Agriculture Finance

The sample questions are related to the JAIBP Specialization course "**Agriculture Finance**". The students are advised to thoroughly read the exam guidelines and the syllabus guide for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one and half mark.

Q1. The formal source of agricultural credit is:

A. Banks (Answer)
B. Traders
C. Exporters
D. Money Lender

Q2. In Pakistan, crop insurance scheme covers farmers against the risks of

A. low prices of agri. produce.
B. death of the farmer.
C. natural calamities. (Answer)
D. low yield varieties.

Q3. The term 'collateral' in agricultural financing refers to

A. financial exposure of the farmer against guarantee.
B. lending by banks against SBP guarantee to farmers.
C. mortgage of land or property by the banks.
D. assets offered by farmer to the bank. (Answer)

Constructed Response Question

Each CRQ contains five marks.

Question:

A. List TWO instruments that are used in agriculture value chain financing. **(1 Mark)**

B. Under Value Chain Contract Farmer Financing, discuss the role of the bank with respect to "Grower" and "Processor". **(4 Mark)**

Answer
Part-A

Instruments:
1. Trader credit
2. Input supplier credit

Part-B.

1. Grower:

Bank will provide loan to farmers as per list of growers provided or guaranteed by processor/aggregator. Grower will deposit the payment warrant/cheque arrant for settlement of outstanding loan liability and surplus amount shall be readily available to the growers.

2. Processors:

Bank will provide Marketing loan/seasonal loan/cash finance to processor against stock or any collateral required by the bank. Processor will repay the loan amount to the bank after sale of processed goods.

Extended Response Question

Each ERQ contains ten marks.

Question:

- **A)** Discuss TWO cropping seasons of Pakistan by identifying major crops and discussing their impact on economy. **(5 Marks)**
- **B)** What is the difference between cash crops and non-cash crops? **(2 Marks)**
- **C)** Justify with reasons which one (cash crop or non-cash crop) is feasible for the bank? **(3 Marks)**

Answer:

Part-A.
Two seasons:

1. Kharif
Season between April and October. Adequate rain water is required and crops may go waste if it rains more or less.
Major Crops:
Rice
Millet
Maze
Peanut Bean

2. Rabi
Requires irrigation and grown between Mid-November to April.
Major Crops:
Wheat
Barley
Mustard
Peas

Part-B.

Cash crops are non-consumable whereas the non-cash crops or food crops are consumable. It is not necessary to get earning on food crops but the cash crops are always sold in the market.

Part-C.

The cash crop is feasible for the bank because the farmer will get earning to pay off loans. In food crops, the investment or lending made by the bank can be consumed by the farmer or consumers thus giving no money back to the bank.