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A study on SBI schemes for agricultural finance with reference to Telangana State

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Abstract

In this paper various agricultural schemes offered by State Bank of India (SBI) had been discussed. The eligibility for agricultural loan, approximate rate of interest and repayment period had been mentioned. This paper provides insights for stakeholders of the agricultural sector in Telangana State. It is also found from this study that farmers in Telangana State are being supported by SBI bank and also by government for making investment in agriculture. Further they are also comfortable with marketing facilities and infrastructure to sell their agricultural produce.

Keywords: Agricultural loans, agricultural finance, SBI Agri loans, agricultural investment, farming.

Introduction

Indian gives high priority to agricultural because majority of the population lives in rural areas and depend on farming and its allied activities. It is believed that development of rural areas is possible with strong support to agriculture. Government of India both at the central and state level had been implementing variety of programmes for supporting agricultural loans. In this regard the present paper described about the agricultural finance schemes by banks with special reference to State Bank of India (SBI) in Telangana State.

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Agricultural loans are any loans that are availed by a farmer to fund seasonal agricultural operations or related activities like animal farming, pisci-culture or purchase of land or agricultural tools. While seasonal agricultural operations routine activities like include preparing and ploughing land for sowing, weeding, and transplantation where necessary, buying inputs such as fertilizers, seeds, insecticides etc. and engaging labour for cultivating and harvesting the crops.

Agricultural Loan Interest Rate

The interest rates charged for agricultural loans can vary significantly based on the type of loan scheme that is opted for and your choice of lender. That said, the interest rates for agriculture loans start at about 8.80% p.a. In addition to the interest rate, agriculture loan borrowers will also have to pay a one-time processing fee which can range from nil to up to 2% of the loan amount, if not more.

Literature Review

Kumar et al (2010) had explained that in Indian agricultural sector institutional credit had been playing a vital role. The quantum of institutional credit availed by the farming households is affected by a number of socio-demographic factors which include education, farm size, family size, caste, gender, occupation of household, etc. Pradhan (2013) had mentioned that rural credit markets in India is characterised by the coexistence of both formal and informal sources of finance and the market is fragmented. It is assessed that the share of rural informal credit in total outstanding debt has been certainly decreasing over the period from 1950 to 2002 with various financial inclusion initiatives of the Reserve Bank and legislations of the various state governments to regulate moneylenders.

Sidhu and Gill (2006) had described that agricultural loans were considered to be economically unviable by rural financial institutions due to low rates of interest on them in the pre-reform period. To promote new technology, the policy of cheap agriculture credit was followed in India. The agricultural credit delivery system has been found wanting with respect to meeting adequately the credit requirements of high tech-high value agriculture and non-crop agricultural activities. Pandit et al (2007) had explained that institutional finance has even a

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greater role to play in a country like India where 80 per cent of the farmers are small and marginal who operate 40 per cent of land and are unable to generate enough farm surpluses and re-invest due to their low level of income.

Kumar et al (2011) had conducted a study on kisan credit card with regard to agricultural finance and observed that Kisan Credit Card (KCC) as a financial product is becoming very popular and successful. All types of banks in India participate in the KCC scheme and the cumulative number of KCCs issued by these banks since the inception of the scheme in 1998-99 stands at about 94 million. However, the interstate variations in the coverage of operational holdings under KCC scheme are glaring and there is an urgent need to expand the coverage to all eligible households. There is considerable unmet demand for rural credit. Local moneylenders continue to provide credit to the rural families, as the reach of institutional agencies to weaker sections has remained poor. Meeting the credit needs of 25 million nonfarm informal sector enterprises continues to be a challenge to the rural financial institutions (RFIs) (Acharya, 2006).

Hoda and Terway (2015) had explained role of microfinance, kisan credit cards and special agricultural credit plan. The role of government for rehabilitation package for farmers had also been explained. Even though there has been an impressive growth in institutional credit since 1951, the dependence of farmers on non-institutional sources for agricultural credit remains as high as 36 per cent in 2013. Mehta et al (2016) had argued that kisan credit card had emerged as an innovative credit distribution system to meet the production credit requirements of the farmers in a timely and easy manner.

Research Objectives

1. To describe about agricultural finance with regard to farmers.
2. To explain various SBI schemes for agricultural finance in Telangana State.
3. To know the support given by schemes for agriculture in Telangana State.

Schemes of SBI for Agricultural Finance

State Bank of India (SBI) had been supporting agriculture in India through various modes of agricultural finance. SBI gets directions from the government for giving agricultural finance to farmers to meet variety of needs while doing agriculture. The major categories of agricultural

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finance schemes offered by SBI are Agricultural banking, Farm mechanization loan, Allied activities, miscellaneous activities and Agri Debt Waiver/ Relief Scheme, 2008.

Table 1: Schemes for Agricultural Finance

Scheme	**Sub Scheme**	**Eligibility**	**Rate of Interest (per annum)**	**Repayment Period**
Agricultural Banking	Kisan Credit Card (KCC)	Based on cost of cultivation	7%	Fixed on anticipated harvesting
	Gold Loan	Based on gold weight	7% upto 3 Lac	One year
Farm Mechanization Loan	Tractor Loan	Duly executed land documents	11.35%	36 months
	Combine Harvester Loan	Farmer should have minimum 8 acres of land	11.85%	9 months
	Drip Irrigation	Should have own loan	11.85%	5 to 13 years
Allied Activities	Dairy Loan	Supplying 1000 litres of milk to union	11.85%	60 months
	Poultry Loan	Adequate experience	11.85%	5 Years
	Fisheries	Professional fisherman	11.85	48 months

(Source: Compiled by the researcher from SBI Website)

Table 2: Miscellaneous Schemes by SBI for Agricultural Finance

Scheme	**Purpose**
Produce Marketing Loan	• To help farmers avoid distress sale of their produce • To enable prompt repayment of crop loan dues and provide liquidity to

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	farmers to meet contingency needs. • To offer the facility of loan against the stocks stored in farm houses, in addition to loan against warehouse receipts.
Land Purchase Scheme	To assist Small & Marginal farmers and landless agricultural labourers for purchase of Land, who are our existing borrowers to consolidate land holdings & development of Wasteland & fallow lands.
Agri Clinic and Agri Business Centres	The scheme is to provide self employment opportunities to technically trained persons and to augment extension services for agriculture.
SBI Krishak-Uthaan Yojana	This scheme is to provide short term production and consumption credit to meet Genuine requirements of tenant farmers, share croppers and oral lessees who do not have recorded land records and where there is no written undertaking/ document available to substantiate raising of crops by the tenant farmer/ share cropper/oral lessee. It will help increase their income from agriculture production activities.
Debt Swapping	To extend finance to farmers for paying off loans taken from non-institutional lenders (e.g. money lenders etc.) and to enable such farmers in distress, meet their crop production needs.

(Source: Compiled from SBI website by researcher)

Telangana has done the first direct benefit transfer to farmers under the Rythu Bandhu Scheme, where the agriculturists are supported for having two crops per year, it said. A dip in rural inflation is the prime reason to support farmers, it said, pointing out that it has dipped below the two per cent mark. At least 47 lakh farmers are directly benefitted by the direct transfer through Rythi Bandhu Scheme in Telangana State.

The State Bank of India (SBI) accommodates the needs of farmers and landless agricultural labourers through a network of around 6600 rural and semi-urban branches. There are 972 specialized SBI branches for the development of agriculture. These branches cover a wide range of agricultural activities such as crop production, horticulture, plantation crops, farm

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mechanization, land development, irrigation projects, forestry, godowns, processing of agri-products and allied activities like dairy, fisheries, livestock rearing and sericulture.

H1: There is an association between awareness on various schemes and having bank account

Table 3: One-Way ANOVA

Awareness of schemes

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.845	1	0.845	1.390	0.244
Within Groups	29.175	48	0.608		
Total	30.020	49			

(Source: SPSS Output)

H1 is rejected because p-value in Table 3 is more than 0.05. Hence there is no association between awareness on various schemes and having bank account among the farmers.

Table 4: One-way ANOVA

Awareness of schemes

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	16.320	3	5.440	18.266	.000
Within Groups	13.700	46	.298		
Total	30.020	49			

(Source: SPSS Output)

H2: There is an association between age group and having awareness on agricultural finance schemes.

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H2 is accepted because p-value in Table 4 is less than 0.05. Hence there is an association between age group of farmers and their level of awareness on various agricultural finance schemes.

Discussion and Conclusion

It is found from this study that lot of agricultural finance schemes are available to the farmers in Telangana State from SBI. Government of Telangana is also implementing Rythu Bandhu scheme for giving investment towards agriculture through direct transfer into farmers savings accounts. The eligibility for loans for various agricultural activities have been explained in this paper. The political, government and banking environment for farmers is very positive for farming in Telangana State. SBI had also given loan waiver to the eligible borrowers according to Relief Scheme of 2008.

Future Research

In this study the schemes have been discussed offered by SBI for agricultural finance. The schemes of SBI can be compared with selected private sector banks with regard to interest rate and repayment period. The perception of farmers towards various schemes can be verified empirically in future. The trend of interest rate on various schemes for the selected period of last 10 years can be analyzed so that future interest rates can be projected.

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