

## PROBLEMS OF AGRICULTURAL CREDIT IN RAJASTHAN

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Dr. Santosh Garhwal\*  
Pooja Joshi\*\*

### ABSTRACT

*The National Agricultural Policy not only envisages faster agricultural growth at four percent a year, but also its equitable spread across regions and classes of farmers. At the same time, some important provisions of the World Trade Organisation agreements have the potential of increasing India's share in world trade of agricultural commodities. All these translate into higher credit demand and acceleration in its growth, as well as cost-effective mechanisms for its delivery. Huge part of the state is prone to drought. The average rainfall of the state is 530mm, which is unpredictable. As a result, drought occurs frequently in the state. Consequently, famines are recurrent and big amount is spent to save the life of the people and live stocks. As a result, they do not have enough money to progress agriculture production. To raise agricultural production, farmers will have to borrow more and more money. Thus, credit has to be provided to farmers in adequate amount and at appropriate cost; so that they can increase the production and use better farm inputs like fertilizer, seeds, improved irrigation facilities, etc. The use of better facility of input would mean more demand for agricultural credit. The banking in India has intensified tremendously but unfortunately with that has widened the range of problems. These problems arise both at the time of arising the loan and repayment thereof. Furthermore, these problems arise at the end of the farmer and bank mans both. It is heartening to note that the banks with so many branches in the rural areas have yet not succeeded in establishing full rapport with the rural folk. There is a common hitch in the heart of the common man which keeps them away from seeking the bank's facility for procurement of loans.*

**KEYWORDS:** *Agricultural Credit, Agricultural Growth, Cost-Effective Mechanisms, Rural Credit.*

### Introduction

The financing of agriculture is all the more risky; it has become riskier after nationalization because priority-sector-lending, lending to the farmers under DRI (Differential interest rate scheme) Scheme, and lending to agriculturists on the basis of their needs has set aside all principles of credit policy followed so far. The criteria of credit worthiness have altogether changed and the banks are now at the door-step of farmers with enough finance at their disposal. The age-old bottleneckness of rural credit is the thing of past now and the Commercial banks in general and Agricultural branches, Land Development Banks and Regional Rural Banks in particular are available to the village men to better their fate. These banks by providing the finance to the farmers are doing a great deal in translating the idea of rural upliftment into action.

### Reasons for not Approaching Banking industry for a Loan

A survey has been made of the 500 farmers of the district as Jaipur, Ajmer, Bharatpur, Bikaner and Jodhpur for assessing the reasons for not seeking bank loan from banking industry and the result has been summed up in the following table 1, the farmers surveyed were selected from among the

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\* Department of Economics, Government Girls College, Dausa, Rajasthan, India.

\*\* Research Scholar, Department of Economics, University of Rajasthan, Jaipur, Rajasthan, India.

different categories of farmers, viz. landless laborer, marginal farmer, small farmer and rest of other never approached for seeking the banks care for procurement of loans.

**Table 1: Reasons for Not Approaching Banking Industry for a Loan**

S. No.	Particulars	Classes of Farmers (%)			
		Small	Marginal	Landless	Others
1	Do not know about agricultural financing by a bank.	10	8	4	5
2	Bank located at a distance far from the house/village.	N	N	N	N
3	Did not require anything borrowed.	22	18	8	35
4	Already has taken loan from individuals.	6	4	2	10
5	Tried for loan but failed.	3	3	2	1
6	Bank takes much time to grant loan.	1	1	1	1
7	Is of opinion that bank will not sanction loan.	1	1	1	1
8	Felt that loan is not meant for poor people.	1	1	1	-
9	Not knowing any influential person who can arrange to get loan.	4	8	2	4
10	Due to complicated loaning procedures.	3	4	2	2
11	Interest rate is high.	2	2	2	1
12	Holds no land/land holding is too small so bank will not give loan.	5	14	44	2
13	Land is not fertile/it is clear.	1	1	-	2
14	Land Record are not clear/ Not in order.	1	N	-	1
15	Gram Sevak/Panchayat Secretary not helping/asked for bribes.	4	5	4	2
16	Fear of non-repayment consequences.	10	10	10	10
17	Simply did not try/no specific reason.	26	20	18	22

Note: The word 'N' indicates negligible figure i.e. less than 1%

The result of the above study reveals that the major factors were the lack of interest and enthusiasm of the weaker sections viz. landless, marginal and small farmer's categories, lack of active co-operation from the various developmental agencies, and lack of one or the other infrastructural facility. Most of the farmers in the area mainly those with smaller land holdings did not show much interest in availing bank loans. 18 per cent landless labourers, 20 per cent marginal farmers, 26 per cent small farmers and 22 percent other farmers, as per survey, did not try to borrow and the reasons being no specific reason thereabout. The reason could be their illiteracy. They are mentally not prepared to take the botheration of applying for loan. Four percent landless farmers, 8 percent marginal farmers, 10 percent small farmers and 5 percent others did not have sufficient knowledge how to avail bank assistance. It is also an important factor in keeping these people away.

There is general apprehension in the minds of the farmers that bank will not give loan. This (44 percent) percentage is the highest in the landless category of farmers. This is quite funny to note that fear of non-repayment consequences is identical (10 per cent) in the minds of all types of farmers. Ignorance and fear of confiscation in case of non-payment seems to have made them timid and kept them away. The role of intermediaries and dalals is also hunting their minds and a quite good number of farmers felt that they would be refused loans simply because they do not know any influential or political person of their area who may arrange those loans. Apart from the above mentioned extraneous factors, there were some farmers, for those complicated loaning procedure was a horror and too few others Gram Sevak/ Panchayat Secretary was not helping and was asking for bribe.

Besides the financial poverty, the mental poverty in the state is also seen. There is a general hitch in the minds of farmers which prevents them from approaching the banks for loan. Our study reveals that one per cent of our farmers have felt that the loan is not meant for poor people like them. About 2 per cent farmers consider that the banks rate of interest to be too high. One per cent of farmers of all categories did not apply for loan as they thought that bank's branch took much time to grant loan. Land is not fertile or it is user, was the answer of 1 per cent of marginal, small farmer each and 2 per cent of others. Only in one per cent case, land records were not in order. However, the bank branch was far away to less than one per cent farmers from his village/ residence. The entire mechanism of agricultural credit is full of pitfalls. Right from applying and sanction of loans to recovery thereof there are many real and felt problems which are faced by the farmers and the bank officials. Those problems have been enumerated here as under.

#### **Problems Faced by Farmers in Getting Loans from the Banks**

From the time of making an application for a loan till getting the loan amount, the farmers have to face quite a few hurdles. In fact these hurdles are acting as deterrent for many others who have not yet

come forward to avail the institutional finance. This observation holds good for almost all the bank branches under study. The various problems pointed during the discussion are categorized below. Before this it shall be note-worthy to point out that for getting the loan sanctioned, the farmer is required to complete the following minimum formalities before he can get the loan:

- Production of evidence regarding the nature of rights over land.
- To obtain no-dues certificates from other lending agencies in the area.
- To obtain non-encumbrance Certificates.
- Creation of mortgage and registration.

These formalities are in addition to the visits that he has to make from time to time to the Bank's office for submitting the loan application and other papers, leave alone his visit to ground water office, etc., in specific cases. The basic difficulty of the farmer is the multiplicity of offices and a number of times that he has to visit these in order to get the required formalities completed.

- **Obtaining Documents from Revenue Officials**

All farmers, intending to borrow the sum from the bank, have to first approach the village Patwari who provides excerpts (Extract of Khatauni and Khasra) from land-record books which he is required to maintain. Unfortunately these records are not up to-date. Getting required documents from him fast enough is possible only if his palms are greased. The second hurdle is the Sub-Registrar's/Tehsildar Office, where the farmers have to go for various types of certificates without which a loan application cannot be entertained. They face the same problem - 'delay' or 'bribe', in this office also.

- **Processing of Loan Applications**

As the bank grants loan out of other men's (Depositor's) fund the extra care is a must in seeing as to whom the loans are granted. This naturally necessitates thorough processing of loan applications which is a time-consuming factor. At times, there were delays which necessitated their frequent visits to the branches. The factors responsible for these delays are Seasonal Pressure of Work; Faulty Land Records and Farmer's Ignorance of Procedures, those applying for a loan for the first time, are often responsible for the delay.

- **Time Taken for Processing Loan Application**

According to our observation made, as far as crop loans are concerned, bulks of the applications are processed within a couple of weeks from receipt. In case of term loans, the time taken is slightly more than in case of crop loans. It also came to our notice that when loan was not available in time and the farmer could not afford to wait, he took loan from a private money-lender a stop gap arrangement and rapid it as soon as the bank loan was obtained.

- **Expenses Incurred in Obtaining Documents**

Corruption in India has become an accepted, evil, the way of life. No file, in any office, moves without attaching proper 'Suvidha Shulk' or 'Shishtachar Shulk' to it which is really expensive especially for the poor farmer.

- **Problems Faced in Getting Guarantors**

Getting guarantor is a major hurdle. Some farmers, even if they found, could not afford to take them to bank as they were required to spend on their conveyance, food, etc. Weaker sections found this hard to do. Landless labourer and marginal farmer categories stated that they had no land/very little land for pledging to the bank. They could apply for loans under the "Group Guarantee Scheme" but it was hard for them to find guarantors.

- **Inadequate Knowledge About the Bank's Assistance**

Inadequate knowledge about how to avail bank's assistance is also an important hurdle. They are aware of the existence of bank and know something about it but not enough. This gives rise to a numerous problems for them.

- **Eligibility for Bank Loans for Defaulters of other Finance Agencies**

A good proportion of weaker sections being defaulters of others finance agencies particularly the co-operatives are not entitled to bank's assistance. Many among them claimed that they could not pay the loan taken for reasons beyond their control. Some of them said that amounts given were inadequate to meet their requirements. This causes hindrances in getting the necessary certificates from the concerned agencies, because for them getting a 'no dues' certificate is simply out of question.

- **Farmer's Lethargy**

The farmers are mentally not prepared to take the botheration of applying for loan with all requisite certificates and documents. The reason is of their illiteracy. Ignorance and fear of confiscation in case of non-payment seems to have made them timid.

- **Non-co-operation from Developmental Agencies**

The task of agricultural development cannot be performed without proper and active co-operation from all concerned agencies like state Government, D.R.D.A. and Electricity Board. Though these agencies show much concern and given moral support, they were stated as not very helpful when they were to act.

- **Lengthy Loan Application Forms**

The loan application forms with all documents were quite a lengthy affair which took long time to complete. The officers were more often busy with paper work like filling up returns also. As such many branches pointed out to inadequate staff position. All this resulted in the officers not being able to give required attention to all the farmers.

### **Problems Faced by Bank Staff in Agricultural Financing**

The staff working at the bank comes in contact with farmers as well as officials of the State Government and other credit agencies and they encounter problems of varied nature in their day to day functioning. The problems faced by bank staff are as under:

- **Processing Problems**

Procedural problems have been mentioned by one and all, the main being the lengthy paper work. Due to lengthy paper work they were unable to keep pace with the number of loan applications and so, inspite of their best efforts sometimes a few customers were lost. In their opinion, too much of paper work and too little of development work kept the number of farmers financed by bank limited. The other procedural problems mentioned by the staff were as under:

- Farmers being ignorant about banking rules, a lot of time are wasted in making things clear to them.
- Most of the farmers never explain their problems to bank staff.
- Identification of borrowers and their fields poses many problems. Verification becomes difficult due to non-availability of proper land records. The bank staff has come across the following problems:
  - \* Document certifying land holding is difficult to obtain. Sometimes by the time documents are obtained it is too late to take up their proposals.
  - \* The land is in the name of a farmer but he does not enjoy possession of it. Lands are privately mortgaged with other farmers and actual owner is working just as a paid labour. This is the case particularly with small farmers whose land holding are less.
  - \* The land may not be fit for cultivation. During field-officer's pre-sanction visit, farmers will show their land belongings to some other farmer. When more number of farmers are there it is very difficult to verify individual holdings.
  - \* While calculating cost of cultivation of crops or working out any new projects the bank takes into account labour-cost which the farmer is expected to contribute, but at times the farmer ask for reimbursement of labour charge
  - \* Inadequate financing and other problems arise if more banks are located in a particular area they try to finance the nearby villages only, which is easy to approach.
  - \* In the absence of reorganized marketing agencies, making payments for live-stock purchases poses many problems as carrying cash to small places/shandies is highly risky.
  - \* Lack of sufficient training to new appointees is a big hurdle in smooth functioning.

- **Farmers Related Problems**

The type of problems mentioned under this head is partly the result of low literacy level in the villages and partly of vagaries of weather which effect the farming operations. These can occur anywhere and at any time. The farmer does not really understand the need for all the information that is usually asked for by a Bank Officer before sanctioning a loan. Hence farmers are reluctant to reveal detailed information about themselves. Many smaller farmers suffer from some sort of fear complex. There is a lack of confidence among them. As a result they are reluctant to avail institutional finance.

- **Problem of Co-ordination from Government Officials**

The various agencies which the farmers come in contact at sometime or the other, include-State Government Revenue Department, State Government Agricultural Department, State Irrigation Department, Electricity Board, Land Development Bank, Cooperatives, Commercial Banks, and Special bodies like DRDA. The specific problems being faced related to smooth processing of loan applications, timely disbursement of loan amounts, proper utilization of funds and timely repayments. All these cannot be accomplished unless each concerned authority plays its role in desired manner.

- **Environmental Pressure**

Local leaders force banks to finance for projects which may not be suitable for the area. The scheme which has achieved success in a particular area may not be suitable for other areas. This is unfortunate that political leaders always poke their nose unnecessarily. This is more heartening in case of bank finance. This has been a common practice now-a-days that the leaders belong to one political party or other approached bank officials to grant loans to the farmers setting aside all rules and regulations. But this is also important to note that bank officers cannot give away bank's money to all those who approach the banks.

### **Problems Relating to Recovery/Repayment**

The central and outstanding problem in the area of agricultural financing is that of the recovery of the loans. The recovery curve is always poor and at the low ebb. Farmers consider the advances given to them as a boon or gift un-mindful of the fact, that their proper repayment is also equally essential to keep the stream flowing. Generally the money advanced is misutilized and the repayment becomes a bee in their bonnets. The experts of financial management opine that the flow of funds regulate the health, soundness and prosperity of any business organization. This maxim holds more true in case of banking organization wherein the coming and going of finance is the only business. The banks procure funds to the needy against the payment of interest. This facility, if advanced to the farmer, is known as agricultural finance. The process of agricultural finance is full of pitfalls, problem and short comings. To the utter surprise the banking world is becoming increasingly politicalised. This is evident right from the policy making to the implementation thereof. The bureaucracy is overpowering and the whole process of agricultural finance has got some problems. Much has been done in the field of procuring credit to the fields. But this process of fielding the credit is not all goody and faultless. Much yet remains to be done to undo the evils prevailing in this regard. The problems are many but there is no problem on the earth that knows no solution. A deeper and purposeful enquiry into the system will dig out many answers. Reconsideration of the credit policy is more necessary to-day than ever before. During the last two decades there has been phenomenal increase in agricultural finance by banks in Rajasthan. The problem discussed above should be removed by all means to make agricultural credit more meaningful and to prevent it from becoming ineffective and mere formal.

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