



AGRI MAGAZINE

(International E-Magazine for Agricultural Articles)

Volume: 02, Issue: 08 (August, 2025)

Available online at <http://www.agrimagazine.in>

© Agri Magazine, ISSN: 3048-8656

Importance of Book Keeping in Agriculture

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Agriculture is known as the backbone of the Indian economy, yet farming in India is often not seen as a business, but it is more like a way of life. Agriculture is deeply rooted in the culture of this land, and thus, people are reluctant to see farming as a business. But if a person spends his/her time, energy, and effort into a skilled profession to earn an income for his/her family, then that profession has to be seen as a business. In every business, the process of bookkeeping is essential. Bookkeeping is the habit of recording the activities, expenditure, and income of a business in an accessible source. Bookkeeping is a habit of every businessman, no matter what the size of his/her business is. Even a small tea shop in a corner of a street maintains a register where the owner of the shop notes down the revenue and expenditure of the shop. But in the agriculture sector, bookkeeping is often ignored, and the importance of bookkeeping is not understood by the farmers.

Why is bookkeeping important?

Bookkeeping is an important act in every business, including farming, because it helps to understand the functioning of the business. Maintaining a record of activities can help a farmer to understand, analyse, and interpret his/her activities. The bookkeeping habit helps the farmer in understanding unnecessary spending, and he/she can reduce that spending next time. The data from the previous season will help him/her to learn the mistakes he/she made, and he/she cannot repeat them in the next season of cultivation. This habit will help farmers to learn from their own mistakes.

In today's world, information is seen as wealth. The data the farmer has about his/her field is a wealth in its own. This data can be useful for the farmers. The farmer can learn about the seasonal pest infestations, the amount of fertilizer required, weeds grown in the field, extra spending in the field, etc, which can be used to make wise agronomical and economical decisions. It would be easier for the farmer to adopt new technologies if he/she maintains a record of the work in the field. The major factor that is preventing farmers from adopting new technology is the uncertainty of the success of the technology. The feasibility and practicability of a new technology can be understood if a well-maintained record of expenses and revenue is maintained by the farmer who adopted the technology.

The extension workers can also benefit if farmers have a habit of bookkeeping. The officer can guide the farmer to adopt the technology in the correct method, as the activities of the farmer are recorded. The extension worker can also understand the worthiness of the technology, as complete details and statistics of the technology are available if the farmer maintains the accounts. The statistics of the technology will be a convincing factor in the result demonstrations. The farmer can make better financial decisions and manage risks if he/she maintains a record of his/her activity. He/she can understand the breakeven point in his venture and can project his income for the next season. Understanding the breakeven point can help the farmer calculate the amount of income he can generate from the venture.

The bookkeeping habit of farmers can improve the efficiency of government services like the Kisan credit card scheme, Fasal Bheema Yojana, and new custom financial and will also be helpful to introduce new insurance products.

- The Kisan credit card** is a scheme that provides farmers access to credit for agriculture and allied activities. Farmers apply for KCC through participating banks. The bank assesses the farmer's eligibility for the credit. So, providing a well-maintained record of the expenditure and revenue of the farmer can increase the confidence of the bank to lend loans for the farmer.
- The Pradhan Mantri Fasal Bhima Yojana** is a central government scheme that provides insurance for losses due to unpredictable events. Maintaining a record of the activities of the farm can help in the easier claim settlement. The evidence of inputs and investments can be presented to make an insurance claim.
- The Pradhan Mantri Kisan Samman Nidhi** is another central government scheme that gives an income support of ₹6,000/year to small and marginal farmers. The record of activity of these farmers can be used to identify if the land is used for agriculture regularly, and also to track the use of funds.

Providing a record of the activities of the farmer can increase transparency in contract farming. Contractors can evaluate the process that the farmer follows if the record of activities is presented to them. Farming is slowly evolving into joint ventures like FPOs. Providing a record of activities in the field can improve trust among the farmers within the FPO and reduce disputes. Bookkeeping can increase the traceability of the product. As e-commerce is gaining momentum, consumers wish to have some traceability of the produce. The consumer can trace the method of cultivation of the produce if the farmer has maintained a record of activity. This increases the trust between the consumer and the farmer, creating an intangible value addition for the farmer's produce.

How can farmers practice bookkeeping?

There are various methods of bookkeeping for farmers. One method is to maintain a cash flow statement. A cash flow statement has five columns, which are date, description, outflow of cash, inflow of cash, and balance (Table 1). This helps to understand the total flow of cash in the business. The farmer can understand his spending and expenditure, and also his revenue.

Table 1. Example for cash flow statement

Date	Description	Outflow	Inflow	Balance Amount
dd-mm-yyyy	Bought fertilizers	5000		*****
dd-mm-yyyy	Sold rice		12000	*****
dd-mm-yyyy	Tillage work	4000		*****
dd-mm-yyyy	Loan received		60,000	*****

The farmer can maintain a farm inventory record for inventory and storage management. This can help the farmers understand the availability of resources. He/she can plan what to purchase for his next season and what he/she has in excess. A tabular column is constructed, where the name of the item, quantity, date of purchase/stock, and cost are recorded (Table 2).

Table 2. Example for Farm inventory record

S.No	Item	Quantity	Date Of Purchase/ Stock	Cost
1	Fertilizer	10 bags	dd-mm-yyyy	*****
2	Tractor	1	dd-mm-yyyy	*****
3	Rice seeds	5 bags	dd-mm-yyyy	*****

Farmers can also maintain a labour record book to maintain a record of labourers hired to work in the field and their wages. The details like the name of the labourer, contact details of the labourer, task performed by the labourer, the hours spent by the labourer in the field, and the wages given to the labourer can be recorded (Table 3).

Table 3. Example for labour record

Date	Name	Phone No.	Task	Hours	Wages (in Rs.)
dd-mm-yyyy	Ram	99*****	weeding	8 hrs	*****
dd-mm-yyyy	Laxman	91*****	weeding	8 hrs	*****
dd-mm-yyyy	Sita	85*****	Harvesting	6 hrs	*****

The most effective method of bookkeeping can be a crop calendar. A crop calendar includes all the day-to-day activities of the farmer in the field throughout the year. Five columns are constructed, which are the day/date, activity, expenditure/revenue, description, and depreciation (Table 4). The activities of the field are recorded daily. The activity is recorded in the second column of the calendar. In the third column, a brief description of the activity is noted down, including the input and cost. The expenditure or revenue from the field is recorded in the fourth column. The final column is left for depreciation, where the money depreciated by the farmer for loans, assets for a year, is noted down.

Table 4. Example for Crop Calendar

Day	Activity	Description	Expenditure/ Revenue	Depreciation
Day 1	Tillage	Tractor used for 6 hours for the X area of land	*****	*****
Day 2	Regular	-	*****	*****
Day 3	Regular	-	*****	*****
Day 4	Transplanting	4 female labourers employed for 300/day	*****	*****
Day 5	Regular	-	*****	*****
-	-	-	*****	*****
-	-	-	*****	*****
Day 365	Regular	-	*****	*****

Why do farmers not practice Bookkeeping?

Farmers in India do not see agriculture as a business; they often describe it as a way of life. They believe farming shouldn't follow the activities of a business. They ignore aspects like bookkeeping, marketing, etc. They feel it is better not to take into account the activities of the farm, and to earn whatever the farm gives. Often, the farmer's income is compromised because of this attitude towards farming.

Farmers do not understand the importance of bookkeeping because it does not bring in any tangible benefits to him/her. They feel it is a burden or a waste of time and effort to maintain accounts of the field activities. They feel that this process does not give them any direct benefit, and having such a hobby does not help in increasing their profits from the field. The majority of the farmers are illiterate and therefore they do not know how to read and write. The illiteracy of the farmer is another concerning factor, as farmers do not practice bookkeeping.

How can ICT address the challenges and promote Bookkeeping?

Information and communication technology has an important role in modernising agriculture. The majority of the challenges in agriculture can be addressed using ICT. The challenges of bookkeeping can also be addressed with the help of mobile applications, which help in recording the farmer's activity. Educated farmers can store the data in Excel sheets rather than in books. Some mobile applications have a voice assistance feature that can help farmers who lack education and literacy. A few applications available for the farmers are mentioned below, along with their links in Table 5.

Table 5. Applications that can help with bookkeeping

Application	Description	Application Link
Mocha accounting	An accounting software that streamlines financial processes.	https://mochaaccounting.com/blogs/best-accounting-software-for-agriculture-businesses-in-india-manage-farms-profitably#
Khet hisab	An accounting application designed for farmers to manage farm accounts, crop growth, mandi prices, and land records.	https://play.google.com/store/apps/details?id=com.khedut_&pcampaignid=web_share
Agrobeet	A farming account management application that keeps track of income and expenses.	https://play.google.com/store/apps/details?id=com.agrobeet&pcampaignid=web_share
Vyapar	A free invoicing software that enables billing, accounting, and inventory management.	https://vyaparapp.in/free/small-business-accounting-software/farm

Source: Author's Compilation (2025)

Conclusion

Bookkeeping is an essential hobby that, if practised by farmers, can benefit them in many ways. Farmers fail to understand the importance of viewing farming as a business and practicing bookkeeping. It is important to introduce this hobby to the farmers for their well-being. There are various challenges like, illiteracy of the farmers and their failure to understand the importance book bookkeeping. These challenges can be addressed with the help of information and communication technology, and the habit of bookkeeping can be introduced to the farmers.

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