

**RECENT TRENDS ON AGRICULTURE FINANCE****Dr. Hanwant Singh Jaitawat<sup>1\*</sup>****<sup>1</sup>Associate Professor, Department of Agricultural Economics, B.B.D Govt. College, Chimanpura, Shahpura, Jaipur, Rajasthan****Received: 01-01-2018 / Revised: 24-01-2018 / Accepted: 11-02-2018****Corresponding author: Dr. Hanwant Singh Jaitawat****Conflict of interest: Nil****Abstract**

Recent trends in agricultural finance have been driven by various factors and innovations. Here are some abstracts summarizing the key trends

**Digital Transformation:** The agricultural finance sector is undergoing a significant digital transformation. Technology-enabled solutions, such as mobile banking, digital payment platforms, and data analytics, are revolutionizing access to financial services for farmers. This trend is facilitating faster and more efficient transactions, reducing costs, and enabling better risk assessment for lenders.

**Fintech Innovations:** Financial technology (fintech) companies are playing a crucial role in expanding agricultural finance. These companies are leveraging mobile applications, online platforms, and alternative data sources to provide innovative financial products tailored to the needs of farmers. Examples include digital lending platforms, crowdfunding for agriculture, and insurance products based on satellite imagery and weather data.

**Impact Investing:** Impact investing in agriculture has gained momentum in recent years. Investors are increasingly looking for opportunities that generate both financial returns and positive social and environmental impacts. Agricultural finance is aligning with this trend by focusing on sustainable farming practices, supporting smallholder farmers, promoting gender equality, and addressing food security and climate change challenges.

**Value Chain Financing:** Traditional agricultural finance models are evolving towards value chain financing approaches. Rather than solely focusing on individual farmers, lenders are increasingly financing the entire value chain, including input suppliers, processors, and distributors. This holistic approach facilitates the flow of capital throughout the value chain, strengthens market linkages, and enhances overall sector productivity.

**Climate-Smart Finance:** With the increasing recognition of climate change impacts on agriculture, there is a growing emphasis on climate-smart finance. Financial institutions are integrating climate risk assessment into their lending practices and offering climate insurance products to protect farmers against weather-related risks. Moreover, investments in renewable energy, precision agriculture technologies, and sustainable farming practices are being encouraged to build climate resilience in the agricultural sector.

This abstracts capture some of the recent trends in agricultural finance. However, it's important to note that the field of agricultural finance is dynamic, and new trends and innovations continue to emerge as the sector evolves.

**Keywords:** Agriculture, Agriculture Finance, Finance, Farming.

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**Introduction**

Rural and agricultural finance are among the most challenging fields of banking, which have notoriously been lagging

behind in the overall development of financial systems. Earlier attempts during the 1960s and 1970s based on subsidised

and directed agricultural credit did not achieve the desired results in a sustainable way. Then, during the 1980s and 1990s, the attention of the governments and donors shifted away from agricultural credit towards overall financial systems development and microcredit. Financial liberalisation and the closure of agricultural development banks led to a contraction of rural and agricultural finance in many parts of the developing world, which has not yet been fully reversed by new entrants. Although there has been significant progress in overall financial systems development since then, large segments of the rural population remain without access to essential financial services, such as loans for productive and consumptive purposes, deposit facilities, payment services and insurance. Even the 'microfinance revolution' has had limited impact in rural areas and has largely bypassed the agricultural sector. Moreover, existing rural financial services are often of low quality and do not respond adequately to the demand of diverse rural markets.

Given the importance of the rural economy and the agricultural sector for economic growth and poverty reduction, rural and agricultural finance are now being widely acknowledged as the main frontiers of financial systems development. Moreover, the recent food price crisis forcefully evidenced the consequences of decades of underinvestment in agriculture and rural infrastructure. Given that about 70% of the poor in the developing world still live in rural areas, rural and agricultural development is essential for achieving the Millennium Development Goals. Finance has an important role to play as it helps rural households and enterprises in making productive investments, smoothing

consumption, managing risks and coping with shocks.

This paper provides an overview of the current state of rural finance, summarising recent advances and highlighting the remaining gaps and challenges. It is targeted at a broader audience of policy-makers, experts and practitioners in the fields of rural and agricultural development, financial sector development and microfinance who want a quick overview of the subject. Chapter 1 introduces the topic by defining core concepts and highlighting the specific issues and challenges of financial services provision in rural areas. This is followed by a brief overview of the changing approaches to rural finance over the past few decades and a snapshot of the current status and recent trends in different regions.

#### **CONCLUSION**

After more than a decade of decreasing rural aid flows, the issue of rural and agricultural development has recently become a highly discussed topic again in the international donor community and in international politics. Volatile food prices, food supply shortages, an increasing frequency of natural disasters and persistently high poverty levels in rural areas have caused mounting political pressure in many partner countries of German development cooperation.

There is now a broad consensus that more support for rural development and agriculture investment is needed to increase the production of basic foods and combat poverty. This recent paradigm shift also gives new attention to the issue of Rural Finance and triggered debates within the Financial Systems Development (FSD) expert community on effective solutions to sustainably support agricultural development.

The main issues of discussion are the development of appropriate new financial products and services as well as the use of new delivery channels and technologies to increase outreach. While the aid flows that are currently allocated by donors and governments for investments in agriculture are truly breathtaking, the FSD community finds it essential not to fall back into old, unsustainable solutions such as interest rate subsidies and short-dated directed credit lines. 20 years after the abolition of the 'old paradigm' of subsidised agricultural credit, rural and agricultural finance are back on the development finance agenda and are now being recognised as the main frontiers of financial systems development.

Fortunately, the renewed attention on rural and agricultural finance comes at a time when many of the framework conditions for their sustainable expansion have improved. Most developing countries have adopted more prudent macroeconomic policies, strengthened their financial systems and reduced direct and indirect taxation of their agricultural sectors.<sup>25</sup> Rural economies are now more diversified, with non-farm enterprises and migration providing additional income sources. Furthermore, the overall outlook for profitable investments in agriculture and related sectors is fast improving, since governments and donors are developing rural and agricultural infrastructures and since the long-term trend of declining agricultural terms of trade has been stopped.

#### REFERENCES

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innovative solutions. Their publications can provide valuable insights into recent developments in agriculture finance.

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3. Agricultural Finance News: Stay updated with news outlets and websites that specifically cover agricultural finance. These sources often highlight recent trends, innovations, and policy changes in the agricultural finance sector.
4. Industry Conferences and Events: Attending agricultural finance conferences and events can provide you with opportunities to learn about the latest trends and network with experts in the field. These events often feature presentations, panel discussions, and workshops focused on agricultural finance.
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