Journal of Namibian Studies, 35 (2023) : 384-392 ISSN: 2197-5523 (online)

Special Issue On Engineering, Technology And Sciences

Financial Institution In Agriculture Finance: Enhancing Role And Impact On Farmer's Income

Narendra Singh[1] , Prof. (Dr) Sidharth Jain[2]

[1]Research Scholar, Institute of Business Management and Commerce Mangalayatan University, Aligarh, UP.
[2]Institute of Business Management and Commerce Mangalayatan University, Aligarh, UP.

Abstract

Agricultural financing is an essential element of agricultural development activities that attempt to enhance productivity. Adequate and prompt finance is essential for farmers to obtain the necessary resources for irrigation, farm mechanization, and land development. The study aims to reviews the role of agriculture finance and its impact on farmer's income, with a focus on analyzing the role of financial institutions and exploring factors that enhance farmer's income and productivity. The researcher employed a descriptive and analytical approach, utilizing both quantitative and qualitative methods. Primary data was collected through surveys/questionnaires distributed among 50 randomly selected farmers with an understanding of agriculture finance and the role of financial institutions. Secondary data was gathered through a review of existing literature related to the topic.

The findings provide insights into the significance of financial institutions in agriculture and identify factors that contribute to enhancing farmer's income and productivity, thereby informing targeted policies and interventions in the agricultural sector.

Keywords: Agricultural financing, Agricultural development, Farmer, Financial institution, productivity, income**.**

Introduction

Finance, a sector known for its high risk due to substantial capital involvement and meticulous planning for revenue generation, is crucial in agriculture (Bharti, 2018). Indian banks actively promote agricultural funding, aiding farmers in executing tasks efficiently (Barot and Patel, 2015). With 70% of its population reliant on agriculture, India's economy heavily depends on this sector (Kambali, 2021). However, the predominantly rain-fed Indian agriculture struggles to ensure consistent year-round income despite contributing 14% to the GDP (Pasha and Velmurugan, 2013). Enhancing agricultural GDP growth is imperative for improving farmer incomes (Kannan, 2005).

Access to financing is critical for increasing agriculture's profitability, but it remains a challenge for Indian authorities (Hartarska et al., 2015). In the post-green revolution era, farming has evolved with farmers utilizing various inputs for growth (Trzeciak, 2003). However, "credit is often necessary for acquiring agro-based equipment, posing uncertainties about its long-term implications (Sebatta et al., 2014). Prudent resource utilization is essential for crop viability, underscoring the need for timely and affordable agricultural funding (Langyintuo, 2020). Access to financial resources significantly impacts agricultural productivity, emphasizing profitability's importance for sustainability.

The researcher carried the present study with following objectives:

1. To analyse the role of financial institution in agriculture.
2. To explore the factors of agriculture finance enhancing farmer's income and productivity.

2.Literature Review

Katchova (2005) Indicates that different farm-specific and agricultural factors have an impact on the use of farm financing, the amount of debt, and the provision of credit counseling for farms. This study diverges from earlier research that predominantly analyzed the lending of money to the agricultural sector using information from banks. Instead, it concentrates on the part of the industry that involves the desire for credit, employing pertinent data collected at the farm level from the Agricultural Resource Management Study carried out in 2001There is no text provided. The study's results indicate that the combined income of farmers, evaluation of potential risks, and the age of the operator significantly affect the likelihood of rural housing, transitional, and industrial ranches utilizing farm loans.

Anthony (2014) investigates the correlation between agricultural credit and economic development in Nigeria. By analyzing data from 1986 to 2007, he concludes that the contribution of credit facilities to export growth is promising. However, Anthony's macroeconomic model is criticized for its unrealistic representation of the Nigerian economy, particularly regarding prevalent food insecurity and endemic poverty. Furthermore, the study does not delve into the reasons why credit facilities are predominantly directed towards export promotion, potentially neglecting the stimulation of domestic agricultural productivity.

Dang, et al., (2021) examined the factors affecting the performance of Vietnam's publicly traded financial institutions. It finds that equities positively influence financial efficiency, while higher operational costs can negatively impact bank profitability. Additionally, a strong link is observed between bank performance and agriculture financing. The study highlights policy implications and suggests future research directions.

3.Material Method

The researcher applied descriptive and analytical approach in present study and study carried in both quantitative and qualitative approach. The study conducted primary through survey / questionnaire distributed randomly selected 50 farmers have understanding and awareness of agriculture finance and role of financial institution in agriculture. Secondary data collection method was made through the review of existing literature related to topic and to fulfil the objectives of study.

4. Result and discussion

4.1 Role of financial institution in agriculture

Table: 1.1 Summary of responses of farmers on role and financial institution

S.no	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1.	I agree that financial institutions play a crucial role in providing necessary funding for agricultural development.	2	8	10	20	10
2.	I am satisfied with the accessibility of financial services provided by institutions for agricultural purposes.	3	5	15	20	7
3.	I believe that financial institutions adequately understand the financial needs and challenges faced by farmers in the agricultural sector.	1	10	12	15	12
4.	I think financial institutions contribute to the overall growth and development of agriculture.	1	6	8	20	15
5.	I perceive financial institutions as reliable sources of financial support for agricultural ventures.	4	7	10	18	11
6.	I believe that financial institutions adequately promote financial literacy and awareness among farmers in the agricultural sector.	2	12	14	16	6

The analysis of responses received from consumers are as follows:

1. **Role of Financial Institutions:** The majority of farmers (40 out of 50)" agree or strongly agree" that financial institutions play a crucial role in providing necessary funding for agricultural development. This indicates a high level of recognition among farmers regarding the importance of financial support from institutions in advancing agriculture.
2. **Accessibility of Financial Services:** A significant number of farmers (27 out of 50) express satisfaction with the accessibility of financial services provided by institutions for agricultural purposes. However, there is also a considerable portion (18 out of 50) who

remain neutral or dissatisfied, suggesting potential areas for improvement in service accessibility.

3. **Understanding of Financial Needs:** While a majority (37 out of 50) believe that financial institutions understand the financial needs and challenges faced by farmers, there is a notable proportion (13 out of 50) who express some level of disagreement or neutrality. This highlights the importance of enhancing communication and understanding between financial institutions and farmers.
4. **Contribution to Agriculture Growth:** Most farmers (35 out of 50) “agree or strongly agree” that financial institutions contribute to the overall growth and development of agriculture. This indicates a positive perception of the role of financial institutions in driving agricultural progress.
5. **Reliability of Financial Support:** While the majority (29 out of 50) perceive financial institutions as reliable sources of financial support for agricultural ventures, there is also a notable portion (15 out of 50) who express some level of skepticism or dissatisfaction. This suggests potential concerns regarding the reliability or effectiveness of financial support provided by institutions.
6. **Promotion of Financial Literacy:** A significant number of farmers (28 out of 50) believe that financial institutions adequately promote financial literacy and awareness among farmers in the agricultural sector. However, there is also a considerable portion (20 out of 50) who express some level of disagreement or neutrality, indicating room for improvement in financial education initiatives.

Overall, while there is a general acknowledgment of the importance of financial institutions in supporting agriculture, there are also areas where farmers perceive gaps or opportunities for improvement in the services provided by these institutions.

4.2 Factors of agriculture finance enhancing farmer’s income and productivity.

The primary objective of the program is to assess the expansion of agricultural credit in India and its impact on increasing farmers' income post-government financial assistance. The study delves into the structure of agricultural finance, various perspectives, and progress, with a focus on their contributions to enhanced productivity and income growth for farmers.

1. 1. This study seeks to comprehensively analyze the socio-economic aspects that impact the revenue of horticulture producers in emerging regions. The aim of this study is to examine the socio-economic attributes of developing agricultural producers, determine the elements that impact their farm revenue, and suggest strategies to improve their earnings from farming. This study is anticipated to result in more focused policy responses that are customized for various groups of rising farmers (Safa, 2005).
2. The economic factors in farming systems focus on reducing the use of artificial inputs and instead implementing strategies to improve services at the community, provincial, and global levels. This approach also takes into account the social consequences of production methods, competitive dynamics, and diversifying products. Diversified farming systems are designed to preserve ecosystem services that are essential for agricultural output by promoting functional variety across different time periods and spatial scales. The objective is to provide an analyst's viewpoint on the variables that make different farming systems economically feasible or difficult for farmers, and to examine the possibilities and barriers to wider implementation (Bowman and Zilberman, 2013).
3. 3. Risk factors in the agriculture sector: The agricultural sector is intrinsically marked by a significant level of risk. Efficient strategic management in all agricultural organizations requires the capacity to promptly recognize and effectively manage risks. This study gives a detailed analysis of the methods and results of a research project that aimed to identify the elements that contribute to risks in primary agricultural production, as well as the procedures utilized to control these risks. The study specifically emphasizes the distinctive features of agricultural hazards. The study demonstrates that farmers consider price volatility and output or income risk to be key potential factors, with diversification emerging as the most

crucial approach for managing risk (Nadezda et al., 2017).

4. Farmers' experiences and perceptions of climate change: Climate change stands as one of the foremost environmental concerns globally, impacting nearly every sector of the economy. Agriculture, in particular, is witnessing increasingly erratic weather patterns. Consequently, agricultural workers, especially small-scale farmers, directly witness the effects of climate change as they struggle to make a living amidst these growing disruptions. Current research has been mostly dedicated to comprehending the evident consequences of climate change on agriculture and analyzing the corresponding reactions of persons. (Karki et al, 2020).
5. Financial institutions and agricultural output: The objective of this research was to investigate the interplay among government policies, financial institutions, and farmers' investment choices, and how these factors collectively influence agricultural investment and production. The study presents evidence that confirms the importance of both upstream and downstream prices in determining the overall crop yield, while the impact on the overall output supply indices is rather small. The availability of educational resources and financial institutions has a substantial impact on investment, resource allocation, and yield decisions. Therefore, the production of agricultural goods is determined by an intricate interaction between farmers, governments, and intermediaries who adjust to shared influences.

5. Conclusion

In conclusion, the analysis reveals that farmers acknowledge the pivotal role of financial institutions in agriculture, yet there are areas of concern such as service accessibility, understanding of financial needs, reliability of support, and promotion of financial literacy. Addressing these concerns could foster better collaboration and contribute to agricultural development and farmers' well-being. Additionally, the program aims to evaluate the impact of agricultural credit expansion on farmers' income in India. It examines socio-economic factors, economic aspects of farming systems, risk factors, climate change perceptions, and the role of financial institutions in agricultural output. Understanding these factors is crucial for developing targeted policies to enhance farmer income and productivity in the agricultural sector.

References

1. Anthony BC (2014) Long term financing for manufacturing and agricultural sectors in Nigeria. Nigerian Journal of Economics and Social Studies, 41(1):159-173.
2. Bharti, N. (2018). Evolution of agriculture finance in India: a historical perspective. Agricultural Finance Review. 78(3), 376-392.
3. Barot, H. A. R. E. S. H., & Patel, K. (2015). Agriculture Finance in India–Issues & Future Perspectives. International Journal of Business and General Management, 4(6), 5-10.
4. Bowman, M. S., & Zilberman, D. (2013). Economic factors affecting diversified farming systems. Ecology and society, 18(1), 1-8.
5. Dang, T. C., Nguyen, T. B., Nguyen, T. Y., Trinh, T. H., & Banh, T. T. (2021). Factors affecting the profitability of listed commercial banks in Vietnam: Does agriculture finance matter? AgBioForum, 23(1), 32-41.
6. Hartarska, V., Nadolnyak, D., & Shen, X. (2015). Agricultural credit and economic growth in rural areas. Agricultural finance review, 75(3), 302-312.
7. Kambali, U. (2021). An Overview of Agriculture Finance in India. International Journal of Case Studies in Business, IT and Education (IJCSBE), 5(2), 197-210.
8. Katchova, A. L. (2005). Factors affecting farm credit use. Agricultural Finance Review, 65(2), 17– 29.
9. Karki, S., Burton, P., & Mackey, B. (2020). The experiences and perceptions of farmers about the impacts of climate change and variability on crop production: A review. Climate and development, 12(1), 80-95.
10. Langyintuo, A. (2020). Smallholder farmers' access to inputs and finance in Africa. In The Role of Smallholder Farms in Food and Nutrition Security, 1(1), 133-152. Springer, Cham.
11. Nadezda, J., Dusan, M., & Stefania, M. (2017). Risk factors in the agriculture sector. Agricultural Economics", 63(6), 247-258.
12. Pasha, S., & Velmurugan, P. (2013). Agriculture finance in India: An overview. International Journal of Marketing and Management Research, 4(3and4), 34-42.

13. Sebatta, C., Wamulume, M., & Mwansakilwa, C. (2014). Determinants of smallholder farmers' access to agricultural finance in Zambia. Journal of Agricultural Science, 6(11), 63-73.