

# The Effectiveness of Cooperative Banks in Meeting the Agricultural Credit Needs of Farmers: A Study of Amravati Region

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## Abstract

Agriculture plays a vital role in the Indian economy by providing employment and sustaining rural livelihoods. Access to timely and adequate agricultural credit is essential for enhancing farm productivity and ensuring income stability for farmers. Cooperative banks were established with the objective of providing affordable and accessible credit to farmers, especially small and marginal farmers, and reducing dependence on informal moneylenders. The present study examines the effectiveness of cooperative banks in meeting the agricultural credit needs of farmers in the Amravati region of Maharashtra. The study is based on both primary and secondary data. Primary data were collected from farmers using structured questionnaires, while secondary data were obtained from reports, journals, and publications of NABARD and RBI. Statistical tools such as percentage analysis and hypothesis testing were used for data analysis. The study evaluates key factors such as accessibility, adequacy, timeliness of credit, and farmers' satisfaction with cooperative banking services. The findings indicate that cooperative banks play a significant role in agricultural credit delivery; however, issues such as procedural delays, inadequate loan amounts, and limited awareness still affect their overall effectiveness. The study concludes that cooperative banks are effective to a considerable extent but require operational improvements to better serve farmers in the Amravati region.

## Keywords

Cooperative Banks, Agricultural Credit, Farmers, Rural Development, Amravati Region

## 1. Introduction

Agriculture has historically been the backbone of the Indian economy, contributing significantly to employment generation and rural development. A large proportion of the Indian population depends directly or

indirectly on agriculture for their livelihood. The Amravati region of Maharashtra is predominantly agrarian, with farmers cultivating crops such as cotton, soybean, pulses, cereals, and oranges. Agricultural production in this region is influenced not only by natural factors like rainfall, soil fertility, and climate but also by the availability of financial resources.

Agricultural credit plays a crucial role in enabling farmers to purchase seeds, fertilizers, pesticides, farm machinery, irrigation equipment, and to meet labor expenses. In the absence of institutional credit, farmers traditionally depended on informal moneylenders who charged exorbitant interest rates, often trapping farmers in cycles of debt. To address this issue, cooperative banks were established to provide affordable, timely, and farmer-friendly financial services.

Cooperative banks operate with the objective of socio-economic development rather than profit maximization. Being community-based institutions, they are better positioned to understand the financial needs of farmers. In the Amravati region, cooperative banks serve as primary sources of agricultural credit. This study aims to examine the effectiveness of cooperative banks in meeting the agricultural credit needs of farmers in the Amravati region.

## 2. Review of Literature

A review of literature is an essential component of any research study, as it provides an understanding of previous research work conducted in the same or related areas. In the context of agricultural finance, several national and international studies have examined the role of cooperative banks in providing credit to farmers and promoting financial inclusion. These studies offer valuable insights into the structure, functioning, and performance of cooperative banking institutions, as well as the challenges faced in agricultural credit delivery.

## National Studies

Several Indian studies have highlighted that cooperative banks play a crucial role in supplying institutional credit to the agricultural sector, particularly for small and marginal farmers. Researchers have emphasized that cooperative banks, through Primary Agricultural Credit Societies (PACS) and District Central Cooperative Banks (DCCBs), provide accessible credit at relatively lower interest rates compared to commercial banks. Studies by Meshram and Mathew (2018) found that cooperative banks help reduce rural credit market imperfections by ensuring timely availability of funds for agricultural operations. Similarly, Saravanan (2016) noted that institutional credit through cooperative banks significantly supports farm investment and productivity.

Other studies have focused on financial inclusion and concluded that cooperative banks have been instrumental in extending banking services to rural and economically weaker sections. Tiwari and Agnihotri (2023) observed that cooperative banks have improved financial inclusion in India by catering to farmers who are often excluded from commercial banking systems. However, these studies also pointed out operational challenges such as inadequate capital, poor recovery performance, and administrative inefficiencies that limit their effectiveness.

## International Studies

International research on cooperative and rural banks indicates that cooperative financial institutions contribute significantly to agricultural development and rural livelihoods in developing economies. Studies conducted in countries such as Bangladesh, Kenya, and Vietnam reveal that cooperative and community-based banks enhance farmers' access to credit, reduce dependency on informal lenders, and promote sustainable agricultural practices. Zaman et al. (2022) highlighted that the technical efficiency of rural cooperative banks varies widely due to governance quality, staff training, and technological adoption.

International literature also emphasizes that timely loan disbursement, transparency, and farmer trust are key determinants of successful agricultural credit systems. Delays in loan sanctioning and weak institutional governance have been identified as major constraints affecting farmers' willingness to rely on cooperative banks.

## Operational and Governance Issues

A common theme across both national and international studies is the presence of operational inefficiencies in cooperative banking systems. Several researchers have identified issues such as delayed loan processing, complex documentation requirements, lack of skilled manpower, and limited use of digital technology. Chandel and Gill (2022) highlighted that governance challenges, political interference, and weak internal controls adversely affect the performance of cooperative banks. Poor coordination between PACS, DCCBs, and State Cooperative Banks has also been cited as a significant barrier to efficient credit delivery.

## Gaps in Existing Literature

Although extensive research exists on cooperative banks and agricultural credit, most studies have been conducted at the national or state level. These macro-level analyses often fail to capture district-specific variations in agricultural practices, farmer needs, and institutional performance. Moreover, limited attention has been given to farmers' perceptions, satisfaction levels, and actual experiences with cooperative banks. Few studies have examined how factors such as loan adequacy, accessibility, timeliness, and service quality influence farmers' reliance on cooperative banks at the local level.

## Relevance of the Present Study

In view of the above gaps, the present study focuses on the Amravati region to provide a district-level analysis of the effectiveness of cooperative banks in meeting agricultural credit needs. By emphasizing farmers' perceptions and experiences, this study adds value to existing literature and provides practical insights for policymakers, cooperative bank management, and researchers. The findings are expected to contribute to improved credit delivery mechanisms, enhanced financial inclusion, and sustainable agricultural development in the region.

## 3. Statement of the Problem

Cooperative banks were established with the primary objective of providing affordable, timely, and accessible agricultural credit to farmers, particularly small and marginal farmers, and reducing their dependence on informal sources of finance. In regions like Amravati, where agriculture forms the backbone of the rural economy, cooperative banks are expected to play a crucial role in supporting farming activities by meeting

farmers' financial requirements for seeds, fertilizers, pesticides, farm machinery, irrigation, and labor costs.

Despite the widespread presence of cooperative banks in the Amravati region, many farmers continue to experience significant difficulties in obtaining adequate and timely agricultural credit. One of the major challenges faced by farmers is the delay in loan sanctioning and disbursement, which often disrupts critical agricultural operations such as sowing and input procurement. Additionally, the loan amounts sanctioned by cooperative banks are frequently insufficient to meet the actual cost of cultivation, forcing farmers to seek supplementary credit from other sources.

Another important issue is the complexity of documentation and procedural requirements involved in availing agricultural loans. Small and marginal farmers, who often have limited literacy and inadequate documentation, find it difficult to comply with these formal requirements. Furthermore, lack of awareness regarding various loan schemes, interest subvention programs, and government-supported agricultural credit initiatives limits farmers' ability to fully utilize cooperative banking services.

As a result of these constraints, many farmers in the Amravati region continue to depend on informal credit sources such as moneylenders, private lenders, and traders, who charge exorbitant interest rates and impose unfavorable repayment conditions. This reliance on informal credit often leads to increased indebtedness, financial stress, and vulnerability among farmers.

In this context, it becomes essential to critically examine the role and effectiveness of cooperative banks in meeting the agricultural credit needs of farmers in the Amravati region. The present study seeks to evaluate whether cooperative banks are fulfilling their intended objectives by analyzing factors such as accessibility, adequacy, timeliness of credit, and farmers' satisfaction, and by identifying the challenges that hinder effective credit delivery.

#### 4. Objectives of the Study

1. To study the role of cooperative banks in providing agricultural credit to farmers in the Amravati region.
2. To evaluate the effectiveness of cooperative banks in meeting agricultural credit needs.

3. To analyze farmers' satisfaction with cooperative banking services.

4. To identify the problems faced by farmers while availing agricultural credit.

5. To suggest measures for improving the efficiency of cooperative banks.

#### 5. Research Methodology

The present study adopts a descriptive and analytical research design to examine the effectiveness of cooperative banks in meeting the agricultural credit needs of farmers in the Amravati region. The descriptive approach is used to describe the existing structure, functioning, and services of cooperative banks, as well as the socio-economic profile of the farmers. The analytical approach is employed to analyze the relationship between agricultural credit provided by cooperative banks and the satisfaction level, accessibility, adequacy, and timeliness of credit received by farmers.

##### Sources of Data

The study is based on both primary and secondary data to ensure comprehensive and reliable analysis.

##### Primary Data

Primary data were collected directly from farmers in the Amravati region through structured questionnaires. The questionnaire was designed to gather detailed information regarding farmers' awareness of cooperative bank loan schemes, accessibility of credit, adequacy of loan amounts, timeliness of loan disbursement, repayment conditions, and overall satisfaction with cooperative banking services. The questionnaire included both closed-ended and Likert-scale questions to facilitate quantitative analysis and ensure consistency in responses.

##### Secondary Data

Secondary data were collected from various published and unpublished sources, including books, academic journals, research articles, reports of the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD), government publications, and authentic websites. These sources provided background information on cooperative banking, agricultural credit policies, and previous research findings, which helped in framing the research problem and interpreting the results.

### Sample Size and Sampling Method

The study covered a sample size of 100 farmers from the Amravati region who had availed agricultural credit from cooperative banks. A purposive sampling technique was used to identify farmers who were directly associated with cooperative banks and had experience in availing agricultural loans. Further, stratified random sampling was applied to ensure representation of different categories of farmers, such as small, marginal, and medium farmers. This combination of sampling methods helped in reducing bias and improving the reliability of the findings.

### Tools and Techniques for Data Analysis

The collected data were analyzed using appropriate statistical tools and techniques. Percentage analysis was used to study demographic characteristics of respondents and general trends related to credit utilization. Charts and graphical representations were used to present data in a clear and understandable manner. Hypothesis testing was conducted to examine whether cooperative banks were effective in meeting the agricultural credit needs of farmers. These analytical tools enabled meaningful interpretation of data and supported valid conclusions.

## 6. Data Analysis and Interpretation (Hypothesis Testing)

The collected data were analyzed using statistical tools to assess the effectiveness of cooperative banks.

### Hypotheses:

- $H_0$ : Cooperative banks are not effective in meeting the agricultural credit needs of farmers.
- $H_1$ : Cooperative banks are effective in meeting the agricultural credit needs of farmers.

The analysis showed that cooperative banks significantly contribute to agricultural credit delivery, leading to the acceptance of the alternative hypothesis.

## 7. Findings and Discussion

The analysis of primary and secondary data reveals several important findings regarding the role and effectiveness of cooperative banks in meeting the agricultural credit needs of farmers in the Amravati region. The findings are discussed in relation to

accessibility of credit, adequacy of loan amounts, timeliness of loan disbursement, procedural aspects, and overall satisfaction of farmers.

### Primary Source of Agricultural Credit

The study found that cooperative banks are the primary and most preferred source of agricultural credit for a majority of farmers in the Amravati region. Farmers largely rely on cooperative banks due to their extensive rural presence, long-standing relationship with the farming community, and cooperative structure, which creates a sense of trust and familiarity. This finding supports earlier studies which suggest that cooperative banks play a significant role in strengthening rural credit systems.

### Interest Rates and Affordability

One of the major reasons for farmers' preference towards cooperative banks is the comparatively lower interest rates on agricultural loans. Many respondents indicated that interest subvention schemes and flexible repayment schedules offered by cooperative banks reduce their financial burden. Affordable credit helps farmers invest in agricultural inputs such as seeds, fertilizers, and farm equipment, thereby supporting productivity and income generation.

### Loan Processing and Timeliness

Despite their importance, the study revealed that delays in loan processing and disbursement remain a major concern among farmers. Timely availability of credit is crucial, especially during sowing and harvesting seasons. Delayed sanctioning often compels farmers to seek temporary credit from informal sources, which defeats the purpose of institutional agricultural finance. These findings highlight the need for faster loan approval mechanisms within cooperative banks.

### Adequacy of Loan Amounts

The study also found that the loan amounts sanctioned by cooperative banks are often inadequate when compared to the actual cost of cultivation. Rising input costs, mechanization requirements, and climatic uncertainties have increased farmers' financial needs. Insufficient loan amounts force farmers to rely on moneylenders or private lenders to meet remaining expenses, leading to increased indebtedness.



## Procedural and Documentation Challenges

Another significant finding relates to procedural complexities and documentation requirements. Many farmers, especially small and marginal farmers, face difficulties in completing formal documentation due to limited education, lack of proper land records, or unfamiliarity with banking procedures. Lengthy paperwork and repeated visits to banks discourage farmers from fully utilizing cooperative credit facilities.

## Overall Satisfaction of Farmers

While farmers appreciate the role of cooperative banks in providing affordable credit, the overall satisfaction level is moderate rather than high. Satisfaction is influenced by factors such as service quality, staff behavior, speed of loan processing, and clarity of information regarding loan schemes. Improving these aspects can significantly enhance farmers' confidence and trust in cooperative banks.

## Discussion in Context of Existing Studies

The findings of the present study are consistent with previous national and international research, which acknowledges the importance of cooperative banks in agricultural finance while also identifying operational inefficiencies as a major challenge. However, the present study adds value by providing a district-level perspective and highlighting farmers' direct experiences in the Amravati region.

## 9. Suggestions / Recommendations

Based on the findings of the study, several measures are suggested to improve the effectiveness of cooperative banks in meeting the agricultural credit needs of farmers in the Amravati region.

### Simplification of Loan Procedures

Cooperative banks should simplify loan application and approval procedures to make them more farmer-friendly. Excessive documentation and lengthy formalities create barriers, particularly for small and marginal farmers. Introducing simplified forms, reducing paperwork, and providing assistance at the bank level can help farmers access credit more easily.

### Faster Loan Disbursement

Timely availability of agricultural credit is crucial, especially during sowing and harvesting seasons. Cooperative banks should adopt efficient processing systems and make greater use of technology to ensure faster loan sanctioning and disbursement. Delays in loan disbursement should be minimized to prevent farmers from depending on informal sources of credit.

### Increased Loan Limits Based on Farmers' Needs

Loan amounts sanctioned should be based on the actual cost of cultivation and the specific requirements of different crops. Rising input costs and mechanization needs require higher credit support. Cooperative banks should periodically revise loan limits to ensure adequacy and reduce farmers' dependence on non-institutional lenders.

### Awareness Programs for Farmers

Many farmers are unaware of various agricultural loan schemes, interest subsidy programs, and government initiatives available through cooperative banks. Regular awareness programs, financial literacy camps, and extension activities should be conducted to educate farmers about available credit facilities and repayment options.

### Strengthening PACS and DCCBs

Primary Agricultural Credit Societies (PACS) and District Central Cooperative Banks (DCCBs) form the backbone of the cooperative credit structure. Strengthening these institutions through better governance, staff training, improved infrastructure, and digitalization will enhance their efficiency and outreach. Strong coordination between PACS, DCCBs, and State Cooperative Banks is essential for effective credit delivery.

## 10. Limitations of the Study

Despite sincere efforts, the study has certain limitations which should be considered while interpreting the results.

- The study is **confined only to the Amravati region**, and therefore the findings may not be generalized to other regions or states.
- The **sample size is limited to 100 farmers**, which may not fully represent the entire farming population of the region.

- The study is conducted within a **limited time period**, restricting deeper analysis and long-term assessment of agricultural credit patterns.
- There is a **possibility of respondent bias**, as the study is based on primary data collected through questionnaires, and responses may be influenced by personal opinions or experiences of farmers.

## 11. Scope for Future Research

The present study provides a foundation for further research in the area of agricultural credit and cooperative banking. Future studies may:

- Cover larger geographical areas such as multiple districts or states to enhance generalizability.
- Conduct comparative studies between cooperative banks, commercial banks, and regional rural banks in agricultural credit delivery.
- Analyze the impact of digital banking, fintech solutions, and online loan processing on agricultural credit accessibility.
- Examine the long-term impact of cooperative bank credit on farmers' income, productivity, and financial stability.