



A STUDY ON THE PROCEDURE & DIFFERENTIAL INTEREST RATE OF AGRICULTURAL LOAN PROVIDING SMALL AND MEDIUM FARMERS IN TAMILNADU.

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ABSTRACT

Agricultural loans are availed by a farmer to fund seasonal agricultural operations or related activities like animal farming, purchase of land or agricultural tools, ploughing land for sowing, weeding, and transplantation where necessary, buying inputs such as fertilizers, seeds, insecticides and engaging labour for cultivating and harvesting the crops. In addition storage of produce and transport also are included under purview of agricultural loans. However, banks usually finance purchase of land within a radius of 3 to 5 Kms of their residence or within village boundary. Farmers who own less than 2.5 acres of irrigated land or 5 acres of non-irrigated land, i.e.-marginal and small farmers-are eligible to buy land by availing a bank loan. Sharecroppers and tenant farmers can also be covered under the scheme but the procedure agricultural loan providing small and medium farmers is tedious. So they are frustrated and chance to quit doing the farming activity. The lack of awareness in different interest rate, scheme introduced by government, changing procedure and policy in loans, etc., leads problem of getting agriculture loan.

KEYWORDS : Agriculture loan, procedure of loan, interest rate,

Introduction

Agriculture loans are generally low interest loans that farmers can avail to run their farming business, buy agricultural land or farming equipment. Overall, it helps farmers run their business more efficiently. In India, most commercial banks, co-operative societies rural and urban, provide agricultural loans to farmers. Agriculture in India forms a major part of the Indian economy. Hence, agriculture sector has been given priority lending status. Banks and other major lenders offer agricultural loans to farmers at lower interest rates as compared to other loans. As per the instructions of Govt. of India, crop loans up to Rs. 3 lakh are being disbursed at the interest rate of 7% p.a. The Government also provides interest subvention of 3% p.a. to those who repay their dues, thus effectively offering the crop loan at 4% p.a. Crop loans beyond Rs. 3 Lakh are being disbursed by the banks at the rate of interest as per RBI norms and the bank's lending policies.

Objectives of the study

1. To identify the Procedure & differential interest rate of agricultural loan providing small and medium farmers in Tamilnadu.
2. To give the interest rate ranges of agricultural loan.
3. To identify the problem of sanction of loan.

1. Procedure for getting agricultural service connection

1.1 An agriculture loan could potentially help the farmer to:

- Purchase agricultural land.
- Purchase farming equipment and cover operating expenses
- Purchase livestock
- Cover storage/warehouse expenses
- Help with the marketing expenses

1.2 Collateral requirement:

As per the terms and instructions of the RBI, no separate security is required for crop loans up to Rs. 1 Lakh. For crop loans extending beyond Rs. 1 lakh, security might be required and the kind of collateral is decided by the individual bank as per RBI guidelines.

1.3 Procedure for sanctioning loan

Agricultural service connections are affected every year based on the target given by the Government and based on the application registration seniority. The applicant should fill up the application as per the format enclosed. The following documents should be attached along with the application.

1.4. Documentation Required for Agricultural Loan

Banks sanction both long-term and short-term agricultural loan to

farmers. Documentation is relatively simpler to make the process hassle-free for farmers. However, the following basic documentation is required:

The required documents can vary from bank to bank and it is best to contact your lender directly.

1. Valid Identity Proof – Voter ID Card / Aadhar Card / Ration Card / PAN Card Passport / Driving License
2. Valid Address Proof – Lease / Rent Agreement / Passport / Driving License / Ration Card, / Utility bill (not more than 3 months old) / Bank Statement
3. Land ownership proof-records of rights, revenue receipt etc
4. Patta copy and chitta extract and A-Register extract for the agricultural land
5. RSR Tax and Accounting Report
6. Adangal record is the extract from A-Register, maintained by VAO Office
7. FMA report (Financial management assessment report)
8. Toposheet (Topographic maps conventionally show topography or land contours by means of contour lines.
9. Getting no due certificate from neighbor banks
10. The loan beyond Rs50,000 collateral security is must
11. Farmer card
12. Kisan Credit Card- This is a card issued to all farmers including small and marginal farmers, tenant farmer, share croppers and oral lessees

Please note that required documents may vary from bank to bank.

1.5 Agricultural Loan Eligibility:

Agricultural loans are extended to all types of farmers in India. It is offered to small and marginal farmers, tenant farmer, share croppers and oral leases., Cooperation and Food departments issued a government order waving agricultural loans for small farmers who are landholding ranging from 2.5 acre to 5 acre. The government order mentions the following:

As per the Tamil Nadu Cooperative Society's Act, farmers who are involved in investigations, scandals and criminal activities are not eligible for farm loan waiver scheme. Farmers who have got loans by false, fabricated documents are not eligible for farm loan waiver scheme.

The scheme would be applicable to entire outstanding principal, interest, penal interest and all other charges relating to crop loans as

on March 31 this year. For the agricultural loans, if subsidy was received under any government scheme, it would be deducted and the remaining amount only would be waived. Short-term crop loans, short-term agricultural crop loans issued with the pledge of jewels will also be waived. The loans obtained without any harvest will not be waived.

1.6 Agricultural Loan Interest Rate:

As per government notification, for crop loans the rate of interest and collateral requirement is as follows:

On crop loans: For 2013-14, as per Govt of India notification, crop loans worth Rs. 3 lakh or below would carry an interest rate of 7% p.a. For those farmers promptly repaying loans, Govt. of India also provide allows interest subvention of 3% p.a-effectively bringing down interest rate to 4% p.a.

Crop Loans beyond Rs. 3 Lakh, banks charge interest rate as approved by RBI and other conditions as approved by their Board of Directors.

As per RBI directive, crop loans till an amount of Rs. 1 lakh require no security. Loans over Rs. 1 lakh may require security as per the lending banks terms and conditions.

Post-harvest: Post-harvest loan is available to farmers at a concessional rate of 7% with interest rate subvention. For farmers availing post-harvest loan against the negotiable warehouse receipts, the banks may charge interest at commercial rates.

For land purchase: Banks extend credit for purchase of land within 5 km of the farmers residence at interest rate as determined from time to time. There is no margin for such loans up to Rs 50,000 and amounts higher than this require a margin of 10%. The land is supposed to mortgaged in favour of the Bank and is considered the security

1.7 How to calculate EMI for an agricultural loan

Anyone willing to apply for an agricultural loans can fill in a few details like agricultural loan amount required, rate of interest and tenure and can know the exact equal monthly installment to know how much they would be paying for each month. The EMI calculator also lets you know the schedule of repayment of your agricultural loan-i.e how much is paid, what remains to be paid and the total interest paid.

1.8 Effects of the Union Budget Meeting 2017-18 on Agriculture Sector

The Union Budget Meeting for the financial year 2017-2018 was held on the 1st of February, 2017 and was headed by the Finance Minister of India, Arun Jaitley. In the meeting, a lot of importance was given to 10 different sectors of the economy, namely infrastructure, agriculture, health care for the poor and the underprivileged, rural population, youth of the country, financial sector, accountability, fiscal management, tax administration, and public services.

The Highlights of the Union Budget Meeting 2017-18 on Agriculture are as follows:

- The Union Budget Meeting 2017-18 stated that farmers should be made to feel safe and secure against natural calamities.
- The Finance Minister also stated that Rs.10 lakh crore is allocated as credit to farmers in India. These loans will have 60 days interest waiver.
- The NABARD fund was raised to Rs.40,000 crores which is another main decision that was made in the Union Budget Meeting 2017-18.
- The government also agreed to set up small labs in Krishi Vigyan Kendras for soil testing.
- The government will also come up with a model law on contract farming and will share it with all the states in the country.
- Issuance of soil cards gained attention in the Union Budget

Meeting.

- Dairy processing infrastructure fund will be created with a corpus amount of Rs.2,000.
- The corpus for irrigation was increased from Rs.20,000 crore to Rs.40,000 crores.
- With an initial corpus amount of Rs.5,000 crores, a micro irrigation fund will be set up for NABARD.

2. Interest rate range for Agri loans

Table:1 a) Loans upto Rs.25 lakh to Small & Marginal Farmers other than KCC/Gold Loan/WHR

Loan type	Minimum	Maximum	Average	Remarks
Working capital/Short term loan.	BBR	-----	BBR	
Term loan	BBR+0.50%	-----	BBR+0.50%	

Table:2 b) Loans above Rs.25 lakh & upto Rs.3 crore to Small & Marginal Farmers other than KCC/Gold Loan/WHR

Loan type	Minimum	Maximum	Average	Remarks
Working capital/Short term loan.	BBR+0.50%	BBR+0.75%	BBR+0.63%	Applicable rate is subject to rating.
Term loan	BBR+0.50%	-----	BBR+0.50%	- Do-

Table:3 c) Loans upto Rs.3 crore to other than KCC/Gold Loan/WHR

Loan type	Minimum	Maximum	Average	Remarks
Working capital/Short term loan.	BBR+1.5%	BBR+2.0%	BBR+1.75%	Applicable rate is subject to rating.
Term loan	BBR+0.50%	-----	BBR+0.50%	- Do-

Table:4 d) Loans under KCC

Loan type	Minimum	Maximum	Average	Remarks
Upton Rs.3 lakh	7% p.a.	-----	7% p.a.	Covered under interest subvention scheme
Above Rs.3 lakh -SFMF	BBR	-----	BBR	Applicable interest rate at the discretion of sanctioning authority
Above Rs.3 lakh - other than SFMF	BBR+1.25%	----	----	--Do--

Table:5 e) Loans under Gold loan scheme

Loan type	Minimum	Maximum	Average	Remarks
Crop loan upto Rs.3 lakh	7% p.a.	-----	7% p.a.	Covered under interest subvention scheme
Above Rs.1 lakh to Rs.15 lakh -SFMF	BBR	-----	BBR+0.50%	Applicable interest rate at the discretion of sanctioning authority.
Under PSL -Upto Rs.1 lakh (other than Agri) under PSL - Above Rs.1 lakh upto Rs.3 lakh - Above Rs. 3 lakh to Rs.15 lakh Non PSL - Upto Rs.15 lakh	BBR BBR+0.50% BBR+1% BBR+2.5%	---	----	- Do-

-N.B -The current BBR of the bank is 9.75% p.a. A term premium may be applied over and above the applicable interest rate in case of term loans above Rs.5 lakh.

3. The problem of sanction of loan.

Bank had been issued crop loan on the name of the landlord (father). Now he is no more and expired in 2014. He already paid up the loans with interest. Now on renewal, his son submits the death certificate of his father and inheritance document. Now the officer demands all the documents fresh and his son has to follow all the procedure repeatedly. Still they had not getting the crop loan since last two years. It is liable to provide all the documents repeatedly. If something happened and they lost any member from their family, then the procedure again followed repeat. This is the case of getting delayed the bank loan and get depressed. Long and tedious process is the problem of sanction. IT employees get loan immediately through their salary certificate without producing any more documents. The different interest rate, processing fee range, loan amount followed by different banks makes the farmers confuse and not easy to analyze the best of their need.

Conclusion:

The process of sanctioning loan involved eligibility, Classification, Quantum of loan, Method of assessment, Sanctioning authority, disbursement, security, etc., when the procedure of granting agriculture loan is going to become simple the small and medium farmers will benefited. As many as 95.1% of Indian farmers are "marginal, small and semi-medium," meaning they own up to 1, 2 and 4 hectares of land, respectively. These farmers own 68.2% of cultivated land, while 4.9% "medium and large". Protecting small and medium farmers are very essential need to satisfy the demand of Indian economy.

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