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ROLE AND TREND OF AGRICULTURAL FINANCE INSTITUTIONS IN THE INCLUSIVE GROWTH OF AGRICULTURE IN INDIA

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ABSTRACT

A country's economic well-being relies heavily on its agricultural industry. It has a significant impact on the economy of India. Agriculture contributes one-third of India's GDP and accounts for 60% of all exports, whether direct or indirect. It accounts for 67% of all Indian jobs. Economics and strategy are heavily dependent on it, as are many other areas of the economy, such as manufacturing. Few farmers can afford to farm on their own because of the high financial demands of the sector. Consequently, there is a pressing need to recognise all agricultural activity and those farmers that need support. The goal of this article is to evaluate the expansion of agricultural credit in India, to look at the current condition of agriculture in the country, and to analyse the many government policies and programmes already in effect. Agricultural finance innovation, including new methodologies, techniques, and technologies, is also discussed in the article, with an emphasis on how it contributes to enhanced agricultural growth and increased financial integration.

KEYWORDS*: Agricultural Growth, Financing Institutions, Development, Financial Integration.*

Introduction

To create money, finance needs a big quantity of money at every level, which makes it one of the most risky sectors. India's banking business significantly favours agricultural finance, which enables farmers to carry out their responsibilities without any interruptions. Both the local and the macro levels of agricultural financing were addressed. For the agriculture industry, macro financing covers a variety of ways to raise money. Agriculture credit facilities have a lot to do with lending, as well as a lot to do with the rules and regulations, monitoring, and control of these institutions. Because of this, macro-finance is utilised to support farming on a societal scale. Farm debtors are studied in agricultural finance, which examines how credit provides money and liquidity. Research into the financial intermediaries that lend money to agriculture, as well as the monetary markets in which these intermediaries obtain their loans, is often known as the study of agricultural lending. Farm finance has become a need because of the rise of capital-intensive agricultural equipment. Farmers need money in order to increase the productivity of their farmland. Poor and unpredictable agricultural outcomes are common in India. In general, Indian agriculture is characterised by low and erratic returns. External funding will be required to break the vicious cycle of bad savings returns and low investment returns. External financing for farmers is essential to avoid negative returns, low savings, low investment, and unsatisfying returns.

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The colonial era in India has left a lasting impression on rural finance. In order to help the farming community, it is largely responsible for providing financial aid. Since the Middle Ages, agricultural sector financing has been on the rise, although it has yet to reach its peak. We may all recall the sensible and illogical aspects of India's agricultural funding. Financial intermediation was positively influenced by the 1969 development of nationalised banks, which provided access to agricultural output for peasant populations. For India's agricultural funding, it was a crucial first step in completing the nationalisation process.

Review of Literature

Ujwala Kambali & Niyaz (2021) Agriculture, like many other industries, relies heavily on the financial sector for its growth. The agriculture sector is becoming more reliant on the banking industry since small and peripheral ranchers are unable to save and invest due to their low revenue levels. Credit in agriculture should not just be considered as a tool to enhance food production, but also as a way to raise the total income and social well-being of farmers, given that agriculture is the cornerstone of national authority.

Arun & Padmanabhan (2019) focuses on the limited services accessible to farmers in Tamil Nadu, which are offered by the established financial institutions. In order to keep farming alive, farmers receive a number of sources of funding, including loans from banks and other financial entities. Several financial institutions in Tamil Nadu are highlighted as well as the state's numerous efforts to help farmers.

Choudhury, S. (2018) address the fact that the poor in developing nations face several challenges that limit their potential and worsen their quality of life. All sectors of the economic system must benefit from advancement while removing hurdles faced by the most vulnerable members of society and ensuring equitable opportunity for everyone in the economy. Using a simulated modelling technique, this research extrapolates findings from a case study in India to examine the influence of financial inclusion and social sector investment in regional livelihoods in improving agricultural production and inclusionary development. Also, it presents policy suggestions in this industry.

Dupas, P., et al (2016) the difficulties faced by farmers while getting agricultural financing was noted Agriculture loan application processes should be streamlined, interest rates for farmers reduced, and fundamental banks reticence to collaborate might be addressed, according to the results. Farm owners' lack of understanding of agricultural financing should reduce farmers' fears about the bank's recovery process, according to this notion.

Ijioma & Osondu (2015) an explanation of why farm owners may use the loan to fund new investments, technology purchases, manufacturing and sales activities and other aspects of agricultural expansion. Growth in agribusiness may be financed over the course of many years, not just the short period of a crop loan. The monsoon breakdown and the frequent turbulence in agriculture illustrate that rural indebtedness has always been a significant and long-lasting feature of Indian agricultural production. Most farmland is owned by the poorest tenth of society, yet they are given significantly less credit than they deserve, according to the study's findings.

Mahendra Dev, S. (2014) Discuss the significance of small-scale agriculture in India and the challenges it confronts in this research. Agricultural diversification and small-scale involvement Sector, small-scale effectiveness, connecting local manufacturers with marketplaces, which includes the production chain, the contribution of local suppliers in improving livelihoods and creating new jobs, various policies and infrastructural development for small-scale producers, problems and potential offerings for small-scale agriculture, which include information requirements. It also provides other countries with lessons from India's small-scale agricultural expertise.

The main objective of this study and the methodology used to do it are as follows:

- The following are the paper's objectives:
- To study the role of financial institution in agriculture.
- To examine the development and inclusive growth of agriculture.
- To analyse the various policies implemented by the Government of India.

In order to conduct my research, I used a variety of secondary data sources, including research papers, journal articles, and publications from the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NBARD), as well as information from relevant websites (NABARD).

Role of Financial Institution in Agriculture

The responsibilities of financial institutions in agriculture are as follows:

- **Financial Institutions for Agriculture:** In order to aid India's agricultural growth, institutional credit was formed. Distributing agricultural loans is the responsibility of several institutions. A key source of worry is that money lenders continue to operate in the local lending market. Rural credit lines in India are examined in this article, and the factors that lead to the rising usage of bank financing by Indian farm households are assessed.
- **Government:** Government-owned institutions provide both short- and long-term loans. Taccavi loans are the most popular kind of finance, and they are often extended in the case of a disaster. The interest rate is low, and it makes up a small part of rural funding.
- **Commercial Banks:** Commercial banks largely served trade, commerce, and industry and were restricted to urban areas. Commercial banks' lack of involvement in rural finance underlined the risky nature of farming, due to its dependence on downpours, unstructured nature, and frugal approach. Nationalization of banks forced them to intervene in agricultural financing in 1969, and they are currently the largest source of corporate agricultural credit.
- **Micro Financing:** In recent years, self-help groups (SHGs) have become more popular as a source of microfinance. Rural impoverished people organise self-help groups (SHGs) to help themselves rise above their plight. A group fund called the "Group reservoir" is where they all agree to save money on a regular basis and invest it. It is agreed that these and any extra funds that the group acquires as a group via shared management would be put to good use.
- **Cooperative Credit Societies:** In 1904, the government of India adopted the first Cooperative Credit Societies Act, which was part of the country's cooperative movement. Following the All-India Rural Financing Survey Committee's (1951) recommendations, the Government of India immediately after independence concluded that cooperatives were the only alternative method to boost agricultural credit and rural expansion.
- **Regional Rural Bank:** In the multi-agency approach of delivering financial aid to agriculture, it performs a distinctive function. They are commercial banks with a rural orientation, backed by the government and headquartered in certain regions. An effort has been made to integrate commercial banking into the wider plan oriented toward community banking, taking into account the local complexities. The RRBs were created as a result of the need for a solid government structure to facilitate rural lending.
- **NABARD:** With the goal of aiding farmers in need and supplying them with necessary equipment, agricultural finance organisations have been founded in India. As a consequence, in 1982, NABARD was founded. Furthermore, it was set up as the country's top bank to help and grow the country's agricultural industry. Mumbai, Maharashtra, is home to the present NABARD headquarters. The proposal for the bank originated from a group that evaluates institutional finance for regional development and agriculture, and they backed it. The hearings were presided over by Dr. B. Sivaraman. As a result of the NABARD's establishment and subsequent construction, rural India's agricultural and rural non-farming industries were both elevated. NABARD is 96.4 percent owned by the Indian government, with the Reserve Bank of India owning only 0.4 percent.

Functions of NABARD

In order to carry out the following functions, NABARD was established:

- One of the primary goals of this organisation is to serve as a primary source of finance for banks that lend money for agricultural and other rural development projects.
- To keep track of and analyse the projects it has insured.
- As part of the National Bank for Agriculture and Rural Development (NABARD), NABARD prioritises projects that fall within the Integrated Rural Development Programme (IRDP).
- IRDP accounts may be refinanced to ensure that the most money is available for poverty-relief programmes under the Integrated Rural Development Program.
- Through its activities and 100% refinancing help, NABARD recommends the expansion of community events.

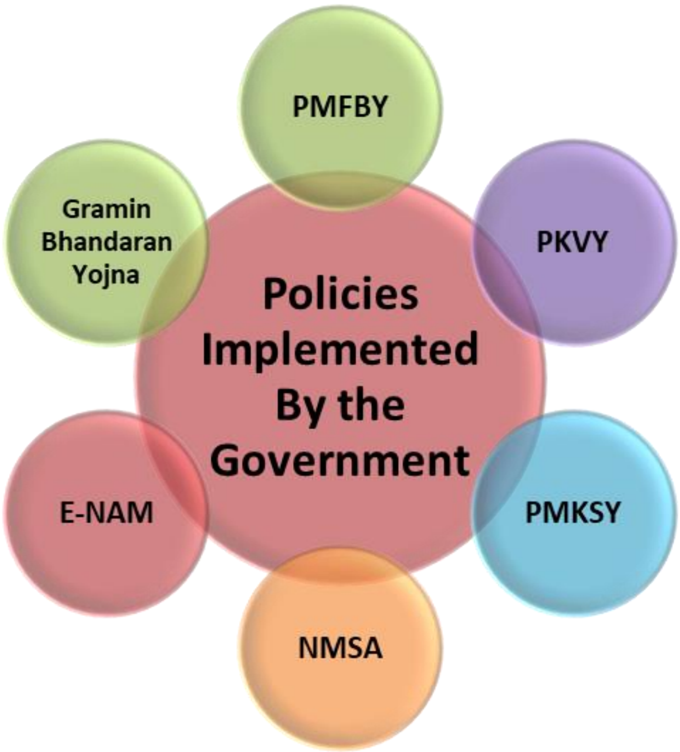
- Self-Help Groups (SHGs) formed by charitable groups in rural areas are linked together to form a larger network.
- To the maximum extent feasible, it funds all initiatives associated with both the National Watershed Development Program and the National Mission for Wasteland Development.
- An analysis is conducted for the cross-sectional area of initiatives allowed by districts to financial institutions in order to identify their progress and manage the limits in their implementation, as well as take required actions for fixing them.
- It also encourages volunteer programmes such as VikasVahini, which enable underprivileged farmers get finance and participate in the implementation stages of the projects.
- Rural development banks and cooperative banks are also regularly inspected and monitored to guarantee the expansion of rural finance and farmers' well-being.
- On the other hand, NABARAD also advises the RBI on RRB and cooperative bank licencing.

Role of NABARD

NABARD has the following responsibilities:

- All policy, administration, and operations related to agricultural and other rural economic activities are handled by this privileged institution.
- Additionally, it serves as a bank restructuring agency for rural development projects that need investment and production financing from banks.
- It is improving the absorption capacity of India's institutional credit system, including monitoring, the establishment of restoration programmes, the reformation of credit institutions, and employee training.
- All institutions participating in grassroots implementation efforts, such as the Indian government, state legislatures, the Reserve Bank of India, and other national policy-making organisations have their remote finance operations integrated into this system.

Policies Implemented by the Government of India



The following are the policies that the Indian government has put in place:

- **E-NAM:** In order to create a single national market for agricultural commodities, the e-NAM (National Agriculture Market) uses the existing APMC allocations to offer an online payment interface that is accessible throughout India. The Small Farmers Agribusiness Consortium (SFAC) is the primary implementer of e-NAM under the Ministry of Agriculture and Farmers' Welfare of the Government of India. Simplifying networked marketplace procedures, removing uncertainty between market players, and promoting genuine price detection are the main goals of this project.
- **National Mission for Sustainable Agriculture (NMSA):** National Mission for Sustainable Agriculture (NMSA) was established to increase agricultural productivity, especially in rain-fed areas, by focusing on intensive agriculture, water efficiency, organic fertiliser management, and sustainable agricultural synergies. Water productivity, nutritional management, and sustainable livelihoods are just a few of the issues that NMSA hopes to solve by adopting a workable growth strategy that incorporates energy efficiency, high efficiency devices, conservation of natural resources, and integrated farming.
- **Pradhan Mantri Krishi Sinchai Yojana (PMKSY):** The Indian government has prioritised water conservation and management as a top priority. In order to do this, the Yojana was designed to provide an end-to-end service for the production, transmission, administration, field approval procedure, and outreach activities of sources of irrigation penetration and water consumption productivity.
- **Paramparagat Krishi Vikas Yojana (PKVY):** PKVY was launched by the NDA government as an initiative to promote sustainable agriculture across the country. Farmers throughout vast areas of the nation will be encouraged to organise themselves into categories and use environmentally friendly farming methods as part of the project. The government, on the other hand, has vowed to cover the costs of certification and to promote organic farming by integrating diverse resources into its programmes.
- **Pradhan Mantri Fasal Bima Yojana (PMFBY):** Crop insurance is financed by the government, and this programme brings together a broad variety of stakeholders. With this plan, farmers will be given financial support if any of their crops are affected by natural disasters or parasites, or if they get unwell. As a way to encourage farmers to employ new and more modern agricultural practises while simultaneously assuring a stable stream of funding for the sector, farmers' incomes must be assured.
- **Gramin Bhandaran Yojna:** Scheme's goal is to develop a systematic processing capability in remote areas to meet farmers' needs for storage, pasteurised food products, and agricultural implements, to promote grading and interoperability and quality assurance of agricultural production, and to prevent grief sales immediately after cultivation by allowing deed funds or marketing credit to be used for deeds.

Technologies Adopted by Agricultural Sector

Technological advancement is more important than ever in modern agriculture. The rift is triggered by a number of issues, including growing supplier costs, worker shortages, and shifting consumer demands for environmental sustainability. Agricultural companies are gradually realising the need for solutions to these problems. Robotics and automation, precision farming and artificial intelligence, as well as block chain and modern greenhouse technologies have all experienced major developments in the business.

- **Indoor Vertical Farming:** Indoor vertical farming may increase crop yields, eliminate land constraints, and even minimise the ecological impact of farming by reducing the coldness covered in the supply chain. To produce food in a safe and secure setting, this technique involves stacking it on top of each other.
- **Farm Automation:** "Smart farming" describes a set of technologies that automate the harvest or animal farming cycle to improve agricultural efficiency. Robotic harvesters and tractors are being developed by a growing number of companies. Drone watering systems are also becoming more commonplace.
- **Livestock Farming Technology:** The traditional cattle industry is usually overlooked and neglected, despite its obvious importance. Essential renewable natural resources that humans rely on on a daily basis are provided by livestock.

- **Modern Greenhouses:** The greenhouse industry has grown from small-scale fieldwork and ornamental resources to much bigger businesses that have close touch with conventional land-based food production. The industry is now experiencing unprecedented growth, thanks in large part to significant recent achievements in fast development.
- **Block Chain:** Block chain technology may be used to solve significant food supply chain challenges, such as food safety, culinary returns, distribution network complexity, and product tracking, using its ability to monitor and resist interference.

Conclusion

Farm production in India has been sustained through agricultural financing. Because of this expansion in scope and volume, a number of weaknesses have evolved that put the future development and effectiveness of agricultural financing organisations at risk. When it comes to making money and investing it, financial institutions play an essential role. When it comes to any industry's development, financial institutions play a significant role. Small and peripheral ranchers are unwilling to save and invest because of their low-income levels; thus, the agricultural sector's growth is increasingly dependent on the banking business. Farmers' income and social well-being should not only be a focus of agricultural financing, but it should also be seen as a method of boosting food-producing activities, as agriculture is the essential foundation of national power in the United States. Agricultural and non-agricultural development in distant areas of India is shown to have a positive impact on each other and reduce the risk of natural disasters. Regional inequities, hardship, and suffering may be alleviated if rural finance policies and initiatives place an emphasis on agricultural and rural non-farm sector development. There is a pressing need to increase the amount of institutional financing available to farmers, according to the study's findings. Commercial banks have emerged as the dominant supplier of institutional financing to agriculture in recent years, changing the pattern of credit sources.

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