

# An Overview of Agriculture Finance in India

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### ABSTRACT

**Purpose:** As a result of limited financial resources, agriculture has been plagued by a lack of profitability. Diverse policy initiatives have been made to improve access to finance, including: Affordability has always been an issue for policymakers in India, and it will continue to be. As the title suggests, the aim of this study is to explore the requirements and policy interventions in the domains of farm financing.

**Design/Methodology/Approach:** Attempts are made in this article to examine the government's agricultural policy measures in this country. Information for the article was culled from the Reserve Bank of India and numerous annual documents.

**Findings:** It was found in the study that most of today's treatments have been tried or recommended in the past, but was not successful for various reasons. However, if such measures had been undertaken at that time, India would have ranked among the top countries in terms of access to finance.

**Originality/Value:** This study is unusual in that it attempts to trace the history of agricultural finance in India, as well as the numerous agricultural policies that have been enacted as a result of agricultural finance.

**Paper Type:** Research Case Study

**Keywords:** Agriculture finance, Indian policies, SWOC Analysis

### 1. INTRODUCTION :

Finance is regarded to be one of the riskiest industries since it requires a large amount of money at every level, and good planning is necessary to generate that money as well. Financing agriculture requires long-term planning, and the Indian banking industry strongly encourages agricultural financing, which allows farmers to perform tasks efficiently without any hindrances. Agricultural finance was examined at both the micro and macro levels [1]. Different techniques of raising money for the agricultural sector are covered under macro finance. It's also involved in the lending process, as well as the laws, regulations, monitoring, and dominance of various agricultural credit establishments. Consequently, macro-finance is used to fund farming at the collective level. Agricultural financing is the study of how credit offers funding and liquidity to farm borrowers. It's also known as the research of monetary intermediaries that provide loan funds to agriculture, as well as the monetary markets where these intermediaries receive their loan in a place funds [1],[2]. Due to the advent of capital-intensive agricultural technology, farm financing has become a critical input. So that their farm holdings may be more productive, farmers require finance. When it comes to farming in India, the results are often poor and unreliable. Low and unpredictable returns characterize Indian agriculture in general. An external source of capital will be necessary to stop the viscous circle of poor returns on savings and low returns on investments. External finance for farmers is a must in order to reduce the occurrence of negative returns, inadequate savings, minimal investment, and unsatisfactory returns [3].

The legacy of rural finance in India dates back to the colonial period. It is primarily responsible for offering agricultural financial support to Farming community. Although agricultural sector funding emerged in the middle ages, it has yet to achieve its apex in the twenty-first century. The rational and irrational developments in India's agricultural finance are amply recorded in collective memory [4]. Farmers' difficulties show a remarkable consistency from this condition to the time span under

consideration. Relying on regional money lenders fosters an unscrupulous atmosphere that harms impoverished farmers in rural areas. The expansion of cooperative credit societies has likewise been ineffective in assisting underprivileged farmers in overcoming their predicament [3]. The evolution of nationalized banks, which commenced in 1969, had quite a favorable influence on financial intermediation by enabling peasant communities with access to agricultural productivity. Underneath the nationalization initiative, it laid the groundwork for the development of agricultural financing in India [17]. Having followed that, the microfinance industry arose to alleviate the agricultural finance crisis, adopting various techniques such as Micro - Finance Institutions (MFI) and Self-Help Group-Bank Linkage (SBL) to improve peasant safety and prosperity [18]. Despite the fact that all these reforms have undeniably strengthened India's agricultural financing situation, agriculture funding to the low-income earners and India's underdeveloped region has been highly unfavorable, leading to agricultural producers driven to suicide [3],[4].

## 2. RELATED WORKS :

Agricultural finance is the management of how credit delivers funding and mobility to agricultural debtors. It's also based on evaluation of financial institutions that lend money to farmers and the capital industry where these mediators get their money. Below Table 1 contains the contribution by different scholars for Agriculture finance.

**Table 1:** Contribution by different scholars for Agriculture finance

Sl. No.	Area	Contribution	Authors
1.	Credit Co-operative	The paper emphasizes that it is mandatory in attempt to equip cooperatives, notably credit cooperatives in remote areas, to confront the obstacles of the free market economy. Co-operatives face various problems and possibilities as a result of the free-market economy and banking sector changes. Certain reforming steps, albeit difficult, must be implemented to gear up cooperatives for undertaking potential hazards. Hence, the world offers resilience and competency to cooperatives for enhancing their financial stability and operational effectiveness via combined effort, tenacity, and conviction in the structural reforms.	Ramesh. R.S. (2001) [5]
2.	Issues in agriculture credit	While the aggregate circulation of institutionalized credit in India has continued to rise over a period, there are numerous disparities in the sector, including insufficient funding to small scale farmers, a deficit of medium and long-term financing, and so on. The latter has significant consequences for agricultural growth including the well-being of farmers. As a corollary, he urged that actions be designed to fix and resolve certain glitches.	Mohan. R. (2006) [6]
3.	Productivity of Cooperative banks	It looked at the productivity of most of Tamil Nadu's District Central Cooperative Banks by using financial metrics. They discovered that while the bank's reserves and mortgages are thriving at a favorable pace, the bank's over dues are soaring. It might be related to a low pace of recuperation. They strongly urged that banking institutions strive to solicit additional investments from previously untapped inputs and eventually expand lending to previously untouched industries. To preserve solvency, banks must follow ongoing improvement procedures and reduce the number of non-performing assets.	Lakshmanan & Dharmendran (2007) [7]
4.	Position for Indebtedness	It is found that poor economic growth, inadequate yearly revenue, the prevalence of an income liabilities shortfall, indebtedness, and the usage of non-institutional financing	Kale, N. M. (2011) [8]

		have all been identified as major factors for suicidal behavior in Maharashtra.	
5.	Impact of Agriculture credit	It states about 66 percent of India's population is reliant on agricultural sector, according to the report. As a corollary, access to finance is a cornerstone of strengthened agricultural productive output. To feed the entire population, agricultural output and yield must be continued to improve. Additional factors, such as seedling growth, predefined threshold price levels, precipitation, irrigated, and atmospheric variables, were deemed important in enhancing agricultural production alongside agricultural financing. It was extremely harder to quantify the precise usage of finance for farming purposes due to credit overuse.	Naidu, Sankar, & Kumar (2013) [9]
6.	Problems faced by farmers	The major problems faced by the farmers in obtaining the institutional credit were the non-availability of the loan in time, the procedure for obtaining the credit was more expensive, inadequate amount of loan sanctioned against the actual requirement, the transport cost and document expenses. The farmers listed out the problems they faced in repaying the credit were – crop failure, failure of monsoon, expectation of waiving of loans by the government, lower yield, and increase in the cost of cultivation, decrease in the market value of the harvested produce.	Subramanian & Shivananjappa (2017) [10]
7.	Rural finance	It mostly focuses on India and some African locations where there may be complexities regarding agricultural finance or even where substantial improvements are indeed being managed to make which are contributing in growth and development. These implementations serve as a starting point for learning how and where to integrate regional financing in several different locations, nations, and institutions. The government's inclusiveness, along with the operating and desired components, are notable features. The study encompasses a broad range of discussions, which included the higher risk for generating remote cash flow, the capital willing to devote in rural areas for substantial agrarian financing growth, the government's endeavors to reach across to varied small areas to provide agricultural financial assistance, the nation's economic impediments and possibilities, and so forth.	Jagdhane, et al (2021) [11]

### 3. OBJECTIVES OF THE STUDY :

The following are the objectives of the study:

- (1) To study the features of Agricultural Finance in India.
- (2) To examine the requirements and relevance of Agriculture Finances.
- (3) To analyze the Agriculture Finance policies in India.
- (4) To evaluate the agriculture finance using SWOC analysis.
- (5) To give suggestions for further research.

### 4. RESEARCH METHODOLOGY :

The article is based on the secondary data compiled from diverse sources of Agricultural finance, journals, newspapers and relevant websites etc. The data were compiled from the Agricultural Statistics the Department of Agriculture and Co-operation, Ministry of Agriculture, Government of India (GOI), Reports on Currency and Finance, published by Reserve Bank of India (RBI) and various annual reports of National Bank for Agriculture and Rural Development (NABARD).

## 5. HISTORY :

Agriculture had no other source of financing until 1935, when moneylenders became the only option. Previously, they charged exorbitant interest rates on loans and adhered to rigorous processes for issuing and retrieving them. Consequently, peasants were highly leveraged, and many of them persisted to do so. As a consequence of implementing the Reserve Bank of India Act 1934, the District Central Co-operative Banks Act, and the Land Development Banks Act, agriculture funding changed radically. There was the creation of a powerful alternative organization. Large-scale credit became available with fair interest rates and simple terms, both in terms of loan granting and repayment [22],[23]. Despite the fact that co-operative banks began funding agriculture in the 1930s, the real impetus came after independence, when appropriate legislation and policies were formulated. By building divisions in remote regions and collecting funds, bank credit to agriculture made great strides after then. When 14 large business financial institutions were publicly owned in 1969, the co-operative banking system dominated as the primary source of funding for farmers. Due to public ownership, these banks were required to offer finance to agriculture, which was a key market for the government [19]. In addition to branch development, these banks established a countrywide banking network and began large-scale agricultural lending. As a result, agriculture credit has taken on a multi-agency dimension. The development and implementation of emerging technology, as well as the availability of funds, are inextricably linked. Farmers' short- and long-term needs are met by a large number of structured institutional organizations such as cooperatives, regional rural banks (RRBs), scheduled commercial banks (SCBs), non-banking financial institutions (NBFIs), and self-help groups (SHGs), among others. Rural financial system structural mechanisms have been improved in several ways. When it comes to green, white, and yellow revolutions, finance has played a decisive role [20]. Commercial banks share of total agricultural credit increased dramatically in the first half of the 2000s. A growing proportion of overall agricultural credit goes to short-term financing. Kisan Credit Card (KCC) and other innovative credit distribution methods were created to make credit more accessible. The processes for obtaining loans for different purposes have been standardized, as well as the amount of loans available. Crop loans (short-term loans) account for the majority of the different purposes [21]. As an example, farmers can borrow money to buy an electric motor with an attached pump as well as a tractor and other tools. They can also obtain funds to excavate wells and bore holes, configure pipe lines and drip irrigation methods, plant trees and shrubs in their fields, acquire farm animals as well as fodder for them. It's no secret that floor level finance has exploded in recent years, especially following the Double-Decade. Acquiring agricultural loans has become an important tool for sustainable to increase agricultural investment [11],[12].

## 6. CHARACTERISTICS OF AGRICULTURAL FINANCE :

Following the characteristics of the agricultural finance:

- 1. Risks associated in Agriculture:** It is hard to predict risks and challenges in the agriculture industry. A landowner is vulnerable to several unforeseen events, such as plagues, cyclones, and other natural disasters. It has the potential to inflict significant harm to the farmers. Furthermore, when production exceeds demand, agricultural products tend to degrade in warehouse leading to a shortage of effective processing facilities to retain back overstock. It exacerbates the situation. As a result of the many unknown factors, agriculture has always been a nasty business for banking institutions and insurance firms to manage [3].
- 2. Cooperation Challenges in Agriculture:** There is relatively limited opportunity for cooperation in the agricultural production. Farmers are predominantly self - centered, and they are extremely cautious of associating with one another for a collective objective. This makes it harder for producers to obtain low-cost loans [3].
- 3. Agriculture's Economic Slump:** There is a considerable period between reward and endeavor in the agricultural operations, particularly during the period when expenditures are generated. Production of agricultural commodities may fluctuate during this time, causing farmers' financial arrangements to be disrupted. Farmers will have to endure yet again another element of complexity as a consequence of this. Structured finance organizations use this as a pretext to reject credit for farm operations [3].
- 4. Credit for the Purposes of Consumption:** Credit is highly required by Farmers in India for both production and consumption. Small - scale farmers require loans in the event of crop failure, which they

use to meet their daily needs. Furthermore, Farmers have a propensity of overspending on religious and cultural activities. In spite to all of this, arbitration is a proportion of non-financial need [3].

**5. Farms of Small Size:** Farms in India are modest in proportion to the quantity of labour and cash spent. Consequently, the production and quality of the goods are beyond one's control. As a result, there is a scarcity of collateral for loans [3].

**6. Inadequate Financial Protection:** Landowners have their own monetary resources, which allow them to borrow money from the banks. Local farmers have a harder time obtaining funding for their requirements. Small producers don't have enough collateral to put up as security for loans, and they don't even have the financial means to reimburse them. As a corollary, farmers are compelled to offer aid from money lenders [3].

**7. Multiple-industry complex:** Agriculture is a multifaceted industrial complex with a diversity of merchandising methods. The quantity of land holdings and the types of land ownership differ by region. Geographical variances lead to a wide variety of strained emotions amongst farmers, making funding the agricultural industry challenging [3].

## 7. PREREQUISITE FOR AGRICULTURE FINANCE :

Following the pre-requisite for agricultural finance:

Where agriculture's production is still poor owing to financial limitations, the necessity for financing for agriculture cannot be overstated. Agricultural productivity is a major issue when it becomes unavailable; this is also a problematic when it is available but in such a manner that it causes more misery in the near future. Any type of economic activity necessitates the use of funds and it has to regulate the growth of economic activities and making sure it works effectively [4][26]. Finance is the catalyst for this outcome. The demand for various forms of agricultural financing, on the other hand, may be divided into the following categories: [4].

**7.1. Productive and Unproductive Credit Needs:** For the sake of manufacturing and utilization, a cultivator intends credit. To put it more simply, ranchers' financing requirements are divided into two categories [4].

i. **Credit is required for productive use** - The term Productive Credit refers to loans that are utilized in agricultural production. Farmers' productive needs, as well as financing for livestock, tools, fertilizers, inputs, improved seeds, and machinery, are all factors to take into account [4].

ii. **Credit is required for unproductive uses** - Farmers, on the other hand, require credit for personal usage. Unproductive credit applies to loans that are utilized for personal consumption. There is a considerable period of time between the sale of farm products and the cultivation of the next grain. The landowners do not have adequate revenue to get them through this phase. As a result, people have to take out loans to satisfy their purchasing demands. Farmers must also protect such loans during drought years or storm, whenever crops are devastated [4].

In practical terms, unprofitable loans are obtained for pragmatic reasons such as the birth of a male kid, weddings, or the demise of a member of the family. Farmers are also compelled to borrow because of law suits. As a matter of fact, they are subjected to exorbitant interest charges. The mortgage and interest costs become nearly challenging to make, and the debt load escalates [4].

**7.2. Credit Needs According to Purpose:** Credit requirements can be categorized by their aims, as per the Reserve Bank of India [4].

i. **To Cover Family Obligations:** This form of credit is entitled to receive household appliances and clothes, and also to health care needs, education, and several other living expenses [4].

ii. **To Non-Farm Commercial Purpose:** The credit is intended for the rehabilitation of production and distribution infrastructure, fixtures and fittings, the manufacture and renovation of non-farm dwellings, as well as other working capital and non-farm operations [4].

- iii. **For Farming Activities:** Agriculture requires financing for seeding, fertilizer, and fodder, leases, labour costs, irrigation of crop production, equipment rental charges, animal purchases, agricultural instrument maintenance, property rehabilitation, and capital investment on agriculture [4].
- iv. **Other Uses:** Redemption of previous debts, investments with cooperative societies, shares, and other unidentified objectives are samples of such expenditures [4].

**7.3. Credit requirements as per the Loan Time Integration:** Farmers' credit may be broken down into three categories: short-term credit, medium-term credit, and long-term credit, depending on the length of the loan.

- i. **Short Term Credit:** The loans are entitled to receive saplings, herbicides and pesticides, livestock production and forage, along with other things. These loans would last up to 15 months and producers use these loans to sustain their families in instances when agricultural yields are inadequate. Money lenders and cooperative organizations are the primary source of these loans [4].
- ii. **Medium Term Credit:** This type of loan are typically used by landowners to acquire livestock, minor agricultural inputs, well construction and maintenance, farmland development, and barbed wire fences, along with several other things. These loans only last for 15 months to 5 years. Money lenders, farmer's family members, and financial institutions, among others, generate these loans [4].
- iii. **Long Term Credit:** It comprises loans for farm upgrades, heavy machinery purchases, new land acquisitions, well excavation, and debt repayment, among other things. The cost of litigation in these is enormous and also the interest rate under this is usually modest. These loans are for a prolonged period of time, ranging from 5 to 20 years [4].

## 8. SOURCES OF AGRICULTURAL FINANCE :

Institutional and Non-institutional sources of finance are the two most significant classifications of financing in agriculture.

### A. Institutional Source:

The government and cooperative societies, as well as commercial banks such as the Regional bank and Lead bank, are instances of institutional sources [13].

(1) **Co-operative Societies:** Co-operation is seen by Indian policy makers as a strategy for the economic and social development of peasant people, living in remote areas. Panchayat in villages, cooperatives and communal schools are seen as the trinity of institutions on which to build conscience and then social and economic order. Farmer loans were offered at low interest rates by cooperatives in India to free farmers from the chains of loan sharks [13].

(a) **Primary Agricultural Credit Society:** These are the grass-roots elements of the relatively brief co-operative lending system. It works exclusively with peasant borrowers, providing short and mid loans as well as dissemination and lending services. The utility has gradually increased and have intensified their efforts to reach out to the less privileged, notably farming community. The development has been tremendous, yet it is unsatisfactory in light of the producers' need for financing [13].

(b) **Central Co-operative Banks:** Currently, there are 370 District Central Co-operative Banks in operation. So far, 1200 crore in credits have been disbursed to farm owners. Their core function is to oversee the village's Primary Agricultural Credit Societies. The State Co-operative Bank and the Primary Agricultural Credit Society are connected via Central Co-operative Banks [13].

(c) **State Co-operative Banks:** In total, the country presently has 30 State Cooperative Banks. The apex banks of the cooperative credit framework are these banks. As a bridge between NABARD and the cooperative central bank, it accumulates and disburses loans from the fundamental society's village [13].

### B. Non – Institutional Source:

(1) **Money Lenders:** Money lenders in remote regions are of two sorts. There are wealthy farmers or landowners who integrate agriculture with financing. Experienced money changers are those whose primary employment or line of work is giving loans. For their monetary requirements, the farmers rely

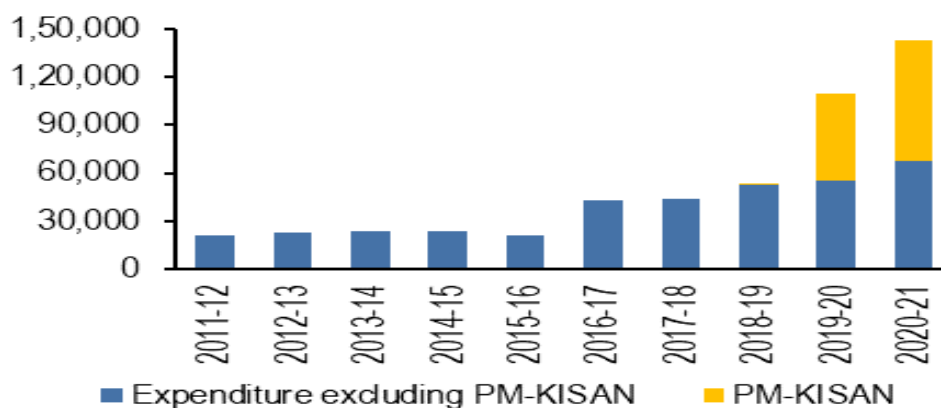
on moneylenders. Conversely, there are a numerous reasons why rural moneylenders continue to predominate in rural areas [13].

- i. The money lender easily owes money to farm owners for both agricultural and non-agricultural purposes, including short & long term needs.
- ii. The money lender is freely reachable and continues to keep intimate and authentic touch with the mortgage holders, with many of them having long-standing family ties.
- iii. Their business strategies are straightforward and adaptable [13].

**(2) Landowner and others:** Even before the crops maturity, merchants and cooperative societies help in providing cash to landowners for productive investment. They compel the framers to market their products at reasonable prices, and they take a massive commission. Thus, in the instance of cash crops like as cotton, groundnuts, and tobacco, as well as exotic fruits such as mangoes, the revenue source is very essential. Money lenders, like merchants and agents, lend to producers at high - demand and with other adverse consequences [13].

### 9. AGRICULTURE FINANCE POLICY :

Several initiatives have been adopted by the government to boost farmers’ access to institutional finance sources. The goal of these policy initiatives is to make it simple for growers to obtain financing whenever they need it [27]. The initiative aims to provide adequate and accurate financing support to every agricultural producer for them to embrace latest technology and enhancing farming techniques in order to maximize productivity. The policies further prioritized operational simplification, on-the-ground assistance, and credit forecasting [4].



**Fig. 1:** Agriculture Expenditure Budget of the Ministry during the 2011-21 periods (Rs. in crore)

Sources: Union Budgets (2011-21) [24]

The graph demonstrates the breakdown of 10 years’ worth of budget for agriculture spending. Ministry expenditures budget remained the same for four years from 2011-12 to 2014-15 and disbursement was reduced in 2015-16 but surged in 2016-17 and 2017-18 by expelling PM Kisan Credit Card Scheme. As a result, the budget spending grew from 2018-19 to 2020-21 owing to outflows to the PM Kisan Credit Card. In 2020-21, the Ministry had been given Rs.1,42,762 crore. The Ministry receives 5% of the annual budget for the federal government. It is indeed a 30% rise over the estimated projection for 2019-20, owing to a greater contribution of Rs.75,000 crore to PM-KISAN for 2020-21 [24].

#### 9.1 Agricultural Policy of India:

The preponderance of a nation’s agricultural policy is built upon the foundation in order to improve farm productivity, as well as the degree of socio - economic conditions of farmers, over a certain period of time. The policy is intended to promote the agriculture sector's overall and substantial prosperity [28].

In India, the primary goals of agricultural policy seem to be to overcome the aforementioned issues confronting the farming industry, such as inadvertent and obsolete usage resources, the sovereignty of decreased agricultural sector, a downtrodden interest rate of economic and financial activities, and the significant pace of decentralized cultivation as well as other self-help entities [12].

**The following were one of the most beautiful priorities of India’s agricultural policy:**



- (i) **Increasing Input Productivity:** A few of the primary goals of India's agricultural strategy is to increase the yield of commodities acquired, including such HYV seeds, chemical fertilizer, insecticides, land reclamation, and so forth [13].
- (ii) **Improving intrinsic worth per Capita:** In addition to increasing production process, another major aspect of the country's agriculture sector is to rise per acres of land valuation through increasing yields in whole and efficiency of subsistence properties in distinct [13].
- (iii) **Serving the Privacy of Impoverished Producers:** Amongst the most crucial components of agricultural subsidies is to ensure the protection of poorest and most vulnerable farms by eradicating middlemen via the landholdings, broadening institutionalized financial assistance towards peasant people, and so forth [13].
- (iv) **Rehabilitation of Farming Industry:** Another key goal of the country's agricultural policies is the upgrading of the farming production. In this case, policy assistance involves the use of contemporary technology in agricultural operations as well as the use of enhanced farm produce including some fertilizers and pesticides and so on [13].
- (v) **Analyzing Ecological Deterioration:** The prime focus of India's agricultural strategy is to control environmental destruction of the ecological foundation of Agriculture sector [13].
- (vi) **Agricultural Development and Mentoring:** The key goal of Indian agricultural subsidies is to enhance agricultural research & development capacities and also to disseminate the results of all such studies amongst landowners by fostering tight links with research groups and producers [13].
- (vii) **Eliminating Impediments:** An ultimate aim of the process is to minimize bureaucracy hindrances on peasants' financial institutions and self-help groups so that farmers could function autonomously [13].

## 10. NEW AGRICULTURAL POLICY :

The Indian agriculture industry is likewise on the eve of a new era. The government's flagship agro - based strategy empowers producers to maximize their goods to anyone else and elsewhere if they chose. Landowners will need to embrace latest techniques to deliver up with shifting market trends and market information [29]. The government's ambitious agricultural reform programme, which is now executed in three laws, might be a new method of connecting food manufacturers and customers. All three proposals would try to eliminate redundancies via financial intermediation and enable producers and consumers to continue trading [14].

### 10.1 New Agricultural Policy: The Three Agri Reforms:

The government proposed three agro reform legislation such as Farmers' Produce Trade and Commerce (Promotion and Facilitation), the Farmers' (Empowerment and Protection) Price Assurance and Farm Services Agreement, and the Essential Commodities (Amendment) Act [14].

#### • The Farmers' Produce Trade and Commerce Bill, 2020:

To make matters worse for farmers in India, they are now required to sell only to state legislature license holders and are prohibited from selling outside of APMC-approved marketplaces. As a result of different APMC laws established by state governments, the free movement of agricultural trade among states is hampered. The draft policy seeks to make by which farm owners and dealers get the autonomy to distribute and purchase goods as they see appropriate, allowing for more financially lucrative rates to be achieved via competitors, e-commerce platforms boosting effectual, open and barrier-free interstate and intra - state commerce. With this measure, the tight-lipped agricultural markets of the country will undergo a sea change. Producers will be able to take advantage of new options while reducing marketing costs and receiving better prices. As a result, farm owners in excess areas would be likely to access higher costs, while consumers living in deficit areas would be able to enjoy lower rates [14].

**Pros:** Agricultural Produce Market Committee (APMC) mandis are allowed to sell produce. In addition, farmers will not have to pay any taxes outside of mandis. Allows agricultural products to be traded across state lines [14].

**Cons:** The revenue generated by the individual mandis would be lost to the state. As a result of this legislation, farmers in many states think that it will lead to the termination of Minimum Support Prices (MSPs) and the elimination of the middleman [14].

- **The Farmers Agreement of Price Assurance and Farm Services Bill, 2020:**

Even with goal of reshaping the agricultural industry, The current legislation intends to generate a federal agricultural consent policy which attempts to keep and emboldens farm owners by negotiating directly inherently and impartially with agriculture - based firms, manufacturers, distributors, export markets, and retail chains in the context of sustainable service provision, as well as market potential farm goods at collectively decided upon meritorious requirements. The vulnerability of market volatility would be shifted from the landowner to the financial backer, allowing the producer to acquire modern technology and greater resources. This will lower marketing expenses while increasing agricultural income. Farm owners can engage in marketing and advertising, which eliminates the need for mediators and allows them to achieve the highest possible price. Landowners were been adequately protected by this measure, and an arbitration mechanism was developed, complete with defined timeframes for restitution [14].

**Pros:** Instead than relying on state-appointed middlemen, this strategy encourages farmers to engage into direct contracts with customers who want to acquire agricultural produce instead [14].

**Cons:** If businesses prefer to deal with groups of farmers rather than individual ones, the likelihood of a conflict will rise and having an agent on your side is considerably more beneficial from a business standpoint [14].

- **The Essential Commodities (Amendment) Bill, 2020:**

Despite the fact that India has acquired a deficit in many other agricultural products, peasants will be unable to achieve greater pricing leading to a shortage of investment in storage conditions, warehousing, distillation, and outsource service providers. Farmers lose a lot of money when there is large harvesting, notably of essential commodities. Cereal grains, pulses, edible oils, vegetable oils, onions, and potatoes will be hampered by a lack of essential goods under the proposed policy. This would assuage worries about widely consumed interference in the activities of potential sector. The competence to cultivate, store, transfer, market, and deliver will empower the farming industry to create a competitive advantage and attract substantial financial industry and international investment. It is hoped that by enacting this new legislation, investments in cold storage and food supply chain modernization would increase. In addition, it is intended to bring about price stability for both farmers and purchasers of agricultural products. As a result, the business climate would improve, and food waste would be reduced due to a lack of storage space [14].

**Pros:** A wide range of food items, including grains, pulses, edible oils, and onions, are exempt from regulation unless in exceptional circumstances. It can attract Foreign Direct Investment (FDI) and major firms to invest in facilities, such as deep storage [14].

**Cons:** The act can be triggered if the price of consumables or non-perishables increases by 100% or 50%. This basically decriminalizes stockpiling, which may have a disastrous effect on the pricing of critical products such as veggies and legumes [14].

## 11. SWOC ANALYSIS :

The SWOC assessment aids in the guidance of the farm's operations and acts as a foundation for its initiatives. This could suggest Strengths (S) and Opportunities (O) which will empower the farmer in attaining its objectives, or it might signify a challenge that is being conquered or whittled down in order for the farms to thrive (Weaknesses (W) or Challenges (C)). The purpose is to encourage the agricultural sector in developing methods and techniques that reflect on its strengths, mitigate challenges, and fix flaws. After all of the farm's strengths, weaknesses, opportunities, and dangers have been evaluated, the information is consolidated and strategies are formulated [15],[25]. Below figure 2 exhibits the SWOC Analysis in the field of Agricultural Finance.

### **Strengths:**

It's the little traits of a financial institution that distinguish it apart from the competitive rivalry such as regional agriculture systems, rising cash flow and buying power in rural areas, broadening non-farm livelihood and revenue generating, potential labour force, upsurge in agriculture financial institutions, lower production costs, technology solutions for agriculture sectors are also accessible [15],[16].

### **Weaknesses:**

These are the qualities that thrust it at a vulnerable position in comparison to those of others for instance a paucity of funds, climate variability factors are a major consideration, unproductive visual marketing's, lack of comprehension of the potential of agriculture credit, traditional agriculture is the

source of knowledge and outreach, institutional flaws such as accreditations, due to the dearth of infrastructures and operations as well as distinct tax laws, there is correspondingly a scarcity of credible agricultural data and information, accessibility to contemporary technology is limited, market possibilities and infrastructures are also limited in the local area [15],[16].

**Opportunities:**

These will be the exterior qualities that is used to generate the most financial advantage for the financial institution identically by growing interest in agricultural systems, high-value crops are prioritized, and unprocessed land is widely accessible, burgeoning worldwide consumption for agricultural commodities, developing regional insights of the beneficial effects of agricultural financing institutions, transnational inhabitants’ support is strengthening, aid from the government in proposed policies for agricultural productivity [15],[16].

**Challenges:**

These are intrinsic factors that have an impact which would end up causing difficulties for example market risks, government initiatives that are contradictory, financial factors pressuring farmers to reduce their norms, and globalization [15],[16].

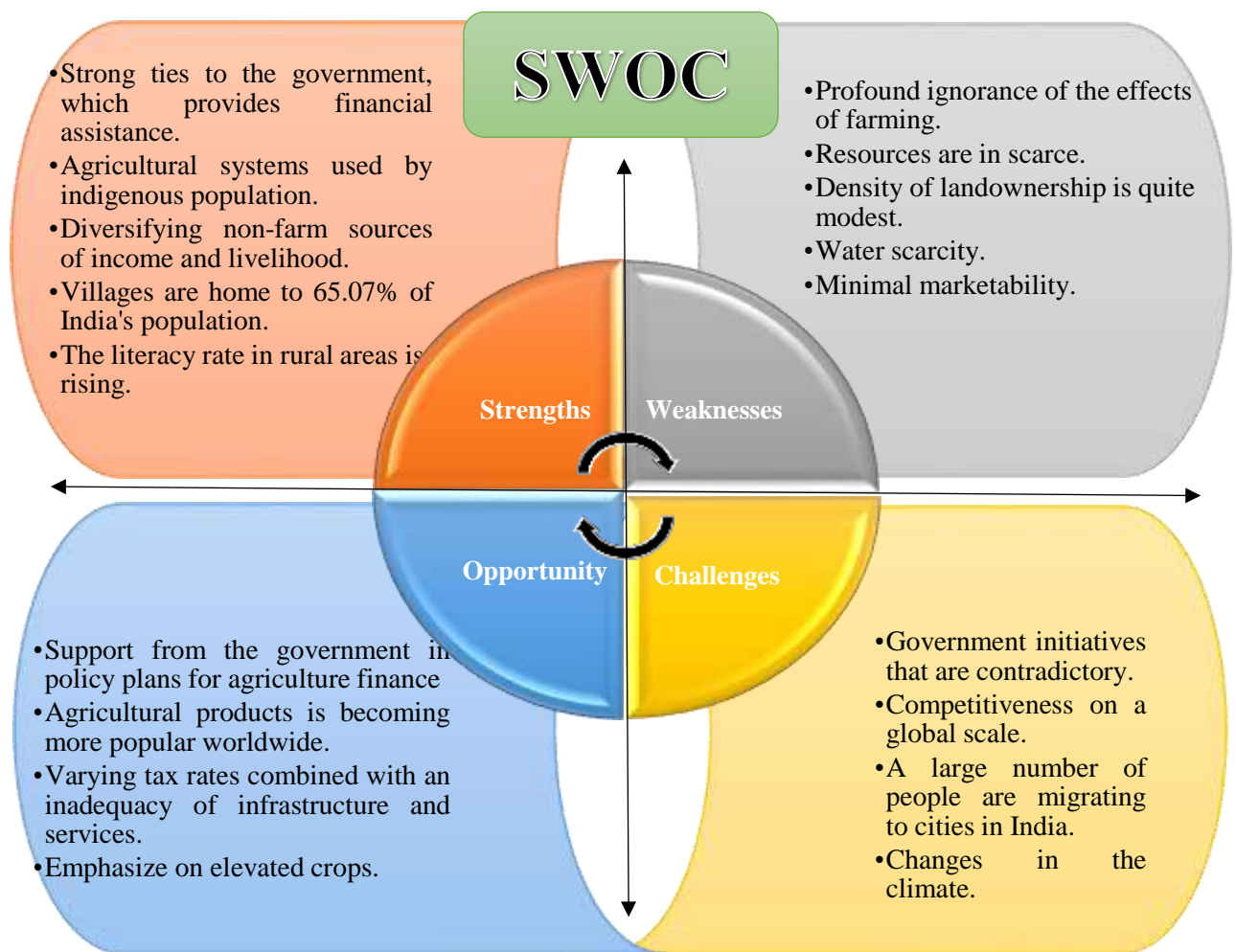


Fig. 2: SWOC Analysis of Agricultural Finance.

Source: Compiled by Researcher

**12. FINDINGS :**

The following key findings were made from the study:

1. Investments in agriculture that are timely and appropriate will allow farmers’ access to cutting-edge technology.
2. The supply of indirect agricultural credit is just as vital as the inflow of direct credit.

3. A system of government entities enforces agricultural policies by establishing national initiatives to policy and ensuring appropriate funds for development at distinct phases.
4. The budget outlines the government's spending plans and their expected results, making them more transparent, predictable, and easy to comprehend.
5. SWOC analysis has provided a framework for producers and financial institutions to use to depict strategy and tactics for accomplishing them.

### 13. RECOMMENDATIONS :

The following are the recommendations for improvements:

1. A greater number of rural residents should have access to formal finance.
2. Information should be sent to the government on the absence of credit available through informal sources of credit.
3. Through the use of theatre, dance and other forms of entertainment, they should be educated on the need of respect.
4. The government should outlaw high-interest loan providers and enforce stringent regulations against them.
5. The government should focus solely on infrastructure development; thus, the modest amount of cash may be a boon to farmers.
6. Rather than imposing statutory restrictions on banks, government should engage in continuous conversation and engagement with banks on every topic.

### 14. CONCLUSION :

Agriculture development is intertwined with economic growth. According to the World Bank, agriculture accounts for roughly 15 percent of India's Gross Domestic Product (GDP). It is impossible to overstate the relevance of long-term finance in agriculture today. Future prospects for agricultural financing in India are bright due to the rapid industrialization of agriculture in India. Financial aspects of India's farm industry are examined by agricultural finance experts in order to better understand and analyze their financial implications. Farming has a financial component, which includes the production of agricultural products and the sale thereof. This has been crucial for India's growth strategy and poverty reduction because agriculture accounts for 22 percent of India's gross domestic product and employs roughly 65 percent of the country's rural labour force. Farming's success is dependent on a variety of factors such as loan availability in a timely manner as well as credit cost, as well as changes to the credit delivery system. Government of India and Reserve Bank of India (RBI) have played a significant part in building a wide-ranging institutional structure for ministering to the rising credit facilities of the sector, recognizing agriculture's importance in India's development plan. As the agricultural sector's needs change, India's agricultural loan rules are periodically revised. India's food grain output is self-sufficient in part because of agricultural financing.

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