

Financial Sector and Sustainable Development



Editors

Dr.G.Santhiyavalli

Dr.P.Santhi

Dr.P.Deivanai

A STUDY ON FINANCIAL ASSISTANCE TO ORGANIC FARMING FOR SUSTAINABLE DEVELOPMENT

K.Vidhyakala

Assistant Professor in Commerce, Avinashilingam Institute for Home Science and Higher Education For Women, Coimbatore

Dr.P.Santhi

Associate Professor in Commerce, Avinashilingam Institute for Home Science and Higher Education For Women, Coimbatore

Abstract

The paper addresses the scope of organic farming as an effective way to promote sustainable agriculture in India. Organic agriculture can contribute to meaningful socio-economic and ecologically sustainable development, especially in developing countries. Organic agriculture reduces the risk of yield failure, stabilizes returns and improves the quality of life of farmers. The potentials that organic farming bears in the developing countries include the areas, consumption and production. Organic agriculture currently covers only a small area in developing countries but its extent is continuously growing as demand for organic products is increasing. Organic agriculture shows several benefits, as it reduces many of the environmental impacts of conventional agriculture. This paper proposes an identification of agricultural production for major crops, assessments of production area, large producers of organic products to alter the balance of requirement and availability. The paper also identifies the financial assistance given by various sectors to organic agriculture and organic agriculture in India in the transition towards sustainable agriculture.

Key words: Sustainable Development, Organic Agriculture and Financial assistance

Introduction

Sustainable agriculture is need to attain the goal of sustainable development. Until a few years ago, organic produce from India mostly went into export markets such as Europe and US. It is only more recently that sales figures in the domestic market have started to increase. Sikkim is the first state which is adopting organic farming on a Universal basis and has certified more than 74,000 hectare of land, according to state government data. Prime minister Narendra Modi is scheduled to address a national conference on sustainable agriculture on January 18th 2016 in Gangtok, Sikkim. The conference will identify initiatives to transform agriculture based on sustainable and efficient use of resources. The potential of Organic Farming in India is very huge because of its immense bio-diversity and natural resources in the country. The Government has already allocated Rs.5,300 crore to support micro-irrigation, watershed development and the Pradham Mantri Krishi Sinchai Yojana and has urged states to chip in substantially in this vital sector. There has been a major shift towards Organic products especially fruit and vegetables in the metropolitan cities. 95 percent

of metropolitans in the high-income-group buy Organic in the recent years, according to Associated Chambers of commerce and Industry of India.

National Geographic has partnered with Globe Scan to develop an international research approach to measure and monitor consumer progress toward environmentally sustainable consumption. A chief component of this effort is giving people a better idea of how consumers in different countries are doing in taking action to preserve our planet by promoting environmentally sustainable consumption. This survey consist of 18,000 consumers in a total of 18 countries asked about the relative use of green products verses conventional products, attitude toward the environment and sustainability, and knowledge of environmental issues.

An understanding of the organic market in India

Organics are safer, because fruits and vegetables are generally grown without chemical fertilizers and pesticides. They are kinder to the environment and organic farming practices are designed to be more sustainable, emphasizing conservation and reducing pollutants. They are healthier because organic foods might be higher in nutrients than others. The demand for organic foods will only grow in India. The implementation of the food safety and standards Act was established in the year 2014. The size and growth of the domestic market for organic products was estimated at Rs.1000 Crore in 2011-12 and one billion in 2015-16. India is fast emerging as one of the largest potential markets for organic food products. More and more players will be entering the segment offering a much wide product range and online retail and home delivery are picking up fast. APEDA (Agriculture and Processed Food Products Export Development Authority) regulates the certification of organic products as per National Standards for organic production. Major organic produces in India include Plantation crops, Sugarcane, Cotton, Oil seeds, Basmati rice, Spices, Cereals, Pulses, Fruits, Tea, Dry fruits, Vegetables, Coffee and their value added products.

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The potential of organic farming in India is very huge because of its immense bio-diversity and natural resources in the country. The government has already allocated Rs. 5,300 Crore to support micro-irrigation, watershed development and the Pradhan Mantri Krishi

Sinchai Yojana and has urged states to chip in sustainability in this vital sector. Sources and effort will be stepped up in the current budget.

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Financing the sustainable development

Innovative financing mechanisms can make contributions to developing countries in respect of mobilization of additional resources for financing for development. Sustainable financing needs to be ensured across sectors, including agriculture. Organic farmers undertake shortages of Certified Organic Seeds, biological pesticides; specified farm equipment designed for organic cultural practices make the market they offer to suppliers may be too small. Organic farmers expressed concern about the availability of good quality of pesticides that has not been contaminated. Organic farmers mention that GMOs overcome the effect of natural pest control. Many banks are unfamiliar with organic production systems and they face so many difficulties to evaluate credit-worthiness. So the flow of credit will be less to organic producers.

Background of the study

The implementation of the main recommendations of the Sikkim conference report has a positive impact on the development of the organic sector in the year. There are so many organic schemes are introduced by the financial sector. Notwithstanding the above schemes of the financial sectors and different loans of the commercial banks for the sustainable development of organic food products production, it is clear that further initiatives are needed to achieve the target set out in the programme of government to the production of organic products for sustainable development. It is clear that a key aspect will be the sustainable development of increased knowledge base, education, research and advice.

Review of Literature

According to Bernwad Geier (1999), is of the opinion that there is no other farming method regulated by standards and rules as organic agriculture. Economic profitability of organic farming can be proved by Save and Sanghavi(1991). Future growth and future incomes to be determined only by organic farming (Kaushik ,1997). According to Organic Agriculture surveys, that in different countries organic farming is perceive differently. India's productivity of many crops is the lowest in the world. From the studies, gathered that Sustainable agriculture is need to attain the goal of sustainable development and for the sustainable development Government financial institutions and private financial institutions should give the assistance to the agriculture farming.

The present study is conducted with the objective of assessing the role of organic products in sustainable development through production, consumption and financial assistance/service of organic products production and agriculture farming.

Objectives of the paper

- ❖ To understand the consumption of organic products in India in the light of the survey with other countries.
- ❖ To understand the financial assistance of financial institutions for sustainable development of organic farms.

Methodology

The study has used only secondary data. Secondary data provided details about the progress of organic products details, like production and consumption. Information from literature on the organic products, it has both in India and abroad collected from the published sources like websites. FiBL-IFOAM survey 2015 and news paper reports is liberally used for the presentation of the paper.

Analysis and Findings

Table 1
The top ten countries with the largest numbers of organic producers 2013

Countries	Number of producers	Rank
India	6,50,000	1
Uganda (2012)	1,89,610	2
Mexico	1,69,703	3
Tanzania	1,48,610	4
Ethiopia (2012)	1,34,626	5
Turkey	65,042	6
Peru	52,284	7
Italy	45,969	8
Spain	30,502	9
Poland (2012)	25,944	10

Source: FiBL-IFOAM Survey 2015

According to Table 1, India has 6,50,000 organic producers than the other countries and it has obtain first place of number of producers. Uganda obtain second place with 1,89,610 organic producers according to the year 2012 only. Mexico has obtain third place with 1,69,703 organic producers and Tanzania, in decending order followed by producers in Ethiopia, Turkey, Peru, Italy, Spain and Poland.

Table 2
The 2014 National Geographic/GlobeScan Consumer Greendex, derived sustainable consumption index of actual consumer behavior across countries

Country	Year wise Organic food consumption (in %)				
	2008	2010	2012	2014	Mean Score
India	72	74.3	71.1	72.2	72.40
China	62.6	61.9	63.7	64.1	63.07
South Koreans	64.7	64.3	62.7	65.0	64.18
Brazilians	59.8	55.4	57.4	57.4	57.50
Argentineans	54	57.9	58.3	58.9	57.28
Mexicans	54.6	54.3	53.6	55.0	54.38
Hungarians	60.0	60.9	61.5	64.9	61.83
Russians	60.3	61.6	60.4	60.2	60.63
Germany	60.5	60.3	61.9	62.5	61.3
Spanish	57.5	55.9	57.1	56.8	56.83

Source: 2014 Greendex Reports

This survey consist of 18,000 consumers in a total of 18 countries asked about the relative use of green products verses conventional products, attitude toward the environment and sustainability, and knowledge of environmental issues. The result derived from 2014 National Geographic/Globe Scan consumer Greendex, a scientifically derived sustainable consumption index of actual consumer behaviour and material lifestyles across 18 countries. Overall, find that Top-scoring consumers of the 2014 Greendex study are in the developing economics of India and China, in descending order, followed by consumers in South Korea, Brazil and Argentina. India and Chinese consumers scored highest. According to the table India has obtain first rank position in largest consumption of organic food consumption from the survey. India and Chinese consumers scored highest. The mean score for India 72.40 and South Koreans 64.18 are the top mean score and followed by china 63.07, Hungarians 61.83, Germany 61.3.

Table 3
The countries with the largest areas of agricultural land.(in hectares)

Country	2010	2011	Increase/decrease over last year	Percentage change in 2011-12 as compared to 2010-11	2012	2013	Increase/decrease over last year	Percentage change in 2012-13 as compared to 2011-12
India	780000	1084266	304266	256	500000	510000	10000	2
Uganda	228419	228166	-253	-0.11	231157	231157	0	0
Mexico	332485	366904	34419	10.35	487393	501364	13971	2.87
Tanzania	72665	115022	42357	58.29	186537	186537	0	0
Ethiopia	137196	140475	3279	2.39	164777	164777	0	0
Turkey	383782	442582	58800	15.32	523627	461396	-62231	-11.88
Peru	216756	185964	-30792	-14.21	197837	388448	190611	96.35
Italy	1113742	1096889	-16853	-1.51	1167362	1317177	149815	12.83
Spain	1456672	1621898	165226	11.34	1593197	1610129	16932	1.06
Poland	521970	609412	87442	16.75	661956	661956	0	0

Statistics: Organic Agricultural Land 38 FiBL & IFOAM (2015): The World of Organic Agriculture 2015.

The above tables show the countries with the largest area of agriculture land in hectares. According to this analysis, India has an increasing trend in 2010-11 ie. 3,04,266 hectares but small increase in 2012-13 ie. 10,000 hectares. Secondly Spain has an increasing trend in 2010-11 ie. 1, 65,226 but small increase in 2012-13 ie. 16,932. From the above table Uganda, Peru and Italy are decreasing trend than the other countries.

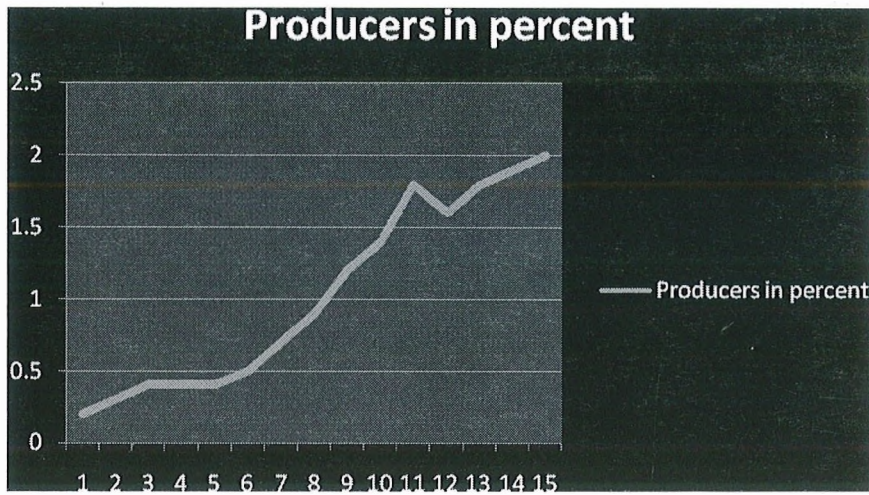
Table 4
Production of major crops during the recent years (million tones / bales)

Crop	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	CAGR
Rice	96.69	99.18	89.10	95.98	105.31	101.80	0.01
Wheat	78.57	80.68	80.80	86.87	94.88	92.30	0.03
Cereals	216.01	219.90	203.45	226.25	242.23	232.56	0.01
Pulses	14.76	14.57	14.66	18.24	17.09	17.57	0.04
Food grains	230.78	234.47	218.10	244.49	259.32	250.15	0.02
Sugarcane	348.19	285.03	292.30	342.38	361.04	334.54	-0.01

Source : agricoop.nic.in

From the above table the Production of major crops during the recent years are not satisfied. Considering the levels of agriculture crop production in India as presented in the above table. From the table, the CAGR for production of pulses have high rate than the wheat, cereals and other crops but CAGR for production of sugarcane have very low rate than the other crops.

Figure 1
Development of the number of organic producers 1999-2013



Source: FiBL-IFOAM Survey 2015

From the above figure Development of the number of organic producers from 1999-2013 are increased trend till 2013 except 2010.

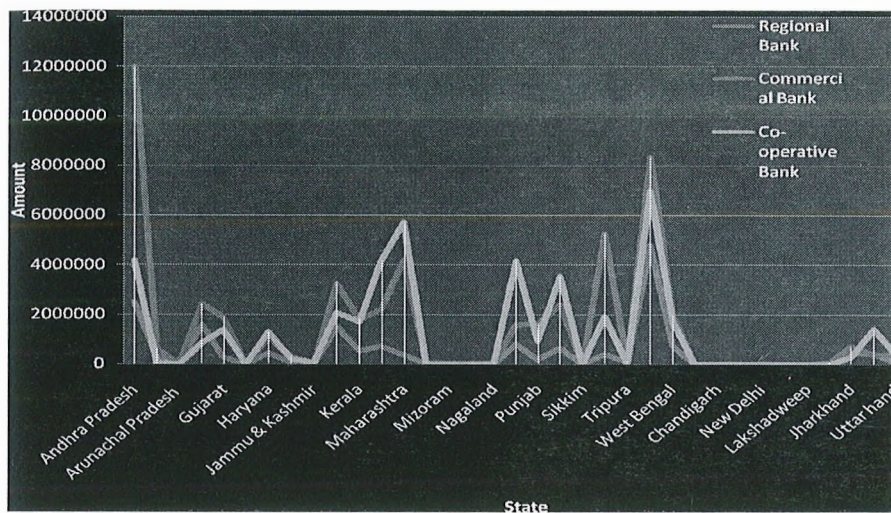
Table 5
State-wise Number of Kisan Credit Cards issued up to 31st March 2012

S.No	State	Regional banks	Commercial banks	Co-operative banks	Total
1	Andhra Pradesh	2492510	11975335	4174481	18642326
2	Assam	276559	601327	21555	899441
3	Arunachal Pradesh	3368	27215	980	31563
4	Bihar	1576268	2418418	867574	4862260
5	Gujarat	296685	1885499	1380880	3563064
6	Goa	-	14731	5661	20392
7	Haryana	450755	1050678	1298501	2799934
8	Himachal Pradesh	86379	309506	216528	612413
9	Jammu & Kashmir	42267	25126	54619	122012
10	Karnataka	1508086	3259689	2098737	6866512
11	Kerala	544295	1815367	1713377	4073039
12	Madhya Pradesh	729573	2215845	4174101	7119519
13	Maharashtra	384068	4192079	5719704	10295851
14	Meghalaya	23095	60270	12116	95481
15	Mizoram	10018	22685	2255	34958
16	Manipur	2082	32095	13532	47709
17	Nagaland	1841	33828	3470	39139
18	Orissa	824902	1622269	4182847	6630018
19	Punjab	187976	1634445	958837	2781258
20	Rajasthan	674592	2392440	3528806	6595838
21	Sikkim	-----	10542	3476	14018
22	Tamil Nadu	395691	5259695	1936258	7591644
23	Tripura	109090	98541	30087	237718
24	Uttar Pradesh	4805204	8341164	6987941	20134309
25	West Bengal	719307	1946905	1693611	4359823
26	Andaman & Nicobar island	---	3821	4258	8079
27	Chandigarh	----	8302	----	8302
28	Daman & Diu	----	1790	----	1790
29	New Delhi	----	27186	2303	29489
30	Dither Naga Haveli	----	3413	-----	3413
31	Lakshadweep	----	1331	-----	1331
32	Pondicherry	133	78312	7781	86226
33	Jharkhand	488978	714272	281079	1484329
34	Chhattisgarh	427263	379184	1418490	2224937
35	Uttar hand	62838	413514	383388	859740
36	Other states	----	47	----	47
	Total	17123823	53064871	43177233	113365927

Source: Department of Agriculture and Cooperation, Credit Division.

From the above table Commercial Banks provide highest Number of Kisan Credit Cards issued to the Agriculture farmers, then Cooperative Banks provide next highest Number of Kisan Credit Cards issued to the Agriculture farmers and Regional rural banks belongs to last place for the issue of Kisan Credit Cards.

Figure 2
State-wise Number of Kisan Credit Cards issued up to 31st March 2012



Suggestions and Conclusion

Development and evaluation of adopted technologies and local solutions for organic farming practice. Obstacles to organic system implementation must be anticipated. These include at the technical level, on the social level, at the human resource institutional level and at the government level. The concept of sustainability rests on the principle that people must meet the needs of the present without compromising the ability of future generations to meet their own needs. The unsustainable farm practices have negative impact on farmer’s health and long term returns of farmers. An effective agriculture sector can contributed to a development of agricultural productivity and food security only through loan given by financial sectors with low interest and high subsidy given by the government.

Sustainability of the human race and this world depends a lot on the environmental friendliness of our agriculture. Ecological farming is the answer to the problems being faced by agriculture in our country today. Financial sectors provide under various missions for creation of infrastructure for promoting organic farming. The government of India has initiated several policy measures to improve the accessibility of farmers to the institutional sources of credit. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit support to all farmers. It may be helpful to India has retained the first rank position of organic producers and to maintain first rank position in consumption of

organic food products. Future studies may use more surveys to improve the reliability of organic food consumption and production.

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Dr.G.Santhiyavalli, is Professor and Head of the Department of Commerce, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore, Tamil Nadu. Starting her professional career in 1977 as lecturer, she has been actively engaged in teaching and research for the past 39 years. As head of the department since 1994, she is instrumental in converting the undergraduate department of commerce into an active postgraduate research department. Her research interest include corporate finance, banking and behavioural finance. She has to her credit 14 international journal and 21 national journal publications. She has guided 21 M.Phil theses and 3 Ph.D Dissertation and four Ph.Ds dissertation are in progress.



Dr.P.Sanathi is presently an Associate Professor in the Department of Commerce of Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore, Tamil Nadu, India. She has 21 years of research and 26 years of teaching experience. She has presented many papers in national and international seminars and conferences and published her research in peer reviewed and refereed national and international journals.



Dr.P.Deivanai is assistant professor in the Department of commerce, Avinashilingam Institute for Home science and Higher Education for women, Coimbatore. She hold a Ph.D in commerce. Her areas of specialisation are marketing management and Entrepreneurship. She has 12 years of academic experience. She has presented papers at National level and international level. She has organised conference at National level and international level.



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61,66, V.P.Complex, TPK Main Road
Vasantha Nagar, Madurai - 625 003
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