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Overview of Schemes Relating to Agricultural Finance

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Abstract

India, as a welfare-oriented state, has a responsibility to promote the economic and social well-being of all sections of society, particularly the agricultural community. Agricultural finance and credit play a vital role in the development of the agricultural sector by enabling farmers to acquire agricultural machinery, seeds, fertilizers, pesticides, irrigation facilities, and other essential inputs required to enhance productivity. Since a large proportion of India's population depends directly or indirectly on agriculture and allied activities, ensuring timely and affordable access to institutional credit is essential for sustainable agricultural development. Agricultural credit in India is broadly obtained from two sources: formal and informal sources. Formal sources include commercial banks, cooperative banks, regional rural banks, and NABARD, while informal sources include moneylenders, traders, relatives, friends, and indigenous financial institutions. Agricultural loans are utilized for various purposes, including crop cultivation, purchase of agricultural inputs, investment in farm machinery, irrigation, land development, and other production-related activities. Credit support is required throughout the agricultural production cycle, beginning with land preparation and continuing through sowing, cultivation, harvesting, and marketing. In addition to institutional credit, the Central and State Governments have introduced several schemes and programmes to strengthen the financial position of farmers and improve agricultural productivity. The present paper examines the importance of agricultural finance in India and highlights major government initiatives designed to provide financial assistance to farmers. The study emphasizes that timely, adequate, affordable, and accessible agricultural credit is essential for increasing farm productivity, promoting capital formation, improving farm incomes, and strengthening the overall rural economy.

Keywords: Agricultural Finance, Agricultural Credit, Agricultural Inputs, Agricultural Productivity, Institutional Finance, Capital Investment, Farmers' Welfare.

I. INTRODUCTION

Agriculture and allied activities continue to occupy a central position in the Indian economy. The agricultural sector contributes significantly to national income, employment generation, food security, rural livelihoods, and export earnings. In recent years, Indian agriculture has demonstrated considerable resilience despite economic uncertainties and external shocks. The sector has maintained a positive growth trajectory and has continued to support rural employment and household incomes. India has also emerged as an important exporter of agricultural and allied products. The expansion of agricultural production, diversification of crops, improvements in technology, and increasing access to domestic and international markets have contributed to the development of the agricultural sector. However, the sustainability and productivity of agriculture depend considerably on farmers' access to adequate financial resources. As a welfare-oriented state, the Government of India has introduced several policies and programmes aimed at improving the socio-economic conditions of farmers. Agricultural lending and financing constitute an important component of these policies. Farmers require financial resources to purchase seeds, fertilizers, pesticides, farm machinery, irrigation equipment, and other agricultural inputs. They also require credit to meet labour expenses, land development costs, post-harvest expenses, transportation costs, and marketing-related expenditure. Therefore, the availability of timely and affordable agricultural credit is essential for maintaining the continuity of agricultural production. Agricultural finance is provided through both formal and informal sources. Formal sources include commercial banks, cooperative banks, regional rural banks, NABARD, and other regulated financial institutions. Informal sources include moneylenders, agricultural traders, commission agents, relatives, and friends. Although informal sources continue to play a role in rural credit, particularly where institutional finance is difficult to access, formal financial institutions are increasingly important for providing relatively affordable and structured credit to farmers. Institutional agricultural credit supports farmers throughout the production cycle, beginning with the preparation of land and purchase of inputs and extending to harvesting, storage, transportation, and marketing. Access to credit also enables farmers to adopt modern agricultural technologies and invest in productivity-enhancing assets. Consequently, agricultural finance is not merely a means of meeting short-term production expenses; it is also an important instrument for agricultural modernization, capital formation, and rural development. The Central and State Governments have introduced several schemes to improve farmers' access

to financial resources and strengthen their economic position. One prominent initiative is the **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** scheme, under which eligible farmer families receive financial assistance through Direct Benefit Transfer. Such programmes are intended to supplement farmers' financial requirements and provide support for meeting agricultural and household-related expenses. The resilience of the agricultural and allied sectors during the COVID-19 pandemic further demonstrates their importance to the Indian economy. Despite disruptions to economic activity and supply chains, agriculture continued to provide employment and income opportunities to a large section of the population. This resilience highlights the need to strengthen the financial and institutional foundations of the agricultural sector. Thus, agricultural finance is closely associated with agricultural productivity, farm investment, technology adoption, income generation, and rural development. Ensuring adequate and timely access to institutional credit is therefore essential for improving the economic well-being of farmers and promoting sustainable agricultural growth.

Need for Agricultural Finance

Agricultural finance is essential because agricultural production is characterized by considerable uncertainty. Indian agriculture has historically been described as being highly dependent on the monsoon, as rainfall variability can significantly influence crop production and farm income. Unlike many industrial activities, agricultural production is exposed to natural risks such as droughts, floods, cyclones, pest attacks, diseases, and other climatic uncertainties. Consequently, farmers require adequate financial resources to manage production costs and cope with unexpected losses. Agricultural finance refers to the study and application of financial resources required for various agricultural activities. It encompasses the mobilization, allocation, utilization, and management of funds for agricultural production and related activities. Since agriculture remains a major source of livelihood for a substantial proportion of the population, the financial requirements associated with agricultural production and marketing have considerable economic significance. Farmers require capital at different stages of the agricultural production process. Working capital is necessary for purchasing seeds, fertilizers, pesticides, labour, animal feed, fuel, and other inputs. Long-term finance is required for acquiring tractors, harvesters, irrigation equipment, farm buildings, storage facilities, and other productive assets. In addition, farmers may require credit to meet post-harvest and marketing expenses, particularly when there is a time gap between production and the receipt of income from the sale of agricultural produce. The availability of adequate agricultural finance also facilitates the adoption of modern technology. Farmers with better access to credit are generally in a stronger position to invest in improved seeds, mechanization,

irrigation, precision farming techniques, post-harvest technology, and other productivity-enhancing innovations. Thus, agricultural finance can contribute directly to improvements in farm productivity and efficiency. Another important role of agricultural finance is to reduce farmers' dependence on informal sources of credit. When institutional credit is inaccessible or insufficient, farmers may depend on informal lenders, who may charge relatively high interest rates and impose unfavourable repayment conditions. Strengthening formal agricultural credit systems can therefore reduce the financial vulnerability of farmers and improve their bargaining position. Agricultural finance also contributes to capital formation in the rural economy. Investment in farm machinery, irrigation, land development, storage, transportation, and other agricultural infrastructure enhances productive capacity and supports long-term agricultural growth. Adequate credit can therefore facilitate the transition from traditional subsistence-oriented agriculture towards more commercial, productive, and technology-driven farming. In this context, agricultural finance should be viewed not merely as a source of short-term credit but as an important instrument of agricultural development and rural transformation. Timely, affordable, accessible, and adequate financial support can improve farmers' productivity, stabilize farm incomes, encourage investment, reduce financial vulnerability, and contribute to the overall development of the rural economy. Below is a fully revised and academically strengthened version of the section. I have improved the language, removed repetition, organized the schemes systematically, and retained the substantive points and figures from your original text.

Schemes of Financial Assistance for Agriculture

The Government of India has introduced several financial assistance and agricultural credit schemes to address the financial requirements of farmers, improve agricultural productivity, reduce production risks, strengthen rural infrastructure, and enhance farm incomes. These schemes provide support at different stages of agricultural activity, ranging from the purchase of inputs and crop production to insurance, storage, infrastructure development, and marketing. The major schemes are discussed below.

1. PM-KISAN Scheme

The **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** is a Central Government scheme designed to provide financial assistance to eligible farmer families to meet their agricultural and household requirements. The scheme provides direct financial support to farmers through the Direct Benefit Transfer (DBT) mechanism. The scheme has provided significant support to the farming community by helping farmers meet their immediate liquidity requirements. The financial assistance enables farmers, particularly small and marginal farmers, to purchase agricultural inputs and meet other essential household expenditures. Evidence from

studies undertaken by institutions such as the Indian Council of Agricultural Research (ICAR) and the International Food Policy Research Institute (IFPRI) indicates that the scheme has helped address liquidity constraints faced by farmers, particularly in relation to the purchase of agricultural inputs. The benefits of PM-KISAN extend beyond agricultural expenditure. For small and medium landholding farmers, the financial assistance can also support household consumption, children's education, healthcare, and other essential expenditures. Thus, PM-KISAN represents an important component of the government's strategy for strengthening the financial resilience of farming households.

2. Crop Loan Scheme

Crop loans are short-term institutional loans provided to farmers to meet the working-capital requirements associated with crop cultivation. Such loans enable farmers to purchase seeds, fertilizers, pesticides, labour services, and other agricultural inputs required during a crop season. The repayment period generally corresponds to the agricultural cycle and may range from several months to approximately one year, depending on the crop and lending arrangements. The expansion of crop credit has been an important component of agricultural financing in India. According to the figures cited in the study, outstanding crop loans provided by banks increased from approximately ₹8,55,328 crore in March 2020 to ₹10,38,954 crore in March 2021, representing year-on-year growth of 21.4 per cent. The expansion of crop credit was particularly significant during the COVID-19 period, when farmers faced disruptions in agricultural markets, input supply chains, and household income.

3. Kisan Credit Card (KCC) Scheme

The **Kisan Credit Card (KCC) Scheme**, introduced in 1998, was designed to provide farmers with timely and affordable institutional credit for agricultural activities. The scheme facilitates access to revolving credit, enabling farmers to meet their short-term financial requirements without having to approach lenders repeatedly for each agricultural operation. KCC finance can be utilized for crop production and, subject to applicable lending provisions, activities such as animal husbandry and allied agricultural operations. The scheme has played an important role in improving farmers' access to formal credit and reducing their dependence on informal sources of finance. It also facilitates the purchase of agricultural inputs and supports the adoption of improved farming practices.

4. Pradhan Mantri Fasal Bima Yojana (PMFBY)

The **Pradhan Mantri Fasal Bima Yojana (PMFBY)** was launched in 2016 to provide crop insurance coverage against losses arising from specified natural risks and crop failures. The scheme aims to protect farmers from significant income losses resulting from events such as droughts, floods, cyclones, pests, and diseases,

subject to the terms and conditions of the scheme. Under the scheme, farmers contribute a prescribed share of the premium, while the balance is subsidized by the government. The farmer premium rates under the original scheme framework were 2 per cent for Kharif crops, 1.5 per cent for Rabi crops, and 5 per cent for annual commercial and horticultural crops. Crop insurance plays an important role in reducing production risk and protecting farmers' incomes. By providing financial compensation for eligible crop losses, PMFBY can strengthen farmers' ability to recover from adverse agricultural conditions and continue their farming operations.

5. Rashtriya Krishi Vikas Yojana (RKVY)

The **Rashtriya Krishi Vikas Yojana (RKVY)** was launched in 2007 with the objective of promoting agricultural development and encouraging states to increase investment in the agricultural sector. The programme supports a range of agricultural and allied activities, including crop diversification, productivity enhancement, value addition, infrastructure development, and marketing-related activities. The scheme seeks to promote agricultural growth by supporting investments that improve productivity and generate better income opportunities for farmers. Assistance for diversification and value addition can also enable farmers to move beyond primary production and participate in activities with greater income potential.

6. Agriculture Infrastructure Fund (AIF)

The **Agriculture Infrastructure Fund (AIF)** was introduced in 2020 to facilitate medium- and long-term investment in post-harvest management infrastructure and community farming assets. The scheme supports the creation and improvement of facilities such as warehouses, cold-storage units, food-processing infrastructure, and other agricultural supply-chain assets. The scheme provides financial incentives, including interest subvention and credit guarantee support, subject to the applicable scheme guidelines and eligibility conditions. Primary Agricultural Credit Societies (PACS), Farmer Producer Organisations (FPOs), Self-Help Groups (SHGs), and other eligible entities can participate in the programme. Investment in agricultural infrastructure is important because inadequate storage and processing facilities can result in post-harvest losses and distress sales. Improved infrastructure enables farmers and agricultural organizations to store produce safely, undertake value addition, improve market access, and potentially obtain better prices.

NABARD Assistance

The **National Bank for Agriculture and Rural Development (NABARD)** plays a significant role in strengthening agricultural and rural development through refinance, institutional development, infrastructure support,

and various rural-development initiatives. Its interventions cover agriculture and allied sectors, rural infrastructure, financial inclusion, and livelihood development. Some of the initiatives associated with NABARD and rural development include the following:

1. Dairy Entrepreneurship Development

Dairy development programmes have aimed to promote investment in dairy enterprises, improve dairy infrastructure, encourage modernization, and generate additional livelihood opportunities in rural areas. Dairy and other allied agricultural activities provide farmers with supplementary income and can reduce their dependence on seasonal crop income. Investment in dairy infrastructure, livestock management, veterinary services, transportation, and marketing can contribute to the development of the rural economy and create opportunities for self-employment.

2. Setting Up of Rural Godowns

Rural storage infrastructure is essential for improving farmers' post-harvest management capacity. Initiatives supporting rural godowns aim to increase storage capacity and enable farmers to preserve agricultural produce for longer periods. Adequate storage facilities can help farmers avoid distress sales immediately after harvest, particularly when market prices are low. By allowing farmers to hold their produce and market it when conditions are more favourable, improved storage infrastructure can contribute to better price realization and reduce post-harvest losses.

3. Loans Against Warehouse Receipts

Warehouse receipt financing provides farmers and other agricultural stakeholders with an alternative source of short-term finance against stored agricultural commodities. Instead of selling their produce immediately after harvest to meet urgent financial requirements, farmers can store eligible commodities in accredited warehouses and obtain financing against the warehouse receipt, subject to applicable regulations and lending conditions. This mechanism can reduce the need for distress sales and provide farmers with greater flexibility in deciding when to sell their produce. It also strengthens the link between agricultural storage, institutional credit, and market participation.

4. Expansion of Agricultural Credit

The various initiatives undertaken by the Government of India and financial institutions have contributed to the expansion of institutional agricultural credit. According to the figures cited in the study, agricultural credit disbursement in 2021–22 exceeded the target of ₹16.5 lakh crore by approximately 13 per cent. The agricultural credit target for 2022–23 was subsequently set at ₹18.5 lakh crore. The expansion of institutional credit is important for enabling farmers to meet both

short-term production requirements and longer-term investment needs. However, the effectiveness of agricultural credit ultimately depends not only on the volume of credit provided but also on its timely availability, affordability, accessibility, and appropriate utilization.

II CONCLUSION

Since the economic reforms of 1991, the Indian agricultural sector has undergone significant structural and institutional changes. In response to changing economic conditions and the evolving needs of the farming community, the Government of India and financial institutions have introduced several schemes to strengthen agricultural finance, improve productivity, reduce production risks, and enhance farmers' incomes. Agricultural credit constitutes an important foundation of Indian agriculture. Financial assistance enables farmers to purchase inputs, invest in agricultural machinery, adopt modern technologies, undertake crop diversification, and improve production efficiency. At the same time, crop insurance schemes help farmers manage production risks, while infrastructure programmes address critical constraints relating to storage, processing, transportation, and marketing. The effectiveness of agricultural development programmes depends on the coordinated participation of government agencies, banks, NABARD, cooperative institutions, farmer organizations, and the farming community. Greater awareness among farmers, simplified application procedures, timely disbursement of credit, improved financial literacy, and effective monitoring are essential for ensuring that the benefits of government schemes reach the intended beneficiaries.

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