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STUDY OF AGRICULTURE FINANCE IN INDIA

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ABSTRACT:

Finance is similar to other agricultural tools used in agricultural production. Realizing the importance of agricultural credit in promoting agricultural growth and development, emphasis has been placed on the institutional framework of the agricultural credit system since the beginning of the planned development era in India. This paper discusses the history of India's agricultural economy and agricultural needs, sources and magnitude of agricultural finance and evaluates its progress.

KEYWORDS : *Agriculture, Finance.*

INTRODUCTION:

Rural finance in India dates back to the 19th century. Basically, financing agriculture in India is a concern for farmers. Although agricultural financing began in the thirteenth century, it has not yet reached its peak in the 20th century. History has a keen eye on the positive and negative changes in India's agricultural economy. Agricultural financing started during the colonial period. Problems affecting farmers show remarkable continuity in this situation over the study period. Reliance on local moneylenders creates an exploitative environment that adversely affects poor farmers in rural areas. Due to the growth of cooperative credit societies, the poor peasantry could not escape. 1969. Documenting the Positive Impact on the Rural Economy of the Era of Nationalized Banks in Inc. Agricultural Finance to Rural Farmers. Served as the foundation for India's agricultural finance development; Under the nationalization program, Microfinance Institutions (MFIs) and Sachsgat-Bank-Link Linkage (SBL) have had a positive impact on the security and empowerment of farmers through various approaches to address the agri-finance crisis in the microfinance sector. . Although these reforms have undoubtedly improved the agricultural finance situation in India, agricultural finance in poor and backward areas of India is extremely unfavorable leading to farmer suicides.

History of Agriculture Finance:

By 1935, with no other means of financing agriculture, moneylenders were the only option. Earlier, they were charging high interest rates on loans and following strict procedures for issuing and recovering them. As a result, farmers benefited greatly and many of them continue to do so. With the enactment of the Reserve Bank of India Act 1934, the District Central Co-operative Bank Act and the Land Development Bank Act, agricultural funds underwent a radical change. A powerful alternative organization emerged. Large amounts of credit were made available with reasonable interest rates and easy terms for both lending and repayment. Although cooperative banks started funding agriculture in the 1930s, the real impetus came after independence, when appropriate laws and policies were formulated. By creating divisions in remote areas and raising funds, bank credit to agriculture later made great strides. In 1969 when 14 large commercial financial institutions were publicly owned, the cooperative banking system dominated as the primary source of funds for farmers. Due to public ownership, these banks were required to finance agriculture, which was a key market for the government. Apart from the development of branches, these banks established a country-wide banking network and started providing agricultural loans on a large scale. As a result, agricultural credit has assumed a multi-agency dimension. Development and implementation of emerging technologies, as well as availability of funds, are inextricably linked. The short and long term needs of farmers are met by a large number of structured institutional organizations such as cooperatives, regional rural banks (RRBs), scheduled commercial banks (SCBs), non-banking financial institutions (NBFIs) and self-help groups. (SHGs), among others. The structural mechanism of the rural economic system has been improved in many ways. Finance has played a decisive role when it comes to the Green, White and Yellow revolution. The share of commercial banks in total agricultural credit increased dramatically in the first half of 2000. An increasing proportion of total agricultural credit goes to short-term financing. Kisan Credit Card (KCC) and other innovative credit delivery systems were created to make credit more accessible. The process of getting a loan for various purposes has been standardized, as well as the loan amount available. Crop loans (short-term loans) serve many different purposes. For example, farmers can borrow money to buy electric motors with attached pumps as well as tractors and other implements. They can get funds to dig wells and bore holes, configure pipe lines and drip irrigation systems, plant trees and shrubs in their fields, farm animals as well as get fodder for them. It's no secret that floor level finance has exploded in recent years, especially after a double decade. Agricultural borrowing has become a sustainable tool for increasing agricultural investment.

Significance of Agriculture Finance:

Features of Agricultural Finance are as follows:

- **Risks associated with agriculture:** Risks and challenges in the agriculture industry are difficult to predict. A landowner is vulnerable to many unforeseen events like plague, hurricanes and other natural disasters. There is a possibility of huge loss to the farmers. Moreover, when production exceeds demand, agricultural produce spoils in warehouses leading to a lack of effective processing facilities to maintain overstocks. It escalates the situation. As a result of many unknown factors, agriculture has always been a nasty business for banking institutions and insurance companies to manage.
- **Challenges of Cooperation in Agriculture:** There are relatively limited opportunities for cooperation in agricultural production. Peasants are primarily self-centered and are very wary of relating to each other for a collective goal. This makes it difficult for producers to get low-cost loans.
- **Economic recession of agriculture:** In agricultural operations there is a long lag between reward and effort, especially during the period when costs are incurred. During this period, there may be fluctuations in the production of agricultural commodities, which may disrupt the financial system of the farmers. As a result, farmers have to bear yet another complicating factor. Structured finance organizations use this as a reason for denying credit for farming operations.
- **Credit for consumption purposes:** Farmers in India are in dire need of credit for both production and consumption. Small farmers require loans in case of crop failure, which they use to meet their daily needs.

Moreover, farmers tend to spend more on religious and cultural activities. Despite all this, arbitration is a measure of non-economic necessity.

- **Small-scale farms:** Farms in India are modest in terms of labor and cash costs. Consequently, the production and quality of goods is beyond one's control. As a result, there is a shortage of collateral for loans.
- **Inadequate financial protection:** Land owners have their own financial resources, which enables them to borrow money from banks. Local farmers find it difficult to get funding for their needs. Small producers do not have enough collateral to put up as security for loans and they do not have the financial means to repay them. As a result, farmers are forced to seek help from lenders.

Indian agriculture has always depended on agricultural finance at high interest rates. This creates serious problems of exploitation which puts the country's peasantry in trouble. The issue was first tackled by the British government in the late 1870s. In times of drought, the government has started providing credit in the form of fixed loans. In the first phase of institutionalization, the Co-operative Act was enacted in 1904. According to the report of the Maclagan Committee on Co-operative Society in 1915, a level co-operative credit society has been established in all provinces. . The Royal Commission for Agriculture in 1926-27 emphasized the provision of rural credit. Agricultural subsidies are also provided for in the Reserve Bank of India Act, 1934. In 1936 and 1937 the RBI as a first step in providing rural institutional finance carried out various studies and found that the bulk of credit required by the rural community was provided by non-institutions. Reserve Bank has taken several steps to provide credit to institutions in rural areas. A new design has been introduced to provide two types of term credit namely short term and loan term credit. By 1951, with the implementation of several measures to increase agricultural finance, institutional credit was 5.3 per cent of total agricultural finance, of which 4.6 per cent was cooperatives and 0.9 per cent was banks. What is the share of commercial banks in this? According to the All India Rural Credit Survey (Agriculture 1954), agricultural finance did not serve the right purpose, in the right amount, in the right form, and often failed to reach the right people. Nationalization of banks encourages commercial banks to expand agricultural financing. RBI is insisting on 38 percent net bank credit for priority sectors. The agriculture sector has a target of 22 percent of the subsector. A lead bank scheme for ground level planning has also been launched to monitor and report on the performance of the agricultural sector. The purchase of seeds, irrigation systems, fertilizers and chemical pesticides also requires large amounts of credit. Apart from this, there has been a substantial increase in the cost of production, which has focused on the need for an agricultural finance policy in the country.

Agriculture Finance Sources:

A. Institutional Sources:

Institutional and non-institutional sources of finance are the two most important classifications of finance in the agricultural sector.

1. **Cooperative Society:** Cooperation is seen by Indian policy makers for the economic and social development of farmers living in remote areas. The village panchayat, co-operative society and communal school are seen as the trinity of institutions on which the conscience and then the social and economic system are built. Co-operative societies in India offered farmers loans at low interest rates to free farmers from the chain of debt.
    a. **Primary Agricultural Credit Institutions:** These are the basic components of a relatively compact cooperative credit system. It works exclusively with farmer borrowers, providing small and medium loans as well as dissemination and lending services. The utility has gradually expanded and intensified its efforts to reach out to the less privileged, especially the farming community. Growth has been tremendous, yet unsatisfactory in light of the financing needs of producers.
    b. **Central Co-operative Banks:** At present 370 District Central Co-operative Banks are functioning. So far loans of 1200 crores have been disbursed to farmers. Their main function is to supervise the primary

agricultural credit institutions in the village. State co-operative banks and primary agricultural credit institutions are linked through central co-operative banks.

c. **State Cooperative Banks:** In total, there are currently 30 State Cooperative Banks in the country. Banks are the apex banks of the Cooperative Credit Framework. As a bridge between NABARD and the cooperative central bank, it collects and disburses loans from villages of basic societies.

2. **Non-Institutional Sources:**
    a. **Moneylenders:** Moneylenders in remote areas are of two types. There are wealthy farmers or landowners who combine agriculture with finance. Experienced money changers are those whose primary employment or line of work is lending. Farmers depend on moneylenders for their financial needs. On the contrary, there are several reasons why rural moneylenders continue to dominate rural areas.
        i. Lenders can easily lend money to farmers for both agricultural and non-agricultural purposes, including short-term and long-term needs.
        ii. Lenders are freely accessible and maintain close and honest contact with mortgage holders, many of whom have long-standing family ties.
        iii. Their business strategy is straightforward and adaptable
3. **Landowners and others:** Even before the crop matures, traders and cooperatives assist landowners in providing cash for productive investment. They force the framers to market their products at a reasonable price and they charge huge commission. Thus, in the case of cash crops like cotton, groundnut and tobacco as well as exotic fruits like mango, the source of income is essential. Lenders like merchants and agents lend to producers with high demand and other adverse effects

Policy of Agricultural Finance:

The government has implemented several measures to improve farmers' access to credit institutions. The objective of these policy measures is to provide farmers with easy access to the credit they need. This policy helped in providing timely and adequate credit to all farmers so that they could adopt modern technology and improve their farming practices. This strategy emphasizes process rationalization, ground-level support and credit planning. The policy progress report card is shown below. The objective of institutional lending has not been achieved in the last three years due to procedural delays and lack of precision in implementation of policy measures.

The following were among the most beautiful priorities of India's agricultural policy:

- **Increasing Input Productivity:** Some of the primary objectives of India's agricultural policy are to increase production of inputs including HYV seeds, chemical fertilizers, pesticides, land reclamation and others.
- **Improvement of Per Capita Intrinsic Value:** In addition to enhancement of production processes, another major aspect of the country's agriculture sector is the enhancement of land valuation per acre through overall increase in production and efficiency of subsistence properties.
- **Serving the privacy of poor producers:** Among the most important components of agricultural subsidies are ensuring protection of the poorest and most vulnerable farms by eliminating middlemen through landholders, expanding institutional financial support to farmers, etc.
- **Rehabilitation of the agricultural industry:** Another major objective of the country's agricultural policies is to improve agricultural production. In this case, policy support includes the use of modern technology in agricultural operations as well as the use of improved agricultural inputs including certain fertilizers and pesticides.
- **Analysis of Environmental Degradation:** The main focus of India's agricultural policy is to control the environmental degradation of the ecological base of the agricultural sector.

- **Agricultural Development and Guidance:** The main objective of Indian Agricultural Grants is to enhance agricultural research and development capacity and disseminate the results of all such studies to landowners through close linkages with research groups and producers.
- **Removal of barriers:** The ultimate goal of this process is to reduce bureaucratic barriers to farmers' financial institutions and self-help groups so that farmers can function autonomously.

CONCLUSION:

Eradication of poverty, food insecurity and unemployment in India is essential to strengthen the economy. This problem can be solved by targeting the problem of agricultural finance. From the very beginning, agricultural finance policies focused on marketing, trade and processing and agribusiness purposes at the farm level. The All-India Rural Credit Survey states that agricultural finance in India falls short of the right amount, does not serve the right purpose and often fails to reach the right people. The disbursements to the agriculture sector have increased over the last two decades, but it has benefited the right people, at the right time and in the right amount, a concern in India. Even today, rural credit needs serious attention of the government for basic business needs including production, processing, marketing, distribution, utilization, value added services

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