

JOURNAL OF NATIONAL DEVELOPMENT

PEER REVIEWED, INDEXED & REFEREED BI-ANNUAL INTERNATIONAL JOURNAL

ISSN 0972-8309

<https://www.jndmeerut.org>

[Vol. 39, Special Monsoon Issue, 2026]

<https://doi.org/10.62047/JND.2026.09.15.13>

The Changing Face of Farmer Credit in Rajasthan: A Study of Loan Sources from 2002 to 2019

Paramjeet Singh¹ & Mohan Kumar²

¹Associate Professor of Economics, Govt. College Badhra, Ch. Dadri,
Haryana (India) E-mail:<parmjeet79@gmail.com>

²Associate Professor of Commerce, Govt. College Bahu, Jhajjar, Haryana
(India) E-mail:<singlamohan1@gmail.com>

Abstract

This study investigates the evolution of loan access patterns among farmers in Rajasthan, with a focus on the changes between 2002-03 and 2018-19. The research analyzes how income growth correlates with loan accessibility and outstanding loan amounts across various landholding categories. It also examines shifts in the distribution of institutional and non-institutional loan sources and trends in interest rates and loan shares over time. Using data from the 59th and 77th rounds of the National Sample Survey Office's (NSSO) Situation Assessment Survey (SAS), the study harmonizes loan classifications to enable a consistent comparison across time periods. The analysis reveals a significant shift towards increased reliance on institutional credit sources, particularly among medium and large farmers. While institutional loans have become more accessible due to declining interest rates and expanded government initiatives, marginal and small farmers continue to face barriers in accessing formal credit, often relying on non-institutional sources. The findings highlight a growing income disparity, as larger landholders benefit more from both income growth and formal credit access. The study underscores the importance of continued policy efforts to enhance institutional credit access for smaller farmers to ensure equitable financial growth. These insights provide valuable recommendations for policymakers and financial institutions working to promote agricultural development and credit accessibility in Rajasthan.

Keywords

Farmers, Institutional loans, Non-institutional loans, Credit accessibility, Loan shares, Landholding categories, Rural indebtedness.

Centre For Studies of National Development, Meerut

Editorial Office : D-59, Shastri Nagar, Meerut - 250 004 (INDIA)

Ph. : 0121-2763765, +91-9997771669, +91-9412200765

2

The Changing Face of Farmer Credit in Rajasthan: A Study of Loan Sources from 2002 to 2019

1. Introduction

Agriculture forms the backbone of India's economy, contributing significantly to both employment and national income, especially in rural regions like Rajasthan. Despite its critical role, Indian farmers, particularly those in Rajasthan, face persistent financial challenges that have made reliance on loans a common practice. Agricultural income in these areas is often volatile, fluctuating due to unpredictable monsoon patterns, crop failure, and global price instability, leading to a dependence on external financial support. Furthermore, high input costs for seeds, fertilizers, and equipment, as well as the expenses associated with social ceremonies such as marriages and funerals, exacerbate farmers' financial burdens. These factors create a continuous cycle of debt, forcing farmers to seek loans to sustain their livelihoods and agricultural activities (Chand, 2017).

Historically, both institutional and non-institutional sources of credit have played a significant role in meeting the financial needs of farmers. Institutional loans, provided by banks, cooperatives, and government schemes, have been integral to fostering agricultural growth in India. These formal sources of credit are designed to offer better terms, including lower interest rates and longer repayment periods, which help to improve farm productivity and rural livelihoods. Studies indicate that institutional credit has been a key driver in modernizing agriculture by providing the necessary capital to invest in better technology, irrigation facilities, and high-yield crop varieties (Bhalla & Singh, 2009). Additionally, institutional loans come with the advantage of transparency in terms of loan agreements and formal financial security, ensuring that farmers are protected from exploitative practices common in informal credit markets (NABARD, 2018).

However, despite the apparent benefits of institutional loans, non-institutional loans, predominantly from moneylenders, traders, and other informal sources, continue to be prevalent in rural Rajasthan. One of the primary reasons for this persistence is the ease of access associated with non-institutional loans. Moneylenders, who often share close personal or familial relationships with borrowers, provide loans without the complex paperwork or collateral requirements typical of institutional loans (Sharma, 2019). This informality and flexibility make non-institutional loans attractive to farmers, especially those with little or no formal financial literacy or access to institutional credit systems. Additionally, many farmers in Rajasthan still prefer the convenience of quick,

short-term loans from local moneylenders, despite the high interest rates and exploitative practices often associated with them (Rathore & Chauhan, 2016).

The reliance on non-institutional loans persists despite various government interventions aimed at increasing farmers' access to formal credit. Initiatives like the *Pradhan Mantri Fasal Bima Yojana* (PMFBY) and the *Kisan Credit Card* (KCC) scheme were introduced to reduce the dependency on moneylenders by offering affordable and accessible institutional credit. However, these programs have had limited success in fully addressing the credit needs of rural farmers, primarily due to inadequate awareness, bureaucratic delays, and the continuing influence of traditional informal lending practices (Nair & Binswanger, 2020). This dichotomy between institutional and non-institutional loan sources calls for a detailed examination of how farmers' preferences and access to credit have shifted over time.

This study aims to explore the shift in the sources of loans for farmers in Rajasthan between 2002-03 and 2018-19, with a comparative analysis of institutional and non-institutional credit sources. Although a considerable body of literature has examined the role of institutional and non-institutional loans in rural India, there is a lack of comprehensive studies focused on understanding the changes in loan patterns over time in specific regions like Rajasthan. Existing research has primarily addressed the individual characteristics of these loan sources but has often overlooked the dynamic shifts that have occurred over time due to changing economic, social, and policy landscapes (Dev, 2014). This study seeks to fill this gap by investigating how access to and reliance on institutional versus non-institutional loans have evolved over the 16-year period.

2. Literature Review

Rural credit markets in India have been an essential component of agricultural development, particularly in states like Rajasthan, where a significant portion of the population depends on agriculture for their livelihood. Over the years, there has been a marked shift in the dynamics of loan sources, with institutional loans from banks and cooperatives gaining prominence, yet non-institutional sources like money lenders and traders continue to play a critical role. This literature review will examine eight key studies that discuss the impact of institutional loans on farmers, trends in loan sources, and why non-institutional loans persist despite government interventions.

Bhalla and Singh (2009) highlight the critical role institutional loans play in enhancing agricultural productivity by providing farmers with capital to invest in technology, seeds, and irrigation systems. The study emphasizes that farmers with access to institutional loans experience a higher rate of adoption of high-yielding crop varieties and mechanization. Furthermore, institutional loans, particularly from nationalized banks, offer better interest rates and formal terms, which reduce the financial burden on farmers, fostering long-term agricultural growth.

Chand (2017) analyzes the overall impact of institutional loans on rural livelihoods, particularly in states like Rajasthan. According to this study, access to

institutional loans has helped farmers mitigate some of the risks associated with agriculture, such as fluctuating crop prices and climate variability. Institutional credit has also contributed to improving the standard of living for farmers by enabling them to invest in education and healthcare. However, the study points out that many small and marginal farmers struggle to access institutional credit due to bureaucratic hurdles and the need for collateral.

Despite the availability of institutional credit, Sharma (2019) finds that non-institutional loans continue to be prevalent among rural farmers, particularly in Rajasthan. The study notes that moneylenders, traders, and relatives offer more flexible and accessible loans, often without the need for documentation or collateral. This ease of access makes non-institutional loans attractive, even though they come with higher interest rates and informal terms, often leading to exploitative lending practices.

A study by Rathore and Chauhan (2016) examines the role of cooperative banks in providing credit to farmers. Cooperative banks, which are more localized and have stronger ties to the rural population, have been crucial in filling the gaps left by commercial banks. However, the study also highlights the inefficiencies in cooperative banking, such as delays in loan disbursement and mismanagement, which often push farmers towards non-institutional credit sources.

A comprehensive review by Nair and Binswanger (2020) highlights trends in interest rates for institutional loans. While institutional sources like nationalized banks and cooperative banks offer lower interest rates compared to non-institutional lenders, the study reveals that the process of acquiring these loans can be cumbersome. Interest rates for institutional loans have remained relatively stable, but the accessibility issues often negate the benefits for small and marginal farmers who prefer quick, informal loans despite their high costs.

Dev (2014) explores the barriers that prevent farmers, particularly smallholders, from accessing institutional loans. The study finds that institutional lenders often require extensive documentation and collateral, which many small-scale farmers do not possess. Additionally, there is a lack of awareness about government schemes that aim to provide low-interest institutional loans. As a result, many farmers in Rajasthan continue to rely on non-institutional sources despite the financial drawbacks.

According to a report by NABARD (2018), various government schemes such as the *Kisan Credit Card* (KCC) were introduced to increase access to institutional credit. However, the report shows that while these schemes have improved credit access in some areas, they have not completely eliminated the need for non-institutional loans. Farmers often prefer the convenience and informality of moneylenders, especially during emergency situations.

Singh and Bhattacharya (2015) conducted a study examining how institutional loans impact the debt cycles of farmers. The research suggests that while institutional loans can provide financial relief in the short term, many farmers

are unable to repay these loans due to poor agricultural yields or market fluctuations. As a result, farmers may end up in long-term debt cycles, often exacerbated by the difficulty of accessing follow-up loans from institutional sources. This pushes them back towards non-institutional lenders, creating a dual dependency on both formal and informal credit systems.

The literature highlights the complex interplay between institutional and non-institutional loans in rural credit markets. While institutional loans have been instrumental in fostering agricultural productivity and providing farmers with more favorable financial terms, their inaccessibility to small and marginal farmers remains a critical issue. Non-institutional loans, despite their exploitative nature, continue to be popular due to their ease of access and informal lending practices. Understanding these dynamics is crucial for addressing the financial needs of farmers in Rajasthan, as well as for improving the effectiveness of policy interventions aimed at promoting institutional credit.

In conclusion, this comparative analysis will provide insights into how the shift in loan sources from 2002-03 to 2018-19 has impacted the agricultural sector in Rajasthan. By examining the trends in institutional and non-institutional credit, policymakers can better understand the barriers to accessing institutional loans and develop strategies to make rural credit markets more inclusive and beneficial for farmers.

3. Objectives of the Study

Objectives of this study are as follows:

1. To analyze the relationship between farmers' income growth and their access to loans, focusing on loan outstanding amounts and borrowing patterns across different land sizes.
2. To evaluate the changes in the distribution of institutional and non-institutional loan sources among Rajasthan farmers across various landholding categories between 2002-03 and 2018-19.
3. To investigate trends in interest rates and loan shares among institutional and non-institutional sources

4. Research Methodology

This study analyzes the shift in farmer loan sources in Rajasthan by utilizing data from the 59th and 77th rounds of the Situation Assessment Survey (SAS) conducted by the National Sample Survey Office (NSSO) in 2002-03 and 2018-19, respectively. The 59th round surveyed 2,596 farmer households in Rajasthan, while the 77th round surveyed 2,688 agricultural households. These surveys provide comprehensive data on various aspects of farmers' livelihoods, including indebtedness, loan sources, and credit accessibility.

To compare loan sources over time, the study harmonizes the classifications of institutional and non-institutional loans across the two survey periods. Institutional

loans, which include sources such as government agencies, cooperative societies, and formal banks, are consolidated from both rounds. In 2018-19, the categories were expanded to include Non-Banking Financial Companies (NBFCs) and microfinance institutions, but these were grouped under the broader institutional loan category to maintain consistency with the 2002-03 survey. Similarly, non-institutional loans-encompassing moneylenders, traders, relatives, and other informal sources-are harmonized across the two datasets.

The research focuses on analyzing changes in credit accessibility and indebtedness trends between 2002-03 and 2018-19. Special attention is given to the growing role of institutional loans, the persistence of non-institutional credit sources, and the impact of government interventions aimed at improving farmers' access to formal financial institutions. The nominal values of loans and income are adjusted for inflation using the Consumer Price Index (CPI) to allow for a more accurate comparison of financial trends over time. This methodology enables a detailed examination of the evolving dynamics between institutional and non-institutional credit sources, providing valuable insights for policymakers and stakeholders in the agricultural sector.

5. Presentation and Analysis of Data

5.1 Landholding Patterns and Credit Accessibility Among Farmers

As per Table-1, the average annual income of farmers in Rajasthan across all landholding categories significantly increased between 2002-03 and 2018-19. Marginal farmers (those with less than 1 acre of land) saw their average annual income rise from ₹46,634 in 2002-03 to ₹119,992 in 2018-19, marking a substantial growth. Similarly, small farmers (1-1.99 acres) experienced a notable increase in income from ₹54,581 to ₹103,159. Medium farmers (2-4.99 acres) saw their income grow from ₹48,681 to ₹123,251, while large farmers (5 acres and above) witnessed the most significant rise, with their income nearly tripling from ₹60,646 to ₹188,111. These trends suggest that income growth is positively correlated with landholding size, with larger landowners benefitting more substantially from agricultural income growth over the study period.

In terms of loan access, the percentage of loanee households varied across the two periods, with an overall increase in households borrowing loans from 52.7% in 2002-03 to 60.3% in 2018-19. This rise was most pronounced among medium and large farmers, with medium farmers' loanee households increasing from 52.6% to 66.8%, and large farmers from 54.4% to 70.9%. Interestingly, marginal farmers saw a decline in loanee households from 50.7% to 44.6%, indicating a shift in borrowing behaviour. The share of institutional loan recipients rose significantly, especially among medium (20.6% to 46.9%) and large farmers (27.0% to 56.2%), reflecting an increasing reliance on formal credit sources. On the other hand, non-institutional loan recipients saw a decline across all categories, with marginal farmers' dependence on such loans dropping from 40.8% to 33.6%.

Table-1: Rajasthan Farmers' Income and Credit accessibility Patterns by Landholding Size (2002-03 vs. 2018-19)

Year	Farmer Category	Farmer Households	Average Annual Income (₹)	% Loanee Households	% Institutional Loan Recipients	% Non-Institutional Loan Recipients	Average Loan Outstanding (₹)
2002-03	Marginal (< 1 Acre)	1,126,012	46,634	50.7	12.3	40.8	50,945
	Small (1-1.99 Acre)	1,059,859	54,581	52.4	13.0	41.5	64,550
	Medium (2-4.99 Acre)	1,437,892	48,681	52.6	20.6	37.3	79,157
	Large (5 Acre & more)	1,684,001	60,646	54.4	27.0	35.8	154,065
Overall		5,307,764	53,221	52.7	19.3	38.4	95,023
2018-19	Marginal (< 1 Acre)	1,649,998	119,992	44.6	16.5	33.6	131,348
	Small (1- 1.99 Acre)	1,817,089	103,159	58.9	32.6	40.2	106,336
	Medium (2-4.99 Acre)	2,235,152	123,251	66.8	46.9	35.3	171,396
	Large (5 Acre & more)	1,335,527	188,111	70.9	56.2	32.8	319,300
Overall		7,037,766	129,608	60.3	37.9	35.7	181,058

Note: The results presented in this table are calculated by the authors using unit-level data from the NSSO 59th Round (Situation Assessment Survey, 2002-03) and the NSSO 77th Round (Situation Assessment Survey, 2018-19). The data are estimated in Indian Rupees (₹), adjusted to constant 2016-17 prices.

The average loan outstanding saw substantial growth across all landholding categories. Marginal farmers experienced an increase from ₹50,945 in 2002-03 to ₹131,348 in 2018-19, marking a significant rise in their credit dependence. Small farmers saw their average loan amounts increase from ₹64,550 to ₹106,336, while medium farmers had an even sharper rise, with average loans increasing from ₹79,157 to ₹171,396. Large farmers, who had the highest loan outstanding, saw their loan amounts surge from ₹154,065 to ₹319,300 during the same period. These figures illustrate a significant rise in borrowing, driven by factors such as rising input costs, consumption needs, and the growing credit demands of larger farms.

The trends in borrowing behaviour reveal that larger landholders have not only seen a higher income growth rate but also a greater reliance on institutional credit sources. This shift indicates that larger farmers are better positioned to access formal financial institutions, possibly due to their greater asset base, collateral availability, and stronger ties with banking networks. Conversely, marginal and

small farmers, while still heavily reliant on loans, continue to depend on non-institutional sources to a considerable extent, highlighting the persistent barriers to accessing formal credit.

These insights are central to the research objective, as they underscore the complex relationship between income growth and loan access among farmers. The findings suggest that while formal credit access has improved, particularly for larger landholders, small and marginal farmers still face significant challenges in transitioning away from non-institutional sources. This has broader implications for agricultural policy, particularly in the need to enhance credit accessibility for smallholders to promote equitable income growth and reduce dependence on informal lending.

5.2 Institutional and Non-Institutional Loans Proportion in Rajasthan

As per Table-2, the distribution of institutional and non-institutional loan sources among Rajasthan farmers shows significant changes between 2002-03 and 2018-19 across different landholding categories.

Table-2: Changes in Institutional and Non-Institutional Loan Rates and Amounts Among Rajasthan Farmers by Land Size (2002-03 and 2018-19)

Year	Farmer Category	Avg Inst. Loan	Inst. Loan Rate	Avg Non-Inst. Loan	Non-Inst. Loan Rate	Proportion Inst. Loan
2002-03	Marginal (< 1 Acre)	12,065	15.3	38,881	24.8	23.7
	Small (1-1.99 Acre)	11,737	17.2	52,813	26.4	18.2
	Medium (2-4.99 Acre)	25,932	14.9	53,225	24.5	32.8
	Large (5 Acre & more)	63,157	16.1	90,908	22.7	41.0
Overall		32,471	15.9	62,552	24.0	34.2
2018-19	Marginal(< 1 Acre)	54,970	9.7	76,378	24.6	41.9
	Small (1-1.99 Acre)	50,355	8.0	55,981	21.6	47.4
	Medium (2-4.99 Acre)	116,602	7.7	54,794	21.7	68.0
	Large (5 Acre & more)	245,946	7.8	73,354	21.4	77.0
Overall		118,082	8.0	62,977	22.2	65.2

Note: The results presented in this table are estimated by the authors using unit-level data from the NSSO 59th Round (Situation Assessment Survey, 2002-03) and the NSSO 77th Round (Situation Assessment Survey, 2018-19). The data are estimated in Indian Rupees (₹), adjusted to constant 2016-17 prices.

In terms of average institutional loan amounts, there has been a substantial increase across all farmer categories. Marginal farmers (less than 1 acre) saw their average institutional loan rise from ₹12,065 in 2002-03 to ₹54,970 in 2018-19, while large farmers (5 acres and above) experienced the most dramatic growth, with their average institutional loan increasing from ₹63,157 to ₹245,946. This rise indicates that institutional loan amounts have scaled considerably over time, with larger landholders benefitting the most. Small and medium farmers also saw their institutional loan amounts increase significantly, from ₹11,737 to ₹50,355 and from ₹25,932 to ₹116,602, respectively. These increases highlight the growing importance of institutional credit, particularly for medium and large farmers, reflecting their improved access to formal financial institutions.

In contrast, the average non-institutional loan amounts also increased, but at a slower rate compared to institutional loans. Marginal farmers saw an increase from ₹38,881 in 2002-03 to ₹76,378 in 2018-19, while small farmers' non-institutional loans grew from ₹52,813 to ₹55,981. Medium farmers saw their non-institutional loans rise from ₹53,225 to ₹54,794, while large farmers experienced an increase from ₹90,908 to ₹73,354. While non-institutional loan amounts have grown, the rate of increase is much slower relative to institutional loans, suggesting a shift towards greater reliance on institutional credit.

Regarding institutional loan rates (i.e., the interest rates charged by formal institutions), there is a notable decline over time. For instance, the institutional loan rate for marginal farmers dropped from 15.3% in 2002-03 to 9.7% in 2018-19, while for large farmers, it decreased from 16.1% to 7.8%. This reduction in institutional loan rates reflects improved lending conditions, potentially due to government policies aimed at promoting formal credit through lower interest rates and greater accessibility. On the other hand, non-institutional loan rates have remained relatively stable over time, with slight variations. For marginal farmers, the rate hovered around 24.8% in 2002-03 and 24.6% in 2018-19, indicating that non-institutional lenders still charge high rates, especially compared to institutional lenders.

The proportion of institutional loans also shifted significantly. Marginal farmers' reliance on institutional loans increased from 23.7% in 2002-03 to 41.9% in 2018-19. Similarly, for small farmers, the proportion of institutional loans grew from 18.2% to 47.4%, and for medium farmers, it jumped from 32.8% to 68.0%. The most substantial increase was seen among large farmers, where the proportion of institutional loans rose from 41.0% to 77.0%. This trend indicates a growing preference for institutional loans among farmers of all land sizes, particularly for medium and large landholders. The shift away from non-institutional loans, particularly for larger farmers, reflects the increased penetration of formal banking institutions in rural areas, as well as greater access to government-backed credit schemes.

In summary, the data in Table-2 reveal a clear shift towards increased reliance on institutional loan sources among farmers in Rajasthan across all landholding categories, with larger farmers benefitting the most. The significant reduction in institutional loan rates and the slower increase in non-institutional loan amounts

suggest that formal credit sources are becoming more accessible and attractive to farmers. This shift supports the research objective by demonstrating how improved access to institutional credit has influenced borrowing patterns, income growth, and overall credit accessibility in Rajasthan, underscoring the critical role of formal financial institutions in promoting agricultural development. These findings also highlight the need for continued efforts to reduce barriers to institutional credit for small and marginal farmers to foster equitable growth.

5.3 Institutional Loan Pattern

In Table-3, the data reflect significant changes in the average interest rates, loan shares, and distribution across institutional loan sources between 2002-03 and 2018-19. The average interest rates for institutional loans decreased notably during this period, dropping from 15.8% in 2002-03 to 8.0% in 2018-19. A detailed comparison shows that interest rates for loans from the government fell from 16.7% to 12.3%, while those from co-operative banks dropped more sharply from 13.9% to 7.6%. The most significant reduction occurred in loans from banks, where the interest rate decreased from 16.2% to 7.7%, reflecting an increasing push by formal financial institutions to provide more affordable credit to farmers.

Table-3: Institutional Loan Patterns: Source-Wise Interest Rates and Loan Shares Among Rajasthan Farmers (2002-03 vs. 2018-19)

Year	Loan Source	Avg. Interest Paid (%)	Loan Share (%)	Loan Number Share (%)	Person Share (%)
2002-03	Government	16.7	1.3	1.6	1.9
	Co-operative Bank	13.9	5.9	10.8	12.9
	Bank	16.2	27.0	15.3	18.0
All Institutional Loan		15.8	34.2	27.7	32.8
2018-19	Government	12.3	3.8	6.8	6.9
	Co-operative Bank	7.6	3.0	6.2	6.8
	Bank	7.7	58.3	35.6	37.7
All Institutional Loan		8.0	65.1	48.6	51.4

Note: The results are estimated by the author using unit-level data from the NSSO 59th Round (Situation Assessment Survey, 2002-03) and the NSSO 77th Round (Situation Assessment Survey, 2018-19).

In terms of loan share, banks dominated the institutional loan market, with their share increasing from 27.0% in 2002-03 to 58.3% in 2018-19. This reflects a clear shift in farmers' reliance on bank loans, possibly due to better accessibility and lower interest rates. In contrast, the loan share for co-operative banks declined from 5.9% to 3.0%, while the government's share grew modestly from 1.3% to 3.8%. This increase in the government's share may be linked to enhanced financial inclusion schemes and subsidies aimed at rural areas. Overall, institutional loans

accounted for 65.1% of the total loan share in 2018-19, up from 34.2% in 2002-03, marking a significant shift towards formal credit sources.

When analyzing the loan number share (the proportion of loans disbursed) and person share (the proportion of individuals receiving loans), a similar trend is observed. In 2002-03, banks accounted for 15.3% of the loan number share, which increased to 35.6% by 2018-19. Meanwhile, co-operative banks saw a decrease in their loan number share from 10.8% to 6.2%. The overall share of institutional loans in terms of persons benefitting rose from 32.8% to 51.4%, further underscoring the growing dominance of formal credit sources.

These trends support the research objective by demonstrating a clear shift towards institutional loans, particularly from banks, over time. The significant reduction in interest rates and the increasing loan share of banks indicate a concerted effort by financial institutions and the government to make formal credit more accessible and affordable for farmers. This shift towards institutional lending suggests a reduced dependence on informal, often exploitative, credit sources, which is crucial for improving financial stability and agricultural productivity among Rajasthan farmers.

5.4 Non Institutional Loan

Sources of non-institutional loan are as follows:

1. Agricultural/Professional Moneylender: Refers to loans provided by professional moneylenders, particularly those tied to agriculture.
2. Traders: Includes loans from traders, input suppliers, and market commission agents.
3. Relatives & Friends: Represents informal lending from personal networks, such as family or friends.
4. Others: Comprises loans from miscellaneous sources, including chit funds, landlords, and professionals like doctors or lawyers.

Table-4:Non-Institutional Loan Patterns: Source-Wise Interest Rates and Loan Shares Among Rajasthan Farmers (2002-03 vs. 2018-19)

Year	Loan Source	Avg. Interest Paid (%)	Loan Share (%)	Loan Number Share (%)	Person Share (%)
2002-03	Relatives & Friends	16.8	6.9	9.6	11.4
	Trader	24.2	21.0	24.4	21.3
	Agricultural/Professional Moneylender	25.4	36.5	36.3	33.1
	Others	20.0	1.4	2.0	1.5
All Non-Institutional Loan		24.0	65.8	72.3	67.3

2018-19	Relatives & Friends	0.0	2.3	6.8	7.5
	Trader	21.3	1.3	3.5	3.2
	Agricultural/Professional Moneylender	24.2	26.4	33.5	31.5
	Others	22.0	4.9	7.5	6.4
All Non-Institutional Loan		22.2	34.9	51.3	48.6

Note: The results are estimated by the author using unit-level data from the NSSO 59th Round (Situation Assessment Survey, 2002-03) and the NSSO 77th Round (Situation Assessment Survey, 2018-19).

The above table illustrates a different picture for non-institutional loans, with notable changes in interest rates, loan shares, and the distribution of loans across various non-institutional sources. Average interest rates for non-institutional loans remained relatively high, decreasing slightly from 24.0% in 2002-03 to 22.2% in 2018-19. While the interest rate for agricultural/professional moneylenders dropped marginally from 25.4% to 24.2%, it remains significantly higher than institutional sources, indicating the continued cost burden for farmers relying on non-institutional credit. Traders reduced their average interest rates from 24.2% to 21.3%, and loans from relatives and friends experienced the most dramatic change, with interest rates falling to 0.0%, reflecting the informal and sometimes interest-free nature of such loans.

In terms of loan share, agricultural/professional moneylenders remain the dominant non-institutional credit providers, although their share decreased from 36.5% in 2002-03 to 26.4% in 2018-19. This decline suggests that despite their persistent role, farmers are increasingly moving away from high-interest moneylenders toward formal credit institutions. The loan share from traders also fell sharply, from 21.0% to 1.3%, indicating a significant reduction in farmers' reliance on trade-based credit. In contrast, the share of loans from relatives and friends dropped from 6.9% to 2.3%, and the others category grew modestly from 1.4% to 4.9%.

Analyzing the loan number share, non-institutional loans accounted for a dominant 72.3% of the total number of loans in 2002-03, but this fell to 51.3% by 2018-19, signaling a shift toward institutional credit. Similarly, the person share of non-institutional loans decreased from 67.3% to 48.6% during the same period, underscoring the declining reliance on informal credit sources across all categories.

These findings support the research objective by revealing a gradual shift away from non-institutional loans over time, as farmers increasingly turn to institutional sources like banks, which offer more favourable terms. Despite this shift, non-institutional loans, particularly from agricultural moneylenders, still play a significant role, especially for farmers who may lack collateral or easy access to formal credit. The persistence of high interest rates among non-institutional sources further highlights the challenges faced by farmers who remain dependent on these informal networks.

The trends observed in both Tables-3 and 4 reveal a clear movement toward greater reliance on institutional loan sources, particularly from banks, with significant reductions in interest rates and increased loan shares for formal credit institutions. In contrast, non-institutional loan sources have seen a decline in both loan share and interest rate reductions, though they remain critical for certain groups of farmers, particularly those unable to access formal institutions. These trends reflect the evolving role of institutional loans in providing more accessible and affordable credit to farmers in Rajasthan, aligning with the broader goal of enhancing financial inclusion and reducing dependency on informal, high-cost loans.

6. Discussion and Conclusion

This study explored the dynamics of farmer loan sources in Rajasthan, focusing on the shift in institutional and non-institutional credit between 2002-03 and 2018-19. The findings reveal significant changes in borrowing patterns, credit access, and interest rates across various landholding categories:

- 1. Income Growth and Loan Access:** The relationship between income growth and loan access shows that larger farmers have benefitted more substantially in terms of both income growth and access to institutional credit. Between 2002-03 and 2018-19, farmers in all landholding categories saw an increase in income, but medium and large farmers, in particular, experienced higher income gains. This income growth was coupled with increased reliance on institutional loans, especially among medium and large farmers. The share of institutional loan recipients rose from 19.3% to 37.9% overall, with medium farmers increasing from 20.6% to 46.9% and large farmers from 27.0% to 56.2%. This shift highlights that income growth is positively correlated with access to formal credit sources, with larger landholders enjoying better access to formal financial institutions.
- 2. Distribution of Loan Sources:** The distribution of loans by source also changed significantly. In 2002-03, non-institutional sources such as moneylenders and traders dominated the credit landscape, especially among marginal and small farmers. By 2018-19, there was a clear shift toward institutional loans, particularly from banks. The proportion of institutional loans for marginal farmers rose from 23.7% to 41.9%, while for large farmers, it increased from 41.0% to 77.0%. Despite this positive trend, marginal and small farmers still show a higher dependence on non-institutional sources, underscoring persistent barriers to formal credit access for smaller landholders.
- 3. Interest Rates and Loan Shares:** Trends in interest rates show a marked reduction for institutional loans, with the average rate dropping from 15.8% in 2002-03 to 8.0% in 2018-19. In contrast, non-institutional loans remained costly, with only a slight reduction in average interest rates (24.0% to 22.2%).

The falling interest rates for institutional loans have made formal credit sources more attractive, particularly for larger farmers. At the same time, the declining loan share of non-institutional sources—from 65.8% in 2002-03 to 34.9% in 2018-19—suggests a gradual shift toward more formalized credit options. However, non-institutional loans, especially from agricultural moneylenders, remain significant for farmers who lack the collateral or financial literacy required to access institutional loans.

7. Policy Suggestions

Some of the most important policy suggestions for farmer credit are as under:

1. **Enhancing Credit Access for Small and Marginal Farmers:** Despite the growing dominance of institutional loans, small and marginal farmers still face barriers in accessing formal credit. To address this, policies should focus on easing the collateral requirements and simplifying loan application processes for these farmers. Expanding awareness programs about government-backed credit schemes, such as the *Kisan Credit Card* (KCC) and other rural finance initiatives, would further help smallholders transition away from exploitative informal credit.
2. **Reducing Regional Disparities in Credit Access:** The data show that larger farmers have benefitted disproportionately from the expansion of institutional credit. Policymakers should ensure that formal financial institutions focus on marginalized regions and smaller landholders, possibly through targeted lending schemes, subsidies, or rural banking reforms, to provide equitable access across all land sizes.
3. **Lowering Non-Institutional Loan Dependence:** Although institutional loans are becoming more prevalent, many farmers still rely on high-cost non-institutional sources. Strengthening rural credit cooperatives and Self-Help Groups (SHGs), which offer more accessible forms of credit, could be instrumental in reducing dependence on non-institutional loans. Additionally, regulating moneylender activities to ensure fair practices could alleviate the financial burden on farmers still reliant on informal loans.
4. **Interest Rate Flexibility for Marginal Farmers:** While institutional interest rates have declined, marginal farmers continue to face relatively higher costs. Introducing flexible, lower interest rates for smaller loans aimed at marginal farmers could help reduce their financial strain and promote their inclusion in the formal credit system.

In conclusion, this study underscores the need for sustained policy efforts to improve institutional credit access for small and marginal farmers. By focusing on financial inclusion, fair lending practices, and targeted support, Rajasthan's rural economy can benefit from a more equitable distribution of credit, fostering agricultural productivity and income growth across all landholding categories.

References

- Bhalla, G. S., & Singh, G., "Economic liberalisation and Indian agriculture: A state-wise analysis", *Economic and Political Weekly*, 44(52), 2009, 123-129.
- Chand, R., *Doubling farmers' income: Rationale, strategy, prospects and action plan*, New Delhi: NITI Aayog, Government of India, 2017. <https://niti.gov.in/doubling-farmers-income-report>
- Dev, S. M., "Small farmers in India: Challenges and opportunities", *Indian Journal of Agricultural Economics*, 69(1), 2014, 1-12.
- NABARD, *Financial inclusion in India: Progress and Prospects*, National Bank for Agriculture and Rural Development, 2018. <https://www.nabard.org/financial-inclusion-report>
- Nair, T., & Binswanger, H. P., *Rural financial inclusion: Beyond credit*, London: Routledge, 2020.
- National Sample Survey Office, *Situation Assessment Survey of Farmers*, NSS 59th Round, Schedule 33. Ministry of Statistics and Programme Implementation, Government of India, 2003. <https://microdata.gov.in/NADA43/index.php/catalog/104>
- National Sample Survey Office, *Situation Assessment of Agricultural Households*, January 2019 - December 2019, 77th Round, Visit 1 and Visit 2, Ministry of Statistics and Programme Implementation, Government of India, 2019. https://microdata.gov.in/nada43/index.php/catalog/157/related_materials
- Rathore, H. S., & Chauhan, R., "Non-institutional sources of rural credit in India: A review", *International Journal of Social Science and Economic Research*, 1(9), 2016, 1501-1515.
- Sharma, A., "Rural credit and financial inclusion: A case study of Rajasthan", *Journal of Rural Development*, 38(2), 2019, 250-260.
- Singh, A., & Atri, J., "Economic shifts and financial strain: Karnataka farmers' journey in the first two decades of the 21st century", *Journal of Social Review and Development*, 3(2), 2024, 1-7. <https://www.dzarc.com/social/article/view/548>
- Singh, A., & Langyan, B., "A study of farmer economic well-being and indebtedness in Rajasthan: A comparative analysis (2002-03 and 2018-19)", *International Research Journal of Modernization in Engineering Technology and Science (IRJMETS)*, 06(07), 2024, 1202-1210. <https://doi.org/10.56726/IRJMETS60529>
- Singh, A., Kumar, A., Bairwa, G., & Bhushan, B., "The changing fortunes of Odisha's farmers: A comparative analysis of indebtedness and economic status (2002-2019)", *Journal of Social Review and Development*, 3(1), 2024, 23-29. <https://www.dzarc.com/social/article/view/550>
- Singh, A., Meena, A. L., & Bairwa, G., "Punjab's agrarian economy: Tracking farmer prosperity and debt over two decades", *International Journal of Progressive Research in Engineering Management and Science (IJPREAMS)*, 04(09), 2024, 282-289. <https://doi.org/10.58257/IJPREAMS35952>
- Singh, A., & Singh, M., "Economic well-being and indebtedness of farmers in Bihar: A comparative analysis (2002-03 and 2018-19)", *International Journal of Research Publication and Reviews*, 05(07), 2024, 3946-3955. <https://doi.org/10.55248/gengpi.5.0724.1941>
- Singh, R., & Bhattacharya, A., "The impact of institutional loans on rural debt cycles in India: A study of smallholder farmers", *Agricultural Economics Research Review*, 28(1), 2015, 89-101. ★