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# "A STUDY ON THE AGRICULTURE FINANCE IN INDIAN AGRICULTURE INDUSTRY" "AGRICULTURE FINANCE: AN OVERVIEW"

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**ABSTRACT:**

Finance is an important input of agriculture which the farmers need for agricultural purposes. Sufficient and timely credit to the farmer is vital and indispensable for the rehabilitation and progress of agriculture. There is a need of finance for purchase of fertilizers and implements and for digging and Deeping of wells.

**KEY WORDS:** Agriculture, Sufficient, rehabilitation, Methodology.

## Introduction

Agriculture Finance in India- Professional moneylenders were the only source of credit to agriculture till 1935. They used to charge unduly high rates of interest and follow serious practices while giving loans and recovering from borrowers. As a result, farmers were heavily burdened with debts and many of them perpetuated debts. There were widespread discontents among farmers against these practices and instances of riots were a common phenomenon.

With the passing of Reserve Bank of India Act 1934, District Central Co-op. Banks Act and Land Development Banks Act, agricultural credit received impetus and there were improvements in agricultural credit. A powerful alternative agency came into being. Large-scale credit became available with reasonable rates of interest at easy terms, both in terms of granting loans and recovery of them. Both the co-operative banks advance credit mostly to agriculture. First bank advances short-term and medium-term loans while the second bank advances long-term loans. The Reserve Bank of India as the Central bank of the country took lead in making credit available to agriculture through these banks by laying down suitable policies.

Although the Co-operative banks started financing agriculture with their establishments in 1930's real impetus was received only after Independence when suitable legislation were passed, and policies were formulated. Thereafter, bank credit to agriculture made phenomenal progress by opening branches in rural areas and attracting deposits.

Till 14 major commercial banks were nationalized in 1969, co-operative banks were the main institutional agencies providing finance to agriculture. After nationalization, it was made mandatory for these banks to provide finance to agriculture as a priority sector. These banks undertook special programs of branch expansion and created a network of banking services throughout the country and started financing agriculture on large scale. Thus, agriculture credit acquired multi-agency dimension. Development and adoption of new technologies and availability of finance go hand in hand. In bringing "Green Revolution", "White Revolution" and now "Yellow Revolution" finance has played a crucial role. Now the agriculture credit, through multi agency approach has come to stay.

The procedures and amount of loans for various purposes have been standardized. Among the various purposes "Crop loans" (Short-term loan) has the major share. In addition, farmers get loans for purchase of electric motor with pump, tractor and other machinery, digging wells or boring wells, installation of pipelines, drip irrigation, planting fruit orchards, purchase of dairy animals and feeds/fodder for them, poultry, sheep/goat keeping and for many other allied enterprises.

## OBJECTIVE OF THE STUDY

1) To study the agriculture finance.
2) To study the productive needs of agricultural finance.
3) To examine the role of NABARD in agricultural development.
4) To study how to provide loan in a simple way.
5) To understand the financial needs of the farmers.

6) To improvise personality development.
7) To improve communication skills.
8) Improve team spirit.

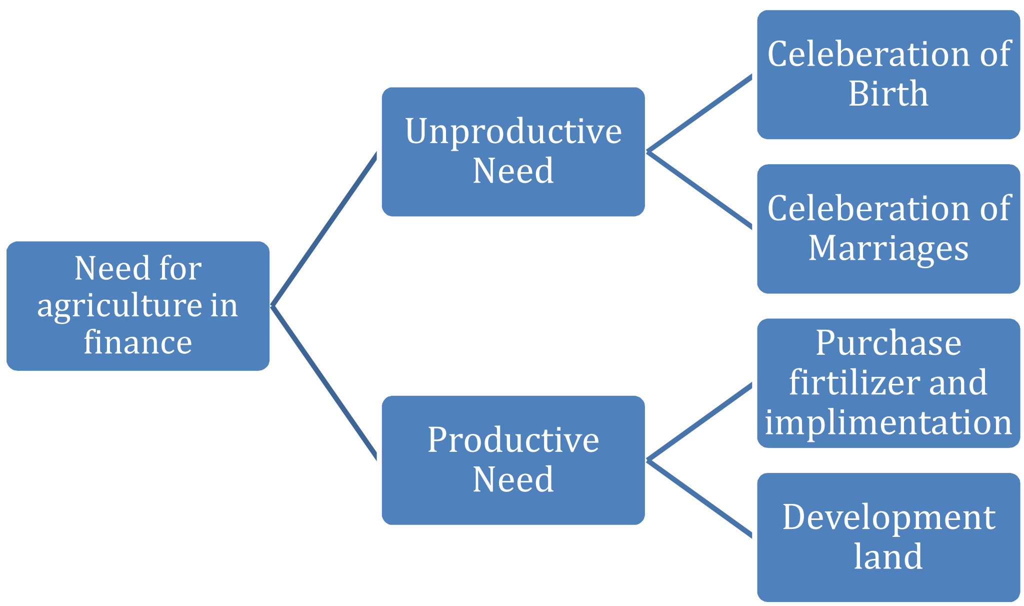
## LIMITATION OF STUDY

- Limited time period.
- Less data available.
- Complete project in limited time period.
- Project complete along with job.
- There was a problem collecting data.

## NEED FOR AGRICULTURAL FINANCE

We can classify the financial need of the Indian farmer into two categories. Need for Agricultural Finance Productive Unproductive Need Purchase Development Celebration of Celebration of Fertilizers and of Land Birth Marriages Implement

**PRODUCTIVE NEEDS** - Productive needs refers to finance for purchase of fertilizers and implements, digging and Deeping of wells.



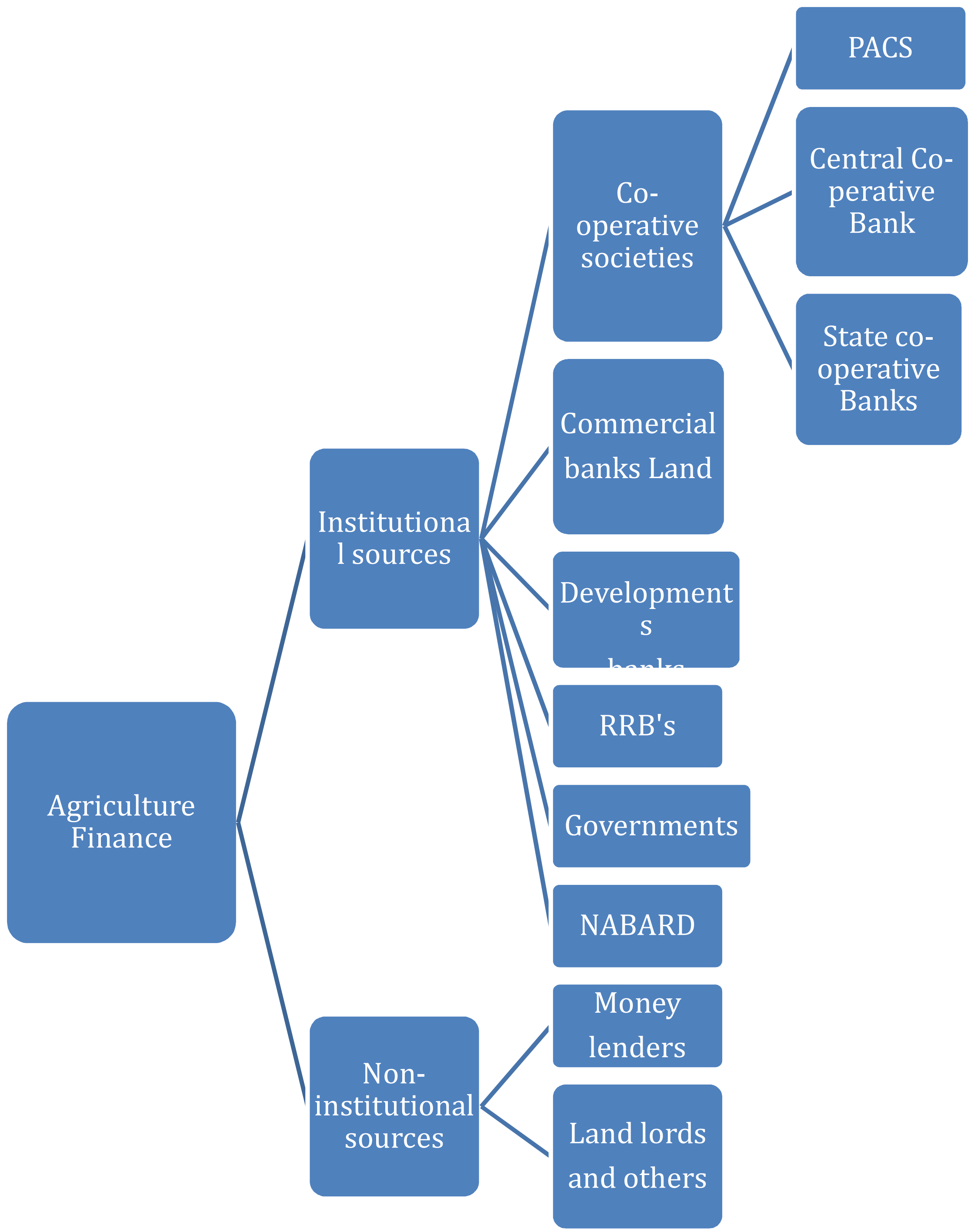

**UNPRODUCTIVE NEED**- The productive purpose for which the farmer also get loan are celebration of marriages, birth, and death. There is another classification of financial requirement of the farmer, and they all fall in the productive category.

I. Short-Term Loan Short-term loans needed for cultivation or for marketing domestic expenses.

II. Medium Term Loan Medium term loans which range from 15 months to 5 years for making improvement of land, buying cattle agricultural implements etc.

III. Long Term Loan Long term loan period more than 5 year required for purchase of additional land, make permanent improvements on land, and pay off old debts and to purchase costly agricultural machinery.

## Source of Agriculture finance




**Suggestion**

**Banking Financing problem for agriculture are: -**

1. Delay in finance to the farmer. **(MIP)**

2. Lots of formalities which is provide by the farmers.
3. Lots of document.
4. Most of the farmers come to respective banks repeatedly but the jobs are undone. **(MIP)**
5. High Interest rate problem.
6. Coordination problem with the farmers.
7. Knowledge problem of farmers.
8. Time management problem.
9. Don't understand the problems faced by farmers (only focus on selling product)
10. Organisation is running very slow.
11. The most troublesome of distribution channel. **(MIP)**
12. Manpower problem. **(Most important point)**

- Required local person for distribution of loan.
- For recovery purpose.
- Those employees who are the know about the local area and localpeople and local employee well known to everyone.

13. Contact problem.

## Problem of farmers

1. Farmer don't have information about the loans.
   - KCC
   - Crop loan
   - Allied loan
   - Agriculture Infrastructure loan
   - Other loans provide by the private and public banks.
2. Farmer arescared to take a loan (because of lack of knowledge).
3. Time taking process. (The farmers are least interested in applying loans from the banks) **(MIP)**
4. Service problem. (Banks taking lots of time to sanction the loan) **(MIP)**
5. Regular income problem. (Farmer does not have any regular income so those don't pay monthly instalment)
6. Rate of interest. (Rate of interest should be minimum) **(IP)**

## Benefits of Marginal farmers and traders

1. To meet short-term credit requirement of cultivation of crop.
2. Post-harvest of crop.
3. Produce marketing.
4. Consumption requirement of farmer household.
5. Working capital for maintenance of farm assets and allied activities of agriculture.
6. Investment requirement of agriculture and allied activity.

**Economic benefit**

- Time saving and Thus reduction in labour requirement.
- Reduction of cost, e.g., fuel, machinery operation cost and maintenance, as well as a reduced labour cost.
- Higher efficiency in the sense of more output for a lower input.

**Agronomic benefits**

- Organic matter increase.
- In-soil water conservation.
- Improvement of soil structure, and thus rooting zone.

**Environment benefits**

- Reduction in soil erosion, and thus of road, dam and hydroelectric power plant maintenance cost.
- Improvement of water quality.
- Improvement of air quality.
- Biodiversity increase.
- Carbon sequestration.

## Summary

Shivalik became the first Small Finance Bank in India's history to transition from an Urban Co-operative Bank. We have over 23 years of banking experience in offering retail banking products and services. Shivalik has been technology focussed since inception with consumer centricity as a key guiding principle. The Bank is powered by Infosys Finacle Core Banking and Digital Banking Suite including internet and mobile banking. The cloud-based architecture provides the Bank with unmatched agility to cost effectively manage scale and power growth. Shivalik is live on all retail payment platforms and is a direct member of the National Financial Switch. We are proud to serve our 4.5 Lakh unique customers via 46 branches, 250 banking agents and 15,000 self-help groups across Uttar Pradesh, Madhya Pradesh, Delhi and Uttarakhand. TheShivalik Bank logo blends in the various aspects from nature with the company goals. The image icon in the picture represents earth (the small green mountain/triangle) and sky (the blue on top). It also cannotes reaching for the sky as there is an upward arrow. These aspects hold significance with the company ideals as Shivalik Bank aims for reaching the sky with its feet firmly placed in the ground. The abstract view of mountains denotes stability, strength and growth. The mountain range that can be seen in the image (mountains behind mountains) reflects progressiveness of the brand. We are inter-related for all our services and our inclusive effort of the team has the strength like that of the mountains. This indicates the strength with which we serve our external and internal customers.

## Findings

The bank should appoint such officials who go to the investors of remote areas and make them award about the agricultural policies of the bank in their own languages this will make a farmer directly interacted with the bank it's polices. The procedure of sanction of loan should be easy i.e., the numbers of document required for r it should be as less as possible the bank should have to launch the campaign for the awareness of bank policies s in the remote villages The findings of this study show that, the higher the interest rates the lower the demand f or loans. In addition, high interest rates cripple framing business that is high interest rates tends to have an adverse e effect on the development or growth of framing or business in Bihar, since they depend very much on availability and accessibility fund at reasonable or favourable rates.

## CONCLUSION

Now days many co-operative banks, Commercial banks and RRB provides loans to the farmers at convenient interest rates. RRB's and NABARD are also working efficiently and effectively towards resolving the financial problems faced by the respective a/c holders. Besides this, The Government of India's policy is also favourable towards development of Agricultural sector. The Government has also launched various schemes to benefit the customers, they are also evaluating and are trying to enhance the current schemes as well for the betterment of the customers.

Agriculture development is intertwined with economic growth. According to the World Bank, agriculture accounts for roughly 15 percent of India's Gross Domestic Product (GDP). It is impossible to overstate the relevance of long-term finance in agriculture today. Future prospects for agricultural financing in India are bright due to the rapid industrialization of agriculture in India. Financial aspects of India's farm industry are examined by agricultural finance experts in order to better understand and analyze their financial implications. Farming has a financial component, which includes the production of agricultural products and the sale thereof. This has been crucial for India's growth strategy and poverty reduction because agriculture accounts for 22 percent of India's gross domestic product and employs roughly 65 percent of the country's rura1 labour force. Farming's success is dependent on a variety of factors such as loan availability in a timely manner as well as credit cost, as well as changes to the credit delivery system. Government of India and Reserve Bank of India (RBI) have played a significant part in building a wide-ranging institutional structure for ministering to the rising credit facilities of the sector, recognizing agriculture's importance in India's development plan. As the agricultural sector's needs change, India's agricultural loan rules are periodically revised. India's food grain output is self-sufficient in part because of agricultural financing

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