

Chapter 8

Behind the Barriers: Identifying Critical Credit Access Challenges in Agri–Business Sector of India

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ABSTRACT

Agricultural credit provision plays a vital role for farmers, producers, and business entrepreneurs giving them access to the funds for multiple purposes. The research culminates in the development of a conceptual model that outlines the multifaceted challenges confronted by the Indian agricultural industry while accessing the credit for their sustainable development. In the present study, thorough analysis has been done with the help of AHP technique to find out the identified key challenges which hinders the establishment and growth of agri-business activities in rural sector of India. This document will be helpful to the small agri-businessmen, rural agri-entrepreneurs, and producers while getting credit facility by the banks and other financial institutions. It will also be helpful to government and policy makers to overcome these challenges, so that proper coordination among financial markets, agri-entrepreneurs, and government will be established. It would further influence and encourage the investors to invest in agri projects on a massive scale in future.

INTRODUCTION

Rural Credit is considered as an instrumental support in achieving the goal of 'zero poverty', being the first Sustainable Development Goals (SDGs). However, formal financial institutions predominantly serve affluent, educated households from higher social strata, leaving out the weaker sections who are in greater need of credit, (Aditya, K. S. et al. 2019). Agricultural credit is considered as a prime enabler for business expansion in rural sector. It supplies the financial means which help farmers and producers to invest in growth-focused activities by allowing them to boost in production, to introduce new technologies, expand new businesses and explore new markets. So far the sources of rural credit are concerned, it can be of two types, namely, institutional and non-institutional sources. The institutional sources include

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NABARD, commercial banks, Cooperative Credits, RRBs (Regional Rural Banks), LDBs (Land Development Banks), Micro Finance Institutions etc. On the other hand the informal or non-institutional credit sources include the loans taken from the money lenders, village traders, commission agents, relatives, land lords etc. The provision of agricultural credit bring diversified scope of activities like capital for rural investment, crop diversification, commercialization of agriculture, infrastructure development, technological adoption, market facilitation, fostering innovation, research and development, trade and sustainable practices .The agricultural production process is inherently biological, leading to extended transition periods and creating a significant delay between investment and income generation. To boost production, farmers need to invest in modern inputs, which require provision of credit either from savings or through borrowing. Therefore, a greater flow of institutional credit is crucial for accelerating agricultural growth. However, developing the rural financing market is complex because agriculture is fragmented, geographically dispersed, heavily influenced by climate conditions, partially commercialized, and lacking in essential socio-economic and institutional infrastructure. Despite these challenges, agriculture in India has been given priority status for institutional financing, especially after the bank nationalization era, (Harisha, B. N. 2017).As the world evolves, agribusiness will continue to play a key role in addressing critical issues concerning to food production, distribution, consumption, economic growth and sustainability. Agribusiness is essential for feeding the world's expanding population, tackling food security challenges, and fostering economic growth of a nation. Agribusiness covers a diverse array of activities, including growing crops, raising livestock, processing agricultural products, distributing food, marketing, and providing support services. It combines cutting-edge technologies, inventive practices, and effective supply chain management to enhance productivity and profitability. Agribusinesses vary in size from small family farms to major multinational companies, each playing a distinct role in the agricultural industry. Agri-business is shaped by a variety of factors, such as climate conditions, consumers choices and preferences, producer ability and willingness to invest and government policies and regulations, technological adoption, international trade and agreements. To succeed, agribusinesses must effectively navigate these influences and should be financially well-equipped to attain sustainability and adapt to the dynamism of the world.

LITERATURE REVIEW

Agriculture is considered as the mainstay of life, where 47 per cent of the population is dependent on agriculture for livelihood (The Economic Survey of India 2021). To achieve a successful agricultural transformation, the focus has to be given for agricultural mechanization, skill development, competitive pricing models, adoption of innovative technology, climate smart practices, secured land ownership, agricultural diversification, public policy and investment. Hence, agricultural transformation will require setting up institutions that can provide support in various areas, such as: assisting small-scale farmers with resources and training, promoting regional development through strategic projects, rehabilitating degraded lands and replanting to increase agricultural productivity, facilitating marketing to ensure farmers can reach broader markets, encouraging specialization in specific crops for increased efficiency and bringing added values to the entire sector, Nyoni, J. (2021). However, a key factor behind agriculture's under performance has been credit inadequacy followed by low institutional and poor rate of investment. The transition from extensive farming practices to innovative farming requires huge investment, which creates demand for rural credit facilities. It further contributes to employment and income generation indirectly by provid-

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