A STUDY ON AGRICULTURAL MARKETING AND IT’S FINANCE IN INDIA

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ABSTRACT

Agricultural marketing plays an important role in the process of agricultural development in India. To increase the incentive to the producer, to go for higher production and better return, efficient marketing system is essential. It helps to provide remunerative prices to the consumer by reducing the marketing cost. The present paper will throw light on the importance of agricultural marketing in economic development, basic facilities needed for agricultural marketing, marketing of agricultural products, non-agricultural finance, agricultural finance, source of agricultural credit, functions of NABARD, and classification of agricultural markets.

KEYWORDS: AM (Agricultural marketing), Economic development, Agricultural finance, NABARD.

INTRODUCTION

The term agricultural marketing is composed of two words agriculture and marketing. Agriculture in the broadest sense means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. But generally it is used to mean growing crops and raising livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to point of consumption. AM is study of all the activities, agencies policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms to the consumers. Simply it can be considered as a link between the farm and the non-farm sectors.

Since independence India has made substantial progress as far as agricultural finance is concerned. Moneylenders were the main source of credit during the 1950s, including occasional lenders like landlords and traders.

According to the All India Credit Survey, moneylenders were the most convenient and easiest source of credit. The moneylender did not distinguish between production and consumption credit. The credit was available when the farmer needed it. His administration was simple and flexible. He could assess the creditworthiness of not only the borrower but also his entire family. Cultivators depended upon moneylenders for their cash requirements.

During the past few decades, the importance of moneylenders as suppliers of cash has declined rapidly. For instance, according to the All India Rural credit Survey undertaken in 1951, moneylenders accounted for nearly 70 percent of all rural credit; the figure in 1981 was
16 percent. This fact shows clearly that the moneylenders are losing ground to institutional agencies. The government took various steps in order to solve the problem of rural credit and drawn financial policies, thus enabling agricultural growth. Let us first understand the finance structure in villages. Finance in villages can be classified non-agricultural finance and agricultural finance (credit).

PREVIOUS STUDIES ON AGRICULTURAL MARKETING:

In another study relating to Agricultural Marketing Issues and Challenges by Sri S.S.Acharya stated that in dynamic and growing economy, the agricultural marketing provides important linkages between the farm production sector and the non-farm sector. Apart from performing physical and facilitating functions of transferring the goods from the producers to consumers, the marketing system also performs the function of discovering the prices at different stages of marketing and transmitting the price signals in the marketing chain. The issues in agricultural marketing relate mainly to the performance of the marketing system, which depends on the structure and conduct of the market. The performance of the marketing as remained under continuous scrutiny and the government took several initiatives to influence the structure and conduct of agricultural produce markets.

OBJECTIVES OF THE STUDY

The study mainly focuses on the following objectives.

1. To study the role of Agricultural marketing in economic development of India.
2. To examine the basic facilities needed for agricultural marketing in India.
3. To study the Non-Agricultural finance and Agricultural finance.
4. To study the source of Agricultural credit.
5. To know the main functions of NABARD.
6. To study the classification of agricultural markets.

RESEARCH METHODOLOGY

In pursuance of the above objectives, the study was achieved through collection of secondary data from the annual reports, academic books, and websites. The primary data is gathered through interview with agricultural marketing personnel. Due to the availability of data, the information is restricted to the present view in India.

MARKETING OF AGRICULTURAL PRODUCTS

Agricultural marketing has two types: input marketing & output marketing.

INPUT MARKETING: This refers to marketing of products required for agricultural production. Unlike urban markets, rural areas are production centers. To produce foodgrains, vegetables, fruits etc, a large number of inputs are needed. These include seeds, fertilizers, pesticides, agricultural implements (tractors, pump sets, etc.), cattle feed, poultry feed. Input marketing also includes marketing services such as diesel engine repair and health care.
OUTPUT MARKETING: This includes the marketing of food grains, vegetables, milk etc. because of the high degree of fragmentation of holdings, the producer finds it difficult to sell his product at a remunerative price. In order to overcome this problem, the government provides support prices; enters the rural market to purchase agricultural produce at a fixed minimum price. The objective is to support the grower in marketing his produce. The government provides subsidies in the case of agricultural input marketing, while in case of outputs, it gives price support.

IS AGRICULTURAL MARKETING COMPLICATED?

Agricultural marketing has its own special characteristics, which make it very risky and complicated. Some of these are as follows.

1. Most agricultural produce is perishable and therefore requires special processing, storage and timely disposal.
2. Agricultural produce is consumed throughout the year, but produced on a seasonal basis. Therefore special storage and stocking is needed.
3. A majority of agricultural producers are small-scale producers and their production also varies depending upon rainfall, natural calamities, etc. There is no assured production.
4. Timely collection of agricultural produce from scattered small producers/farmers is very difficult and costly.
5. Demand for the produce is spread throughout the country and throughout the year. Making available to consumers what they want and when they want it needs considerable planning and investment.
6. Agricultural produce, unlike other products, loses weight and also suffers from quality deterioration. Very good storing, maintenance and transportation are essential.
7. Producers/farmers need continuous support, guidance and the latest technology to increase yields.
8. The illiteracy and ignorance of producers/farmers leads to their exploitation by middlemen. Farmers or producers are not able to undertake any of the above activities and hence depend upon the middleman.

NON-AGRICULTURAL FINANCE

A farmer will take a loan to finance his family’s daily subsistence requirements and personal needs. These basically include building a house, marriage expenses of his son or daughter, etc.

AGRICULTURAL FINANCE

Agricultural finance is basically utilized by the farmer for pre-harvest and post harvest activities. Credit is usually taken to purchase seeds, fertilizers and other agricultural inputs. Agricultural credit is further classified into production credit and consumption credit.
PRODUCTION CREDIT: These loans taken to fund pre-harvest farm activities such as buying seeds, fertilizers, pesticides, payment of wages, improvement of land, etc. It is taken at the pre-harvest time. Production credit can be short-term, medium term or long-term.

- **SHORT-TERM LOANS:** These loans are given for 15-18 months and include loans to meet daily working capital requirements for buying inputs, payment of wages, charges for machinery or tools, electricity charges, etc. It may involve a cash component and a kind component.

- **MEDIUM-TERM LOANS:** These loans are given for 15 months to five years. These loans are used for buying livestock, agricultural machinery, equipment, etc. Only a part of a medium-term loan is expected to be used in current production. The remaining is carried forward over a period of seven years.

- **LONG-TERM LOANS:** Loans are made available for five-seven years and may be used for activities like land fencing, mechanization, building farm houses, storage facilities, etc.

CONSUMPTION CREDIT: farmers require money for day-to-day family and farm expenses, like marketing the agricultural produce, harvesting the crop etc. farmers also have to take loans during natural calamities such as droughts, floods, crop destruction due to disease, insect infestation etc.

SOURCES OF AGRICULTURAL CREDIT

Besides traditional landlords, there are various other non-institutional sources such as wholesale commission agents, mobile traders, shroffs, etc. that provide credit to farmers. Also the system of institutional credit is unique to Indian agriculture.

NON-INSTITUTIONAL SOURCES OF FINANCE: These include private and individual creditors operating mainly at the village level. They usually charge high interest or issue credit on some collateral security such as house, farm land, cop or produce, etc. Some of these non-institutional sources are:

- **MONEYLENDERS:** These are the most important non-institutional sources of credit for farmers. They charge very high interest rates and are known for their cruelty and exploitation of farmers. They act as indigenous bankers or shroffs as their scale of operation is very high and they are capable of lending huge amount of money.

- **LANDLORDS/JAMINDARS:** They are mainly the richest and the most influential persons in the village after the Sarpanch. They are large cultivators with lots of surplus funds. They advance money to small cultivators on the condition that the produce is sold through them.

- **PUCCA ARAHATIAS:** These are the commission agents who trade in bulk quantities of the produce. They are a very important connecting link between the farmers and the wholesale market. They provide credit to the farmers for harvesting and post-harvesting operations.
• **BEOPARIS:** These are the local traders who move from village to procure agricultural produce. They advance money to the farmers with an understanding that the produce will be sold at a discounted price to them.

**INSTITUTIONAL SOURCES OF FINANCE:** The Indian government is keen on promoting agriculture and set up several finance institutions.

1. **CREDIT CO-OPERATIVES:** These are voluntary organizations formed by likeminded members in order to achieve a common economic objective. Their main objectives are to provide timely and increased flow of credit, ensure balanced regional credit and to arrest the monopoly control of money lenders. However, these cooperatives suffer from certain limitations that have restricted their success to a large extent. These include:
   
i. Limited geographic coverage
   
   ii. Small and marginal farmers neglected
   
   iii. Inconvenience in borrowing
   
   iv. Huge over dues
   
   v. Linked with ownership of land

2. **PACS, LAMPS:** A co-operative credit society commonly known as the Primary Agricultural Credit Society may be started with ten or more persons, normally belonging to one village. The members have unlimited liability, that is, each member is fully responsible for all the losses of the society in the event of a failure. The loans are given for short periods, normally for a year, for carrying out agricultural operations. Along with co-operative banks and PACS, LAMPS (Large-Sized Adivasi Multipurpose Societies) provide rural credit in extremely remote and adivasi areas. Along with credit they offer various other support services.

3. **REGIONAL RURAL BANKS (RRBs):** The main objective of RRBs is to provide credit to small and marginal farmers, agricultural laborers, artisans etc., to ensure growth and development of agriculture, trade, commerce and other productive activities. Initially five RRBs were set up on 2 October 1975. Each RRB has an authorized capital of Rs 1 core and issued paid-up capital of Rs 25 lakh.

Although the RRBs are basically scheduled banks, they differ in certain aspects:

- The lending rates of RRBs are usually lower than the prevailing rates in co-operative societies in the respective states.

- The area of coverage of RRBs is limited to a certain region comprising of one or two districts of a state.

- The RRBs offer their services only to small and marginal farmers, artisans and other financially weak sections.
• Their main aim is regional development and satisfying the needs of the poor and weaker sections of the particular region.

4. LEAD BANK SCHEME: Under this scheme, one of the commercial banks becomes a lead bank in the district and coordinates credit development activities there. It acts as a coordinating link between the co-operative banks, commercial banks and other financial institutions. The main idea behind the scheme is to enable rapid branch expansion; it helps identify districts where there are no banks to open branches there. Under this scheme, banks extend short and medium-term loans to customers. The commercial banks are financing the integrated Rural Development Programme to accelerate economic growth. The banks also extend support through direct and indirect finance schemes to meet the various needs of farmers.

5. NATIONAL BANK FOR AGRICULTURE & RURAL DEVELOPMENT (NABARD): NABARD is the apex body that looks after the financial needs of agricultural and rural development. It is concerned with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas. The committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), set up by the Reserve Bank of India (RBI) under the chairmanship of B. Sivaraman, conceived and recommended the establishment of NABARD. The Indian Parliament Act 61 of 1981 approved the setting up of NABARD. The bank came into existence on 12 July 1982, and was dedicated to the service of the nation by the then prime minister, India Gandhi, on 5 November 1982.

FUNCTIONS OF NABARD

i. Serves as an apex refinancing agency for institutions providing investment and production credit and promoting developmental activities in rural areas.

ii. Takes measures to build institutions to improving the absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.

iii. Coordinates the rural financing activities of all institutions engaged in developmental work at the field level institutions concerned with policy formulation. Undertakes monitoring and evaluation of projects refinanced by it.

NABARD’s refinace is available to state land development banks (SLDBs), state co-operative banks (SCBs), RRBs, commercial banks (CBs) and other financial institutions approved by the RBI. The ultimate beneficiaries of investment credit can be individuals, partnership concerns, companies, state-owned corporations or co-operative societies.

In addition to the institutions sources of finance discussed in the diagram, there are many other options available for a farmer to take a loan for agricultural purposes.

A. MICRO-FINANCE: This has been a fairly successful model in rural India. It is more than just an instrument for credit transfer; it is a vehicle to improve the overall quality of life. Micro-finance is mainly carried out by self-help groups (SHGs). NABARD is
actively supporting SHGs and Micro-finance activities are very strong in Andhra Pradesh, Karnataka and Madhya Pradesh.

**B. KISAN CREDIT CARDS:** Another notable development in recent years is the introduction of Kisan Credit Cards (KCCC) in 1998-99. The purpose of the KCC scheme is to facilitate short-term credit to farmers. The scheme has gained popularity and its implementation has been taken up by 27 commercial banks, 187 RRBs and 334 central Co-operative Banks. In a short period of two years a little more than 1 million KCCs had been issued and 21,220 crore of loans had been sanctioned against these cards.

**CLASSIFICATION OF AGRICULTURAL MARKETS**

Agricultural markets can be classified based on Location, Area/Coverage, Time Span, Volume of Transactions, nature of Transactions, Number of commodities, and Degree of competition, Nature of Commodities, Stage of Marketing and Extent of Public Intervention.

**AGRICULTURAL MARKETS AS PER LOCATION**

I. **VILLAGE MARKETS:** Located in small villages. Major transactions take place among buyers and sellers of a village.

II. **PRIMARY WHOLESALE MARKETS:** Located in big towns near centers of production of agricultural commodities. A major part of the produce is brought for sale by the producer-farmers themselves. Transactions are between farmers and traders. These are owned by market committees, local bodies or private individuals and are periodically held; shopkeeper has to pay rent for the space he occupies.

III. **SECONDARY WHOLESALE MARKETS:** Located in district headquarters, important trade centers or near railway junctions. Major transactions take place between village traders and wholesalers. The bulk arrival in these markets is from other markets. The produce in these markets is handled in large quantities. There are specialized marketing agencies performing different functions, such as commission agents, brokers and weighmen.

IV. **TERMINAL MARKETS:** Here the produce is finally sold directly to the consumer or the professor, or is called for export. These markets possess sufficient
warehousing and storage facilities covering a wide area extending over a state or two.

V. **SEABOARD MARKETS:** Located near the seashore, meant for exporting or importing goods.

**AGRICULTURAL MARKETS AS PER AREA/Coverage**

I. **LOCAL OR VILLAGE MARKETS:** Buying and selling activities are confined to buyers and sellers from the same village or villages, mostly perishable commodities in small lots, such as fresh milk.

II. **REGIONAL MARKETS:** Buyers and sellers are drawn from a larger area. Deal in, for example: food grains.

III. **NATIONAL MARKET:** buyers and sellers at a national level deal in durable commodities like jute and tea.

IV. **WORLD MARKET:** Buyers and sellers are drawn from the whole world, deal in goods such as coffee, gold, silver and cotton.

**TIME SPAN**

- Short period market
- Long period market
- Secular markets
i. Short period market: held over a few hours. Deal in products of a highly perishable nature, like fish, milk.

ii. Long period markets: Held over a longer period. Products are less perishable, like foodgrains, oilseeds.

iii. Secular markets: Dealing in manufactured goods, timber, etc.

VOLUME OF TRANSACTIONS

I. WHOLESALE MARKETS: Commodities are bought and sold in large quantities/bulk. Transaction is between traders.

II. RETAIL MARKETS: Commodities are bought and sold as per consumer requirements.

NATURE OF TRANSACTIONS

I. SPOT/CASH MARKET: a market in which goods are paid for immediately after sale.

II. FORWARD MARKET: Commodities are bought at time ‘t’ but the actual exchange takes place at some specific date in future, i.e., ‘t+1’.
NUMBER OF COMMODITIES

I. GENERAL MARKET: All types of commodities such as foodgrains, oilseeds, fibre crops, etc are bought sold.

II. SPECIALIZED MARKET: transactions take place only in one/two commodities, e.g., foodgrains market, cotton markets, mango markets.

DEGREE OF COMPETITION

I. PERFECT MARKET: Large number of buyers and sellers.

II. IMPERFECT MARKET: monopoly, duopoly, oligopoly, monopolistic competition. In the last, a large number of sellers deal in heterogeneous and differentiated forms of a commodity.

NATURE OF COMMODITIES

I. COMMODITY MARKETS: deal in goods and raw materials such as wheat, barley, cotton, etc.

II. CAPITAL MARKETS: deal in services such as securities.
III. SERVICE MARKETS: deal in services such as consultancy.

STAGE OF MARKETING

I. PRODUCING MARKETS: markets that mainly collect commodities for future distribution to other markets. Located in producing areas.

II. CONSUMING MARKETS: These collect the produce for final distribution to the consuming population located in areas where production is inadequate or in thickly populated urban areas.

EXTENT OF PUBLIC INTERVENTION

I. REGULATED MARKETS: markets in which business is done in accordance with the rules and regulations framed by a statutory market organization which represents different sections involved in markets.

II. UNREGULATED MARKETS: Business is conducted without any set rules and regulations. Traders frame the rules for the conduct of business and run the market.

CONCLUSION

Regardless of holding a well-organized institutional support to aid farmers with finance, the proportion of banks to villages stands at 1:50. Still at this time, there are about two crore moneylenders in India. The RBI ought to make sure the development of moneylenders as well as obtain useful measures to boost credit amenities in rural India. The Indian agricultural market construction leaves a main space between the actual producer as well as the ultimate buyer. This is one of the major causes for the soaring prices buyers have to compensate for the products as the farmer obtains extremely meager share. Other than efforts are on to reduce this space & reduce the middlemen with the aid of regulated markets as well as marketing cooperatives. Several further methods are too being utilized, such as smallest amount support price & state trading, to make sure sufficient income to producers. Marketing agricultural
products could materialize to be effortless; other than is extremely difficult moreover consists of different multifaceted functions. The agricultural condition in India has undergone a speedy modify in the last three decades. Agricultural manufacture has attained realistic development rates. Other than the growth rate not only has to be reduced. Attempts are previously in progress to develop location-specific technologies, shift them to farmers’ fields as well as guarantee input make available to farmers other than the exact time, place moreover usefulness.

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