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An overview of agricultural finance in India: A case study in Bihar state

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Abstract
The paper starts with an analysis of the current state of agriculture finance in Bihar in terms of availability of credit facilities, government schemes, and institutional support. This study also examines the performance of microfinance institutions, cooperative banks, and traditional moneylenders in rendering sufficient financial services to farmers. Bihar, basically being a rural state, has got peculiar problems of agricultural development arising from historical neglect, inadequate infrastructure, and socio-economic disparities. In doing so, a mixed-methods approach will be adopted that combines the quantitative analysis of financial data with qualitative insights elicited from the stakeholders. In particular, it addresses the problems related to access and affordability of credit, mainly for small and marginal farmers, who comprise the majority in the agricultural workforce of Bihar. It showcases successful interventions and best practices which improved the financial access and livelihood outcomes of farmers in Bihar. It advocates for targeted policy interventions that take into consideration improvements in financial inclusion, access to credit, and best practices in sustainable farming. the impact of agricultural finance on some key socio-economic indicators: income levels, productivity, generation of employment, and livelihoods of the rural poor. this research underscores the critical role of agricultural finance in fostering rural development and economic growth for Bihar.

Keywords: Agriculture finance, rural development, financial inclusion

Introduction
Financing is considered to be one of the riskiest sectors as it involves a huge amount of money on every count, and proper planning is required to yield that money as well. Agriculture financing involves planning for a long-term basis, and the banking industry of India promotes very strongly the financing of agriculture which enables the farmers to carry out their work effectively without any hassle. It's also concerned with the lending process, laws, regulations, monitoring and dominance of various agricultural credit establishments. Hence, macro-finance means funding farming at the collective level. Agricultural financing is a means of studying how credit provides funding and liquidity to farm borrowers. The financing of agriculture was analysed both at micro and macro levels. Macro finance entails various forms of raising funds for the agricultural sector. It's also known as the research of monetary intermediaries who provide loan funds to agriculture, as well as the monetary markets where these intermediaries receive their loan in a place funds. The advent of capital-intensive agricultural technology has made farm financing a critical input. Farmers need finance so that their farm holdings may be more productive. The results are often poor and unreliable when it comes to farming in India. In fact, Indian agriculture is characterized by low and unpredictable returns. An external source of capital will have to be provided to break the viscous circle of low returns on savings and poor returns on investments. Farmers require external finance to avoid recurrence of negative returns, low savings, low investments and low returns. The history of rural finance in India goes as back as the colonial period itself. It is mainly responsible to provide the agricultural financial support to the Farming community. Although funding in the agricultural sector came into existence in the middle ages, yet it has not attained its peak in the twenty-first century. All the rational and irrational developments in India's agricultural finance are amply recorded in collective memory. Farmers' difficulties show a remarkable consistency from this condition to the time span under International Journal of Case Studies in Business, IT, and Education

consideration. Relying on regional money lenders fosters an unscrupulous atmosphere that harms impoverished farmers in rural areas. Cooperative credit societies too have been non-starter in extending help to the underprivileged farmers to overcome their miserable condition. The process of nationalized banks began in 1969, which has brought in a great positive impact on financial intermediation, enabling access to agricultural productivity of peasant communities. It laid the foundation stone for developing agricultural financing in India under the nationalization initiative. Having followed that, the microfinance industry emerged to mitigate the agricultural finance crisis by adopting various techniques such as MFI and SHG-BL to improvise peasant safety and prosperity. Although all these reforms undeniably have strengthened the agricultural financing situation of India, it is undisputable that funding towards agriculture to the low-income earners and the underdeveloped region of India has been highly unfavourable, leading to agricultural producers driven to suicide.

Literature Review

Gandhi, *et al*. (1999) [12]. The priorities given to agro industries in India were examined. Potentials and constraints of agro-industries are assessed for their actual and potential contribution and challenges faced. Institutional and organizational models explored and projected in India were considered for their effectiveness and contribution towards rural and small farmer development.

Mathew L. (2010) [13]. In this research work we focus on financial crisis for agriculture sector of financing policy. For a long time, the present research is on anguish, guilt feelings, and healing techniques of farmers in financial distress. In this particular study, farmers use three different coping techniques to deal with guilt feelings, problem-cantered, self-directed, and others' perspective orientated. Though the problem-oriented and self-oriented approaches have a semblance with the classic soothing techniques, the others' perception-oriented approach is a new category, depending on contradictory character. The paper argues that strong focus on problem-based handling of the shame of poverty helps in allowing farmers to maintain their psychological resilience during a disaster.

Dwivedy N. (2011). It is an attempt to grasp the very roots and character of the Indian agricultural sector, the revolutionary change to intensive farming, and problems faced by it. The implications of the new agriculture techniques on environmental degradation have also been surveyed. Some of the binding constraints of the agriculture sector of India and the developing economies, in general, are the literacy level, socioeconomically deprived conditions, lack of technological vision and understanding, and unproductive excessive red tape. Innovations in farming practices are responsive to natural disasters and man-made environmental degradation.

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Mandala *et al*. (2021) [15]. This is meant to discover peasants' difficulties in the agriculture industry and some of the restrictions farmers meet, such as productivity, distribution, financial concerns. All these are to help farmers produce more items and raise efficiency. It was considered that a catchy report with vital data would be proper for discovering the sites. The farmers' significant information has been elicited by the schedule specifically entrusted with the task. Greater effort was made to provide key insights in common, allowing respondents to react as exactly as possible and without hesitation.

Objectives of the study

The following are the objectives of the study:

1. To study the features of Agricultural Finance in India.
2. To identify and explore the factors affecting agriculture finance.
3. To evaluate the agriculture finance using SWOC analysis.
4. To examine the requirements and relevance of Agriculture Finances.
5. To analyse the Agriculture Finance policies in India.
6. To find the research Gap.

Research Methodology

The article is based on the primary and 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).

History of Agriculture

Agriculture did not have any other source of loaning except until 1935, moneylenders were the only resort. Earlier, they charged outrageous interest rates over the loan and followed strenuous procedures to issue and recover them. Hence, peasants were heavily indebted, and many of them continued to be so. As a consequence of the act on Reserve Bank of India Act 1934, the District Central Co-operative Banks Act and the Land Development Banks Act, the agriculture funding changed radically. There was a creation of a mighty alternate organization. Large scale credit became available with fair rates of interest and simple terms both in regard to loan granting and repayment. In spite of fact that co-operative banks started financing agriculture in the 1930s, the actual fillip came after independence, when appropriate legislation and policies were framed. By building branches in backward areas and mobilising funds, bank credit to agriculture achieved tremendous progress after then. When 14 large commercial financial institutions were nationalised in 1969, the co-operative banking system dominated as the main source of finance to the farmers. Being public owned, these banks were forced to provide finance to agriculture, which remained an important market for the government. In addition to branch development, these banks set up countrywide banking network and commenced mass-scale agricultural lending. Consequently, agriculture credit has assumed multi-agency dimension. The Inextricably linked is the development and implementation of emerging technology as well as the availability of funds. A large number of structured institutional organizations such as cooperatives, regional rural banks, scheduled commercial banks, nonbanking financial institutions and self-help groups among others meet the short- and long-term needs of farmers. Mechanisms in the rural financial system have been improved on a number of counts. So far as Green, white, and yellow revolutions, finance has played a major role. Commercial banks share % of total agricultural credit showed an abrupt rise in the early 2000s. Increasing percentage of total agricultural credit is short-term financing. Kisan Credit Card and other novelty credit disbursement mechanisms have been designed to enhance the deliverance of credit. The procedures for availing different purposes have been standardized, including the amount of loans available. Crop loans (short-term loans) account for the bulk of the different purposes. By way of illustration, farmers can borrow to acquire an electric motor with an attached pump in addition to a tractor and other implements. They can even fund the digging of wells and bore holes, laying of pipe lines and drip irrigation systems, sowing trees and shrubs in their farms, buying livestock along with the feeds or these. It's no secret that floor level finance has blown up in the last couple of years particularly ever since the Double Decade. Availing agricultural loans has become a crucial means to robust and yet - sustainable to ramp up agricultural investment.

Challenges faced by farmer in India

It is due to an unwillingness to offer security, high interest rates charged on loans, and a lengthy loan application process that farmers' access to finance has been stunted. Other constraints that have limited farmers' access to credit facilities are small scale, productivity, market, and price risks. Inadequate penetration in rural areas, poor understanding of the business opportunity, lack of appropriate risk management instruments, as a result of dispersion and the early stage of development of value chains, demand is low.

Characteristics of agriculture finance

Based on the nature of agricultural finance.

Risks involved in Agriculture

It is difficult to foresee risk and problems in the agricultural field. A landlord is always prone to many unexpected factors, like pests, cyclones, and other natural catastrophes. It can cause huge damage to the farmers. Also, when the production is more than the demand, the agricultural products used to deteriorate in the go down resulting in a lack of efficient facilities to maintain back overstock. It exacerbates the issue. Because of the too many unknown variables, agriculture has always been a dirty business for banking institutions and insurance firms to deal with other finance sector.

Collaboration Problems in Agriculture

There is relatively little opportunity for cooperation in the agricultural production. Farmers are mainly egocentric, and they are very careful of doing business with each other for a common purpose. This makes it difficult for manufacturers to obtain low-interest loans.

Economic Depression of Agriculture

There is a significant time lag between reward and effort in the farming activities, especially during the time when expenses are incurred. Production of agri-products may vary during this period, which may affect farmers' financial plans to be harassed. Farmers will have to bear once again one more dimension of complexity as a result of this. Structured finance institutions use this as a pretext to refuse credit to farm processes.

Consumption Loan

Loan is badly needed by Farmers in India both for production and consumption purpose. Small farmers require loans in case the crops fail, for which they International Journal of Case Studies in Business, IT, and Education 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.

Small Sized Farms

The farms in India are small in size in view of the amount of labour and cash invested. Therefore, the yield and quality of the produce are beyond one's control. The result is that there is no security for loans.

Lack of Financial Cover

Land Lords have their own financial backing, whereby 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.

Multiple-industry complex

Agriculture is a multifaceted industrial complex with a diversity of merchandising methods. The extent of land holdings and the nature of land ownership vary from area to area. Geographical differences bring various sorts of strained feelings between farmers, which makes it tough to finance the agricultural sector.

Source of Agriculture Finance

There are two major types of classifications of financing in agriculture: Institutional and Non-institutional.

Institutional Source

The government, cooperative societies, and commercial banks like the Regional bank and Lead bank are some examples for institutional source.

Co-operative Societies

Co-operation is considered by the Indian policy makers as a means for 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 given at low interest rates by cooperatives in India to emancipate farmers from the chains of loan sharks.

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, but it is inadequate considering the producers' requirement of financing.

Central Co-operative Banks

Currently, 370 District Central Co-operative Banks are in operation. So far, 1200 crore in credits have been provided to farm owners. Primarily they are used for monitoring the village's Primary Agricultural Credit Societies. Central Co-operative Banks connect the State Co-operative Bank and the Primary Agricultural Credit Society.

State Co-operative Banks

In all, the country has at present 30 State Cooperative Banks. The apex banks of the cooperative credit structure are these banks. As a bridge between NABARD and the cooperative central bank, it aggregates and disburses loans from the fundamental society's village.

B. Non - Institutional Source

Money Lenders

Money lenders in remote regions are of two sorts. There are wealthy farmers or landlords who combine farming with providing credit. Professional money lenders are those whose main occupation or business is lending money. To meet their financial needs, the cultivators depend International Journal of Case Studies in Business, IT, and Education on moneylenders. On the other hand, there are a plenty of reasons why rural money lenders persist to dominate in rural areas.

1. The money lender readily owes money to farm owners for both agricultural and non-agricultural purposes, including short & long term needs.
2. The money lender is freely accessible and continues to maintain intimate and genuine touch with the mortgage holders, with many of them having long standing family relationships.
3. Their business practices are simple and flexible.

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 they view it as very necessary. Like middlemen and agents, money lenders, too, lend to producers at high prices with other adverse consequences.

Agricultural Finance Policy

It has adopted initiatives that help farmers improve their access to institutional finance over time. Sources. The aim of these initiatives in policy is to make it easy for the growers to avail financing. Whenever they need it. In essence, the scheme aims to offer adequate and appropriate financial support to every agricultural producer, to adapt to new technology and improve farming techniques in. These measures were implemented to ensure maximum output. Operational simplification, on theˇ ground assistance and credit forecasting were brought in the frontline.

SWOC Analysis

SWOC assessment shall help set the course of operations and initiatives that the farm can have as a foundation. It could imply Strengths or Opportunities, in "S" and "O," that shall empower the farmer in attaining its objectives, or it might mean a challenge that is being vanquished or whittled down in order for the farms to thrive, as in Weaknesses or Challenges, W or C. The aim shall be an 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. Below figure 2 shows 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, increasing cash flow and purchasing power in rural areas, expanding non-farm livelihood and income generating, available labour force, growth in agriculture financial institutions, reduced production cost, agriculture sector technology solutions are also available.

Weakness

These are the attributes that propel it at a disadvantaged position in relation to those of others for example 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 International Journal of Case Studies in Business, IT, and Education 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.

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 extensively available, the growing global demand for agricultural commodities, emerging regional awareness of the positive impact of the agricultural financing institutions, transnational peoples' advocacy is gaining ground, backing from the government in proposed policies for agri - productivity.

Threats

These are internal factors that have an effect which would end up posing challenges, for instance market risks, government initiatives that are conflicting, financial factors pushing farmers to reduce their norms, and globalization.

Findings

The following key findings were made from the study:

1. Farmers' access to state of the art technology would be assured through timely and appropriate investments in agriculture.
2. The supply of indirect agricultural credit is as important as the inflow of direct credit.
3. A system of government entities enforces agricultural policies by establishing national initiatives to policy and making sure appropriate funds for development at distinct phases.
4. The budget tells what the government will spend money on and what it expects to accomplish more transparent, predictable, and easy to comprehend.
5. SWOC analysis has presented a structure that producers and financial institutions can utilize to depict strategy and tactics to attain them.

Conclusion

Economic growth is linked with the development of agriculture. According to World Bank, agro-culture contributes around 15 percent of India's Gross Domestic Product. One can, without an iota of hesitation, acknowledge the importance of long-term finance in agriculture today. Future prospects for agricultural financing in India appear promising amid rapid industrialization of agriculture in India. Financial of India's farm industry are examined by agriculture finance experts to understand and analyse their financial implications. Farming has a financial component inclusive of the production of agricultural products and the sale thereof. This has been important for India's growth strategy and poverty reduction since agriculture accounts for 22 percent of India's gross domestic product and engages almost 65 percent of the country's rural workforce. Farmers' success is a function of many things like timely availability of loans and, of course, affordability of credit, coupled with reforms in the credit distribution mechanism. The Government of India and the Reserve Bank of India (RBI) have made meaningful contributions to the development of a comprehensive institutional framework for servicing the increasing credit facilities of the sector, fully recognising that agriculture occupies a unique position in India's development plan. With changing requirements of the agro-sector, India's agricultural loan policy has undergone periodic changes. A reason for India's self-sufficiency in food-grain output is due to agricultural financing.

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