

(MODEL ANSWER)
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SEMESTER END THEORY EXAMINATION
B.Sc. (Hons.) Agriculture

Semester : IV (NEW)	Term : II	Academic Year: 2020-21
Course No. : ECON-242	Course Title: Agricultural Finance and	
Credits : 3 (2+1)	Co-operation.	
Day & Date : 11.11.2021	Time: 2.00 Hrs.,	Total Marks: 80

Note:

1. Solve ANY EIGHT questions from SECTION - A
2. Solve ANY TWELVE questions from SECTION - B
3. All questions from SECTION - C are compulsory
4. Send the PDF file of answer sheet to the email id of respective course teacher

SECTION - A

(Write the answers in 4-5 sentences only. Each question carries 4 marks)

Q. 1. Write the importance of agricultural finance.

Ans:-Importance:

- 1) Application of new technological inputs obtained through farm finance helps boost agricultural productivity.
- 2) Farm finance can also contribute to reduction in regional economic imbalance and is equally good at narrowing down the inter-farm assets and wealth variation.
- 3) Farm finance is not just a science to manage the money, but is an applied science of allocating scarce resources to derive the optimum output.
- 4) It is a lever with forward and backward linkages to the economic development both at macro and micro levels.
- 5) The role of farm finance in strengthening and development of both input and output markets in agriculture is Crucial and significant.
- 6) Indian agriculture is still, Traditional, Subsistence and stagnant in nature, hence agriculture finance is needed to create the supporting infrastructure for adoption new technology.

Q. 2. Discuss the classification of credit on the basis of time.

Ans:-Classification of credit: Based on time.

This classification is based on the repayment period of the loan. It is subdivided into 3 types.

- 1) Short-term loans
- 2) Medium-term loans
- 3) Long-term loans

Q. 3. State the co-operative credit structure in India.

Ans.: 1) Three-tier system (Short term and medium term loan)

- a) State Co-operative Bank - at Apex level
- b) District Central Co-operative Bank - at District level
- c) Primary Agricultural Co-operative Credit Society – at Village level

2) Two-tier system (long term loan)

a) Central land Development Bank – at state level

b) Primary land Development Bank – at District level

Q. 4. Enlist the methods of project appraisal. Explain in brief the net present worth with suitable examples.

Ans:- 1) Net Present Worth 2) benefit Cost Ratio 3) Internal Rate of Return 4) Profitability Index

$$NPW = P_1 / (1+i)^{t_1} + P_2 / (1+i)^{t_2} + \dots + P_n / (1+i)^{t_n} - C$$

Where P_1 = Net cash flow in first year

i = Discount rate

t = time period

C = Initial cost of the investment

Q. 5. Elaborate the functions and management of regional rural bank in brief.

Ans:- Functions: The main functions are

To grant loans and advances particularly to small and marginal framers agricultural labourer, cooperatives societies, cooperative farming societies, for agricultural purposed artisans small enter pruners etc. Within the operational area of RRB. They have been asked to extend other banking facilities like issue of drafts, collection of chaques etc.

Management: The management of bank is in the hands of board of directors numbering eight, headed by chairman, who is an officer of sponsoring bank of the eight directors, three are nominees of the sponsoring bank, to from the state Government dealing with the district development programmes and three from the central Government. The RRB are sponsored by commercial bank

Q. 6. Explain in brief 3R's of credit.

Ans:- These three financial aspects are known as 3R's of credit, which are as follows.

1) Returns from the proposed investment

2) Repayment capacity the investment generates

3) Risk-bearing ability of the farmer-borrower

The 3R's of credit are sound indicators of credit worthiness of the farmers.

Q.7. What is the different sources of agricultural credit? Write on the Professional moneylender in brief.

Ans:- Sources of Agril. Credit

1) Non institutional Credit-

a) Professional money lender

b) Non-Professional money lender

2) Institutional Credit

a) Government (Taccavi Loan)

b) Cooperative credit agencies

professional money lender

- 1) Closeness of lenders with borrowers
- 2) Simple method of advancing loan
- 3) Flexibility in the method of loan advancement according to situation and person.
- 4) No fixed hours of working one can go them at any time.
- 5) Do not insist upon any particular type of security for grant of loans.
- 6) Loans can be granted for any purpose.

Q. 8. Write the principles of co-operation. Explain any two in brief

Ans:- Principles of cooperation

- 1) Voluntary association or open membership
- 2) Democratic organization
- 3) Distribution of profit or surplus
- 4) Limited interest on Capital
- 5) Co-operation amongst the cooperatives
- 6) Self help and mutual help
- 7) A spirit of service or not profit motive
- 8) Cooperation education
- 9) Political and religious neutrality
- 10) Principle of thrift
- 11) Principle of honorary service
- 12) Principle of publicity

Q. 9. State the different types of repayment plan. Explain any two in brief

Ans:- The various Repayment plans, in a particular time are listed and explain below.

- 1) Single Repayment plan.
- 2) Partial repayment plan.
- 3) Amortized repayment plan
- a) Amortized decreasing repayment plan
- b) Amortized even repayment plan
- 4) Variable repayment plan
- 5) Optional repayment plan
- 6) Reserve repayment plan

Q.10. Short notes on. (ANY TWO)

- 1) Functions of MFAL
- 2) Cooperative Bank Organization
- 3) NABARD

Ans:-1) Function of MFAL:

- 1) To identify eligible farmer and agril. Laboures.
- 2) To investigate their problems and offer relevant solutions
- 3) To formulate economic programme
- 4) To promote rural industries
- 5) To evolve adequate institutional, financial and administrative arrangements for implementing programme
- 6) To organize labour contracts.
- 7) To construct and develop minor irrigation structures
- 8) To establish facilities for storage

2) Objective and Function Cooperative Bank Organization

Objective: The main objective of the Apex Bank is to coordinate the work of the Central Bank, and to link cooperative credit societies with the general money market and the Reserve Bank of India. These banks work as real pillars of the cooperative movement in the state. They act as

potential source of credit for seasonal and emergence needs of their members.

Function: 1) They act as bankers bank to the central cooperative bank in the districts 2) They coordinate their own policies with those of the cooperative movement and the government. 3) They form connecting link between the cooperative credit societies and the commercial money market and the R.B.I. 4) They formulate and execute uniform credit policies for the cooperative movement as a whole. 5) They act as a clearing house for capital.

3) NABARD

National bank of Agricultural and Rural Development (NABARD) was set up in July 1982. It took over from RBI all the functions that latter performed in the field of rural credit. ADRC which was set up in 1963 to meet the long term credit need of the rural areas has also been merged with NABARD is Rs 500 crores and paid up capital is Rs. 100 crores (contributed equally by RBI and Govt. of India).

Two funds have been set up in NABARD viz. National Rural Credit (Long term operations) Fund and the National Rural Credit (stabilized) Fund.

SECTION – B

(Write the answers in one sentence only. Each question carries 2 marks)

Q. 11. Answer in one sentence/Do as directed/Define etc.

- a) The loans are advanced by the Government to the farmers for land improvement and distress relief are known as taccavi loans- **True**
- b) Crop loans are self –liquidating loans- **True**
- c) “One man and one vote” is the important principle of cooperation- **True**
- d) **Direct loan:-** Loan extended to the farmers directly
- e) **Repayment capacity:-** Repayment capacity is nothing but the ability of the farmers to repay the loan obtained for the productive purpose within in a stipulated time period as fixed by the lending agency
- f) **Agricultural Finance:-** As a branch of agricultural economics, which deals with the provision, and management of bank services and financial resources related to individual farm unit.
- g) **Cooperation:-** Is a form of organization in which persons voluntarily associate together on the basis of equality for the promotion of their economic interest
- h) **Credit/Loan:-** Is certain amount of money provided for certain purpose On certain conditions with some interest, which can be Repaid sooner or later
- i) **IRR:-** Internal Rate of Returns
- j) **PLDBS:-** Primary Land Development Banks
- k) **DCMS:-** District Co-operative Marketing Societies
- l) **SHGs:-** Self Help Groups

- m) **LAMPS:-** Large-Sized Adivasi Multipurpose Cooperative Societies
n) **NAIS:-** National Agricultural Insurance Scheme

SECTION - C

(Choose the correct option. Each question carry 1 mark)

Q.12. Choose the correct answers from the following multiple choice questions.

- 1) Loan obtained from pawn brokers by pledging movable property are called-----loan.
 - a) Term
 - b) Production
 - c) **Chattel**
 - d) All the above
- 2) Loan advanced to the agro-input manufacturing industries are called--
 - a) Open loan
 - b) Key loan
 - c) Direct loan
 - d) **Indirect loan**
- 3) Repayment period for long term loan is -----
 - a) 1 to 2 years
 - b) 2 to 5 years
 - c) 1 to 4 years
 - d) **5 to 20 years**
- 4) The ability of the farmer to withstand the risks that arises due to Financial loss is-----
 - a) Repayment capacity
 - b) **Risk bearing ability**
 - c) Returns from investment
 - d) None of above
- 5) Rate of interest changed under DIR scheme is -----
 - a) 1%
 - b) **4%**
 - c) 2%
 - d) 6%
- 6) The first Co-operative Societies act was passed in the year-----
 - a) 1902
 - b) 1903
 - c) **1904**
 - d) 1905
- 7) First land mortgage bank in 1920 established at-----
 - a) Karnataka
 - b) Bihar
 - c) West Bengal
 - d) **Punjab**
- 8) The world trade organization was established in the year-----
 - a) 1992
 - b) 1998
 - c) **1995**
 - d) 1997
- 9) ----- loans are given for purchase of equipment whose productivity is distribute over more than one year
 - a) **Investment loan**
 - b) Marketing loan
 - c) Consumption loan
 - d) None of the above
- 10) The IMF was constituted in the year-----
 - a) 1976
 - b) 1978
 - c) 1945
 - d) **1944**
- 11) Loan advance against some security by the barrower are-----
 - a) **Secured loan**
 - b) Unsecured loan
 - c) Marketing loan
 - d) None of the above

- 12) FSSs were established on the recommendations of -----
a) Bawa committee
b) **NCA**
c) Nariman committee
d) Venkatappaiah committee
- 13) The Under IRDP, Schedule tribe are eligible to receive a subsidy of-----
a) 25%
b) 33.33%
c) **50%**
d) 60%
- 14) NABARD was established in the year-----
a) 1981
b) 1985
c) **1982**
d) 1983
- 15) RRB was established on pilot basis in -----
a) 2nd October 1972
b) 2nd October 1976
c) **2nd October 1975**
d) 2nd October 1971
- 16) LAMPS were organized for the first time in-----
a) December 1970
b) **December 1971**
c) December 1972
d) December 1973
- 17) The link between state Co-operative Bank and PACCS is----
a) CLDB
b) PLDB
c) SCB
d) **DCCB**
- 18) The Reserve Bank of India was established in the year-----
a) **1935**
b) 1936
c) 1937
d) 1938
- 19) International Monetary Fund was established on-----
a) December 1944
b) **December 1945**
c) December 1946
d) December 1947
- 20) DIR scheme is implemented by commercial bank in the year-----
a) 1974
b) **1975**
c) 1976
d) 1979
- 21) CIS stands for-----
a) **Crop Insurance Scheme**
b) Credit Investment scheme
c) Central Insurance Scheme
d) Cash- Investment scheme
- 22) IDA stands for---
a) Integrated Dry-land Agriculture
b) Industrial Development Authority
c) Indian Development Association
d) **International Development Association**
- 23) Fourteen major commercial banks were nationalized in the year-----
a) 1968
b) 1967
c) **1969**
d) 1966

- 24) A legal transfer of ownership of property from a debtor or creditor is
- a) Recovery
 - b) Repayment
 - c) Outstanding
 - d) **Mortgage**

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