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A STUDY ON SOURCES OF FINANCE FOR POMEGRANATE CULTIVATION IN CHITRADURGA DISTRICT

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Abstract:

This paper is attempts to understand the various Sources of Finance for Pomegranate Cultivation in Chitradurga District. Agriculture is a crucial sector of the country's economy and contributes to employment and the nation's GDP. The importance of farm credit and financing is vital for adopting the best agricultural practices and boosting production. Access to sources of finance at the right time is a cornerstone for building better living conditions for farmers by ensuring profitability of their operations. Finance is required for the purchase of different types of agricultural implements and high quality seeds, for making marketing arrangements, for storage etc. Although non-institutional sources of farm income have been available for decades now, interest rates are high and there is a lack of proper documentation. Customised loan products, made available by NBFCs empowered by technology, have ensured that farmers now have access to institutional credit. Agricultural credit is considered as one of the most basic inputs for conducting all agricultural development programs. After independence, the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers, at a cheaper rate of interest. Moreover, with growing modernization of agriculture during the post-green revolution period, the requirement of agricultural credit has increased further in recent years. The government has been raising credit target for the farm sector every year, with the aim of doubling farmers' income by 2020. The agricultural credit flow has increased consistently over the years, exceeding the target set for each fiscal. Credit is a critical input in achieving higher farm output. Institutional credit will also help delink farmers from non-institutional sources where they are compelled to borrow at usurious rates of interest. Since Green revolution, the investment requirements for cultivation has continuously increased, as almost all inputs like seeds, pesticides, fertilizers, motor pump sets, tractors, pipe lines, etc., are to be purchased and several other services such as tractors, sprayers, rotors, harvesters etc., are to be hired from the market. This study is based on secondary sources of data such as websites, articles, research papers, books, magazines and many more.

Keywords: Sources of Finance, Pomegranate, Cultivation, Chitradurga District etc,

INTRODUCTION:

Money lenders were the only source of credit to agriculture till 1935. They used to charge unduly high rates of interest and follow serious practices while giving loans and recovering them. As a result, farmers were heavily burdened with debts and many of them perpetuated debts. With the passing of Reserve Bank of India Act 1934,

District Central Co-op. Banks Act and Land Development Banks Act, agricultural credit received impetus and there were improvements in agricultural credit. A powerful alternative agency came into being. Large-scale credit became available with reasonable rates of interest at easy terms, both in terms of granting loans and recovery of them. Although the co-operative banks started financing agriculture with their establishments in 1930's real impetus was received only after Independence when suitable legislation were passed and policies were formulated. Thereafter, bank credit to agriculture made phenomenal progress by opening branches in rural areas and attracting deposits. Till 14 major commercial banks were nationalized in 1969, co-operative banks were the main institutional agencies providing finance to agriculture. After nationalization, it was made mandatory for these banks to provide finance to agriculture as a priority sector. These banks undertook special programs of branch expansion and created a network of banking services throughout the country and started financing agriculture on large scale. Thus agriculture credit acquired multi-agency dimension. Development and adoption of new technologies and availability of finance go hand in hand. A large number of formal institutional agencies like Co-operatives, Regional Rural Banks (RRBs), Scheduled Commercial Banks (SCBs), Non– Banking Financial Institutions (NBFIs), and Self-help Groups (SHGs), etc. are involved in meeting the short- and long-term needs of the farmers. Several initiatives have been taken to strengthen the institutional mechanism of rural credit system. In bringing "Green Revolution", "White Revolution" and "Yellow Revolution" finance has played a crucial role. In the first half of 2000s, there has been a steep rise in the share of commercial banks in total agricultural credit. Starting 1990s, the share of short-term agricultural credit in total agricultural credit has been going up. Newer credit delivery systems in the form of Kisan Credit Card (KCC) were introduced to provide easy access to credit. The procedures and amount of loans for various purposes have been standardized. Among the various purposes "Crop loans" (Short-term loan) has the major share. In addition, farmers get loans for purchase of electric motor with pump, tractor and other machinery, digging wells or boring wells, installation of pipe lines, drip irrigation, planting fruit orchards, purchase of dairy animals and feeds/fodder for them, poultry, sheep/goat keeping and for many other allied enterprises. In the 12 year period from 2000-01 to 2011-12, the flow of ground level credit has increased impressively, especially after the 'doubling period' (2004-07), showing almost a 10 fold increase. Around Rs 28 lakh crore have been disbursed during the 12 years and in the next 5 years of 12th FYP, another Rs35 to 42 lakh crore are expected to be invested (12th Five Year Plan Estimates). Clearly, agriculture credit has emerged as a major strategy for accelerating investments in agriculture.

The agriculture sector in India is one of the biggest employers of labour force and grew at 3.9 per cent in. With such a large percentage of the population employed in agriculture or allied sectors, agricultural finance plays a significant role in supporting activities related to farming and other allied aspects such as production or processing and marketing of produce.

Types of Agricultural Credit

Considering the period and purpose of the credit requirement of the farmers of the country, agricultural credit in India can be classified into three major types:

- **Short term credit:** The Indian farmers require credit to meet their short term needs viz., purchasing seeds, fertilizers, paying wages to hired workers etc. for a period of less than 15 months. Such loans are generally repaid after harvest. The Indian farmers require credit to meet their short term needs viz., purchasing seeds, fertilizers, paying wages to hired workers etc. for a period of less than 15 months. Such loans are generally repaid after harvest and are called short term credit. In fact, the proportion of such loans has been quite high.
- **Medium-term credit:** This type of credit includes credit requirement of farmers for a medium period ranging between 15 months and 5 years and it is required for purchasing cattle, pumping sets, other agricultural implements etc. Medium-term credits are normally larger in size than short term credit.
- **Long term credit**: Farmers also require finance for a long period of more than 5 years just for the purpose of buying additional land or for making any permanent improvement on land like the sinking of wells, reclamation of land, horticulture etc. Thus, the long term credit requires sufficient time for the repayment of such loan.

OBJECTIVE OF THE STUDY:

This paper is attempts to understand the various Sources of Finance for Pomegranate Cultivation in Chitradurga District.

RESEARCH METHODOLOGY:

This study is based on secondary sources of data such as websites, articles, research papers, books, magazines and many more.

SOURCES OF FINANCE FOR POMEGRANATE CULTIVATION IN CHITRADURGA DISTRICT:

1. Sources of finance for Pomegranate cultivation can be broadly classified into institutional and non-institutional sources.

- Non-Institutional sources include moneylenders, traders and commission agents, relatives and landlords, but
- Institutional sources include co-operatives, commercial banks including the SBI Group, RBI and NABARD.

2. The major institutional credit agencies in India are Commercial Banks (CBs), Regional Rural Banks (RRBs) which are mainly sponsored by the Scheduled Commercial Banks and state governments. There are also the Cooperative Banks which are further divided into rural cooperatives and urban cooperatives.

3. Scheduled Commercial Banks are largest credit providers followed by Cooperatives and Regional Rural Banks. It is observed that after the nationalization of commercial banks of India in 1969, the commercial banks as a whole have increased consistently its share in institutional credit to agriculture sector.

INSTITUTIONAL SOURCES OF FINANCE FOR POMEGRANATE CULTIVATION:

CO-OPERATIVE SOCIETIES

Co-operative societies offer the least expensive loans for agriculture and related activities. Primary Agricultural Co-operative Societies (PACS) are among the oldest forms of agri finance in India and provide short and medium-term loans for agricultural activities. Long-term loans are provided by Primary Co-operative Agriculture and Rural Development Banks (PCARDBs). State Co-operative Agriculture and Rural Development Banks (SCARDBs) also offer long-term loans.

LAND DEVELOPMENT BANKS

Indian farmers need three types of credit, viz., short-term, medium-term and long-term. Their short-term and medium-term credit requirements are fulfilled by the co-operative banking institutions like PACs, CCBs and SCBs. Farmers have to borrow also for the long-term (for a period of 5 years to 20 years) for buying equipment like pump sets, tractors, etc., and for other development purposes, such as reclamation of land, fencing, digging of new wells, construction of a tank or tube-well, or buying additional land. Thus, a need for a special kind of institution to provide long-term finance to the Indian agriculturists was earnestly felt. Consequently, land development banks came into existence.

Initially, the land development banks were instituted in the form of co-operative land mortgage banks. The first co-operative land mortgage bank was established at Jhind, in Punjab in 1920. However, it did not function well. A real beginning was made by the establishment of the Central Land Mortgage Bank in Madras in 1929. Later on, the movement spread too many other states. The land mortgage banks grant long-term loans to the farmers against the conveyance of land as security. Since, 1966-67, the land mortgage banks are renamed as land development banks.

COMMERCIAL BANKS

While co-operative societies offer credit to farmers in need of finance, commercial banks also offer credit to farmers in need of financial support. Scheduled commercial banks offer loans to farmers for buying farm equipment and costs related to activities after harvest. Loans are also offered for dairy and fisheries. Banks offer Kisan Credit Cards, which can be used for the withdrawal of cash at an ATM. The Kisan Credit Card scheme was introduced in 1998 in order to enable credit easily for farmers.

REGIONAL RURAL BANKS

One of the essential sources of farm finance is regional rural banks, which are scheduled commercial banks owned by the government. They were set up based on the recommendations of the Narasimhan Working Group in 1975, followed by the Regional Rural Banks Act, 1976.

MICRO FINANCE

Micro finance is another option that farmers who don't have access to credit via banks and financial institutions or those who don't have adequate collateral can fall back on. Micro finance involves small loans with no collateral and is provided by Microfinance Institutions (MFIs).

NON-BANKING FINANCIAL COMPANIES

Apart from all these various sources of agricultural finance in India, there is one more significant source – the NBFC. Backed by online and easy-to-use app-based platforms, an NBFC takes banking and credit to those farmers not touched by mainstream banking.

NABARD

It is an apex institution in the field of rural credit. Therefore it does not deal directly with farmers and other rural people. It grants credit to them through the cooperative banks, commercial banks, RRBs.

(1) NABARD provides two types of refinance. The first is extended to RRBs, and apex institutions, namely StCBs and State governments. The other type of refinance is extended to augment resources for ground level deployment of rural credit. The NABARD's refinance policy on short term SAO (Seasonal Agricultural Operations) for co-operative banks and RRBs laid emphasis on augmentation of the ground level credit flow through adoption of region- specific strategies and rationalisation of lending policies and procedure.

(2) Rural Infrastructure Development Fund (RIDF) was established in 1995-96 with a corpus of Rs 2000 crore with the major objective of providing funds to state governments and state- owned corporations to enable them to complete various types of rural infrastructure projects. Loans under RIDF are given for various purposes like irrigation projects, watershed management, construction of rural roads and bridges etc.

(3) The access to credit for the poor from conventional banking is often constrained by lack of collaterals, information asymmetry and high transaction cost associated with small borrowed accounts. Micro finance has emerged as a liable alternative to reach the hitherto reached for their social and economic empowerment through social and financial intermediation, it involves provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and thereby improve living standards.

In operational terms, micro credit involves small loans, up to Rs 25,000, extended to the poor without any collateral for undertaking self-employment project. Such loans are provided through Micro Finance Institutions (MFIs). One of the most popular models of MFI has been the Grameen Bank model, developed originally in Bangladesh and replicated in various parts of the world. Under this model, Non-Government Organisations (NGOs) form and develop self- help groups (SHGs) and provide credit to them.

(4) Kissan Credit Scheme was established in 1998- 99 to facilitate short-term credit to farmers.

(5) Credit Monitoring Arrangement is established with a view to providing to operative banks with more freedom and discretion to operate in an increasingly liberalized and competitive banking environment. NABARD, start in consultation with the Reserve Bank, decided to start the Credit Authorisation Scheme (CAS) with the Credit Monitoring Arrangement (CMA) with effect from the year 2000-2001.

(6) Cooperative Development Fund (CDF) was set up in 1993 with the objective of strengthening the cooperative credit institutions in the areas of organizational structure, human resource development, resource mobilization, recovery position etc. The assistance is provided to StCBs/SCARDBs/ CCBs)/PCARDBs by way of grant or loan or both.

FARMER SERVICE CO-OPERATIVE

An agricultural cooperative, also known as a farmers' co-operative, is a cooperative where farmers pool their resources in certain areas of activity. A broad typology of agricultural cooperatives distinguishes between 'agricultural service cooperatives', which provide various services to their individually farming members, and 'agricultural production cooperatives', where production resources (land, machinery) are pooled and members farm jointly.

NON-INSTITUTIONAL SOURCES OF FINANCE FOR POMEGRANATE CULTIVATION:

Moneylenders, family and friends, traders, landlords or commission agents are non-institutional sources of agricultural finance.

MONEYLENDERS AND LANDLORDS:

Moneylenders have for decades served as the source for many agricultural families in India's rural credit landscape. However, the interest rates are high and moneylenders have in many instances pushed

families into a debt trap. The same applies to landlords who also charge high and unsustainable rates of interest.

COMMISSION AGENTS AND TRADERS:

They also offer finance to farmers but interest rates are relatively high when compared to institutional sources of farm finance.

RELATIVES AND FRIENDS:

Although relatives can prove to be of help, they may help us in case of financial emergencies and not frequently.

GOVERNMENT STEPS FOR PROVIDING AGRICULTURE CREDIT TO FARMERS:

Kisan Credit Card:

The Kisan Credit Card is a scheme launched by the Indian banks back in 1998, as a way to fulfill the financial necessities of the agricultural sector. This is done by giving monetary support to farmers, which in turn comes with various features and benefits. The quantum of the loan depends on several factors like cost of cultivation, farm maintenance cost, et cetera. This has been particularly beneficial for those farmers who are not aware of the banking practices. Moreover, it is meant to protect farmers from harsh and informal creditors, which may land them in a massive debt.The farmers can use the KCC card to withdraw funds for the purpose of crop production and domestic requirements.

Agriculture Market Infrastructure Fund (AMIF) – NABARD:

For development and up gradation of rural agriculture markets. It was announced in 2018 Budget for developing and upgrading agricultural marketing infra in the 22,000 Gramin Agricultural Markets (GrAMs) and 585 APMCs. At present, GrAMs are being developed by MGNREGA Funds. Scheme is demand driven. It will be created with NABARD and will provide the state/ UT governments subsidized loans for their proposal for developing marketing infrastructure in 585 APMCs and 10,000 villages.

Interest subvention scheme:

The Interest Subvention Scheme is being implemented by NABARD and RBI. The interest subvention scheme for farmers aims at providing short term credit to farmers at the subsidized interest rate. The policy came into force with effect from Kharif 2006-07. The scheme is being implemented.

NABARD Fund of Rupees 700 crore VCF for Rural Agriculture Startups:

The fund has been launched by Nabventures, a subsidiary of NABARD, and has a proposed corpus of Rs 500 crore with an option to retain over-subscription of Rs 200 crore, called as the greenshoe option (over allotment option).

CONCLUSION:

Agriculture is a crucial sector of the country's economy and contributes to employment and the nation's GDP. The importance of farm credit and financing is vital for adopting the best agricultural practices and boosting production. Although non-institutional sources of farm income have been available for decades now, interest rates are high and there is a lack of proper documentation. Customised loan products, made available by NBFCs empowered by technology, have ensured that farmers now have access to institutional credit.

Agricultural credit is considered as one of the most basic inputs for conducting all agricultural development programs. After independence, the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers, at a cheaper rate of interest. Moreover, with growing modernization of agriculture during the post-green revolution period, the requirement of agricultural credit has increased further in recent years. The government has been raising credit target for the farm sector every year, with the aim of doubling farmers' income by 2020. The agricultural credit flow has increased consistently over the years, exceeding the target set for each fiscal. Credit is a critical input in achieving higher farm output. Institutional credit will also help delink farmers from non-institutional sources where they are compelled to borrow at usurious rates of interest. Since Green revolution, the investment requirements for cultivation has continuously increased, as almost all inputs like seeds, pesticides, fertilizers, motor pump sets, tractors, pipe lines, etc., are to be purchased and several other services such as tractors, sprayers, rotors, harvesters etc., are to be hired from the market.

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