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Research Article

"AGRICULTURE FINANCE: AN OVERVIEW"

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Abstract:

Finance is an important input of agriculture which the farmers need for agricultural purpose. Sufficient and timely credit to the farmer is therefore 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

"Agricultural finance is the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loan able funds. "John B. Penson, Jr. and David A. Lins (1980).

OBJECTIVE OF THE STUDY

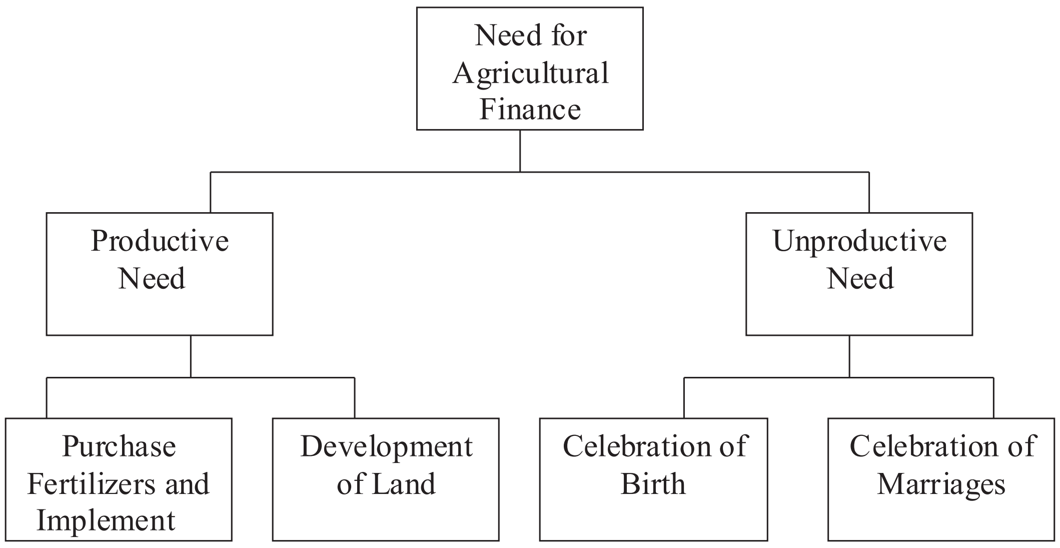
1)To study the agriculture finance.
2)To study the productive needs of agricultural finance.
3)To examine the role of NABARD in agricultural development.

RESEARCH METHODOLOGY

The present research article is based on the secondary sources. The secondary sources used for internet websites are various research Journals, various reference book etc.

NEED FOR AGRICULTURAL FINANCE

We can classify the financial need of the Indian farmer into two categories.



PRODUCTIVE NEEDS

Predictive needs refers to finance for purchase of needs fertilizers and implements and also 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.

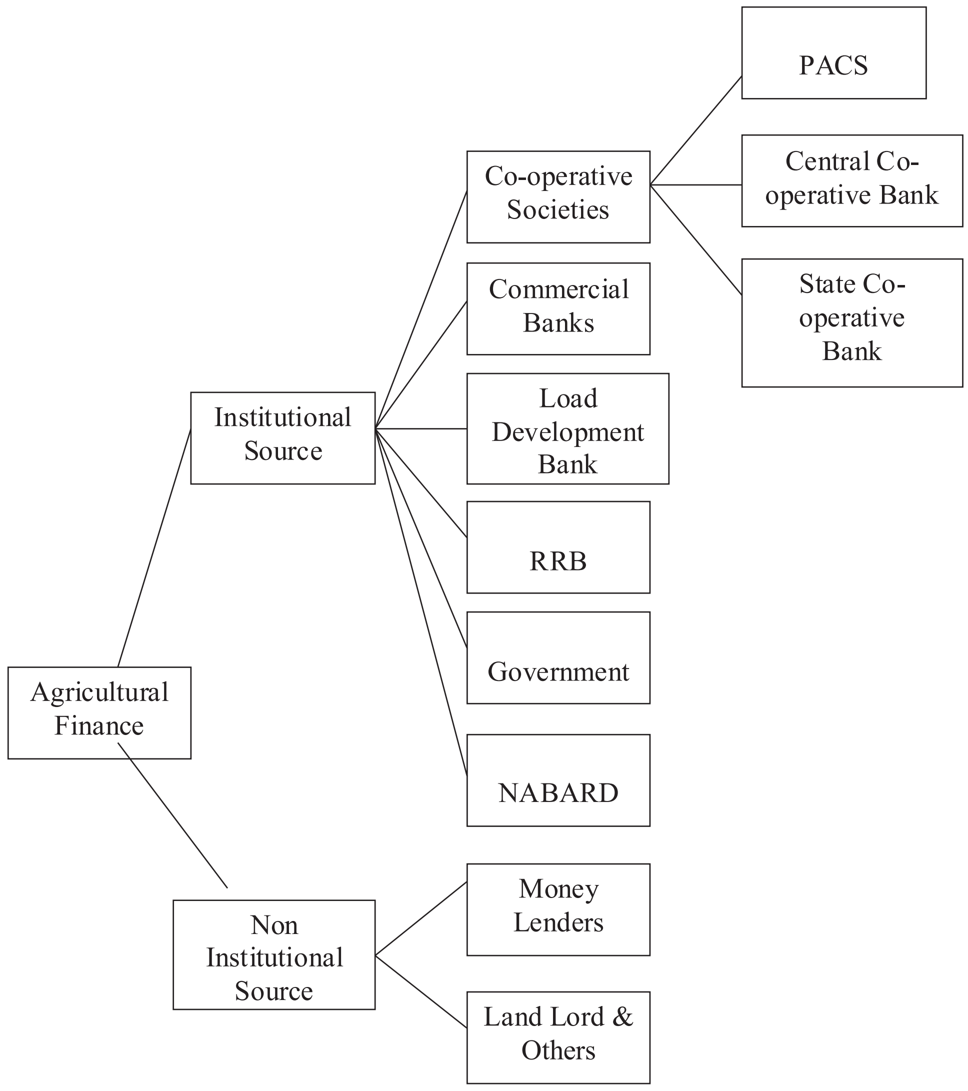
II) Medium Term Loan

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.

Sources of Agricultural Finance



Institutional Source

Institutional sources consist of the government and co-operative societies, commercial bank including the Regional bank, Lead bank.

1) Co-operative Societies

Indian planners consider co-operation as an instrument for economical development of the deprived farmers, particularly in the rural areas. They see in a village panchayat, a village co-operatives and village school, as the trinity of institution on which a self-reliant and just economic and social order is to be built. The co-operative movement was started in India largely with a view to providing agriculturists funds for agricultural operations at low rates of interest and projects them from the clutches of money lenders.

A) Primary Agricultural Credit Society

Primary agricultural credit societies are grass root level arms of the short term co-operative credit structure. PACs deal directly with farmer borrowers, grant short term and medium term loans and also undertake distribution and making functions. The usefulness of PACs has been rising steadily. In 1950-51, it advanced loan worth Rs. 23 crores and Rs. 34,520 crore in 2000-01. The PACs have stepped up their advances to the weaker sections particularly the small and marginal farmers. The progress has been quite spectacular but not sufficient considering the demand of finance by farmers.

B) Central Co-operative Banks

There are now 369 (2001-2002) District Central Co-operative Banks. The loan amount of 56,650 crore is distributed to the farmers so far. Their main task is to lead Primary Agricultural Credit Societies in village. Central Co-operative Banks functions as intermediaries between the State Co-operative Bank and Primary Agricultural credit society.

C) State Co-operative Banks

There are now 30 State Co-operative banks in the country. These Banks are the apex banks of the Co-operative credit structure. It serves as a link between NABARD from which it borrows and lends to the co-operative central bank and primary societies village.

OBJECTIVES OF STATE CO-OPERATIVE BANK

1)To work as the Apex bank at state level.
2)To guide and supervise the functioning of district central co-operative banks, and primary co-operative agricultural societies and to develop the mutual relationship among them.
3)To communicate between other co-operative societies and the district co-operative central banks.
4)To carry the whole responsibility of banking business in co-operative sector.
5)To make maximum extension of credit to the rural section.

In 1992-92 Rs. 5,800 crore were provided as loans for agriculture. It increased Rs. 28,947 crore in 2005-06. Therefore, at present co-operative banks contribute in 22% in total distributed agricultural loans.

2) The Commercial Banks

The commercial banks were not much bothered about agricultural finance. They were confined to the urban areas receiving deposits from the urban public and financing trade and industry. All this changed after the nationalization of banks in 1969. Now the commercial banks are providing finance both directly and indirectly. Direct finance is for agricultural operation for short and medium periods. Indirect finance refers to advance for distribution of fertilization and other inputs. The commercial banks have implemented "Village Adoption Scheme" by 1987-88 the commercial banks had given Rs. 3930 crore in advances.

Commercial bank lent 4,806 crore to agricultural finance in 1991-92 and in Rs, 68,557 crore in 2005-06.

3) Land Development Banks

Land Development Banks were set up in order provide for long term finance. Previously they were called Land Mortgage Banks; the objective of the bank is to provide long term credit to cultivators against the mortgage of their lands. In additional to this the bank does the following functions.

1)To open branches of the bank to different places.
2)To see whether there is proper disposal of the debt given.
3)To issued debentures from time to time.
4)To create feeling of co-operation among the members and to promote it.
5)To guide for different development projects in agriculture.
6)To promote habit of savings among the members.
7)To provide valuable advice to cultivators in cultivators.

These banks provide loans for

1)Repayment of old loans to cultivators.
2)Purchasing new land.
3)Digging and construction of the well.
4)Repairing the well

The co-operative has the direct encouragement from the government and support of the NABARD as it had made spectacular progress. By 1981 the co-operatives were financing nearly 30 percent of the advantages of this.

4) Regional Rural Banks

The Regional Rural Banks were set up in 1975. The main objective of the RRBS is to provide credit and other facilities particularly to the small and marginal farmers, agricultural laborers, artisans and small entrepreneurs so as to develop agriculture, trade commerce, industry and other productive activities in the rural areas.

5) The Government

These are both short term as well as long-term loans. These loans are popularly known as "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. The government provides finance indirectly as well as indirect.

1. Indirect financing

Indirect credit is provided through the co-operative societies.

2. Direct financing

The govt. has been financing farmers directly. Agricultural credit from the govt. is calls "taccavi' and has a long history in India, it is provided under Land Improvement Loan Act of 1883 and the agricultural Loans Act of 1884. The government gives "taccavi loans" to the farmers which are disbursed at the time of distress famines, flood etc. At a low interest rate of 6 percent and the repayment schedule is very convenient.

6) NABARD

The Reserve Bank of India since its formation had wanted to appoint a separate department for handling agricultural credit. The RBI had set up ARDC (Agricultural Refinance Development Corporation) for providing refinance support to the banks to promote programmers of agricultural development particularly those requiring term credit. The government needed an Apex institution to extend support and to give guidance to credit institutions in matters relating to the formulation and implementation of rural development programmers. Therefore NABARD was set up. It was set up in July 1982 and it took over the functions to the ARDC and also it took over the functions of the RBI in relation to co-operative banks and RRBs.

The main objective of the NABARD is to look after agricultural credit, it also has to provide refinance facilities to all banks and financial institution landing to agricultural and rural development.

Non – Institution Source

1. Money Lenders

There are two types of money lenders in rural areas. There are rich farmer or landlords who combine farming with money-lending. There is laso professional money lender whose only occupation or profession is to lend money. The cultivators depend upon the money-lenders for their requirements of cash. However, there are many reasons for the preponderance of the village money-lenders in rural area even now.

I. The money lender freely suppliers credit for productive and non-productive propose, and also for short-term and long-term requirements the farmers.
II. He is easily accessible and maintains a close and personal contact with the borrowers often having relations with family extending over generations.
III. These methods of business are simple and elastic.

2. Landlord and others

Traders and commission agent supply funds to farmers for productive purpose much before the crops mature. They force the framers to sell their produce at low price and they charge a heavy commission for themselves. Thus source of finance is particularly important in the case of cash crop like cotton, groundnut, tobacco, and in the case of fruit of chard like mangoes. Traders and commission agent may be bracketed with money lenders, as their lending to farmers is also at exorbitant rates and has other undesirable effects too.

CONCLUSION

Now days many co-operative banks, Commercial banks and RRB provides loans to the farmers in convenient interest rates and also government of India's policy is favorable towards agricultural sector RRB's and NABARD also working efficiency and effectively towards financial problem.

REVIEW OF LITERATURE

Eminent Scholars and Researcher M.D. Yadav in his M.Phil dissertation has studied "Irrigation Development during 20 point economic programmed period – A case study of Chikodi taluka in Belgaum

District."

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