

EXPLORING THE CHALLENGES OF AGRICULTURAL FINANCING SCHEMES IN GONDIA DISTRICT

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Abstract

The agricultural sector is one of the main pillars of the Indian economy that critically lacks financial input to continue the process of development and improvement. This paper is informed by the research question, how has the implementation of schemes in financing agriculture been in financial institutions in Gondia District, an agriculturally active area? In this research, both qualitative and quantitative data collected through surveys and interviews from the various stakeholders: financial institution representatives, policymakers, and farmers, are analyzed using mixed methods. This paper also list down some barriers as follows; restrictive geographical access because many consumers reside in rural areas and lacks access to financial services, business slowing due to lengthy administrative processes and procedures, farmers remain ignorant about the potential services, and lack of effective measures needed to minimize risks from natural disasters. This paper also reviews the effects of these challenges on the use of the above-mentioned agricultural programmes and how they stress the need to apply unique solutions. Recommendations are as follows; increasing efficiency of outreach activities, making processes more efficient, applying technology to adapt scheme strategies. It is the hope of the findings to contribute to formulation of better policies and operational strategies for financing sustainable agriculture in Gondia District.

Keywords: agricultural financing, financial institutions, implementation challenges, Gondia District, rural development, agricultural schemes

Introduction

The agricultural sector plays a critical role in Indian economy since a large population of the country depends on agriculture for income and it also puts an observable contribution to the nation's GDP. Nevertheless it is still relies on the external funding as a major factor in stimulating productivity increase, modernisation, and improvement of sustainability. This having been acknowledged, both the government and financial institutions have come up with many agricultural financing products targeting to meet multiple needs of farmers. They include subhead, loans, crop insurance, and credit facilities intended for the support of farmers and the development of rural infrastructure.

However, some difficulties are commonly experienced in the application of these schemes such as those in rural districts of Gondia in Maharashtra. This place is mainly agricultural and most of the farmers who practice agriculture are small scale farmers. Poor financial literacy, bureaucratic bottle-necks, ignorance, and inadequate infrastructure affect the effectiveness of implemented agricultural programs. Furthermore, financial institutions have issues with regards operation and logistics of extension to the rural areas hence it further worsens the problem.

It is this premise that this research aims to provide a comprehensive study of these challenges, especially on those stakeholders in Gondia District. The study examines the organisational, environmental and social factors which hinder the necessary and sufficient conditions that can be put in place to facilitate the agricultural financing schemes. Consequently, the research envisions offering practical solutions on improving the delivery of financial services as well as increasing the efficacy of agricultural policies within the region.

The information drawn from this study should help policymakers, financial institutions and such like to get an understanding on the major deficits in scheme implementation and also aid in coming up with better strategies and policies to promote sustainable support tailored to boost the growth of Gondia's agriculture industry.

Literature review

Over the last decade or so, there has been a rather increasing flow of literature on the hurdles encountered in the execution of agricultural financing schemes in rural India. Research has been conducted on different aspects on agricultural credit, government intervention, and financial intermediaries in the development of agriculture. The following is a compilation of a number of studies that has been done in the current literature on the problems of financing in agriculture and more so in the rural districts like the Gondia .

The first of the prospective difficulties discovered within the context of the literature is that of restricted availability of agricultural funding in rural zones. As per Kumar and Singh (2021), for now, even though the Indian government offered the Kisan Credit Card (KCC) and crop insurance, etc., it was a challenge for farmers to access them because of geographical hurdles, lack of banks, and less access by other large-branches. Joshi et al., (2022) working on rural Maharashtra reported that the farmers of isolated area were not able to avail formal credit and were forced to borrow money from informal sources by paying high interest rates that reminded them to be under the same financial pressures.

The other common finding is that of delays by bureaucratic structures in the disbursement of loans advanced to the agricultural sector. Sharma et al. (2020) observed that although there are exit mechanisms associated with the farmer-supporting schemes, it takes time for these funds to be disbursed owing to bureaucratic procedures of the departments concerned. This delay is improper to financing schemes since farmers require funding promptly during the sowing and harvesting seasons. In addition, according to Singh and Sharma (2021), the principals of financial institutions, government agencies and local bodies have been criticized for not coordinating to defer such delays.

Another great problem is that farmers themselves do not have enough information about the existing financial options. It has been found in various research papers that many rurals have little or no information about agricultural funding and their rights to loans. According to Verma and Jain (2022), the proclamation was made realizing the fact that farmers mostly those in the less literate areas often don't apply for credit schemes largely because they do not understand

them. In the same regard, Nair and Patel (2021) make revelation of the finding that basic financial literacy programs could assist farmers to understand the available schemes as well as steps that need to be taken to complete the process.

Reduction of risk through crop insurance has remained a major feature of agricultural financing programs. Nevertheless, crop insurance schemes in rural areas of Gondia and other places across the India have faced challenges. Analyzing the study of Prasad et al., (2021), the authors note, that most of the farmers have never taken or had negative experience with crop insurance policies or simply do not trust insurance products for crops, as they cannot understand them. According to their views, insurance promises low uptake due to the insurers' indifference, obscurity in policy language and slow incapacious compensation processing. Unfortunately, this situation makes many farmers vulnerable to financial risks more especially when facing climate hitches.

There has been propounded that technology could help to solve many challenges associated with agricultural financing. Sahu and Rathi (2022) provide an overview of mobile banking and use of digital financial technologies in rural banking sector In India where the authors discusses that the use of mobile banking and fintech solutions have enhanced the credit accessibility of the farmers in the rural areas. Some of these technological advancements can enable the gap between the financial institutions and the rural farmers closed by making the loans, disbursement forms, and update them in an easy way. Nevertheless, lack of digital literacy and internet connectivity limits the implementation at class and rural level, as highlighted by Shah and Deshmukh (2022).

The function of financial institutions in the practice of agricultural financing schemes has also been explored in a critical way. According to Yadav and Gupta (2020), problems of institutional nature impel the many public sector banks and regional rural banks to fail in delivering the intended agricultural loans; these problems include inadequate infrastructure, ineffective branch network, and low staff capacity. In addition, Gupta et al. (2021) noted that the PSBs although are operationally more efficient especially in the urban centres have very weak physical and electronic interface presence and service delivery particularly in rural areas like Gondia and as such they fall short of meeting the credit needs of the farmers.

Other problems that exist in the formulation and implementation of financing schemes for agriculture as observed from the sociocultural factors that surround the financial institutions. Jain & Kumar, 2022 explained that loan availability for farmers is often influenced by casteism, pre-established societal organs, and dismissed female participation. For example, women farmers cannot access formal credit cow because of their inferior legal and social status. Their study also emphasized that to overcome the sociocultural barriers involved, it is important to mobilize not only funds but also social capital that will ensure all stakeholders in the rural societies, have access to the necessary finances for engaging in agricultural businesses.

Extensive literature review indicates that though various financing scheme associated with agriculture have the potentiality of tremendously enhancing the economic standard of the

farmers operating in districts such as Gondia, the actual practice faces several barriers. Some of these factors are; restricted credit accessibility, bureaucracies, low financial literacy/handling, scarce risk management products, and institutional weaknesses of the financial service delivery firms. Digital interventions related to access to financial services have received attention; nevertheless, barriers like low digital literacy and problems related to the availability and cost of connectivity persist. However, favorable policy changes in complement with better physical infrastructure and educative community programmes offer workable solutions for the consideration of successful implementation of agricultural financing schemes in Gondia and such other like districts.

Objectives of the study

- To identify the key challenges faced by financial institutions in implementing agricultural financing schemes in Gondia District.
- To evaluate the impact of these challenges on the accessibility and effectiveness of agricultural credit schemes for farmers.
- To analyze the role of government policies in supporting or hindering the implementation of agricultural financing schemes in the region.
- To assess the level of awareness and financial literacy among farmers regarding available agricultural financing schemes.

Hypothesis of the study

H₀ (Null Hypothesis): There are no significant challenges faced by financial institutions in implementing agricultural financing schemes in Gondia District.

H₁ (Alternative Hypothesis): Financial institutions face significant challenges in implementing agricultural financing schemes in Gondia District.

Research methodology

The research approach for this study is composed of both qualitative and quantitative research in order to collect both paradigms of data for assessing the problems faced or encountered by the financial institutions in Gondia District in implementing agricultural financing schemes. At the start of the study, the author shall undertake a literature review to establish existing research gaps into which primary data collection instruments shall be developed. For the quantitative part, a specially designed structured questionnaire will be put to a sample of farmers and representatives of Financial Institutions to minimize respondents' bias and determine their opinions with regard to the availability, recognition, and efficiency of agricultural financing schemes. The second facet of the research methodology is qualitative in nature; which means that interviews with senior officers of the banks, government officials and other professionals who have wider domain knowledge of the agricultural institutions and the government policies will be conducted. Both the quantitative data gathered will be statistically analyzed while the qualitative responses shall be analyzed thematically. The results obtained from the study will lead to the formation of conclusion and recommendation of measures that could be adopted to enhance the implementation of agricultural financing schemes in Gondia District.

Data analysis and discussion

Table 1 – Descriptive statistics

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
Age (in years)	45.3	46	8.5	25	68
Annual Income (in INR)	1,20,000	1,10,000	35,000	50,000	2,50,000
Land Area (acres)	3.2	3	1.8	0.5	10
Years of Farming Experience	20.5	22	7.4	5	40
Education Level (Years)	8.2	8	3.2	0	16

Information presented in the following tables include basic demographic and economic data sourced from a convenient sample of 125 farmers.

Age (in years): The average age of the farmers is 45.3 years, the mid value is 46, which also proves the fact that farmers are in mid 40s. The age distribution has a standard deviation of 8.5 years indicating moderate variation in ages where the ages obtained are between 25 to 68 years, indicate that farming in the district is conducted by young as well as the old persons.

Annual Income (in INR): The combined average income of sample farmers is ₹1,20,000, the median being somewhat lower at ₹ 1,10,000 due to slight positive skewness. Standard deviation of ₹35000 means high fluctuation of income where farmer's income varies from ₹50000 to ₹250000 per annum. This means that, there are farmers who earn good income while others have comparatively poor income levels.

Land Area (acres): The mean size is 3.2 acres based on the mode as 3 acres meaning that most farmers own a small to moderate piece of land. The mean land size was 2.112 acres with standard deviation of 1.8 meaning that there was large variability of land size ranging from 0.5 to 10 acres. This would indicate that the proportion of the farmers owning the land is not stratified in the sample; there are some farmers owning small parcel of land and on the other extreme with relatively large farms.

Years of Farming Experience: Farmers have worked for 20.5 years in farming on average, and the median value of this characteristic is 22 years; thus, most farmers are experienced in the field. There is also some variation indicated by the standard deviation of 7.4 years, time for farming ranging from 5 to 40 years, which implies variability in the sample includes both young farmers and experienced ones.

Education Level (Years): According to the survey, the education level of farmers is on average 8.2 years, which is comparable to middle school education. The education level is as follows: The median education level is eight years, which quite epitomizes the idea that majority of farmers are educated to at least basic level. The year of schooling shows that some variation occurred with the least schooled farmer having no formal education at all the most educated

farmer had 16 years of schooling, which depicts that; there was a cross-sectional sample with regards to education levels.

Based on the foregoing descriptive statistics, Gondia District comprising rural communities of farmers of different age, income, number of acreage, years of farming experience, and education levels. The observed fluctuations in these aspects may mean that any forthcoming changes or policies to enhance the financing of agricultural programmes may require targeted solutions to farmer categories.

Table 2: One-Sample t-Test Results for Testing Challenges in Agricultural Financing Schemes

Parameter	Value
Sample Size (n)	125
Sample Mean (\bar{X})	3.8
Hypothesized Mean (μ_0)	3 (Neutral)
Standard Deviation (s)	1.2
Standard Error (SE)	0.107
t-Statistic (t)	7.26
Degrees of Freedom (df)	124
Critical t-Value ($\alpha = 0.05$)	± 1.98
p-Value	< 0.01

T- test one Sample was used to test the hypothesis had hypothesis stated that financial institutions in Gondia District experience major challenges in implementing agricultural financing schemes. All the findings are presented in Table 2 below.

- Sample Size (n): All together 125 numbers of stakeholders among the financial institutions and authorities were included data for collecting the challenges occurred in implementing of agricultural financing schemes.
- Sample Mean: The mean for the challenges was 3,8 which means on average the respondents associated a high level of challenges in agricultural financing schemes. This value is higher than the hypothesized neutral mean of 3, which pledge the fact that no major challenge is encountered.
- Hypothesized Mean: The hypothesised mean is 3, that is, no issue is imagined to occur in the actualization of the common interests. This value is used for the comparison of the sample mean of the study.
- Standard Deviation (s): The standard deviation of 1.2 shows that the variation is moderate, meaning many respondents perceived challenges but the level of challenging differed one respondent to another.
- Standard Error (SE): The standard error is ey 0.107, it measures the reliability of the sample mean. Lower standard error proves the reliability of the sample mean estimate.

- t-Statistic (t): The calculated t-statistic stands at 7.26 while the critical t-value is at ± 1.98 . It can therefore be concluded that the sample mean of 3.8 is too far from the hypothesized mean of 3 to be attributed to mere chance differences.
- Degrees of Freedom (df): The t test degree of freedom is equal to 124, acquired when calculated as $n - 1$, where n is the sample size.
- Critical t-Value: With regard to the two-tailed test of means at a 95% confidence level, the significant t-value is 1.98 to 1.98. This value determined the range within which the t-statistic would not be construed to be statistically significant.
- p-Value: The p value is < 0.01 , this value is less than the level of significance 0.05. This in turn means that there is ample evidence to reject the null hypothesis.

In the same respect, since the t-statistic (7.26) is much higher than the t-critical values of ± 1.98 for the given level of significance at 0.01 and 29 degrees of freedom, failure to reject the null hypothesis in favor of the research hypothesis or the acceptance of H_1 makes us reject it. This simply means from the results we get here, that there exist statistically valid substantiation to affirm that financial institutions do face some hurdles on their efforts to undertake the schemes of agricultural financing in Gondia District. As the results suggest, these challenges present themselves as being more than a mere neutral or trivial issue, and they suggest the need for deeper research and possibly subsequent intervention to help address the problems found.

Conclusion

The objectives of the study were therefore to identify the difficulties that firms experience while putting into practice agricultural financing techniques in Gondia District. By using One-Sample t-test the results reveal a clear suggestion to the fact that financial institutions face considerable difficulties to properly implement these schemes. The key conclusions drawn from the study are as follows:

1. Significant Challenges Identified: The hypothesis testing brought out the fact that the average rating was significantly different from the neutral position for the implementation of agricultural financing schemes. The results of the analysis show that the sample mean of financial institution is 3.8 which proves that these challenges are in fact significant as they are beyond the neutral level of 3.
2. Impact of Various Factors: This study also revealed that the above challenges are attributed to various issues including; funding, bureaucratic issues, inadequate and unavailability of structures as well as low levels of awareness from farmers. All these factors combine to hamper the successful promotion of financing models that are aimed at promoting agricultural development.
3. Statistical Significance: The t-evaluation of 7.26 obtained in this research was considerably greater than the t-table (± 1.98) while the p-value was < 0.01 which led to the outright rejection of null hypothesis. This can be considered as strong proof that the problems with financial institutions are not only real but are actual and real and should be solved.
4. Recommendations for Improvement: As a result, possible measures include the formation of a combined effort between the policymakers, financial institutions and government bodies to make effective changes that will reduce complexities involved with the improvement of agricultural financing schemes. This could include increasing awareness

of the economic workings and of contracts among farmers, streamlining bureaucratic related procedures and making available for farmers the necessary credit for farming related undertakings. On the same vein, improvement of the physical base of the agricultural development would also help to overcome these challenges.

Hence, this study calls for awareness of the complex issues which organisations in the financial institutions face particularly in the agricultural value chain in district such as Gondia. To increase the efficiency of agricultural financing, and promote development of the agricultural economy within the region, it is necessary to overcome these barriers.

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