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Role of Agriculture Finance in Rajasthan Development of Rajasthan - An Analytical Study

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ABSTRACT: Agricultural financing is a critical component of all agricultural development operations aimed at improving the productivity. Farmers must have access to sufficient and timely financing for irrigation, farm mechanisation, and land expansion. The main goal of the study is to identify and explore the factors affecting agriculture finance, understand the challenges faced by the farmers, to compare the growth of farmer's income before and after availing finance support and the strategies required to improve the agriculture credit to farmers. Design/Methodology/Approach: The study is based on secondary data gathered from several publications, websites, and other pertinent substance from NABARD and RBI annual reports. Findings: The study revealed that smallholder systems, policies, and investments are meant to improve infrastructure, boosting efficiency to expand and finance services, and increasing labour availability or automation; formal financial outlets have improved in region regions; financial institution violations are regulated by regulatory frameworks, such as charging exorbitantly high interest rates or taking excessive risks with people's savings or investors' assets; and financial institution violations are controlled by regulatory frameworks, such as charging exorbitantly high interest rates or taking unnecessary. Originality/Value: This study is infrequent in that it endeavours to trace the access of agricultural finance by farmers, as well as its impression on farmer's income level varying to numerous agricultural strategies that have been enacted as a result of agricultural finance.

KEYWORDS: Agriculture, finance, labour, Rajasthan, smallholder, farmers

I. INTRODUCTION

Agricultural finance plays a pivotal role in facilitating the modernization and commercialization of farming practices and bolstering global food security. However, the provision of sustainable financial services in remote regions poses a significant challenge within the developing and underdeveloped countries. Consequently, farmers often grapple with inadequate access to formal credit sources and essential productive assets due to diverse constraints. Although, several studies have investigated constraints to agriculture finance; the literature is divergent and a holistic framework of constraints to agriculture finance is missing. Therefore, this research explores the constraints to agriculture finance in 31 developing and underdeveloped countries using systematic review approach, and synthesizes a holistic framework of the constraints using Qualitative Evidence Synthesis (QES) method that can be used as dependable framework for conceptualization and policy formation. Moreover, it describes the interplay and mutual reinforcement between the challenges faced by different stakeholders to elaborate how they influence each other in complex ways. Additionally, this study suggests a collective and multi-faceted approach for overcoming barriers to agricultural financing, and highlights the limitations and unintended consequences of agricultural credit and its implications for agricultural sustainability.[1,2,3]

An Act to consolidate and amend the law relating to loans of money by the State Government for agricultural purposes. Whereas it is expedients to consolidate and amend the law relating to loans of money by the State Government for agricultural purposes. Be it enacted by the Rajasthan State Legislature in the Seventh Year of the Republic of India as follows, 1. Short title, extend and commencement- (1) This Act may be called the Rajasthan Agricultural Loans Act, 1956 (2) It extends to the whole of the State of Rajasthan — (3) It shall come into force at once, 2. Repeal- On and from the coming into force of this Act, the following shall stand repealed, namely (a) (1) the Alwar State Agriculturists' Loans Act 1944, and (2) the Bundi Agriculturists' Loans Act, 1939; and (b) any corresponding laws, other than the enactments referred to in clause (a) hitherto in force in any of the covenanting States, or in the Abu area or the Ajmer area or the Sunel area in so far as such laws are covered by, or are inconsistent with, the provisions of this Act. 3. Interpretation- (1) In this Act, unless the subject or context otherwise requires (i) "agriculture" shall include horticulture; (ii) "agriculturist" shall mean a person who, by himself or by servants or tenants, earns his livelihood wholly or principally by agriculture or by cattle breeding; (iii) "Board" shall mean the Board of Revenue for Rajasthan established and constituted under or in accordance with the law for the time being in force; (iv) "Collector" shall include an Additional collector; (v) "improvement" shall mean, with reference to a tenant's holding,-

(a) a dwelling house erected on the holding by the tenant for his own occupation or a cattle-shed or a store-house or any other construction for agricultural purposes erected or set up by him on his holding; (b) any work which adds materially to the value of the holding and which is consistent with the purpose for which it was let; and, subject to the foregoing provisions of this clause, shall include- (i) the construction of bunds, tanks, wells water channels and other works for the storage, supply, or distribution of water for agricultural purposes; (ii) the construction of works for the drainage of land for its protectionfrom floods or from erosion or from other damage by water; (iii) the reclaiming, clearing, enclosing, levelling, or terracing of land; (iv) the erection in the immediate vicinity of the holding otherwise than on the village site, of buildings required for the convenient or profitable use or occupation of the holding; (v) the renewal or reconstruction of the foregoing works or such alterations therein or additions thereto as are not of the nature of mere repairs; and (vi) such other works as the State Government may, from time to time, by notification in the Official Gazette, declare to be improvements for the purposes of this Act, but shall not include such temporary wells, water channels bunds enclosures or other works as are made by tenants in the ordinary course of cultivation. (vii) "land" shall mean land which is let or held for agricultural purposes or for purposes subservient thereto or as grove land for pasturage, including land occupied by houses or enclosures situated on a holding, or land covered with water which may be used for the purpose of irrigation or growing singhara or other similar produce but excluding abadi land; it shall include benefits to arise out of land and things attached to the earth or permanently fastened to anything attached to the earth; (viii) "State" shall mean the new State of Rajasthan as formed by section 10 of the States Reorganisation Act, 1956 (Central Act, 37 of 1956).

II. DISCUSSION

(2) The provisions of the Rajasthan General Clauses Act, 1955 (Rajasthan Act 8 of 1955) in force in the pre-reorganisation State of Rajasthan shall, as far as may be, apply mutatis to this Act. 4. Purposes for which loans may be granted under this Act.- Subject to such rules as may be made under section II, loans may be granted under this Act by such officer as may, from time to time, be empowered in this behalf by the state Government— (1) to any person having a right to make an improvement or, with his consent, to any other person for the purpose of making such improvement; and (2) to landholders and tenants of land — (a) for the purchase of seed, manure, fodder, cattle, agricultural implements of Persian wheels, or (b) for the relief of distress, or (c) for any other purpose connected with agricultural objects including the purchase of rights in land, or for any other work connected with cattle breeding which adds materially to the occupation of cattle breeding. 5. Mode of dealing with application for loans.- (1) when an application for a loan is made under this Act, the officer to whom the application is made may, if it is, in his opinion, expedient that public notice be given of the application, publish a notice in such manner as the State Government may, from time to time, direct calling upon all persons objecting to the loan to appear before him at a time and place fixed therein and submit their objections. (2) The officer shall consider every objection submitted under sub section (1) and make an order in writing either admitting or over-ruling it Provided that, when the question raised by an objection is, in the opinion of the officer, one of such a nature that it cannot be satisfactorily decided except by a Civil Court, he shall postpone his proceeding on the application until the question his been so decided. 6. Period of repayment of loans.- (1) with the exception of loans granted for the purchase of seed, manure and fodder, every other loan granted under this Act shall, subject to rules made in this behalf by the State Governments be repayable by instalments (in the form of an annuity or otherwise) ordinarily within ten years from the date of the actual advance of the loan or, when the loan is advanced in instalments, from the date of the advance[2,3,4] of the last instalment actually paid : Provided that in exceptional cases the period may be extended to twenty years with the sanction of the State Government. (2) subject as aforesaid— (a) every loan granted under this Act i.Jr the purchase of seed or manure shall ordinarily be repayable in full immediately after the harvest for which the loan is granted; (b) every loan for the purchase of fodder. shall be repayable in two instalments. 7. Recovers of loans.- (1) Subject to such rules as may be made under section 11, all loans granted under this Act, all interest (if any) chargeable thereon and costs (if any) incurred in making or recovering the same shall, when they become due, be default of payment, by the recoverable, in collector in all or any of the following modes, namely— (a) from the borrower, - as if they were arrears of land revenue due by him; (b) from his surety (if any) as if they were arrears of land revenue due by him; (c) out of the land for the benefit of which the loan has been granted as if they were arrears of land revenue due in respect of that land; (d) out of the property comprised in the collateral security (if any) according to the procedure for the realisation of land revenue by the sale of immovable property other than the land on which that revenue is due: Provided that no proceeding in respect of any land under clause (c) shall affect any interest in that land which existed before the date of the order granting the loan, other than the interest of the borrower, and of the mortgagees of, or persons having charges on, that interest and, where the loan is granted under clause (1) of section 5 with the consent of another person, the interest of that person, and of mortgagees of persons having charges on, that interest. (2) When any sum due on account of any such loan, interest or cost is paid to the Collector by a surety or an owner of property comprised in any collateral security or is recovered under sub-section (1) by the Collector from a surety or out any such property, the Collector shall, on the application of the surety

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or the owner of that property (as the case may be), recover that sum on his behalf from the borrower or out of the land for the benefit of which the loan has been granted in the manner provided by sub-section(1). (3) It shall be in the discretion of a Collector acting under this section to determine the order in which he will resort to the various modes of recovery permitted by it. 8. Order granting loan conclusive on certain points.- A written order under the hand of an officer empowered to make loans under this Act granting a loan to, or with the consent of a person mentioned therein, for the purpose of carrying out a work described therein for the benefit of land specified therein, shall for the purposes of this Act, be conclusive evidence— (a) that the work described is an improvement within the meaning of the Act; (b) that the person mentioned had at the date of the order a right to make such an improvement; and (c) that the improvement is one benefiting the land specified. 9. Liability of joint borrowers as among themselves.— When a loan is granted under this Act to the members of a village community or to any other person on such terms that all of them are jointly and severally bound to the State Government for the payment of the whole amount payable in respect there of and a statement showing the portion of the amount which as among themselves each is bound to contribute is entered upon the order granting the loan and is signed by each of them and by the officer making the order that statement shall be conclusive evidence of the portion of than amount which as among themselves each of those persons is bound to contribute. 10. Exemption of improvements from assessment to land revenue.-[3,4,5] When land is improved with the aid of a loan granted under this Act, the increase in value derived from the improvement shall not be taken into account in revising the assessment of land revenue or rent on the land: Provided as follows : (1) where the improvement consists of the reclamation of waste land or of the irrigation of land assessed at un-irrigated rates the increase may be so taken into account after the expiration of such period as may be fixed by rules to be framed by the State Government, and (2) nothing in this section shall entitle any person to call in question any assessment of land revenue or rent otherwise than as it might have been called in question if this Act had not been passed. 11. Power to make rules.- The State Government may, from time to time, by notification in the Official Gazette, make rules consistent with this Act to provide for the following matters, namely : (a) the manner of making applications for loans; (b) the.officers by whom loans may be granted; (c) the manner of conducting enquiries relative to applications for loans and powers to be exercised by officers conducting those enquiries; (d) the nature of the security to be taken for the due application and repayment of the money, the rate of interest at which, and the conditions under which, loans may be granted and the manner and time of granting loans; (e) the inspection of works for which loans have been granted; (f) the instalments by which, and the mode in which, loans, the interest to be charged on them and the costs incurred in the making thereof, shall be paid; (g) the manner of keeping and auditing the accounts of the expenditure of loans and of the payments in respect of the same; (h) all matters which may be or are required to be prescribed or in respect of which rules may he made or required to be made under any provisions of this Act; and (i) all other matters pertaining to the working of the Act.

III. RESULTS

"Agricultural finance is the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loan able funds." Finance in agriculture is as important as other inputs being used in agricultural production. Technical inputs can be purchased and used by farmer only if he has money (funds). But his own money is always inadequate and he needs outside finance or credit. Agricultural finance capitalizes farmers to undertake new investments and/or adopt new technologies. The importance of agricultural credit is further reinforced by the unique role of Indian agriculture in the macroeconomic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural credit in fostering agricultural growth and development, the emphasis on the institutional framework for agricultural credit is being emphasized since the beginning of planned development era in India. The paper aims to discuss the history and need of agricultural finance in India, sources and magnitude of agricultural finance and to assess its progress. History of Financing Agriculture in India 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 Coop. 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. [4,5,6]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 Rajasthan 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 Rajasthan 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 Rajasthan 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 shortterm 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 2013- 14, 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. Methodology The article is based on the secondary data compiled from diverse sources. The data were compiled from the Agricultural Statistics at a Glance (2008), published by 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 Rajasthan Development (NABARD). Need for Agricultural Finance The financial need of the Indian farmer can be broadly classified into two categories a) Productive Needs Productive needs refer to need of finance for purchase of fertilizers and implements and also digging and deepening of wells. b) Unproductive Needs The farmer needs credit for purposes other than agriculture, too. They are for celebration of marriages, birth and death. The adoption of modern technology, which is capital intensive, has commercialized agricultural production in India. Besides, the farmer's income is seasonal while his working expenses are spread over time. In addition, farmer's inadequate savings require the uses of more credit to meet the increasing capital requirements. Furthermore, credit is a unique resource, since it provides the opportunity to use additional inputs and capital items now and to pay for them from future earnings. In fact, credit has both "static" and "dynamic" characters. Because of the high risk inherent in traditional farming activity, the prevalence of high interest rates was the norm rather than an exception, and the concomitant exploitation and misery that often resulted. Development of Rajasthan credit systems has therefore, been found to be intrinsically very difficult and, as we will see, an issue of continuing official concern for over a century. Sources of Agricultural Finance They are two major sources of finance in agriculture are institutional and non- institutional sources. A. Institutional Source Institutional sources consist of the government and co-operative societies, commercial bank including the Regional bank, Lead bank. 1) Co-operative Societies 1904, Co-operative Societies in India. Indian planners consider co-operation as an instrument for economical development of the deprived farmers, particularly in the Rajasthan. They see in a village panchayat, a village co-operatives and village school, as the trinity of institution on which a self-reliant and just economic and social order is to be built. [5,6,7]The cooperative movement was started in India largely with a view to providing agriculturists funds for agricultural operations at low rates of interest and projects them from the clutches of money lenders. At the end of march-2006, 1,06,380 Co-operative Societies and 10 crores members and 90% coverage of Rajasthan area. a) Primary Agricultural Credit Society Primary agricultural credit societies are grass root level arms of the short term co-operative credit structure. PACs deal directly with farmer borrowers, grant short term and medium term loans and also undertake distribution and making functions. The usefulness of PACs has been rising steadily. In 1950- 51, it advanced loan worth Rs. 23 crores and Rs. 34,520 crore in 2000-01. The PACs have stepped up their advances to the weaker sections particularly the small and marginal farmers. The progress has been quite spectacular but not sufficient considering the demand of finance by farmers b) Central Co-operative Banks There are now 369 (2001-2002) District Central Co-operative Banks. The loan amount of 56,650crore is distributed to the farmers so far. Their main task is to lead Primary Agricultural Credit Societies in village. Central Co-operative Banks functions as intermediaries between the State Cooperative Bank and Primary Agricultural credit society. c) State Co-operative Banks There are now 30 State Co-operative banks in the country. These Banks are the apex banks of the Co-operative credit structure. It serves as a link between NABARD from which it borrows and lends to the co-operative central bank and primary societies village. 2. Land Development Banks 3. Reserve Bank of India 4. State Bank of India 5. Commercial Banks 6. Regional Rajasthan Banks 7. Argictural Refinance and Development Corporation-ARDC 8. National Bank for Agriculture and Rajasthan Development-NABARD 9. Government B. Non – Institutional Source 1) Money Lenders There are two types of money lenders in Rajasthan. There are rich farmers or landlords who combine farming with money-lending. There are also professional money lenders whose only occupation or profession is to lend money. The cultivators depend upon the money-lenders for their requirements of cash. However, there are many

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reasons for the preponderance of the village money-lenders in Rajasthan area even now. I. The money lender freely supplies credit for productive and non-productive propose, and also for short-term and long-term requirements the farmers. II. He is easily accessible and maintains a close and personal contact with the borrowers often having relations with family extending over generations. III. Their methods of business are simple and elastic. 2) Landlord and others Traders and commission agent supply funds to farmers for productive purpose much before the crops mature. They force the framers to sell their produce at low price and they charge a heavy commission for themselves. Thus source of finance is particularly important in the case of cash crop like cotton, groundnut, tobacco, and in the case of fruit of chard like mangoes. Traders and commission agent may be bracketed with money lenders, as their lending to farmers is also at exorbitant rates and has other undesirable effects too. Types of Agricultural Finance, 1. On the Basis of Time: a) Short –term Credit b) Medium-term Credit c)Long-term Credit. 2. On the Basis of Purpose: a) Productive loans b) Consumption Loans c) Unproductive Loans[6,7,8]

IV. CONCLUSION

The micro finance sector has developed rapidly over the last two decades, making credit available for many poor micro-entrepreneurs, although in most cases it has practically skipped the Rajasthan poor and most particularly their agricultural activities as smallholders. Three-fourth of the people lives in Rajasthan and for livelihood, directly or indirectly, largely depends up on agriculture and allied activities. Between 60-99 percent of Rajasthan Households earn a living from farming and for most; it is rarely the only source of income. Most of these individuals also earn wages either in the agricultural sector or other sectors, are self-employed, or receive money from family members who migrate to cities. Family farming is characterized by low productivity due in particular to low levels of investment in inputs or in equipment. But such investments require access to financial sources in the form of short, medium or long-term loans. Agricultural prices are notoriously volatile and few farmers can offer guarantees that are legally or financial acceptable. The returns are also low. These peculiarities demand financing mechanisms adapted to the diverse needs and services of Rajasthan households. These needs include 1. Short-term: input financing at the beginning of the crop year (seeds, fertilizers, pesticides), additional labour, feed, storage facilitates, processing, etc.; 2. Medium and long-term: equipment for intensification, commercialization (transportation), storage (buildings), perennial crops (investment, renewal, maintenance), (re) constitution of herds, land purchase; 3. Family needs: personal, durable goods, housing; 4. Nonfinancial services: monitoring demand, technical assistance and extension; and 5. Savings. There is no doubt that micro-finance can play an important role in agricultural finance in India and is capable of mitigating the challenges associated with the sector. [7,8,9]The study has shown that the institutional credit flow to the agriculture has been increasing for the past four decades. The structure of the sources of credit has witnessed a clear shift and commercial banks have emerged as the major source of institutional credit to agriculture in the recent years. Imparting training to borrowers regarding procedural formalities of financial institutions could be helpful in increasing their access to institutional credit. The option of microfinance should be adopted and streamlined to alleviate the plight of the marginal, small, tribal farmers. They should be linked effectively to the Self Help Groups (SHGs). . Agribusiness includes the production, processing, and inventory of agricultural goods. It involves the management of agronomic equipment and technologies, raw materials, suppliers, work force and other resources involved in agriculture[10]

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