



Parts of Finance System Involved in Agriculture

Martin Roth *

Department of Education, Freie University, Berlin, Germany

DESCRIPTION

The agricultural sector in India supports about 60% of the population that is exclusively dependent on agricultural related livelihoods many of whom are poor people in the rural country side. In order to improve the status of poverty and improve rural lives, access to rural finance is very important components. Increased access to agricultural finance therefore should focus on improving access to banking services and credit in rural areas. "Agricultural finance is the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loan able funds." Finance in agriculture is as important as other inputs being used in agricultural production. Technical inputs can be purchased and used by farmer only if he has money. But his own money is always inadequate and he needs outside finance or credit. Agricultural finance capitalizes farmers to undertake new investments and adopt new technologies.

The importance of agricultural credit is further reinforced by the unique role of Indian agriculture in the macroeconomic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural credit in fostering agricultural growth and development, the emphasis on the institutional framework for agricultural credit is being emphasized since the beginning of planned development era in India. Agriculture has been the backbone of Indian economy despite concerted industrialization in last six decades. Indian economy is predominantly dependent on rural resources specifically agricultural output. The agricultural sector has played a significant role in the economic development of the nation. The contribution of agricultural sector to national income, foreign exchange, industry and employment is a measure of the sector's importance in the overall economy of the country.

Traditionally, India is an agricultural country, which is endowed with abundant natural resources. Agriculture plays a dominant role in the Indian economy.

Agriculture plays a significant role in the economic development of the nation. Agriculture is the source of livelihood for over 70% of population in our country. To meet the requirements of the growing population and rapidly developing economy, agriculture has to grow fast and be modernized. The rural agricultural sector of the economy is labour abundant, land poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate and timely supply of credit to the farmers. Credit is considered to be life blood of any economy. Finance is one of the important resources for every sector of the national economy, agriculture, industry and services requires finance both for growth and progress.

CONCLUSION

In other words, there would not be any economic development without adequate dose of finance. However, the role of credit is more crucial and needs no further emphasis. As stated earlier, that large section of rural community in India lives in a subsistence economy and therefore, they have to depend upon outside finance for financing their economic activities. Agriculture growth is crucial for alleviating rural poverty. Access to institutional credit to more farmers and appropriate quantity and quality of agricultural credit are crucial for realizing the full potential of agriculture as a profitable activity. Developing economies depends on the agricultural sector i.e. India. The productivity of Indian agriculture is very much lower than the developed countries of the world even after the emergence of green revolution in the late 60's because majority of farmers are continuing the traditional system of farming.

Correspondence to: Martin Roth, Department of Education, Freie University, Berlin, Germany, E-mail: martin.r@fu-berlin.de

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