

**MAHARASHTRA AGRICULTURAL UNIVERSITIES EXAMINATION BOARD, PUNE**  
**SEMESTER END THEORY EXAMINATION**

**B.Sc. (Hons.) Agriculture**

Semester	: IV (New)	Term	: II	Academic Year	: 2022-23
Course No.	: ECON-242	Title	: Agricultural Finance and Co-operation		
Credits	: 3 (2+1)				
Day & Date	:	Time (hrs.)	: 3 hrs.	Total Marks	: 80

- Note :**
1. Solve **ANY EIGHT** questions from **SECTION "A"**.
  2. All questions from **SECTION "B"** are compulsory.
  3. All questions carry equal marks.
  4. Draw neat diagrams wherever necessary.

**SECTION 'A'**

Marking  
scheme  
(8)

**Q.1** Define Agricultural Finance. Write the importance of agricultural finance

**Ans:** Agricultural Finance is a branch of agricultural economics, which deals with the provision, and management of bank services and financial resources related to individual farm unit.

**Importance:-**

- 1) Agricultural finance assumes vital and significance importance in the agro-socio-economic development of the country both at macro and micro level.
- 2) It is playing catalytic role in strengthening the farm business and augmenting the productivity of scarce resources. When newly developed potential seeds are combined with purchased inputs like fertilizers and plant protection chemicals in appropriate/requisite proportion will result in higher productivity.
- 3) Use of new technological inputs purchased through farm finance helps to increase the agricultural productivity.
- 4) Accretion to in farm assets and farm supporting infrastructure provided by large scale financial investment activities result in increased farm income levels leading to increased standard of living of rural masses.
- 5) Farm finance can also reduce the regional economic imbalances and is equally good at reducing the inter-farm asset and wealth variations.
- 6) Farm finance is like a lever with both forward and backward linkages to the economic development at micro and macro level.
- 7) As Indian agriculture is still traditional and subsistence in nature, agricultural finance is needed to create the supporting infrastructure for adoption of new technology.
- 8) Massive investment is needed to carry out major and minor irrigation projects, rural electrification, installation of fertilizer and pesticide plants, execution of agricultural promotional programmes and poverty alleviation programmes in the country.

**Q.2** Enlist the classification of credit & Explain on the basis of Security. (8)

**Ans:** Enlist classification of credit:

**1) Base on purpose**

- i) Production loans
- ii) Investment loans
- iii) Marketing loans
- iv) Consumption loans

**2) Based on time**

- i) Short-term loans
- ii) Medium-term loans
- iii) Long-term loans

**3) Based on Security**

**A) Secured loans**

- a) Personal Security
- b) Collateral Security
- c) Chattel loans

- d) Mortgage : (i) Simple (ii) Equitable
- e) Hypothecation: (i) Key loans (ii) Open loans

### **B) Unsecured Loans**

- 4) **Based on Liquidity:** (i) Self -liquidating loans (ii) Partially -liquidating loans
- 5) **Based on Activity Orientation**
- 6) **Based on Approach:** (i) Individual approach (ii) Area Approach (iii) DIR loans
- 7) **Based on contact with the farmers:** (i) Direct loans (ii) Indirect loans

Q.3 What are the different sources of agricultural finance? Explain the professional moneylender. (8)

Ans: Sources of Agricultural Credit

#### **1) Non institutional Credit-**

- a) Relatives b) Landlords c) Agriculturist moneylenders
- d) Professional moneylenders e) Traders

#### **2) Institutional Credit-**

- a) Government (Taccavi Loan)
- b) Cooperative credit agencies and commercial banks

#### **Professional money lender**

- i) Closeness of lenders with borrowers
- ii) Simple method of advancing loan
- iii) Flexibility in the method of loan advancement according to situation and person.
- iv) No fixed hours of working one can go them at any time.
- v) Do not insist upon any particular type of security for grant of loans.
- vi) Loans can be granted for any purpose.

Q.4 State and explain the different types of repayment plan. (8)

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.5 Explain in brief the principles of farm finance. (8)

Ans: The increased role of financial institutions due to technological changes on agricultural front necessitated the evolving of principles of farm finance, which are expected to bring not only the commercial gains to the bankers but also social benefits. The principles so evolved by the institutional financial agencies are expected to have universal validity. These principles are properly called as 7 Ps farm credit and they are

- 1) Principle of productive purpose
- 2) Principle of personality
- 3) Principle of productivity
- 4) Principle of phased disbursement
- 5) Principle of proper utilization
- 6) Principle of payment
- 7) Principle of protection

Q.6 State and explain the co-operative credit structure in India. (8)

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

- a) State Co-operative Bank - at State 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 Taluka level
- Q.7 Describe in short the causes of poor repayment capacity of the Indian farmers and Give measures to strengthen the repayment capacity. (8)

**Ans: Causes of poor repayment capacity of the Indian farmers**

- i) Small size of holdings.
- ii) Low productivity and production.
- iii) Price fluctuation of agricultural commodities.
- iv) High family expenditure.
- v) Using farm credit for unproductive purpose.
- vi) Low farmers equity.
- vii) Poor management of farm resources.
- viii) Lack of adoption of improved technology.

**Measures to strengthen the repayment capacity**

- i) Increasing the owner's equity/net worth.
- ii) Reducing the farm and family expenditure.
- iii) Developing moral character i.e. honesty, integrity, dependability and feeling the responsibility etc. All these qualities put together are also called as credit rating.
- iv) Undertaking the reliable and stable enterprises (Enterprises giving guaranteed and steady income).
- v) Improving the ability to borrow the funds during good and bad time of crop production.
- vi) Improving the ability to earn and save the money.
- vii) Taking up of crop, livestock and machinery insurance.

- Q.8 Describe the functions and management of regional rural banks. (8)

**Ans: Functions:** The main functions are

To grant loans and advances particularly to small and marginal farmers agricultural laborers, cooperatives societies, cooperative farming societies, for agricultural purposed artisans small enterpruners 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, two from the state Government dealing with the district development programmes and three from the Central Government. The RRB are sponsored by commercial bank

- Q.9 Enlist the principles of co-operation and explain any four. (8)

**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.10 Write short notes on(ANY TWO) (8)

- |                      |   |  |
|----------------------|---|--|
| 1) Functions of MFAL | 2) Cooperative movement in India during Pre- Independence Era | 3) Advantages of Crop Insurance Scheme |
|----------------------|---|--|

**Ans:1) Function of MFAL:**

- i) To identify eligible farmer and agril. Laboures.
- ii) To investigate their problems and offer relevant solutions

- iii) To formulate economic programme
- iv) To promote rural industries
- v) To evolve adequate institutional, financial and administrative arrangements for implementing programme
- vi) To organize labour contracts.
- vii) To construct and develop minor irrigation structures
- viii) To establish facilities for storage

## 2) Cooperative movement in India during Pre-Independence Era:

The cooperative movement in India during pre-independent era can be divided into four phases viz.,

- 1) Initiation phase (1904-1911)
- 2) Modification phase (1912-1918)
- 3) Expansion phase (1919-1929)
- 4) Restructuring phase (1930-1946)

## 3) Advantages of Crop Insurance Scheme:-

- 1) It stabilizes the farm business during the period of crop failure.
- 2) The farmer can act much more confidently in farm business as there is protection against hazards of farming.
- 3) It prevents the farmers to approach non-institutional agencies during the periods of failure.
- 4) It enhances the use of modern inputs to boost the productivity in agriculture.
- 5) In high-risk areas it serves as a catalyst in bringing areas under cultivation which otherwise would have remained uncultivable.

### SECTION 'B'

Q.11 Elaborate the following abbreviations:

(8)

- Ans:
- 1) IMF : International Monetary Fund.
  - 2) NPA : Non Performing Assets.
  - 3) IBRD : International Bank for Reconstruction and Development.
  - 4) DICGC : Deposit Insurance and Credit Guarantee Corporation of India.
  - 5) SGSY : Swarnajayanti Gram Swarozgar Yojana
  - 6) DLTC : District Level Technical Committee
  - 7) SHGs : Self Help Groups
  - 8) KCC : Kisan Credit Card

Q.12 Fill in the blanks :

(8)

- Ans:
- 1) The word 'credit' came from Latin word Credo.
  - 2) Repayment period for short term loan is 6 to 18 months.
  - 3) The macro finance pertains to financing agriculture in the aggregate.
  - 4) The Reserve Bank of India was established in the year 1935.
  - 5) First cooperative societies act was passed in the year 1904.
  - 6) Loan obtained from pawn brokers by pledging movable property are called Chattel loan.
  - 7) Money lender comes under non-institutional agency.
  - 8) Direct loan is extended to the farmers directly.

◆◆◆◆◆◆◆◆◆◆

Signature:

Name of Course Instructor: Dr. V. J. Rathod  
Designation: Assistant Professor  
Mobile No.: 9423852093  
E-mail ID: vinod171971@gmail.com

Signature:

Name of Head/ Incharge: Dr. N. V. Shende  
Designation: Head  
Mobile No.: 9823274574  
E-mail ID: nvshende73@gmail.com

Head,  
Deptt. of Agril. Economics & Statistics  
Dr. P.D.K.V., Akola