Chapter III

Agriculture Financing for Small and Marginal Farmers
CHAPTER III
AGRICULTURE FINANCING FOR SMALL AND MARGINAL FARMERS

Agriculture is the most important sector of the Indian economy. It contributes about 18.5 percent of the total Gross domestic product (GDP) and provide employment to about 67 percent of the working population of the country. It supplies bulk of goods as required by non agriculture sectors and raw material for a large section of the industry.

Small and marginal farmers

With over a billion population, there are more than 185 million small and marginal farmers who comprise over 70 percent of all farming households in the country. These farmers largely undertake subsistence farming owing to a number of constraints such as small size of land holdings, biased tenurial systems, inefficient water management, lack of access to inputs, inadequate availability of quality input, non availability in affordable packages, lack of timely support, lack of knowledge, lack of friendly technologies, lack of ability to diversify, lacking connectivity by road, information, lack of access to credit, inadequate access markets, lack of value addition at farm level etc. Due to these limiting factors, the small and marginal farmers suffer from the low productivity, instability in yield, low employment, less income and poor standard of living. Hence the small and marginal farmers become labour or migrating from rural to urban area.

The land use pattern in India was highly skewed in favour of the large holding around the period of independence. However, the concentration of land has declined over the period. This is largely because of subdivision and fragmentation as well as to some extent the implementation of various land reform measures and thus the average size of land holding has declined considerably. This has increased the number of small and marginal farmers “Over the last ten years, the number of operational land holding less than 2 hectares risen from 63 percent in 1960 – 62 to 81 percent in 2006-07/2007-08 and in another ten years, more than 4/5 of the farmers will belong to this category”.
Capital in agriculture

Capital is needed for any kind of productive activity. In agriculture also, capital is an important factor of production and the level of output and income are considerably influenced by this capital. High level of agricultural production in developed countries is achieved with more of capital factors through modern technology. At the same time, the little dosage of capital relatively to labour is the main cause for the low productivity in agriculture sector of the developing countries like India. To have a faster rate of agriculture development, more of capital should be properly combined with other factors and managed effectively.

The capital used in the process of agriculture production may be grouped as social over head capital such as money required to meet the family functions, physical assets used directly in production process, consumer capital and working capital.

The role of capital in agricultural production can be assessed by examining the contribution of capital in the different stages of production such as land acquisition and its preparation, choice of crop and technology, acquisition equipments and implement, purchase of seeds, fertilizers, pesticides, organization of different inputs to raise the crops, post production activities like storage, marketing etc..

Capital formation in Agriculture

The current saving of farmers used for future consumption may be called as capital formation. In agricultural sector, the capital formation consists of machineries, tractors, pump sets, wells, tools, implements, seeds, building to store the goods needed for agriculture activities, vehicles used for transportation, fencing, land reclamation and outlays on education and training to the farmers to improve their skills. The capital formation is a important determinant for the development of farmers. To improve this, more technology support is needed. Hence, the role of finance is vital and inevitable.

Problems in agricultural capital formation

Due to various reasons such as low level of saving, low productivity, inflation, inequalities in income distribution, problem in obtaining credit, the capital investment in agriculture activities is decreasing which will affect the farmers income.
Management of farm finance

Borrowers point of view

The various research studies shown that the borrowers find lot of hurdles in getting loan from banks, due to inadequate securities, complicated loan procedures, delay in sanctioning the loan by bank. In some banks there are domination by the politician and large farmers, the credit flows only to these group instead of right person. Hence, the small and managerial farmers are forced to get loan from money lenders at high rate of interest.

In practice, majority of small and managerial farmers are using their own as well as their borrowed fund in unproductive purpose, which leads to indebtedness. A productive debt creates its own means of payment but an unproductive debt becomes a great burden in as much as the principal and interest which goes on increasing.

Agricultural credit is a problem when it can not be obtained and it is also a problem when it can be had. In India, there is two fold problems of inadequacy and non-availability which are found in agricultural credit.

Though there are various limiting factors from the farmers side, problems are also too peculiar. When compared with manufacturing industry, the small and marginal farmers have not borne in mind the factors like return from investment, repayment capacity and risk bearing ability while borrowing and using finance in their agricultural operation. Various research studies indicate that majority of rural small and marginal farmers are borrowing finance from rural moneylenders because weakness in Indian formal credit systems. The major part of the Government and co-operative credit in this way has flown to the cultivators who are financially sound leaving the rest to depend on the most expensive source of credit i.e. money lenders. This also indicates that the role of the commercial banks in agricultural finance has been rather disappointing. The village small and marginal farmers are really afraid to approach the banks to get loan because the banker attitude towards the farmers are totally unsatisfactory.
In this juncture, the small and marginal farmers, instead of making complaints about the bankers, money lenders, other service providers, they may concentrate more on agricultural production, productivity, allocation of limited capital on rational basis in agricultural and allied activities. This will generate continuous employment, income, saving, finally the standard of living will improve. To attain this objective, the knowledge of principles of finance management would assist the farmers in making right and rational decision. The degree of success of financial management depends upon decision relating to acquisition and use of fund.

Basic fundamental factors to be kept in view by the borrower are as follows.

1. Weather to borrow or not to borrow?
2. How much to borrow?
3. How best to use it?
4. When and how to repay the loan?
5. What degree of risk involved in it?

**Lenders’ view**

To a lender, management of loan should assure proper utilization of credit for the purpose for which it was borrowed. Due to the various constraints, the lenders find difficulties in capital and credit management. This would lead to recovery and over due problems.

**Features of Agricultural finance**

In modern farming, as in any other business, the key to a satisfactory income is a proper amount and combination of productive assets such as land, livestock, machinery, labors and managerial talent. The amount of resources of farmer controls, the terms and conditions under which they are obtained, and the way they are used determine the level of income.

The agricultural finance deals with the supply of and demand for funds in the agriculture sector. To acquire and use of finance in agriculture, the farmers are in need of adequate experience and knowledge.
Unlike industries, the problem of agricultural finance are complex in nature. It is difficult to anticipate production process, risk involved in agriculture, raising of credit, demand and supply prices.

Agriculture requires special and separate treatment in the field of finance as the conditions in this profession are entirely different from those in manufacturing industries. There are majority of small and marginal farmers who have dealt with small unit of production. Also there is no control over the yield and quality in production and there is lack of organisation. Mobilizing funds, investment in agriculture and getting return pose huge problems to the farmers. The income of small and marginal farmers is inadequate to meet their routine family expenses. Hence their own finance is inadequate or almost nil and hence they have to depend on outside finance only. Further, their income accrues during a limited period of the year while their various expenses are distributed throughout the year. In view of this, the financial arrangement is imperative in order to make adjustment of both. Hence, the agriculture finance in general and agricultural credit in particular is vital among the various constraints faced by these small and marginal farmers.

**Trend in Rural Agricultural finance**

The agricultural credit cooperative banks, commercial banks and Regional Rural Bank have been involved in agricultural credit for nearly 50 years and reforms in the banking system were triggered a decade back. Yet, credit flow to small and marginal farmers has been for below needs, both for crop cultivation, and for long term requirements such as land development, irrigation and farm equipment as compared to the potential demand.

**Demand for rural credit**

The 10\textsuperscript{th} five year plan working group on Agricultural credit estimated the requirement of credit at Rs. 720,000 crors in five year ending 2007, or Rs. 144,000 crore per annum on an average. This has to be compared with Rs, 60,000 crore that was actually disbursed in 2001. It is obvious, therefore that if the proposed growth rate in agriculture is to be achieved, the agricultural credit system needs to be significantly re-engineered.
To meet the agricultural needs, the farmers are obtaining finance from the following sources.

1. Private Savings
2. Borrowing
3. Government
4. External Aid

In practice, the farmers find lot of hurdles in mobilizing fund from these sources and find it as big issues.

Supply of Agricultural credit

The Government and Reserve Bank of India have taken more efforts to design present structure of agriculture system. In the formal sector, a multi-agency approach has been followed to provide the necessary financial services in the rural areas. The various institutions are the commercial banks, Regional Rural Bank and Co-operative Credit Structure.

The institutions offering Agricultural finance

The Co-operative Credit Structure (CCS)

The CCS caters to both the short and long term credit needs of the rural consumers. The short term credit needs are fulfilled by State Co-operative Bank, District Central Co-operative Bank and Primary Agricultural Co-operative Bank. The long term loan is given by primary Agricultural of Co-operative and Regional Rural Development Banks.

The CCS is re-financed by the NABARD. These institutions are however, beset with problems like low recovery percentages i.e (40 to 60%), inefficient management systems and politicization of the co-operatives. In the last few years, several committees were set up to propose a solution to the growing problem. This would enable the existing co-operative credit structure to get properly revived.
Commercial banks

After the Gorwala committee report in 1954, commercial banks were involved in providing credit to agriculture. Based on this, state bank of India had started 400 branches in semi urban area to lend agriculture credit. The set of green revolution, as the package of high yielding variety seeds and fertilizers required access to credit. The government imposed social control on banks for which major banks were nationalized in 1969 and expanded branches in rural area and fixed quota for priority sector i.e. 40% priority sector lending, banks were asked to lend 18% of their total advance to agriculture. The various research studies show that the bank credit to small and marginal farmers came down steadily from 18.3% of total commercial, scheduled bank credit in 1994 to 5.3% by march 2002. The declaining trend by commercial banks is still continuing.

Regional Rural Bank (RRB)

Regional rural banks were established in India under the Regional Rural Bank Act 1976 to cater to the needs of the rural poor. The RRB’s were expected to primarily to cover small and marginal farmers, landless Labours, rural artisan, small traders and other weaker section of the rural community. The market share of RRB in rural credit remaining low. At present, the RRB’s share in agricultural credit is 8% while that of commercial bank is about 50% and of CCS is 42%. The several committees were setup to look into various problems and issues faced by RRBs. However, their financial viability continues to be lower. To ensure that RRBs serve the credit needs of small and marginal farmers, RRBs must be healthy themselves.

Micro Finance Institution (MFI)

The banks are physically present in rural areas and offer credit at concessional interest rate. How ever small and marginal farmers are unable to access them because of borrower unfriendly policies and procedure, inflexibility and delay and high transaction cost, both legitimate and illegal.

In this context, in 1972 the RBI and NABARD encouraged the commercial banks to link up with Non-Government Organisation to establish and finance Self Help Group of poor. In this line, the credit disbursement has increased to remarkable level. Despite this impressive growth, there are still more problems with micro credit i.e average loan size is too little, disparity in distribution of loan, political interference etc.
**Informal sources**

RBI data reveals that informal sources provide a significant part of total credit needs of the rural population. As per the latest All India debt and Investment survey, the formal institutional sources supports almost 64% of the rural household. From the point of view of small and marginal farmers, the important sources of credit are large farmers, input suppliers, commission agent etc. These people are charging higher interest and hence strengthening the formal structure is necessary to protect the small and marginal farmers from the exploitation of informal lenders.

**Interest rates**

The politicians, intellectual and farmers need to accept that small loan is more expensive and it must be priced accordingly. Since the transaction cost with small and marginal farmers are higher, the commercial banks hesitate afraid to give loan to these group. Hence, if more credit has to flow to farmers, the interest rate must be regulated.

**Role of Non-government organizations and private sector in agricultural finance**

There is need to take a closer look at the present situation of agricultural finance and other services provided by the Government, NGOs or the private sector to the small and marginal farmers. In India, the Government is playing major role in this area. But the agriculture performance has been weak since 1990 to till date. This is because, India’s comparative advantage in agriculture does not lie in land-intensive crops but in labour-intensive - high value crops such as fruits, vegetable and organically grown cereals. This can be achieved through wide spread diversification of cropping patterns in response to changing consumption trends and in the line with India’s global comparative advantages. This will be possible only if new technologies and new varieties are successfully generated. Hence, in addition to the Government investment in agriculture, the private sector investment should be encouraged to upgrade technology, raise yields, productivity, adequate income, and improve overall standard of living of small and marginal farmers. This has been rightly stated in National Agriculture Policy 2000, "to achieve agricultural growth by more than 5% per annum by 2005, efficient use of resources and technology, adequate availability of credit to farmers, and protecting them from seasonal and price fluctuation. The private participation in agriculture would be promoted through contract farming and land leasing arrangement to allow accelerated
technology transfer, capital flow, assured market for crop production, research, human resources development, post harvesting management and marketing. This policy is still on paper and the present growth rate is only 2.6%.

**Role of Institutional credit in Agriculture**

Besides other factors like agro climatic conditions, irrigation, labour technology, etc. availability of timely and adequate credit plays important role for growth in agriculture sector. Since 70s, Government through Reserve Bank of India, has been stipulating a certain percentage of net bank credit to go for agriculture sector. Even after liberalization and discretion to banks on various other fronts, insistence on credit flow to agriculture sector continues. This is due to the importance of agriculture in the socio-economic-political context.

Deliberate policy to open large number of branches in rural and semi urban areas by nationalised bank during 80’s and 90’s was also aimed to increase lending to agriculture and allied sectors. In 1982, Government establish National Bank Agricultural and Rural Development as a specialized development finance institution for focused attention on flow of institutional credit to rural sector.

The capital formation in agriculture continues to be low (average around 2% GDP). Share of public sector investment in agriculture has declined/stagnated over the years (average around 20%). Therefore, bank credit as major component of private investment, plays important role to provide required investment for desired growth in agriculture.

Studies have shown that despite various measures around 50% of the cultivating families are availing credit from the banks and the share of bank credit has been around 65% of the total credit made available to agriculture. Increase small and marginal farmers, the coverage by the banks is only around 25%.

During last three years, pace of disbursements to agriculture has picked up and more than double, crossing figure of Rs. 2,00,000 crores during 2006-2007. In addition to insistence by Government and RBI, these has been a greater realization by the banks, including private sector banks that, lending to agriculture makes a sound proposition.
In this juncture, all banks are trying to adopt workable strategies for increased credit flow to agriculture sector especially small and marginal farmers to meet the gap in supply and increasing demand from this sector.

Credit flow to agriculture

Agricultural credit plays an important role in creation of employment and income in the rural agricultural sector. Keeping this in view, the tenth five year plan envisaged a substantial increase in credit flow to agriculture to Rs. 7,36,570 crores as compared with that of Rs. 2,29,956 crores achieved during the ninth plan period. On June 18, 2004, the government announced a comprehensive policy envisaging the doubling of credit to agriculture in the next three years through commercial banks, co operative banks and regional rural banks. During 2004-2005, with an aggregate disbursement of Rs 1,15,243 crores, the targeted credit was exceeded by 10 percent. Continuing on the same path, the union budget 2005-2006 proposed to increase the flow of credit by another 30 percent by commercial banks, Regional Rural Banks and Cooperative Banks. Further, the public sector banks were advised to increase the number of borrowers by another 50 lakhs.

Agricultural credit policy objective

1. Periodic review and enhancement of credit delivery to agriculture.
2. Exclusive focus on the development of rural infrastructure in view of its implications for long-term sustainable agricultural growth.
3. Innovative ways of providing access to institutional finance to the agricultural rural poor by promoting micro financing and other initiatives.

RBI and agricultural credit:

The Reserve Bank has advised public sector banks to prepare special agricultural credit plans (SACP) on an annual basis. For the year 2004-2005, the disbursement to agriculture under the plan aggregated Rs 65,218 crores as against the projection of Rs 55,616 crores. As recommended by the advisory committee on flow of credit to agriculture activities from the banking system and announced in Mid-Term Review of annual policy statement for 2004-2005, the special mechanisms has been applicable to private sector bank from 2005-2006.
All banks are advised to fix the special agricultural credit plan (SACP) target for 2005-2006 indicating a growth rate of 30% over disbursement during the year 2004-2005. The public sector banks were also advised to make efforts to increase their disbursements to small and marginal farmers to 40% of their direct advances under SACP by March 2007.

Further, banks were allowed to waive margin / security requirement for agricultural loans up to Rs 50,000 and in the case of agricultural business and agri-clinics for loans up to Rs 5 lakhs. Interest rates on the rural infrastructure development fund (RIDF) were revised downward with softening of interest rate structure over the year. It was decided to continue with the National Agricultural Insurance scheme introduced in rabi season 1999-2000, in its present form for karif and rabi season 2005-2006 onwards.

Innovations in Agricultural Finance:

The micro-finance and kisan credit card (KCC) scheme have emerged as the major policy tools in addressing the problems associated with the distributional aspects of agricultural credit in recent years. In ensuring timeliness and hassle-free operation of the credit availability with minimum transaction cost documentation, the public sector banks had issued 1,83,55,173 KCCs till June 2007.

RBI- Annual policy statement toward Agricultural finance:

To further increasing the flow of credit to agriculture, several measures were announced by the RBI such as

1. Setting up of an expert group to formulate strategy for increasing investment in agriculture
2. Conducting a survey with the help of an outside agency to make an assessment of customer satisfaction on credit delivery in rural areas by banks
3. To increase the limit on loans to farmers through the produce marketing scheme from Rs 5 lakh to Rs 10 lakh under priority sector lending.
**Farm management**

"Farm management mainly consists of economic decisions made by the farmers". Economic decisions are concerned with both practice and scientific principles. The farm management is more complicated than other managements. The farmers are subject to various factors like weather, drought, floods, soil differences which they have no control over. Hence the income of farmers differs due to the above factors. The farmers themselves are mostly responsible for such differences. The efficient management of farm only decide the income of the farmers.

As a farmer, he should study the entire farm activities considering each crop, whether or not it could be replaced by a more profitable one. He should examine whether the live stock units are yielding satisfactory returns for feed, labour and shelter, whether expenditures on labour and equipment too high? He should see whether all farm units are working smoothly together. Even though the units may be doing well he should see whether they are adding to net income of the farm as a whole. It may not be the farmer’s aim to grow maximum paddy, cotton or sugarcane but rather to obtain the greatest possible income. It is true that only a large physical production will make this possible. But that does not guarantee financial success. Success depends on money returns rather than merely high yield. Hence, there is a need for effective sourcing, utilization and finance management.

**Fundamental Resource for farmer**

The land, labour, capital and management are the important resource of farmers. The land includes all natural factors of production. To the farmer, the soil and its fertility climate is the most important consideration for the generation of agriculture yield.

But these are all not always in favour of farmers, hence the agriculture income of the farmer very much affected.

Labour is the active elements of production and the labour used by the farmer may be classified as his own labour, his family labour and hired labour. In order to maximize his income, the farmer should be able to offer his work throughout the year. Labours should be hired only if it will add more to the farm income than amount of wage paid to them.
Due to various reasons, employment of farmers in farm activities are found for few days only and that will affect the income of the farmers.

Capital refers to capital goods such as machine, fertilizer, feeds, livestock, building fences that are used for production. The capital may be classified as fixed capital, movable equipments, livestock and materials.

To acquire these capital goods, the farmers are required adequate finance. Practically, they find lot of hurdle in obtaining the same.

Management is a fourth factor of production. The farmer himself decides as to, what factors of production is to be considered, how much of each is necessary and what form each will take and to decide whether to use more equipments or small amount of labour etc., also he has to decide on equipment, decide what to buy and when and how to market his product etc.,

The Decision making regarding the above is a big problem of small and marginal farmers.

**Problems in Agriculture**

Agriculture is associated with nature to a large extent even today. The climatic conditions, fertility of land, prices, production, trade cycle, finance, marketing etc have a decisive influence on production of agricultural products and the income of the farmers. Some of the important problems of farmers in agriculture are listed below.

1. Irrigation and climate
2. organization of farmers
3. Finance
4. Storage and marketing
5. Deterioration in the fertility of the soil
6. lack of diversification
7. Seasonal and cyclical changes
Irrigation and climate

The climate of a region determines the types of crop that can be grown or the type of animal that can be bred. Further, the availability of irrigation facilities influence not only the type of crops to be grown but also number of times it can be grown in a year. The rain fall is not uniform through out country. This inconsistency of nature to a large extent can be overcome by creating irrigation facilities such as digging wells, tub wells etc.. The creation of irrigation facilities requires huge investment. However, the scarcity of investment resources and increasing cost of agricultural operation, the farmers in general and in particular small and marginal farmers leaving out from agriculture. Hence, this need serious attention.

Organization of farms

The organization of farms is an important factor in determining the development of the tiller of the soil, the agriculture factor. The organization of farms is different in different places.

However, as Doreen Warriner remarks, the need for land reforms must be considered with respect to three aspect such theory of firm, competition and investment. Theory of firm states that large scale operation increases the optimum output of an enterprise, but this is not applicable in case of agriculture. In India, some leading economist have stated “small is not profitable” and yet some others “small is equally profitable as large” through empirical analyzed of size of farms and productivity. Further land reform is required for equitable distribution of income by eliminating monopoly elements such as reduction of rent, fuller use of land and good wage for farm worker7. It concludes that the small land holding increase the cost of production.

Finance

An average farmer is having a hand to mouth existence. The unequal access to finance further aggravates this problem. Farmers not only need adequate finance to carry on their operations, but also timely finance so that the productivity of farms remains without being adversely affected. Hence, the effective source and the utilization of finance by the farmers are inevitable.
Storage and marketing

The facilities of storage are crucial because the farmers are not able to store the products for long period of time. Hence, they market the product soon after the harvest. If, they sell after storing for some time, the product may fetch higher prices. The inadequate marketing facilities, absence of grading, standardization, lack of transportation etc has decisive influence on the net income of the farmers. A comprehensive analysis is required in this area.

Deterioration in the fertility of soil

The degradation of fertility of soil due to repeated cultivation, that too unscientific crop rotation is not realized as a serious problem both in academic circle and by farmers. The fertility of land is reduced by various causes other then repeated cultivation such as soil erosion. The application of chemical fertilizers and pesticides destroys the natural fertility. This factors very much influence in the income generation of farmers.

Lack of diversification

In developing countries like India, the farmers are producing only one subsistence crop because their holding are small. Further, they are not in a position to diversify their enterprise, since they are suffering from poverty. Many other reasons which include sociological and psychological factors also restrict diversification. There is a growing need for diversification of enterprise from one crop to many crops and to increase the income of farmers and provide employment opportunities to unemployed masses. This would be possible for small and marginal farmer if they are ready to invest more.

Seasonal and cyclical fluctuation

It can be analysed from both demand and supply side. Any seasonal /cyclical changes affect the price of the commodity. If there is favourable nature, the agriculture produce floods the market and the farmers find their prices fall and hence their income decreased. This is particularly true in Indian agriculture “ Due to low staying power of the average Indian farmers, there is post harvest glut and price rule low in market” when the nature and other conditions are normal, the farmers find, their prices increased and
realize more income. The deviation in the conditions of nature, will result in severe short fall in production and income. Hence, there is need of right – prediction of nature and related issues.

**Agriculture plan required facing problems**

The farmers are faced the problem of profitable agriculture. To earn adequate income in farm business they should plan the following areas.

1. Size of the land
2. Use of resources
3. Proper balance of capital and labour i.e. rupee spent in wages, rents, interest should yield same return.
4. Avoid risk area, crop
5. Price relationship between crops and livestock product are often changing. Hence, provision should be made readjusting the plan if there is either a crop failure or a bumper crop.
7. Local climates, soil and topography
8. Available marketing facilities
9. Use of modern methods.

While practicing agriculture, the above plans are vital which will help the farmers get more income in their agriculture activities. In the present conditions, the small and marginal farmers are unable to plan well due to various constraints.

**Agriculture risk**

There are several risk factors in agriculture. The risk forecast is a very complicated and hence the farmers need thorough knowledge to predict the risk. The agriculture risks are classified as weather risk, crop disease risk, pest risk, risks arise from fire and price risk.

**Farm budget**

In practice, most of the farmers may not prepare any type of budget before commencing agricultural operation. Farm budget means the farmers expenditure. The
plan for farm operation cannot consist entirely of prices and values, it shares the physical resources which made up the farm determine the amount of crop can be raised.

The farm budget includes estimation of crop system, livestock labour and power. While doing budget, the most profitable size land for each crop as well as a most profitable crop for each size of land to be considered.

"On a given farm, there is one most profitable combination of crops, any change in this combination whether by increasing or decreasing the proportionate size of any enterprises, will result in a decrease in net return"9

Therefore, the farmers must find out what type of product consumer want and select and produce those products for which people are willing to pay satisfactory prices. Many farmers blame the marketing system for not giving them a satisfactory price, where as the real trouble may be that are producing something for which there is no longer a sufficient demand. This will create problems to the farmers while selling the commodity.

There has been a long history of concern regarding agriculture finance. Unlike other sectors, the agriculture sector is a peculiar one. It is the largest livelihood provider, contributes substantially to overall growth and export and above all, it is crucial for country’s food security. Various studies revealed that there is no change in the availability of land for cultivation in the country but the cultivation land size is reduced every year. This is due to very low income in agriculture when compared with other business. If the farmers are shifting or migrating from agriculture to other business or become labour, the statement of “food security” may become false.

Further in the farm industry, majority of farmers are coming under the categories of small and marginal farmers. Their agricultural practices, income, saving pattern are not static one. Even now, the government waving Rs. 60,000 crores as loan waiver and debt relief package that will benefit small and marginal farmer. Clearing the debt in one time, which will not be a permanent solution for these section developments. Hence, the beneficiaries should be made self reliant.
The dependence of small and marginal farmers is still very high on non institution sources. This is because, the increase in share of institution credit has been rather slow. Therefore the key issue now is, how to ensure that the rural credit from institutional sources achieves wider coverage, and expand financial inclusion. Further, their agriculture practices, sources and use of fund, assets position greatly determine their economic position, which contribute lot in the real economic growth.

Further, as the credit off take depends on the willingness and ability of the person to avail loan and the willingness of the banker to lend. Constraints of lender and borrowers are creating big gap in the agriculture financial management. From bank point of view, banks timings, cumbersome documentation and procedures, unsuitable product, communication and staff attitudes are some of the important constraints. The lack of awareness, low income/ assets and small-sized loan demands are some of the borrower side constraints.
REFERENCES
2. Indian agriculture in brief and Agricultural statistics at a glance Directorate of Economics and statistics, department of Agricultural and co operation ministry of Agriculture, of India, New Delhi.