.6	6.4	6.4
1 crore to 10 crore	4.2	6.7	8.0	6.3
10 crore to 25 crore	1.3	1.7	3.3	2.7
Above 25 crore		5.7	12.6	17.7
Total advances	**100.0**	**100.0**	**100.0**	**100.0**

Source: 'Basic Statistical Returns', Reserve Bank of India, various issues.

The implications of these changes should be clear: no farmer takes a loan of size more than Rs 2 lakh in size. If Rs 2 lakh is taken as a cut-off size of a farmer's agricultural loan, then data in Table 3 show that only 44.3 per cent of the total agricultural credit has reached the farmers. In 2010, the total supply of agricultural credit was Rs 461,000 crore. Within this amount, only Rs 204,223 crore is likely to have reached the farmers, and the rest of Rs 256,777 crore is likely to have reached, among others, input dealers or agri-business firms or corporate groups involved in agricultural activities.

The growing shift in recent times towards loans with large credit limits are closely related to the changes in official policy on agriculture in India, which increasingly favours the growth of a capital-intensive and export-oriented production pattern in agriculture. The changes in the definition of indirect finance to agriculture since the late-1990s have also been in line with the new emphasis in official policy.

Urbanisation of agricultural credit

Thirdly, there was an increased provision of agricultural credit from bank branches in urban and metropolitan areas in the 2000s (Chavan, 2009; 2013a). The share of agricultural credit in rural areas, which are commonly associated with agricultural activities, saw a fall during this period (Table 4). In 2011, about one-third of total agricultural credit and one-fourth of direct agricultural credit were outstanding from bank branches located in the urban or metropolitan areas. This again implied a relative diversion of agricultural credit towards urban-based dealers (as part of indirect credit) and urban-based corporates (as part of direct credit) and away from farmers based in rural areas.

Increasing disconnect between credit and investment

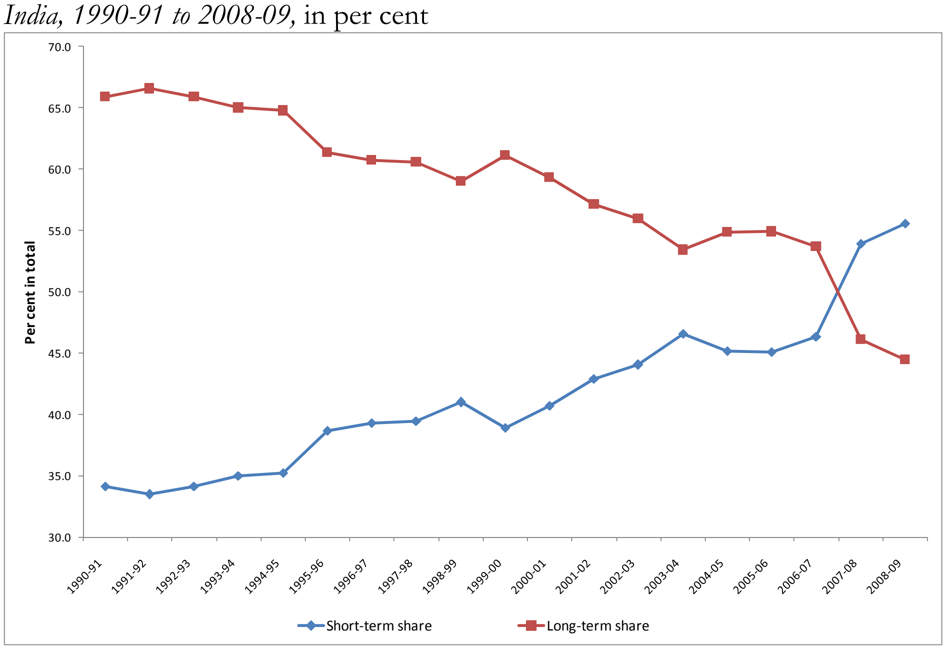
Fourthly, changes in the nature of agricultural credit in the 2000s also led to a growing disconnect between credit and investment in agriculture. There was a sharp fall in the share of long term credit (that aids investment) and a sharp rise in the share of short term credit in the lending of commercial banks after 1991 (Figure 1). In 1990-91, the share of long term credit in total agricultural credit was about 66 per cent, which fell to 44.4 per cent in 2008-09. On the other hand, the share of short term credit in total agricultural rose from 34.1 per cent in 1990-91 to 55.6 per cent in 2008-09. The sharp decline in lending of long term loans is likely to have significantly contributed to the fall of agricultural investment in the 1990s and 2000s (see also Ramakumar, 2012).

Table 4 *Share of agricultural credit outstanding in rural and urban areas, 1990-2011*, in per cent

Year	**Share (%) of total agricultural credit outstanding from**		
	Rural branches	Urban or metropolitan branches	All branches
Period I			
1990	85.1	14.9	100.0
1994	83.4	16.6	100.0
Period II			
1995	83.7	16.3	100.0
2005	69.3	30.7	100.0
Period III			
2006	62.4	37.6	100.0
2011	66.9	33.1	100.0
	Share (%) of direct agricultural credit outstanding from		
	Rural branches	Urban or metropolitan branches	All branches
Period I			
1990	88.8	11.2	100.0
1994	89.0	11.0	100.0
Period II			
1995	88.6	11.4	100.0
2005	84.3	15.7	100.0
Period III			
2006	80.0	20.0	100.0
2011	74.4	25.6	100.0

Source: Chavan (2013a).

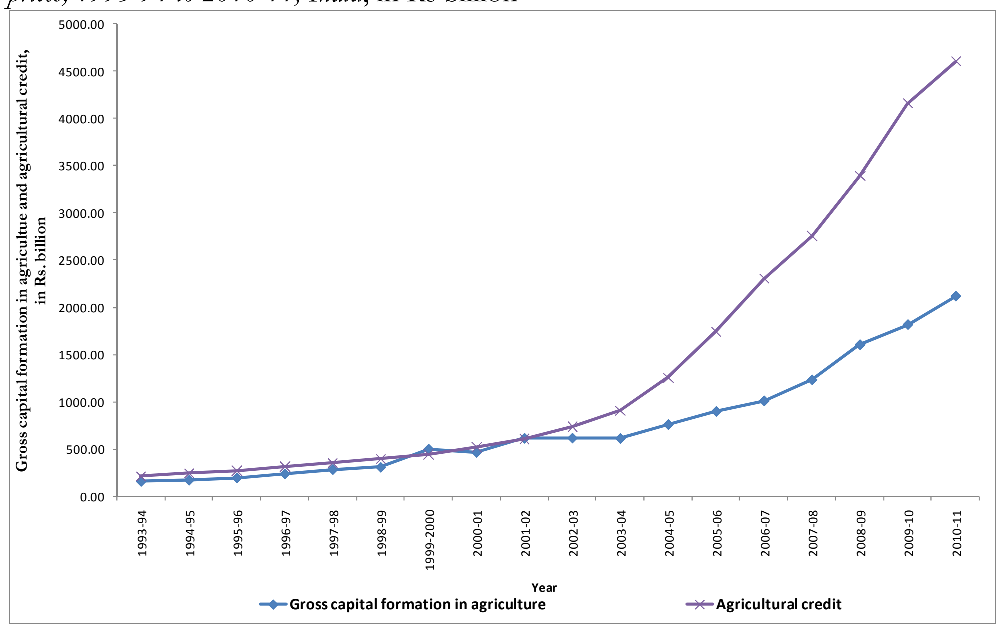
Figure 1 *Shares of long-term and short-term credit in total agricultural credit, scheduled commercial banks, India, 1990-91 to 2008-09,* in per cent



Source: Chavan (2013b).

Secondly, as a result, the difference between agricultural credit and gross capital formation in agriculture was almost insignificant till 2001-02 (Figure 2). Credit and capital formation were roughly at similar levels, as well as they moved together at every year. However, after 2001-02, trends in credit and capital formation began to diverge. From 2002-03 onwards, agricultural credit grew rapidly compared to capital formation in agriculture, and the difference between the amounts of agricultural credit and agricultural capital formation grew. In other words, only an increasingly smaller portion of credit supplied to agriculture was transformed into capital investment in agriculture in the 2000s (see also Chavan, 2013b).

Figure 2 *Trends in gross capital formation in agriculture and allied sectors and agricultural credit, at current prices, 1993-94 to 2010-11, India*, in Rs billion



Source: Compiled from various CSO and RBI reports.

IV
CONCLUDING POINTS

The increase in the supply of credit to agriculture has been claimed to be one of the most significant achievements of the UPA governments after 2004. In this article, our effort was to critically examine this claim using secondary data on commercial banks. Four conclusions may be summarised as below.

First, the growth rate of credit flow to agriculture from commercial banks in the period 2002 to 2011 was 17.6 per cent per annum, which was significantly higher than the corresponding growth rate in the period between 1991 and 2001. However, contrary to general perception, this revival of credit flow to agriculture cannot be attributed to the announcement of the government in 2004 to double credit flow to agriculture in three years. In fact, the revival had begun in the early-2000s itself.

Secondly, the extent of revival of credit flow to agriculture in the 2000s would have been far less impressive in the absence of a sharp growth in indirect finance to agriculture. About one-third of the increase in credit flow to agriculture between 2002 and 2010 was on account of the increase in indirect finance. This growth did not originate from a growth in the traditional components of indirect finance, such as loans for the supply of inputs, power and credit to agriculture. On the contrary, the sharp growth in indirect finance in the 2000s was the result of a series of definitional changes effected by the RBI since the second half of the 1990s. These definitional changes broadly involved (a) the addition of new forms of financing commercial, export-oriented and capital-intensive agriculture; (b) raising the credit limit of many existing forms of indirect financing; and (c) bringing loans given to corporates and partnership groups also into the ambit of agricultural credit. Indeed, meeting the task of doubling agricultural credit appears to have become much easier for banks as a result of these definitional changes.

Thirdly, the entire growth of indirect finance to agriculture in the 2000s originated from a major expansion of loans with a credit limit of more than Rs 10 crore, and particularly more than Rs 25 crore. These large loans were advanced towards financing the new activities added to the definition of indirect advances since the late-1990s. Much of these large-sized advances were made towards financing large agribusiness-oriented enterprises. In 2010, only about 44 per cent of all agricultural loans were of size less than Rs 2 lakh per borrower.

Fourthly, there was a major rise in the share of agricultural credit given out from urban and metropolitan branches of commercial banks in the 2000s. In 2011, about one-third of total agricultural credit and one-fourth of direct agricultural credit were outstanding from commercial bank branches located in the urban or metropolitan areas.

Fifthly, there was a sharp fall in the share of long-term agricultural loans in total agricultural credit in the 1990s and 2000s. Consequently, only an increasingly smaller portion of agricultural credit was transformed into capital investment in agriculture.

In sum, there is little evidence to argue that the major beneficiaries of the revival in agricultural credit in the 2000s have been the small and marginal farmers. The major beneficiaries have been the groups that have been significantly favoured by the UPA government in all branches of economic governance: the large agri-business groups and corporate firms involved in agriculture for sheer profit making.

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