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Distribution of different types agricultural credit, across different categories of farmers in Raipur district, Chhattisgarh, India

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Abstract

The main goal of this work is to the distribution of different types of agricultural credit across various categories of farmers in Raipur district (Chhattisgarh) and to suggest policy directives for financial institutions. The analysis reveals significant disparities in credit access and utilization among marginal, small, medium and large farmers. Analyses were conducted on types of loan, Reasons of Agri. Loan borrowing, share of different crops in crop loan, Distribution of term loan, Issues related to agriculture credit. A multi-stage random sampling procedure was followed for selecting the sample of borrower farmers. The data was obtained utilising the personal interview approach after the research design and interview schedule were finalised. Marginal and small farmers borrow only short term and medium-term loans but medium and large farmers borrow all types of loans (Short term, medium term and long-term loan). The farmers were habituated to purchase seeds with most of the available Agricultural loan. Majority of the agricultural loan borrowing farmers borrow loan for paddy and wheat cultivation. The loan for purchasing tractor was found to be larger amount in study area. These loans are given against security. Study reveals that the most severe issue faced by the farmers while taking loans was Bank has more rules and regulation.

Keywords: Agricultural credit, farmer categories, credit distribution, RRBs, GDP, financial inclusion

1. Introduction

In order to speed up the flow of bank loans to farmers, 14 major commercial banks were nationalized in 1969. Later in 1975, a third agency, the Regional Rural Banks (RRBs), was established in the credit distribution system, with the goal of paying special attention to the credit needs of the rural poor (Priya, 2006) ^[1]. As a result, a multiagency strategy to rural financing was implemented, with each agency supporting the work of the others. The participation of institutional agencies in cultivator debt increased from a paltry 4% in 1951 to 60% in 2001 as a result of the development and expansion of the institutional network (Gol, 2004) ^[2]. Rural household's increased reliance on institutional sources shows the replacement of traditional sources. To help marginal and small farmers, special programmes have been established. In order to advance loans, institutional finance organizations have been directed to provide preference to marginal and small farmers (N. Manoj Kumar 2011) ^[3].

Agricultural loans have had an important role in India's farm productivity. Though agricultural credit outreach and amounts have risen over time, various flaws have emerged, threatening the profitability and sustainability of these organisations. Following the change from cereal to non-cereal products, a quiet transformation is occurring in rural areas, requiring diversification in agricultural output and value-added processes to maintain rural employment and income (Raju Jat 2016) ^[4].

The adoption of new technologies is essential to the advancement of agriculture, and new technologies require the use of agricultural credit, the main input in agriculture (Aroutselvam and Zeaudeen, 2000) ^[5]. When it comes to helping the poor get out of poverty, credit is essential. Evidence showed that credit availability was positively associated with both an increase in secondary and tertiary outputs and a reduction in rural poverty (Burgess and Pande, 2003) ^[6]. One of the prerequisites for farmers to boost agricultural output as part of a nation's agricultural growth is agriculture loans (Gandhimathi 2011) ^[7].

An essential element of the sector's growth is agriculture financing. Regular evaluations of agricultural policy have been conducted to guarantee the availability of timely and suitable funding.

More than 85% of all rural credit needs are for agricultural loans, making it a major component of the rural sector. The agricultural sector's institutional loan growth also slowed in the 1990s. From 5.4 percent in the 1970s to 8.3 percent in the 1980s, 7.4 percent in the 1990s, and 6.7 percent in 2008-09, agricultural credit as a proportion of agricultural GDP has increased gradually over time and is currently declining (Feder 2006)^[8].

Commercial banks were instructed to lend more to agricultural after they were nationalised in 1969. Several policy measures were implemented, including the Lead Bank Scheme (1969), Regional Rural Banks (1975), Service Area Approach (1989), Micro Finance Scheme (1992), and Kisan Credit Card System (1998-1999), as a result of which institutional credit, which includes commercial bank and cooperative credit, increased from 7.3 percent in 1951 to 60 percent in 1996. (Gandhimathi 2010)^[9].

2. Materials and Methods

The application of suitable methods and procedures is necessary for any successful outcome from scientific research of a subject. This chapter attempts to provide an overview and explanation of the study's environment, participant selection process, and interview schedule (Achar Ananthapadmanabha 2012)^[10].

2.1 Sampling Methodology

2.1.1 Methods of data collection

To meet the objectives of the study, primary data was collected through a predesigned, structured questionnaire. Various studies were reviewed to have a thorough understanding about various parameters to be included in questionnaire and accordingly a self-administered and

structured questionnaire was designed to collect information from the respondents (Richi sidana *et al.* 2014)^[11].

This study employed a mixed-methods approach combining both qualitative and quantitative data collection and analysis methods. The study used a survey design to collect data from a sample of 200 farmers. A stratified random sampling method was used to select participants from Raipur district. The gathered data were combined and analysed in an MS Excel spreadsheet to get a relevant result. The farmers responses were examined using the ranking method.

Table 1: List of selected blocks and villages from Raipur district

District	Block	Villages	Farmers
Raipur	Arang	Farfoud	50
		Chhatouna	50
	Abhanpur	Dhusera	50
		Patewa	50
Total	2	4	200

3. Results and Discussion

3.1 Category wise distribution of different type agricultural credit

3.1.1 Type of loan

Table 2 shows the results of the different categories of farmers to their types of loan.

It could be concluded from Table 2 that, the marginal farmers took the 80% short term loan, small farmers took the 70.6% short term credit, medium farmers took the 66.3% short term loan and large farmers took the 58.4% short term loan, whereas 20% marginal farmers, 29.4% small farmers, 22.5 medium farmers and 15.1% large farmers borrowed medium term loan, while only 11.2% medium farmers and 26.5% large farmers borrowed long term loan. From table 2 it is clear that marginal and small farmers borrow only short term and medium-term loans but medium and large farmers borrow all types of loans (Short term, medium term and long-term loan).

Table 2: Distribution of respondents according to their type of loan

S. N.	Types of Loan	Farmers Categories							
		Marginal farmers (4)	%	Small farmers (60)	%	Medium farmers (59)	%	Large farmers (77)	%
1.	Short Term loan	4	80	60	70.6	59	66.3	77	58.4
2.	Medium Term loan	1	20	25	29.4	20	22.5	20	15.1
3.	Long Term loan	0	0	0	0	10	11.2	35	26.5
	Total	5	100	85	100	89	100	132	100

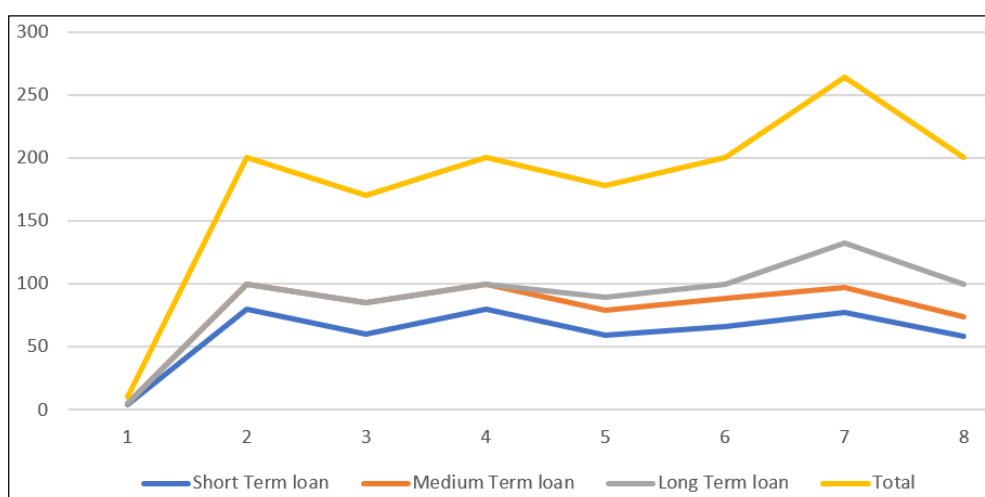


Fig 1: Distribution of respondents according to their type of loan

3.1.2 Reasons of Agri. loan borrowing

Table 3 shows the results of the respondents on reasons of Agri. loan borrowing.

Table 3 shows that the majority of respondents used their loan money to buy seeds (rank I), followed by fertilisers (rank II), purchase chemicals (rank III), labour expenses (IV), purchase new equipment's (V), purchasing cattle (VI),

and renovation of the resources (VII). It is inferred from Table 3 that, among seven statements of reasons of Agri loan borrowing, the high ranked statements were frequency in procurement of seed (1st rank), followed by fertilizers (2nd rank), and spending on chemicals (3rd rank). The reasons could be that farmers were habituated to purchase seeds with most of the available Agri. loan.

Table 3: Distribution of respondents according to the reasons of borrowing

S. N.	Reasons of crop loan borrowing	Often		Occasional		Never		Score	Rank
		F	%	F	%	F	%		
1.	Purchase seeds	133	66.5	25	12.5	42	21	491	I
2.	Purchase fertilizers	102	51	15	7.5	10	5	346	II
3.	Purchase chemicals	99	49.5	16	8	10	5	339	III
4.	To meet labour expenses	86	43	20	10	21	10.5	319	IV
5.	For the purchase new equipment's	63	31.5	49	24.5	10	5	297	V
6.	Purchasing cattle	33	16.5	43	21.5	44	22	229	VI
7.	Renovation of the resources	5	2.5	8	4	20	10	51	VII

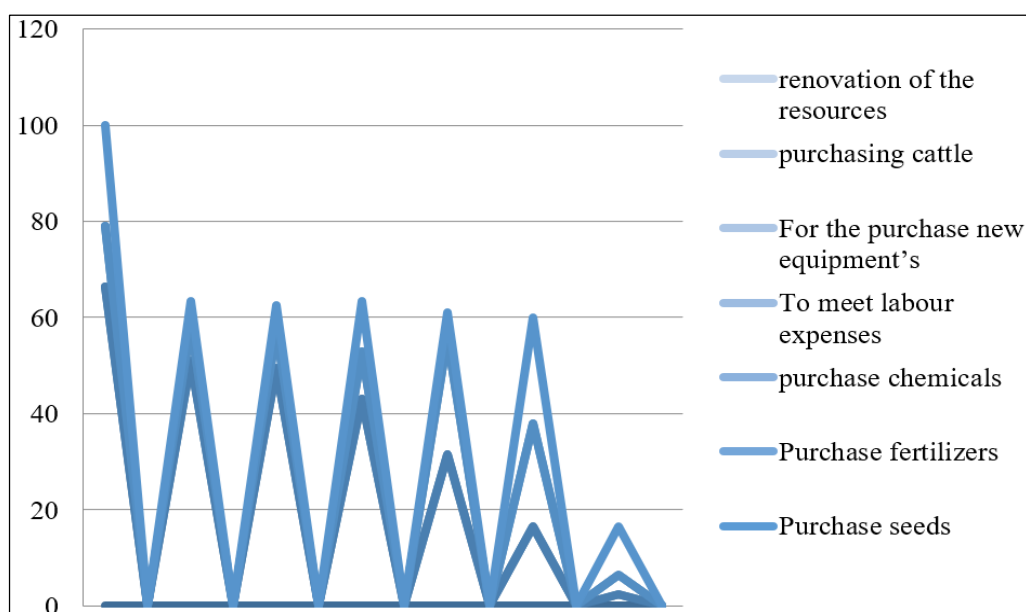


Fig 2: Distribution of respondent according to the reasons of borrowing

3.1.3 Share of different crops in crop loan

Table 4 shows the results of the respondent's survey on share of different crops in crop loan.

Table 4 shows that the majority of respondents (95 percent) borrow for paddy cultivation, followed by 50 percent for

wheat cultivation, and 37.5 percent for mustard cultivation, 25 percent pulses cultivation, 15 percent and 7.5 percent for vegetables and maize production, respectively. As a result, majority of the agricultural loan borrowing farmers borrow loan for paddy and wheat cultivation.

Table 4: Distribution of respondents according to share of different crops in crop loan

S. N.	Name of crops	Frequency	Percentage	Rank
1.	Paddy	190	95	I
2.	Wheat	100	50	II
3.	Mustard	75	37.5	III
4.	Pulses	50	25	IV
5.	Vegetables	30	15	V
6.	Maize	15	7.5	VI

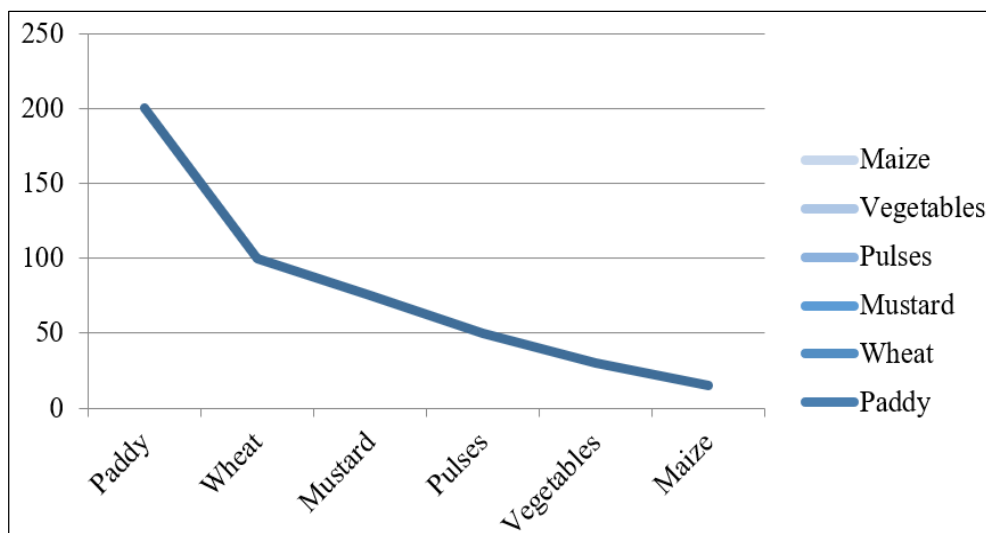


Fig 3: Distribution of respondents according to share of different crops in crop loan

3.2 Distribution of term loan

Term loans are provided in agriculture to meet the fixed capital requirements for creating adequate infrastructure to adopt new strategy of production. The core of the new production strategy implies the application of heavy doses of fertilizers, intensive irrigation etc. which essentially assume the development of an adequate infrastructure on the farm. Term loans are sanctioned for reclamation of land, purchase of water pump, tractor, harvester, thresher, rotavator, power tiller and cattle. Table 5 show the purpose wise distribution of term loans and purpose wise, farmer category wise distribution of term loan respectively.

The loan for purchasing tractor was found to be larger amount in study area. These loans are given against security.

Hence, the farmers with more land area under their control could avail of such loan.

Table 5: Purpose wise distribution of term loan

S. N.	Purpose	No. of account	Amount	Percentage
1.	Tractor	14	6,850,000	34.17
2.	Water pump	6	320,000	1.59
3.	Reclamation of land	4	2,025,000	10.102
4.	Harvester	6	9,200,000	45.9
5.	Thresher	3	700,000	3.5
6.	Cattle	6	650,000	3.24
7.	Rotavator	1	100,000	0.5
8.	Power tiller	1	200,000	0.99
	Total	41	20,045,000	100

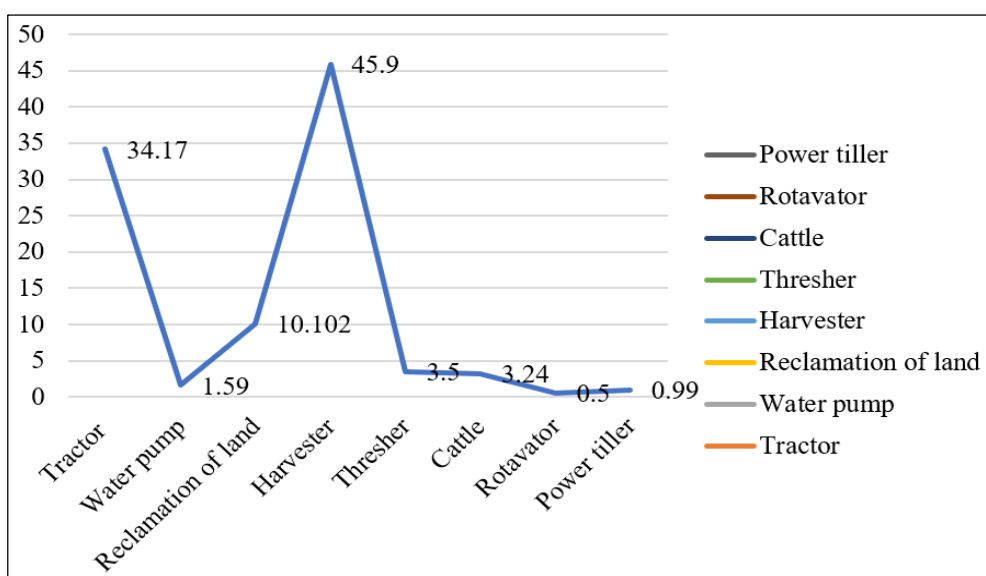


Fig 4: Purpose wise distribution of term loan

3.3 Issues related to Agricultural Credit

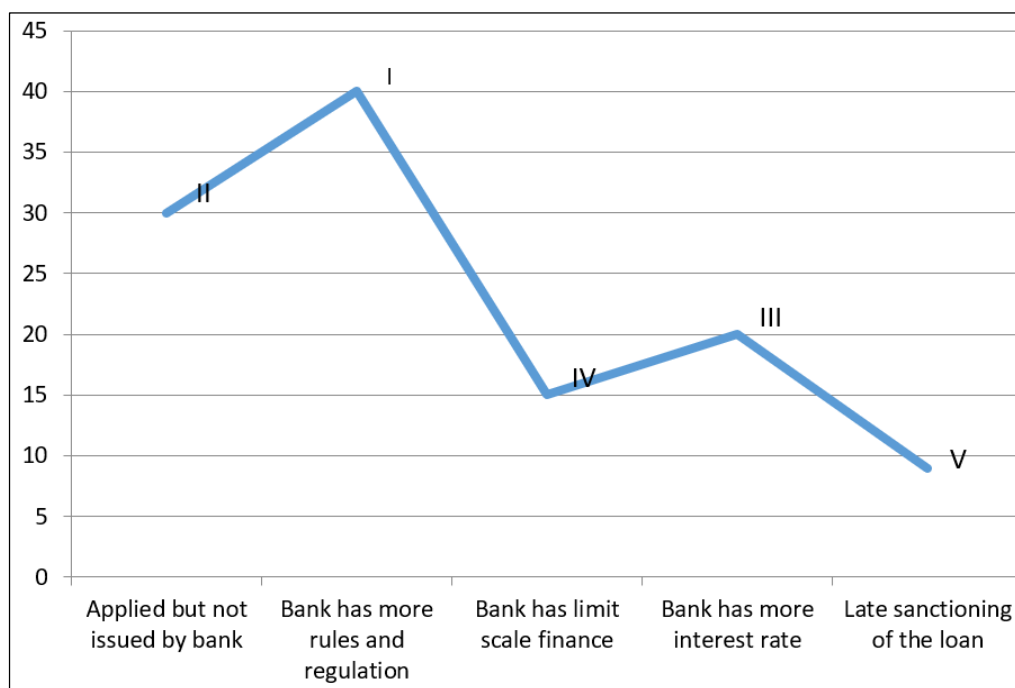
Table 6 show the results of the respondent's issues related to Agricultural Credit.

A perusal of the table reveals that the most severe issue faced by the farmers was Bank has more rules and

regulation, (ranked I) followed by Applied but not issued by bank, (ranked II) Bank has more interest rate ranked III, Bank has limit scale finance ranked IV. The least important issue was late sanctioning of the loan (ranked V).

Table 6: Issues related to Agricultural Credit

S. N.	Issues	No. of respondents	Rank
1.	Applied but not issued by bank	30	II
2.	Bank has more rules and regulation	40	I
3.	Bank has limit scale finance	15	IV
4.	Bank has more interest rate	20	III
5.	Late sanctioning of the loan	9	V

**Fig 5:** Issues related to Agricultural Credit

To suggest policy directives for financial institutions

1. Farmers that have borrowed from commercial banks are large farmers; but, due to the lengthy process, marginal and small farmers are unable to borrow from these institutions. To shorten the operation, proper precautions should be adopted.
2. Marginal and small farmers have taken out a disproportionately small amount of investment loans. Because they are afraid of being repaid, banking institutions have ignored them. As a result, regardless of the amount of the landholding, the farmers' repayment capacity should be adequately appraised. A sufficient quantity of investment credit should be made available to marginal farmers.
3. The loan process is quite cumbersome, and a typical borrower encountered numerous challenges. It is proposed that the difficult process of acquiring a loan be simplified. Collecting various documents from various agencies is a complex task, thus some arrangement may be made to obtain all of the essential documents at one time and in one location.
4. Aside from offering credit at a lower cost, the bank should make every effort to instill saving habits in the borrower farmers, as this adds to their long-term economic prosperity.
5. Farmers should be taught to borrow solely for legitimate causes and to return their debts on time through institutional authorities. They must disburse the loans on promptly and in sufficient amounts.
6. Nationalized banks, co-operative societies, and other financial institutions should take the lead in providing crop loans by removing barriers and making loans more accessible to farmers.
7. Because borrowed capital is a positive factor that influences resource use efficiency, marginal and small farmers should have access to institutional finance.
8. Because all farmers have equal access to borrowed capital, financial inclusion should be closely adhered to in order for farmers to obtain loans for crop cultivation and avoid paying high interest rates from non-institutional sources.
9. Financial institution officials should maintain strict monitoring to ensure that funds are used for productive reasons and that money are not diverted for other purposes.
10. In terms of lending goods and services, the bank can adopt tactics such as knowing your customer to satisfy the ever-changing demands and expectations of the farming community. Workshops on improving service quality might be held on a regular basis.
11. Farmers are unable to obtain bank loans due to the lengthy lending process. To reduce the time between applying for a loan and receiving it, it should be made essential to keep accurate records of both the receipt of applications and the disbursement of the loan.

4. Conclusion

Agriculture credit being one of the critical inputs and an effective means of rural development in India. The study has revealed that the Different categories of farmers: Marginal farmers, small farmers, medium farmers and large farmers Out of these, marginal and small farmers only borrow short

term and medium-term loans. They are not able to take long term loans whereas medium and large farmers are capable of taking all types of loans. It is inferred from Table 3 that, among seven statements of reasons of Agricultural loan borrowing, the high ranked statements were frequency in procurement of seed (1st rank), followed by fertilizers (2nd rank), and spending on chemicals (3rd rank). The farmers were habituated to purchase seeds with most of the available Agri. loan. Majority of the agricultural loan borrowing farmers borrow loan for paddy and wheat cultivation. The loan for purchasing tractor was found to be larger amount in study area. These loans are given against security. Hence, the farmers with more land area under their control could avail of such loan. A perusal of the table reveals that the most severe issue faced by the farmers was Bank has more rules and regulation,

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