UNIT 5: AGRICULTURAL FINANCE, RURAL CREDIT AND AGRICULTURAL MARKETING

UNIT STRUCTURE

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5.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- derive the meaning of agricultural finance
- describe the need for agricultural finance
- trace the source of agricultural finance
- explain the role of co-operative, commercial banks and RRBs including NABARD
- put forward the meaning of agricultural marketing
- discuss the concept and basic requirement of agricultural marketing
- point out the limitations of agricultural marketing
- deliberate on the role of the Government in facilitating agricultural marketing.

5.2 INTRODUCTION

Agriculture is in the unorganized sector and its success and failure

depend to a large extent on climatic factors. The modernization of this sector (such that farmers have to depend less on climatic factors) needs financial support. The returns of investment from this sector are less compared to the returns from the industrial sector. Again, there is the difficulty in distinguishing between productive and unproductive loans of the farmers. Hence, the banks or the financial institutions did not have interest earlier in advancing loans to agriculture and allied activities for a long time. Therefore the farmers were forced to depend on money lenders and mahajans. This leads the farmers towards a debt trap, and they could not come out easily from such debt traps. Ultimately, they have to lose their lands to the money lenders. To save the farmers from such situation, it is urgently required to finance the farmers through different institutional sources, such as credit societies, commercial banks and rural banks. Governments have taken a number of steps to make institutional funds available to this sector. For example, a number of Regional Rural Banks (RRBs) were established for this purpose. Similarly, the Reserve Bank of India set up National Bank for Agriculture and Rural Development (NABARD) to help the agricultural and development activities in the rural areas of the country.

Apart from non-availability of funds, marketing of the agricultural produce at the right market price is another problem. Rural farmers often have to sell out their produce to brokers or middle men at a much less price than the actual market price. Thus, provision of the linkage between the farmers and the market is also another important issue to be tackled. This unit deliberates on the issues of agricultural finance and agricultural marketing. The need for agricultural finance, various sources of agricultural finance, role played by the co-operatives, commercial banks and regional rural banks, especially, the roles played by NABARD has been discussed in the unit. Apart from this, the meaning of agricultural marketing, its basic requirement, major limitations of agricultural marketing and the role played by the government in promoting agricultural marketing have been explained in this unit. Let's begin with the need for agricultural finance.The tenure system of the country identifies the ownership of the land and the relation of

the owner of the land with the cultivator and the government. It is concerned with the cultivator and the government. It is concerned with the rules and regulations, the terms and conditions under which the cultivator cultivates the land.

5.3 NEED FOR AGRICULTURAL FINANCE

Agricultural finance can be discussed under two major categories.

- On the basis of time, agricultural finance can be short, medium and long term.
  - Short term loans are required for the purchase of seeds, fertilizers, pesticides, feeds and fodder of live stock, marketing of agricultural produce, payment of wages of hired labor and a variety of consumption and unproductive purposes The period of such loans are less then 15 months.
  - Medium term loans are generally needed for the purchase of cattle, small agricultural implements, repair and construction of wells etc. The period of such loan or credit extends from 15 months to 5 years.
  - Long term loans are required for permanent improvements on land, digging tube wells, purchase of larger agricultural implements and machinery like tractors, harvestors etc. and repayment of old debts. The period of such loans extends beyond 5 years.
- On the basis of purpose, the needs for agricultural finance can be classified as productive, consumption needs and unproductive.
  - **Productive needs:** Under productive needs are included all credit requirements which directly affect agricultural productivity. To increase agricultural productivity farmers need loans to purchase seeds, fertilizers manures agricultural implements, livestock, digging and repair of wells and tube wells, payment of wages permanent improvements on land, marketing of agricultural produce etc.
  - **Consumption needs:** often farmers need loans for consumption purposes also. This happens in the period between marketing of agricultural produce and the harvesting of next crops, in which there

is a long interval of time and most of the farmers do not have sufficient income to sustain them through this period. Again, if natural calamities e,g. drought, flood etc. occur, the crop is damaged and the farmers have to take loans for consumption purposes.

- **Unproductive purposes:** Farmers also require loans for some unproductive purposes, such as litigation, performance of marriages, social ceremonies or the birth or death of a family member, religious functions, festivals etc. Since institutional agencies do not grant credit for such unproductive purposes, farmers have to seek assistance from money lenders and mahajans.



CHECK YOUR PROGRESS

Q 1: Mr. R Majumdar, a farmer from Lakhimpur has taken a loan of Rs. 50,000 from NABARD to purchase some minor agricultural implements. He has to pay back the loan with interest within a period of 4 years. Will you consider this loan as long-term? Justify your answer. (Answer in about 60 words)

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Q 2: When and why are the loans raised for consumption purposes? (Answer in about 50 words)

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5.4 SOURCES OF AGRICULTURAL FINANCE

Sources of agricultural finance can be divided into two categories: non-institutional and institutional sources.

- **Non-institutional Sources :** The non-institutional sources are: a) moneylenders, b) relatives c) traders d) Commission agents and e) Landlords.

  At the time of independence, the most important source of agricultural credit was the money lenders. In 1951 money lenders accounted for as much as 71.6 percent of rural credit. The reason was that there was no other source and the farmers were forced to borrow for them. This total dependence of the farmers on the money lenders enabled the money lenders to dictate terms and exploit the farmers in a number of ways. Therefore, the government has undertaken various steps to regulate the activities of the money lenders. For this purpose various legislations were enacted. The basic objectives of these legislations were:

  - To bring about an improvement in the terms on which private credit was made available to the farmers and place legal restrictions on the unreasonable exploitations of the moneylenders
  - To enable the civil courts to do greater justice to both the lenders and the borrowers than was possible under the ordinary code of civil procedure, two sets of provisions were made in this regard. The first set of provisions included: a) licensing or registration of the money lenders b) fixation of maximum rates of interest and c) maintenance of accounts by money lenders etc. The second set of provisions included the empowerment of the court by execution of decrees or to direct the payment in installment basis.

- **Institutional Sources of Agricultural Finance:** The major institutional sources of agricultural finance in our country include: the co-operatives, commercial banks, regional rural banks and the NABARD. We shall discuss the role played by the Regional Rural Banks (RRBs) and NABARD in the next section. In this section we shall discuss the role

played by the co-operatives and the commercial banks.

5.4.1 Role of Co-operatives and Commercial Banks

Role of the co-operatives: The first institutions established and promoted to offer agricultural credit were the institutions of co-operative credit societies. Although the co-operative movement in the country was started as early as 1904, its development was very slow. In 1951 co-operatives provided only 3.1 percent of the total rural credit. Hence, the dominance of money lenders in agricultural credit continued. However, there has been massive expansion of its operations afterwards. The co-operatives provided 15.5 percent of the total credit in 1961-62 and 22.7 percent in 1970-71. In 1992-93, the rural credit provided by the co-operatives was 53.4 percent. However, thereafter, though the amount of rural credit provided by the co-operative increased, their percentage of share in total institutional credit declined. In 2017, co-operative provided only 15 per cent of the total institutional credit to agriculture in that year.

Thus, in the post-independence period, there has been an extensive expansion both in terms of coverage and volume of operations of these co-operatives. The performance of these co-operatives in the advancement of loans is also commendable. Even when the entry of commercial banks into the rural credit system was recommended, it was stated clearly that this should be done to supplement and not supplant the co-operative credit structure. However, large accumulated losses, persistent non-performing assets, low recovery levels and various other types of organizational weaknesses caused serious problems to these co-operatives. In fact, many co-operative institutions have continued to make losses over the years.

Role of Commercial Banks : Earlier, the share of commercial banks in rural credit was very small. It was only 0.9 percent in 1951-52 and 0.7 percent in 1961-62. The reason was that subsistence nature of agriculture and its unorganized individualistic

functioning. As against the organized industrial sector, this sector is uncertain in the sense that it is dependent on natural factors. Consequently, to offer credit, commercial banks rated more on the industrial sector than the agricultural sector.

However, after the nationalisation of 20 commercial banks in 1969, there has been much improvement in the state of affairs. The banks have increased their branches in rural areas and have increased their advances in these areas considerably. In 1969, out of total branches of the commercial banks, only 22.2 percent was in rural areas. This has increased to 79 percent in 2017. This shows that total number of branches of commercial banks has been increasing considerably. Similarly, the advances from the public sector banks to the agriculture have also grown. In 1969, the advances to agriculture aggregated to Rs. 164 crore only but in 2009 this had risen to Rs. 3,09,500 crore, which further increased to Rs.17,03,315 cr. in 2022.

Thus, we can say that after nationalization, the commercial banks have played an important role in providing rural credit. This has enabled farmers to purchase agricultural inputs and adopt new agricultural technology on an increasing scale. This has also resulted in the expansion of activities in the non-farm sector in rural areas, and thus also accelerating the pace of private agricultural investment. It therefore follows that expansion of banking facilites has played a pivotal role in India's agricultural growth and modernisation of the sector. In addition, large number of rural people has been able to become free from the clutches of the money lenders.

Weaknesses : Despite the achievements of the commercial banks in the field of rural credit their performance and operations have a lot of limitations. These are:

- Rapid expansion of the bank branches compromises the quality of scheme preparation, particularly the anti-poverty programmes.
- Shortage of staff has led to the deterioration in the quality of landing due to heavy workload on them. The staffs in rural

branches in commercial banks lack sufficient motivation to work in rural areas for various reasons. Supervision of rural advances has come to be neglected.

- Opening of a large number of branches in rural areas which do not have adequate business potential, results in the rise of establishment expenses, and increase in non-performing advances. This has affected the profitability of the banks adversely.
- The recovery position of the commercial banks is very bad.
- The credit-deposit ratio is an important indicator of the degree of involvement of banks in lending. However the rural credit ratio has declined as for example; from 1.58 percent in 1991 to 0.73 percent in 2001 which shows that deposits mobilized from rural India are being utilized elsewhere. In other words, the rural India is financing the other sectors of the economy.
- The commercial banks have failed to fill the geographical gap in the availability of credit not covered by the co-operatives.
- There is lack of co-ordination between one commercial bank and another, and also between commercial banks and the co-operative credit structure on the one hand, and the government department on the other. Even the lead Bank scheme for each district is not able to cover the entire system.



CHECK YOUR PROGRESS

Q 3: What are the main sources of agricultural finance? (Answer in about 50 words)

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Q 4: State the role of co-operatives in providing agricultural credit. (Answer in about 50 words)

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Q 5: The rural India is financing the other sectors of the economy. Do you agree with this statement? Justify your view. (Answer in about 60 words)

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5.4.2 Role of Regional Rural Banks (RRBs) and NABARD

Role of the Regional Rural Banks (RRBs) : The regional rural banks came into existence since 1975 as per the recommendation of the Working Group on Rural Banks (1975) to supplement the efforts of the commercial banks and the co-operatives. Initially in 1975, 5 RRBs were formed. These banks were formed as joint ventures of the Central Government, the State Government in which the bank operated and the concerned commercial bank which sponsored the RRB. The Central Government provided 50 percent of the total capital; the concerned State Government provided 15 percent, while the remaining share of 35 percent was provided by the sponsoring bank.

The objectives of establishment of RRBs are :

- To extend credit to weaker sections of the rural community, small and marginal farmers, landless labours, artisans and other

residents of small means.

- To be an institutional device in consonance with the cooperatives and commercial banks with modern outlook and to reach out the rural poor more extensively.
- To act as low cost, low profile credit institution which the rural poor could walk in.
- The staff of the RRBs was to be recruited from the neighboring areas, such that they have better understanding of the needs of the area and its people.

Growth of RRBs : From the initial number of 5 in 1975, 196 RRBs were set up by 1990 across India. In 2005-06, RRBs provided Rs.15,223 crore as agricultural credit. This was 8.5 percent of the total institutional credit to the sector in that year. Keeping in view the limited success, Government of India in September 2005 initiated the process of amalgamation of the RRBs. The main argument put forward was that such amalgamation would help in consolidation and strengthening of the RRBs. Till August 2006, such amalgamation have reduced the number of RRBs from 196 in 2005 to 104. As on 31st March 2023, there were 43 RRBs in India sponsored by 12 commercial banks. The total number of branches stood at 21,995 with operations extending to 30.53 crore deposit accounts and 2.90 crore loan accounts in 26 States and 3 Union Territories (Puducherry, Jammu & Kashmir and Ladakh). (Source: NABARD).

Weaknesses : In spite of the growth, the RRBs failed to record impressive results. The main problems faced by the RRBs are:

- There is a multi agency control of RRBs. This contributed to a lack of uniformity in their functioning. It has resulted in lack of support from state governments and lack of proper monitoring by sponsoring banks.
- Recovery position of RRBs is very bad; thus, its overdues are very high. The high incidence of overdues is attributable to a number of internal as well as external factors like defective loan policies, weak monitoring and supervision, failure to link lending

with development and to ensure proper end use of the loan are some of the internal factors. External factors included political interference, willful default, bad effects of draughts and floods on agriculture, lack of legal and administrative support from the state government in the matter of loan recovery etc.

- The RRBs are so structured as to confine their lending to weaker sections, where the interest earned as loans is the lowest in the banking system. Low margins coupled with high cost of servicing in a large number of small accounts added to the losses. Again, opening of RRB branches year after year added to increased overhead costs, without proportionate increase in income. All these factors led to mounting losses, ultimately leading to non-viability in operation.
- Since the RRBs are district level small institution, the sponsoring banks have been deputing only middle management staff to run them. Such staff finds it difficult to take independent decisions in a new environment.

Role of National Bank for Agriculture and Rural Development (NABARD) : The most important development in the field of rural agricultural credit has been the setting up of the National Bank for Agriculture and Rural Development (NABARD) in July 1982. It took over from Reserve Bank of India all the functions that it performed in the field of rural and agricultural credit.

NABARD was set up with an authorized capital of Rs.500 crore and paid up capital of Rs.100 crore. The share of the Government of India and the RBI is equal, i.e., 50:50. In 1999-2000, the paid up capital was raised to Rs.2000 crore. NABARD also receives funds from the World Bank and the International Development Agency (IDA).

Functions of NABARD : NABARD was established as a development bank to perform the following functions:

- To serve as an apex financing agency for the institutions providing investment and production credit for promoting various

developmental activities in rural areas.

- To co-ordinate the rural financing activities of all institutions engaged in developmental works at the field level and liaison with the government of India, the State Governments, the Reserve Bank of India and other national level institutions concerned with policy formulation.
- To undertake monitoring and evaluation of projects refinanced by it.
- To take measures towards institution building for improving absorptive capacity of credit delivery system including monitoring, restricting of credit institutions and training of personnel.

NABARD'S role in the agriculture sector: The roles played by the NABARD in the agricultural sector are as follows:

- NABARD provides short term credit facilities to state co-operative bank for financing seasonal agricultural operations marketing of crops pisciculture activities, production, procurement and marketing activities of the co-operative weaver's societies purchase and sale of yarn by apex regional societies, purchase and distribution of fertilizers and allied activities and marketing activities.
- Medium term facilities are provided to state co-operative banks and Regional Rural Banks for converting short term loans for financing seasonal agricultural operations to medium term loans and for approved agricultural purposes.
- Long term loans are provided to state government for contributing to share capital of co-operative credit institutions.
- NABARD refinances to state co-operative agriculture and rural development banks, state co-operative bank, regional rural banks, commercial banks and other financial institutions approved by the Reserve bank while ultimate beneficiaries of investment credit can be individuals' partnership concerns, companies, state owned corporation or co-operative societies. Production credit is generally provided to the individuals.

- NABARD has played a key role in the development and promotion of Self Help Groups (SHGs) and other micro finance institutions and in providing refinance at special rates. SHG-bank linkage programme has emerged as a major micro-finance initiative to reach out the doorsteps of millions of very poor household.
- The Kissan Credit Cards (KCC) scheme was introduced in 1998-99 to facilitate short term credit to farmer, commercial bank, co-operative banks and RRBs are implementing this scheme. Each farmer is provided with a Kissan credit card and a pass book for providing revolving cash credit facilities. NABARD has accelerated the pace of some of KCCS.
- NABARD has issued operational instructions to RRBs and co-operative banks with regard to implementation of Swarnajayanti Gram Swarozgar Yojna (SGSY) on similar line as was issued by the Reserve Bank for commercial banks. Policy guidelines for refinance support to SGSY were also issued to all financing banks.
- NABARD set up the co-operative Development Fund (CDF) in 1993 with the objective of strengthening the co-operative credit institutions in the area of organizational structure, human resource development, resource mobilization, recovery position etc. The assistance is provided to state co-operative banks, state co-operative agriculture and rural development banks, by way of a grant of a soft loan or both.
- NABARD is the supervisory authority for state co-operative Banks, and certain other state level co-operative institutions. Accordingly, NABARD undertakes periodic on-site and off site inspection of these organizations.
- The three main functions of NABARD are refinancing, institutional development and inspection of client banks.



CHECK YOUR PROGRESS

Q 6: When and how were the RRBs formed? (Answer in about 50 words)

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Q 7: NABARD was set up by the SBI and Govt. of India. (True / False)

Q 8: Why and to whom are the long term loans offered by NABARD. (Answer in about 30 words)

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5.5 AGRICULTURAL MARKETING : CONCEPTS AND LIMITATIONS

The Concept of Agricultural Marketing : The marketing of agricultural produce involves several activities such as collecting and storage of agricultural produce, their gradation, settlement of bargains of prices and quantities etc. In facilitating the sale and purchase of agricultural products, an effective agricultural marketing system provides a number of valuable services to an economy. These include:

- A proper marketing system is essential for healthy functioning of an economy. The existence of a good marketing system is an assurance to the farmer that his produce will be taken off the field. Such a system will indicate to the farmers the type of goods for which demand exists and the quantities in which these goods are needed. This will help in an optimum use of land.
- A well designed marketing set-up will help the farmers immensely in the sense that they will get the highest possible price for their produce. They will be induced to produce those goods and in that quantities, which

bring to them the maximum revenue.

- A good marketing system properly aligns the agricultural prices with those of non agricultural prices which is the major contributor of GDP of the Indian economy as a proper marketing arrangement can organize surpluses from this sector and these are required to be used in the non-agricultural sector, e.g., to feed the industrial labor and urban population. This can provide raw materials for industries and goods for exports.
- Agricultural marketing can be designed in such a way that it helps in maximising the rate of growth of the agricultural sector. In this framework, it can offer attractive and profitable opportunities to produce a variety of products.

Limitations of Agricultural Marketing : Although there are many advantages and need for agricultural marketing, limitations are also manifold. Important ones are:

- Inadequacy of warehousing facilities and possibility of products being damaged, the farmer's capacity to store the produce for a longer period is reduced. In the worst possible case, the farmers are keen on disposing it and they do not get fair price and make the best of the market opportunity. The country suffers because of the reduction in supply.
- Poor transport facilities such as poor road, rail and water transport cause farmers a lot of difficulties in carrying the produce from fields to their homes and from villages to markets. Apart from inadequate transport, the country also suffers from the shortage of fast moving vehicles. This hinders the quick movement of a large quantum of produce and perishable goods to the market. As a consequence, the cost of carriage of goods increases and a part of the produce is spoilt on the way. Farmers also fail to get a good market price for their produce.
- An inadequate facility of credit, especially to fulfil the need of credit between the harvesting period and the time it is sold out is another limitation of agricultural marketing and finance. This adversely affects the holding capacity of the farmers; more particularly, the small farmers. The farmers are forced to sell the crop immediately after harvesting. All the farmers bring their supplies together. This causes inundated supply

in the market; and consequently, the farmers do not get fair prices for their produce.

- Another defect of the present marketing system is that agricultural produce of different varieties is not graded properly. Arrangements for the grading and standardization of products are not adequate. As a result, the produce that comes to the market consists of a variety of qualities and grades. This makes difficult to assign prices to these goods as per their qualities. Hence prices, production and quality of the produce bear no relation to one another. As such, farmers find it difficult to secure higher prices for their superior quality products. Thus, the producers do not get incentive for their quality production; on the other hand, the consumers as well do not get satisfaction from such transactions.
- Very often farmers are not supplied with correct information about market price, demand, international trends, Government policies etc. As a result, farmers visit markets occasionally and base their decisions on the information supplied by money lenders, traders, other functionaries and intermediaries. Such information is generally wrong and biased in favor of purchasers and against the interest of the farmer.
- Another weakness of agricultural marketing is that arrangements for institutional marketing are grossly inadequate. The farmers sell their produce separately on individual basis. Against the powerful intermediaries, these farmers possess only very weak bargaining capacity. Consequently, they do not get fair price for their produce. Due to having small number of co-operative marketing societies and inadequate government arrangements to buy agricultural produce, only a few regulated markets are found functioning properly. As a consequence of such deficiencies, farmers are being exploited.



CHECK YOUR PROGRESS

Q 9: What is agricultural marketing? (Answer in about 50 words) .....

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Q 10: How do the transport facilities affect the marketing of agricultural produce? (Answer in about 40 words)

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Q 11: What happens when all the farmers bring their produce for sale in the market just after harvesting? (Answer in about 50 words)

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5.6 ROLE OF GOVERNMENT IN PROMOTING AGRICULTURAL MARKETING

After independence, the Government of India adopted a number of measures to improve the system of agricultural marketing. These are: establishment of regulated markets, construction of warehouses, provision for grading and standardisation of agricultural produce, standardization of weights and measures, daily broadcasting of market prices of agricultural crops on all India Radio, improvement of transport facilities etc. Now, we shall discuss them in brief.

- Regulated markets have been organized with a view to protect the farmers from the malpractices of sellers and brokers. The management of such markets is done by a marketing committee, consisting of nominees from the state government, local bodies, brokers and farmers. The functions performed by the committee are: a) fixation of charges for weighing, brokerage etc., b) prevention of unauthorized deductions

by intermediaries, c) enforcing the standardized weight, d) providing up-to-date and reliable market information to the farmers and e) settlement of disputes among the parties arising out of market operations.

- For the improvement of agricultural marketing, gradation and standardization are essential. To address these issues, government passed the Agricultural Produce (Grading and Marketing) Act. This provision presently covers 182 agricultural commodities. Again, the government has also set up a central quality control laboratory at Nagpur and a number of regional subsidiary quality control laboratories. On the basis of samples, agricultural commodities are collected and chemical properties are tested at laboratories. Thereafter, grades are drawn up and authorized AGMARK (Agricultural marketing) packets are issued for these commodities.
- The Union Government adopted the Metric system of measures in 1958, by passing an act to this effect in the Parliament. This system replaced the age old system of weights and measures and has introduced a uniform system of measurement in the country.
- It is necessary to provide a network of godown facilities all over the country, so that farmers are not compelled to sell their produce immediately after the harvesting of crops. This will enhance the bargaining power of the farmers and save them from distress sale. To meet this objective, the Rural Credit Survey Committee constituted in 1954 recommended a three tier system of warehousing, viz., a) The national level b) state and district level and c) village and rural level. In accordance with the recommendations, Central Warehousing Corporation was set up in 1957 and this was followed by establishment of state warehousing corporations in a number of states. At the national level, Food Corporation of India (FCI) was set up for the storage of food products. To prevent distress sales, a centrally sponsored scheme for rural godowns was initiated at the village and rural level; so that the small and marginal farmers need not to do so just after the harvesting of the produce at the prevailing low price. After 2001, the government is implementing a central sector scheme for the construction of rural godowns.

- The government announces minimum support prices and procurement prices for various agricultural commodities from time to time in a bid to ensure fair returns to the farmers. These prices are fixed in accordance with the recommendation of the commission for Agricultural costs and prices. Government agencies like the Food Corporation of India purchase agricultural commodities from the farmers at the remunerative prices. These purchases in turn are sold of by the government at reasonable prices through the Public Distribution System (PDS) to the ultimate consumers, especially the below poverty line (BPL) families.
- The government has initiated a number of measures to inform the farmers about the prices prevailing in different markets, e.g., through all India Radio, Doordarshan, news papers etc. Market intelligence reports regarding stocks, current market prices etc are also published periodically. Under a central scheme, a market research and information network has been constituted for speedy collection and dissemination of prices and market related information to farmers.
- The National Institute of Agricultural Marketing was established in 1988. The main aims and objectives of the Institute are: a) to design and conduct training courses to meet the specific needs of the personnel and enterprises, b) to undertake research studies to demonstrate better management techniques in the field of agricultural marketing, c) to offer educational programmer in agricultural marketing for supplementing the existing facilities, d) to provide consultancy services for formulating investment projects and for problem solving advise, and e) to augment the agricultural marketing infrastructure of the country through programmes of teaching, research and consultancy services.
- The Directorate of Marketing and Inspections has been set up by the Govt. of India to co-ordinate the agricultural marketing activities of various agencies and to advise the central and state governments on the problems of agricultural marketing. The activities to be performed by the directorate are: a) promotion of grading and standardization of agricultural and allied commodities, b) statutory regulation of markets

and market practices, c) training of personnel, d) market extension, and e) market research, survey and planning.



CHECK YOUR PROGRESS

Q 12: Which of the following recommended a three tier system of warehousing?

a) Agricultural Produce (Grading and Marketing) Act

b) Food Corporation of India

c) The Rural Credit Survey Committee

d) Directorate of Marketing and Inspections

Q 13: Why was the Directorate of Marketing and Inspections set up by the Govt. of India? Mention any of its two functions. (Answer in about 60 words) .....

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Q 14: Expand the following terms.

a) AGMARK:.....

b) PDS:.....

c) FCI:.....

d) BPL:.....



5.7 LET US SUM UP

- To help the farmers and to increase agricultural productivity in the country, institutional credit is provided by co-operatives, commercial banks, RRBs, NABARD etc. and is treated as agricultural finance.
- The need for agricultural finance is manifold. For example, agricultural finance is needed for production, consumption and even for unproductive purposes.

- Sources of agricultural finance are of two types: a) institutional and b) non-institutional. Sources of Non-institutional are money lenders, relatives, traders, commission agents and landlords. The institutional sources are co-operatives, commercial banks, regional rural banks and NABARD. Out of these, NABARD is the apex institution.
- The role of co-operatives, commercial banks and Regional Rural Banks in providing rural agricultural credit is tremendous, though each of them has some limitations.
- As the apex institution, NABARD plays the supervisory role in the developmental refinancing functional operations in rural and agricultural credit.
- Agricultural marketing is the marketing of agricultural produce which involves collecting and storage of agricultural goods, their gradation, settlement of bargaining etc.
- The requirement of agricultural marketing is manifold. It covers prices, optimum use of land, demand for goods in the market, aligning prices of agriculture to non-agricultural commodities, market set up, growth of agricultural sector etc.
- There are many limitations or weakness in agricultural marketing. These include: inadequate transport, storage facilities, non gradation of agricultural goods, lack of credit facilities, non- availability of market information, non-existent of institutional market, malpractices in the marketing of agricultural goods etc.
- The government has taken a number of measures to improve agricultural marketing in the country. For example, establishment of regulated market, construction of warehouses, provision of grading and standardization of agricultural produce, standardization of weights and measure, dissemination of market information through print and electronic media etc.



5.8 FURTHER READING

1) Agrawal, A. N. (2019). Indian Economy: Developmental Problems

and Policies. New Delhi: New Age International Publishers.

2) Datt, G and Mahajan, A. (2016). Datt & Sundharam's Indian Economy. New Delhi: S. Chand & Co.

3) Misra, S.K. & Puri, V.K. (2018). Indian Economy. New Delhi: Himalya Publishing House.



5.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Majumdar's loan for the purchase of minor agricultural implements can not be termed as long term loans. This is because, long term loans are offered for a period of 5 years or more. Again, such loans are offered to for permanent improvement on land, digging tube wells, purchase of larger agricultural implements and machinery like tractors, harvestors etc. and repayment of old debts, etc.

Ans to Q No 2: Loans for consumption purposes are raised to meet the need for credit during the period between marketing of agricultural produce and the harvesting of next crops. Again, if natural calamities e,g. drought, flood etc. occur, the crop is damaged and the farmers have to take loans for consumption purposes.

Ans to Q No 3: Sources of agricultural finance can be divided into two categories: non-institutional and institutional sources. The non-institutional sources are: a) moneylenders, b) relatives c) traders d) Commission agents and e) Landlords. On the other hand, institutional Sources of Agricultural Finance include: the co-operatives, commercial banks, regional rural banks and the NABARD.

Ans to Q No 4: After independence, the first institutions established and promoted to offer agricultural credit were the institutions of co-operative credit societies. In 1951 co-operatives provided only 3.1 percent of the total rural credit. In 1992-93, the rural credit provided by the co-operatives was 53.4 percent. However, thereafter, though the amount of rural credit provided by the co-operative increased, their percentage of share in total institutional credit declined.

Ans to Q No 5: It is rightly said that the rural India is financing the other sectors of the economy. This can be substantiated from that the fact the rural credit-deposit ratio has declined over the years. The ratio which was 1.58 percent in 1991 has declined to 0.73 percent in 2001. This clearly shows that deposits mobilized from rural India are being utilized else were.

Ans to Q No 6: The regional rural banks were formed in 1975. These banks were formed as joint ventures of the Central Government, the State Government in which the bank operated and the concerned commercial bank which sponsored the RRB. The Central Government provided 50 percent of the total capital; the concerned State Government provided 15 percent, while the remaining share of 35 percent was provided by the sponsoring bank.

Ans to Q No 7: False.

Ans to Q No 8: NABARD offers long term loans to the state governments. The basic purpose of such loans is to enable the state governments to contribute to the share capital of co-operative credit institutions of the state.

Ans to Q No 9: Agricultural marketing involves several activities such as collecting and storage of agricultural produce, their gradation, settlement of bargains of prices and quantities etc. In facilitating the sale and purchase of agricultural products, an effective agricultural marketing system provides a number of valuable services to an economy.

Ans to Q No 10: Poor transport facilities such as poor road, rail and water transport cause farmers a lot of difficulties in carrying the produce from fields to their homes and from villages to markets. As a consequence, the cost of carriage of goods increases and a part of the produce is spoilt on the way. Farmers also fail to get a good market price for their produce.

Ans to Q No 11: Owing to lack of storage facilities, the farmers are forced to sell the crop immediately after harvesting. All the farmers bring their supplies together. This causes inundated supply in the market; and consequently, the farmers do not get fair prices for their produce.

Ans to Q No 12: c) The Rural Credit Survey Committee

Ans to Q No 13: The Directorate of Marketing and Inspections was set up by the Govt. of India to co-ordinate the agricultural marketing activities of various agencies and to advise the central and state governments on the problems of agricultural marketing. Two important functions performed by the directorate are: a) promotion of grading and standardization of agricultural and allied commodities, and b) market research, survey and planning.

Ans to Q No 14: a) AGMARK : Agricultural Marketing.
b) PDS: Public Distribution System.
c) FCI: Food Corporation of India.
d) BPL: Below Poverty Line.



5.10 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q 1: State the role of NABARD in providing rural agricultural credit.

Q 2: Discuss the main functions of NABARD.

Q 3: Write a short note on the role Regional Rural Banks in providing rural agricultural credit.

Q 4: Briefly discuss agricultural marketing. What are the problems cropped up in the agricultural marketing?

Essay type Questions (Answer each question in about 500 words).

Q 1: Discuss the sources of agricultural finance. Enumerate the role of NABARD in providing rural agricultural credit.

Q 2: Write an essay on the roles of Regional Rural Banks and NABARD in providing rural agricultural credit.

Q 3: What is agricultural marketing? What are its major problems? Explain the measures adopted by the government to solve the problems of agricultural marketing.

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