

## International Journal of Agriculture Extension and Social Development

Volume 8; Issue 5; May 2025; Page No. 250-254

Received: 07-02-2025

Accepted: 11-03-2025

Indexed Journal

Peer Reviewed Journal

### Utilization of rural credit among farmers of Udaipur districts, Rajasthan

<sup>1</sup>Rakesh Palsaniya, <sup>2</sup>Dr. Rajshree Upadhyay, <sup>3</sup>Sher Singh Bochalya, <sup>4</sup>Dr. Bhag Chand Bochalya and <sup>5</sup>Alok Kumar Saini

<sup>1</sup>M.Sc. Scholar, EECM Department, College of Community and Applied Sciences, Rajasthan, India

<sup>2</sup>Professor of EECM Department, College of Community and Applied Sciences, MPUAT, Udaipur, Rajasthan, India

<sup>3</sup>Ph.D. Research Scholar, Department of Agricultural Extension Education, RVSKVV, Gwalior, Madhya Pradesh, India

<sup>4</sup>Professor, Department of Agricultural Extension Education, JAU, Gujrat, India

<sup>5</sup>M.Sc. Scholar, Food and Nutrition, BBAU, Lucknow, Uttar Pradesh, India

DOI: <https://www.doi.org/10.33545/26180723.2025.v8.i5d.1893>

Corresponding Author: Rakesh Palsaniya

#### Abstract

The present study on the utilization of rural credit of farmers was conducted in Badgaon and Girwa Panchayat Samities of Udaipur, Rajasthan. A sample of 200 farmers was selected randomly, and an interview technique was used for data collection. Frequency, percentage, and mean percent scores were used for the analysis of data.

**Keywords:** Rural credit, credit utilization, agricultural finance

#### Introduction

In India, a large proportion of the population live in villages and make their living from agriculture. A significant percentage of the rural population is made up of marginal and small farmers, hence unprofitable farms and tiny and marginal farms have been problems for Indian agriculture. To guarantee a healthy crop, farmers must make a sizable yearly investment. Credit is necessary for farmers to increase their produce and supplement their household and personal income. Credit is a part of the financial intermediation system, which distributes resources over time and moves them between people, households, and businesses.

The government has started several projects to enhance the institutional rural credit system. To improve farmers' access to institutional financing sources, the Indian government has begun putting many regulatory initiatives into action. With an emphasis on small and marginal farmers as well as the weaker segments of society, these policies have placed a strong emphasis on progressive institutionalization in order to provide timely and adequate credit support to all farmers. This will allow them to adopt modern technology and improved agricultural practices, which will increase agricultural production and productivity.

Credit is an excellent tool for development, but like any other tool, its efficacy depends on how it is applied and, most importantly, how well target people know about it. The degree of farmers' awareness of rural credit facilities must thus be assessed in order to ensure efficient credit delivery and utilization. In this work, we aim to investigate how farmers in Rajasthan's Udaipur area use rural finance.

#### Methodology

The current study was carried out in Badgaon and Girwa,

two randomly chosen panchayat samities in the Udaipur District of Rajasthan. Four villages were chosen at random from each of the two panchayat samities that were chosen. Twenty-five farmers were chosen at random from each hamlet, for a sample size of 200 respondents. A personal interview schedule was used to help collect data. To statistically analyze the data, frequency, percentage, and mean percent score were employed.

#### Results and Discussion

##### Utilization of the farmer about the rural credit

**Table 1:** Distribution of the respondents by their type of bank account and deposits n= 200

S. No.	Items	f	%
1.	Go to bank	190	95
2.	Frequency of visiting banks		
i.	Weekly	21	10.5
ii.	Monthly	130	65
iii.	Quarterly	49	24.5
3.	Hold bank account	190	95
4.	Type of bank account*		
i.	Joint account	155	77.5
ii.	Individual account	125	62.5
5.	Hold bank account		
i.	Before 2005	100	50
ii.	2005 to 2022	75	37.5
iii.	2023 to 2024	25	12.5
6.	Type of deposit schemes*		
i.	Fixed deposit (F.D)	135	67.5
ii.	Short deposit (S.D)	41	20.5
iii.	Current deposit (C.D)	13	6.5
iv.	Recurring deposit (R.D)	11	5.5

Rural credit plays an important role in improving the economic and social situation of the farmers. The rural credit is very important for the utilization of rural credit. Rural credit refers to government and bank initiatives to assist rural residents by offering them simple financing at affordable interest rates and with minimal paperwork. Data in Table 1.1 clearly show that most of the respondents (95%) used to go to the banks. Regarding frequency of visiting the bank, nearly two third respondents (65%) visited the bank monthly while 24.5 per cent respondents were going to the bank quarterly whereas 10.5 per cent respondents reported that they go to bank weekly to deposit, withdraw money and for updating the pass book. The table

further indicates that majority of the respondents (95%) were holding bank accounts which were joint accounts (77.5%) whereas, 62.5 per cent of the respondents had individual accounts. reveals that half of the respondents (50%) had bank account before 2005, while 37.5 per cent of the respondents opened account between the year 2005 to 2022 and rest of the respondents (12.5%) opened the account during the year 2022 to 2023. Regarding the type of deposit schemes, majority of the respondents (67.5%) kept their money in fixed deposit scheme and 20.5 per cent of respondents kept short deposits whereas, very few respondents had current deposits (6.5%) and recurring deposit (5.5%).

**Table 1.2:** Distribution of the respondents by their credit utilization pattern n=200

S. No.	Items	f	%
1.	Taken credit	155	77.5
<b>2.</b>	<b>Frequency of taking loan from banks</b>		
i.	Once	114	57
ii.	Twice	41	20.5
<b>3.</b>	<b>Sources or credits</b>		
i.	Bank	137	68.5
ii.	KCC	0	0
iii.	LAMPS	10	5.0
iv.	PACS	3	1.5
v.	FPO/SHG	0	0
vi.	From money lenders	2	1
vii.	Friends	3	1.5
<b>4.</b>	<b>Year of taking loan</b>		
i.	2015-2018	74	37
ii.	2019-2022	66	33
iii.	2023-2024	15	7.5
<b>5.</b>	<b>Type of loan</b>		
i.	Short term loan	123	61.5
ii.	Medium term loan	17	8.5
iii.	Long term loan	15	7.5
<b>6.</b>	<b>Purpose of loan</b>		
i.	Production purpose	121	60.5
ii.	Consumption purpose	34	17
<b>7.</b>	<b>Production purpose</b>		
i.	Purchase of Seed	88	44
ii.	Purchase of Manure, fertilizers and pesticides	9	4.5
iii.	Purchase of animal	19	9.5
iv.	Purchase of Farm machinery	5	2.5
<b>8.</b>	<b>Consumption purpose</b>		
i.	Religious and social functions	13	6.5
ii.	Payment of old debts	14	7.0
iii.	Household consumption	7	3.5
<b>9.</b>	<b>Amount of loan (Rs)</b>		
i.	50,000-75, 000	63	31.5
ii.	75, 000- 1,00,000	21	10.5
iii.	1,00,000- 1,25,000	59	29.5
iv.	1,25,000- 1, 50,000	6	3.0
v.	150,000 to 1, 75, 000	6	3.0
10	Used loan for the purpose /sanctioned	114	57

The data in Table 1.2 shows the pattern of taking loans including frequency, source, type, purpose and amount of loan. It was found that majority of the respondents (77.5%) had taken loans. When asked about the frequency of taking loans, more than half of the respondents (57%) had taken loan once, while 20.5 per cent of the respondents had taken loan twice. It can be seen from the table that majority of the respondents (68.5%) had taken loan from bank, 5 per cent of

the respondents had taken loan from Large Sector Multipurpose Credit Society and very few respondents (1.5%) had taken loan from Primary Agricultural Credit Society. None of the respondents had taken loan from KCC, FPO and SHG as they were not well aware of these sources. Such findings may be due to the reason that banks give loans for different periods while PACS and LAMPS give only short-term loans. Very few respondents (7.5%) got

loans sanctioned in the year 2023-2024. Regarding the type of loan, the table shows that 61.5 percent of the respondents had taken short-term loans (1 to 2 years), while some respondents had taken medium-term (8.5%) and short-term loans (7.5%). Different lending institutions lend money for both production and consumption purposes. Regarding the purpose of loan, the survey shows that 60.5 respondents had taken loans for production purposes, while 17 percent of the respondents had taken loans for consumption purposes. For production purposes, the respondents took loans for purchase of seeds (44%), purchase of manure, fertilizers and pesticides (4.5%) and purchase of agricultural machinery (2.5%). This finding indicates that they used loans to solve more urgent issues. The amount of loan shows that almost one third of the respondents (31.5%) took loans between Rs 50,000-75,000, followed by 29.5 percent of respondents who took loans between Rs 1-1.25 lakh and 10.5 percent of respondents who took loans between Rs 75,000-1 lakh. Some respondents also took loans between Rs 1.25-1.75 lakh. Moreover, more than half of the respondents (57%) used the loan for the purpose for which it was sanctioned and did not use it for other purposes.

**Table 3:** Distribution of the respondents by their loan repayments pattern n=200

S. No.	Items	f	%
1.	Repaid loan	140	70
2	Duration of loan repayment		
i.	1 year	67	33.5
ii.	2year	45	22.5
iii.	3 year	5	2.5
iv.	4 years	4	2
v.	5 year	19	9.5
3.	Regular payment of loan	114	57
4.	Full repayment of loan	114	57
5.	Sources of repayments of loan		
i.	Labor work	27	13.5
ii.	Agriculture	113	56.5
6.	Problems in repayment		
i.	Low crop yield	83	41.5
ii.	Crop failure	27	13.5
iii.	Expenditure in social ceremonies	21	10.5
iv.	Unproductive use of loan	39	19.5
v.	Absence of income from other sources	10	5.0
vi.	Expectation of loan waiver from govt.	13	6.5
vii.	High dependency ratio of family	5	2.5

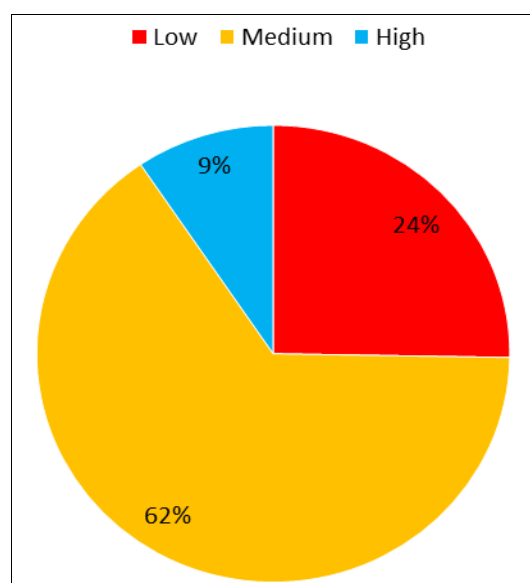
Table 1.3 presents the repayment pattern of loans by the respondents. It was found that majority of the respondents (70%) had fast repayment of loan amount. Regarding the period of loan repayment, 33.5 per cent of the respondents had repaid the loan in one year, followed by 22.5 per cent of the respondents who had repaid the loan in two years. The remaining respondents repaid the loan in three years (2.5%), four years (2%) and five years (9%) depending on the type of loan. Regarding regular repayment it shows that 57 per cent of the respondents repaid the loan regularly and an equal number of respondents (57%) had repaid the entire amount of the loan. When asked about the source of income for repayment of loan, more than half of the respondents (56.5%) repaid the money from the income earned from agriculture, It can be seen from the table that 41.5 percent of the respondents had low crop yield and 13.5 percent of the

farmers faced crop failure, which affected their repayment capacity. Apart from this, 19.5 percent of the respondents used the loan unproductively and 10.5 percent of the respondents spent the loan amount on social functions. Expectation of loan waiver from the government (6.5%), lack of income from other sources (5.0%) and high dependency ratio of the family (2.5%) hindered their loan repayment regularly.

**Table 4:** Distribution of the respondents by bank transaction pattern n=200

S. No.	Items	Way of transaction			
		Individually		With family members	
		f	%	f	%
1.	Use of check book	152	76	38	19
2.	Use of demand draft	112	56	78	39
3.	Depositing withdrawing money	144	72	46	23
4.	Hold ATM card	155	77.5	-	-
5.	Use of ATM card	52	26	103	51.5

The data in Table 1.4 presents the bank transaction pattern of the respondents. It can be observed from the table that majority of the respondents (76%) used cheque book personally while 19 per cent of the respondents used cheque book with family members. Regarding the use of demand draft, more than half of the respondents (56%) used demand draft personally and 39 per cent of the respondents used demand draft with the help of family members. Most of the respondents (72%) were able to deposit and withdraw money in the bank personally while 23 per cent of the respondents took the help of family members. It was encouraging to note that 77.5 per cent of the respondents had ATM cards but only 26 per cent used it personally while half of them took the help of family members.



**Fig 1:** Overall utilization of rural credit by the respondents

An effort was made to categorize the respondents on the basis of overall utilization about rural credit. Fig. 1 clearly shows that 62 per cent of the respondents had medium utilization of rural credit while only 9 per cent of the

respondents had high utilization of rural credit whereas 24 per cent respondents had low utilization of rural credit. The reason behind such findings may be illiteracy among them and the problems experienced by them in accessing the credit from institutional sources.

The study revealed that rural credit has significantly influenced the financial inclusion and economic activities of rural households. A striking majority of respondents (95%) were found to have access to banking services, demonstrating the effectiveness of financial outreach programs in rural areas. The predominance of joint accounts suggests a preference for shared financial responsibility, possibly influenced by familial decision-making dynamics. While a substantial number of respondents were familiar with banking procedures like deposits and passbook updates, the relatively low individual use of tools like ATM cards points toward digital and financial literacy gaps.

The borrowing behavior showed that 77.5% of respondents availed loans, primarily from banks (68.5%), indicating institutional credit is a trusted source. However, awareness about alternative sources such as KCCs, SHGs, and FPOs was nearly absent, reflecting a serious information gap that can limit farmers' access to flexible and often more farmer-centric credit options. Most loans were taken for productive purposes—especially for purchasing seeds—emphasizing the central role of credit in agricultural productivity. However, a notable share was used for consumption and unproductive activities, which can adversely affect repayment capacity and financial stability.

Repayment data indicated that 70% of borrowers had repaid their loans, with agriculture being the main income source for repayment. While this is promising, it also highlights the sector's vulnerability—41.5% of respondents faced low crop yields and 13.5% suffered crop failure, which directly hampered repayment ability. Misuse of loans for social functions and expectations of government loan waivers also discouraged timely repayment.

In terms of banking interaction, the use of services like check books and demand drafts was common, though often with family support. This suggests that while access exists, autonomy in usage remains limited for many due to literacy or confidence issues. The categorization of rural credit utilization shows that only 9% had high utilization, while 62% had medium and 24% had low utilization, reinforcing the need for better awareness, literacy, and institutional support.

### Conclusion

This research underscores the pivotal role rural credit plays in uplifting the economic and social conditions of rural populations. While banking infrastructure and credit access have reached a wide section of rural residents, actual utilization remains moderate due to a mix of literacy barriers, limited awareness about credit institutions, and socio-cultural factors influencing financial behavior. A significant portion of the credit is used productively, yet unproductive usage and external challenges like crop failure reduce the impact of these loans and increase the risk of default. To improve the efficacy of rural credit systems, there is a strong need for financial literacy programs, wider promotion of alternative credit institutions like SHGs and KCCs, and policies that encourage proper utilization of

funds. Strengthening these areas could transform medium users into high utilizers, resulting in enhanced agricultural productivity, stronger repayment records, and ultimately, a more empowered rural economy.

### References

1. Chavan R, Joshi TA, Patil SS, Hiremath GM. Utilization pattern of agriculture crop loan by farmers in India with special reference to Karnataka. *Int J Econ Dev.* 2016;4(12):1-6.
2. Mehta P. A study of agricultural credit sources and its utilization pattern by farmers in selected villages of Udaipur district. *The Int J Bus Manag.* 2015. Available from: <https://www.internationaljournalcorner.com/index.php/thead/article/view/137618>. Retrieved on 20th June 2024.
3. Palsaniya R. Utilization of rural credit by the farmers of Udaipur district, Rajasthan. MSc Thesis, Maharana Pratap University of Agriculture and Technology, Udaipur. 2024.
4. Rana P. Knowledge and utilization of rural credit by rural women. MSc Thesis, Maharana Pratap University of Agriculture and Technology, Udaipur, Rajasthan. 2015.