
Chapter 5

Finance and Agricultural Credit

Agricultural finance is the process of supplying agriculture needs money, whether in cash or in kind.

Sources of Agricultural Finance

1. Inheritance, marriage and giveaway.
2. Agricultural Savings Finance and agricultural credit .
3. lending and borrowing(loan).
4. Cooperative sources.

Savings : A difference between consumer spending and income of farmers.

We can look at from two angles to Savings:

The first: In terms of personal saver:

1. Individual Savings.
2. Household saving.
3. Savings companies.
4. Government Savings.

Second: In terms of nature Savings:

a. Optional savings: (individual savings and family)
B. Compulsory savings (and a surplus in the state budget by increasing the amount of taxes).

Lending and Borrowing (loan)

It is one of the sources of agricultural finance and most often takes the form of cash.

Lending sources and Borrowing:
1. Private sources:
A. Individuals (relatives and friends, broker, the owner of the loan).
B. Agricultural, commercial banks.
2. Public sources.
A. Governmental institutions.
B. Semi-government institutions.
3. Cooperative sources.

Agricultural loans by the length of time:

1.Short-term loans: (from one month to one year)

A. monthly loans (1-3)

B. Seasonal loans (3-9)

C. annual loans (9 months to 2 years).

2. Medium-term loans (5 years).

3. Long-term loans (5-25 years).

Classification of Loans by Purpose

Production loans:

1. Mortgage loans.
2. loans cooperatives.

Classification of loans by their amounts:

A. 1,000 dinars to 1 Million dinars

B. 1,000 dinars to 2 Million dinars

C. 1,000 dinars to 3 Million dinars

Loans open and Loans on credit

A. Loans Open :There repayment date as desired.

B. Loans on credit: It includes interest.

Agricultural Lending constraints in developing countries and Kurdistan

1. The low cultural level (the level of education, a little guidance and agricultural awareness.

2. Financial constraints (rich in minerals and oil, but a poor metals and technical oil can not meet the needs of farmers)

3. Religious obstacles: most farmers in developing countries refuse loans benefit.

4. The non-participation of farmers on the boards of credit institutions (lending) to see farmers' needs.

5. There are no specific programs for lending institutions because of poor planning in these countries.

6. Failure to extend the loans of all categories of farmers, for example, (the production of vegetarian, milk production, animal production, poultry production industry ... etc.)