



AGRICULTURAL DEVELOPMENT THROUGH THE FINANCING BY STATE BANK OF INDIA (NIPHAD) DIST. NASHIK

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INTRODUCTION:

Agriculture sector suffers from lower productivity per hectare and per worker and also like finance and marketing but some agriculturist do not made working capital available for its own capacity. The State bank of India has being means and medium to that of agriculturist for development of land or any other agricultural purpose. Therefore it becomes necessary to give priority to development of agriculture sector by providing adequate finance require to its development.

Now a day's farming not only depends upon traditional ways but modern technologies may also be introduce for commercial cultivation crops. In order to introduce the modern technology in the agricultural fields a huge capital is required due to this the state bank of India plays an important role by providing adequate finance and to promote farmers to apply this modern technology hence the researcher felt necessary to study this topic.

DEFINITIONS:

Murray (1953) defined Agricultural finance as “an economic study of borrowing funds by farmers, the organization and operation of farm lending agencies and of society's interest in credit for agriculture.”

Tandon and Dhondyal (1962) defined agricultural finance as “a branch of agricultural economics, which deals with and financial resources related to individual farm units.”

SIGNIFICANCE OF AGRICULTURAL FINANCE:

1. Agriculture finance assumes vital and significant importance in the agro-socio-economic development of the country both at macro and micro level.
2. It is playing a catalytic role in strengthening the farm business and augmenting the productivity of scarce resources. When newly

developed potential seeds are combined with purchased inputs like fertilizers and plant protection chemicals in appropriate / requisite proportions will result in higher productivity.

3. Use of new technological inputs purchased through farm finance helps to increase the agricultural productivity.
4. Accretion to in farm assets and farm supporting infrastructure provided by large scale financial investment activities results in increased farm income levels leading to increased standard of living of rural masses.
5. Farm finance can also reduce the regional economic imbalances and is equally good at reducing the inter-farm asset and wealth variations.
6. Farm finance is like a lever with both forward and backward linkages to the economic development at micro and macro level.
7. As agriculture is still traditional and subsistence in nature, agricultural finance is needed to create the supporting infrastructure for adoption of new technology.
8. Massive investment is needed to carry out major and minor irrigation projects, rural electrification, installation of fertilizer and pesticide plants, execution of agricultural promotional programmes and poverty alleviation programmes in the country.

CLASSIFICATION OF AGRICULTURAL CREDIT:

Agricultural credit may be classified into the following ways.

1. Short term credit
2. Medium term credit
3. Long term credit

1. Short Term Credit:

Short term or seasonal credit is granted for the purpose of providing working capital requirement of the farmers. The period for which this type of credit is provided generally ranges from 6 month to 15 month. According to the All India Rural Credit Review Committee, the short term credit is lump sum credit facility, which is provided to fill up the gap in outlay which cannot be met by the own resources of farmers during the period between two harvests. The various purpose for which short term credit is provided include purchase of seeds, fertilizers and insecticides, hiring of labour, hire charges of agricultural machineries, payment of electricity bills, tax on lands, godown charges etc. The demand of this type of credit is expected to increase at the time of transplantation. This type of credit is also known as 'crop loans'.

These loans are disbursed through Primary Agricultural Credit Societies (PACS), commercial banks and Regional Rural Banks (RRBs).

2. Medium Term Credit:

Medium term credit is the credit required for improvement of land, purchase of implements, machinery, livestock and conversion of months but not exceeding 5 years.

3. Long term credit:

The long term credit loans are sanctioned for a longer period of more than 10 years. In some cases it may also be granted for a period up to 20 years. Among the various types of uses of long term loans, the principle ones are: purchase of farm or buying of additional land, construction of buildings for farm operations, provision of drainage, reclamation of land and other improvements.

NEED FOR AGRICULTURAL CREDIT:

Credit is required in every type of business and agriculture is not exception of it. The need for agriculture credit becomes more important when it moves from traditional agriculture to modern agriculture. The agriculture sector at present is best with number of handicaps. The land holding is very small. The population is growing at a fast rate. Agricultural labour is often under employed. Production suffers from weather risks. The capacity of farmers to save and invest is very low. The agricultural productivity is low due to low use of inputs. The farmers therefore, need credit to increase productivity and efficiency in agriculture. This need is increasing over the years with the rise in use of fertilizers, mechanization and rise in prices. Briefly the need for agricultural credit can be summed up as follows;

- 1. Purchase of new inputs:** The farmers need finance for the purchase of new inputs which include seeds, fertilizers, pesticides, irrigation water etc. If the seed of high yielding varieties and other modern inputs are made available to the farmers they can increase productivity not only of land but also of labour.
- 2. Purchase of implements:** Credit is required by the farmers for the purchase of tractors, threshers, harvesters, water pumping sets etc. The use of appropriate machinery in land will increase production by growing more than one crop on the same piece of land at the same time.
- 3. Better management of risk:** Credit enables the farmers to better manage the risks of uncertainties of price, weather etc. They can borrow

money during raining days and pay back the loans during peak years of crops.

4. **Permanent improvement in land:** Credit also helps the farmers to make permanent improvements in land like sinking of wells, land reclamation, horticulture, rotation of crops etc.
5. **Better marketing of crops:** If timely credit is available to the farmers, they will not sell the produce immediately after the harvest is over. At that time the prices of agricultural goods are low in the market. Credit enables the farmers to withhold the agricultural surplus and sell in the market when prices are high.
6. **Facing crises:** The credit is required by the farmers to face crisis. The crisis can be caused by failure of crop, draught of floods.
7. **Balanced development:** Agricultural sector generally remains neglected compared to industrial sector in the country. For balanced development, it is essential that credit should be provided at concessional rates to the agriculture sector so that it should also expand and help in “take off” process of the country.

PRODUCTS AND SCHEMES:

1. Kisan Credit Card (KCC)
2. Agricultural Gold Loan:
3. Produce Marketing Loan:
4. Farmers Easy Empowered Loan (Feel): “Krishi Kalyan”
5. General Credit Card (GCC):
6. Arthias Plus:
7. Kisan Gold Card Scheme (KGC):
8. SHG Credit Card:
9. SHG Gold Card:
10. Joint Liability Groups of Tenant Farmers (JIG):
11. New Tractor Loan Scheme (NTLS)
12. Scoring Model for Tractor Loans:
13. Financing of Second Hand / Used Tractors Schemes:
14. Financing Power Tillers:
15. Financing for Combine Harvesters Eligibility and Repayment:
16. Tractor Upgradation (Sanjeevani) (Finance for Repairs, Maintenance and Addition of New Implements etc. to Tractors)
17. Dairy Plus (Scheme For Financing Dairy Units)
18. Scheme for Financing Dairy Societies
19. Broiler Plus (Scheme for financing Broiler farmers under contract farming)
20. Scheme for Financing Micro Finance Institutions (MFIs) / Non Government Organizations (NGOs)
21. Scheme for Debt Swapping of Borrowers:

22. Land Purchase Scheme:
23. Setting up of Agri-Clinic and Agri-Business Centre's Scheme (ACABC Scheme):
24. Gramin Bhandaran Yojana Capital Investment Subsidy Scheme for Construction / Renovation of Rural Godowns:
25. Financing Cold Storage:
26. Scheme for Financing Private Cold Storage/ Private Ware Houses for Onlending to Farmers:
27. Scheme for Financing Seed Processors:
28. Mortgage Loan to Seed Processing Units:
29. Capital Investment Subsidy Scheme for Commercial Production Units of Organic Inputs under National Project on Organic Farming:
30. Financing of Organic Farming:
31. Bio Gas Plants (Family Type) Scheme:
32. Producer Companies:

SCALE OF FINANCE:

Table 1: Rate of interest for agricultural products

Product	Rate Of Interest
Crop Loan	7.00%
Tractor Loan	12.0%
Irrigation	9.75%
Gold loans	7.00%

The rates of interest for agricultural product are generally low and within the paying capacity of farmers. They are around 7 to 12%.

Table 2: Total loan disbursed to agriculture by State Bank of India

Sr. No	Activity	April-08 to March-09		April-09 to March-10		April-10 to March-11		April-11 to March-12		April-12 to March-13	
		No. of A/Cs	Amt.	No. of A/Cs	Amt.	No. of A/Cs	Amt.	No. of A/Cs	Amt.	No. of A/Cs	Amt.
1.	Crop loan	234	350.84 (7.3%)	133	234.18 (4.62%)	126	171.4 (2.88%)	164	241.95 (2.72%)	217	336.41 (1.69%)
2.	Tractor loan	9	29.74 (0.62%)	106	255.17 (5.03%)	153	381.44 (6.40%)	195	482.49 (5.43%)	183	431.61 (2.17%)
3.	Other farm mechanization	32	76.84 (1.60%)	16	53.33 (1.05%)	19	99.02 (1.66%)	21	188.89 (2.13%)	50	198.58 (1.0%)
4.	Horticulture and floriculture	361	1425.83 (29.67%)	269	975.05 (19.22%)	148	516.46 (8.67%)	37	114 (1.28%)	113	292.55 (1.47%)
5.	Irrigation	0	00 (00%)	15	62.63 (1.23%)	14	27.2 (0.46%)	19	50.08 (0.56%)	28	92.8 (0.47%)
6.	Land development	16	13.22 (0.27%)	11	21.48 (0.42%)	8	21.43 (0.36%)	8	21.52 (0.24%)	4	17.94 (0.09%)
7.	Dairy	26	5.8 (0.12%)	12	5.27 (0.10%)	17	10.79 (0.18%)	24	29.47 (0.33%)	23	31.67 (0.16%)
8.	Poultry	4	12.21 (0.25%)	8	25.05 (0.49%)	11	34.73 (0.58%)	12	31.58 (0.35%)	7	16.63 (0.08%)
9.	Plantation crops	785	2525.41 (52.55%)	10.4 9	3238.88 (63.86%)	138 4	4428.45 (74.35%)	151 3	4854.38 (54.66%)	1562	4894.4 (24.61%)
10.	Cold storage	0	00 (00%)	0	00 (00%)	0	00 (00%)	0	00 (00%)	0	00 (00%)
11.	Warehouse	0	00 (00%)	0	00 (00%)	0	00 (00%)	0	00 (00%)	0	00 (00%)
12.	Storage and marketing	1	67.71 (1.41%)	0	00 (00%)	0	00 (00%)	0	00 (00%)	1	30.10 (0.15%)
13.	Loan against deposit	20	15.44 (0.32%)	12	5.98 (0.11%)	10	5.47 (0.09%)	5	4.75 (0.05%)	1	1.19 (0.006%)
14.	Gold loans	2	0.59 (0.012%)	8	3.56 (0.07%)	58	42.89 (0.72%)	151 8	2572.94 (28.97%)	8516	13249.8 2 (66.63%)
15.	Other direct finance	60	282.08 (5.87%)	50	181.25 (3.57%)	44	125.81 (2.11%)	59	199.87 (2.25%)	101	262.35 (1.32%)
16.	Indirect finance	0	00 (00%)	1	10.09 (0.2%)	6	90.91 (1.53%)	8	89.69 (1.01%)	2	28.28 (0.14%)
Total		1559	4805.71	1690	5071.92	1998	5956.07	3583	8881.61	10808	19884.33

RECOMMENDATION:

1. The bank should keep on revising its agriculture finance policy which will help bank's effort to correct the course of policies.
2. Area covered by state bank of India should be improved by introducing more branches in the district.
3. The bank should provide need based services to the farmers.
4. More staff should be recruited for agriculture finance department in order to create the awareness and motivate the farmers.
5. Bank has to reduce the interest rate and processing delay.
6. The bank has to arrange the awareness program for the farmers about the various schemes of agricultural loan and its documentation and sanctioning procedures.

CONCLUSIONS:

1. The project undertaken by the bank of agricultural development has helped in gaining knowledge of the "Agricultural Finance" in nationalized bank with special reference to SBI.
2. Agricultural finance and its policy of the bank has plays very vital role in the development of the agriculture and farmers.
3. The SBI has given special inputs on "Agricultural finance" in pursuance of the instructions and guidelines issued by the Reserve Bank of India.
4. Due to the proper utilization of agricultural loan provided by bank, the economical condition of farmers has been remarkably improved.

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