

## **Financial Management in Agriculture**

**Sabitha C, Aswathi Krishnan P and Nancy Gloria D**

Assistant Professor, St. Annes First Grade College for Women, Bengaluru

### **Abstract**

*Analysing both financial and agricultural needs for those who invest in agriculture, particularly the local farmers and also plantations, agriculture processing factories with storage facilities or fertilizer companies, may end up only depending on agriculture as its only source such type of organisations require maximum funds for their growth and their survival becomes very influential if we have financial management being adopted in the agriculture. This article mainly focuses on joining financial management play a lead role in the agriculture and for its advancements. The entire organisations main motive would be profit maximization and a long survival in their business but this is not an easy task it needs many skills and needs to be adapted by the farmers starting their own agricultural business. Maintaining of proper flow of productive sales and purchase of commodities and goods we acquire financial managerial skills made to be adapted by the farmers and entrepreneurs of their own agricultural organisation. The availability and innovation on sector-specific financial instruments and services is usually poor.*

*Keywords: Financial Management, Agriculture, Finance, Agri-Business, Agricultural Finance*

### **INTRODUCTION**

Financial management means how to manage finance and how to finance the needs and distribute the benefit among them. It is also concerned on how to get the work done. For Example : It's about the procurement of the needs arising, procurements of funds etc. Finance is critical for the growth of the agriculture sector. There was a shift from subsistence to commercial agricultural production in recent days. However, in developing countries like India, agriculture is the major source of livelihood for 86 per cent of rural people (International Finance Corporation [IFC], 2013), financing for investments in agriculture is not sufficient even for large investors. In other countries like Africa, less than 1 per cent of lending is given to the agriculture sector (IFC, 2013). Financial institutions are not interested to accept the risks in the Financial Management in Agriculture. In this paper we examine the linkage between the adoption of financial management practices and profitability.

### **Scope/Elements**

1. Investment decisions involve investment in fixed assets and variable assets. Current assets investment also taken into consideration as a part of investment decisions called as working capital decisions.
2. Financial decisions – Basically financial decisions are used to decide how the flow of finance is to be decided. They relate to the raising of finance from various resources. Financial Management in Agriculture which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.
3. Dividend decision – finance manager is the main role that the manager plays in the organisation. The finance manager has to take decision with regards to the net profit distribution.

### **Importance**

- When it comes to agricultural finance, finance plays an important role in the agriculture. For buying fertilizers, machinery for maintaining the growth and development of crops, finance has to be properly distributed to all the sources that meets the financial need in the agriculture. Also when it comes to production and marketing of goods in the agriculture finance is more often concerned and has to be clearly measured.
- Finance is helpful in management , diversification and advanced methodology of procuring the actual agricultural needs.

- Finance is also concerned for meeting the needs of labourers, landholders and the farmers working in the field in agriculture.
- Meeting proper customer needs in the agriculture and their future responsibilities with the farmers introduces a memorandum of understanding.

### **Direct Finance Financing in Financial Management for Agriculture:**

A particular actor of the agriculture sector is the traditional approach to financing in developing countries. This includes not only farmers but also other actors, such as input suppliers, processors, traders and exporters. All need financing to get food from the farm to the consumers. The following financial instruments are available

#### **Savings**

Savings is part of profit that is allotted for the personal use. The reason behind saving some profits is to maintain the problem that arises out of some valid reason which result in a loss of the profits or lack of resources that moment where nothing exists.

#### **Financial Management in Agriculture**

Organization that will land up in no existence in the market, that time these profits which is saved as savings comes into the picture and it is very big source for the development of an organization and its existence in the market.

#### **Micro Finance for Agriculture**

Micro finance is a recently evolved instrument. It includes the marginal farmers into the mainstream of formal financial system. Most of the farmers in rural areas are get benefited out of that. The major goal of micro finance is to provide affordable finance and services to marginal a farmer which includes savings, credit, insurance, remittances and payments and even guarantees to access finance. Micro-finance is particularly popular in developing countries like India.

#### **Traditional finance**

Traditional finance or finance is the amount that is concerned to start a business. In order to start a business, the basic requirement is finance. It can range from loans provided from cooperative banks and private banks providing loans with high rate of interest comes into picture.

#### **Leasing and factoring**

In a country with a more developed financial system, financial institutions also offer more complex and innovative financial instruments to farmers and entrepreneurs, such as leasing and factoring. Leasing is used to finance machinery, automobiles and equipment in agriculture.

#### **Weather-based insurance**

This is an instrument that improves the chances for access to finance by insuring against bad weather. Although farmers prefer insurance for production loss, many financial institutions find the assessment too tedious and subjective. Weather-based insurance responds to objective parameters like rainfall or temperatures (World Food Program & IFAD, 2011).

#### **Business Planning for Maryland Agribusinesses**

This program provides managers of commercial farms, small farms, greenhouses, and nurseries with education and assistance in developing effective business plans for their businesses. A business plan is a detailed, written document that will help them manage their operations in the short-term and long-term. It is an organized collection of all the important ideas that include mission statements, annual goal statements, resource inventories, marketing plans, production plans, financial plans, and business structure plans. Hardcopy and electronic materials on business planning are available to Maryland farm managers.

## **Dairy Farm Management Program**

This program provides specific financial and business planning tools to Maryland dairy farm managers. Analytical tools have been developed to help dairy farm managers manage their operations. The Maryland Dairy Farm Business Summary is a major component of this program.

## **Conclusion**

Agriculture is the field ranging from growing crops to the management of needs arising Example: purchase of raw materials, is carried out properly only by adapting the financial Managerial techniques. So this article is all about making financial management as the Backbone for maintaining the agricultural needs. The finance that flows through all the way in the agriculture has to acquire the proper financial objectives that lead to a successful outcome. As far as this article concerned I have focused mainly on how financial management is connected with agriculture to overcome the agricultural needs and to successfully meet the problems arising in the field of agriculture with proper plans.

## **References**

- 1 Vega GC (2003) Deepening Rural Financial Markets: Macroeconomic Policy and Political Dimensions, Paving the Way Forward for Rural Finance. An International Conference on Best Practices. Washington.
- 2 Mwenda KK, Muuka GN (2004) Towards best practices for micro finance institutional engagement in African rural areas. International Journal of Social Economics 31: 143-158.
- 3 Madugu AJ, Bzugu PM (2012) The Role of Microfinance Banks in Financing Agriculture in Yola North Local Government Area, Adamawa State, Nigeria. Global Journal of Science Frontier Research Agriculture and Veterinary Sciences 12: 1-6.
- 4 Microfinance Gateway (2010) Helping to Improve Donor Effectiveness in Microfinance.
- 5 FAO (2004) Food and Agricultural Organization of the United Nations. Financing Agricultural Term Investment, Agricultural Finance.