

Flow of Credit to Farmers in Maharashtra: Experiences and Lessons

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A sample of 50 households (25 households each from Kolhapur and Pune) was chosen over the period 1995-96 – 1999-2000 to basically study the credit experience of farming families depending on land holding size. Relative importance of formal and informal credit agencies in aggregate loans taken by small, marginal and large farmers, purpose of the loans, default rates, prevalence of excess demand for loans, if any have been analysed. One novel idea employed in the paper is that instead of credit rating agencies assessing the loan repayment capability of borrowers, the authors find out the length of relationship between a lender and its borrowers. Thus, small and marginal farmers may be seen to be the most trusted partners of cooperatives.

I Introduction

India has made rapid strides in agricultural sector giving rise to self-sufficiency and surplus in food production. However, the problems of ever increasing population pressure on land and prevalence of mass poverty in rural areas have greatly affected the future prospects of Indian agriculture. The prevalence of mass poverty in rural areas is mainly attributed to the backwardness of agriculture.

The problems of farmers vary from area to area. But, one of the major and common problems is the credit flow to them which has immensely hindered the economic development of farmers. Therefore, the major thrust of the present investigation is on evaluating the credit flow problems of farmers with a view to suggest policy measures to enhance smooth flow of credit to them from various rural lending institutions for achieving high and sustainable growth.

The rural lending institutions not only encompass traditional formal sector credit organisations but also new generation credit organisations operating in the state of Maharashtra. Although the study is focussed upon farmers, it also analyses the credit flow to landless households with a view to present a comparative position of these borrowers with respect to various qualitative and quantitative parameters taken into consideration for probing their credit experiences.

II Objectives of the Study

The specific objectives of the study are as follows:

(1) To study the credit experiences of farmers in Maharashtra with respect to various financial institutions; (2) To suggest policy measures to enhance smooth flow of credit on sustainable basis.

III Methodology

Multistage stratified random sampling procedure was adopted for the selection of districts, villages and sampled households. The present study was conducted in Kolhapur

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