

Credit Gap Analysis in Crop Loans and their Repayment in Western Maharashtra

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The study is based on a sample of 68 farmers randomly selected from 6 villages of Dhule district in Western Maharashtra. The sample farms were put into three size classes like small, medium and large holdings and average expenditure on each of these size classes was calculated. Next credit requirements and actual amount of loan disbursed were found out. The difference between the two, served as a measure of credit gap. The size of the gap indicated the inability of the farmers to initiate technological change which requires larger flow of finance. Recovery rate of loans is quite satisfactory meaning thereby that credit risk undertaken by the financing agencies.

Agricultural finance is a *sine qua non* in the organization and operation of farm production activities on modern lines. With the introduction of high pay off inputs produced in the non-farm sector, agriculture is becoming more and more working capital oriented. The agricultural credit is thus indispensable and becomes a very important instrument in facilitating the process of agricultural development and stabilizing the growth of rural economy.

Among the institutional agencies, the co-operatives have been recognized as a major rural financing institution since it alone shares about 45 per cent of the total credit needs in agriculture (Annual Report of NABARD- 2003). Even though, co-operatives provide short term, medium term and long term credit for the organization of farm production activities to a greater extent, it is pointed out that the requirement of credit for crop production activities is not being fully met because of constant improvements in technological modules which are normally current input intensive. At the same time, the institutional agencies in agricultural finance are also facing a problem of repayment of loans.

It is in this context that an attempt is being made to study the credit gap in crop loans and also their repayment at farm level in Western Maharashtra. Specifically, the present paper seeks to estimate the short term credit needs, availability and credit gap in production of different crops at the farm level. Also, the factors operating on the repayment performance of short term credit at the farm level are also identified by estimating a credit repayment function.

Methodology

The study is based on the primary data obtained from a sample of 68 farmers randomly drawn from 6 villages of Dhule District in Western Maharashtra. The sample farms were categorized into three size classes and their distribution was 23 small (below 2ha.), 22 medium (2 to 4 ha.) and 23 large farms (above 4 ha.).

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