

Reinforcement of Agro Entrepreneurship through the Role of Agriculture Development Banks” – A Study

Vinay Prasad B

Faculty Member

Institute of Management Studies and Research,

Janan Sahayadri, Kuvempu University, Shankarghatta, Shivamoga, India

Abstract: *Noting calls for contextualizing Agro entrepreneurs and role of the banking finance in Agriculture and for greater attention to the Role of bank in agro entrepreneurship research, we conduct a systematic literature review of extant research of in agriculture entrepreneurship to overcome the study objectives of wellness of agro entrepreneurs through banking finance, Development of agriculture products is a key factor for the overall economic growth of agro entrepreneurs. All financing roles offered by the banks will be explained in details in this section as well as the relevant procedures with respect of financial assistant to agro entrepreneurs in developing their projects. This articles presents the developments of agro entrepreneurs and their growth through banking and finance. The research also recommended that for Agro enterprises to survive, there have to be collective effort between them and banks. Engage more in the development of agro enterprises by creating and embarking on various incentives to encourage agro enterprises and banks*

Keywords: Agro entrepreneurs, Banking & finance, Agriculture.

I. INTRODUCTION

Agriculture was one the of the sources of income for the man kind to live their life and fulfill their needs and when it comes to India where it was called, Farmers are the back bone of nation since geographical boundary of India was engaged in agriculture. When it comes to entrepreneurship were an individual have the passion of doing the things by captivating risk by gathering all investment sources to solidify the service by taking up all the risk from lead generation to fulfill the needs of business. Here agriculture has been taken a new methods of production system by adopting the advanced methods and mechanism by using the all 3Ms (Men, Material, and Machine) to arise returns by accepting integrating methods from production to till end users' services. For the agriculture production some credit plays a pivotalrole in agricultural development. The deviations in the technology of agriculture improved theneed for credit. Credit also acts as dominant role in the change the agro entrepreneurs mind setfrom traditional agriculture to modern agriculture

Banking finance to agro entrepreneurs was exclusively provided by co-operative banking system the state co-operative agriculture and rural development banks (SCARDB) then called the land mortgage banks provided long-term loans to replay the old debts. Finance is an essential sinew for the progress of economic development of agro entrepreneurs

Definition: According to Ms. Ajitha K- Lendingkart financing ltd

In Productive Resources like fertilizers, agricultural equipment, seed, feed, energy, irrigational equipment, machinery etc. • In Agricultural Commodities like raw and processed products of food and fibre • Animal husbandry and fishing businesses • Supporting and facilitating services like packaging, insurance, processing, credit, marketing etc.

Objective of the study

- To understand the role Agriculture development of banks in the development of Agro entrepreneurship.
- To know the Reinforcement factors by bank for Agro entrepreneurs.
- To analysis the financial benefits for agro entrepreneurs

II. LITERATURE REVIEW

Sushmita R Shetty, Swathi Bhat, Abhinandan (2018) In their research talks about entrepreneur's finance. These papers concentrate on the role of banks in the development of entrepreneurship. The study objective is found out what are the problems faced by the borrowing loans and Bank are faced some problems granting and recovery loan. In this paper the author tells the government and World Bank support to the start-up companies to promote their product and services.

HP Mathur and V. Kutra (2018) A paper Undertakers the identifies the impediments within the flow of credit to the deprived to Section like little and marginal formals. Tenant farmers and land less labourers through a case study in Jaunpur U.P Bharat and gift a range of solutions to bridge the gap between the demands and provide of your time credit

Asian Development Bank (2014) "ADB- OECD study on Enhancing financial accessibility for MSME's: lessons from recent crises Manila" The Asian Development Bank as pointed out that barriers the accessing finance by SMEs in India from formal Institutions including the requirement for Collateral or guarantee inflexible policies high rates of lending, complemented procedures, and entrepreneurs lack of financial knowledge of applicable schemes.

Ambrose J (2012), "venture capital: The all-important MSME's financing strategy under neglect in Kenya" In their research he is identified barriers to effective financial assistance to SME's which included absence of collateralised security, and the regulatory Framework. In addition, the un availability of skilled workers, the lack of infrastructure, and an inability to raise capital through the stock market are other challenges.

Agricultural Entrepreneurship, Environmental Protection And Insurance Vladimir Njgomir (2017) The main findings is that environmental protection and agricultural insurance are complementary mechanisms of risk protection that provide significant support to agricultural entrepreneurship and the development of agricultural production . Agricultural insurance is the most important mechanism for the protection of entrepreneurial activity in agricultural production. Based on the existence of insurance in term of flood realization that is recorded in Serbia in 2014 and 2016

Scope of the study

The study was conducted on the basis of secondary data only therefore for better result we can go for research-based study as the aim of this report the scope is kept to know the agro entrepreneurs and impact of banking for the development of agro entrepreneurs

III. METHODOLOGY

This research paper based on secondary data and data are collected from journals, articles Newspaper. Our focus in this paper is Agro entrepreneurship in agriculture in the context of banking and development of entrepreneurship protection. On the basis of theoretical knowledge and empirical evidence we analyse agro entrepreneurship in general and in particular to banking

Limitations of the study

The above study is limited to secondary data, and also the concept is limited to only agro entrepreneurs and to know about their wellness through banks Also, we analyse the role of banking as a protector of agro entrepreneurship activities in agricultural production in general. We use data from articles and research papers on Agro entrepreneurship to analyse in detail.

Role of Banks in Development of Agro entrepreneurship and Financing

There is no gainsaying the fact that activities of banks reflect their unique role as the engine of growth in any economy. Banks especially commercial and specialized ever remain crucial to the growth and development of entrepreneurship, and their operations provide a solid backing capable of encouraging entrepreneurs in viable and profitable ventures. The role of banks goes beyond their traditional functions which if entrepreneurs avail themselves of could be of tremendous assistance in meeting their desired needs.

There are several ways banks could get involved in small and medium scale enterprise finance, ranging from the creation or participation in Agro finance investment funds, to the creation of special units for financing Agriculture activities.

Along the lines of the main functions of banks mentioned above, we shall now examine their role in entrepreneurship development and enterprise financing. And for the purpose of convenience and proper understanding, the roles can be categorized as follows

Statutory Roles: These consist in the main the functions for which banks were created in the first place. Such roles are for example accepting of deposit and safekeeping of same, transfer of money, giving of loans and advances, etc. By accepting deposit of customers especially entrepreneur-customers, the banks will be providing security for customers' money and giving them opportunity to use their deposit to borrow more money from the banks to finance the running of their enterprises. By funds transfer, money is moved from one account to another and from one place to another. A good payment system which provides speedy fund transfers is vital for the efficient working of an economy. And with the development of information technology in banks, the speed of service delivery has improved while the cost of doing business has reduced tremendously. The services have enabled entrepreneurs to make transactions outside their immediate environment without necessarily having to carry money about.

Financing Roles: The primary reason that banks want deposits is to enable them grant loans and advances from which they earn interest income. Extension of credit to the economy for the financing of business enterprises is the core link that banks have to the real sector, acting like a catalyst and contributing to the growth of the economy of the country. By financing entrepreneurs' production, consumption and commercial activities, banks lubricate the process of economic growth with multiplier effect across all sectors of the economy, Oboh (2005). The various methods by which banks can lend money to entrepreneurs include overdraft, medium- and long-term loans, debt factoring, invoice discounting, asset finance including commercial mortgages and equity finance. Up until 1997, when compulsory sectorial allocation of credit was phased out as a policy instrument used by the monetary authorities in Nigeria, mainstream banks were made to meet specified targets in their lending to the productive sectors operated by entrepreneurs and businessmen. In 2001, the mainstream banks under the aegis of the Bankers' Committee also decided to commit 10% of their profit to equity investment in Agro enterprises

Business Investment Promotion Roles: Because of the specialized and professional status of banks, they are in a position to play investment promotion roles to entrepreneurs. Such roles may include management of investment for customers, advice on sustainable lines of investment to follow by analysing the pros and cons of each investment alternatives to the entrepreneur-customer.

Advisory, Guaranty and Consultancy Roles: In addition to the normal lending and other service, banks now also engage in business advisory, guaranty and other consultancy services which help immensely in the promotion and financing of entrepreneurship activities in the Country. It is well known fact that some enterprises/businesses fail simply because of mismanagement, faulty investment decisions, inefficient capital and foul planning etc.

Other areas: Other areas in which banks could offer advisory and consultancy services to the Agro entrepreneurs include methods of control systems or measures to be adopted by the enterprises with respect to defined lines of business or trend of challenges. Advice on methods of raising capital or reorganization of a company to bring about the desired level of efficiency. Advice on tax and tax related matters. Status enquiry services could be offered to effect credit purchases within the domestic market or overseas. The banks could also perform a great role in entrepreneurship development by organizing, sponsoring and supporting entrepreneurship education and training programmes either directly or in conjunction with other organizations and stake holders.

Problems faced by Agro Entrepreneurs while accessing finance:

Following are the problems faced by Agro entrepreneurs while accessing loan from banks.

- Unavailability of proper financial records as a result of lack of financial management knowledge of lack of bookkeeping skills. It is surprising that some small enterprises expect to obtain bank loans even if they do not have any business records.
- Lack of collateral security due to poverty. Banks expect collateral security from the loan applicants (for risk), it is however unfortunate that the majority of small enterprises lack assets that can be accepted by banks as collateral. To the majority of small enterprises, this is as a result of discouragement to start up the agro enterprises

- Lack of connections as a result of inability to network. It was clear that small entrepreneurs who do not belong to any association had serious challenges in accessing finance and their enterprises were being impacted negatively.
- Banks do not see the viability of business ventures. Banks were also accused of suspecting that all Agriculture practices are getting fail. In some cases, banks do not see the viability of some entrepreneurial ventures and as a result, they fail to access loans. To small entrepreneurs banks do not just agree to fund any type of business for they treat small enterprises with caution when it comes to granting credit.
- Misinterpretation of the business plan. This challenge can be as a result of the Agro entrepreneurs failing to interpret his/her own business plan, or the bank officials failing to do so the way the owner does. Some small operators confessed that they couldn't interpret the business plans that were drawn by consultants on their behalf; this reduced their ability to negotiate for loans with banks.
- Banks do not agree to the amount applied for. Although some small enterprises have a tendency of overstating the amount needed in their projects or businesses, banks also do not necessarily agree to the amount applied for.

Other factor

- Unmindful procedure of accessing loan
- Lack of knowledge about finance available in Banks.
- Dispirited by high rate of interest.
- Reduced answer from banks.

Problems faced by Banks in granting and recovering loans: There are various problems are faced by banks while granting and recovering loan, the major problems faced by banks are as follows,

Problems of loan default: Loans are classified as problem credits when they cannot be repaid. Problem loans and losses essentially reflect the difficult risk inherent in a borrower's ability and willingness to repay all obligations. The lending process by its nature is imperfect. Credit analysis may be incomplete or based on faulty data. Loan officers may ignore the true condition of borrowing with strong personal ties with the bank, and a borrower's ability to repay may simply change after a loan is granted. If management concentrates solely on minimizing losses, a bank will make virtually no loans; profit will shrink and the legitimate credit needs of customers will not be met. Lenders cannot completely eliminate risks, so more loan losses are expected. The objective is to manage losses well so that the bank can meet its risks and returns targets.

Lack of collateral: Collateral is a property or other asset that a borrower offers as a way for a lender to secure the loan. If the borrower stops making the promised loan payments, the lender can seize the collateral to recoup its losses. Since collateral offers some security to the lender should the borrower fail to pay back the loan, loans that are secured by collateral typically have lower interest rates than unsecured loans. A lender's claim to a borrower's collateral is called a lien. If banks granted loans without collateral security, then it will face severe problems while recovering loans.

IV. FINDINGS

- The findings states for encouraging Agro entrepreneurship is not only important in developing countries but also. Agro Entrepreneurship needs to be nurtured through the different stakeholders, above all, association of farmers, science and government agencies
- The bank presently providing good services to the customers and majority of the Agro entrepreneurs that the services of the bank is upright.
- For Agro entrepreneurs financing is the most important mechanism for the protection of entrepreneurial activity in agricultural production

- The key role of banking in agricultural production and society in general is indirect economic protection of life and property from the effects of natural forces and accidents for the Agro entrepreneur's development
- The majority of the respondent's opinion that the procedure of the documentation process of the banks are convenient.
- In my research I found that bank employees said that bank providing re payment holiday to the customers.

V. CONCLUSION

This research conclude the roles of banks in financing agro entrepreneurs using literatures as the study. The data generated were analysed using simple analysis and formulated. The study revealed among others that agro entrepreneurship encounter problems in the procurement of loans from commercial banks. The study also revealed that banks have contributed significantly to the development of agro entrepreneurship their loans and advances. Also the study revealed that banks have significantly contributed to the development of Agriculture activities through entrepreneurship economy. It is seen from the study that the role banks play in the process of economic growth and development are Investment promotion and advisory, statutory and financing for growth and development. Provide training avenues for local agro entrepreneurs in several areas of economic activities may help to encourage the new young generation to get into entrepreneurship process of income redistribution

VI. LIMITATIONS AND RECOMMENDATIONS

Banks would also need to be encouraged to find the working capital requirements for Agro entrepreneurs. In the face of limitations and inadequacies already enumerated in their project, small size enterprises are high risk for banks to lend Provision of necessary infrastructural facilities and the enabling environment for Agriculture production and its operations generally is an imperative. Uninterrupted power supply, good roads and transportation networks, rural development, efficient, effective and cut-rate communications etc. are the basis to competitive performance for agro enterprises

The study also recommends that banks can act as financial consultant Agro entrepreneurs in the form of regular guidance on the preparation of financial records and proposals for banks facilities.

It is to recommend that there are various types of financing assistant provided to the agro entrepreneur ranging from small to large scale enterprises, and covering different kind of agriculture activities. Hopefully, the banks should continue to support agro entrepreneurs, and try to introduce different concept of loan structures contracts in their incoming products rather than solely focus on return of interest

REFERENCES

- [1] Sushmita R Shetty, Swathi Bhat, Abhinandan "The role banks in the development of entrepreneurship in India." (2018)
- [2] HP Mathur and V. Katra (2018) "Access to agriculture finance: A case study"
- [3] Asian Development Bank (2014) "ADB- OECD study on Enhancing financial accessibility for MSME's: lessons from recent crises Manila"
- [4] Ambrose J (2012), "venture capital: The all-important MSME's financing strategy under neglect in Kenya"
- [5] Agricultural entrepreneurship: Challenges and perspectives Foued Cheriet, Karim Messeghem, Vincent Lagarde, Gerard McElwee Dans Revue de l'Entrepreneuriat 2020/4 (Vol. 19)
- [6] Agricultural Entrepreneurship, Environmental Protection And Insurance Vladimir Njegomir1 , Ljubo Pejanović , Zoran Keković
- [7] The Role Of Commercial Banks In Financing Small & Medium Size Enterprises In Nigeria John-Akamelu Chitom Racheal, Muogbo Uju, S. PhD
- [8] Opportunity For Agro Entrepreneur In Developing Agro Initiative In Islamic Banking In Malaysia Muhammad Ridhwan B. Ab. Aziz