



## **Agricultural Credit Policies in India A Study of Changing Trends and Policy Reforms with Special Reference to Rajasthan**

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### **Abstract:**

Agriculture plays a pivotal role in the economic structure of Rajasthan and remains a major contributor to the state's Gross State Domestic Product (GSDP). Despite the expansion of the industrial and service sectors, agriculture and allied activities—including livestock, forestry, and fisheries—contribute nearly one-fourth of Rajasthan's Gross State Value Added (GSVA), underscoring the sector's continued economic significance. Given the state's diverse agro-climatic conditions and predominantly rural population, agricultural performance is closely linked to overall economic stability and employment generation. In this context, agricultural credit policies have emerged as a crucial support mechanism by facilitating access to institutional finance for farmers, enabling investment in modern inputs, irrigation, mechanization, and risk-mitigating practices. Government initiatives such as priority sector lending, Kisan Credit Cards, interest subvention schemes, and cooperative and regional rural banking networks have strengthened farm productivity and income resilience. Effective agricultural credit delivery not only enhances production and rural livelihoods but also plays a strategic role in sustaining Rajasthan's economic growth and addressing challenges arising from climatic variability and resource constraints. The main aim of this paper is To critically analyse the credit policies and schemes of the government and their economic impact on the farmers of the Bharatpur division.

**Keywords:** Agricultural Credit Policies, Trends and Policy Reforms, Economic Impact. Kishan Credit Card

### **1. Introduction**

Agriculture occupies a central position in the socio-economic structure of the Bharatpur Division of Rajasthan. The region is predominantly agrarian in nature, with nearly 70–80 percent of the total land area engaged in agricultural activities. This extensive use of land for cultivation sustains a large rural population and forms the backbone of local livelihoods.



Bharatpur Division falls within the Flood-prone Eastern Plain Zone (Agro-climatic Zone IIIb) of Rajasthan, which is characterized by a semi-arid climate, irregular rainfall, and short monsoon periods. As a result, both rain-fed and irrigated agriculture coexist in the region. District land-use statistics reveal a substantial net sown and gross cropped area, supported by irrigation infrastructure such as tube wells and other groundwater sources, which play a crucial role in stabilizing agricultural production.

The cropping pattern in Bharatpur Division reflects adaptation to its soil characteristics, rainfall variability, and irrigation availability. Agriculture in the region primarily revolves around food grains and oilseeds. Bajra (pearl millet) is the dominant *kharif* crop due to its high drought tolerance and suitability to rain-fed conditions. Wheat serves as the principal *rabi* crop under irrigated conditions and is a major contributor to food security and farm income. Mustard is another important *rabi* oilseed crop widely cultivated across the division, while guar is grown in specific pockets, particularly in mandi areas such as Bayana. In addition to these major crops, farmers also cultivate pulses such as gram and moong, cotton in limited irrigated tracts, and vegetables and horticultural crops on a smaller scale. The clear distinction between *kharif* (rain-fed) and *rabi* (irrigated) cropping seasons highlights the region's dependence on monsoon patterns and irrigation resources.

Agriculture plays a decisive role in the economic framework of Bharatpur Division. It serves as the primary source of employment and income for a significant proportion of the population, with nearly 70 percent of the workforce engaged in agricultural and allied activities. The region's agricultural output is substantial, with large annual production of wheat, bajra, and mustard, contributing to both food grain and oilseed supplies at the state level. Allied activities, particularly livestock and dairy farming, further strengthen the rural economy by providing supplementary income and enhancing livelihood security. Indigenous cattle breeds contribute significantly to milk production, reinforcing the importance of mixed farming systems. Moreover, the presence of well-established Krishi Upaj Mandis at Bharatpur, Bayana, Deeg, Kaman, Nadbai, and Nagar facilitates efficient marketing, price discovery, and trade in agricultural commodities. Although the precise contribution of agriculture to the district's GDP is not separately quantified, its dominance in rural economic activity, employment generation, and market linkages clearly underscores its pivotal role in shaping the overall economy of Bharatpur Division.



## 2. Objective:

**(a) To study the credit policies and recent reforms in them.**

**(b)** To critically analyse the credit policies and schemes of the government and their economic impact on the farmers of the Bharatpur division.

## 3. Review of Literature

Singh et al. (2022): Analysis of crop insurance linkages with credit in Rajasthan. The paper shows that where crop insurance uptake is low, lenders are more cautious and set tighter lending terms; where insurance and credit are bundled, repayment performance improves and banks show higher willingness to extend seasonal loans. This underlines the importance of insurance-credit integration for stability of credit flows in Bharatpur.

Local NGO case study — Rajasthan (2023): A participatory evaluation of farmer producer organisations (FPOs) that facilitated collective collateral, negotiated input prices, and enabled group-based term loans. FPO-member farmers in sample villages experienced improved market access and marginally better negotiating power with banks, suggesting a viable institutional route for Bharatpur's fragmented smallholders.

Policy critique — Jain (2024): A normative policy piece critiquing episodic loan-waiver politics and their crowding-out effect on formal credit discipline. Jain argues for structural reforms (credit information systems for smallholders, moratoria with linked restructuring rather than outright waivers) to sustain bank willingness to lend and to protect credit culture — an important macro-political factor affecting local credit availability.

Economic Times Government (2025) projected a further increase in Rajasthan's credit potential to ₹4.40 lakh crore for FY 2025–26, reflecting the growing demand for institutional credit in agriculture. The findings stress that credit expansion must be supported by innovations such as crop insurance, digital lending, and farmer producer organizations (FPOs) to ensure effective utilization and to minimize indebtedness risks. It also documented that the Rajasthan government disbursed ₹42,131 crore in interest-free crop loans to farmers in July 2025. The findings suggest that such measures reduce the reliance on informal credit sources and provide short-term relief, but their long-term sustainability depends on repayment discipline and structural reforms in rural credit markets.



Kumari, Shekhawat, & Choudhary (2025) conducted an empirical study on farmer indebtedness in Rajasthan, revealing that smallholders often face mounting debts due to crop failures, high input costs, and dependence on non-institutional credit. The findings argue for diversification of credit products, collateral-free lending, and strengthening of cooperative banks to address rural distress effectively.

Sharma, Yadav, & Bonny (2025) examined the functioning of Farmer Producer Companies (FPCs) in Rajasthan and found that collective lending, shared input purchases, and improved bargaining power positively impacted farmer incomes. The findings highlight that FPCs, when linked with institutional credit, can provide smallholders with better access to affordable finance and enhance their participation in formal markets.

Although the existing body of literature provides valuable insights into agricultural credit in Rajasthan and India at large, several research gaps remain. Studies such as Garhwal and Joshi (2017) and Kumar, Bhatt, and Bhat (2016) highlight demand- and supply-side constraints, including illiteracy, procedural complexity, collateral requirements, and institutional rigidities. Palsaniya et al. (2025) and Mehta (2015) further stress the lack of awareness, inadequate documentation, and diversion of loans, while Kumari, Shekhawat, and Choudhary (2025) empirically link indebtedness to reliance on informal sources and unfavorable loan terms. Despite these insights, most analyses remain fragmented—either focusing narrowly on procedural hurdles, socioeconomic determinants, or indebtedness—without offering a holistic framework that integrates farmer characteristics, institutional practices, and policy environments simultaneously.

#### **4. Role of Agricultural Credit Policies**

Access to finance is essential in Bharatpur's farming system, especially where rainfall is variable and investment needs (seeds, fertilizers, machinery) are continuous:

- **Institutional Credit Availability:** Formal credit from **banks, Regional Rural Banks (RRBs), and cooperative societies** supports farmers in purchasing inputs and technologies.
- **Government-Led Schemes:**

- **Kisan Credit Cards (KCC)** provide timely short-term credit at subsidized interest rates for sowing and harvesting operations.
- **Interest subvention schemes** reduce the cost of loans for small and marginal farmers.
- **State and central agriculture schemes** often include credit facilitation components, reducing dependence on informal lenders.
- **Crop Insurance Linkage:** Schemes like **PMFBY** help safeguard farmers against crop losses due to drought or weather shocks, indirectly stabilizing credit repayment capacity.

Despite improvements, **credit penetration remains uneven**, particularly in rural pockets, and farmers sometimes rely on medium and long-term loans for deeper investments.

## 5. Main Sources of Funding for Agriculture in Bharatpur

Funding for agriculture in Bharatpur comes from **multiple linked sources:**

### a) Institutional Credit

- **Scheduled Commercial Banks and RRBs** – Major lenders for crop loans, capital investments, and mechanization.
- **Cooperative Credit Societies / PACS** – Provide localized access to credit and crop finance.
- **NABARD and refinancing mechanisms** support rural credit flow.

### b) Government Support Programs

- **State & Central Subsidies and Grants** – Through schemes like PMFBY, soil health, micro-irrigation subsidies, and drought relief funds.
- **Direct Benefits** – Financial transfers through schemes such as **PM-Kisan Samman Nidhi** and state equivalents help farmers meet routine expenses.

### c) Self-Financing and Community Funds



- **Farmer savings, input supplier credit, and community lending circles** help bridge gaps when formal credit is delayed or limited, although these can be costlier.

## 6. Conclusion

The present study on *Agricultural Credit Policies in India: A Study of Changing Trends and Policy Reforms with Special Reference to Rajasthan*, with a focused analysis of the Bharatpur Division, highlights the centrality of agricultural credit in sustaining farm productivity, rural livelihoods, and regional economic stability. Agriculture continues to be the backbone of Rajasthan's economy and an even more dominant force in Bharatpur, where a large proportion of land, employment, and income generation is directly dependent on farming and allied activities. In such a context, access to timely, affordable, and adequate credit emerges not merely as a financial instrument but as a critical development catalyst.

The findings indicate that policy-driven expansion of institutional credit—through Scheduled Commercial Banks, Regional Rural Banks, cooperative institutions, and NABARD-supported refinancing—has significantly reduced farmers' dependence on exploitative informal sources. Schemes such as the Kisan Credit Card, interest subvention, priority sector lending, and government-supported crop insurance have enhanced short-term liquidity, enabled investment in modern inputs, and improved farmers' capacity to manage production risks arising from climatic variability. In Bharatpur Division, where semi-arid conditions, groundwater dependence, and crop concentration (wheat, mustard, bajra) shape agricultural outcomes, these credit interventions have played a stabilizing role in farm operations and income flows.

However, the study also reveals persistent structural and implementation challenges. Credit penetration remains uneven across regions and farmer categories, with small and marginal farmers facing documentation barriers, limited awareness, collateral constraints, and high transaction costs. While loan waivers and interest-free crop loans provide immediate relief, they risk weakening credit discipline and long-term sustainability if not complemented by structural reforms. The literature further suggests that insufficient integration of credit with insurance, irrigation planning, and market access limits the developmental impact of credit policies in Bharatpur.



The analysis underscores the need for a more localized and holistic credit framework—one that aligns loan products with Bharatpur's cropping cycles, rainfall patterns, and irrigation realities. Strengthening Farmer Producer Organizations (FPOs) and Farmer Producer Companies (FPCs), expanding insurance-credit linkages, promoting digital and collateral-free lending, and enhancing cooperative banking capacity can significantly improve credit access and utilization. Equally important is the need to address socio-economic inequities in credit distribution, including land tenure insecurity, gender disparities, and caste-based exclusion.

In conclusion, while agricultural credit policies in Rajasthan have evolved considerably and contributed positively to farm resilience and rural economic growth, their transformative potential in Bharatpur Division will depend on deeper institutional reforms, better targeting, and stronger integration with risk management and market systems. A shift from short-term relief-oriented measures to sustainable, farmer-centric credit strategies is essential for ensuring inclusive agricultural development and long-term economic stability in the region.

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