

**Jammu and Kashmir Bank Fruit Advances Scheme  
(Apple) - A Case Study**

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(2017-HBM-01-M)



**School of Agricultural Economics and Horti-Business  
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Technology of Kashmir**

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(Apple) - A Case Study**

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**Project Report**

Submitted to

**School of Agricultural Economics and Horti-Business  
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Technology of Kashmir**

in partial fulfilment of requirements for the award of the degree of

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(Horti-Business)**

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*So Glorified be He and Exalted above all  
that they associate with Him, and in  
Whose hands in dominion of all things  
and to Him you shall be returned.*

*(Yaseen-83)*

*I dedicate this manuscript to the researchers/  
students around the globe who are working  
tirelessly in the labs or on the fields, for the  
well being of the mankind.*

*I sincerely hope that this work may somehow  
help the mankind.*



**Sher-e-Kashmir**  
**University of Agricultural Sciences & Technology of Kashmir**  
**School of Agricultural Economics and Horti-Business**  
**Management,**  
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**Shalimar Campus, Srinagar – 190025**

**Certificate-I**

This is to certify that the Project Report entitled, “**Jammu and Kashmir Bank Fruit Advances Scheme (Apple) - A Case Study**” submitted in partial fulfilment of the requirements for the award of the degree of **Master of Business Administration (Horti-Business)** to the **School of Agricultural Economics and Horti-Business Management, Faculty of Horticulture, Sher-e-Kashmir University of Agricultural Sciences & Technology of Kashmir** is a record of bonafide research work carried out by **Ms. Sabreena Shabir (Regd. No. 2017-HBM-01-M)** under my supervision and guidance. No part of the Project Report has been submitted for any other degree or diploma. It is further certified that any help or information received during the course of investigation has duly been acknowledged.

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This is to certify that the Project Report entitled, “**J&K Bank Fruit Advances Scheme (Apple) - A Case Study**” submitted by **Ms. Sabreena Shabir (Regd. No. 2017-HBM-01-M)** to the **School of Agricultural Economics and Horti-Business Management, Faculty of Horticulture, Sher-e-Kashmir University of Agricultural Sciences & Technology of Kashmir** in partial fulfillment of the requirements for the award of the degree of **Master of Business Administration (Horti-Business)** was examined and approved by the Advisory Committee and External Examiner on .....

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***Sabreena Shabir***

Place: Shalimar, Srinagar

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**EXECUTIVE SUMMARY**

The present study titled “J&K Bank Fruit Advances Scheme (Apple)-A Case Study” has been conducted for developing a comprehensive and holistic understanding about apple financing in Jammu and Kashmir (J&K), especially in Kashmir valley. Apple being a primary horticultural crop in J&K is largely capital intensive in nature. It offers multiple economic opportunities and needs to be appropriately & effectively managed and developed with special attention towards financing component. The studied scheme has been prominently introduced for providing an inclusive and appropriate financial coverage to the apple cultivation and trade in the region. Its flexible and simplified procedure has favored incorporation of a holistic approach for the apple financing and thus, covers every aspect of the apple industry of J&K such as apple cultivation, production,

marketing and consumption/subsistence for farm family. The scheme was launched on 20<sup>th</sup> January, 2011 and till 1<sup>st</sup> January 2019 it has benefitted around 1.75 lakh people involved in the apple trade and its cultivation.

The study is exploratory in nature and has studied three prominent apple producing districts of Kashmir valley i.e., Shopian, Kulgam and Baramulla. An extensive survey of the major apple trade mandis of Kashmir valley i.e. Parimpora fruit mandi, Sopore fruit mandi, Anantnag fruit mandi, Shopian fruit mandi and Pulwama fruit mandi was under taken in the present study. The data from these two sampling units (farmers and traders) have been collected using a well-structured questionnaire. Secondary data such as reports of RBI, Horticulture and The Jammu & Kashmir Bank Ltd. etc. were screened for the present study.

The analysis of the study revealed that the dependence of farmers and traders exclusively on informal sources of finance has significantly reduced to zero per cent which earlier used to be around 34 per cent in case of the farmers and 42 per cent in case of the traders. Around 72 per cent of the surveyed farmers and 56 per cent of the traders perceived formal sources of finance as the best source of finance for cultivation and trade of apple. The study also explored the first choice of the surveyed respondents for the formal sources of finance and observed that in comparison to all other commercial operating banks in the valley around 70 per cent of the farmers and traders choose J&K Bank as their first preference for availing any type of formal source of finance for apple financing. The primary reasons for this preference includes extensive presence of J&K Bank across the districts of Kashmir regions, ATM's and other services across the length & breadth of J&K, ease in availing the finance, quick loan disbursement process, local language support etc.

J&K Bank Ltd has been one of the prominent banks in the J&K and has played a lead role in institutionalization of formal sources for agricultural/horticultural financing particularly for apple crop especially in Kashmir valley. The performance of the J&K Bank Fruit Advances Scheme (Apple) has been remarkable since its inception. In the first year of its launch as

much as 18,000 customers had availed the scheme and as much as 36,000 lakh rupees were disbursed in very first year of launch. From the launch of this scheme on 20<sup>th</sup> January, 2011 up to 1<sup>st</sup> January 2019, 1.75 lakh borrowers have been benefited and total amount of Rs. 3500 crore has been disbursed in the favor of beneficiaries. Initially, the bank planned to target 2.3 lakh apple farmers/traders, out of which around 1.75 lakh apple farmers/traders have been benefited by this scheme.

Post the launch of this scheme, apple financing has become more planned, formalized and organized and therefore, has increased the economic leverage of the apple industry in J&K besides reducing the malevolence and greed of informal lenders. Though this scheme has institutionalized financing of the apple business in Kashmir valley but it is yet to reach its zenith in order to completely eradicate the dangers and ill-effects of the informal sources of apple financing. There are certain areas that needs intervention for improving the performance of apple financing scheme of J&K Bank such as improving awareness about the scheme among the farmers & traders, designing of an effective advertisement programme about the scheme, well-defined grievance settlement mechanism etc. These areas of intervention need to be focused and appropriate measures needs to be implemented at the priority basis for ensuring strategic growth and development of the apple industry in Jammu and Kashmir.

**Keywords:** Apple, Customers, Finance, Institutional sources, J&K Bank, Scheme.

## Chapter-1

### INTRODUCTION

Agriculture & horticulture continues to be a fundamental instrument for the sustainable development and poverty reduction across the globe. However, the financial constraints still remains a major hindrance and thus, generating costly and inequitable developments as well as severely limiting smallholder's ability to compete. The huge gap between demand and supply sides in the agriculture & horticulture have exposed the vulnerability of agricultural production in meeting global demand and call for increased investment in agriculture/horticulture at all levels. The question is how the right amount of investment can be acquired, particularly in a challenging milieu where financial uncertainty causes a reduction in available resources along with increased fear and scrutiny of risk. An answer to addressing these constraints goes beyond conventional measures since agriculture/horticulture has always been difficult to finance through formal financial institutions and approaches.

The environment for agricultural finance is further influenced by the growing concentration of control in the agricultural sector. Driven by gains from economies of scale and globalization of the food chain along with access to resources, multinational and other interconnected agri-businesses have a greater impact in a sector that is characterized by increasing vertical and horizontal integration. The consequences of tightening integration are profound, especially for the smallholders and others who are outside of the interlinked chains. In short, agriculture/horticulture is evolving towards a modern, extremely competitive system driven by consumer demand for higher value, more processed products, and consistent quality and safety standards. Hence, enhancing smallholder's productivity, competitiveness and their participation in these global value chains have been noted as priorities of the agriculture-for-development agenda (World Bank, 2008).

Agricultural finance is broadly defined as the study of finance and liquidity services provided to farm borrowers and are also concerned with the study of those financial intermediaries who provide loans to agriculture and the financial markets in which these intermediaries operate. Agricultural finance focuses on the needs of the farmers based on two perspectives i.e. on the basis of time and purpose. Former perspective is of three types i.e. short, medium and long term. While as, latter can be divided into productive, consumptive, and unproductive loans. In Indian context, source of finance is of two types i.e. institutional (formal) and non-institutional (informal). Informal sources include money-lenders, relatives, traders, commission agents, landlords etc. Institutional sources comprises of cooperatives, commercial banks and regional rural banks.

At the time of independence, most common source of agricultural credit was from the money-lenders. In 1951, (the year when planning was initiated in the country) money-lenders accounted for as much as 71.6 per cent of rural credit, which mainly included agriculture financing. The money-lenders exploited the poor farmers and thus reducing economic and social upliftment of the farmers. High exorbitant interest rates on the availed loans and manipulation of loan accounts by the lenders forced many farmers to be slave of their lenders and in most of the cases sell their farms, land and belongings to the lender. This viscous cycle of greed of the money-lenders would never end. Keeping this scenario in view, Government of India (GoI) undertook various steps to regulate & institutionalize the financing scenario in India as well as monitoring the activities of the money-lenders.

Till 1970, Indian agriculture/horticulture financing was largely dependent upon on the cooperative banks, especially in the rural areas of India. However, keeping in view the growth of the agriculture and allied sectors in India, cooperative banks failed in meeting the growing demands. Therefore, Government of India (GoI) shifted its policy and allowed agriculture financing through

commercial banks as well. Post nationalization of Indian banks in 1964, the agricultural financing increased more and thus created hopes for improving financing scenario in India. However, there was still criticism about the agricultural and horticulture financing in India. The working group on rural banks (1975) recommended the establishment of Regional Rural Banks (RRBs) to supplement the efforts of the commercial banks and the cooperatives in extending financing facilities to the agriculture, horticulture, weaker sections of the rural community, small and marginal farmers, landless laborers, artisan and other rural residents of small means. The main purpose of these new institutions was to be an institutional device, which can understand and combine the local feel, need & familiarity of agriculture financing in India and also reach to the rural India more extensively.

To further supplement the agricultural and horticultural financing in India, GoI established National Bank for Agriculture and Rural Development (NABARD) in 1982, as an apex institution at the national level for agriculture credit and providing assistance to the agencies at state and national level for agricultural and rural development. The establishment of the formal institutions of financing has pushed the growth in the agriculture and horticulture trade in India. These formal institutes have improved the credit availability scenario. During 1951-52, the share of institutional sources to the total agricultural credit was 7.6 per cent, which increased to 18.7 per cent in 1961-62 and then to 72 per cent in 2010-11 (Table 1). Although, the share of non- institutional sources of finance in the rural areas decreased but still remained very easy source of supplying credit to the farmers.

**Table 1: Agricultural credit scenario in India during 1951-52 to 2010-11**

S. No	Source	1952-52 (%)	1961-62 (%)	1970-71 (%)	1981-82 (%)	1991-92 (%)	2002-03 (%)	2010-11 (%)
1	Government	3.3	2.6	3.5	4.0	6.1	3.0	4.0
2	Cooperative Societies	3.1	15.5	22.8	28.6	21.6	26.0	24.9
3	Commercial Banks	0.9	0.6	4.0	28.0	33.7	27.0	43.1
<b>Sub-Total (1+2+3)</b>		<b>7.3</b>	<b>18.7</b>	<b>30.3</b>	<b>60.6</b>	<b>61.4</b>	<b>56.0</b>	<b>72.0</b>
4	Money – lenders	90.9	67.4	68.4	38.8	32.7	41.0	21.9
5	Others	1.8	13.9	1.3	0.6	5.9	3.0	6.1
<b>Sub-Total (4+5)</b>		<b>92.4</b>	<b>81.3</b>	<b>69.7</b>	<b>39.4</b>	<b>38.6</b>	<b>44.0</b>	<b>28.0</b>
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: Report of the all India rural credit review committee, RBI bulletin and NSSO, May 2011*

Apple is the fourth widely produced fruit in the world after banana, orange and grapes with a growing demand (Mittal, 2007). The total world apple production in 2018-2019 was 83 million metric tonnes (million MTs). China is leading apple producing country with an annual apple production of 31 million MTs in year 2018-2019 with 37.2 per cent share in the world apple production followed by European Union with annual production of 14 million MTs having 16.8 per cent share in worlds total apple production. USA is having annual apple production of 5.04 million MTs having 6.07 per cent share in worlds total apple production. India stands at seventh position with annual production of 2.79 million MTs contributing 2.7 per cent to the worlds total apple production. The area and production of apple in the world and India's share is given in the Table 2

**Table 2: India's share to the global apple area and production of apple**

Year	Particulars	Area (Ha)	Production (Tonnes)
2002	World	50,10,789	5,57,54,074
	India	2,40,000	11,60,000
	Share of India (%)	4.7	2.0
2007	World	48,13,675.3	6,51,97,338
	India	2,52,000	16,24,000
	Share of India (%)	5.2	2.4
2012	World	48,42,822	7,63,78,738
	India	3,21,900	22,03,400
	Share of India (%)	6.6	2.8
2018	World	53,00,000	8,31,00,000
	India	3,30,000	23,00,000
	Share of India (%)	6.2	2.7

Source: Food and Agriculture Organization STAT (<http://faostat3.fao.org/home/E>)

Growth rate of apple in terms of area under cultivation, production and yield in the world level has been observed as 1.2, 2.4 and 1.2 per cent per annum respectively during 1973-74 to 2011-12 (Commodity Profile of Apple, 2014). During the same period, the area under cultivation, production and yield of apple in Asia has been observed as 3.9, 6.3 and 2.4 per cent per annum, respectively. In India, the growth rate of area, production and yield of apple has been witnessed as 2.4, 3.5 and 1.1 per cent, respectively which reflects India's apple industry has grown above world average and near about Asian average during 1973-74 to 2011-12.

In India, apples are mainly produced in three states i.e. Jammu and Kashmir (J&K), Himachal Pradesh (H.P) and Uttarakhand. Jammu and Kashmir and Himachal Pradesh have roughly equal acreage under apple, but J&K has the highest average yield and accounts for 65 per cent of total apple production, hence important for economic growth (Masoodi, 2003). The year-wise comparison of compound annual growth rate (CAGR) of area harvested and production of apples in the various states of India is given in the Table 3. The apple crop dominates the horticultural industry of J&K and has played an important role in the economic and social development of J&K. Amongst all other fruit crops grown in Kashmir valley, apple cultivation is a primary horticulture crop among the growers mainly due to the higher returns and ability to stand transportation stress (Mir, 2014). A number of apple varieties are found indigenous to the state such as Ambri. Apple is cultivated in almost all the ten districts of Kashmir region with Baramulla, Kupwara, and Shopian being the highest producers. The smaller quantities are also produced in some areas of Jammu and Ladakh. The harvesting mainly begins from August and continues till November with peak activity in September and October.

**Table 3: Year wise comparison of CAGR (in %) of area harvested & production in J&K with major apple producing states of India**

<b>Area</b>			
<b>State</b>	<b>1996-97 to 2001-02</b>	<b>2001-02 to 2006-07</b>	<b>2006-07 to 2011-12</b>
Arunachal Pradesh	0.92	7.90	7.24
Himachal Pradesh	2.94	-0.22	2.45
<b>Jammu and Kashmir</b>	<b>2.30</b>	<b>5.79</b>	<b>7.40</b>
Uttarakhand	-1.37	-9.99	1.95
<b>Production</b>			
	<b>1996-97 to 2001-02</b>	<b>2001-02 to 2006-07</b>	<b>2006-07 to 2011-12</b>
Arunachal Pradesh	-10.97	2.88	25.50
Himachal Pradesh	-8.95	8.245	0.49
<b>Jammu and Kashmir</b>	<b>2.20</b>	<b>6.09</b>	<b>7.75</b>
Uttarakhand	-20.67	15.77	-0.10

*Source: Adapted from Sultan Abid & Saurabh, 2015*

Among the various states of India, J&K is a prominent and leading apple producing state of India. Jammu and Kashmir State being endowed with natural advantage of topography, climate and enormous diversity of agro-climatic niches has immense scope for horticultural development. The apple cultivation in Jammu and Kashmir is a important industry of J&K economy with 49.6 per cent of the area under horticulture is covered under apple cultivation as per the horticulture census 2018-19. The area and production of apple in state has increased from 47,342 hectares and 3, 48,011 metric tons in 1975-76 to 78,007 hectares and 7, 14,834 metric tons in 1995-96, respectively, which further increased to 1,64,461 hectares and 18, 78,947 metric tons in 2018-19. The apple cultivation is practised in all the districts of Kashmir valley. Major contributors to the apple production are Baramulla (23%) followed by Kupwara (15%) and Shopian (14%) districts. There are around 7 lakh families comprising of about 33 lakh people which are directly or indirectly associated with horticulture. The production of fruits has increased from 16.36 lakh in 2007-08 to 22.35 lakh metric tonnes in 2016-17, to 24.05 lakh metric tonnes in year 2018-19. Area under fruits in J&K state has increased from 2.95 lakh hectares in 2007-08 to 3.31 lakh hectares in 2018-2018. In Jammu and Kashmir the main source of agricultural finance (formal) is J&K Bank, the leading bank of state. In comparison with the national average, the state of Jammu and Kashmir apple yield during 2018-19 was observed as 11.42 metric tons ha<sup>-1</sup>. 0.16 million ha area under apple and provides the maximum marketable surplus of about 30 per cent of A-grade, 40 per cent of B-grade and 30 per cent of C-grade of prefalls and culled apples, which accounts for substantial quantum of around 5.18 lakh metric tonnes and needs to be exploited as raw material for apple processing industry (Directorate of Horticulture). With the public sector interventions both at the state and central level, apple exports worth Rs 7000 Cr were traded during 2018-19.

Apple cultivation and trade is a capital intensive and most of the holders lack financial capabilities for leveraging upon this profitable and rewarding

industry in J&K. Financial needs get further inflated for the small-holders and traders. Broadly, two sources of finances cater to the apple value chain in Kashmir region i.e. formal and informal. Selecting any source of the finance has direct impact on selection of marketing channel and selling location. Due to inherent informal contracts arrived at raising credit necessitates growers to sell produce through their patronized marketing channels. The flexibility of selling and channel selection is only available with the formal or institutional financing sources as there is no such clause in their contract which forces growers to sell their produce on the financier's will. Financing apple production and its various post-harvest activities along various actors in the value chain plays an important role in overall product development, trade and employment generation.

For financial institutions, value chain finance creates the impetus to look beyond the direct recipient of finance to better understand the competitiveness and risks in the sector as a whole and to craft products that best fit the needs of the businesses in the chain. Naturally, this more comprehensive approach to agricultural financing is not unique to value chain finance; some leading financial organizations in the sector employ such a focus in their loan assessment processes but this is more often not the case. In fact, much of the finance available to value chains is not from financial institutions but rather from others within the chain. Apple value chain finance offers an opportunity to reduce cost and risk in financing, and reach out to smallholder farmers. At the same time, value chain finance can help the chains become more inclusive, by making resources available for smallholders to integrate into higher value markets. Finance that is linked with value chains is not new and some types of trader finance, for example, have been around for millennia; what is new is the way it is being applied more systematically to high value horticulture commodities, using innovative or adapted approaches, tools and technologies.

The apple value chain finance plays a pivotal role in terms of injecting booster dose for promoting commodity apple value chain and the resultant

multiplier effect in creating effective demand, level of income and employment of stakeholders. Since this industry sustain the sizeable share of state's economy, it is essential to examine the flagship finance scheme launched by the lead bank of state entitled "J&K Bank Fruit Advances Scheme (Apple)" with provision of financing various players across the value chain. As there has been no systematic work on apple value chain finance in Kashmir valley, hence, it is imperative to undertake a comprehensive study which will through light on this important aspect of the commodity value chain. To expand the opportunities of positive correspondence and economic welfare of farming community, this study shall provide feasibility and effectiveness of the scheme in apple commodity development and catering stakeholder. The present study entitled "**J&K Bank Fruit Advances Scheme (Apple)-A Case Study**" shall focus to explore the operational effectiveness as well as terms of trade from both lenders as well as beneficiary perspective. The salient objectives of the proposed study are:

**OBJECTIVES:**

- To study disbursement and repayment pattern of J&K Bank Fruit Advances Scheme (Apple).
- To examine the terms of trade & risk sharing mechanism of scheme viz-a-viz to informal credit.
- To examine the problems faced by beneficiaries while availing the credit from J&K Bank.

## Chapter-2

### REVIEW OF LITERATURE

To achieve the objectives of the present study, review of the literature was carried and relevant research papers pertaining to the apple industry, apple financing etc. were studied for developing a comprehensive and holistic understanding. The present chapter provides an inclusive understanding and highlights the various relevant and significant studies that have been carried by the different researcher's, academicians and practitioners in the apple related industry.

Amin & Jan (2018) studied that apart from the production and marketing needs, there are socio-economic needs, as well and there are the financial obligations on the growers which they have to meet out from the orchard incomes. Because the orchards are the main source of income in most of the cases in the state and thus any financial obligation or contingency which arises in the family are met by the income of the orchards. Peasant entrepreneurs raise the amount from the commercial banks or from the outside state fruit commission and forwarding agents to lend this money to the marginal growers on higher interest rates to generate employment for themselves. They require huge capital to in turn earn from this by lending it to marginal farmers.

Mishra & Mohapatra (2017) investigated that there are two major sources of finance in agriculture: Institutional (Co-operative societies, primary agricultural credit society, central co-operative banks and state co-operative banks) and Non-Institutional (Money-lenders, landlords and others). Author studied that the institutional credit flow to the agriculture has been increasing for the past four decades. The structure of the sources of credit has witnessed a clear shift and commercial banks have emerged as the major source of institutional credit to agriculture in the recent years. Imparting training to borrowers regarding

procedural formalities of financial institutions could be helpful in increasing their access to institutional credit. The option of microfinance should be adopted and streamlined to alleviate the plight of the marginal, small, farmers.

Barot & Patel (2015) conceptualized that to strengthen the economy it is important to eliminate poverty, food insecurity and unemployment in India. This problem can be resolved by targeting agriculture finance issue. Since inception agriculture finance strategy was focused on addressing institutionalization of credit at farmers' level in marketing, trade, processing and agribusiness. The All India Rural Credit Survey (1954) mentioned that agriculture finance in India fell short of the right quantity, right type, did not serve the right purpose and often failed to go to the right people. Though the amount granted to agricultural sector increased since last couple of decade, the benefit of it to reach to right people, on right time and in right quantity is a great matter of concern in India. Even today rural credit for infrastructural requirements for production, processing, marketing, distribution, utilization, trade with value added service require serious attention of government. The study reveals that though the institutional credit in India to agriculture sector is increased in quantum, but an effort has to be taken to provide it to the right kind of people, at right time, on right places and in right quantity, that boost Indian agriculture sector in a right direction.

Hoda & Terway (2015) investigated that the rates of interest on credit from institutional sources are much lower than on credit from non institutional sources. According to the latest AIDIS (All India Debt And Investment Survey), in 2013, only 10 per cent of the outstanding debt to institutional sources attracted interest rates of more than 15 per cent, whereas the corresponding Figure for outstanding dues from non-institutional sources was as much as 71 per cent. Further author analyzed that the outstanding debt at rates above 30 per cent was only one per cent for institutional sources and more than 34 per cent for non-institutional sources.

The non institutional agencies seem to be flourishing even though they charge exorbitant interest rates. Two points emerge from the analysis. First, there is some evidence that the lower interest rates charged by institutional sources may have had a moderating influence on the rate of interest charged by non-institutional sources. The proportion of outstanding cash dues at interest rates in excess of 30 per cent in loans taken from non-institutional sources seems to have fallen from 40 per cent in 2002-03 to 34.1 per cent in 2012-13. Second, non-institutional agencies advance a significant proportion of loans on an interest-free basis. This flexibility, no doubt helps them to retain their hold on clients, who also carry the burden of usurious rates of interest.

Narayanan (2015) crafted the relationship between institutional credit and the economic well-being of farm households in India. Statistically significant effects of institutional credit were found not only on net farm income but also on per capita household consumption expenditures. Results suggest that perceptions of the ineffectiveness of credit, often expressed in policy discourse, may be misplaced. Formal credit is indeed playing a critical role in increasing both the net farm incomes and per capita monthly household expenditures of Indian farm families. However, evidences revealed that formal lenders are explicitly biased toward families with large farms, and as a consequence, marginal and small farmers are left out.

Maurya & Bhat (2013) pioneered that most common source of finance for business in Jammu and Kashmir is financing by intermediaries. The local forwarding agents who finance these units at very high rate of interest. This could be because of unawareness among respondents regarding the facility of availability of loans from banks for such businesses. As 55% of respondents are not aware of the loans provided to them by various banks in the valley. Quick sanctioning of the loans has been preferred by the most of

the respondents and low interest rates are highly considered by respondents by for loans.

Thorat (2011) observed that after implementation of the Debt waiver Scheme, a large number of units providing short-term cooperative credit were in profit and as a result, their mounting losses started to decline. The group found that despite the better financial health, the share in agricultural credit continuously declined. According to this working group, poor resource base, poor management, inefficient governance and lack of active members were the significant barriers to agricultural credit flow.

Subbarao (2012) advocated that everything else will wait, but not agriculture. While delivering his speech he stressed on that 'the agricultural growth has been the central to India's efforts at poverty reduction'. Further, he commented that in recent years, there has been growing concern for the food shortage which has created a big challenge to self-sufficiency in food production. Available land being fixed, self-sufficiency will only be possible through improved productivity which required adequate, timely and cheap credit. Development experience showed that the credit is an important determinant of value added in agriculture.

Chakravarty (2011) stated that the pricing of credit should be market based for ensuring effective flow of credit to all sections of the agricultural community. He further stated that the emphasis should be given instead of on subsidized credit to appropriate and enough availability of credit at reasonable costs especially where credit delivery system is very weak.

Kumara *et al.* (2010) explained that, although the institutional credit to agriculture increased continuously but money-lenders were the chief source of credit to agriculture. For justifying their statement the authors examined the performance of agricultural credit and identified the determinants of increased use of institutional credit at the farm level. They found that the institutional credit to

agriculture increased during last four decades. There were also structural changes in credit system. The commercial banks remained the most important source of institutional credit. But the declining share of investment credit hampered the growth of agriculture. The socio-demographic factors like family size, caste, gender, occupation and education affected the use of institutional credit. Hence, they remarked that the simplification of credit procedures is essential for the better access to credit.

Das *et al.* (2009) analyzed that the direct agriculture credit amount has a positive and statistically significant impact on agriculture output and its effect is immediate. The number of accounts of the indirect agriculture credit also has a positive significant impact on agriculture output. These results reveal that even though there are several gaps in the present institutional credit delivery system like inadequate provision of credit to small and marginal farmers, paucity of medium and long-term lending and limited deposit mobilization and heavy dependence on borrowed funds by major agricultural credit purveyors, agriculture credit is still playing a critical role in supporting agriculture production in India and its role can be further enhanced by much greater financial inclusion by involving of region-specific market participants, and of private sector suppliers in all these activities, and credit suppliers ranging from public sector banks, co-operative banks, the new private sector banks and micro-credit suppliers.

Sharma (2009) examined the declining trends of financing in agriculture through public sector. Author studied that at national level there are large number of formal and informal institutional agencies such as Co-operatives, Regional Rural Banks (RRBs), Scheduled Commercial Banks (SCBs), Self-help Groups (SHGs) which are involved in meeting the short- and long-term needs of the farmers.

Das *et al.* (2009) summarized that the credit facilities act as the driving forces for the growth in agriculture production and observed the shortcomings in

the present credit delivery system. Usually the small and marginal holders face the problems in the prevailing credit delivery system and the final produce is directly linked with the availability of finance in the priority sector.

Das (2009) said that in India, agricultural credit had an approach towards consistent growth focusing on interchanging money-lenders, relieving farmers from indebtedness and realizing higher levels of agricultural credit. But, the credit given for agriculture resulted in powerfully inflated fertilizer use and personal investment in machines and stock which resulted in unsatisfactory output.

Kaur (2009) in their study on problems faced by institutional disposition to agriculture in India showed that the massive proportion of population belonged to marginal cluster which received comparatively less credit. They had major share in land holdings and future credit was put behind the short term credit. Though credit delivery by different establishments was interlinked, the disposition of finance to agriculture was virtually stagnant. The KCC emerged as a better mode of credit delivery to agriculture in terms of timeliness and trouble free operations. The KCC theme helped augment the flow of short term crop loans for seasonal agricultural operations to farmers.

Umesh Chandra (2009) stated that non availability of finance from formal sources, especially in the case of small and marginal farmers, drives them to informal sources to borrow at a higher interest rate. The committee further clarified that inadequate and untimely availability of credit along with procedural hassles from formal institutions compelled most of the farmers to borrow from money-lenders. Although, in recent years, policy makers declared doubling of agricultural credit, but the limited access of small and marginal farmers to institutional credit is still a matter of concern. What is worrying is that a number of such farmers are increasing and researched to 88% of the total cultivators.

Bhat (2008) illustrated that as a dominant crop of Kashmir Valley “Apple” proudly represents fruit industry of Kashmir, but there has not been significant improvement in the standards of farmers associated with it because of large chain of commission agents in Kashmir.

Golait (2007) studied the evolution of institutional credit to agriculture could be broadly classified into four distinct phases - 1904-1969 (predominance of co-operatives and setting up of RBI), 1969-1975 [nationalization of commercial banks and setting up of Regional Rural Banks (RRBs)], 1975-1990 (setting up of NABARD) and from 1991 onwards (financial sector reforms).

Ramakumar and Chavan (2007) this expert group observed that though agricultural credit increased manifold, but most of the farmers still depend fully/partly on non institutional sources where the rates of interest are quite high and the terms and conditions often exploitive. Hence, this group suggested that the creation of 'Debt Redemption Fund' as well as timely and hassle free delivery of credit will certainly help in reducing farmers suicides.

Shukla *et.al* (2007) studied the effect on institutional credit flow that of liberalization. Also its relationship with average cost of cultivation of agriculture in India. Authors examined the nature and extent of differences in per hectare flow of short term institutional credit to agriculture and average cost of cultivation across the states in India. For the study, authors examined seventeen most important states having about 96 percentage agriculture land in India. Study reveals that the differences across the states in per hectare flow were measured by coefficient of variation increased during pre-liberalization period between 1980-1991. The interstate differences actually reduced during 1991 during post-liberalization period. Though credit flow has increased, the coverage is still remained below 20 percentage of cost of cultivation except four states of southern India and Punjab and Himachal Pradesh in northern India.

Sreeram (2007) concluded that increased supply and administered pricing of credit help in the increase in agricultural productivity and the well being of agriculturists as credit is a sub-component of the total investments made in agriculture. Borrowings could be from multiple sources in the formal and informal space. With data being available largely from the formal sources of credit disbursal and indications that the formal credit as a proportion of total indebtedness is going down, it becomes much more difficult to establish the causality. He also stated that the diversity in cropping patterns, holding sizes, productivity, regional variations make it difficult to establish such a causality for agriculture or rural sector as a whole, even if one had data. Finally, author argued that mere increase in supply of credit is not going to address the problem of productivity, unless it is accompanied by investments in other support services. In the present study, we take a re-look at the problem by quantitatively assessing the impact of institutional credit expansion on agriculture.

Swamakar (2007) The Working Group was formed under the chairmanship of, Swamakar Syndicate Bank to examine the procedures and processes of agricultural loans. The Group studied the ground realities of procedures related to agricultural loans and suggested measures for easing the hardships faced by the farmers particularly the small and marginal farmers and borrowers with small loans. The working group observed that no detailed guidelines were provided by the banks regarding procedures and documents required for processing loan applications. During the visits, it was also observed that the branches did not stick to the laid down norms. The applications were not introduced or if introduced, not properly registered at the branches. These registers were not updated regularly. Loan applications received other than the government sponsored schemes were generally not entered in these registers. Loan applications were entered in the register only at the time of sanction or disbursement of the loan. The group found that the entries in the 'Loans Receipt and Disposal Register' were not monitored timely. In general no details were available at the branches for the rejected applications. This group discovered that

the loan applications were not promptly dealt and the farmers had to make several rounds to the branch for sanction of loan. During the course of interaction with farmers, the group experienced that the farmers had to spend considerable efforts, time and money to obtain No-Dues Certificates from the banks operating in the area and the Search report from the advocate approved by the bank. It was also noted that the requirements of various documents were intimated to the borrower farmers in a piecemeal manner resulting in excessive delay. The working group opined that in spite of a number of measures taken by the RBI and the Government, a number of problems continued to trouble the farmers, especially the small and marginal farmers.

Sidhu and Gill (2006) carried out a study on Agricultural Credit and Indebtedness in India. Authors pointed out three major challenges of the financial institutions for agriculture financing 1) the flow of agricultural credit has to be increased 2) the accessibility of formal credit to rural poor and disadvantaged and agriculturally less developed regions has to be improved and 3) the economic viability of rural banking operations has to be ensured over time. They suggested that the agricultural credit should be improved further by covering a large number of farmers, who were unable to access the formal credit due to rigidity in lending procedures and requirements. Cost of borrowing to the farmers was another important issue affecting the flow of credit to the agriculture sector.

RBI Report (2004) revealed that credit has been considered not only as one of the critical inputs in agriculture, but also an effective means of economic transformation. A large number of agencies, including cooperatives, regional rural banks, commercial banks, non-banking financial institutions, self-help groups and a well spread informal credit outlets together represent Indian rural credit delivery system. These networks apart from working as financial intermediaries also play a key developmental role in the economy. The key milestone of rural credit system are Rural Credit Survey Committee Report (1954) and acceptance of its

recommendations, nationalization of major commercial banks (1969 and 1980), establishment of RRBs (1975), establishment of NABARD (1982) and the ongoing financial sector reforms since 1991. Further, several initiatives like Kisan Credit Card Scheme, Special Agricultural Credit Plans, are put in place to increase the flow of credit to agriculture sector. The process of globalization and deregulation of financial institutions have thrown open new challenges and opportunities. The financial institutions need to meet the expanding credit needs of the agriculture sector. In an emerging situation agriculture sector requires higher credit to strengthen primary production base like land and water, support investment in farm machinery and current inputs, in order to enable it to high value addition and export orientation. Thus, qualitative dimensions of the credit delivery channel are equally important. The capability of the institutional credit delivery channel will be severely tested in funding farmers at the extremes of the spectrum; small and marginal holdings with more than a third of the production base, and the large and enterprising farmers. As the credit requirements of different sections of producers have specific characteristics of content, scale, timing, mode of payment and back-up services, the quality of credit delivery by various institutions will determine their competitiveness in a deregulated financial regime.

Sahu (2004) selected 14 districts in Orissa state. He observed that the agricultural credit in both the absolute and real terms grew at much faster rate during the period 1981-91 as compared to the period 1992-2000. Despite the fixation of lending targets, deregulation of interest rates, and simplification of credit delivery system, the banks could not achieve the targets of agricultural lending at the all India level because, the banks did not find profitable for deploying larger proportion of their loan able funds to agricultural sector.

Antony (2003) after the inclusive examination, the researcher found that the credit institutions did not follow a common procedure. There was lack co-

ordination and complementarily in credit institutions. He identified that irrespective of the efforts made for simplifying the loan procedure, about 42 percent of the beneficiaries were facing problems in obtaining loans. He, therefore, suggested that the improvement in the agricultural credit delivery system will reduce the transaction cost involved in the disbursement of agricultural credit. He felt an urgent need for refreshing the activities of PACs to make them real instruments of agricultural development. He observed that a professional, strong, viable and need based arrangement of credit allocation is essential for meeting the credit needs adequately.

Vyas (2003) an advisory committee on the supply of credit to agriculture and allied activities, under the chairmanship of Professor V S Vyas in December 2003. The committee submitted its report to them Reserve Bank of India in June 2004. This committee examined the progress made in implementation of the recommendations of the Expert Committee on Rural Credit appointed by NABARD in August 2000, suggested measures to reduce the rate of interest on agricultural credit given by Commercial banks, Cooperative banks and Regional Rural Banks, and identify the hurdles in the flow of credit to the disadvantaged sections viz. small and marginal farmers, tenants, and landless laborers and suggest measures to be taken by banks for providing financial assistance to them. The committee noted the drawbacks such as higher transaction costs, complicated procedures, increasing documentation formalities, inability of borrowers to provide tangible collateral securities, negligence in linking loan account to interest subsidies under various poverty alleviation programs, loan waivers vitiating the recovery climate, legal difficulties in foreclosure of loans, non availability of tenancy agreements, lack of updated land records, inadequate risk mitigation mechanism etc. had become the obstacles in the expansion of credit to target groups. The committee further remarked that in the event of loan failures banking with the poor are not profitable.

Chaudhari *et.al* (1996) analyzed the informal credit markets for agriculture sector. The authors claimed that the major reason behind the acceptance of informal credit market of agriculture is the delay in delivery system of institutional credit. The delay many times was intentionally made by officials for bribery purpose. The officials and money-lenders illegally cooperated and decided the bribery rates and informal interest rates. The interest rates of informal credit and that of institutional credit with bribery were found almost equal.

Mohanasundaram (1993) he stated that in the recent years in order to ensure an overall development of all the segments of the economy, developing countries like India increasingly emphasizing on the development of the small and marginal farmers, agricultural laborers and other rural poor. Therefore, the researcher decided to evaluate the institutional credit provided to small borrowers in selected rural areas of Tamil Nadu. He observed that the rural poor are borrowing from non-institutional sources e.g. private money-lenders at higher rate of interest. Hence, he suggested that the rural poor should be provided institutional credit at concessional interest rates. During the study he examined the accessibility of the selected borrowers.

Srivastava (1987) made an analytical study on Institutional Financing of Agriculture in India. He concluded that more than half of the loans and advances provided to farmers had come from co-operative credit institutions and the share of commercial banks in the total loans and advances had declined during the period of study. The study also showed that the commercial banks had enormous amounts of overdue, because of the diversion of loans from productive purposes to unproductive purposes, lack of supervision by the lending authorities and political interferences.

Kumar (1987) reported that the co-operatives had an upper hand in contrast to commercial banks. He observed that the adoption of new technology and increase in the average high yield was the conclusive proof that agricultural

financing by banks had helped the farmers to a great extent. It was revealed that the process of getting loans was a difficult task and that frequent visits to banks and expenditure associated with it had compelled some of the farmers not to apply for such loans.

Sahaf (1985) determined the importance of finance in apple industry of Jammu and Kashmir. He has emphasized on the need of finance to help producers to meet their working capital requirements and marketing related expenses.

Review of literature highlights the importance and potential of financing for the growth and development of the agriculture/horticulture industry and also advocates for institutionalization of financing and deliberates on the significance of formal sources of financing.

## Chapter-3

### PROJECT METHODOLOGY

This chapter explains in detail the methodology used in the present study. The chapter specifically describes J&K, J&K Bank, research design, sampling, and data collection method and data analysis.

#### Overview of J&K

Jammu and Kashmir is located in the north-western corner of India, extends between 32°-17' and of 37°-5' North parallels of latitude and 73°-26' and 80°-30' east of meridians of longitudes and 81° East of Greenwich. J&K is located almost in the middle of three climatic regimes of Asia. In its south border lies the weak monsoon zone of Punjab. On the north-east it is bordered by the vast arid plateau of Tibet while the north-west border areas face the eastern limits of Mediterranean climatic region (Figure 1). This geographical position, coupled with the varied physiography, provides J&K a wide climatic variation. State is broadly divided into four broad macro-climatic zones (I) Sub-tropical (II) Valley temperate (III) Intermediate (IV) Cold-arid. Out of 3.5 million ha of mountainous area of India, nearly two third i.e. 2.3 million ha are found exclusively in Jammu and Kashmir. Total geographical area of J&K is 2, 22,236 km<sup>2</sup> out of which 78,114 km<sup>2</sup> (35.15%) area lies under Pakistan, and 42,735 km<sup>2</sup> (19.23%) under the occupation of China (including the area handed over by Pakistan to China). Therefore, J&K is left with an area of 101,387 km<sup>2</sup> (45.62%). Ladakh is the largest hilly arid zone which occupies 58321 km<sup>2</sup> (26.2.00%). State gross domestic product (SGDP) of Jammu and Kashmir expanded 14.7 per cent at constant 2011-12 prices and has per capita income of Rs 94,992 (Economic



Fig. 1: Map showing different districts of J&K State

survey of 2017-2018). Jammu and Kashmir is predominantly an agriculture and horticulture economy. J&K is famous across national and international markets for its horticultural produce. Horticulture plays a vital role in the economic development of the state. The annual turnover of horticulture sector of J&K is around 43 million USD. Besides, it generates foreign exchanges of around 12 million USD and therefore has the prominence of being a biggest source of income after tourism industry of J&K.

The state with its different varieties of horticultural crops such as apple, pear, peach, plum, apricot, almond, cherry, and subtropical fruits like mango, guava, citrus litchi, etc., offers multiple economic opportunities in the state, especially for apple industry. However, apple industry's potential and economic leverage is being restricted due to the financial constraints, especially institutional financing. Many commercial banks of J&K, especially J&K Bank, have taken a lead role and initiative for financing the apple industry of J&K. In order to understand role of institutional financing in the apple industry of J&K as well as due to the prominence of J&K Bank for providing apple financing scheme in Kashmir region, J&K Bank was selected and studied for the present study. The brief profile of J&K Bank is presented in the next section.

### **Company Profile of Jammu & Kashmir Bank**

Jammu and Kashmir Bank (J&K Bank) is a J&K - based private sector banking and financial services company. It is a Private-owned bank with state share with its headquarters at Maulana Azad Road Srinagar, Jammu and Kashmir, India. J&K Bank was the first bank in the country to emerge as a state-owned bank. On November 22 2018, the Governor-led State Administrative Council had approved the proposal for treating Jammu and Kashmir Bank Limited as a Public Sector Undertaking (PSU). The J&K bank was incorporated on 1<sup>st</sup> October 1938 and commenced its business from 4<sup>th</sup> July 1939 at its registered office which

was at Residency Road , Srinagar . Before the incorporation of the bank, almost the entire banking in the state of Jammu and Kashmir was performed by traditional money-lenders who used to charge exorbitant interest rate. At the same time some banks functioned but at a very limited scale, such as Punjab National Bank, Grind-Lays Bank and Imperial Bank of India. The role of these banks was reduced to the acceptance of deposits, as they could not grant loans and advances to the people of the state owing to the statutory limitations.

To overcome this critical situation the then Maharaja of state proposed the idea of setting up of a state bank in the state. After prolonged exercises and deliberations the assignment for establishment of “The Jammu and Kashmir Bank Limited” was given to the Late Sir Sorabgi N Pochkhanwala, the then Managing Director of the central bank of India. Mr. Pochkhanwala formulated a scheme on 24 September 1930, suggesting establishment of a semi state bank with participation in capital by state and the public under the control of state government. Thus the bank was formally incorporated on 1<sup>st</sup> of October 1938.

From a small beginning the bank has grown to become a giant with a wide net work of branches spread over the length and breadth of India. A significant contributing factor for fast growth is the solid founding principles, which are dedicated to the causes of transformation the bank acts not only as a financial heart but also as a social heart of the community. The bank has a consistent track record of growth and profitability. J&K Bank has been appointed by RBI as its agency in J&K responsible for carrying general banking business of the Central Government and collection of taxes pertaining to the central bank of direct taxes. The brief profile of J&K Bank has been depicted in Table 4.

**Table 4: Profile of Jammu & Kashmir Bank**

<b>Native name</b>	جموں و کشمیر بینک
<b>Type</b>	Public
<b>Traded as</b>	<u>NSE: J&amp;KBANK BSE: 532209</u>
<b>Industry</b>	<u>Banking Financial Services</u>
<b>Founded</b>	1 October 1938
<b>Headquarters</b>	<u>Srinagar, Jammu and Kashmir, India</u>
<b>Key people</b>	R.K.CHIBAR (Chairman & CEO)
<b>Products</b>	<u>Consumer banking, Corporate banking, Finance and Insurance, Mortgage loans, Private banking</u>
<b>Revenue</b>	7,178.66 crore (USD 1.0 billion) (2016-2017)
<b>Operating income</b>	1,294.34 crore (USD 180 million) (2016-2017)
<b>Net income</b>	1,897.24 crore (USD 252 million) (2017-2018)
<b>Total assets</b>	89,067.43 crore (USD 12.7 billion) (2017-2018)
<b>Owner</b>	<u>Government of Jammu and Kashmir (59%)</u>

Source: [www.j&kbank.com](http://www.j&kbank.com)

## Vision

“To catalyze economic transformation and capitalize on growth.”

J&K Bank’s vision is to engender and catalyze economic transformation of Jammu and Kashmir and capitalize from the growth induced financial prosperity thus engineered. The Bank aspires to make Jammu and Kashmir state the most prosperous state in the country, by helping create a new financial architecture for the J&K economy, at the center of which will be the J&K Bank.

### **Mission**

The mission of J&K Bank is two-fold: To provide the people of J&K international quality financial service and solutions and to be a super-specialist bank in the rest of the country.

### **Unique Characteristics & Services**

- J&K Bank carries out banking business of the Central Government
- In spite of a government equity holding of 53 per cent, Jammu & Kashmir Bank (J&K Bank) is regarded as a private sector bank
- J&K Bank is the one and only banker and lender of last resort to the Government of J&K
- J&K Bank claims the distinction of being the only private sector bank that has been designated as agent of RBI for banking.
- The services of J&K Bank are utilized for the purposes of disbursing the salaries of Government officials.
- J&K Bank collects taxes pertaining to Central Board of Direct Taxes, in Jammu & Kashmir.

Presently the bank is the fastest growing bank in India with a network of more than 544 branches spread across the country offering world class banking products / services to the masses. Today bank has a status of value driven organization and is always working towards building trust with

stakeholder, employees, customers, borrowers, regulators and other diverse stakeholders, for which it has adopted a strategy directed to developing a sound foundation of relationship and trust aimed at achieving excellence, which of course, is result of good corporate governance. It a ensures that bank is managed by an independent and highly qualified board following best globally accepted practices, transparent disclosures and empowerment of shareholders, besides ensuring that shareholder aspirations and societal expectations are met following the principles of management's executive freedom to drive the bank forward without undue restraints but within the framework of effective accountability. The excellence achieved by the bank in its operations stemming from the roots of good governance. Bank recently bagged three very prestigious awards for following fair business practice and commitment to social obligations.

### **Products/Services of J&K Bank**

The different types of loans provided by the bank to its customers as per their requirement are:

#### **Loans and Advances**

1. Educational Loan.
2. House Loan.
3. Car Loan.
4. Consumer Loan.
5. Loan for Financing of School Buses.
6. Dastkar Finance Scheme.
7. Craft Development Scheme.
8. Khatamband Finance Scheme.
9. Roshini Financing Scheme.
10. Personal Loan for Pensioners.

11. All Purpose Agro Term Loan.
12. Zafran Finance Scheme.
13. Commercial Floriculture Finance.
14. Giri Finance Scheme.
15. Fruit Advances Scheme (Apple).
16. Debt Swap Scheme for Farmers.
17. Apiculture Finance.
18. Mortgage Loan Scheme for Traders of Agri Produce.

### **Services Provided by J&K Bank**

The services provided by J&K Bank has been divided into four categories namely support services, depository services, third party services and cash management services. These categories have been further classified as following:

#### **Support Services**

- Anywhere Banking.
- Internet Banking.
- SMS Banking.
- ATM Services.
- Debit Cards.
- Credit Cards.

#### **Depository Services**

- Demat Account.
- Other Services.

#### **Third party Services**

- Mutual Funds.
- Insurance Services - Life & Non Life.
- Remittance Services.

#### **Cash Management Services:**

- Real Time Gross Settlement (RTGS).
- National Electronic Fund Transfer (NEFT).

#### **Recognition and Awards**

1. Asian Bank Awards - 2004 & 2005.
2. No.1 Bank in India –ET-CMIE Survey, 98-99.
3. The Best Bank –Rediff.Com & pwc survey.
4. India’s Fastest Growing Bank –Business Standard.
5. Excellence Award-Institute of Economic Studies.
6. Ranked as No.1 on Safety Parameters-Business Standard Survey.
7. Jamaal Baja Uchit Vyavahar Puraskar – 2002.
8. Best Private Sector Bank Award - 2003.
9. Best Universal Bank Award-Financial Express - 2003.
10. Ranked 87<sup>th</sup> Among India’s Top 500 Companies by Worlds Renewed Rating Agency -‘Dun Bradstreet’.

#### **Research Design**

The present study was crafted to understand apple financing in the apple industry of Kashmir valley and focused on developing new insights towards comprehending apple financing. Therefore, exploratory research design was used in the present study.

#### **Sampling**

### **Sampling Area**

The present study was conducted in 03 prominent apple producing districts of Kashmir valley i.e. Shopian & Kulgam (from South Kashmir) and Baramulla (from North Kashmir).

### **Sampling Unit**

Specific tehsils & villages from three identified districts were targeted mainly because of concentration of the apple growers in these areas. To broaden the comprehension about marketing dynamics of the apple industry in the Kashmir valley, especially about the apple financing, the study also targeted apple traders and commission agents in the leading fruit mandis of Kashmir region like Anantnag mandi, Parimpora mandi, Pulwama mandi, Shopian mandi and Sopore mandi.

### **Sampling Method**

Keeping in the view the type of research and nature of data convenience, snow-ball sampling has been used in the present study.

### **Sample Size**

The study targeted about 140 respondents, out of which data from 100 respondents was found to be properly filled and completed and thus were analyzed for the present study. Out of the 100 studied respondents, 50 were apple famers and 50 were traders/ commission agents.

### **Selection of Respondents**

The selection of respondents from each of the designated area is presented in Table 5 and 6. The respondents comprised of farmers and traders/commission agents making the total target of respondents up to 100. Farmers were selected from district Baramulla, Kulgam and Shopian and the traders/commission agents were selected from Anantnag fruit mandi, Parimpora fruit mandi, Pulwama fruit mandi, Shopian fruit mandi and Sopore fruit mandi.

**Table 5: Selection of farmers**

State	Division	District	Tehsil	Village	Sample size	Number of Farmers selected	Share in the studied sample (in%)			
J&K	Kashmir	Shopian	Shopian	Pinjooora	50	5	10			
				Pahnnoo		2	4			
				Mazampora		2	4			
			Zainapora	Zainapora		4	8			
		Kulgam	Kulgam	Mohanpora		3	6			
				Katrasoo		5	10			
				Laaro		2	4			
				Khemdipora		2	4			
		Baramulla	Tangmarg	Fajpora		6	12			
				Shrai		2	4			
				Ratnipora		4	8			
				Hajibal		2	4			
				Logripora		3	6			
				Sopore		Seelo	2	4		
						Dangerpora	3	6		
						Krankshiva	3	6		
		<b>Total</b>						<b>50</b>	<b>100</b>	

*Source: Primary survey conducted by the student.*

**Table 6: Selection of traders**

<b>Fruit market</b>	<b>District</b>	<b>Sample size</b>	<b>No. of traders selected</b>	<b>Share in studied sample (%)</b>
Shopian Mandi	Shopian		23	46
Pulwama Mandi	Pulwama		7	14
Sopore Mandi	Baramulla	50	12	24
Anantnag Mandi	Anantnag		3	6
Parimpora Mandi	Srinagar		5	10
<b>Total</b>			<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student.*

### **Data Type & Collection**

#### **Data Type/Source**

Both primary and secondary data has been used in the present study.

#### **Data Collection**

The primary data has been collected by constructing a well-structured questionnaire. The questionnaire has been constructed by taking insights from the existing literature review as well as by having a detailed discussions & deliberations with academicians, practitioners, researchers and J&K bank officials (refer to Appendix I and II). Secondary data has been collected from various annual reports, working group reports, industry reports of various national and international agencies such as J&K Bank Ltd, RBI, and Directorate of Horticulture etc.

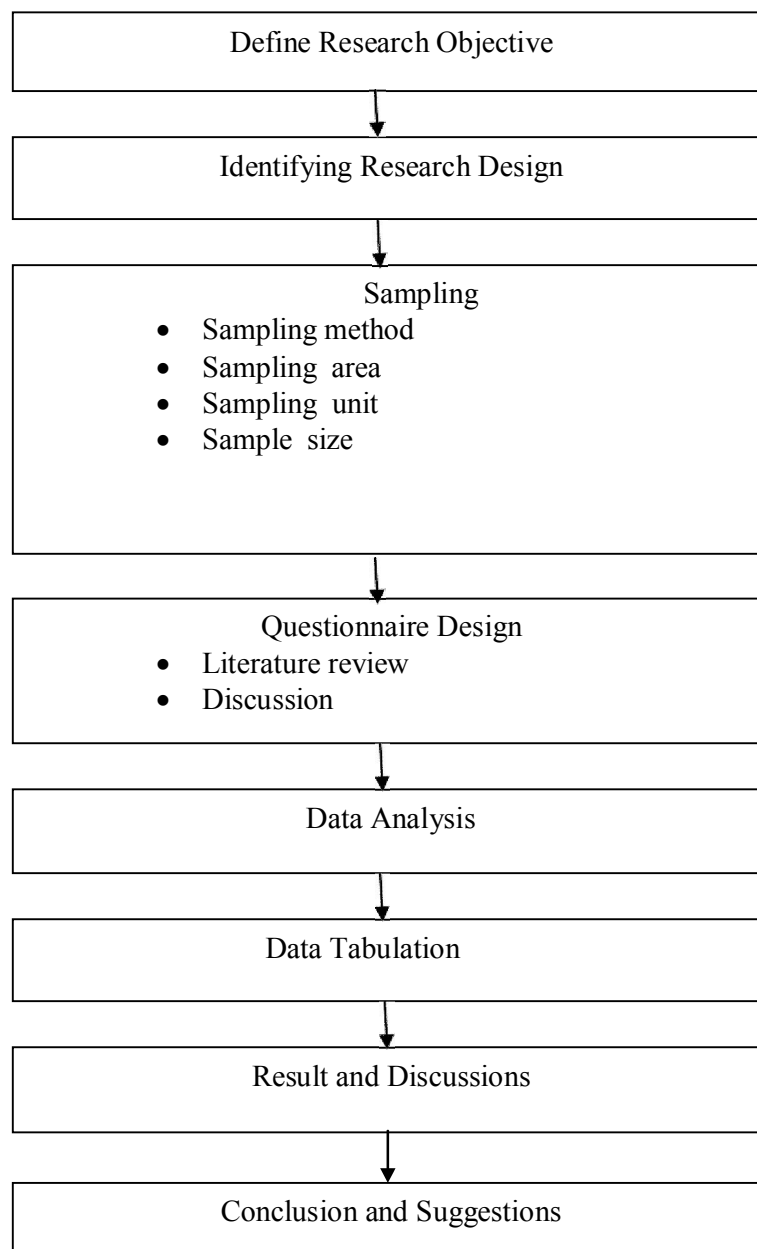
Besides, personal interviews and telephonic interviews with various stakeholders of Kashmir apple industry were also conducted for having holistic comprehension about apple financing and apple industry in Kashmir valley.

## Data Analysis

The primary and secondary data was analyzed and tabulated for meaningful outcomes using descriptive statistics such as mean, maximum, minimum, percentage, standard deviation etc.

## Framework Used

The step by step framework used in the present study is given as below



## Chapter-4

### FINDINGS AND ANALYSIS

Data pertaining to the various dimensions of the present study was collected and analyzed using descriptive statistics. The present chapter is divided into following 3 sections as below:

- Profile of the surveyed respondents.
- Critical review of J&K Bank Fruit Advances Scheme (Apple).
- Analysis and interpretation of the collected data.

#### **Profile of the Surveyed Respondents**

The present study surveyed 100 respondents spread over two main categories i.e. 50 farmers and 50 traders/commission agents associated with apple industry of Kashmir region. The respondents have been grouped into various categories based on parameters such as age, gender, area under apple cultivation, volume of apple traded etc. (Table 7 to 10). Each of these categories has been described separately as below:

#### **Age**

On the basis of age, sample respondents were divided into three sub-categories i.e. young, middle and old (Table 7). In case of farmers sample, 16 per cent belonged to young age category, 60 per cent to middle age and 24 per cent fall in old age category. While as in case of traders, 30 per cent consisted of young age category, 52 per cent were in middle age and 18 per cent were of old age category.

**Table 7: Categorization of respondents based on their age**

<b>Farmers sample (sample size 50)</b>			
<b>S. No.</b>	<b>Category</b>	<b>Criterion</b>	<b>Percentage</b>
1.	Young Age	Upto 35 years	16
2.	Middle Age	36 to 55years	60
3.	Old Age	56 years and above	24
<b>Total</b>			<b>100</b>

<b>Traders sample (sample size 50)</b>			
<b>S. No.</b>	<b>Category</b>	<b>Criterion</b>	<b>Percentage</b>
1.	Young Age	Upto 35 years	30
2.	Middle Age	36 to 55years	52
3.	Old Age	56 years and above	18
<b>Total</b>			<b>100</b>

*Source: Primary survey conducted by the student.*

### **Gender**

Apple farming and trading in Kashmir region is male dominated hence, all the respondents surveyed were male. However it is in place to mention that the women in apple farm families help their male partners in various cultural activities.

### **Area/Trade Volume Categorization**

Both the group of sample respondents were also categorized on the basis of area under apple crop (farmers) and the volume of apple trade carried by apple traders/commission agents and same is depicted in Table 8. Majority of the sample respondents in both categories were operating at small scale.

**Table 8: Categorization of respondents according to their land holding & volume of apple trade**

<b>Farmers Sample</b>					
<b>S. No</b>	<b>Category</b>	<b>Area under apple cultivation</b>	<b>Sample size</b>	<b>No. of farmers</b>	<b>%age</b>
1.	Small	< 1ha		38	76
2.	Medium	1 to < 2ha	50	10	20
3.	Large	2 ha and above		02	4
<b>Total</b>				<b>50</b>	<b>100</b>
<b>Traders Sample</b>					
<b>S. No.</b>	<b>Category</b>	<b>No. of apple boxes traded</b>	<b>Sample size</b>	<b>No. of Traders</b>	<b>%age</b>
1.	Small Scale Trader	Up to 50,000		35	70
2.	Medium Scale Trader	50,000 to <1,00,000	50	04	08
3.	Large Scale Trader	100,000 to <1,50,000		07	14
4.	Very Large Scale Trader	1,50,000 to 2,00,000		04	08
<b>Total</b>				<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student.*

### **Experience of the Respondents in the Apple Cultivation/Trade**

On the basis of experience, the respondents were divided into four categories (Table 9). In case of farmers, 24 per cent were having upto 10 years,

experience of doing apple farming. 40 per cent with an experience of 10 to 20 years, 20 per cent with an experience of 20 to 50 years and 16 per cent were having experience of more than 50 years of apple farming. In case of traders, 20 per cent were having upto 10 years experience of apple trade, 46 per cent had experience of 10 to 20 years, 24 per cent were with an experience of 20 to 50 years and 10 per cent had more than 50 years of apple trade experience.

**Table 9: Categorization of respondents based on their experience in the apple cultivation/trade**

S. No.	Category	Sample size	No. of farmers	Percentage
<b>Farmers sample</b>				
1	<10 years		12	24
2	10 to <20 years	50	20	40
3	20 to <50 years		10	20
4	Above 50 years		8	16
<b>Total</b>			<b>50</b>	<b>100</b>
<b>Traders sample</b>				
1	<10 years		10	20
2	10 to <20 years	50	23	46
3	20 to <50 years		12	24
4	Above 50 years		5	10
<b>Total</b>			<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student.*

#### **4.1.4 Area, production, trade volume and revenue of the respondents.**

The important parameters regarding the apple production and trade of sample respondents is depicted in Table 10. The area under apple cultivation ranged from 3 kanals (0.15 hectares) to 60 kanals (3 hectares) with an average apple orchard of 14.96 kanals (0.74 hectares) per farmer. The quantity of apple boxes produced varied from 100 boxes to 3500 boxes with an overall average of 1350 boxes per farmer and on an average a box contains 20 kg of apple. The large farmer with more than 2 hectare of land has some portion of apple orchards under non bearing stage that is reason for lower productivity of such farms. The net returns on an average accrued to farmer were Rs. 4.26 lakh.

The merchants involved in apple trade are usually the commission agents/ forwarding agents, who own the shops/stalls in the surveyed fruit mandis. The volume of apple business carried by sample traders varied from 1800 boxes to 2 lakh boxes with an average of 41,660 boxes per trader. The business turnover of these sampled traders ranged from mere 11 lakh to 1200 lakh in year 2018. On an average there was a business turnover of Rs. 250 lakh per trader per annum per trader.

These traders have a good backward linkage with farmers/pre and post harvest contractors and most of them supply credit to farmers for operational expenses with the agreement that they will sell their produce to buyers/ send to terminal markets through them in order to make commission on the sales as well as some interest on the credit given to farmer apart from recovering principal amount.

**Table 10: Area, production, trade volume and revenue of the respondents.**

<b>Farmers</b>				
<b>S. No</b>	<b>Particulars</b>	<b>Min</b>	<b>Max.</b>	<b>Avg.</b>
1.	Area under apple cultivation (kanal)	3	60	14.96
2.	Quantity of apple produced in 2018 (Number of boxes)	100	3500	1350
3.	Revenue generated from apple cultivation per year (in Rs. Lakh)	0.5	17.5	6.75
4.	Amount of money needed for apple cultivation per year (in Rs. Lakh)	0.18	6.47	2.49
5.	Net returns (in Rs. Lakh)	0.32	11.03	4.26

<b>Traders</b>				
<b>S. No</b>	<b>Particulars</b>	<b>Min</b>	<b>Max.</b>	<b>Avg.</b>
1.	Quantity of apple traded in 2018 (Number of boxes)	1860	2,00,000	41,660
2.	Business turnover from apple trade	11	1200	250

*Source: Primary survey conducted by the student.*

### **Critical Review of J&K Bank Fruit Advances Scheme (Apple)**

In this section, the scheme has been critically studied on various parameters such as its features, fee required to avail the scheme, documentation process etc. The bank has been extending credit to the apple growers and traders/ commission agents and efforts have been made to make the scheme more relevant.



**Plate 1: Harvested apple ready to be packed**



**Plate 2: Boxes of apple packed to be traded**

need based, and hassle free financial product to apple farmers/traders, increasing production & marketability of apples and reduce presence of the informal sources along the value chain

Based on the insights from the apple cultivators, traders as well as in-depth evaluation of the requirements of the growers/traders associated with the activity, the parameters of the J&K Bank Fruit Advances Scheme (Apple) were constructed, implemented and has been also revised in 2019 & re-casted in line with the actual ground realities to make it more relevant and user friendly.

The scheme provides inclusive & timely financial support to the people associated with the apple industry of J&K. The scheme offers financial support on the following areas of apple industry of J&K:

**1. Production/Input Cost**

- Cost of fertilizer.
- Cost of fungicides/pesticides/insecticides etc.
- Cost of fertilizers/fungicides/pesticides/insecticides application.
- Cost of watch & ward and post harvest maintenance.

**2. Marketing Cost**

- Cost of boxes, cost of packing material.
- Cost of picking, packing & grading.
- Cost of transportation.
- Cost of cold storage of produce (optional).

These areas are of high strategic importance to the apple industry of J&K and therefore, were kept on high priority in the scheme. The various salient features of the scheme have been discussed in the next section.

## **Salient features of J&K Bank Fruit Advances Scheme (Apple)**

### **1) Financial Support**

#### **i) Finance to growers**

Financial support to the apple farmers/growers is primarily decided upon the land holding size owned by the farmer/grower. However, upto credit of Rs 1.00 lakh, no revenue record of land holding is required, which intrinsically is beneficial to the marginal farmers. The credit period of the loan amount ranges upto three years. The amount of loan and credit period is also subject to the performance and conduct of the account. Farmers/growers can avail the scheme at four stages of the apple cultivation i.e.

- a. Pre-harvest stage for production cost
- b. Harvesting stage for picking/ packing/ grading
- c. Post harvesting stage for marketing
- d. For entire production & marketing cycle.

#### **ii) Finance to the traders**

The scale of finance to the traders is assessed on the basis of number of apple boxes traded during the previous year with a reasonable increase based on average growth during the last three years. The average per box market price is aligned to the actual market rates.

### **2) Margin**

- i) Growers: 90 (%) + 10 (%).
- ii) Traders: 75 (%) + 25 (%).

### 3) Processing charges

The processing charges for availing the financial support under this scheme depends upon the amount of loan (Table 11).

**Table 11: Processing charges of J&K Bank Fruit Advances Scheme (Apple)**

S. No.	Amount of Loan	Fee
1.	Up to Rs. 25,000	Nil
2.	25,000 to 2.00 lakh	0.15 percent of credit or minimum Rs. 200
3.	2.00 lakh to 10.00 lakh	0.20 percent of credit
4.	Above 10.00 lakh	0.25 percent of credit

*Source: As per J&K Bank Fruit Advance Scheme (Apple).*

### 4) Documents required to avail J&K Bank Fruit Advances Scheme (Apple)

- a. KYC (know your customer) form + revenue papers.
- b. Demand Promissory (DP) note.
- c. Letter of Continuity: promise to work with company for at least one year.
- d. Loan cum hypothecation agreement of produce pledged to bank.
- e. Deed of guarantee.
- f. Deed of simple mortgage.
- g. Balance sheet/ profit and loss statement for traders/ commission agents.

Validity of these documents is upto five years and are to be resubmitted after every five years.

**Table 12: Documentation fee of J&K Bank Fruit Advances Scheme (Apple)**

S. No.	Amount of Loan	Fee
1.	DP note	Rs 10/-
2.	Letter of continuity	Rs 100/-
3.	Loan cum hypothecation agreement	0.25 percent of credit
4.	Deed of guarantee	Rs. 500/-
5.	Deed of simple mortgage	Rs. 5000/-

*Source: As per J&K Bank Fruit Advances Scheme (Apple).*

### **Analysis of the Surveyed Data**

In this section, the data collected from both primary and secondary sources was analyzed for fulfilling the objectives of the present study. The present study has three broad objectives i.e. to study disbursement and repayment pattern of J&K Bank Fruit Advances Scheme (Apple), examine the terms of trade & risk sharing mechanism of scheme viz-a-viz to informal credit and lastly, examine the problems faced by beneficiaries while availing the credit from J&K Bank. All these objectives has been achieved and described in the subsequent sections.

### **Disbursement and Repayment Pattern**

The main aim of the objective of disbursement and repayment pattern is to understand rate of interest, security to be deposited etc. for availing J&K Bank Fruit Advance Scheme (Apple). At the launch of this scheme, disbursement pattern was largely divided into three groups as shown in Table 13. Rate of interest and security depended upon the amount of loan taken by the beneficiary. Upto Rs. 1 lakh, no security deposit was required and interest rate of applicable

Marginal Cost of Funds based Lending Rates (MCLR) plus 0.50 percent was charged. Marginal cost of funds based lending rates is the minimum interest rate that a bank can lend at. MCLR is a tenor-linked internal benchmark which means the rate is determined internally by the bank depending on the period left for the repayment of a loan.

For loan amount of Rs. 1 to 5 lakh third party guarantee of two persons was required as security and interest rate of applicable MCLR plus 1.00 per cent was charged (Table 13). For loan amount of above Rs. 5 lakh, mortgage of orchard land or other immovable property with minimum value of 125 per cent of the credit was required and interest rate of applicable MCLR plus 1.50 per cent was charged.

**Table 13: Disbursement pattern of J&K Bank Fruit Advances Scheme (Apple) from 2011-2018**

Limit (Rs)	Security	Rate of interest
Up to 1 lakh	Nil	Applicable MCLR * plus 0.50 percent
1.00 -5.00 lakh	Third party guarantee of two persons	Applicable MCLR* plus 1.00 percent
Above 5.00 lakh	Mortgage of orchard or other immovable property with minimum value of 125% of the credit	Applicable MCLR* plus 1.5percent

*\*MCLR: Marginal cost of funds based lending rates*

*Source: As per J&K Bank Fruit Advances Scheme (Apple).*

However, due to the increasing acceptability and wide-spread of the scheme among the apple growers and traders as well as the performance of the scheme, J&K Bank recently changed the disbursement structure of the scheme and altered the amount of financing at each level (Table 14).

**Table 14: Disbursement pattern of J&K Bank Fruit Advances Scheme (Apple) (2019 onwards)**

S. No	Limit(Rs)	Security	Rate of interest
1	Up to 1.6 lakh	Nil	7 percent
2	1.6 – 3.00 lakh	Third party guarantee of two persons	7 percent
3	Greater than 3 lakh	Mortgage of orchard or other immovable property With minimum value of 125% of the credit	Applicable MCLR* plus 1.5 percent

*\*MCLR: Marginal cost of funds based lending rates*

*Source: As per J&K Bank Fruit Advances Scheme (Apple).*

#### 4.3.1.2 Criteria for Loan Disbursement

The loan disbursement mainly depends upon two criteria's i.e. Area under apple cultivation and Volume of apples traded (Table. 15).

**Table 15: Criteria for loan disbursement**

Criteria	Farmers	Traders
Area under apple crop	Yes	No
Volume of apple traded	No	Yes

*Source: As per J&K Bank Fruit Advances Scheme (Apple).*

At the beginning of the scheme, the scale of finance for farmers was per acre of orchard land owned by the farmer, while in case of traders per box of apple traded in the previous year was taken as a yardstick for deciding the amount of loan (Table 16).

**Table 16: Scale of finance of J&K Bank Fruit Advances Scheme (Apple) (2011-2018)**

S. No.	Particulars of borrower	Amount (Rs)
1	Growers (per acre of orchard)	2.73 lakh (Rs. 33,745 per Kanal)
2	Apple traders (per box of 20 kg)	242/-
3	Commission agents (per box of 20 kg)	126/-

*Source: As per J&K Bank Fruit Advances Scheme (Apple).*

In 2019, the scale of apple finance has been again restructured and location of the farm has been incorporated as a parameter for deciding the amount of loan. J&K Bank divided whole of the apple producing areas of Kashmir region into three groups i.e. south, central and north Kashmir, and as per the location of the orchard land, the amount of loan per Kanal was formulated accordingly (Table. 17). The rationale behind incorporating location as a parameter of loan amount is mainly to accommodate the price variations in various input factors of apple industry such as labour cost, transportation cost etc.

**Table 17: Scale of finance of J&K Bank Fruit Advances Scheme (Apple) (2019 onwards)**

S. No.	Particulars of borrower	Amount
1	South Kashmir (Anantnag, Kulgam, Pulwama and Shopian)	Rs. 46000/Kanal
2	North Kashmir (Bandipora, Baramulla and Kupwara)	Rs. 40750/Kanal
3	Central Kashmir (Budgam, Ganderbal, and Srinagar)	Rs. 36000/Kanal

*Source: As per J&K Bank Fruit Advances Scheme (Apple).*

### **4.3.2 Repayment Pattern**

The amount of loan is to be repaid as per the terms and conditions of the scheme which involves repaying the credit or some portion of credit at least once in a year and the credit gets automatically renewed and this process continues till five years. After five years documents expire and to ensure continuity of the service, documents are to be resubmitted to verify the details. Each account under this scheme is reviewed yearly to determine the performance of account which in turn determines the drawing power of the beneficiary. This advance is disbursed as cash credit rather than term loan, thereby no equated monthly installments are required.

Furthermore interest subvention of 3 per cent, according to the Kisan Credit Card (KCC) scheme of GoI is also being provided under this scheme. In order to avail the interest subvention, account holder has to mandatorily deposit the availed loan amount at least once in a year. The rate of interest is 7 per cent as per KCC norms upto 3 lakh rupees amount, however if the account holder renews account annually they get interest subvention of 3 percent. But if any customer fails to maintain his account, growers/traders has to pay conventional 7 per cent rate of interest for an amount less then or upto Rs. 3 lakh. Above Rs 3 lakh regular rate of interest is to be paid and rate of interest decreases with the increase in the performance of account and the rate of interest is decided on the basis of internal account rating. Since this scheme is regular, once beneficiary deposits whole amount he can opt for continuity of service and this is done without any further documentation or process. Growers/ traders can apply for decreasing or increasing the credit limit in their favour.



**Plate 3: Farmers waiting at Batengoo mandi (Anantnag) to sell their produce of apple**

### **Terms of Trade & Risk Sharing Mechanism of Scheme viz-a-viz to Informal credit**

Apple financing in Kashmir is routed through two broad sources i.e. formal and informal. During the survey, it was observed that both of these channels were used by the farmers and traders for their apple cultivation and trade, respectively. In order to develop a holistic understanding of apple financing in Kashmir region, the various terms of trade and risk sharing mechanism related to the formal and informal sources were identified and comparative evaluation of each of the sources is presented in Table 18.

- **Type of finance:** J&K Bank Fruit Advances Scheme (Apple) finances only for apple production & trade, while as informal sources provides all types of financing needs of apple farmer/trader like marketing, productive and unproductive, orchard purchasing, family needs etc.
- **Scale of finance:** Scale of finance in case of J&K Bank Fruit Advances Scheme (Apple) is objective in nature and depends upon the area under apple orchard of farmer and business establishment of trader/ commission agents. While as the scale of finance in case of informal source is subjective in nature and usually depends upon the relation between lender and receiver as well as past business performance of latter.
- **Margin:** In case of J&K Bank Fruit Advances Scheme (Apple) there is a calculated margin to be invested by traders (25%) and for farmers (10%) of the expenses. Such type of criteria is totally absent in case of informal sources.
- **Rate of interest:** Rate of interest depends upon the amount of loan availed by the customer and prevailing interest rates of the bank for the scheme as well as on the performance of the account holder.

Rate of interest generally ranges from 7 per cent to 12 per cent and there is a provision of interest subvention of 3 per cent for loan amount upto Rs. 1 to 3 lakh. For informal sources of finance, rate of interest or the commission charged does not have specific parameter. Generally, it depends upon the perception of lender about the borrower, personal liaisons of the lender with the borrower, reference person/group, negotiation at the time of availing loan etc. During the survey, it was observed that rate of interest in the informal sources ranges from 12 to 18 per cent.

- **Security:** Security/mortgage depends upon the amount of loan availed. For loans above Rs. 3 lakh, security of two guarantors and above that mortgage of worth 125 per cent of the loan amount is required. For informal sources, the yardstick of security varies from person to person depending upon the perception of lender about the borrower, personal liaisons of the lender with the borrower, reference person/group etc.
- **Documentation:** J&K Bank Fruit Advances Scheme (Apple) is formal source of finance and thus requires well-defined documentation like DP (demand promissory) note, Letter of Continuity, Deed of Guarantee etc. On the other hand, no formal process of documentation is required for securing finance from any informal sources. However it was observed that both the parties (lender & borrower) bring in writing about the loan agreement.
- **Risk:** In case of formal sources, the risk sharing mechanism is well structured and calculated. The security/mortgage deposited by the customers acts as source risk mitigation for bank in case the borrower fails to pay back. While as in case of informal risk sharing mechanism is non-structured and remains ambiguous.

**Table 18: Comparative assessments of terms of trade for formal and informal sources of apple financing in Kashmir region**

S.No	Parameters	Formal source	Informal Source
1.	Scale of finance	Depends on area under apple cultivation or volume of apple traded in a year	Depends on perception of the lender, personal liaisons of the lender with the borrower, reference person/group, negotiation etc.
2.	Margin	Well defined and objective in nature 10 per cent for farmer 25 per cent for trader	Depends on negotiations between two parties
3.	Rate of interest	Well defined and regulated, ranges between 7 to 12 per cent	Not well defined and regulated, ranges between 12 to 18 per cent
4.	Security	Secured loan, security depends upon scale of loan	Unsecured loan. Trust and personal relation are points of consideration
5.	Documentation	Well-defined and structured	Absent
6.	Repayment mode	Planned and defined	Depends upon the terms of negotiations
7.	Risk Sharing	Well-Structured	Non-Structured

*Source: Primary survey conducted by the student*

To further explore and have understanding about the operationalization of apple financing in Kashmir region, the various questions pertaining to the formal source of financing were asked to the respondents. On the basis of their responses further insights were developed about formal source of financing in the apple industry of Kashmir. The description and interpretation of these questions is as follows:

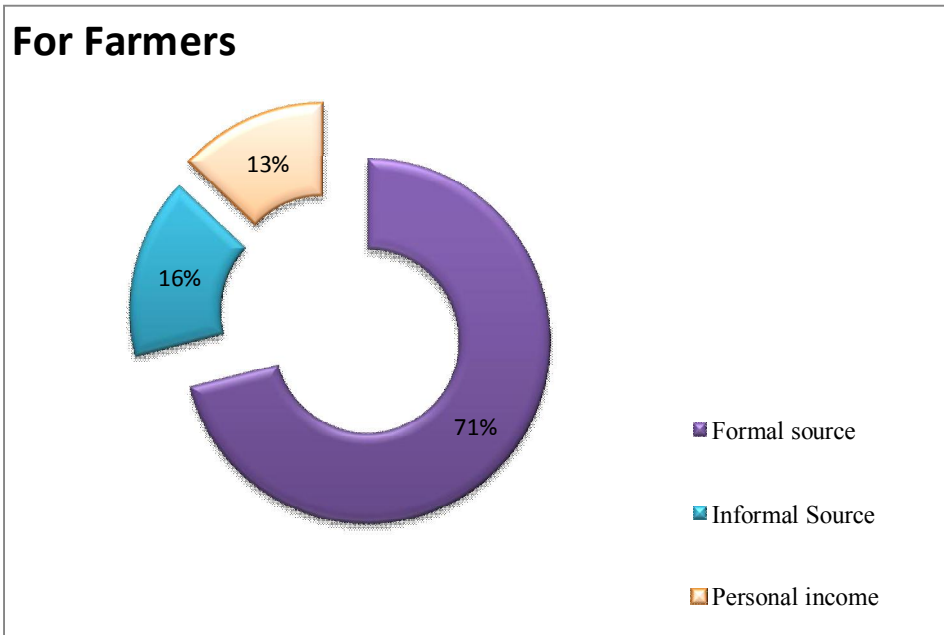
### **Apple Financing Pattern in Kashmir**

During the survey, it was observed that around 71 per cent expenses involved in the apple production are being covered by the surveyed farmers via formal source of finance, 16 per cent through informal and 13 per cent by using their own personal income (Table 19 and Figure 2). On the other hand for traders, formal source of financing covers around 27.4 per cent of expenses, 41.6 per cent through informal finances and 31 per cent by using personal income. (Table 19 and Figure 3)

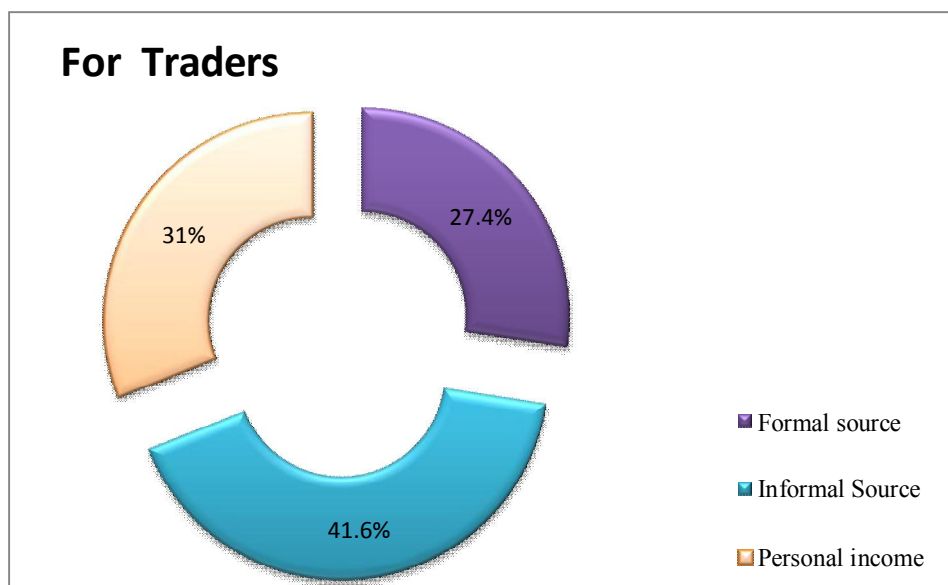
**Table 19: Pattern of apple financing in Kashmir**

S. No.	Sources of finance	Apple Financing	
		Farmers (in per cent)	Traders (in per cent)
1.	Formal source	71	27.4
2.	Informal source	16	41.6
3.	Personal income	13	31.0
<b>Total</b>		<b>100</b>	

*Source: Primary survey conducted by the student.*



**Fig. 2: Apple Financing Pattern of surveyed farmers in Kashmir**



**Fig. 3: Apple Financing Pattern of surveyed traders in Kashmir**

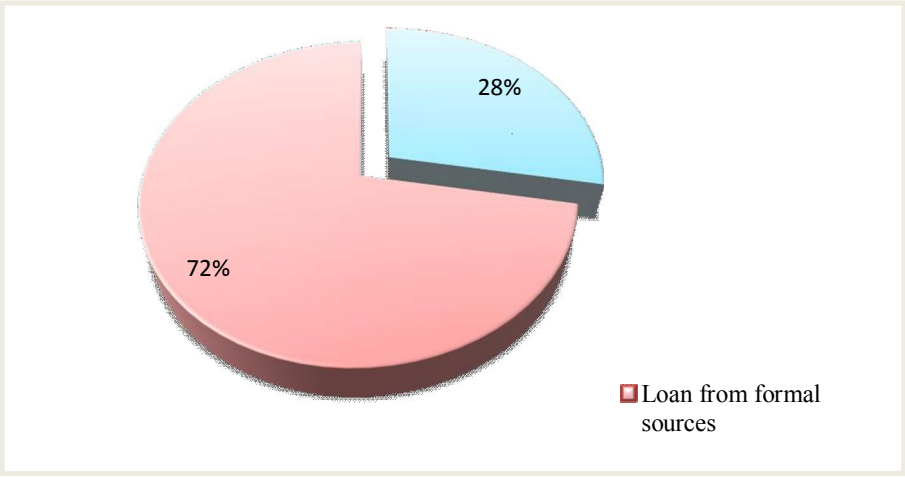
### **Convenient Sources of Finance**

During the investigation, farmers and traders were asked to share their opinion about the most convenient source of finance for financing apple cultivation and trade and it was observed that 72 per cent of the surveyed farmers prefer formal source of finance and 28 per cent prefer informal source of finance. (Figure 4). In case of apple traders, 56 per cent considered formal source of apple financing and 44 per cent prefer informal source of finance (Figure 5). In both cases, it was inferred that the acceptance of the formal source of financing is high in comparison to the informal sources and therefore, studied scheme has high prospectus in production and trade of apple in Kashmir valley

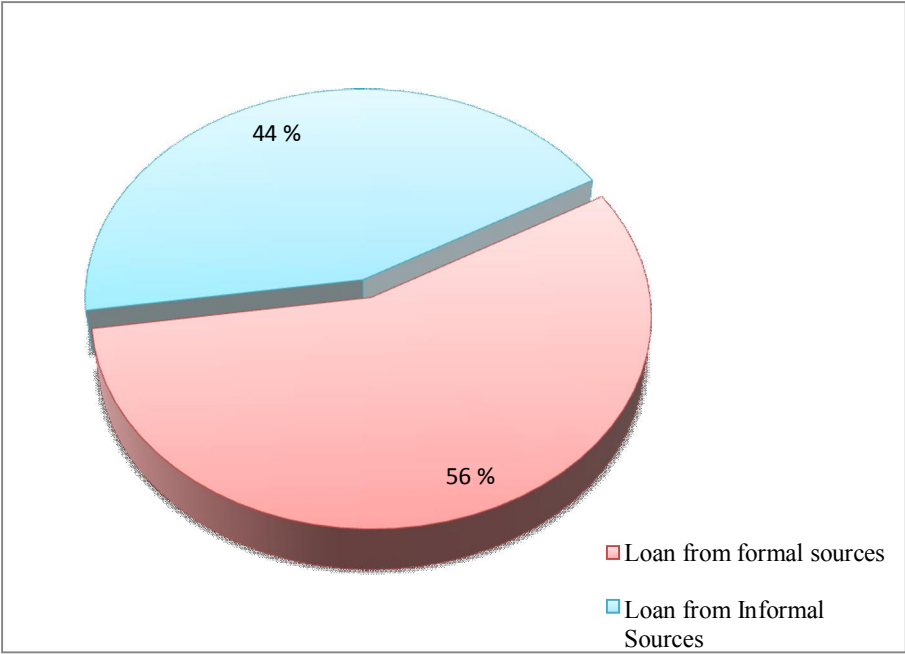
### **Most chosen bank for availing formal source of financing**

More than seventy per cent of the surveyed farmers and traders preferred J&K Bank as their choice for availing formal source of finance for apple production and trade. However during the survey, it was observed that farmers as well as traders were also availing loans from other banks under different heads such as housing loan, car loan, consumption loan etc out of which they invest some portion in apple production and trade (Figure 6 and 7).

It is further in place to mention that State Bank of India (SBI), Punjab National Bank (PNB) and other nationalized banks also have some special schemes for agriculture finance, but it is only J&K Bank which offers special financial product for apple cultivation and trade (Table 20).



**Fig. 4: Convenient source of apple finance for farmers**

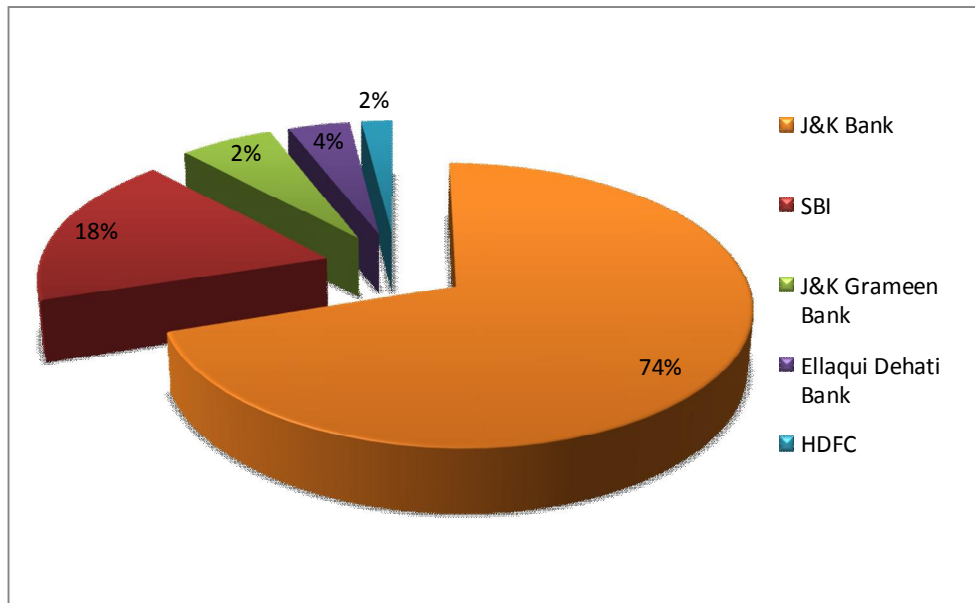


**Fig. 5: Convenient source of apple finance for traders**

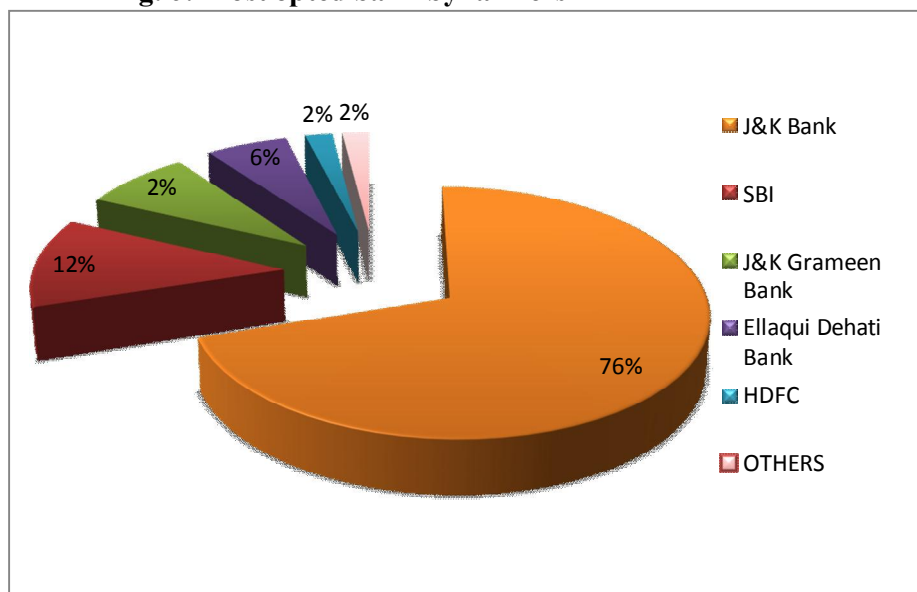
**Table 20: Most chosen bank by the respondents for availing formal source of financing**

<b>Farmers</b>				
<b>S. No.</b>	<b>Bank</b>	<b>Sample size</b>	<b>No. of Farmers</b>	<b>%age share</b>
1.	J&K Bank	50	35	70
2.	SBI		09	18
3.	J&K Grameen Bank		03	06
4.	Ellaqui Dehati Bank		02	04
5.	HDFC		01	2
6.	OTHERS		00	0
<b>Total</b>			<b>50</b>	<b>100</b>
<b>Traders</b>				
<b>S. No.</b>	<b>Bank</b>	<b>Sample size</b>	<b>No. of traders</b>	<b>%age share</b>
1.	J&K Bank	50	35	70
2.	SBI		06	12
3.	J&K Grameen Bank		04	08
4.	Ellaqui Dehati Bank		03	06
5.	HDFC		01	2
6.	OTHERS		01	02
<b>Total</b>			<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student*



**Fig. 6: Most opted bank by farmers**



**Fig. 7: Most opted bank by traders**

### Apple financing before and after launch of the scheme

The launch of scheme has altered the financing pattern in apple industry of Kashmir and observations are reflected in Table 21. In case of farmers, before the launch of the J&K Bank Fruit Advances Scheme (Apple), 24 per cent of the sampled farmers were using personal income as the only source of finance for apple cultivation which reduced to 2 per cent after the launch of the scheme. There has been a drastic change in the loans availed from the informal source. Before the launch of the scheme, 34 per cent of farmers were dependent exclusively on informal source of financing, which reduced to zero per cent post the launch of the scheme. Majority (66%) of farmers were availing diversified sources of finance including formal apart from informal and personal income in combination, post the launch of this scheme.

**Table 21: Sources of finance available to surveyed farmers before and after launch of the studied scheme**

S.No	Sources	%age share of respondents	
		Before	After
1	Personal Income only	24	2
2	Loans from Banks only	18	32
3	Informal Sources exclusively	34	0
4	Loan from Banks + Informal Sources	6	10
5	Personal Income+ Loan from Banks	6	30
6	Personal Income + Loan from Banks + Informal Sources	12	26

*Source: Primary survey conducted by the student.*

In case of surveyed traders, before the launch of scheme 14 per cent & 42 per cent of the traders were exclusively depend on personal income & informal sources, respectively for financing their apple trade, which has now reduced to almost zero per cent (Table 22). Like farmer group, the majority (92%) of traders were outsourcing their finances from different sources apart from formal apple finance scheme

**Table 22: Sources of finance available to surveyed traders before and after launch of the studied scheme**

S. No.	Sources	%age share of respondents	
		Before	After
1	Personal Income	14	0
2	Loans from Banks	28	8
3	Informal Sources only	42	0
4	Loan from Banks + Informal Sources	6	16
5	Personal Income+ Loan from Banks	6	4
6	Personal Income + Loan from Banks + Informal Sources	4	72

*Source: Primary survey conducted by the student.*

### **Performance of the Scheme**

During the survey, it was observed that maximum of the sampled farmers were availing loan ranging between Rs. 1.6 to 3 lakh, while as in case of the traders majority were availing loan above Rs. 3 lakh (Table 23). The data revealed that 22 per cent of the farmers had availed the loan up to Rs 1 lakh. While as majority (86%) of the farmers availed loan ranging from Rs 1-3 lakh and rest 14 per cent availed beyond Rs 3 lakh. The reason behind majority of farmers availing loan ranging from Rs 1-3 lakh is due to interest subvention of 3 per cent provided for advances up to Rs 3 lakh.



**Plate 4: Traders at fruit market**



**Plate 5: Farmers/traders at terminal fruit market**

**Table 23: Amount of advances availed by the surveyed respondent via studied scheme**

<b>Farmers</b>			
<b>S. No</b>	<b>Amount (Rs)</b>	<b>No. of farmers</b>	<b>Percentage</b>
1.	Up to 1.6 lakh	15	30
2.	1.6 – 3.00 lakh	28	56
3.	Above 3.00 lakh	7	14
<b>Total</b>		<b>50</b>	<b>100</b>
<b>Traders</b>			
<b>S. No</b>	<b>Amount (Rs)</b>	<b>No. of traders</b>	<b>Percentage</b>
1.	Up to 1.6 lakh	2	4
2.	1.6 – 3.00 lakh	12	24
3.	Above 3.00 lakh	36	72
<b>Total</b>		<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student.*

Since the launch of this scheme on 20<sup>th</sup> January, 2011 up to 1<sup>st</sup> January 2019, 1.75 lakh borrowers have been benefited and total amount of Rs. 3500 crore has been disbursed in the favour of beneficiaries. Initially, the bank planned to target 2.3 lakh apples farmer/traders, out of the planned target around 1.75 lakh apple farmers/traders have been benefited by this scheme.

In the first year (2011) the scheme, 18,000 customers have availed this scheme and bank disbursed Rs 36,000 lakh in favour of these customers. 46,000 of customers applied for this loan in 2013 and bank disbursed 92 lakh rupees in their favour which is maximum of all the years. The year-wise performance of the scheme is given in the Table 24 and Figure 8 & 9.

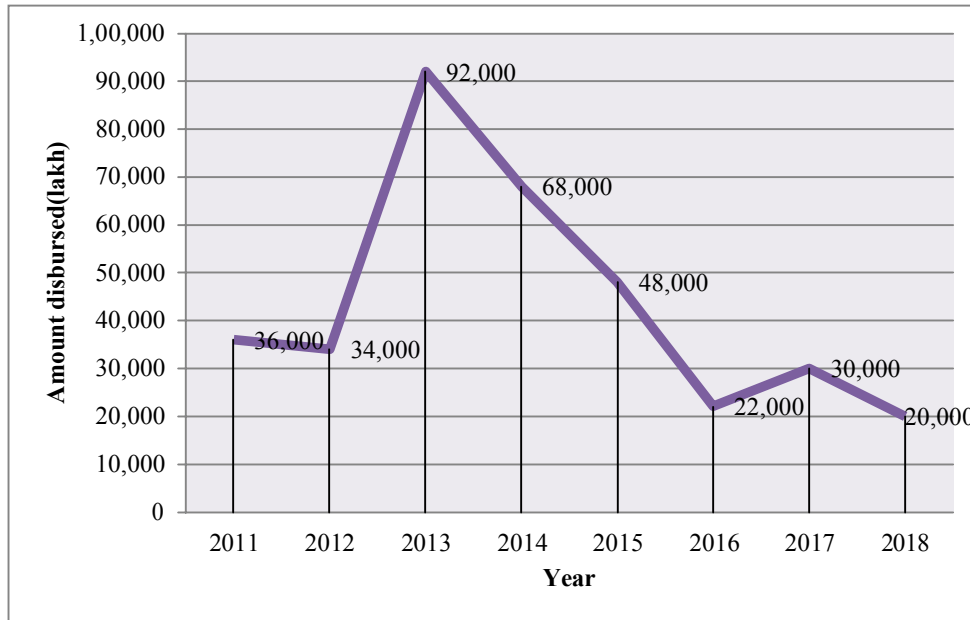
**Table 24: Year wise performance of J&K Bank Fruit Advances Scheme**

<b>S. No</b>	<b>Year</b>	<b>No. of customers benefited</b>	<b>Amount disbursed (in Rs. lakh)</b>
1.	2011	18,000	36,000
2.	2012	17,000	34,000
3.	2013	46,000	92,000
4.	2014	34,000	68,000
5.	2015	24,000	48,000
6.	2016	11,000	22,000
7.	2017	15,000	30,000
8.	2018	10,000	20,000
<b>Total</b>		<b>1,75,000</b>	<b>3,50,000</b>

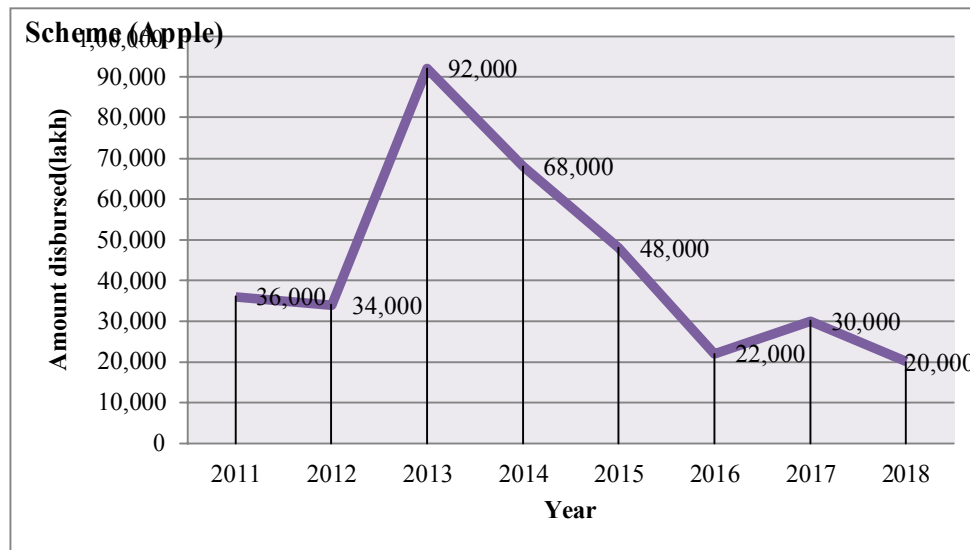
*Source: As per J&K Bank Fruit Advances Scheme (Apple).*

#### **Parameters Prompting Respondents to Avail Apple Financing from J&K Bank**

The study tried to explore the parameters which prompted respondents to avail the apple finance from J&K Bank. Based on the literature survey, discussion with industry experts and academicians, seven parameters were identified. Each surveyed respondent was asked to evaluate J&K Bank on these parameters. On the basis of respondent perception, around 48 per cent farmers considered proximity to the bank as the main factors followed by online facilities and employee behavior to avail finance through J&K Bank. .In case of traders, online



**Fig. 8: Year-wise number of beneficiaries of J&K Bank Fruit Advances**



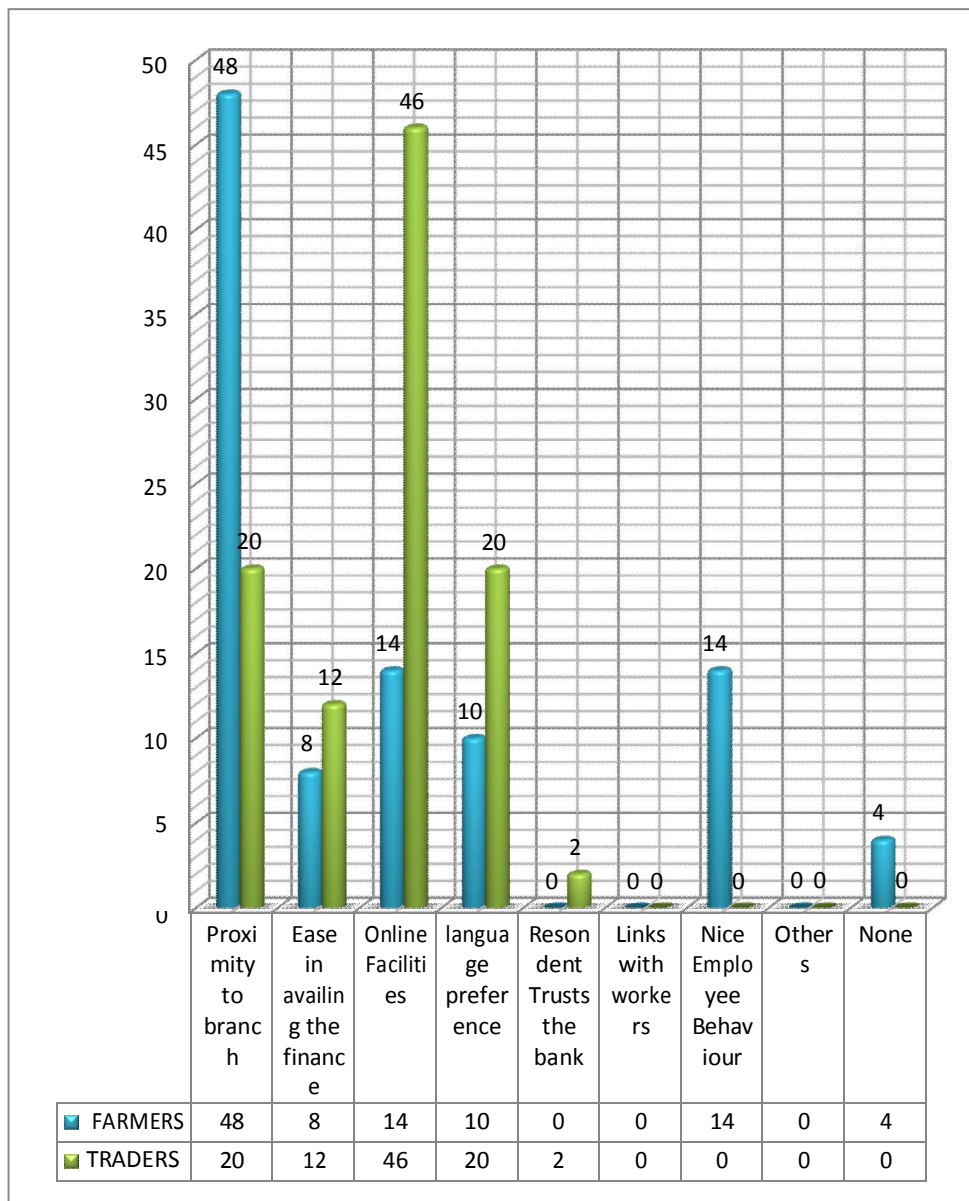
**Fig. 9: Year-wise amount of money disbursed via J&K Bank Fruit Advances Scheme (Apple)**

facilities, and ease in availing finance are the parameters which prompt them to avail financing via J&K Bank (Table 25). A comparative analysis in the preference of the parameters by the farmers and traders is depicted in Figure 10.

**Table 25: Qualities of J&K Bank voted by respondents**

<b>Farmers</b>				
<b>S. No.</b>	<b>Quality</b>	<b>Sample size</b>	<b>Number of farmers</b>	<b>% age</b>
1.	Proximity		24	48
2.	Ease in availing the finance		04	8
3.	Online facilities		07	14
4.	Language preference	50	05	10
5.	Respondent trusts with bank		00	0
6.	Employee behavior		07	14
<b>Total</b>			<b>50</b>	<b>100</b>
<b>Traders</b>				
<b>S. No.</b>	<b>Qualities</b>	<b>Sample size</b>	<b>Number of traders</b>	<b>%age</b>
1.	Proximity		10	20
2.	Ease in availing the finance		06	12
3.	Online facilities		23	46
4.	Language preference	50	10	20
5.	Respondent trusts with bank		01	2
6.	Employee behavior		00	0
<b>Total</b>			<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student.*



**Fig. 10: Comparative analysis of qualities of J&K Bank perceived by farmers and traders**

To comprehend and explore the information levels about the scheme among the sample, question based on the five point likert scale was asked and the description & interpretation of these questions is as follows:

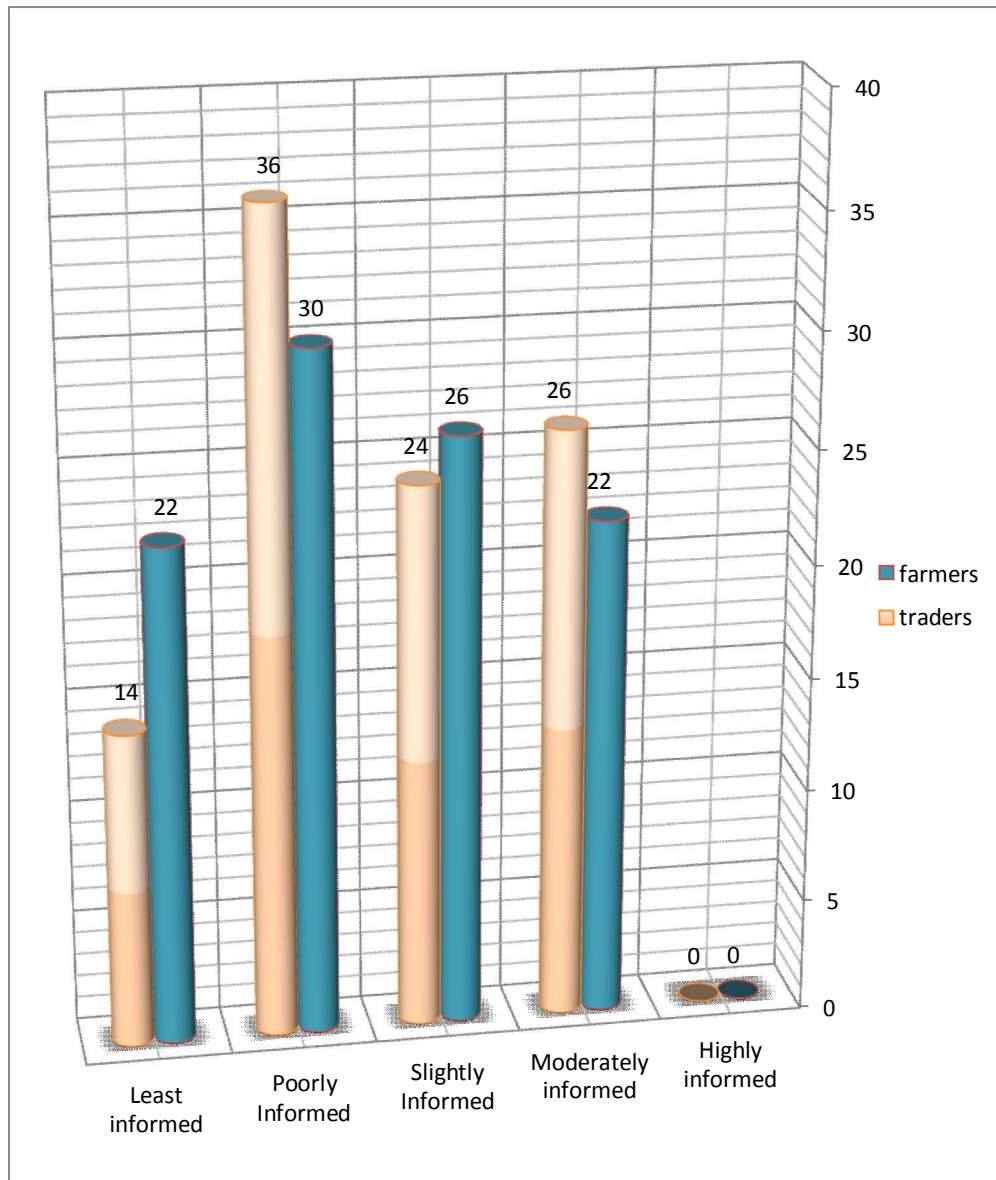
### **Information levels among the studied respondents about J&K Bank Fruit Advances Scheme (Apple)**

22 per cent farmers were moderately informed, 26 per cent were slightly informed, 30 percent were poorly informed , 22 per cent were least informed (Figure 11). During the survey, it was observed that the studied farmers were not aware about the difference between KCC loans or the studied scheme. Which proved to be one of the prominent reason of unawareness about scheme. According to respondents they already knew about KCC scheme and were of the opinion that the studied scheme and KCC scheme is same hence, there was no need to know more about it. (Figure12).

In case of traders, 26 per cent traders were moderately informed, 24 per cent were slightly informed, 36 per cent were poorly informed and 14 per cent were least informed about the scheme (Figure 11). However, only 6 per cent traders were not aware about the difference between KCC loans or the studied Apple Finance Scheme.

### **Perception of Respondents about the studied scheme**

On five point likert scale, 16 per cent farmers rated scheme as the excellent means for apple financing in Kashmir region, 22 per cent farmers rated the scheme as good, 24 per cent rated the scheme as average, 24 per cent rated it as below average scheme and around 10 per cent farmers rated it as poor (Table 26 & Figure 12). 20 per cent traders/commission agents rated scheme as excellent, 12 per cent rated it as good, 24 per cent rated it as an average, 28 per cent rated it as below average and 10 per cent traders rated it as poor (Table 26 & Figure 13)



**Fig. 11: Comparative analysis of information available to the respondents about J&K Bank Fruit Advances Scheme (Apple)**



**Fig. 12: Percentage of Respondents able to differentiate between KCC loans and the scheme**

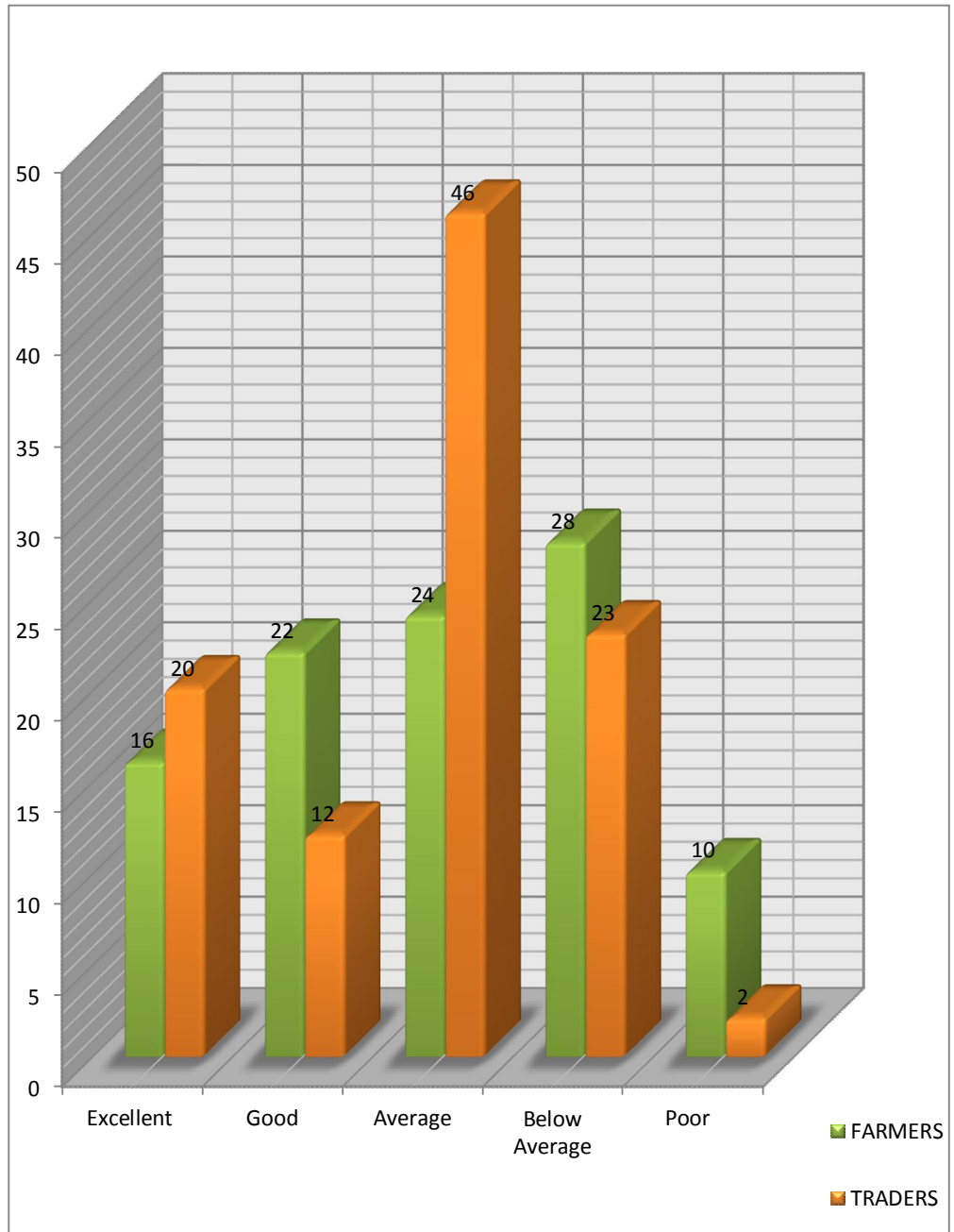
**Table 26: Perception of respondents about the of the studied scheme**

S. No.	Rating	Sample size	Number of Farmers	%age share
<b>Farmers</b>				
1.	Excellent		08	16
2.	Good		11	22
3.	Average	50	12	24
4.	Below Average		14	28
5.	Poor		05	10
<b>Total</b>			<b>50</b>	<b>100</b>
<b>Traders</b>				
1.	Excellent		10	20
2.	Good		06	12
3.	Average	50	23	46
4.	Below Average		09	18
5.	Poor		02	04
<b>Total</b>			<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student.*

#### **Overall satisfaction of the respondents about the scheme**

To understand the satisfaction of the surveyed respondents, a three point based likert scale questions were asked and it was observed that only 04 per cent of the farmers were highly satisfied, 64 per cent were moderately satisfied, 32 per cent were poorly satisfied (Table 27). In case of traders, 08 per cent of the farmers were highly satisfied, 66 per cent were moderately satisfied and 26 per cent were poorly satisfied (Table 27 and Figure 14)



**Fig. 13: Comparative analysis of rating of J&K bank by the respondent**

**Table 27: Satisfaction among the respondents about the studied scheme**

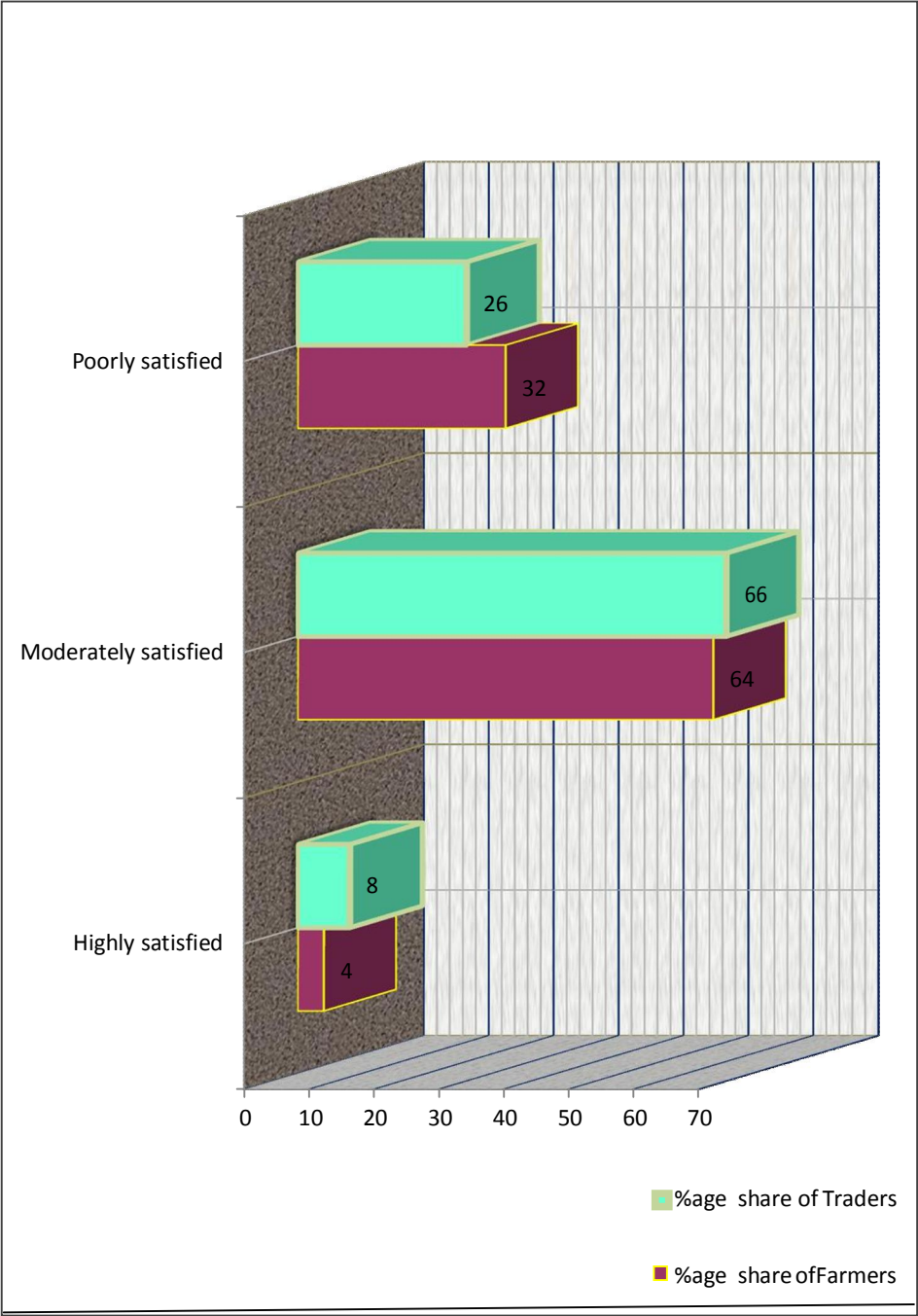
S.No.	Rating	Sample Size	No. of Farmers	Percentage
<b>Farmers</b>				
1.	Highly satisfied		02	04
2.	Moderately satisfied	50	32	64
3.	Poorly satisfied		16	32
<b>Total</b>			<b>50</b>	<b>100</b>
<b>Traders</b>				
1.	Highly satisfied		04	08
2.	Moderately satisfied	50	33	66
3.	Poorly satisfied		13	26
<b>Total</b>			<b>50</b>	<b>100</b>

*Source: Primary survey conducted by the student*

The survey revealed that a marginal portion 4 per cent in case of farmers and only 08 per cent in case of traders of the surveyed respondents were highly satisfied with studied scheme. To further explore and understand why such scenario exists despite the scheme has been crafted as per the requirements of the apple industry in Kashmir; the respondents were asked to describe the problems faced while availing and using this scheme. These problems have been described in the next section.

#### **Problems faced by beneficiaries**

While interacting with the respondents, it was observed that there were certain problems faced by them. According to farmers, their main problem is high interest rate, followed by lack of full awareness about the scheme as a whole, complicated documentation process.etc. Every problem mentioned by the farmer was noted down during the survey and is formulated into Table 28.



**Fig. 14: Comparative analysis on level of satisfaction about the scheme between farmers and traders**

**Table 28: Problems faced by farmers**

S.No	Problems	No. of Farmers	%age
1	High interest rate	37	74
2	Lack of awareness about the scheme as whole	36	72
3	Complicated documentation process	36	72
4	Much time wasted on processing of loan (lengthy procedure)	27	54
5	No rehabilitation/relief/relaxation in case of natural or political calamity	27	54
6	Hefty amount of documentation fee	23	46
7	Finding guarantors	21	42
8	Judgmental/preferential behavior of employees	13	26
9	Less scale of finance ( per kanal or per box)	12	24
10	Rigidity in terms of repayment	9	18
11	Guarantors are disturbed again and again	9	18
12	There is no moratorium period	7	14
13	Case of mere 1-2 kanals is rejected	2	4
14	Asked to provide guarantor as well as mortgage	1	2
15	Asked for guarantor even for mere Rs 40,000	1	2

*Source: Primary survey conducted by the student.*

According to traders, their main problem is less scale of finance (per kanal or per box followed by hefty amount of documentation fee/process. Other issues like no rehabilitation/relief/relaxation in case of natural or political calamity, high interest rate, judgmental/preferential behavior of employees. Each problem mentioned by the traders has been recorded and is given in Table 29.

**Table 29: Problems faced by traders**

S. No.	Problems	No. of Traders	%age
1	Less scale of finance (per kanal or per box)	35	70
2	Hefty amount of documentation fee	32	64
3	No rehabilitation in case of any natural calamity	32	64
4	High interest rate.	29	58
5	Lack of awareness about the scheme as whole	24	48
6	Complicated process	21	42
7	Judgmental/preferential behavior of employees.	17	34
8	Much time wasted on processing of loan(lengthy procedure)	15	30
9	There is no moratorium period.	13	26
11	New documents are to be provided after each year or details are to be renewed time to time.	7	14
12	Finding guarantors	6	12
13	Moderators aren't helpful.	5	10
14	Guarantors are disturbed again and again.	5	10
15	Rigidity in terms of repayment	03	06

*Source: Primary survey conducted by the student.*



**Plate 6: Loading of apple at Sopore fruit mandi for transportation to markets outside Kashmir**

**Benefits availed by respondents from J&K Bank Fruit Advances Scheme (Apple)**

The main benefits availed by the respondents from studied scheme included transparency & clarity about loan amount and process, easy availability and access to the loan amount, unbiased approach of the J&K Bank to provide financial assistance, etc. Table 30 provides the list of benefits availed via the studied scheme.

**Table 30: Benefits availed by respondents**

S. No	Benefits availed	No. of Respondents	%age
1.	Transparency/clarity about loan amount and process	45	45
2.	Easy availability and access to the loan amount	34	34
3.	Unbiased approach of the J&K Bank to provide financial assistance	34	34
4.	Respondents no longer suffer issues of over or under financing	31	31
5.	No compulsion of buying input materials from the channels of money-lenders	30	30
6.	Freedom from the slavery of the money-lenders	20	20
7.	Timely provision of money	19	19
8.	Structured & defined rate of interest.	17	17
9.	Respondents were no under any compulsion of selling their produce to the money-lenders	16	16

*Source: Primary survey conducted by the student.*

Despite the benefits availed from the formal source of apple financing, informal sources were still found prevalent in the apple industry of J&K. The study attempted to explore the reasons for prevalence of informal sources which includes no documentation process/fee required, availability of informal loan on just at a phone call, farmers or traders aren't fully aware about the scheme. All the

reasons discussed by the respondents have been tabulated and are presented in Table 31.

**Table 31: Reasons for existence of informal sources of apple financing**

S. No	Particulars	No. of Respondent	%age
1.	No documentation fee/ process required	54	54
2.	Informal loan is available at just a phone call	46	46
3.	High presence of personal relationships	46	46
4.	Respondents aren't fully aware about the scheme	36	36
5.	No formal procedure to be followed	29	29
6.	No guarantors/ mortgage required	26	26
7.	Marginal farmers consider loan from informal sources not only a way of finance but also a secure channel to sell their produce	21	21
8.	Humanistic consideration if case of any calamity or family urgency	20	20
9.	For big traders/farmers rate of interest charged by the bank and money lender is nearly same.	16	16
10	Respondents can also get advance for other needs like marriage ceremonies etc.	10	10

*Source: Primary survey conducted by the student.*

The analysis of the surveyed data revealed various insightful understanding about the operationalization of the formal and informal sources of apple financing in the apple industry of J&K. The major conclusions and suggestions have been described in the next chapter. These can be helpful in accelerating growth and development of apple industry in J&K besides identifying strategic areas of intervention for the better performance of apple trade in J&K.

## Chapter-5

### CONCLUSION AND RECOMMENDATIONS

The present chapter has been divided into two main section i.e. major findings and suggestions & conclusion of the present study entitled “*J&K Bank Fruit Advances Scheme (Apple) - A case study*”. The study has been carried out to examine the formal and informal sources of apple financing in J&K as well as to analyze J&K Bank Fruit Advances Scheme (Apple) - as a formal source of apple financing in Kashmir region of J&K. The study has used both primary as well as secondary data to undertake its specified objectives.

#### Major Findings of the study

The major finding of the present study has been divided into two parts i.e. findings at the scheme level and findings at the respondent level. Both are described in the following sections:

##### At the scheme level

- J&K Bank Fruit Advances Scheme (Apple) was crafted to provide formal source of finance to the farmers/traders of apple. The finance can be availed
  - a. at any stage of production i.e. pre- harvest stage or the post-harvest stage,
  - b. For cultivation
  - c. For marketing
  - d. For storage of apple
  - e. For entire production
- The scale of finance for traders is assessed on the basis of number of fruit boxes marketed/forwarded during the previous year with a reasonable increase based on average growth during the last three years.

- For farmers with fruit bearing trees, scale of finance depends upon the location and size of the farm.
- At the beginning of the scheme upto 2018, for advances up to Rs 1 lakh - no co-lateral security was required & rate of interest was applicable 7 per cent, for advances upto Rs 1 lakh to 5 lakh third party guarantee of two persons was required & rate of interest was applicable as per MCLR plus 1.0 per cent and for advances of above Rs 5 lakh mortgage worth 125 per cent of advances was kept as security & rate of interest was applicable as per MCLR plus 1.50 per cent
- The scheme was restructured in 2019 and loan amount category were revised. For loan of Rs 1.6 lakh, no co-lateral security is required and rate of interest is 7 per cent, for Rs 1.6 lakh to 3 lakh third part guarantee of two persons is required & rate of interest is 7 per cent and for advances of above Rs 3 lakh, mortgage of 125 per cent of advances is required with rate of interest as per applicable MCLR plus 1.50 per cent.
- Till 2018 scale of finance was based on area under apple crop for farmer and rate was Rs 2.73 lakh per acre of land and for trader, Rs 242/- per box (20 kg) traded in the preceding year.
- From 2019, location of the farm has been incorporated in the parameter for evaluating the scale of financing for farmers and whole Kashmir was divided into three regions i.e. north, south and central Kashmir.
- Since the launch of this scheme on 20th January, 2011 upto 1<sup>st</sup>, January 2019, 1.75 lakh beneficiaries have been benefited with total layout of Rs. 3500 crore disbursed in the favour of beneficiaries.
- The scheme requires a formal documentation process and the validity of all the documents submitted to avail the loan is upto five years and are to be resubmitted after every five years to ensure continuity of the loan.

- No processing fee is required for the loan amount upto Rs. 25,000 and in any case processing fee should not exceed Rs 500.
- Documentation fee ranges from Rs 10 to Rs 5000 and is pledged in the favour court.
- The terms of trade to avail this loan like security, rate of interest, margin of money are well defined and fully illustrated in this scheme unlike that of money from informal sources.

#### **At the respondents level**

- During the survey, it was observed that around 71 per cent expenses involved in the apple production are being covered by a farmer via formal source of finance, 16 per cent through informal and 13 per cent by using personal income. For traders, formal source of financing covers around 27.4 per cent of expenses, 41.6 per cent through informal and 31 per cent using personal income
- About 72 per cent of the surveyed farmers prefer formal apple financing in comparison to the informal sources while as in case of apple traders, 56 per cent considered formal source of apple financing in comparison to the informal sources.
- Seventy per cent of the surveyed farmers and traders preferred J&K Bank as their choice for availing formal source of finance for apple production followed by State Bank of India (SBI).
- The apple finance scheme has changed the dynamics of financing pattern of apple industry. In case of farmers, before the launch of the scheme 24 per cent of the surveyed farmers were using personal income as the only source of finance for apple cultivation which reduced to 2 per cent. Same was the case with informal sources, 34 per cent farmers were depend exclusively on informal source of financing, which reduced to zero per cent post the launch of the scheme.

- In case of surveyed traders, before the launch of the scheme 14 per cent & 42 per cent of the traders were exclusively depend on personal income & informal sources respectively, for financing their apple trade, which has now reduced to almost zero per cent.
- Maximum of the surveyed farmers are availing loan amount ranging between Rs. 1.6 to 3 lakh, while as in case of the traders maximum were availing loan amount above Rs. 3 lakh. Majority of the farmers i.e., 64 per cent availed loan ranging from Rs 1-3 lakh. The reason behind majority farmers availed loan ranging from Rs 1-3 lakh because interest subvention of 3 per cent is provided for advances up to Rs 3 lakh.
- On the basis of the collected response, majority of the respondents considered proximity to the bank as the main parameters followed by online facilities for considering J&K Bank for availing apple financing.
- During the survey, it was observed some of studied respondents were not aware about the difference between KCC loans or the studied scheme.
- On five point likert scale 16 per cent farmers and 20 per cent traders rated scheme as the excellent means for apple financing in Kashmir region, 22 per cent farmers and 20 per cent traders rated the scheme as good. Rest of the respondents either rated it as poor or average.
- To understand the overall satisfaction of the surveyed respondents, a five point based likert scale question was asked and it was observed that only 04 per cent of the farmers were highly satisfied, 08 per cent of the farmers were highly satisfied rest were either moderately or poorly satisfied.
- While surveying and interacting with the respondents, both farmers and traders, it was observed that there were certain loopholes in the scheme which need to be addressed by the bank. The main problem faced is high

interest rate, followed by lack of full awareness about the scheme and complicated documentation process.

- The study attempted to explore the reasons for existence and prevalence of informal sources despite availability of formal source of finance. The responses of surveyed respondents were that no documentation fee or documentation process is required, informal loan is available at just a phone call, high presence of personal relationships, farmers or traders aren't fully aware about the J&K Bank Fruit Advances Scheme (Apple) and farmers/traders can also get advance for other needs like marriage ceremonies.

### **Policy Suggestions and Recommendations.**

Apple is an important crop of Kashmir region with high economic and social impact on the living standards of the people. Apple cultivation and trade is a capital intensive economic activity with informal & formal sources of finance filling the capital requirements of the traders and cultivators. The suggestions of the present study includes

- J&K Bank Fruit Advances Scheme (Apple) needs to be more farmer and trader responsive and expand the customer base by targeting more and more beneficiaries for this scheme.
- The study revealed that there is a section of farmers who are not fully aware about the scheme parameters and process. Therefore, the efficient and effective advertisement of the scheme needs to be drafted and implemented.
- Special camps for farmers and traders related to this scheme should be held at regular intervals for increasing the beneficiary base and financing disbursement.

- Special grievance handling cell related to the beneficiary problems should be constituted for quick redressal in every branch, especially in those areas where apple production and trade is dominant.
- Dissatisfied beneficiaries should be turned into satisfied ones by providing special attention, focus and solving their grievances.
- Regular survey should be done by J&K Bank Ltd. to assess the financing needs of the apple trader and cultivators on consistency basis.
- Micro-insurance scheme pertaining to the apple crop and trade should be incorporated to safeguard beneficiary from the natural calamity and diseases.
- The existing scheme is very beneficial and should be continued. Other small schemes related to apple financing should be merged with this scheme for improving its impact and benefits.
- Awareness and education of farmers/traders about the financial benefits of using formal sources of financing should be done on regular basis.
- Discussion forums should also be created among stakeholders related to apple financing and industry for improving the penetration of formal financing of apple trade
- Keeping in view the nature and type of beneficiary, especially for uneducated traders and farmers, special trainings should be imparted to the bank employees for understanding how to address such customers.
- Provision of rehabilitation in case of political or natural calamity should be considered by the bank. It will promote sense of security

and stability among the customers and will directly serve as enhancer of customer base.

- Special provisions pertaining to the marginal farmers should be incorporated in the scheme.
- There is need of enhancing advertisement policy of the scheme so as to have maximum outreach. For example there are bill boards, hoardings of every service of J&K bank, be it about car loan or home loan or scooty finance or laptop finance. But the case is otherwise for this scheme. Elaborative and extensive advertising will help both the institute by enhancing the customer base and customer by providing timely and adequate finance.
- Necessary information like amount of money deducted from the account or any other is generally texted to the customer in English language while as many of growers or traders have weak hand in English so the provision for sending the same message in Urdu (which is understood by maximum people of the valley) may be adopted.
- Process like survey of the field by bank employee and other processes must be kept least complicated and must be completed as quick as possible and the customer should be provided with all the details like how much time it will take to approve the case such that customer psychologically prepares himself and in case of any delay, the adequate reason should be conveyed to the customer which will increase customer satisfaction.
- Bank employees should firmly stick to what bank promises to offer through this scheme and at what rate of interest and against which security.

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**Annexure 1**

**Questionnaire for Farmers**

**Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Contact No.:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Age:** \_\_\_\_\_

**Gender** \_\_\_\_\_

1. How much area is covered under apple crop?

1-5 hectare	<input type="checkbox"/>	5-10 hectare	<input type="checkbox"/>
10-15 hectare	<input type="checkbox"/>	15-20 hectare	<input type="checkbox"/>
Greater 20 hectare	<input type="checkbox"/>		

2. Quantity of apple produced previous year? \_\_\_\_\_

3. Income generated from apple cultivation?

1-3 lakh	<input type="checkbox"/>	4-8 lakh	<input type="checkbox"/>
8-15 lakh	<input type="checkbox"/>	Greater than 15 lakh	<input type="checkbox"/>

4. Amount of money needed for apple cultivation per year? \_\_\_\_\_

5. How long you have been in apple farming?

1-2 years  3-7 years

7-15 years  15-30 years

50 and above

6. Which is the source of finance for your apple cultivation?

Personal income  Loan from banks

Loan from Agencies  Loan from banks & Informal agency

All of the above

7. What was source of finance for your apple cultivation before the launch of J&K Bank fruit advances scheme?

Personal income  Loan from banks

Loan from Agencies  Loan from banks and Informal agencies

All of the above

8. Which is most convenient source of finance for you?

Loan from banks

Loan from informal source

• If you prefer loan from banks, state reason(s) why? \_\_\_\_\_

• If you prefer loan from informal source, state reason(s) why? \_\_\_\_\_

9. Bank(s) from which loan has been availed?

J&K Bank	<input type="checkbox"/>	SBI	<input type="checkbox"/>
Canara Bank	<input type="checkbox"/>	J&K Grameen Bank	<input type="checkbox"/>
Ellaqui Dehati Bank	<input type="checkbox"/>	Others	<input type="checkbox"/>

10. Amount of money availed from J&K Bank fruit advances scheme?

11. Which bank is your preference?

J&K Bank	<input type="checkbox"/>	SBI	<input type="checkbox"/>
Canara Bank	<input type="checkbox"/>	J&K Grameen Bank	<input type="checkbox"/>
Ellaqui Dehati Bank	<input type="checkbox"/>	Others	<input type="checkbox"/>

State the reason(s) of above made choice \_\_\_\_\_

12. Which portion of financial expenses for apple cultivation is covered by the formal sources?

13. Which portion of financial expenses for apple cultivation is covered by the informal sources?

14. Which qualities of J&K Bank give it competitive edge over other banks?

Proximity to the branch	<input type="checkbox"/>	Ease in availing the finance	<input type="checkbox"/>
Flexible T&C	<input type="checkbox"/>	Language Preference	<input type="checkbox"/>
Respondent trusts the bank	<input type="checkbox"/>	Links with the workers	<input type="checkbox"/>
Nice Employee Behavior	<input type="checkbox"/>	Others	<input type="checkbox"/>

15. How well informed are you about the credit facilities provided under the banner of Fruit Advances Scheme ( Apple) by J&K Bank?

Highly informed	<input type="checkbox"/>	Moderately informed	<input type="checkbox"/>
Poorly informed	<input type="checkbox"/>	Least informed	<input type="checkbox"/>

16. When have you availed the credit facility of J&K Bank Fruit Advances Scheme (Apple)?

2012	<input type="checkbox"/>	2013	<input type="checkbox"/>
2014	<input type="checkbox"/>	2015	<input type="checkbox"/>
2016	<input type="checkbox"/>	2017	<input type="checkbox"/>
2018	<input type="checkbox"/>	2019	<input type="checkbox"/>

17. What is the interest rate of the loan availed? \_\_\_\_\_

18. How would you rate the service provided by J&K Bank?

Excellent	<input type="checkbox"/>	Very Good	<input type="checkbox"/>
Average	<input type="checkbox"/>	Below Average	<input type="checkbox"/>
Poor	<input type="checkbox"/>		

Reason for the above made choice \_\_\_\_\_

19. How well you are satisfied with J&K bank fruit advances scheme

Highly satisfied	<input type="checkbox"/>	Moderately satisfied	<input type="checkbox"/>
Poorly satisfied	<input type="checkbox"/>		

20. Being the beneficiary of both the sources; which one is better?

Formal source	<input type="checkbox"/>	Informal source	<input type="checkbox"/>
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State reason(s) why? \_\_\_\_\_

21. Apart from clearing the dues of informal source what were the other conditions set by money lenders?

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22. What is the time period for which informal loans are sanctioned?
23. What is the rate of interest for informal loan?
24. What are the problems faced by you while availing the J&K Bank Fruit Advances Scheme (Apple)?

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25. Benefits availed from the scheme
26. Reasons for existence and prevalence of informal sources of apple financing
27. What are your suggestions and recommendations for the improvement of J&K Bank's Fruit Advances Scheme (Apple)?

**Annexure 2**

**Questionnaire for Traders**

**Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Contact No.:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Age:** \_\_\_\_\_

**Gender:** \_\_\_\_\_

1. Quantity of apple traded previous year?

1000- 5000 boxes  >5000-10,000 boxes   
>10,000- 50,000 boxes  >50,000- 2,00,000 boxes   
>200,000 boxes

2. Income generated from apple business/trade?

1.3 lakh  4-8 lakh   
9-15 lakh  >15 lakh

3. Amount of money needed for apple trade per year? \_\_\_\_\_

4. How long you have been in apple business/trade?

1.2 years  3-7 years   
8.15 years  15-30 years   
30-50 years

5. Which is the source of finance for your apple trade?

Personal income  Loan from banks   
Loan from Agency  Loan from banks & Informal agency

All of the above

6. What was your source of finance before the launch of J&K bank fruit advances scheme?

Personal income  Loan from banks

Loan from Agencies  Loan from banks & Informal agency

All of the above

7. Which is most convenient source of finance for you?

Loan from banks

Loan from informal source

- If you prefer loan from banks, state reason(s) why? \_\_\_\_\_
- If you prefer loan from informal source, state reason(s) why? \_\_\_\_\_

8. Bank(s) from which loan has been availed?

J&K Bank  SBI

Canara Bank  J&K Grameen Bank

Ellaqui Dehati Bank  Others

9. Amount of money availed from J&K Bank fruit advances scheme?

10. Which bank is your preference?

J&K Bank  SBI

Canara Bank  J&K Grameen Bank

Ellaqui Dehati Bank  Others

State the reason(s) of above made choice \_\_\_\_\_

11. Which portion of financial expenses for apple trade is covered by the formal sources?

12. Which portion of financial expenses for apple trade is covered by the informal sources?

13. Which qualities of J&K Bank give it competitive edge over other banks?

Proximity to the branch	<input type="checkbox"/>	Ease in availing the finance	<input type="checkbox"/>
Flexible T&C	<input type="checkbox"/>	Language Preference	<input type="checkbox"/>
Respondent trusts the bank	<input type="checkbox"/>	Links with the workers	<input type="checkbox"/>
Nice Employee Behavior	<input type="checkbox"/>	Others	<input type="checkbox"/>

14. How well informed are you about the credit facilities provided under the banner of Fruit Advances Scheme (Apple) by J&K Bank?

Highly informed	<input type="checkbox"/>	Moderately informed	<input type="checkbox"/>
Slightly informed	<input type="checkbox"/>	Poorly informed	<input type="checkbox"/>
Least informed	<input type="checkbox"/>		

15. When have you availed the credit facility of J&K Bank Fruit Advances Scheme (Apple)?

2012	<input type="checkbox"/>	2013	<input type="checkbox"/>
2014	<input type="checkbox"/>	2015	<input type="checkbox"/>
2016	<input type="checkbox"/>	2017	<input type="checkbox"/>
2018	<input type="checkbox"/>	2019	<input type="checkbox"/>

16. What is the interest rate of the loan availed? \_\_\_\_\_

17. How would you rate the service provided by J&K Bank?

Excellent	<input type="checkbox"/>	Very Good	<input type="checkbox"/>
Average	<input type="checkbox"/>	Below Average	<input type="checkbox"/>

Reason for the above made choice \_\_\_\_\_

18. How well you are satisfied with J&K bank fruit advances scheme

Highly satisfied  Moderately satisfied

Average satisfied  Slightly satisfied

Poorly satisfied

Reason for the above made choice \_\_\_\_\_

19. Being the beneficiary of both the sources; which one is better?

Formal source  Informal source

State reason(s) why? \_\_\_\_\_

20. Apart from clearing the dues of informal source what were the other conditions set by money lenders?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

21. What is the time period for which informal loans are sanctioned?

\_\_\_\_\_

23. What is the rate of interest for informal loan?

\_\_\_\_\_

24. What are the problems faced by you while availing the J&K Bank Fruit Advances Scheme (Apple)?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

25. Benefits availed from the scheme

26. Reasons for existence and prevalence of informal sources of apple financing

27. What are your suggestions and recommendations for the improvement of J&K Bank's Fruit Advances Scheme (Apple)

**Sher-e-Kashmir**  
**University of Agricultural Sciences & Technology of Kashmir**  
**Faculty of Horticulture, School of Agricultural Economics and**  
**Horti-Business Management**

**CERTIFICATE**

Certified that all the corrections/amendments as suggested by External Examiner Dr. Iqbal Hakeem, Professor, Department of Management Studies, University of Kashmir, Hazratbal, Srinagar during Viva-Voce examination held on January 15, 2020 have been incorporated in the manuscript entitled “**J&K Bank Fruit Advances Scheme (Apple) - A Case Study**” submitted by Ms. Sabreena Shabir (Regd. No. 2017-HBM-01-M).

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Major Advisor