

## **Exploring Financial and Marketing Channels for Apple Industry in Kashmir. A Survey on Apple Growers**

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### **Abstract**

The apple industry in Kashmir has become the lifeline to the rural economy and constitutes around 85% of the total fruit crop in the UT. Apple, being the main horticulture crop, its growers need to provide timely financial assistance with simplified procedure. The survey was conducted with an intention to identify channels of marketing and financing facility available to the apple growers and reasons involved in the non utilization of MIS facility. This study highlighted the available channels of marketing and financing for the apple growers in UT of Jammu and Kashmir (India). The study found that most of the apple growers need financial assistance and growers preferred institutional financing which reduces the threat of commission agents. J and K Bank is the most preferred by growers to meet their financial requirement. The aim of this study is to explore the credit channels favoured by growers and marketing channels operated in the UT. The survey was carried out in Baramulla (Apple town of Kashmir) by using the method of convenience and stratified sampling approach.

**Keywords: Apple Growers, Financial channel, Marketing channel, MIS and Apple industry**

### **Introduction**

Apple growers need financial assistance to promote the productiveness of various farming activities and marketing of their apple production. This study is planned to explore the channels of finance where growers meet their capital requirement and selling of apple through various channels of marketing. Apple industry constitutes the core of the agricultural economy of the UT of J and K. The predominant crop in the horticulture sector is apple which readily grows throughout the temperate climate. Apple is the backbone of the Kashmir economy as it is highly profitable crop amongst all horticulture products and its cultivation is easy due to the hilly nature of land (Bhat T A 2104). In the horticulture industry of J & K, apple production is 98% out of total fruit production (Bhat Javid 2013).

However, an apple industry of Rs 8000 cr witnessed a dip and continued a loss in quality and production in 2019, in wake of restrictions, blockade of communication and protests after the revocation of article 370 on 5<sup>th</sup> August, around one lakh metric tonnes of apple in J & K have witnessed a dip in export (Majid Z 2020). Similarly, a hope for gloom in production was found in apple growers in 2020 but various factors including substandard pesticides and covid 19 pandemic contributed in lower production (Haq S U 2020).

Apple industry, being the second largest income generating sector after tourism industry in UT of J & K, there is a stress among the apple growers as the profit out of the total apple production is now remains less because of the increasing expenses on production process and decreasing prices in the market, this leads dejected growers to crate system whereby they sell their apple produce on trees without the packing and plucking expenses without knowing its effectiveness (Fida Rouf 2020).

Kumar Mohinder (2013), an Assistant Manager at NABARD studied the price spread, financing and marketing system in the apple industry of Kashmir, he revealed that there exists two categories of apple orchard owners or growers in Kashmir valley throughout the evolution of marketing system in apple industry during the past 65years. (i) captive apple grower and (ii) free apple grower, both have different aim of existence and modes of operations in marketing the apple, however high marketing cost incurred on both categories although free apple growers have option to choose more efficient, suitable channels of marketing from various market alternatives and have freedom to remove intermediaries, can engage direct marketing to retailers, he further revealed that 70 % apple production from valley are the source of captive apple growers supply and remaining 30% are available in market as free apple growers supply, the captive owners have dependence on the orchard owners and acts as commission agents for sale of apple produce in market and for finance in informal credit market controlled by these agents, pre harvest contract system continued from the past 65 years is the process through which orchard owner is subject to contract his apple produce in exchange of advance money taken from agents usually on contract for two years, he highlighted that J and K bank is the major source of financing for the apple industry than dealers, traders and commission agents.

## **Literature Review**

Union Territory of J & K is a well known place for its horticulture fruit produce across India and abroad. The production of apple is seen in all ten districts of Kashmir region with Baramulla, Shopian, Pulwama, Kupwara and Anantnag being the largest cultivated areas (Malik Z A 2013). Marketing and financial channels in apple industry are somehow interconnected as for as farming activity of this fruit is concerned, apple selling is dependent on the source of finance utilized by the growers, those who meet their financial assistance through moneylenders are bound to sell their produce through these moneylenders which creates the marketing channel for some orchardists (Amin I U & Jan Anisa 2018). Since time immemorial, various studies have been found regarding the financing and marketing for apple industry in Kashmir. I have categorised some of the studies related to the current survey under two headings.

## **Financial channels**

Since last few years, apple growers prefer institutional financing for their farming activities as this helps in selling the apple in the market without any bound obstacles, banks also provides the flexibility and freedom in marketing and selling process of apple produce among growers as compared to the channel initiated by moneylenders where growers are bound, two channels have been identified on the basis of financing such as free apple growers who meet their financial help through banks and money lender initiated channel where growers are in agreed terms with money lenders (Amin I U & Jan Anisa 2018). Flexibility and freedom in selling apple is also seen when money is raised through friends and relatives (Amin I U & Jan Anisa 2018).

Jammu and Kashmir bank, the leading finance channel available for growers, local apple traders and forwarding agents/commission agents provides comprehensive and timely capital assistance with simplified and flexible procedure adopting whole farming activities taking care of the production and marketing under the name Fruit Advance Scheme with different financial scales, growers can avail finance up to Rs 2.73 lac per acre of orchard land, Local trader/Arthias can avail Rs 242 per 20 kg apple box and commission agents/forwarding agents can avail Rs 126 per 20kg apple box with different annual interest rates (J & K Bank).

Amin I U and Jan A (2017a) revealed that apple growers need financial assistance throughout the farming activities in entire production process, they often need money as intensive input requirement in cultivation process that cannot be fulfilled without external human resource and capital, so the capital assistance is an important requirement as they cannot meet their requirement with the profit of one year production, this put the challenges before the financial institutions and government agencies to raise money for smooth profitable production of this industry, three such levels have been identified where farmers need financial assistance such as, productive stage where farmers raise credit for farming activities as they need fertilizers, pesticides, fungicides and for development of land, marketing stage where farmers require capital as the costs incurred on packaging, storing and transportation are huge and socio economic need where farmers are looking for the overall socio economic development.

Demand of financing arises due to the diverse needs and services of farmers among rural households, five such needs where financing is required have been observed such as, (i) for production process such as fertilizers, seeds, pesticides, labour and storage facilities, farmers need short term financing, (ii) similarly for the development and improvement of orchards, commercialisation or transportation of crops, agricultural machinery, investment, renewal maintenance for crops and storage they need medium term and long term credit, (iii) financing for family needs which includes domestic expenses like housing, personal and durable goods, (iv) financing for monitoring demand, technological extension and assistance which are nonfinancial services in nature and (v) farmers savings, they further revealed that micro finance is capable of mitigating the existing challenges and can play a crucial role in financing of agricultural sector in India (Mishra A K and Mohapatra U 2017).

Under the initiative of government of India, NABARD and RBI in recent years, financial assistance is given to the poor farmers, with the introduction of Kissan Credit Card and Fruit Advance schemes, farmers have started to prefer institutional financing over non-institutional financing sources, study found that peasants holding orchard land above 1 hectare utilizes institutional financing sources.

Sources of institutional financing especially commercial banks provide finance under Kissan Credit Card scheme against land holding size of farmers, scaled at 30,000 to 50,000 per Kanal under an annual interest rate of 7% below 3 Lakhs, out of this 4% interest is payable by grower and remaining 3% is being subsidized by GOI, and above 3 lakh, the interest rate applies at 12% (Amin I U and Jan A 2017b).

New financing pattern issued by the Horticulture Department of J & K where Govt share is 50%, growers share is 20% and finance by financial institutions is 30% for the recent High-Density Apple Plantation scheme which is crucial to increase quality in productivity and production of Apples in UT of J & K, it has been observed that as compared to existing or traditional orchard systems, the yield by new scheme of plant density combinations of these high density apple orchards has increased 2-5 times (Hassan B, et al 2020). The production and apple quality have improved substantially in Himachal Pradesh by the plantation scheme (Singh R et al. 2012). In Jammu and Kashmir, High Density Apple Plantation Scheme can be a game changer in quality, productivity and marketing of apple produce (Bazaz S 2017).

Mishra A K and Mohapatra U (2017) observed two major sources of finance available for the agricultural sector in India are Institutional sources (government and co-operative societies, commercial bank including the Regional bank, Lead bank) and non institutional sources (Money lenders, landlord and others).

J and k bank modified the old loan scheme to bring enthusiasm among apple growers and re introduced New Apple Advance Scheme with low and different rate of interest up to Rs 5 lakh and low documentation and processing fee, this significantly improved the bank's strategy of more investment in state (Bazaz S 2015). HDFC bank disbursed the amount of Rs 0.55 cr in soprore under their popular product Apple Finance at competitive and soft terms (Gk News Network 2015).

### **Marketing channels**

Various Marketing channels have been identified after going through the extensive available literature. Asghar S (2015) highlighted the four different marketing channels used by apple growers to reach the consumer in his study related to the marketing and supply chain management of apple production in Kashmir division, he described channel I as producer -pre-harvest contractor – commission agent cum wholesaler - retailer then Consumer, channel II includes producer - village trader- wholesaler (local) - commission agent (distant) -wholesaler (distant) - retailer (distant) then consumer, channel III maintains the producer- JKHPMC- wholesaler- retailer then consumer and finally channel IV observed as producer then Consumer.

Reshi M I, Malik M A & Kumar Vijay (2010) observed three marketing channels while assessing the marketing process of apple in the J & K and revealed Delhi Azadpur market as the biggest market for Kashmir apple, they identified first channel as farmer to pre-harvest contractor to commission agent to whole seller to retailer then consumer, second channel found as farmer to forward agent to commission agent to whole seller to retailer & then consumer and lastly third channel highlighted as farmer to commission agent to whole seller to retailer and then consumer.

According to Wani S A, et al (2016), marketing channels of apple among agricultural products vary from area to area from producer to consumer, owners of the orchards are actually the producers in a

traditional marketing channel as they act in farming activity at their own cost but some contractors hire the orchard from the producers at pre harvest stage at the time of fruit setting or directly to commission agents or whole sellers, they observed five such marketing channels in apple industry of Kashmir, channel I was the most popular channel identified by them as from producer to whole seller or commission agents to retailer then consumer, channel II identified as Producer to Pre-harvest contractor to Whole seller or Commission agent to Retailer then Consumer, channel III revealed as Producer to Commission agent to Whole seller to Retailer then Consumer, channel IV found as Producer to Pre-harvest contractor to Commission agent to Whole seller to Retailer then Consumer and channel V observed as Producer to Post-harvest contractor or potential growers to Commission agent to Whole seller to Retailer then Consumer, all these five channels have different marketing efficiency at different levels as they found that channel-I is economically more efficient followed by channel III and channel IV than least efficient channel-II.

JKHPMD provides better facility for promotion and publicity of fruits through marketing processes. Market Intervention Scheme (MIS) for Apple of Jammu and Kashmir was launched for apple industry in the harvesting season of 2020 where price structures for procurement of various varieties of different grades of apple are fixed by J&K Horticulture Planning & Marketing Department along with representatives of other stakeholders. DA & C, MoA and NAFED would procure apple from growers in J & K under MIS scheme. This also provides assistance in ascertaining and solving problems involved in the distribution, marketing and efficiently utilization of horticultural produce (JKHPMD 2020).

Government of India has launched a scheme “Operation Green’s TOP to TOTAL as a part of “Atamirbhar Bharat Abhiyan” in UT of J & K aimed to protect all fruits and vegetables growers from making distress sale due to pandemic lockdown and to reduce the losses during post harvest process. This scheme anticipates quick evacuation of surplus production of fruits and vegetables from production cluster to consumption centre for the six months to moderate and check gluts and shortage. This scheme provides 50% subsidy on transportation from production clusters to deficient markets and 50% subsidy on storage including cold storages (Press Trust of India 2020).

### **Objective of the Study**

This study was planned to know the marketing channels used by apple growers to sell their apple produce in previous researches, in addition to this the main objective is to study the sources of finance and financial schemes for growers in apple industry of Kashmir.

### **Research Methodology**

Descriptive research design has been used to know the financial and marketing channels available in the apple industry of J & K. It is being used because it is typically concerned with determining the frequency with which something occurs. This survey is quantitative where a structured undisguised and self administrate questionnaire has been used to collect information from (180) respondents from three Tehsils of Baramulla district of Kashmir division in UT of J&K (India).

### Sampling Technique

The questionnaire contains two sections in which the five-point scale, closed ended questions and multiple choice questions for reasons regarding financial schemes and Market Intervention Scheme (MIS) was used to gather the data along with demographic information. Convenience sampling was used and performed purposefully. 60 sample respondents were taken from each Tehsil for study. The selection of apple growers was carried and done by using the method of stratified sampling on the basis of income. Table I shows that, in each Tehsil, the sample respondents have been grouped in four strata's on income basis and each stratum comprised 15 growers.

Table I: Income of Respondents

Stratum	Level of Income	Number (Single Tehsil)	Total (Three Tehsil)
First	< 100000	15	45
Second	100001 – 200000	15	45
Third	200001 – 300000	15	45
Fourth	> 400000	15	45
Total		60× 3	180

### Methods of Data Collection:

The data collected for the study includes both primary and secondary data to attain the objectives of the study. The primary data is collected using a self-administered questionnaire. The data was collected from apple growers having production of less than 2000 apple boxes. Apart from this, secondary sources such as websites, clipping from newspapers, magazines, journals and books were used to collect the data. The questionnaire contains various statements in English. The five points scale was drafted to denote the preference of the respondents and thus mentioned as Excellent at point (5) and Very Poor at point (1).

### Data Analysis:

Table II: Financial Channel

Percentage of apple growers who need financial assistance			
Yes:	80%	No:	20%
<b>Sources of Financial Channel</b>			
Friends/Relatives			5%
Pre harvest Contractors			10%
Commission agents			25%
Banks			60%
<b>Bank Name</b>			
J and K Bank			70%
State Bank of India			5%
H D F C			10%
J & K Grameen Bank			10%
Any other			5%

<b>Rating of financial services of J AND K Bank</b>		
Mean score	(4.23)	
<b>Reasons of availing financial schemes of J and K Bank</b>		
	Yes	No
Money is available at low interest	70%	30%
Convenient options of returning the finance	45%	65%
Reduce the threat of Commission agents	80%	20%
You can sell your apple produce at highest possible price in any market	90%	10%
<b>Percentage of Apple growers who sell fruit through MIS</b>		
	Yes: 10%	No: 90%
<b>Reasons of not availing MIS scheme</b>		
	Yes	No
Issues related to Registration process	45%	55%
Issues related to Grading system	95%	5%
Issues related to Price fixation as per MIS grading System	75%	25%
Issues related to Timely payment system	85%	15%
Issues related to availability in time schedule	35%	65%

Table I shows that 25% growers are taken from each given income level. Table II shows that 80% apple growers need financial assistance to shape their production in productive order to reach the market. Apple growers, based on the sources of taking money, it has been found that 60% growers meet their financial requirement through banks, where they are free to sell their produce, followed by commission agents where 25% lend money from these forwarding agents with the condition set prior production process, remaining 10% and 5% are taking money from pre harvest contractors and friends/relatives respectively.

Most of the growers are found in favour of institutional financing, a convenient money channel for growers, where 60% growers are taking loan from Jammu and Kashmir Bank followed by J&K Grameen Bank and HDFC Bank, which provides flexibility among growers in selling their fruits with own choice. Apple growers praised the financial services of J & K Bank and 80% growers feel that loan is available at low interest though some growers feel that convenient options are missing their while returning the money. However, growers feel freedom in marketing process as 80% growers feel that bank reduces the threat of commission or forwarding agents and 90% growers reveal that they possess freedom in marketing operation as they can sell their apple produce at highest possible price in any market. Government launched a Market Intervention Scheme for apple growers aims to provide optimum price and maintained that Govt. will lay a focussed attention to growers in providing them every possible support from apple production to marketing process (Wani Ashraf 2019). However, the study revealed that 90% apple growers are not availing the MIS provided by the Government. About 95% apple growers feel that there are some issues related to the grading system provided by the Horticulture Dept., similarly 75% respondents reveal that there are also some issues regarding the price fixation as per MIS grading system and 85% highlighted their issues regarding the timely payment system in MIS. While most of the apple growers are not facing issues regarding registration process and availability schedule in buying and selling process.

## **Findings and Conclusion**

Previous studies have found that various marketing channels are being utilized by apple growers, but the source of finance utilized by growers affecting the marketing channel in the selling process. Four common channels which involve passage of apple from producers to consumers found from the available literature are as follows:

Marketing channel (I): Producer to commission agent to Wholesaler to Retailer then Consumer

Marketing channel (II): Producer to Money lender to Commission agent to Wholesaler to Retailer then Consumer.

Marketing channel (III): Producer to Pre harvests Contractor to Commission Agent to Wholesaler to Retailer then Consumer.

Marketing channel (IV): Producer to Wholesaler to Retailer then Consumer.

In addition to the above channels, MIS for apple was another channel provided by government but most of the growers are not patronized this marketing channel as they are having some issues in the entire process of procuring right from grading system to payment system.

The study found that most of the apple growers need financial assistance and growers prefer institutional financing. The survey shows that J and K Bank is the most preferred by growers to meet their financial requirement despite saying that there are complex formalities while returning the finance, followed by commission agents. Apple growers praised the financial services provided by J and K bank. Bank financing provides an opportunity and marketing flexibility among growers. Growers can sell their produce anywhere in any time as bank loan reduces the threat of commission agents and 70% growers feel that money raised through banks is available at low interest. It is observed that flexibility in selling is high in case money is taken from banks as most of the growers feel that we can sell our apple produce at highest possible price in any market.

## **Recommendations**

All agencies related to MIS in the Govt. may initiate the steps to make people more aware about the scheme and reshape their grading and payment procedure and sure coordinate efforts to make this scheme successful. Arrange and assure more institutional financing sources at low interest to the growers who need financial assistance as this reduces the threat of commission agents and growers will be able sell their produce at highest possible price in any market with their own will.

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