

## INDIRECT AGRICULTURAL ADVANCES IN PRE AND POST REFORM PERIOD

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### ABSTRACT

Commercial banks and RRBs are mandated to direct at least 40 per cent of their total credit to various priority sectors. Within the total priority sector credit, a sub-target of 18 per cent is fixed for agriculture and allied activities for commercial banks. Such a policy of priority sector lending does not apply to rural cooperatives. However, since rural cooperatives primarily cater to the credit needs in rural areas, agriculture figures as an important part of their loan portfolio. Agricultural credit refers to direct (credit given directly to cultivators/producers in allied activities) and indirect credit (credit given to cultivators/others producers through an intermediary). Within the overall target of 18 per cent fixed for agriculture and allied activities in the case of commercial banks, it is stipulated that indirect agricultural credit cannot account for more than 25 per cent of total agricultural credit (4.5 per cent total bank credit) in order to ensure that banks give a greater thrust on lending directly to cultivators. However, the portion of indirect agricultural credit exceeding the limit of 25 per cent is considered as part of priority sector credit and helps in meeting the overall priority sector target of 40 per cent. Hence, notwithstanding the upper limit, there is an incentive for banks to give indirect credit to agriculture. In this backdrop, an attempt was made to assess the distribution of indirect agricultural credit in pre and post reform period.

The findings of the study shows that in the pre reform period, the co-operatives had the highest share in the distribution of indirect agricultural finance compared to other institutional agencies. In the pre reform period, the negative compound growth rate of indirect agricultural advances was achieved for all the institutional agencies except for Rural Electrification Corporation. In the post reform period, 48.127 percent of growth was achieved in the indirect agricultural advances by the cooperatives. It was the highest percentage. The comparative observation shows that the highest growth of indirect agricultural advances (outstanding) was achieved in the post reform period than in the pre reform period.

**KEYWORDS:** portfolio, Commercial banks, reform,

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