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**A Review on The Agricultural Credit and its Effect on Farmers'
Socio-Economic Situation with Special Reference to
Purba Bardhaman District, West Bengal**

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ABSTRACT

It is expected that the socio-economic impact of agricultural financing in Purba Bardhaman, West Bengal, will be favourable because it boosts both farmer productivity and income. However, a large number of small and marginal farmers in the region do not have access to institutional credit from official financial institutions and lack the financial literacy skills that would enable them to benefit from such financing. When it comes to outreach and streamlined lending procedures, there are still challenges to overcome; however, research indicates that schemes that are sponsored by the government, such as Kisan Credit Cards, can boost access. The promotion of Farmer Producer Organizations (FPOs), an increase in agricultural output and diversity in the area, and a focus on post-harvest infrastructure are all essential elements in the efforts to improve farmers' socioeconomic situations and the local economy. Purba Bardhaman district was formed on 7 April 2017 after bifurcation of the erstwhile Bardhaman district. The district is agriculturally as well as industrially very well developed. The district is abundantly endowed with natural resources in terms of land fertility and water etc. The exploitable potential was mapped for the district and accordingly the institutional credit projections are arrived at. Purba Bardhaman is considered as the rice bowl or granary of the state.

Keywords: *Agricultural, Lending, Socioeconomic, Industrialized, Productivity etc.*

INTRODUCTION

Cultivating land for the purpose of growing crops or raising livestock is known as agriculture. It includes managing natural resources to produce food and other goods, as well as growing plants and animals. This sector is especially important for countries like India, where it provides a substantial portion of the population's income, as well as for rural employment and overall economic growth. A nation's economic development is significantly influenced by its agricultural industry. It has been a major factor in the success of industrialized nations and crucial to the growth of economies in less developed ones. Globally, the core industries of agriculture and industry have fuelled the economic



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growth of strong countries. As a result, rather than competing with one another in terms of inputs and outputs, industrial and agricultural development support and enhance one another. Agriculture's output and productivity have contributed to the growth of the world economy. Therefore, effective strategies to boost agricultural productivity must be implemented in light of economic development. The growth of the agricultural sector is crucial to the expansion of the economy. It is the backbone of India's economy and a major revenue generator as well. For both the federal and state governments, the agricultural sector is vital for meeting the food needs of city dwellers and bolstering the expansion of manufacturing. The growth of the agricultural sector is crucial to the expansion of the economy. It is the backbone of India's economy and a major revenue generator as well. For both the federal and state governments, the agricultural sector is vital for meeting the food needs of city dwellers and bolstering the expansion of manufacturing.

REVIEW OF LITERATURE

Karthick V. and Madheswaran S. (2020) explored that there was a significant disparity in household credit access in India throughout the post-reform era, even as the amount of formal credit available to agriculture increased. The declining proportion of wealth and resources has a negative impact on farmers' access to credit, but there are other social and economic factors at play as well, and it is just as important to understand them in order to get credit. Therefore, this study's goal is to use AIDIS data to examine the patterns and determinants of formal agricultural lending in India. The models utilized for analyzing the factors influencing credit availability and credit quantity are Probit and Heckman's selectivity bias-corrected OLS, respectively. The official agricultural credit that households receive is influenced by various factors, including their social position, asset values, irrigated area, land size, and educational attainment of the family heads. This outcome shows that in order to increase the accessibility of credit; the government must reform the current credit regulations.

Anjum, M.N. et al. (2020) evaluate how microfinance affects socioeconomic status factors like family income, health status, children's educational status, living standard, food and diet habits, crop production, and transportation. It also aims to determine the challenges faced by borrowers in obtaining loans from microfinance institutions. With the use of a carefully thought-out, structured questionnaire, 300 borrowers from microfinance institutions—particularly Khushhali Bank Limited—provided the primary data. Simple linear regression models, chi square statistics, inferential statistics, and descriptive statistics were all applied. The research findings indicated that 72.2% of farmers' earnings have increased as a result of microcredit availability, and as a result of their increased income, they have greater access to healthcare facilities than they did previously. According to 82.2% of farmers surveyed, microfinance has a favorable and significant impact on their children's scholastic standing and has helped them transition from government to private



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26th May, 2024, Raipur, Chhattisgarh, India.

schools. Furthermore, parents who were unable to send their children to school because of problems and financial difficulties are now sending their kids to school. 85.1% of farmers responded that the microfinance facility in the research region has significantly raised the standard of living for families. The difficulties customers faced in obtaining loans from Khushhali Bank Limited and other microfinance organizations were also covered. The borrowers listed numerous issues, including exorbitant interest rates, a lack of knowledge about microfinance organizations, convoluted loan applications, a lack of faith in microlending, tiny loan amounts, and loan availability outside of scheduled times. The farmers got in touch with various friends and family members, the local agricultural credit officers, and governmental and non-governmental groups. The microcredit program provided by Khushhali Bank Limited and other governmental and nongovernmental microfinance organisations in D.I. Khan had improved the socioeconomic status of the farmers, according to the overall analysis. Ultimately, the study suggested that the government should oversee interest-free loans, offer loans as soon as feasible and at the appropriate moment, raise the average size of microloans, and raise public awareness through the media.

Rahul Singhal and Prateek Gupta (2020) investigated that one of the most important economic sectors in India is agriculture. Over 50% of India's workforce is employed in the agriculture industry, and over 60% of the country's population depends on it either directly or indirectly. Institutional credit is always essential to every sector's economic growth. An analysis of how institutional lending influenced the growth of India's agricultural industry is presented in this paper. The role of institutional financing, fertiliser use, arable land, and agricultural production in the growth of the agricultural economy was studied. Three statistical tools were used to examine the data: the correlation matrix, the Philips-Perron test, and the Cobb-Douglas function. The findings proved that the expansion of India's agricultural sector was greatly aided by both cultivated acreage and institutional funding. The report also recommended that institutional loans to the agriculture sector be approved by private banks rather than public sector banks and that government policies be changed to support the industry as a business endeavor.

Poulami Ray and Bhagirath Das (2020), institutional agricultural credit's expanding and historically low availability has contributed significantly to the public's adoption of modern production techniques while also promoting private investment in agricultural enterprises. This study set out to do just that: analyse the socioeconomic characteristics of the borrowers in the West Tripura area of Tripura. Using a multistage random selection procedure, 120 sample farmers were chosen for in-depth analysis. Using pretested schedules, survey data on borrowers' age, sex, education level, land use, and other demographic and socioeconomic variables was gathered. The majority of the state's farmers are informed, seasoned, and motivated to use and return agricultural loans on time, according to the socioeconomic study of farmers. The male population percentage (51.49%) was higher in the household under investigation in West Tripura District than the female population



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26th May, 2024, Raipur, Chhattisgarh, India.

percentage (47.58%). For 55.82 percent of the sample population, cultivation was their primary occupation, and for 29.17 percent, it was their secondary occupation.

Ullah, Ayat et al. (2020), In the rain-fed region of Khyber Pakhtunkhwa (KP), Pakistan, said that this study explores the factors that affect farmers' access to agricultural financing and its involvement in adopting new agricultural technology. We evaluate and contrast the relative contributions of farmers' socioeconomic characteristics on their adoption tactics and credit availability using logistic models. The findings show a somewhat favorable correlation between farmers' use of new agricultural technologies and their ability to obtain agricultural loans. The results of the binary logit model suggest that loan availability was positively influenced by farmers who owned significant physical assets, had a high farm income, had greater access to information, and a large farm. The capacity of farmers to secure agricultural loans seemed to be negatively affected by their level of agricultural experience. According to this study, banks were the primary source of credit for farmers, as opposed to input suppliers and unofficial loan sources, for asset-rich farmers with greater agricultural experience and better information access. Similarly, the likelihood of borrowing from input suppliers rather than banks was higher for older, better educated farmers with larger farms and higher farm incomes. We come to the conclusion that successful loan and agricultural technology information distribution is essential and necessitates distinct strategies targeted at various farmer groups with various socioeconomic and farm-related characteristics.

Amanullah et al (2020) investigated that this study's goal is to determine how credit limits affect the wellbeing of wheat growers. Data on 575 wheat growers were gathered for this study using a straightforward random sample method. Credit limitations were found to have an impact on farmers' welfare using the treatment-effect model. Additionally, logistic regressions and ordinary least squares were used to account for the endogeneity issue. The standard of living for farmers was consumption. The findings indicate that while credit-constrained farmers cultivate 2.8–4.1% more land than unconstrained farmers, their per capita income and spending are 18.9–13.8% lower than those of unconstrained farmers. Furthermore, the findings show that age, interest rate, land area, and family size all affect the wellbeing and income of farmers with limited credit. Compared to an unconstrained farmer, a constrained farmer experiences better returns and well-being from a larger land area. The findings indicate that the welfare and income of farmers are negatively impacted by loan limits. Better welfare can only be attained if credit is extended to farmers who lack credit. Additionally, this finding may have important ramifications. First, given the interest rate's negative effects, the State Bank of Pakistan had to adjust its policies regarding agricultural loans, especially with regard to creating a flexible interest rate for farmers. Second, when there is a high rate of inflation and a prolonged impact from agricultural crises, the central bank should adjust the agricultural lending limitations in accordance with the present financial demands of the agricultural market. Third, in the research region, the government ought to establish an Islamic bank for



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26th May, 2024, Raipur, Chhattisgarh, India.

agriculture. This Islamic bank would alleviate the credit limits on religious farmers and assist them in improving their standard of living and revenue streams. It would also support farmers who are restricted because of interest objections.

Rizwan, M. et al. (2019) found that the financing is essential to the growth of the agricultural sector. This study investigates the realities of the sources that farmers typically use to obtain agricultural loans, as well as the socioeconomic and environmental factors that influence these practices. A multistage cluster sampling technique was used to randomly choose and interview 236 rice farmers in the Punjab province of Pakistan who had engaged in agricultural credit activities for at least the previous two years. Multivariate probit regression (MPR) and ordinary linear regression (OLS) regression models to analyze the collected data. Resulting from the data, over three quarters of farmers obtained agricultural financing through unofficial sources, 22.1% from public and private institutional sources, and 4.2% from both sources at the same time. A portion of the obtained agricultural credit amount—64.8%—was utilized for the agricultural sector, with the remaining 25.5% and 9.7% going toward managing the borrower's business and livelihood, respectively. The demand for agricultural loans is driven by environmental and socioeconomic factors, according to OLS. Furthermore, the MPR results show that several factors account for loan requests made to official and informal institutions. The results offer recommendations for environmentally conscious and socioeconomically driven agricultural growth that reduces poverty. As a growing economy, we should review both formal and informal credit policies and loosen regulations pertaining to farmers' access to institutions and the environment. Doing so will likely encourage the creation of credit policies in developing nations.

B.A. Awotide et al. (2019) obtaining finance is crucial to achieving an increase in agricultural productivity. Using primary data gathered from 856 rural households by the International Institute of Tropical Agriculture (IITA) in 2011, we adopted a Tobit model to evaluate the factors that determine the intensity of rural smallholder cassava farmers' access to credit in Southwest Nigeria. Seven of the eleven variables in the empirical Tobit model have a statistically significant relationship with the degree of loan availability, according to the model's results. Only the total number of livestock units, cassava output, household size, and the monetary worth of the productive assets of the households are statistically and positively significant. This suggests that raising output, diversifying household income streams to include raising livestock, and building up assets are all significant factors that could improve farmers' access to greater credit amounts. It is therefore advised for this region to implement policies that will boost diversification, asset accumulation, and/or farmer output.

Saeed Ur Rahman et al (2014) mentioned that logistic regression will be utilized in this investigation analysis to examine how farmer loans from Zarai Taraqiati Bank Limited affect farmers' agricultural productivity. The primary source of data used in the study was a field survey



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26th May, 2024, Raipur, Chhattisgarh, India.

conducted in Bahawalpur Tehsil. It is determined that the following factors significantly increase agricultural yield per acre: household size, household income, farmers' education, agricultural credit, and both short- and long-term loans. The fact that credit and agricultural productivity are positively correlated suggests that farmers can use credit to buy high-quality or high-yield variety seeds, fertilizers, and pesticides, which raises agricultural yields through timely and sufficient input delivery. The research indicates that timely and adequate loan disbursement to farmers could potentially enhance Pakistan's agricultural productivity.

Muhammad Alam et al (2014) explored that the Pakistan is mostly an agricultural nation with a large population living in rural areas, making the rural sector the primary source of both economic development and labor in the nation. The improvement of rural communities and the agriculture industry are dependent on the expansion of rural regions. We set out to find out in this study how microcredit affected the socioeconomic standing and level of living of farmers in the rural Gujranwala district. All farmers in the Gujranwala area who received loans for agricultural purposes from the Punjab Rural Support Program comprised the study's universe. The basic random sampling procedure was used to choose the sample of 185 respondents from the intended demographic. To complete the study, a closed-ended structured questionnaire was created and distributed to farmers in order to gather data. The study employed both descriptive and inferential statistics to derive its findings. The study's descriptive analysis made it abundantly evident that microcredit had a beneficial impact on farmers' socioeconomic standing following loan receipt. Regarding this, the study found that microcredit had a beneficial impact on the respondents' living standards, eating habits, health, and children's schooling. The study's proposed hypothesis was tested, and the correlation between the variables was confirmed, using the chi square test. The data from the chi-square test show that the farmers' socioeconomic status and domestic standard of living both improved considerably after receiving microcredit.

When it comes to rural development and raising farmers' living standards, agricultural credit is a crucial component. Farmers may enhance their yields with the use of advanced irrigation systems, high-quality seeds, fertilizers, and equipment when they have access to enough and timely financing. Credit affects not only farmers' farm output but also their overall socioeconomic status. Some of these elements are financial security, standard of living, educational attainment, access to healthcare, and personal agency.

CONCLUSION

The study shows that access to agricultural credit in Purba Bardhaman plays a decisive but mixed role in shaping farmers' socio-economic conditions. When credit is available in a timely, affordable, and appropriate form it enables investment in inputs (seeds, fertiliser, irrigation), adoption of improved practices, and diversification into higher-value crops and allied activities. These productive



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26th May, 2024, Raipur, Chhattisgarh, India.

uses translate into higher yields, more stable farm incomes, and modest improvements in household consumption, education and asset accumulation for many borrowers. In short, credit functions as an important catalyst for productivity and short-term welfare improvements.

However, the benefits are uneven. Small and marginal farmers—who form the majority—face barriers in accessing formal credit (complex procedures, lack of collateral, distance to banks), pushing many into informal sources with higher costs. Where loans are used for consumption or repaying earlier debts rather than productive investment, the long-term socio-economic gains are limited and indebtedness can increase vulnerability. Seasonal mismatches between loan disbursement and cropping cycles, inadequate credit amounts, and poor financial literacy further weaken the potential impact of credit on sustained poverty reduction.

Taken together, the evidence suggests that agricultural credit in Purba Bardhaman matters, but its positive potential is realised only when supply is paired with appropriate design (crop- and season-sensitive loan products, reasonable interest rates), supportive services (extension, market linkages, insurance), and targeted inclusion measures for the smallest and most vulnerable farmers. Strengthening formal credit outreach while regulating and offering alternatives to exploitative informal lending will improve both equity and effectiveness.

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**National Conference on Latest Innovations in Engineering,
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26th May, 2024, Raipur, Chhattisgarh, India.

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