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An Analysis of Status and Trends of Investment Credit in Indian Agriculture

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ABSTRACT Reasonable level of investment in agriculture sector is essential for capital formation to generate growth. Gross Capital formation in agriculture declined from 10.2 per cent of GDP in 1999-2000 to 7.0 per cent of GDP in 2006-07. The declining investment credit in agriculture in recent years has been a major cause of concern despite Government of India's efforts of doubling of credit flow to agriculture during the period 2004-05 to 2006-07. This calls for devising a conscious, implementable strategy for increasing investment in the agriculture sector and also reducing interstate disparities therein. In the era of globalization, when agriculture is expected to satisfy not only the domestic demand but is also expected to leverage on its comparative advantages and contribute substantially to foreign exchange earnings by way of exports, capital formation in agriculture is crucial. Hence, the need for increasing investment credit in agriculture is being felt as never before.