



“CURRENT SITUATION OF FARM BUSINESSES IN INDIA IN TERMS OF FINANCIAL PERFORMANCES”

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ABSTRACT

The paper entitled “CURRENT SITUATION OF FARM BUSINESSES IN INDIA IN TERMS OF FINANCIAL PERFORMANCES” gives the readers ‘the golden wings’ to flap across the financial condition of farm businesses in India. As we all know, India is an agrarian country, the farm business plays a major role in contributing to Indian economy. Through this paper, it is aimed to identify the factors that affect the financial performance of a farm, like the non-farm incomes, machinery values per rupee of output and much more. The paper aims to bring an evaluation upon the current situation of Indian agricultural industry, in terms of financial performance. The paper will bring the issues faced by the Indian farms in Indian economy to the limelight. Through this paper it is aimed to determine the various management factors adopted by the Indian farmers for their farm management. The paper brings out the economic depression faced by the Indian farm producers. The paper establishes a relationship between the best management practices and financial performances adopted by the commercial agricultural producers. Also, it will help to determine the management practice that is strategically significant in explaining the financial performance.

Key words: financial condition, farm business, agricultural producers

1.0 Introduction

Agriculture in our country has been a predominant occupation since the existence of the human race. If we take into account the pre-independence era, agriculture is the only occupation of the majority of people in India. As Mahatma Gandhi rightly said, "The farmer is the backbone of India." With the advent of industrialization, agribusiness has been initiated by farmers to give a commercial title to the crop in order to increase the status of farmers in our country.

Agriculture plays a key role in India's economic growth. It accounts for about 19 per cent of GDP and includes for about two-thirds of the population of this sector. Agricultural finance is a subset of rural finance engaged to financing activities related to agriculture, such as the supply of various inputs, production, distribution, wholesale, processing and marketing.

Financial service providers face distinct challenges in dealing with this sector. For example, the climate change, seasonal nature of production and the dependence on biological processes and natural resources make producers vulnerable to events beyond their control, such as droughts, floods or various diseases.

Modern agriculture has explicitly increased the use of various inputs for crops, fertilizers, irrigation water, machinery and equipment, increasing the demand for agricultural credit. The adoption of modern technology, which is capital intensive in nature, has brought agricultural production to India 's market. In addition, the farmers' income is seasonal, while the costs of their work are distributed over time. Moreover, insufficient savings for farmers require the use of more credit to meet rising capital requirements. In addition, credit is a unique resource, as it offers the various opportunities to make use of additional inputs and capital items now and to pay for them from future earnings.

India's rural population is heavily indebted and abused on the credit market due to high interest rates and lack of easy accessibility to credit. Rural households need credit to invest in agriculture and to ease seasonal earnings fluctuations. Rural households need access to financial institutions that can provide loans at lower rates and on fair terms than conventional money lenders, helping them to escape the debt traps common to rural India. Growing fixed and working capital for farmers is essential for timely and appropriate agricultural credit and for their livelihood. Both institutional and non-institutional organizations are working to provide the farmers with appropriate credit. Cooperative, corporate, national rural banks and various government agencies give priority credit to vulnerable farmers through institutional agencies.

Farmers have been facing several issues running from inappropriate technology to agricultural loan obligations. Rural farmer is those who live in rural areas and fully depends on agriculture and its allied activities for their survival. But the rural farmer's problems are a major barrier to the economic development of a country like India's rural economy, where about 85% of people live in rural areas (Das, 2015). The productivity of crops is directly related to the use of fertilizers and manures. But it is impossible for farmers to buy and use chemical fertilizers. Farmers need to borrow more credit for capital requirements to buy different farm inputs with the technological breakthrough in Indian agriculture (Bala, 2015).

Considering the importance of agricultural finance in India and its role in contributing to GDP, a number of literature reviews are reviewed.

2.0 Review of literature

1. Until 1935, licensed money lenders were the only credit source for agriculture. They used to charge unreasonably exorbitant interest rates and to follow unethical practices when loans were issued and retrieved. As a result, farmers were heavily burdened by debt, leaving many with permanent debt. Farmers were widely dissatisfied, as were instances of riots over these activities.

2. With the passage of the Indian Reserve Bank Act 1934, District Central Cooperative Banks and Land Development Banks, agricultural loans gained momentum and were strengthened. A powerful alternative organization formed by political action. Large-scale loans were available on easy terms, with fair interest rates, both in terms of loan grants and loan recoveries. Cooperative banks are mainly credited to agriculture.

3. Although cooperative banks began financing agriculture with their establishments in the 1930's, the real momentum was gained only after independence was passed and policies were formulated. Since then, bank loans to agriculture have made enormous progress by opening up branches in rural areas and receiving deposits.

4. By 1969, up to 14 major commercial banks had been nationalized, and cooperative banks were key institutional entities offering agricultural financing. After nationalization, the provision of agricultural finance as a priority sector was made compulsory for these banks. These banks implemented special branch expansion projects and set up a national banking services network and began large-scale financing of agriculture. Credit for agriculture thus acquired a multi-agency aspect. Finance played a crucial role in bringing about the "Green Revolution," the "White Revolution" and now the "Yellow Revolution."

5. The procedures and the amount of the loan were uniform for different purposes. Among the various reasons "crop loan" (short-term loan) has the largest share. Farmers also receive loans for the purchase of electric motors with generators, tractors and other equipment, the digging of wells or boring wells, the construction of pipe lines, drip irrigation, the planting of fruit orchards, the purchase of dairy products. For them, animals and feed, poultry, sheep and goat husbandry and many other related companies.

6.E.A.A.Dilrukshi, (2014). Non-repayment of Agricultural credit has become a significant issue for banks. The examination reasoned that farmers should be given appropriate information about the administration of credit and the significance of maintaining good cash flow to build the credit repayment ability. farmers do reluctantly get farming loans because of the inefficiency of the insurance. They need to pay an insurance premium and also interest in the total loan as well.

7. Shivanjappa, (2017). Agriculture is most important for maintainable development. This examination has revealed that the borrowers need to bring about expenses in getting credit from the institutional organizations. They had also experienced some problems in getting the required credit on time. Both these issues would be counterproductive over the long run. Hence, efforts should be taken to eliminate illegal expenses in acquiring credit.

From the above review of the literature, it can be seen that agricultural finance has begun in India in the pre-Independence era, but has not been fully structured and, even in the advanced era of the 21st century, despite the many schemes introduced by the Government of India and the States individually, we are faced with various financial issues related to the inability of farmers to repay the loan.

3.0 Need of the study

Based on the conclusion drawn from the literature review, there is a need to fill the research gap with that of previous research by agricultural finance scholars. The reason is that the role of the government in introducing the schemes and implementing them in our country is always changing with its roles and situations. It is therefore essential to study the current scenario of agricultural business in India in terms of finance.

4.0 Objectives of study

Based on the need of the study, the objectives are as follows.

1. Study the role of agricultural finance in India
2. To emphasize the importance of agricultural business in India in terms of financial performance.

5.0 Methodology of research

The study is based on secondary data.

Sources of Data: (a) Secondary Source: The study is based on secondary sources drawn from well-known journals, articles and annual reports by various agricultural finance institutions such as NABARD, Co-operative Credit Societies, Regional Rural Banks (RRBs), Commercial Banks.

6.0 The role of agriculture finance in India

On the basis of time, agricultural finance in India is classified as i) Short term (ii) Medium term and (iii) Long term.

The purpose of classification is based on a variety of agricultural activities, such as irrigation loan, crop loan, equipment and machinery loan, forestry loan.

Ancillary activities such as dairy, poultry and livestock breeding.

The various financial institutions for agriculture are,

1. NABARD
2. Cooperative credit agencies
3. Rural Regional Banks
4. National Commercial Banks

7.0 The importance of agricultural business management in India

Holding rate of the farm:

Farmers are classified based on their land holding size; marginal farmers are with less than one hectare accounts for 67% of all the categories; followed by small farmers with 1 to 1.99 hectare, semi-medium with land size of 2 to 2.99 hectare, medium size farmers with 4 to 9.99 hectare and large farmers with land size of 10 hectare or even more. Further it is found that only one-fourth of the land holdings area was sown for crops.

Agricultural Landholding Size in hectares	Agricultural Landholdings by Plot Size in India (2011) in %	Land Area Sown for Crops by Agricultural Landholding Size in India (2011) in %
Marginal (<1 hectare)	67	24
Small (1.00–1.99)	18	23
Semi-Medium (2.00–3.99)	10	24
Medium (4.00–9.99)	4	20
Large (≥ 10)	1	9
	Total Number of Rural Landholdings 139 Million	Total Land Area Sown for Crops 140 Million Hectares

Sources: India's Agricultural Census (2011) and national household survey data collected by the National Sample Survey Organization (2013)

An analysis of Farm Business in India

The total variety of land units used for agricultural production in 2015-16 showed a 5% increase compared to 2010-11. From 138 million in 2010-11 to 146 million in 2015-16, the full spectrum of operating assets within the country has increased. Province is home to the largest variety of landowners, making up Sixteen Personality Factor Questionnaire of the full variety. It is noteworthy that marginal, tiny and medium-sized land holdings represent the lion's share of operated space – massive land holdings account for less than Sept. 11 of the full operating area. Operational typical size holdings are the largest in Nagaland (5 hectares) and the lowest in Kerala (0.18 hectares). Small and marginal holdings (Below 2 hectares) 86.21 per cent of total land holdings, an increase of 1.2 share points compared to 2010-11 holdings. However, the operating space (which includes any agricultural land, provided that it is nearly used for production) showed a decline of 1.5 percent. The average size of the Indian farmland decreased by more than 6% between 2010-11 and 2015-16, with the country's operating holdings falling to one.08 hectares from one.15 hectares in 2010-11, tentative estimate of the primary part of the farm. With smaller land holdings, the share of small and marginal holdings in the country (between zero and 2 hectares) accounted for up to 86.21 percent of total operating holdings in 2015-16, representing around 126 million, compared to 84.97 percent in 2010-11.

At the other hand, the share of semi-medium and medium-sized operating holdings (2-10 hectares) in total land holdings born from 14.29% to 13.22%, while that of massive holdings (10 hectares and above) fell from 0.71% in 2010-11 to 0.57% in 2015-16. This also indicates that the number of small holdings in the country has increased in full within 5 years thanks to the division of the land, whereas that of medium and large holdings has decreased. Operational holdings are defined as any land used for agricultural production, in whole or in part, and are collectively managed by one individual or another by a technical unit, without reference to title, type, size or location. Operating area comprised of both cultivated and uncultivated area, given that a portion is used for farming, decreased in 2015-2016 from 159.59 million hectares to 157.14 million hectares. The latest agricultural survey, the tenth since 1970-71, provides a reference number for the Gregorian calendar month to June. In the initial part of the census information is gathered on primary characteristics such as a range of operating holdings and sites served in entirely different sizes (marginal, low, half, medium and large), social equipment (SC and ST and others), gender (male and female), holdings and so on. During the second part of the census, detailed knowledge is gathered about the characteristics of operational holdings, such as land use, irrigation standing and residence data, while knowledge of the trends for inputs used by operational holdings is gathered in the third and last part. It is also often an Input Survey found. According to the political statement, the proportion of female investors increased in total assets from 12.79% in 2010-11 to 13.87% in 2015-16, while the corresponding figures increased to 10.36% and eleven.57% inside the operational room. The same statement suggested that additional square measures for females involved in the management and operation of agricultural land belonged to UP — out of the 149 million, some 23.82 million were UP, followed by Bihar (16.41 million), Maharashtra, Madhya Pradesh and Karnataka.

Factors impacting Indian Farms productivity

i) Rural environment:

Social climate in the rural Asian nation is itself a very significant trigger for low productivity. Indian farmers in square measure lazy, analphabetic, irrational, primitive, religious, unfit and incompatible with the fashionable culture methodology. In compliance with G.S. 'Sahato,' farmers' marginal output in agriculture is nil by family farming.

(ii) Strong Land-Man relationship:

Indian farming is marked by immense population pressure. In accordance with the 2013 Census, about 68% of the total population lived in rural areas and constituted about 228 million (from 310.7 million workers) of the total rural working population in the agriculture sector. Due to the rise in the population, uneconomic subdivisions of land are emerging. This leads to poor productivity.

(iii) Land degradation:

According to the Asian Government, 329 million hectares (half of the land) have already been degraded. This leads to a loss of 33 to 66 percent. Moreover, five-hitter land was thus badly broken that it can no longer be used.

(iv) Large farmers' existence:

Even if 'Zamindari' system was abolished in the Asian country, the vast farmers' agricultural square still enjoy their shadow positions. Such large landowners assess rent, tenancy and residency rights for tenants etc. Therefore, the position of tenants is worsening day after day. During this form of tenure scheme, it is extremely difficult to improve efficiency by using innovative innovations alone.

(v) Lack of new technologies:

In Asia, over hours of cultivable land, irrigation plants are just 75.14 million hectares (out of 87.94 million hectares) in the 2000-2001 square measure under irrigation plants. So, the 'box system' under revolution is unsuccessful in most of the Asian nation's gross crop areas.

vi) Financial Issues

This is a core and central issue of farm management in India. This is due to many reasons such as, poor economics of the farmer, lack of awareness and lack of practice of best and cost-effective practices, high cost of cultivation, smaller size of the land holdings (marginal farmers possessing less than 1 hectare are more in number), poor knowledge of seed and weed management, lack of adequate irrigation facility, lack of marketing skills, lack of knowledge in value addition processes and so on. In fact financial issue is the major reason for the increasing number of suicidal cases in farmers.

vii) Seeds and Inputs management

Indian farmers have been facing this issue though the governments – both central and respective state govts – have been giving subsidies in purchase of seeds, fertilizers and pesticides, due to inadequate supply, farmers are compelled to buy in the market at exorbitant prices through financing from private money lenders at high rate of interest.

viii) Inadequate minimum support price

The government announces every year a minimum support prices for different crops of different quality. But they do not buy from all the farmers who intend to buy. First come first served basis based on quality till they complete the quota. The farmers who could not sell, they miss the bus and sell to local market private buyers at very low prices for urgency need of cash.

Measures to enhance productivity:

Several steps are taken from the socio-economic perspective to improve the Indian agricultural system fruitfully.

(1) Engineering measures:

Measures are taken to expand agricultural production by use of technologies well in order to meet the population's increasing needs and together to provide a foundation for the industrial growth and measures for deep cultivation and intensive cultivation of each.

(2) Agricultural reforms:

Land reform steps are taken to eliminate intermediate interests on land (via Zamindars, Jagirdars etc.) and to prioritize land transfer to real tiller of the soil.

Within this name, the steps taken are: i) Termination of intermediaries (ii) the occupancy reform to (a) control rents paid to landlords by tenants, (b) provide tenancy protection to tenants, (c) grant tenants' rights of holders (iii) imposition, in order to purchase land for distribution to landless workers and marginal farmers, of ceilings on holdings. Such conservation steps have been taken to irradiate the parasite Zamindar group.

(3) Fund collaboration and consolidation:

Indian agricultural policy has implemented collaboration and restructuring initiatives to discourage the splitting of holdings. Late projects aimed at consolidating the plots carefully managed by a chosen farmer in many places in the village, making land in the same space or value as his own land.

It avoids wasting of time and energy used in cultivation and uses modern processing techniques. Cooperation seeks to combine small and marginal farmers to grow large crops. The small- and capitalist cooperative farmers use their land and wealth and practice joint farming.

(4) Organization involving citizens in the planning process:

If collaboration is abundant, no concept is feasible. Nothing can be accomplished unless the crowd is encouraged to meet the design authorities to develop plans and programs. The community development plan which was implemented in 1952 was meant to be a collaboration of the government, the government and the public. The Govt's role. And body authority has been described as 'facilitating people' to support oneself. A sad tale has been read by the experience of the community engagement programme. The system of democratic decentralization, generally referred to as "panchayath law," has been seeking to be worse. The local "dadas" and the political parties took full advantage of this.

(5) Credit from the institution:

The creation of institutional loans to farmers through cooperative and business banks was another important livelihood. When banks were nationalized in 1969, nationalized banks devoted more and more resources to agriculture requirements. Regional rural banks have been found to deal with agricultural credit requirements in particular. The Agriculture and Rural Development Commercial Bank (NABARD) was jointly named. As a result, farmers' credit facilities were on the market, the value of cash loans has dropped and farmers' exploitation by loans has decreased.

(6) Costs of purchase and support:

Announcement of the cost of support to ensure fair returns to farmers so that even in excess years, the costs do not decrease and farmers do not suffer loss. In recent years, if the truth is told about the Commission's policy on agricultural price and value, it has been appropriate to announce relatively high costs during the offer to produce farmers' incentives for increasing production.

(7) Agricultural production subsidies:

The government has given farmers enormous subsidies on agricultural inputs such as irrigation, fertilizers and energy. Input subsidies are targeted at expanding agriculture! Production and productivity by promoting the use of modern agricultural inputs. Under this scheme, farmers are given various inputs at a subsidized rate.

(8) System of food security:

To provide customers with food grains and different critical products at low-cost and subsidized rates, the government. India has established an associated degree in the elaborate food security system throughout the entire design amount within the public distribution system type. It operates as a "safety net" by maintaining the cereal stock to combat food shortages.

(9) Rural programs for employment:

To provide power to the vulnerable, the programs need rural jobs. Government has initiated Fourth Economic Condition Amelioration Programs such as Little Farmer Development Agency (SFDA), Marginal Farmers and Agricultural Labor Development Agency (MFAL), Rural Field less: Jawahar Rozgar Yojana (JRY), Jawahar Crami Samridhi Yojana for Five Years (JCSY), Sampoorna Grameen Rozgar.

10) Encouragement to value addition startups

The state government and central government should encourage the local graduates and postgraduates to start value addition process ventures by easing the process of getting subsidized loans and infrastructural set-up to start these ventures. The needed training in selling or marketing the value-added products.

Suggestions

In order to overcome the highlighting problems, the government should take steps such as generating employment opportunities for farmers in the off-farming period, spreading essential education to all rural areas, providing training among farmers to know how to use machinery, providing an adequate system of agricultural bank loans, taking possible flood control measures, setting up a well- functioning market system for agriculture etc.

Conclusion

The paper concludes stating that the marketing system for farm products has continued to suffer from many shortcomings, following various types of policy involvement and a variety of marketing development programs. The farmers bore the brunt of those shortcomings. For a long time, the private sector has not invested in agricultural marketing activities or shied away from investment. The agricultural marketing reforms were introduced only over the last five years or so, i.e. the second period of liberalization. One result of these measures has been the entry on a large scale of the private sector into agribusiness operations. A change from 'agriculture' to 'agribusiness' is seen as an integral pathway to revitalizing Indian farming. While the share of pure agriculture in GDP may decline, the share of agri-business will not, and is bound to increase continuously with the demand for added value. In this context, it has long been argued for redefining agriculture as 'the science and practice of activities related to food, feed and fiber production, processing, marketing, distribution and trade.'

Through its various financing schemes for agriculture, the government aims at helping farmers and helping them to encourage agricultural growth and productivity. This enhancing attempt represents a major incentive for farmers to maintain agricultural production. The finance schemes described are the government's ongoing and sustained effort to encourage farmers.

These all points give us a conclusive fact that the economic condition of Indian farms is not good. The farm producers are not able to grow economically. They have been in debt of loans and economic stability does not seem to be a term applicable to Indian farms. The farms in India depend up on the Indian monsoon to produce their output. The major problems that the Indian farm businesses face are the soil quality, the dominance of big producers, institutional credits and availability of laborers. The government has brought in many schemes to uplift the Indian farm businesses, like the (SFDA), (MFAL), (NREP), (RLECP), (JRY), (JCSY), (SCRY) etc. at the present pandemic condition, the government of India has brought in more schemes for the uplift of Indian farm business, that gives a new ray of hope to the Indian farms.

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