



CHAPTER IV: THE PLANET AGRICULTURE - A PROFILE

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INDIAN AGRICULTURE - A PROFILE

Agriculture is the most important and also the most backward sector of the Indian economy. It is therefore, necessary to find out ways and means of developing it, ^{with} alongside the development of other sectors, although at a faster rate so as to contribute to a rapid progress of the economy in general.

Agriculture in India is characterised by presence of such ^{factors as} can initiate and sustain its growth. In addition, certain lines of development followed in India, indicate that the growth potential can be realised to a very large extent. These include :

i) Potential for increasing productivity. The agricultural productivity in general is very low in India. Experiences both in India and elsewhere suggest that production can be increased very ~~much~~ substantially. The productivity differences in agriculture between the Indian situation and those existing in the developed countries suggest the possibilities of raising yield by three to four times in many crops including such crops India has made significant advances rice and wheat.

ii) The improvements in productivity in the Indian agriculture has been confined to a few crops and places mainly because full use of favourable factors

everywhere in India has not been made use of, e.g. water resources developed only to the extent of half their potential. The large variety of soils and climate in the country also afford another natural asset which can assist in diversifying agricultural economy. Such diversification will help increase trade prospects on the international field and farmers incomes.

iii) Increased production and productivity can only come about, in the Indian context, through intensive cultivation. There are great possibilities in intensive agriculture in India (where the model of Japanese agricultural practices can serve as a guide and an example of what can be done) have been amply demonstrated even within the country.

The enumeration of the possibilities that exist and that have been achieved at several places can be enlarged to cover the entire country, and thereby raise the average level of productivity. This will be so provided the experiences of other countries as also within the country are properly digested and appropriate measure for the development of agriculture.

Measures for Agricultural Development

Indian agriculture possesses a vast potential for increasing productivity as witnessed with respect to wheat and rice crops particularly, and the green revolution in

general. No doubt the problem of increasing productivity overall is stupendous, but is surmountable through adoption of various "corrective" measures. Some of these measures include the Development and application of new technology and modern management practices. Intensive farming can be promoted as in countries like Japan, by the application of new technology and modern management of agricultural operation. Much of the technology based on the package of seed-fertiliser - pesticide can no about be imported and adopted for use in India with little cost. So can be the case with the practices of farm management, particularly in respect of such matters as : the economic size of operational holding; the ideal proportion of labour-capital input; the calculation of cost and incomes etc.

Increase in productive capacity through more investments; A measure of considerable importance is the additions to the productive capacity of agriculture, including durable improvements on land. This involves large amount of capital expenditure, particularly on those projects which have lasting effects but which also take longer of fructify. This would involve long term finance. The finance for such projects is beyond the capacity of individual farmers or even groups of farmers. The large majority of farmers in India is poor and belongs to the categories of sub-marginal, marginal and small farmers with tiny pieces of land to cultivate. In these circumstances the role of

the government and specialised financial institutions becomes all the more important. e.g. participation of state investment in big and long-gestating projects and encouragements to investments to the farmers.

Adequacy of inputs : For efficient farming it is necessary that the various inputs like water, seeds, fertilisers, pesticides, etc. are applied at the proper time and in the needed doses. Apart from the technical problem of their combination as also of their production, and important aspect of their adequate application concerns their ready availability with the reach of farmers.

The importance of such inputs can hardly be minimised. However, the farmers, particularly those that come under the category of "poorer" once are capable of affording such inputs from their own resources. In fact, it is because of the inadequacy of credit institutions that these farmers have been depending upon parasitic source, namely moneylenders, and in the process ruining themselves and agriculture. It is therefore, necessary that farmers in general, and small ones in particular are assured of loans to meet their requirements.

Cooperative efforts : Apart from credit institutions like commercial banks which specialise only in money matters there is a more effective agency, namely farmers' cooperatives. These institutions can do many jobs; pooling of small pieces of land of small farmers

from cooperative farming; organising credit for their members; buying of inputs; and sale of outputs. So societies can thus undertake on a much larger scale, and in a manner appropriate to the need of farming, the supply of inputs as part of the objective of growth of agriculture.

Institutional improvements : For increase in output in agriculture the peoples have a strong incentive to work hard and put in largest possible investments. This objective can be achieved in two ways. In the first place, the most important assets in agriculture, and the second is the need to improve upon the terminal condition of farmers who till other people's land.

In addition to these measures pertaining to agriculture proper, welfare of the weaker sections can be promoted through development of agro-based industries and other activities within the villages and around agriculture.

The above measures are closely related to the general development of the economy. The importance of agricultural needs and finance and sources of finance can hardly be minimised.

Agricultural Finance

Need for Finance

Like any productive activity agriculture needs financing for its various production-processes; purchase of inputs; sale of output; improvement in land; development

of agriculture, etc. These needs are there even in the case of agriculture run on traditional lines. But these are much more in relation to agriculture which is in the process of modernisation. (See Chart 4.1).

Business and Consumption Needs

A peculiarity of agricultural finance is that it is needed both for production and for consumption. It is because the nature of agricultural operations is such that in quite many cases it is not possible, for example, when a farmer decides to buy a farm, he also includes in it a farm-house for his residence.

Unproductive Needs

While business needs of agricultural finance should include consumption needs, there are certain type of consumption which ought to be put in to the category of ~~resp~~ unproductive finance. For example, money spent on marriages, functions relating to birth and death, purchase of jewellery, litigation etc. does not contribute to production.

Unusal Needs

It is arising out of unusual events, such as crop-failures which reduce the income of farmers well below the average.

Needs of technical change

These requirements are in respect of the purchase of new inputs like high-yielding seeds, chemical

fertilisers, tube-wells, farm based storage facilities, spraying equipment, instrument for new practices of land irrigation like sprinkling, buying or renting of tractors etc.

i. Short Period Loans

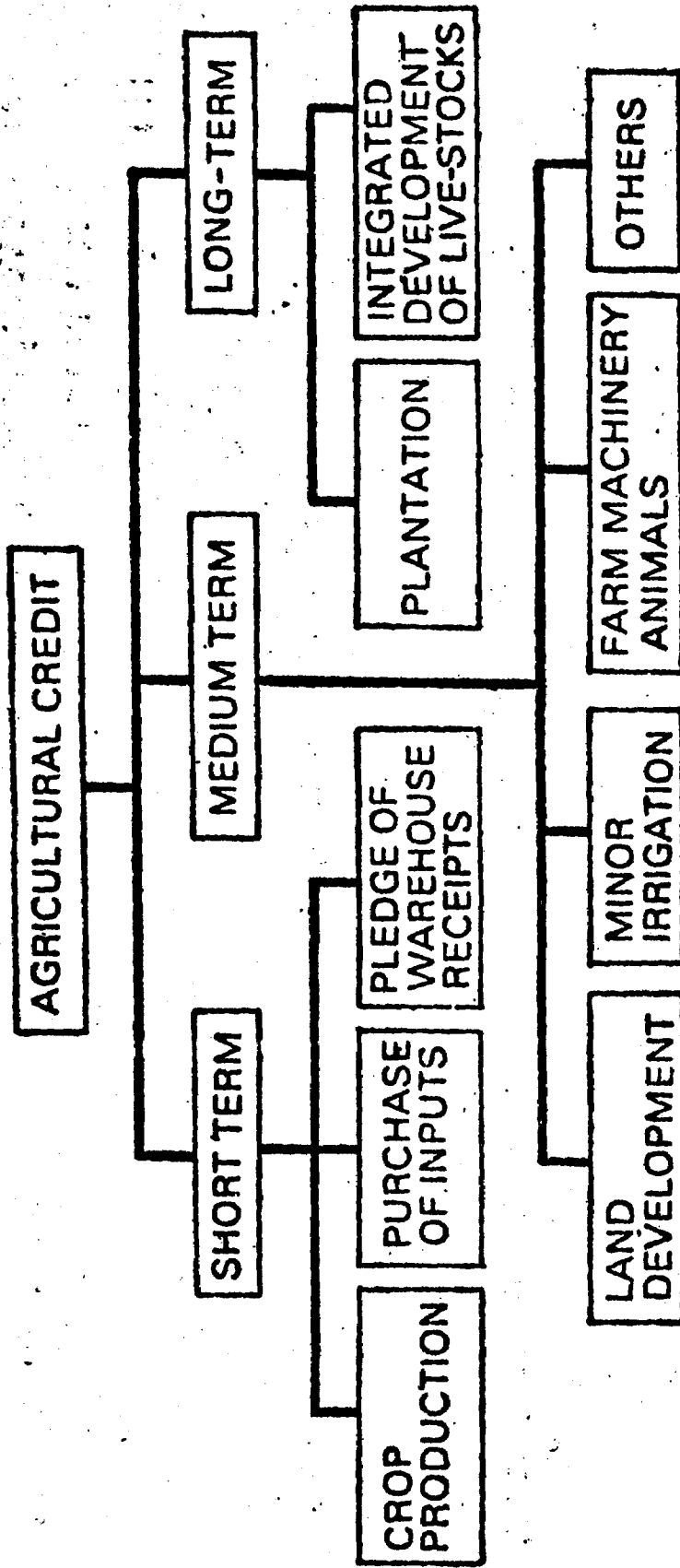
Short period loans consist of those which are taken for short periods. These range from 0.3 months, 3-9 months, and 9 months to one year. Most of the purposes for which these loans are sought are : seed, feed, fertilizers, operating expenses, etc. These are such uses of credit which can be repaid after the harvest or at any rate within a year.

ii. Intermediate Term Loans :

These loans are for a period extending from one year upto five years. The purpose of the loan for raising crops, purchase of dairy cattle; buying of machinery-equipment of tractor, finance for storage of commodities etc.

iii. Long-Term Loans

Loans so labelled are meant to be repaid over a period longer than five years. The amounts involved in this category are often much bigger than in the case of intermediate loans, and contribute to the generation of agricultural incomes for a much longer period. The period of loan may be 10, 20 or even more years. These loans purposes for purchase of farm or buying of additional land; financing of buildings relating to farm-operations like storage.



Classification of Agricultural Credit

It is obvious that credit is of paramount significance for agriculture. It is needed not merely for oiling the ordinary agricultural operations. But more importantly it is required to impart an element of dynamism or growth-oriented change in the traditional agriculture.

Sources of Agricultural Credit

In order to assess the present situation regarding agricultural finance, it will be useful to form an idea of the various sources, these sources can be divided into the following :

Cooperative societies; commercial banks, besides regional rural banks; government; money-lenders; and others. Of these the modern institutional agencies, particularly cooperatives and commercial banks have made rapid progress, although they continue to be grossly inadequate for the needs. Traditional supplies of credit like moneylenders continue to be important, although their share in the total credit is on the decline.

i. Cooperative Credit

There are two types of institutions in this field one is the primary agricultural credit societies which cater to needs of short-term and medium-term finance. The second is land development banks which provide loans for long-term purposes. Cooperative credit is considered the most appropriate institutional arrangement for the finance of agriculture. Being based

in rural areas, with membership drawn from rural people, these institutions have an intimate knowledge of villages with whom they have to deal. And these institutions with rural origin and rural contents, are in tune with the rural ethos. Rightly these institutions are given considerable help by the government. They have also been receiving special treatment and guidance from the Reserve Bank of India. The National Bank of Agriculture and Rural Development renders specialised help and guidance.

ii. Commercial Bank Credit

The commercial banks have entered this field only recently. And increased the credit supply since the nationalisation of big banks in 1969. At present nationalised bank presence in the rural areas is quite significant in terms of their branches, the rural accounts: the rural deposits and the rural advances. The commercial banking services are meant for specified weaker classes, namely the small/marginal farmers, artisans, etc., in the rural areas.

iii. Government Loans

The government help is extended directly and indirectly. Directly the help takes the form of loans to farmers, known as taccavi loans which are given long term loans with low rate of interest and their repayment conditions are easy. Indirectly the government help is provided through co-operative societies. The government

help these societies in the initial stage to stand on their own feet by purchasing their shares which are later taken over by the Reserve Bank.

iv. Moneylenders

Of the private sources of agricultural finance the most important source is the Mahajan or the money-lender. Today also its share of the total rural credit was as much as half (49.2 percent). Because the slow growth of institutional finance and functioning style of the moneylender they are very close to the rural people. They give loans for asking and for varied purposes, including unproductive uses and at any time of the day and with the least formalities. Of course, the interest rates are very high. Produce of the agriculturists and land remain mortgaged.

v. Other Private Sources

Besides moneylenders other non institutional sources for agricultural credit are relatives, traders, commission agents, land-lords and others. For long these sources too have been important, with above one-third (32.1 percent) share in the total credit in the early but now a days their contributions are on the decline.