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Overview of Schemes relating to Agricultural finance

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Abstract

India being a welfare state, the citizens expect the government to perform all kinds of welfare measures to all sections of population especially agricultural community. Agricultural lending and financing play a pivotal role in India's agriculture sector, which employs over 50% of the country's workforce and contributes around 17-18% to the country's Gross Domestic Product (GDP). The first and foremost factor in providing agricultural finance by both the Central and State governments is that it should be made available at the door steps of farmers, that is, affordability is sine qua non for meeting their requirements such as, buying agricultural equipments, raw materials and inputs with a view to increase agricultural productivity. In the provision of agricultural finance to the farming community at large, there are two sources, namely, organized and unorganized sources. So far organized sources are concerned, commercial banks, cooperative banks, NABARD are worth mentioning and unorganized sources include indigenous bankers, traders, relatives and friends form part of it. The loan assistance offered to the farmers are with the aim of satisfying their commitments relating to expenses for crop cultivation, buying necessary seeds, pesticides and manures and various required input materials. Right from the tilling of soil till the reaping of corn during harvesting all kinds of assistance are offered by these institutions. In addition, government comes forward to chalk out various schemes for the promotion of well being of the farming community. This paper attempts to highlight the existing schemes launched for providing agricultural finance to the needy people.

Key words: Agricultural finance, Agricultural inputs, Agricultural productivity, Capital investment

I. INTRODUCTION

Agriculture and its allied activities is always at forefront as the Indian agriculture sector has been growing at an average annual growth rate of 4.6 per cent for the past six years. It grew for instance, by 3.0 per cent in 2021-22 against 3.3 per cent in 2020- 21. Over the recent past, India has emerged as the net exporter of agricultural related products. In 2020-21, The exports of agriculture and allied products from India grew by 18 per cent in the year 2020-2021 compared to the previous year. India being a welfare state, the citizens expect the government to perform all kinds of welfare measures to all sections of population especially agricultural community. Agricultural lending and financing play a pivotal role in India's agriculture sector, which employs over 50% of the country's workforce and contributes around 17-18% to the country's Gross Domestic Product (GDP). The first and foremost factor in providing agricultural finance by both the Central and State governments is that it should be made available at their door steps, that is, affordability is sine qua non for meeting the requirements such as, buying agricultural equipments, raw materials and inputs with a view to increase agricultural productivity. In the provision of agricultural finance to the farming community at large, there are two sources, namely, organized and unorganized sources. So far organized sources are concerned, commercial banks, cooperative banks, NABARD are worth mentioning and unorganized sources include indigenous bankers, traders, relatives and friends form part of it. The loan assistance offered to the farmers are with the aim of satisfying their commitments relating to expenses for crop cultivation, buying necessary seeds, pesticides and manures and various required input materials. Right from the tilling of soil till the reaping of corn during harvesting all kinds of assistance are offered by these institutions.. In addition, both Central and State governments come forward to chalk out various schemes for the promotion of well being of the farming community. For instance, PM Kisan scheme is a scheme announced by the Union government scheme designed to take care of the financial needs of farming community. The financial benefit of Rs 6,000 per year is transferred into the bank accounts of families of farmers through Direct Benefit Transfer programme. About 11.3 crore farmers were covered under the scheme in April-July 2022-23 alone. (Economic survey, 2022-2023). The study results show that despite Covid-19 impact agriculture and its allied sector shows resilient growth.

Need for Agricultural finance

Agricultural finance is essential mainly because of the reason that there is a saying that Indian agriculture is the gamble of monsoon. Since agricultural output is highly uncertain due to the too much dependence on nature unlike industrial output, agricultural finance, insurance and other schemes are essential for the promotion of well being of the agriculturists. It is a careful study of financial aspects of the farming activities and moreover, agricultural sector is considered as the primary sector. Majority of population depends on agriculture and its allied activities and hence money concerns associated with agricultural output and disposal acquire significance in the financial elements. This naturally covers the need for capital for agricultural activities and pattern and use of that finance raised by the agriculturists.

Schemes of financial assistance for agriculture

PM KISAN Scheme

It is a Union government scheme to meet the financial needs of the large sections of farming community. About 11.3 crore farmers were covered under the Scheme in its April-July 2022-23 payment period. The Scheme has been implemented with a period of more than three years provided assistance of about Rs. 2 lakh crore and above. According to the study results, this stand alone scheme has assisted the farming people for the investment in productive manner so as to carry out agriculture oriented operations. This, no doubt, in all aspects played a key role for the round about improvement of the agriculture field. As per the studies undertaken by the premier institutes namely, Indian Council of Agriculture Research (ICAR) and the International Food Policy Research Institute (IFPRI) categorically asserted the scheme has won over addressing the liquidity constraints of the farmers especially for purchasing agricultural inputs. So far as the small and medium landholdings are concerned, it has assisted them meet their fund requirements in the areas namely, farm inputs and their daily consumption, their family education, health and welfare and other miscellaneous expenses.

Crop loan Scheme

With a view to bring the quality of life of the farmers, crop loan is offered to the needy farmers Crop loans are short-term loans provided to farmers for their crop cultivation. It is given especially for a crop season and those availed this loan may require to repay from six months to a year. Reserve Bank of India (RBI) estimates show that the outstanding crop loan amount given by the various banks in the country increased drastically for a period covering March 2020 to March 2021 from 8,55,328 crore to 10,38,954 crore, registering a year on year growth of 21.4%. In order to cope up with the hardships happened due to the Covid pandemic, the crop loans have been raised by the banking institutions.

Kisan Credit Card (KCC) scheme

This scheme was introduced in the year 1998 by the Central government especially for giving credit assistance at an affordable rate to the farming community to meet the activities such as production of crop, animal husbandry and other similar operations in the form of revolving credit which is considered as the boon to the farming segment. This is one of the flagship schemes designed to offer required credit to the farmers so as to enable to buy necessary inputs and follow modern methods of agriculture practices.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

The Pradhan Mantri Fasal Bima Yojana (PMFBY) was launched in 2016 to provide crop insurance to farmers in case of crop failure due to natural calamities. Under this scheme, farmers pay a nominal premium of 2% for kharif crops, 1.5% for rabi crops, and 5% for horticulture crops, while the rest of the premium is paid by the government. The scheme provides financial assistance to farmers for various activities such as micro-irrigation, water harvesting, and watershed development. As of March 2021, the scheme had covered over 19.53 lakh hectares with a total financial assistance of over 8,282 crore.

Rashtriya Krishi Vikas Yojana (RKVY)

The Rashtriya Krishi Vikas Yojana (RKVY) was launched in 2007 to promote agricultural development in India. The main thrust areas of the scheme include financial help given to the agricultural holdings for agricultural operations namely, diversification of crops, value addition activities and its marketing aspects. The estimates show that in 2021 alone it has provided assistance to more than 12 lakh farmers at the cost of 44089 crore. It has achieved its goal of enhancement of productivity in agriculture and thereby assure income to the farmers.

Agriculture Infrastructure Fund (AIF): This ambitious programme was introduced in the year 2020 with a aim of giving financial help to the farmers for the activities relating to infrastructure operations. This has achieved the goal of construction of cold storage, storage houses and food processing units. The scheme provides credit guarantee coverage for loans up to INR 2 crore, and the interest rate is fixed at 3% per annum for a period of seven years. Regarding the implementation aspect of the fund, Primary Agricultural Credit Societies, Farmers Producers Organizations, Self Help Groups and other associated sectors take part in a bigger way.

The AIF has already started showing positive impact, as several projects have been approved for funding. In a nutshell, financing of agriculture in our country are found essential in accelerating the development of agriculture field and no doubt, it has been considered as the life blood of the Indian economy. The main aim of the initiatives undertaken through different schemes are helping the agriculturists to ensure affordability in credit assistance, provision of infrastructure initiatives and mass coverage of insurance. This will, in turn, promote the well being of the farmers and help them to minimize risks taking place in agriculture field. These things are in a position to take with utmost care for achieving twin aspects, namely, sustainable development rural development in our economy.

NABARD Assistance

At the national level, National Bank for Agriculture and Rural Development (NABARD) has provided assistance through various schemes with the target of specific sectors. Chiefly these are as follows:

Dairy Entrepreneurship Development Scheme

With a view to develop dairy field, this ambitious scheme was introduced by National Bank for Agriculture and Rural Development (NABARD) for modernizing dairy units, facilitating infrastructural network, developing logistical activities on the lines of commercial side and thereby ensure self employment to the common masses.

Setting up of Rural Godowns

One of the most important aims of this assistance is to provide the farmers in the country with the improved storage houses taking in to consideration of improvement of holding capacity in an ambitious ways. This would in turn, help the farmers to market their agricultural produces at an enhanced price and thereby avoid selling their produces soon after the harvest. The salient feature of this scheme is its simplicity in all respects and is conducive to the farmers in our economy.

Loan Against Warehouse Receipts

This kind of scheme is very helpful to the farmers to avoid sales after the harvest is over. Whenever need for fund arises for the farmers especially in the period of post harvest, what he can do is storing their produces in a Warehousing Development and Regulatory Authority which is adjudged as the best one and it immediately gives them a receipt.

The various initiatives undertaken by the government with a aim of strengthening the ongoing policies, increase in farm credit has been taking place steadily over a period. For instance, in the year 2021-22, it was about 13 per cent more than the target of ₹16.5 lakh crore. And the target for the provision of credit to farmers for 2022-23 has been decided at ₹18.5 lakh crore. (DAFW and Agricultural Statistics at a Glance 2021).

II. CONCLUDING REMARKS

In order to cope up with the changing economic scenario especially after 1991, several schemes and plans have been undertaken by the government to promote the conditions of farmers in the country. They act as a fulcrum of Indian agriculture. The provision of credit, development of infrastructure, dissemination of timely information to the farmers, marketing assistance, crop insurance for protecting farmers from crop failure and other necessary activities are focus of these schemes. A concerted action by way of cooperation among the government, institutions and farmers is the need of the hour.

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