



Study of Agriculture Loans, their types in India and Agricultural schemes for farmers in India

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Introduction : Agriculture Debts or Loans is an important prerequisite for agricultural growth. Agricultural policies have been reviewed from time to time to provide adequate and timely availability of finance to this sector. Rural Loans system assumes importance because for most of the Indian rural families, savings are inadequate to finance farming and other economic activities. This coupled with the lack of simultaneity between income realization and expenditure and lumpiness of agricultural capital investments. The institutional Loans system is critical for agricultural development and its role has further increased in the liberalized economic environment. In India a multi-agency approach comprising co-operative banks, scheduled commercial banks and regional rural banks (RRBs) has been followed to allow Loans to agricultural sector.

Professional moneylenders were the only source of Loans to agriculture till 1935. They use 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. There were widespread discontents among farmers against these practices and there were instances of riots also.

Agriculture in India plays a crucial role in the development of the economy of India. It accounts for about 19 percent of GDP and about two thirds of the population is dependent on this sector of the livelihood. Agriculture in India has been heavily dependent on the monsoon which is a very risky activity for the economy and development of the agriculture sector in India. Other than the monsoon rural indebtedness is the major concern for the Indian Agriculture. Finance Agriculture is as important as other inputs being used in agriculture production. Technical inputs can be purchased by the farmers only if they have adequate funds or money. Most of the farmers don't have adequate money with themselves so they need credit or outside money

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Types of Agriculture Loans:

The agriculture Loans can be classified on the basis of:

(1) *According to Tenure of Agricultural Loans* i.e. the Loans requirement based on the time-period of loans. It can of three types:

- A. **Short-Term:** It refers to the loans required for meeting the short-term requirements of the cultivators. These loans are generally for a period not exceeding and repaid after the harvest. For example loans required for the purchase of fertilizers, HYV seed, for meeting expense on religious or social ceremonies etc.
- B. **Medium-Term:** These loans are for a period up to 5 years. These are the financial requirements to make improvements on land, buying cattle or agricultural equipments, digging up of canals etc.
- C. **Long-Term:** These loans are for a period of more than 5 years and are generally required to buy additional land or tractor or making permanent improvements on land.

(2) *According to Purpose of Agriculture Loans:* The agriculture Loans on the basis of purpose for which the Loans is used can be of two types:

- A. **Productive:** Productive loans are the loans that are related to agricultural production and economically justified. For example purchase of tractor, land, seeds etc.
- B. **Unproductive:** Unproductive Loans are used for personal consumption and unrelated to productive activity for example loans for expenditure on marriages, religious ceremonies etc.

Other Agriculture Loans: such as housing loans, grants, subsidy from government for loss of crop, crop damage, whether based agriculture subsidy etc. State bank of India is a nationalized bank which channelizes all governmental schemes to farmers. Various banks in India provide different crop loans, kisan credit cards, agriculture insurance schemes.

Agricultural schemes for farmers in India.

- Crop loans: for raising various crops or development of crops.



- Produce Marketing Loan Scheme: provides short term credit during requirement at the time of crop selling.
- Loan Against Warehouse Receipts: farmer can get loans upto 70% of the value of goods for storage of agriculture commodities.
- Kisan Credit Card Scheme: The Kisan Credit Card is a unique scheme for farmers through which they can draw a cash loan for crop production as well as domestic needs from the card-issuing branch within the sanctioned limit.
- Kisan Shakti Yojana: provides farm investment credit, as well as personal/domestic loans including repayment of debt to moneylenders. The permissible loan limit will be 50 per cent of the value of land or 5 times the net farm income, whichever is lower, less the outstanding amount.
- Land Development Scheme: scheme for performing various activities for developing existing land such as land leveling, reclamation of soil, bunding and any other soil conservation measures etc
- Minor Irrigation Scheme: loans provided for digging new wells (open/ bore wells), deepening existing wells, setting lift irrigation etc.
- Farm Mechanization Scheme: various banks provide loans for purchasing agriculture equipments, small and large farming machinery, tractors etc.
- Financing of Combine Harvesters: provide loan for one farmer or group of farmers for purchasing combine harvesters, heavy harvesting machines.
- Land Purchase Scheme: the scheme assist small, marginal and landless farmers or labourers for purchasing land.
- Dairy Plus Scheme: scheme for establishment of dairy farm including construction of shed, purchase of milch animals, milking machine and buying other dairy equipments.
- Broiler Plus Scheme: scheme for construction of poultry shed, feeding room and establishment of layer or broiler poultry farm.
- Horticulture finance: include loans for development of fruit orchard, such as mango, chikoo, grapes, pomegranate, apple etc. Also include loans for polyhouse, green house development and marketing of such produce.



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- Agri Business Heads Scheme: the scheme provides self employment opportunity to technically trained people for setting new agribusiness, purchasing farm machinery etc.



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