Exploring the Challenges Faced by Farmers in Repaying Agricultural Loans: A Case Study in Rural Maharashtra

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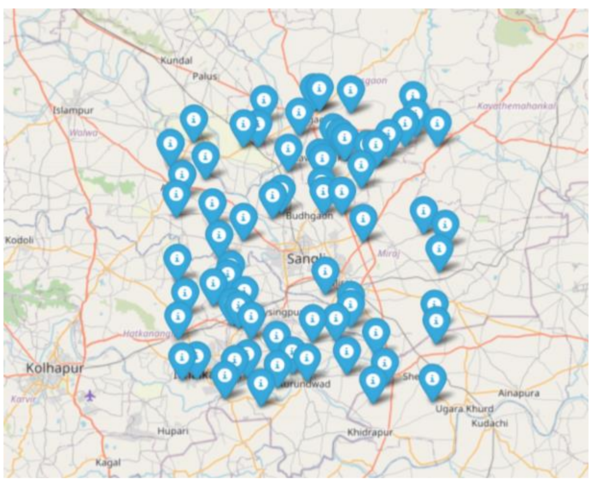
Region Covered: Sangli District, Kolhapur District, and surrounding villages
Date: May 2024

Abstract

This report presents insights from a field study conducted across over 100 farmers in the districts of Sangli, Kolhapur, and nearby villages focused on understanding the challenges farmers face in repaying agricultural loans. Conducted during my internship with the Sangli Zilla Madhyavarthi Bank, this project reveals how rising input costs, stagnant loan principal limits, and seasonal repayment challenges affect loan utilization and financial stability. The findings provide on-ground evidence for policy recommendations and banking reforms in agricultural finance.



Map graphic showing Sangli, Kolhapur, and surrounding villages with pin markers indicating survey farms

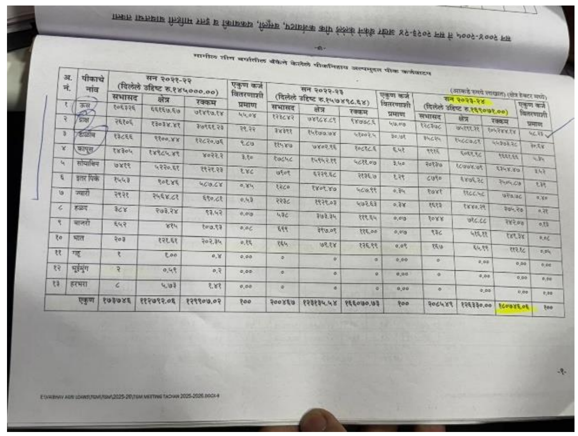
1. Introduction

Agricultural lending is the backbone of India's rural economy, especially in regions like Maharashtra where farming continues to be the primary livelihood. Yet, despite decades of targeted credit schemes, many farmers continue to struggle with repayment. This report aims to explore these struggles through direct conversations with farmers, captured via surveys and in-person interviews during my internship with a district cooperative bank.

2. Methodology

The study was conducted over a 4-week period across 15+ villages in Maharashtra. We used a structured Google Form along with semi-structured personal interviews to collect both quantitative and qualitative data.

- **Sample size**: 100 farmers
- **Age range**: Mostly 46–60 years
- **Occupation**: 100% engaged in crop cultivation; some were involved in dairy/poultry
- **Land ownership**: 94% owned land; average landholding = 2.8 acres
- **Data tools**: Surveys, bank records, field notes



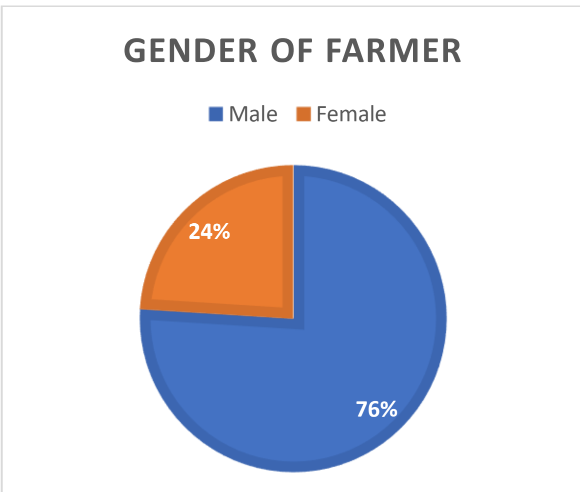
https://forms.gle/H8TynAvntqRdnbkY8

Images: Felicitation by a local credit society; printed data sheets; Farmer being interviewed; Google Form with link

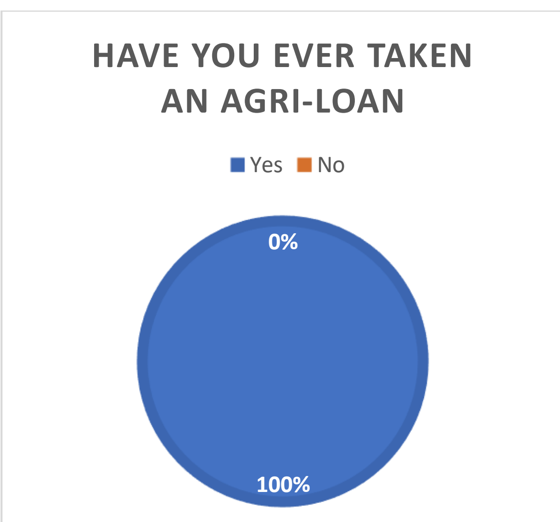
3. Findings

3.1 Demographics & Loan Behavior

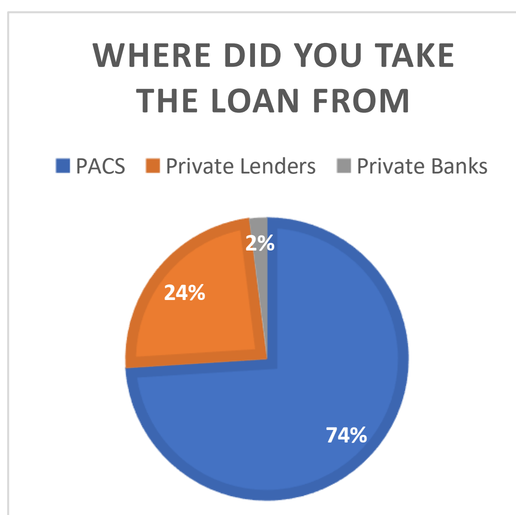
- Gender: over 76% male respondents
- Awareness: 100% were already aware of PACS (Primary Agriculture Credit Society) due to generational borrowing
- Source: All of them have taken loans from PACS at some point of time, cross-checked with their books.
- Repayment model preference: Over 74% favored PACS because of seasonal interest deduction, matching the payment cycles of crop sales and because they deduct interest directly from their bills when a crop sale is made.



Pie Chart: Gender distribution



Pie Chart: If they have taken a loan

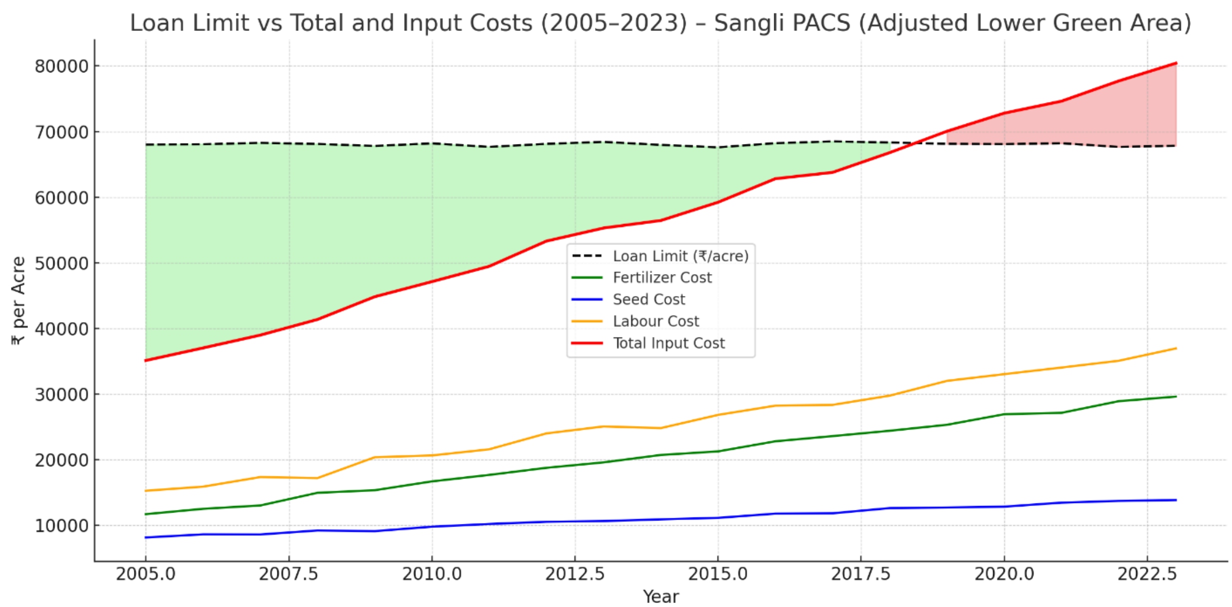


Pie Chart: Lender Type

3.2 Key Challenge: Stagnant Loan Limit

"The cost of fertilizer increases every year. Seeds are more expensive. But the loan amount per acre is the same 68,000 rupees since my father's time." – Pandorang Laxmanram Mane from Tasgaon

- 93% of farmers said the loan principal per acre hasn't changed in 15–20 years
- Meanwhile, fertilizer costs increased by over 3x, and labor charges have more than doubled
- This mismatch forces many to borrow informally from private moneylenders at 18–24% interest to cover gaps.



Comparative Line Graph: Loan limit vs. input costs (fertilizers, seeds, labor) over last 20 years. The red gap now has to be filled by borrowing from private lenders at interest rates as high as 24%. (Other, smaller costs are not separately mentioned)

3.3 Other Challenges

3.3.1 **Irregular Rainfall (Scarcity or Excess):** Inconsistent rainfall, either too little or too much, directly affects crop yield. Many farmers reported losses due to drought-like conditions or crop destruction from floods.

3.3.2 **Delays in Receiving Subsidies:** Government subsidies, especially for seeds, equipment, and fertilizers, often arrive months after they're needed, forcing farmers to take high-interest loans from informal sources.

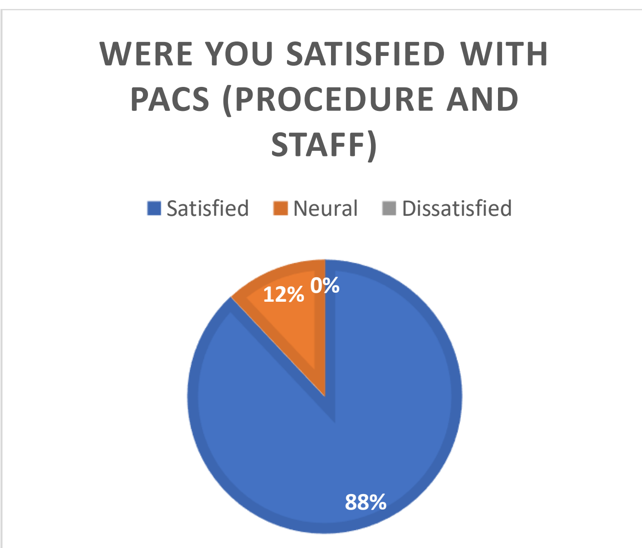
3.3.3 **Poor Irrigation Facilities:** Many farms still rely on traditional or rain-fed methods due to lack of modern systems. Farmers mentioned that there are no loans tailored specifically for drip or sprinkler systems.

3.3.4 **Market Price Fluctuations:** Farmers face extreme price volatility that directly impacts income stability. For instance, Satish Sardade, a grape farmer, sold his grape box of 4kg at ₹120 in 2022, was forced to accept just ₹40 in 2023, and in 2024, prices surged again to ₹160. This unpredictability makes financial planning nearly impossible.

3.3.5 **Hope of Loan Waiver Schemes by Government:** The farmers expect the government to possibly announce loan waivers near election times that lead some farmers to delay repayments in anticipation which results in overdue interest and worsened credit history.

3.4 Impact of Loans

- 72% reported increased income after loan utilization
- However, only 38% felt financially stable post-loan
- 88% were satisfied with the PACS process and staff



Pie Chart: Satisfaction rating

4. Analysis

The findings point to a structural blind spot in rural credit policy: loan disbursement amounts haven't kept pace with inflation or rising input costs. Conventional Banks continue to use outdated norms for deciding loan limits, assuming input prices are static. Farmers are left to fill the gap using high-interest informal credit, defeating the entire purpose of institutional loans.

The preference for PACS shows that when banks offer repayment models that align with the cyclical nature of agriculture, farmers are both satisfied and consistent in repayment.

5. Recommendations

Based on what farmers voiced repeatedly, here's what needs to change:

- Update loan principal amounts annually based on input inflation
- Flexible Repayment Linked to Rainfall Patterns
- Allow flexible top-ups mid-season
- Dedicated Irrigation Loan Schemes
- Crop Price Insurance or MSP Guarantee
- Discourage Political Loan Waiver Promises

6. Conclusion

This study underscores a fundamental disconnect between agricultural financing structures and the real-world economics of farming. Farmers are seeking alignment in loan amounts, disbursement timing, and repayment logic with the actual demands of their profession. Having grown up in a region where these issues are lived realities, this report represents a grounded attempt to elevate local voices into formal discourse. The findings here are not only relevant to Sangli or Maharashtra, but to rural credit systems across India.

End of Report