



Agricultural policy and role of banks from Indian farmer's perspective: A study with reference to Tamil Nadu

A Silambarasan¹, R Mathaiyan²

¹ Ph.D Research Scholar, (Part-Time), Department of Public Administration (IDE), University of Madras, Chennai, Tamil Nadu, India

² Professor and Research Supervisor, Department of Public Administration (IDE), University of Madras, Chennai, Tamil Nadu, India

Abstract

In India, the main objectives of agricultural policy are to remove the major problems of agricultural sector related to improper and inefficient uses of natural resources, predominance of low-value agriculture, poor cost-benefit ratio of the sectoral activities and insignificant progress of cooperative farming and other self-help institutions. So, role of banks in implementing agriculture policies are of paramount importance. Banks in India provide financial assistance to the farmers for the purpose of enhancing their livelihood as well as agriculture productivity. Banks being regulated by Reserve Bank of India should follow the guidelines of Reserve Bank of India in implementing agriculture policy and safeguard the interest of farmers. In this research paper, investigator describes the contribution of banks in implementing agriculture policy in India.

Keywords: agriculture policy, AOA, NAP and crop credit

Introduction

Agriculture is a broad term encompassing all aspects of crop production, horticulture, livestock farming, forestry etc. More than half of the world's population come from underdeveloped and developing countries. And a vast majority of that population lives in rural areas. Furthermore, this population depends mostly on some form of agriculture for their livelihoods. The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry.

Indian Agriculture Policy

The important agriculture policy measures were implemented in the mid-1960s. These encompassed input subsidies, minimum support prices, public storage, procurement and distribution of food grains, and trade protection measures. The gains from green revolution technologies continued through the mid-1980s, but slowed down thereafter. Unlike reforms in other emerging economies of the world (e.g. Brazil and China), a series of reforms instituted in India in the early-1990s, left its agricultural sector relatively untouched, except for the removal of export controls. While reforms in agriculture have been modest, the macroeconomic reforms of the 1990s had two important impacts. First, the reforms increased per capita income and strengthened the domestic demand. Second, they reduced industrial protection and improved agriculture's terms of trade to attain food self-sufficiency, ensure remunerative prices to farmers, and maintain stable prices for consumers. India's protectionist trade policies, introduced in the 1960s, continued virtually unchanged, until the major economic reforms were introduced after signing the AoA (Agreement on Agriculture) under WTO.

In 2000, the Government of India, for the first time, published a comprehensive agricultural policy statement. The National Agricultural Policy (NAP) that sets out clear objectives and

measures for all the important sub-sectors of agriculture. Over the next two decades, this policy aims to attain an agricultural growth rate in excess of 4 per cent per annum. The main elements of the policy include:

- Efficient use of natural resources, while conserving soil, water and biodiversity.
- Growth with equity, i.e. growth which is widespread across regions and farmers.
- Growth that is demand-driven and caters to the domestic markets and maximizes benefits from exports of agricultural products in the face of challenges arising from economic liberalization and globalization.
- Growth that is sustainable technologically, environmentally and economically.

Role of Banks on Agricultural Policies

In India, the main objectives of agricultural policy are to remove the major problems of agricultural sector related to improper and inefficient uses of natural resources, predominance of low-value agriculture, poor cost-benefit ratio of the sectoral activities and insignificant progress of cooperative farming and other self-help institutions. So, role of banks in implementing agriculture policies are of paramount importance. Banks in India provide financial assistance to the farmers for the purpose of enhancing their livelihood as well as agriculture productivity.

While the Ministry of Agriculture and Farmers' Welfare has responsibility at the central level for agricultural policy, Ministry for finance through its legislations has come out with many attractive measures for Agriculture. Ministry of finance has directed all the public sector and private sector banks to provide agricultural credit for short term, medium term and long term for various farming activities. Thus, farmer's community avail plenty of facilities assured by the government. Banks offer timely

credit to marginalised farmers thereby farming activities are taken care of. Loans and advances are provided for the goals like purchase of agricultural equipment like tractor, pesticide, motor pump to be used for farming activities, procurement of good grains, and credit for storage facilities and so on.

Objectives of the Study

1. To evaluate usefulness of agriculture credit offered by Banks in Tamil Nadu.
2. To analyse farmers' perception towards prevailing agriculture policy in India.

Statement of the Problem

Though there are many benefits being accrued to farmers by dint of role of banks in implementing agricultural policy. Still there are some ifs and buts which pose long term challenges for the agrarians in general and country in particular. Still some banks in India are reluctant to offer or provide timely credit assistance to farmers and cause delay in the disbursement of agriculture loans which make agrarians plunge into untold hardship. Marginal farmers and farmers with less land holding find it difficult to obtain any financial assistance from the banks even as there is notification from the government of India. The purpose is severely vitiated and farmers abandon agricultural activities altogether.

As far as prevailing agriculture policy in India is concerned, farmers in some farm laws do not agree with due to they are designed in such a way that some of the demands of farmers are not met. Even farmer's association hold negotiation with state and central government for revamping certain aspects in prevailing agricultural policy. So far, the price guarantee to farmers could not be implemented in all the states and markets for obvious reasons. Due to shortage of rainfall, farmers end up in meeting heavy losses due to crop cultivation. Banks find it difficult to recover the loans and advances given to them. Despite rate of interest is low on agriculture credit, farmers are not able to realise best price for their produce which force the farmers to unpay their crop loans at admitted time. Similarly, some banks do not come forward to grant loans to farmers because of low rate of recovery on the part of farmers.

Scope and Importance of the Study

Banks all over Tamil Nadu keep on watching social and economic status of farmers and do a lot of remarkable things in support and favour of farmers and protect their interest by abolishing intermediaries through land reforms expanding institutional credit support to poor farmers etc.

In line with this, Modernizing agricultural sector is another important objective of agricultural policy of the country. Here the policy support includes introduction of modern technology in agricultural operations and application of improved agricultural inputs like HYV seeds, fertilizers etc. Banks in Tamil Nadu provide short term, medium term and long term credit at concessional rate of interest thereby agriculture passes through phase of modernisation. Banks help farmers in numerous ways thereby ensuring their standard of living. Banks in India follow the guidelines of Reserve Bank of India and give due rise to farming activities thus prevent farmers from giving up farming activities. Banks in India convene meeting with farmers, assure them with proper term loan for taking up timely agricultural

activities. Farmers are able to buy latest farm equipment with the help of financial assistance provided by banks in Tamil Nadu. Apart from this,

Review of Literature

Mohan R. (2006): Agricultural credit has played a vital role in supporting farm production in India. Though the outreach and amount of agricultural credit have increased over the years, several weaknesses have crept in which have affected the viability and sustainability of these institutions. Following the shifts in consumption and dietary patterns from cereals to non-cereal products, a silent transformation is taking place in rural areas calling for diversification in agricultural production and value addition processes in order to protect employment and incomes of the rural population. In the changed scenario, strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure. What is needed in agriculture now is a new mission mode akin to what was done in the 1970s with the green revolution. The difference now is that initiatives are needed in a disaggregated manner in many different segments of agriculture and agro-industry: horticulture, aquaculture, pisciculture, dairying, sericulture, poultry, vegetables, meat, food processing, other agro-processing and the like.

K. C. Chakravarty, Deputy Governor of RBI, (2011): during the national seminar on 'Productivity in Indian Agriculture' in Pune on September 2, 2011 stated that the pricing of credit should be market based for ensuring effective flow of credit to aid sections of the agricultural community. He further stated that the emphasis should be given instead of on subsidized credit to appropriate and enough availability of credit at reasonable costs especially where credit delivery system is very weak. Agriculture policy in India promotes continuous production and food security to the people.

Duhan, A (2018): studied farmers perception towards crop insurance schemes and found out that lack of awareness should be removed and knowledge is essential for better implementation of these schemes, farmers perceive premium to be high and claims to be low. Farmers also want that all crops should be covered not a few selective ones. They don't like time and amount of claim

Research Methodology

Research methodology is the path through which researchers need to conduct their research. It shows the path through which these researchers formulate their problem and objective and present their result from the data obtained during the study period. In the present study, researcher has used both primary and secondary source of information. Primary data have been collected in the form of well-structured questionnaire which are circulated among the target audience. Target audience in this study are farmers who have taken up farming activities as their occupation. Two districts are selected in this research study. Villupuram and Kanchipuram are the sample places from where research work has been carried out. Researcher has investigated farmers from these two districts. Totally 150 farmers are selected from both these districts. Empirical Research Design is put to use

in the present research. Besides, quota sampling is chosen by researcher and data have been collected based on this. Secondary data also are put to use wherever required. This secondary data has been used as a result of referring reputed journals, books, magazines, websites. Questions are translated in to Tamil as most of the farmers have to understand questions.

Research Questions

1. Do the farmers really enjoy the agricultural credit provided by banks in Tamil Nadu?

2. Is Agriculture Policy in India useful to the farmers?

Hypotheses Tested

1. Various schemes of agriculture credit offered by Banks in Tamil Nadu are not significantly different.
2. Farmers’ perception with regard to agriculture policy in India are not different.

Data Analysis and Interpretation

Table 1: Path Analysis for Usefulness of Agriculture Credit

Indicators		Latent Variable	Regression Estimates	Regression Weights (Standardized)	Significant/Insignificant
AC1	<---	UAC	1.000	.827	Not Significant
AC2	<---	UAC	.940	.915	Significant
AC3	<---	UAC	.883	.837	Significant

Inference

Path Analysis has been performed by the researcher in order to find the set of relationship between Indicators and latent variable. Path analysis used in this study is of hypothetical framework rather than descriptive framework. Latent variable is not observed directly and inferred from indicators. Latent variable defined in this study is ‘usefulness of Agriculture Credit’ while indicators are Agriculture Credit is Sufficient to Farmers, Repayment Period for Agriculture Credit is Convenience and Speedy Disbursal of Agriculture Credit is made by the banks. From the estimates of Regression and Standardized Regression Weights, there is close relationship between latent variable and

two observed variables such as Repayment Period for Agriculture Credit is Convenience and Speedy Disbursal of Agriculture Credit is made by the banks. Hence, formulated null hypotheses i.e. usefulness of Agriculture Credit and Repayment Period for Agriculture Credit is Convenience and Speedy Disbursal of Agriculture Credit is made by the banks are rejected at 5% level of significance. However, the result is not significant between latent variable i.e. Usefulness of Agriculture Credit and Agriculture Credit is Sufficient to Farmers. Therefore, formulated null hypotheses i.e. there is no significant relationship between usefulness of agriculture credit and Agriculture credit is sufficient to farmers is accepted.

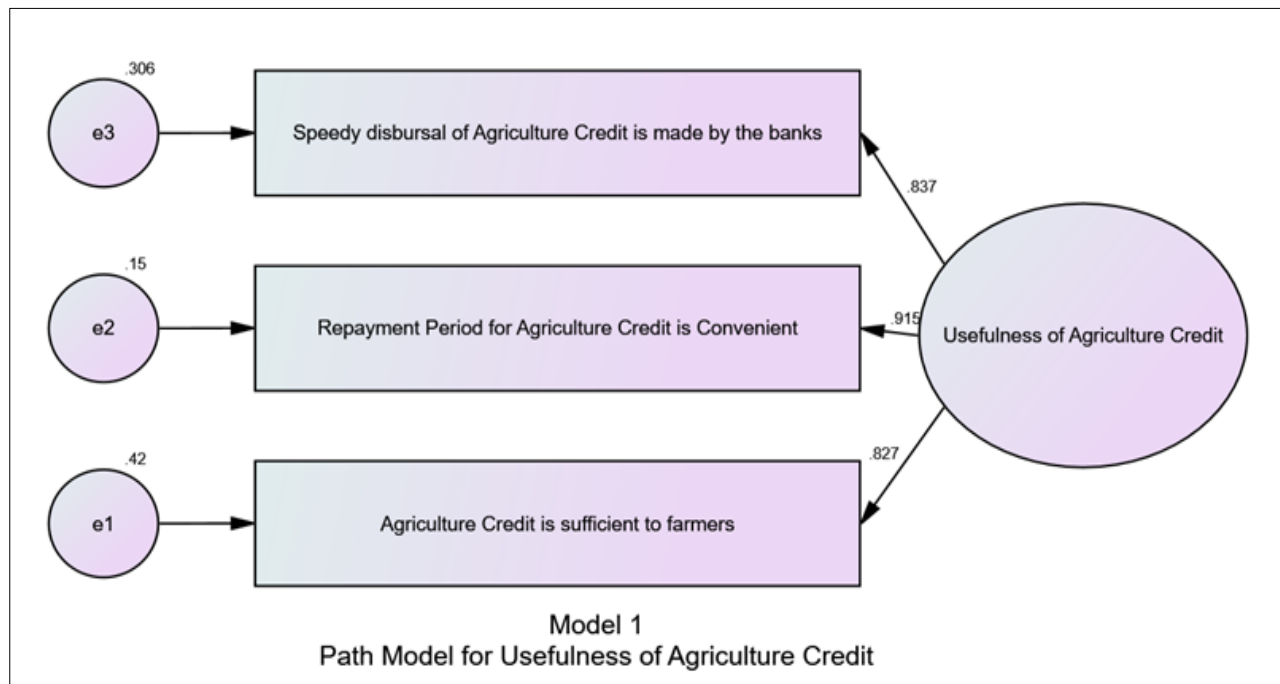


Fig 1

Table 2: Path Analysis for Perception of Farmers

Indicators		Latent Variable	Regression Estimates	Regression Weights(Standardized)	Significant/ Insignificant
POF1	<---	PF	1.000	.626	Not Significant
POF2	<---	PF	1.577	.933	Significant
POF3	<---	PF	1.597	.881	Significant

Inference

Path Analysis has been performed by the researcher in order to find the set of relationship between Indicators and latent variable. Path analysis used in this study is of hypothetical framework rather than descriptive framework. Latent variable is not observed directly and inferred from indicators. Latent variable defined in this study is 'Perception of Farmers' while indicators are There is Flexibility in Agriculture Policy in India, Opinion of Farmers is given due importance and incorporated while revamping Agriculture Policy and Agriculture Reforms really attract the farmers. From the estimates of Regression and Standardized Regression Weights, there is close relationship between latent variable and two observed variables such as

Opinion of Farmers is given due importance and incorporated while revamping Agriculture Policy and Agriculture Reforms really attract the farmers. Hence, formulated null hypotheses i.e. Perception of Farmers and Opinion of Farmers is given due importance and incorporated while revamping Agriculture Policy and Agriculture Reforms really attract the farmers are rejected at 5% level of significance. However, the result is not significant between latent variable i.e. Perception of Farmers and There is Flexibility in Agriculture Policy in India. Therefore, formulated null hypotheses i.e. there is no significant relationship between Perception of Farmers and there is Flexibility in Agriculture Policy in India is accepted.

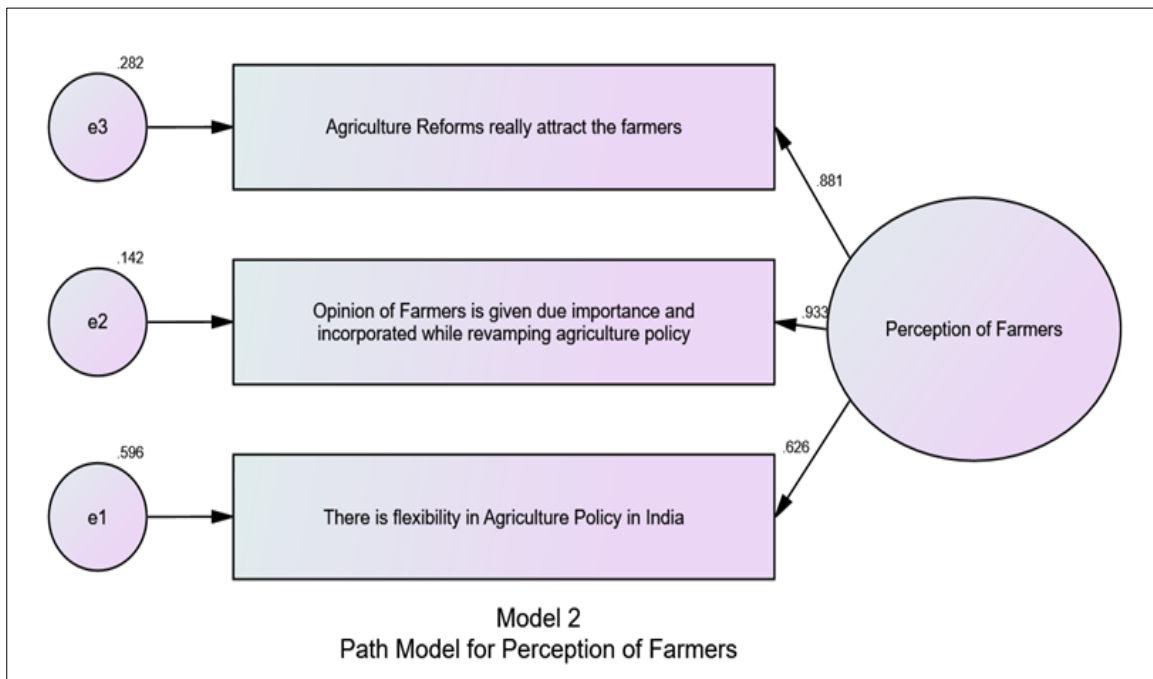


Fig 2

Findings

1. With respect to usefulness of agriculture credit, three manifest variables are brought out i.e. Agriculture Credit is Sufficient to Farmers, Repayment Period for Agriculture Credit is Convenience and Speedy Disbursal of Agriculture Credit is made by the banks in order to find correlation with the latent variable i.e. Usefulness of Agriculture Credit. From observation, it is located that there is close relationship between latent variable and two observed variables such as Repayment Period for Agriculture Credit is Convenience and Speedy Disbursal of Agriculture Credit is made by the banks. Hence, formulated null hypotheses i.e. usefulness of Agriculture Credit and Repayment Period for Agriculture Credit is Convenience and Speedy Disbursal of Agriculture Credit is made by the banks are rejected at 5% level of significance.
2. As regards Perception of Farmers, again three manifest variables i.e. There is Flexibility in Agriculture Policy in India, Opinion of Farmers is given due importance and incorporated while revamping Agriculture Policy and Agriculture Reforms really attract the farmers have been

witnessed and get compared with Perception of Farmers in order to find relationship between them. There exists close relationship between latent variable and manifest variable and formulated null hypotheses i.e. Perception of Farmers and Opinion of Farmers is given due importance and incorporated while revamping Agriculture Policy and Agriculture Reforms really attract the farmers are rejected at 5% level of significance. However, the result is not significant between latent variable i.e. Perception of Farmers and There is Flexibility in Agriculture Policy in India. Therefore, formulated null hypotheses i.e. there is no significant relationship between Perception of Farmers and there is Flexibility in Agriculture Policy in India is accepted.

Suggestions

Agriculture Credit in India is out of reach to some places where agricultural activities are widespread. Though farmers avail crop finance in Tamil Nadu, there are certain place where farmers are denied farm loan and they are not able to take up farm activities due to lack of timely adequate crop credit. However, shortage of rainfall is cause of concern and enemy to farmer's communities.

They depend on various agencies for farm credit and they are given at excessive rate of interest. This way farmers are getting harassed at the hands of money lenders and farmers go out of their field due to frustration and give up farming activities.

Therefore, the need of hour is to address this issues immediately and protect the interest of the farmers. Government should initiate adequate preventive measures and ensure that all kinds of agriculture credit be given to farmers. Banks should play important role in assisting farmers. Reserve Bank of India should instruct all the banks to provide agricultural credit to farmers. So that they will stay from giving up agriculture activities. Similarly, agriculture policy should be drafted properly without affecting the interest of farmers. Their voices should be aired at the time of formulation of agriculture policy. Banks should adhere to agriculture policy and play important role in implementing prevailing agriculture policy.

Conclusion

As a whole, this study is of paramount importance and highlight the plight of farmers. Banks provide financial assistance to farmers at large. But some farmers could not get the timely agriculture credit on account of lack of awareness and banks fail to extend crop finance. Therefore, this issue should be sorted out and approach the government in effective formulation of Agriculture Policy. Suggestions are provided herewith by the investigator after having observed the existing problems. If the government at the centre and state adopt to them. Predicaments of farmers can be addressed effectively.

References

1. Subramaniam, Sri Subramaniam, Sairavi. Role of Banks in Agricultural Lending - India. SSRN Electronic Journal, 2009. 10.2139/ssrn.1483243.
2. Sarker Md. Role of Banks on Agricultural Development in Bangladesh. International Journal of Ecology and Development Research, 2016, 1.010-015.
3. Mohan R. Agricultural Credit in India: Status, Issues and Future Agenda. Economic and Political Weekly, 2006;41(11):1013-1023. Retrieved May 6, 2021, from <http://www.jstor.org/stable/4417965>.
4. Dr. Apeksha Bhatnagar. Perception of Farmers towards Agriculture Insurance Schemes, Pacific Business Review International, 2018, 10(10).
5. Agriculture Finance Corporation Ltd. Mumbai. Impact Evaluation of Pilot Weather Based Crop Insurance Scheme (WBCIS), submitted to Department of Agriculture and Food Cooperation, Ministry of Agriculture, Government of India, 2011. Retrieved from <http://www.afcindia.org.in/>
6. Agriculture insurance of India (n.d.) Introduction & Business Profile, retrieved from <http://www.aicofindia.co>