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Agriculture Financial Schemes for farmers in India: An analytical study

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Abstract

Agriculture is a prime sector in terms of providing employment to roughly 44 per cent of the working population. The sector is one of the largest contributor to GDP of India which is contributes 14.4% but the portion of agriculture sector in GDP of India has shown reducing trend over a last decade. Therefore it is required to have appropriate intervention and change in the related strategies by Government. The farm credit is one of the most significant needs of farmers of India. It assumes a significant role in reception of new innovation to enhance the farm profitability. Subsequent to understanding the need, Government of India (GOI) is quick to find a way to formalize the institutional structure for farm credit distribution. GOI has thought of different plans like Interest subvention schemes for farmers, Kisan Credit Card Scheme, Investment loan, Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA), Pradhan Mantri Fasal Bima Yojana, Livestock Insurance, Revenue Insurance Scheme for Plantation Crops. In view of consistent endeavors by government there has been sharp decrease in farming credit financed by non-institutional credit. On the other hand increase in agriculture credit financed by institutionalized sources like scheduled commercial banks and Co operatives. Each farming credit schemes is not quite the same as the point of view of its objectives and core interest. It is additionally require to contemplate operational parts of every plan independently (I.e. how is it actualized through different channel?). Henceforth this paper endeavors to investigate the different agriculture credit plans from farmer's point of view.

Keywords: Interest subvention scheme for farmers, Kisan Credit Card Scheme (KCC), Investment loan, Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA), Pradhan Mantri Fasal Bima Yojana

Introduction

"Agricultural finance is the study of financing and liquidity services 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." (Mohapatra, 2017). In past decade farmers usually preferred local money lender, who charged interest with very high rate (Shanmugavadivel, 2017). Once they borrow money from them it is difficult to repay and they will get caught in vicious circle of unstructured and reregulated debt. At some point of time they will required to sell their cultivable land to get out of debt ridden situation which also force them to commit suicide. It is required to take some steps to overcome the problem (T.S. Devaraja, 2011). The government of India is taking many initiatives to help the farmers by availing various credit schemes so they are not getting caught in the web of local money lender (Kumar et al., 2015)

Agriculture credit involves credit concerns in a developing economy like India where majority of the population relied upon farming activities. The prerequisite for rural credit depends an) Imbalance between of revenue and cost incurred; ii) interest in capital development; and iii) Random surge in capital necessity and saving that produces technical advancements. (Gadara, 2014). After realsing the significance of farming in India's growth, the GOI and the Reserve Bank of India (RBI) have critical job in making a wide based institutional structure for taking into account the expanding need of credit. (Golait, 2007). The farming Credit Policy normally focus on making credit flow at the bottom point through planning of credit, selection of area specific systems, rationalization of of loaning approaches and strategies and cutting down the expense of acquiring. Bank credit is accessible to the agriculturist as monetary credit for financing crop creation program and as either for short, medium and long term credit for financing capital interest in farming and other related activities like land advancement including acquisition of land, irrigation system, agriculture mechnisation, dairy, poultry farm, fisheries, and agriculture. Advances are additionally accessible for storage, preparing and promoting of agriculture produce.(T.S. Devaraja, 2011).Agricultural loan (credit) is dispensed through a multiagency organize comprising of Commercial Banks (CBs), Regional Rural Banks (RRBs) and Cooperatives.

Objectives

The study aims at analyzing various agriculture credit schemes provided by government of India

Literature Review

(Jain M. K., 2019) The farming sector is a significant part of the economy of India as it gives employment to a huge numbers of people. As indicated by Census 2011,from total workforce 481.7 million, roughly 118.7 million farmers and 144.3 million agriculture workers, which mean around 55 percent of the all out laborers were utilized in agriculture and allied sector. Hence development of agriculture sector requires prime focus of government of India.

(M. Umanath, 2018) The Growth in agribusiness segment is ascribed to the improvement of the money related and credit framework. Greater part of country farmers are following with feeble money related soundness, for example, low sparing and low ventures. Absence of capital arrangement in agriculture is a significant difficulty to the rural cultivating to follow present day and economical production system.

(Yadav, 2017) Agriculture credit is significant for rural development. Agricultural policies have been investigated every once in a while to give sufficient accessibility of account to this area. Rural credit framework accepts significance in light of the fact that for the greater part of the Indian rural families, reserve funds are not enough to back cultivating and other financial exercises.

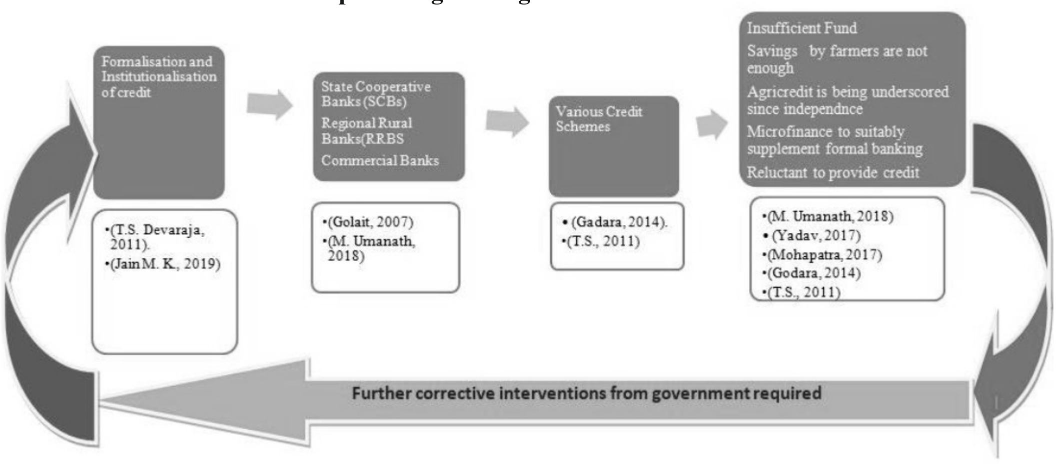
(Mohapatra, 2017) Fund in farming becomes very significant as other inputs being used in agricultural production. Understanding the significance of agricultural credit in cultivating rural development and advancement, the accentuation on the institutional structure for agrarian credit is being underscored since the start of planned development in India. The paper talks about the history and need of agrarian account in India, sources and size of farming fund and surveys its encouraging. The two significant wellsprings of fund in agriculture are institutional and noninstitutional sources. Throughout the years, there has been a sharp decrease in the level of rural credit financed by non-institutional sources from 90.9 percent to 20.9 percent

(Godara, 2014) Because of reduction in public capital formation in the rural and agriculture sector and the continues unfavorable perception of rural bankers towards formal financing, the planners and policymakers are considering the microfinance to suitably supplement formal banking in rural India.

(T.S., 2011) The examination uncovers that the credit conveyance to the agriculture area keeps on being insufficient. Apparently the financial framework is as yet reluctant to provide credit to little and peripheral farmers due to various reasons. The circumstance calls for synchronized efforts to increase the progression of credit to farmers, close by investigating recent advancements in item structure and strategies for conveyance, with the help of better utilization of innovation and related procedures.

(Golait, 2007) Indian Agriculture policies have been revised very often to cope up with increasing need credit in agriculture sector. The agriculture sector forms and important segment of priority sector lending of various banks and cooperative sectors. Over a year's public sectors bank plays vital role in providing institutional credit to farmers of India.

Gap Finding Through Literature Review



Research Methodology

Research Design: Descriptive research design has been adopted for the study

Sources of data: The study is based on secondary data publish by RBI, Ministry of agriculture, Depart of statistics and other government agency

Scope of study: The study covers an analytical study on

- Interest subvention scheme for farmers
- Kisan Credit Card Schemes
- Investment loan, Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)
- Pradhan Mantri Fasal Bima Yojana
- Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)
- Pradhan Mantri Kisan Maan-Dhan Yojana (PM-KMY)

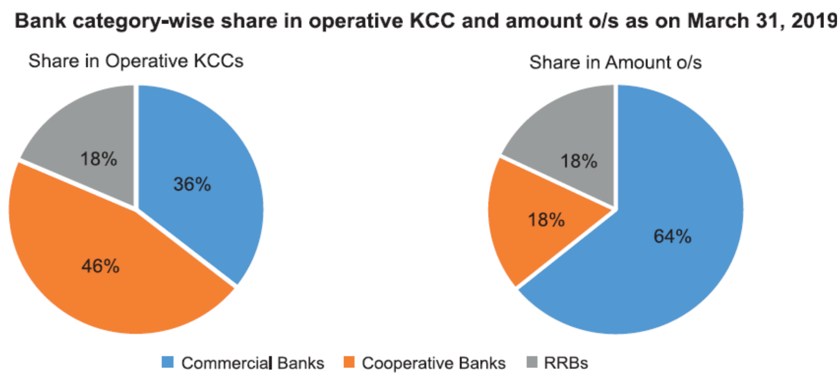
Data Analysis And Interpretation

Interest subvention scheme for farmers

The Interest Subvention Scheme for agriculture emphasis on giving credit for short term at subsidized rate. The scheme has been effective from Kharif 2006-07. The interest subsidy will be given to banks on use of claim reserves and to NABARD to refinance RRBs and Cooperative Banks. Scheme has been implemented by NABARD and RBI. The farmers can avail crop loan of Rs. 3 lakh in maximum to be repaid within a year at only 4% interest p.a. The provision of fund of Rs. 20,339 crore has been made for the said purpose. The scheme has been implemented with aim of providing credit to farmers at subsidized rate of interest.

Kisan Credit Card Schemes

The scheme has been started in the year 1998 to help in buying farm agriculture inputs like seeds, pesticides, fertilizers etc. Banks were advised to issue Kisan Credit on the basis of farm size for equal adoption of beneficiaries. Kisan Credit Card scheme was once again revised in 2012 by working group under chairmanship of Shri T M Bhasin CMD Indian bank for making it understandable and provide electronic kisan credit card. It has been provided required guidelines for implementing the schemes. It has been serving the farmers by providing short term credit to maintain crop, post harvest expenses, produce marketing loan, capital to maintain farm assets. The banks are required to make adequate publicity so that more numbers of farmers may benefit from schemes. Executing banks will have the carefulness to receive the equivalent to suit organization/area explicit necessities.



Report of Internal Working Group to Review Agricultural Credit (September 2019) Source: Reserve Bank of India

Investment loan, Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)

The Government of India is keen to take major steps to improve pro-farmer initiative. Because of sanction of schemes PM-AASHA (Pradhan Mantri Annadata Aay Sanrakhan Abhiyan), this is providing guarantee of fair price to farmers for their crop. An extraordinary step has been taken by government toward the same. The main focus of schemes is to make an addition in Minimum Support Price (MSP) which results in farmer’s income through proper procurement mechanism in integration with the states.

Pradhan Mantri Fasal Bima Yojana

The Pradhan Mantri Fasal Bima Yojna was anoounced on 18th February 2016. 21 states implemented the scheme in Kharif 2016 whereas 23 states and 2 UTs have implemented the scheme in Rabi 2016-17. Approximately 3.7 Crores farmers have been insured in the Kharif 2016 for 3.7 crore hectors of land at premium of Rs 16212 crore for a sum insured of Rs 128568.94 crore as per figures available on 31.03.2017. The PMFBY helps in maintaining stable income and risk cover in form of insurance to the farmers. The scheme covers all crops of agriculture and horticulture. The scheme has been implement empanelled general insurance company. All farmers availing loan for crop are required registered under scheme mandatorily. The scheme has been regulated by Ministry of Agriculture.

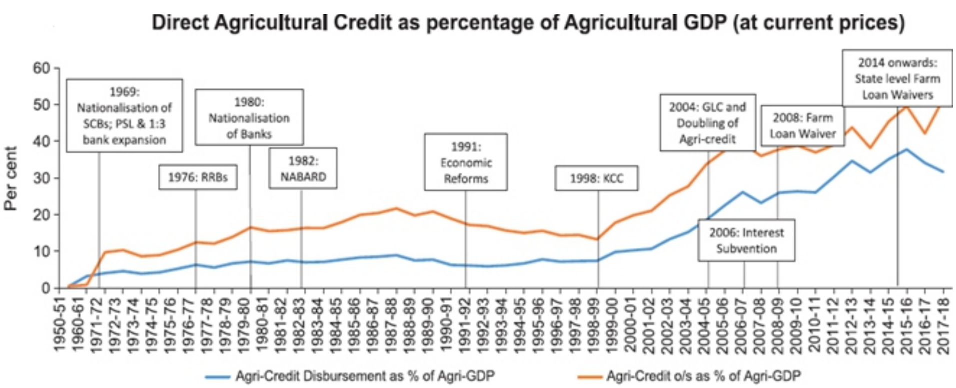
Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)

The Scheme has been launched from 1.12.2018 with 100% financing from central government. Under this scheme a sum of Rs. 6000 every year has been provided to all the farmers in three equal installment of Rs. 2000 each. It is the duty of states/UT government to recognize evidence of the recipient farmer’s families. Farmers covered under exclusion criteria according the guidelines are not eligible for participate in the scheme. The expected numbers of Small and Marginal Farmers is 13.15 crores in FY 2018-19. Because of likely avoidance of specific classes of recipients of higher monetary strata, the complete number of qualified recipients has been taken as 12.50 crore. The current land-holding criteria will be utilized for distinguishing proof of recipients for figuring of monetary advantage under the plan.

Pradhan Mantri Kisan Maan-Dhan Yojana (PM-KMY)

To provide benefit to small and marginal old age farmers, the government has launched pension schemes “Pradhan Mantri Kisan Maan-Dhan Yojana (PM-KMY)”. It is a pension scheme applicable to the farmers in the age group of 18 to 40 years. It is effective form August 9, 2019. The main aim of the schemes is to provide social security net for the farmers. The agriculture sector requires hard work which is not possible at old age. The difficulty has arise at an old age where either minimum or no saving available with farmers. The Pradhan Mantri Kisan Maan-Dhan Yojana (PM-KMY) gives for a guaranteed monthly pension of Rs. 3000/- on their attaining the age of 60 years

Trends in agricultural credit



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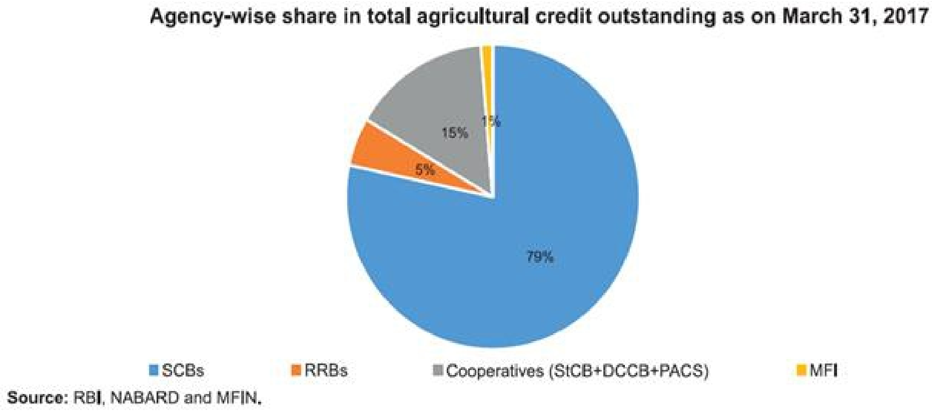

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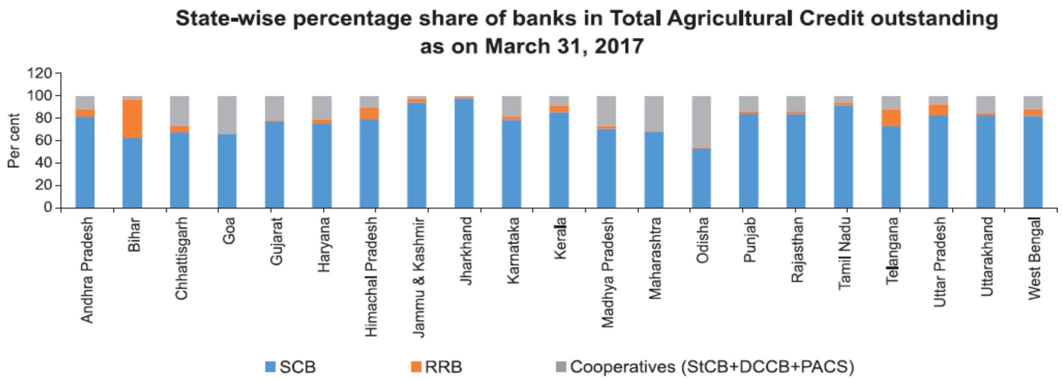

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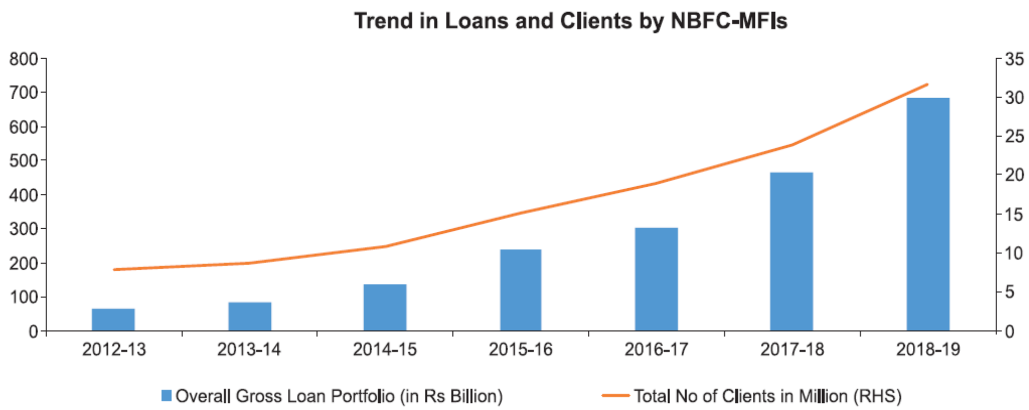

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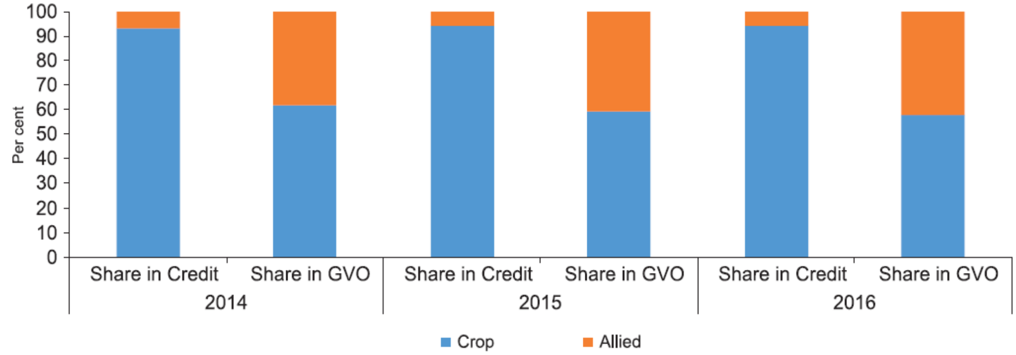
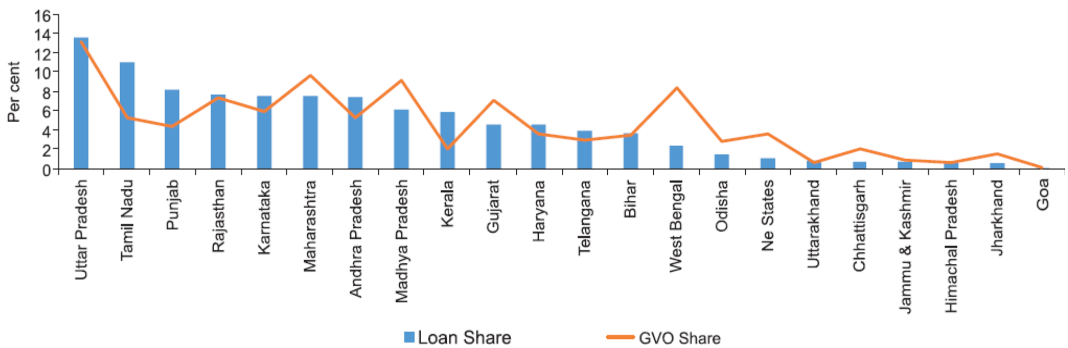
. Crop & Allied percentage share in Total Agri-Credit o/s (SCBs and RRBs) and GVO



Report of Internal Working Group to Review Agricultural Credit (September 2019) Source: Reserve Bank of India

Chart 1.11: State-wise percentage share in overall crop loan o/s (SCBs and RRBs) and crop GVO



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Implication Of Study

The commercial banks had a significant offer followed by cooperative banks and RRBs. The pace of credit dispensing to agriculture is easing back, regional imbalance seems to be widening and the share of small farmers is declining.

The share of Farm - Credit remarkable to farm GDP rose from 0.6 percent in 1950-51 to 9.81 percent in 1971-72. After 1972, the portion reflected an increasing pattern up to 1987-88 expanding to 21.76 percent. The great accomplishment of credit to rural area against agrarian GDP during 1950s-1980s is because of nationalization of banks and presentation of RRBs which extended the span of formal credit in the nation.

The credit from non institutional sources were predominant in 1951 which has covered 90% obligation of farmers family. Then its share decreased to 37% in 1981, once again it has got decreased to 35% in 1991. The share of non institutional credit was 28% in 2015.

The Major share has been contributed by Scheduled commercial which had offered 70% to 80% credit in agriculture and allied sector. The cooperative banks had also done remarkable job in providing farm credit and contributes 15% to 16%. Regional rural banks had contributed 5% of agriculture credit.

The SCBs are the main establishments in giving agriculture credit in every one of the states. The RRBs have noteworthy nearness in certain states. The major share of cooperative banks and Regional Rural Banks in farm credit in these states is having good presence as compare to commercial banks in rural areas.

In 2015, the RBI guidelines stipulated that at least 50 percent of the MFI credits are to be sent for revenue generating activities. Agriculture, animal husbandry and trading are major sub-sectors where income generating loans are deployed.

The allied sector has contributed fundamentally to the farming yield with a portion of 38 to 42 percent during 2014 - 2016, however has been dismissed by manages an account with the comparing portion of 6 to 7% altogether agrarian and allied credit during a similar period.

While the all-India normal was 0.32, there were eleven states with higher credit/yield proportion - Kerala being the most noteworthy at 0.90 and West Bengal being the least at 0.09. This proportion additionally shows that there is enormous uniqueness among states however not portraying away from of the degree of divergence, in light of the fact that Rajasthan, Uttar Pradesh and Bihar are the three states with estimations of advance/yield proportion over the all-India normal yet are not getting sufficient credit to meet their info necessities for their harvests.

In the year 2019 the number of operative KCC is approximately 66.2 million and as per Agriculture Census 2015 - 16 the number of land holdings were approximately 145 million, which implies that only 45 per cent of farmers possessed operative KCCs.

Conclusion

Since independence, the agriculture remained prime focus of government and it has tried to develop the same by various efforts. The government of India tried to institutionalize the agriculture credit by introducing various financial schemes for farmers. The Farmers of India were relying on banks and other financial institutions instead of taking financial helps from local money lender at high interest rate. The flow of agriculture credit had improved through the route of Regional Rural Banks (RRBs), Cooperative societies and national banks. Government has tried to increase the share of institutional share of agriculture credit by launching various financial schemes for farmers and its effective and effective implementation.

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