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AGRICULTURE FINANCE IN INDIA

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ABSTRACT

The paper is developed with ihe intention lo study Agricultural Financing and more specifically to study schemes offered by government and other institutions in order to meet the need of farmers of our nation. This study focuses & helps to give the best policy schemes available for farmers for growth of agriculture sector.

India is identified as agro based country. Agriculture is backbone of Indian economy. Ttttlay also 60% of population dwells on agriculture. Agriculture plays a paramount role in India. Finance to agriculture sector is as important issue. The real development of the agriculture sector depends upon how the Government of India is providing finance to the farmers. Increasing finance and investment to rural areas is an important part for fulfilling their need of finance. Rural finance encompasses the range of financial services offered and used in rural areas by people of all income levels. It includes agricultural finance, which is dedicated to financing lending money for agricultural related activities such as by money lender, Indigenous Hankers, banks, individuals, government schemes etc.

Key Words: *Kissan Credit Card, Loans, Green Finance.*

INTRODUCTION

India is identified as agro based country. Agriculture plays a paramount role in India. On the other hand it's equally true that finance is the most important element of any sector. Finance is considered as bold of the any sector. More or less finance is required at every stage and for generation of the same proper planning is required. Providing agricultural finance is a long term decision and Indian banking sector largely promotes agricultural finance which helps the agricultural related people to carry on their activities efficiently and effectively without any obstacles.

There is huge difference between necessity and requirement. Agriculture finance is necessity of India. It is said that a strong tree is which, whose roots are strong. So same is the case here and hence major part of rural finance is utilized for agricultural finance because rural areas are roots of the agricultural.

Developing countries like India still have dominance of agriculture in their economy in terms of revenue generation as well as manpower employment. About 60% population engage in agriculture in India contributes 18% of GDP whereas the developed countries get only 2% of their GDP from agriculture. About 10% of the national exports originate in this sector it shows clearly that economic growth and development of India is closely tied to the development of agriculture. The agriculture sector, as such has been growing at a relatively low rate in comparison to other sector of the economy.

Finance to agriculture sector is as important issue. The real development of the agriculture sector depends upon how the Government of India is providing finance to the farmers. Finance is needed for purchased and used by farmer only if he has money. But his own money is not sufficient and ways inadequate and he needs outside finance, Private money lenders were the only source of credit to agriculture up to 1935. They were always using to charge very high rates of interest.

CONCEPT:

Agriculture is a major source of livelihood throughout the world, especially for the majority of poor people living in rural areas in developing countries. A key challenge for the majority of these farmers is -access to finance. Lack of access to finance is a major obstacle to farmers in improving the efficiency of their productions and adopting better technologies.

Increasing finance and investment to rural areas is an important part for fulfilling their need of finance. For addressing food security and poveny reduction different activity is to be carried out for which finance is required. Rural finance encompasses the range of financial services offered and used in rural areas by people of all income levels. It includes agricultural finance, which is dedicated to financing lending money for agricultural related activities such as by money lender, Indigenous hankers banks, individuals, government schemes etc. Farmers get loans for purchase of electric motor with pump, tractor and other machinery, digging wells or boring wells, installation of pipe lines, drip irrigation, planting fruii orchards, purchase of dairy animals and feeds/fodder for them, poultry, sheep/goat keeping and for many other allied enterprises.

Objectives of The Study

The main objectives of the study are as:

1. To study the role of present Government schemes introduced by the government tor agricultural finance in India.

2. To understand the concept of agricultural finance.

3. To identify the problems faced by farmers in getting agricultural finance by government schemes.

4. To suggest suitable policy for providing agricultural finance.

RESEARCH METHODOLOGY

The research paper mainly is based on secondary data. It includes such reference books, economic survey, research journals and websites related for agricultural finance.

Difficulties Faced By Farmers

Agriculture is backbone of Indian economy. Many new farmers have to face a difficulty in starting up a new farm operation like, producing agriculture products or to continue the old farming when funds are not available. Also due to the high cost and taxes charge by the government they fear to choose in continuing the operation. Also they fail to pay the debts, get problems in getting finance which leads them to commit suicide. Some of problems that Farmers faced are summed up as:

- Lack of knowledge and Information: Lack of education about credit available for Kissan Vikas.

- Technology: In new farm operation farmers always require new updated technology for which they get difficulty as funds are not available to them for purchasing of such new technology, machines.

- Credit related Issues: Adequate a timely credit is not given and there is undue delay dispensation of credit.

- Documentation and security norms: Some of farmers have expressed unhappiness about the security nonius and documentation process. And faced difficulty in understanding the process.

- Markets: To fulfill the demand of customers farmers need funds to meet their requirements like good quality of agro products to be produce.

Role Of Government In Developing Agriculture Sector

1. **Crop Loans :** Crop Loans are also called short term loans for "Seasonal Agricultural Operations." The Seasonal Agricultural Operations mean activities as are undertaken in the process of raising various crops and are seasonally recurring in nature; The activities include, acquiring and applying inputs such as seeds, fertilizers, pesticides etc. and labour for all operations in the field for raising & harvesting the crops. Thus, the credit required to meet the current expenditure for raising the crops on land till the crops are harvested for seasonal agricultural operations.

2. **Kissan Credit Card:** The Kissan Credit Card allows farmers to have cash credit facilities without going through time-consuming bank credit screening processes repeatedly. This scheme is eligible for all Farmers who are in need of short term production requirements, ATM facility and Personal Accident Insurance Scheme for life up to Rs.50000/- and permanent disability cover up to Rs.250(X)/- is available on request. Repayment can be rescheduled if there is a bad crop season, and extensions can be offered for up to 4 years. The card is valid for 3 years and subject to annual renewals. Withdrawals are made using slips, cards, and a passbook.

3. **Government subsides:** Many, subsidies are been provided by government for maintaining up the agricultural infrastructure for a period of time. They help farmer by providing this subsidies and tax incentives which led them to increase their income, manage the demand and supply of agricultural commodities, and influence the cost of such commodities. Such commodities may be including wheat. cotton, sugar etc. also helping in growth of agriculture sector.

4. **Insurance :** Agriculture in India is highly at risk like droughts and floods. It is necessary to protect the fanners from natural calamities and ensure their credit eligibility for the next season. For this purpose, the Government of India introduced many agricultural schemes throughout the country.

1. Comprehensive Crop Insurance Scheme
2 Experimental Crop Insurance
3 Farm Income Insurance Scheme .
4 National Agriculture Insurance Scheme. Schemes Offered

1. **Kisan Gold Card :** This scheme is available for general purpose for the development of the agriculture loan. Also the borrower has right to use the private purpose up to 50% of the amount for any purpose, including consumption purpose and purchase of land.

2. **Scheme Rr Cultivation of Medicinal :**This scheme is for financing cultivation of 22 medicinal plants cultivated extensively and also in great demand in the local as well as foreign market.

3. **Homestead Farming :** A scheme for financing farmers practicing mixed cropping / inter cropping along with allied activities to enable them to undertake cultivation of various crops in a more integrated way. The scheme provides the farmers with sufficient working capital required for their homestead farming (Mixed cropping along with allied activities) by fixing scale of finance based on land holding to meet the cost of entire farming activities.

4. **Scheme For Rain Harvesting :** Farmers who have land holding of 0.50 acre or more are eligible to be considered for finance under this scheme . The construction of low cost tanks for collecting and storing rain water and by means of it for irrigation, by drain off arrangement, utili/.ing gravitation flow or by installing motor pump can be manage under this scheme.

5. **Venture Capital Assistance Scheme :** SFAC (Small Farmers Agri-Business Consortium) promote investments in agri business projects with the participation of nationalized banks. State Bank of India and Industrial Development Bank Of India . They provide venture capital for

   i) Agri-projects upto 10% of the total project cost, or
   ii) 26% of the Total project equity or
   iii) Rs.75 lakh, whichever is lower.

6. **Agriculture Gold Leon:** This scheme is been offered to meet genuine credit requirements of farming including allied activities, repairing of equipments and consumption needs etc. of farmers.

Source of Agricultural Credit

The sources of agricultural finance are broadly classified into two categories - **Non-institutional** Credit Agencies or informal sources, and Institutional Credit Agencies or Formal Sources.

A. Non-institutional Credit Agencies:

I. Traders and **Commission Agents:** Traders and commission agents advance loans to agriculturists tor productive purposes against their crop without completing legal formalities. It often becomes obligatory for farmers to buy inputs and sell output through them. They charge a very heavy rale ot interest on the loan and a commission on all the sales and purchases, making it exploitative in nature.

II. ***Landlords:*** Mostly small farmers and tenants depend on landlords for meeting their production and day today financial requirements.

III. ***Money lenders;*** Despite rapid development in rural branches of different institutional credit agencies, village money lenders still dominate the scene. Money lenders are of two types- agriculturist money lenders who combine their money lending job with farming and professional money lenders whose sole job is money lending. A number of reasons have been attributed for the popularity of moneylenders such as:

a. they meet demand for productive as well as unproductive requirement;
b. they are easily approachable at odd hours; and
c. they require very low paper work and advances are given against promissory notes or land.
d. Money lenders charge a very high rate of interest as they take advantage of the urgency of the situation. Over the years a need for regulation of money lending has been felt. But lack of institutional credit access to certain sections and areas had facilitated unhindered operation of" money lending.

B. Institutional Credit Agencies:

The evolution of institutional credit to agriculture could be broadly classified into four distinct phases - 1904-1969 predominance of co-operatives and selling up of RBI), 1969-1975 [nationalization of commercial banks and setting up of Regional Rural Banks (RRBs)\, 1975-1990 (setting up oj NABARD) and from 1991 onwards (financial sector reforms'). Institutional funding of the farm sector is mainly by commercial banks, regional rural banks and co-operative banks. Share of commercial bunks in total institutional credit to agriculture is almost 48 percent followed by cooperative banks with a share of 46 per cent. Regional Rural Banks account for just about 6 per cent of total credit disbursement.'[1]

I. *Government:*

These are both short term as well as long-term loans. These loans are popularly known us "Taccavi loans" which are generally advanced in times of natural calamities. The rate of interest is low. But it is not a major source of agricultural finance.

II. ***Cooperative Credit Societies:***

The history of cooperative movement in India dates back to 1904 when first Cooperative Credit Societies Act was passed by the Government. The scope of the Act was restricted to establishment of primary credit societies and non-credit societies were left out of its purview. The shortcomings of the Act were rectified through passing another Act called Cooperative Societies Act 1912. The Act gave provision for registration of all types of Cooperative Societies. This made the emergence of rural cooperatives both in the credit and noncredit areas, though with uneven spatial growth. In subsequent years a number of Committees were appointed and recommendations implemented to improve the functioning of the cooperatives, Soon after the independence, the Government of India following the recommendations of All India Rural Credit Survey Committee (1951) felt that cooperatives were the only alternative to promote agricultural credit and development of rural areas. Accordingly, cooperatives received substantial help in the provision of credit from Reserve Bank of India as a part of loan policy and large scale assistance from Central and State Governments for their development and strengthening. Many schemes involving subsidies and concessions for the weaker sections were routed through cooperatives. As a result cooperative institutions registered a remarkable growth in the post-independence India.

III. ***Commercial Banks:***

Previously commercial banks (CBs) were confined only to urban areas serving mainly to trade, commerce and industry. Their role in rural credit was meager i.e., 0.9 per cent in 1951-52 and 0.7 percent in 1961-61. The insignificant participation of CBs in rural lending was explained by the risky nature of agriculture due to its heavy dependence on monsoon, unorganized nature and subsistence approach. A major change took place in the form of nationalization of CBs in 1969 and ClJs were made to play an active role in agricultural credit. At present, they are the largest source of institutional credit to agriculture.

IV. ***Regional Rural Banks (RKBs):***

RRBs were set up in those regions where availability of institutional credit was found to be inadequate but potential for agricultural development was very high. However, the main thrust of the RRBs is lo provide loans to small and marginal farmers, landless labourers mid village artisans. These loans are advanced for productive purposes. At present 196 RRBs arc functioning in the country lending around Rs 9,000 crore to rural people, particularly to weaker sections,

V. *Micro financing:*

Micro financing through Self Help Groups (SHG) has assumed prominence in recent years. SHG is group of rural poor who volunteer to organize themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their savings into a common fund known as the Group corpus. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management. Generally, a self-help group consists of 10 to 20 persons. However, in difficult areas like deserts, hills and areas with scattered and sparse population and in case of minor irrigation and disabled persons, this number may range from 5-20. As soon as the SHG is formed and a couple of group meetings are held, an SHG can open u Savings Bank account with the nearest Commercial or Regional Rural Bank or a Cooperative Bank. This is essential to keep the thrift and other earnings of the SHG safely and also to improve the tninsparency levels of SHG's transactions. Opening of SB account, in fact, is the beginning of a relationship between the bank and the SHG. The Reserve Bank of India has issued instructions to all banks permitting them to open SB accounts in the name of registered or unregistered SHGs.

Status of Agriculture Credit:

Credit in conjunction with modern agricultural technologies has ushered agricultural development across Indian regions. The liberal credit supply by the lending institutions enabled rapid infrastructural growth across Indian regions and thereby improved the farm level credit absorption capacity. Although credit has played vital role in agricultural development yet regional and farm-category wise disparity has also taken place. In fact, some of the states with better natural resource base have progressed well while some others tagged far behind. Likewise, some farmers with better resource endowments and access to financial and other institutions have marched faster while others could not do so. Furthermore, multiplicity of lending institutions together with the liberal deployment of credit through various ongoing schemes including micro- financing saved rural dwellers from the clutches of money lenders. Yet, npn-institutional credit agents still survive as they follow the canons of financing.*

Strategy to improve Agriculture Credit:

The achievement of targets in the agricultural sector which covers production of food and essential raw material like cotton. Jute and oilseeds, ought not to be allowed to suffer for want of adequate credit has, however, to be related to specific items of productive work rates of interest has, therefore, to be considered as an integral of the Plan. For providing these facilities all the existing agencies e.g. money lenders, commercial banks, co-operatives and the State have to be integrated and harnessed to a common purpose. Such a comprehensive _v approach is essential for ensuring the best use of all the available resources of the nation.

CONCLUSION

Even though there are few drawbacks & difficulties in procuring the Agri-Finance made available by GOI (Government Of India), still they have been proving brightly useful amongst most regional & rural areas. GOI are encouraging many schemes and loans for fulfilling requirement of Indian farmers & ultimately resulting into the growth of GDP from agriculture. "Crop loans" (Short-term loan) has the major share agriculture financing. In addition, farmers get loans for purchase of electric motor with pump, tractor and other machinery, digging wells or boring wells, installation of pipe lines, drip irrigation, and or many other allied enterprises. .

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