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Rahul Sahu
M.Sc. Scholar, Department of Agricultural Economics, College of Agriculture, Indira Gandhi Krishi Vishwavidyalaya, Raipur, Chhattisgarh, India

Sushila
Assistant Professor, Department of Agricultural Economics, College of Agriculture and Research Station, Marra, Indira Gandhi Krishi Vishwavidyalaya, Raipur, Chhattisgarh, India.

Dikeshwar Nishad
Assistant Professor, Department of Agricultural Statistics, Pt. SKS College of Agriculture and Research Station, Surgi, Indira Gandhi Krishi Vishwavidyalaya, Raipur, Chhattisgarh, India.

Sanat Kumar Sahu
Ph.D. Scholar, Department of Agricultural Economics, College of Agriculture, Indira Gandhi Krishi Vishwavidyalaya, Raipur, Chhattisgarh, India.

Avan Das Sahu
Ph.D. Scholar, Department of Agricultural Economics, College of Agriculture, Indira Gandhi Krishi Vishwavidyalaya, Raipur, Chhattisgarh, India.

Corresponding Author:
Rahul Sahu
M.Sc. Scholar, Department of Agricultural Economics, College of Agriculture, Indira Gandhi Krishi Vishwavidyalaya, Raipur, Chhattisgarh, India

Role and performance of institutional sources of credit in agriculture: A study in Chhattisgarh

Rahul Sahu, Sushila, Dikeshwar Nishad, Sanat Kumar Sahu and Avan Das Sahu

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Abstract
The present research, titled "Role and Performance of Institutional Sources of Credit in Agriculture: A Study in Chhattisgarh" focuses on assessing the effectiveness of commercial banks, cooperative banks and regional rural banks (RRBs) in delivering agricultural credit. The objective is to evaluate their individual contributions, challenges, and potential for improvement, with the aim of strengthening credit delivery systems, promoting rural financial inclusion and supporting sustainable agricultural development.
The findings highlight the significant role institutional credit plays in Chhattisgarh's agricultural landscape, emphasizing its importance in meeting farmers' financial needs. Despite notable contributions from commercial banks, cooperative banks, and RRBs, there is still a pressing need to improve credit access and affordability, particularly for small and marginal farmers. Enhancing the capacity of cooperative societies, extending the reach of RRBs and integrating semi-institutional and informal credit sources into the formal system could further reinforce the state's agricultural credit infrastructure.
From 2021 to 2024, Institutional lenders in Chhattisgarh showed varying levels of performance in agricultural credit distribution. Cooperative banks consistently exceeded their targets, achieving over 120% in 2024. Commercial banks showed improvement, with disbursement levels rising from 51.31% in 2023 to 69.35% in 2024. RRBs also demonstrated progress, increasing their performance from 25.17% in 2021 to 49.17% by 2024.

Keywords: Agricultural credit, Sources and shares, Performance, Recovery percentages

Introduction
Agriculture forms the foundation of Chhattisgarh's economy, employing a large share of the population and making a significant contribution to the state's Gross State Domestic Product (GSDP). The sector, however, relies heavily on timely and sufficient credit to finance essential inputs like seeds, fertilizers, equipment, and irrigation.
Institutional sources of credit including Commercial Banks, Regional Rural Banks (RRBs), and Cooperative Banks are essential in providing farmers, particularly small and marginal ones, with access to formal, reliable, and affordable financial services. Agricultural credit is therefore a vital tool in addressing both short-term operational needs and long-term investments in production, infrastructure, and allied agricultural activities.
The effectiveness of these financial institutions in delivering agricultural credit has a direct impact on agricultural productivity, rural economic development, and the reduction of poverty. This thesis focuses on assessing the performance of Commercial Banks, Cooperative Banks, and RRBs in extending agricultural credit. By analyzing their individual roles, challenges, and prospects, the study aims to generate insights that can improve credit delivery systems, strengthen rural financial inclusion, and promote sustainable agricultural progress.

S.N.	Nationalized Banks (Public Sector Banks)	Non-Nationalized Banks (Private Sector and Others)
1	Bank of Baroda	HDFC Bank
2	Bank of India	ICICI Bank
3	Bank of Maharashtra	Axis Bank
4	Canara Bank	Kotak Mahindra Bank
5	Central Bank of India	IndusInd Bank
6	Indian Bank	Yes Bank
7	Indian Overseas Bank	IDFC FIRST Bank
8	Punjab National Bank	South Indian Bank
9	Punjab & Sind Bank	Federal Bank
10	UCO Bank	RBL Bank
11	Union Bank of India	Bandhan Bank
12	State Bank of India *(Govt-owned, not nationalized)*	DCB Bank

Materials and Methods

This research is grounded on the secondary data gathered from many sources such as Report on Trend and Progress of Banking in India (various issues), Publication of Reserve Bank of India Bulletin(various issues), Financial Reports of different banks, and other publications of the Government of India in relevance of this study and Department of Agriculture, state level bankers committee, Directorate of Economics and Statistics, Government of Chhattisgarh, national bank for agricultural and rural development (NABARD) and through other sources.

Major sources of agriculture credit in Chhattisgarh were worked on the basis of amount of loan disbursement in agriculture and number of farmers getting benefited by the concerned Bank tabulation method was used to find out the share of credit provided by the various banks.

To work of the performance of major sources of agriculture credit, bank wise target and achievement data is calculated for number of the years. Collected data is compiled and preferred to find out the objectives.

To find out recovery percentage, year wise recovery amount by major listed institutions is collected by deduction non-performing assets amount to advance amount, and recovery percentage is calculated by using formula.

Recovery % = Total advance amount–Total NPA amount / Total Advance amount x100

Results and Discussion

Table 1: Major sources of agricultural credit and to work out it's share in total agricultural credit in Chhattisgarh

Category	Sources of Agricultural Credit
Institutional Sources	1. Commercial Banks
	2. Cooperative Banks
	3. Regional Rural Banks (RRBs)
Non-Institutional Sources	1. Private Moneylenders
	2. Commission Agents and Traders
	3. Landowners
	4. Family Members and Friends
	5. Agricultural Input Suppliers and Local Shopkeepers
Other Sources	1. Private Lending Companies
	2. Self-Help Groups (SHGs) connected to banks
	3. Microfinance Organizations (MFIs)
	4. Government Initiatives (such as the Kisan Credit Card scheme or PM-KISAN)
	5. Self-Financing through personal savings or asset sales

Share of institutional credit in Chhattisgarh.

The Annual Credit Plan (ACP) is a yearly loan disbursement target assigned to banks, focusing primarily on priority sectors such as agriculture, micro, small and medium enterprises (MSMEs), education, and housing. Its main goal is to ensure sufficient and timely credit flow to promote regional development. The implementation of ACP is overseen by the Reserve Bank of India (RBI), NABARD, and local monitoring committees.

Year	Name of Banks	Farm credit			
		Crop loan		Term loan	
		A/c(in number)	Amt.(crore)	A/c(in number)	Amt.(crore)
2022-23	Commercial Banks	589110 (38.02)	5956.29 (41.08)	152803	2580.93 (66.72)
	Cooperative Bank	735494 (47.47)	6514.65 (44.93)	41401	650.93 (16.82)
	RRBs	221740 (14.31)	1986.93 (13.70)	33646	600.72 (15.53)
	Other Banks	3029 (0.19)	38.14 (0.26)	1410	35.28 (0.91)
	Total	1549373	14496.01	229260	3867.86
2023-24	Commercial Banks	832287 (42.87)	12815.89 (58.42)	208540	5157.96 (75.69)
	Co-operative Bank	790627 (40.72)	6335.0 2(28.87)	22223	460.98 (6.76)
	RRBs	312545 (16.09)	2723.97 (12.41)	35972	713.88 (10.47)
	Other Banks	5957 (0.30)	60.95 (0.27)	35996	481.58 (7.06)
	Total	1941416	21935.83	302731	6814.40

Source: State level bankers committee (SLBC)

The table presents a year-wise comparison of farm credit performance by various banking institutions in Chhattisgarh, divided into Crop Loans and Term Loans for the financial years 2022–23 and 2023–24, using data from the State Level Bankers'.

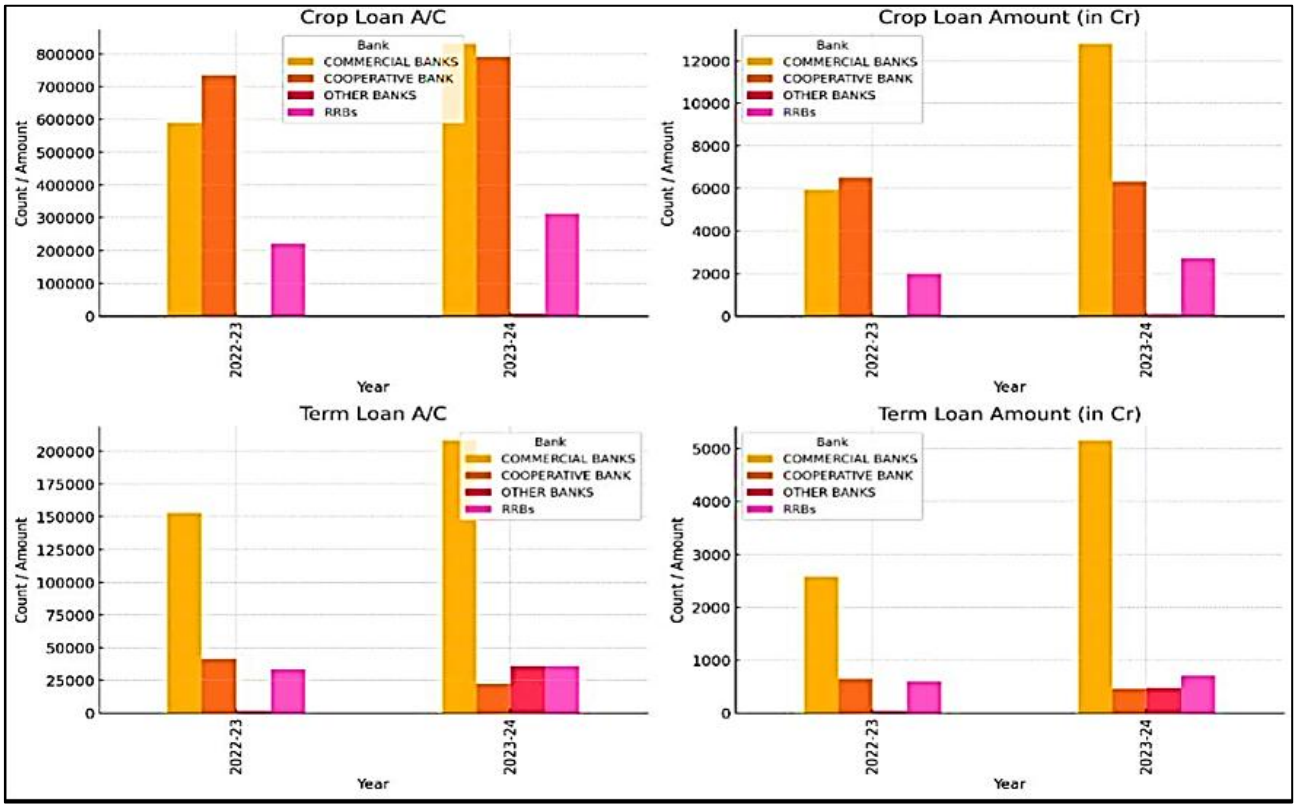

Fig 1 : Credit plan by Institutional sources of credit (2022-2024) Committee (SLBC

Recovery performance of major institutional sources of agriculture credit in Chhattisgarh.

Recovery performance of banks refers to how effectively a bank is able to recover non-performing assets (NPAs) loans and advances that have stopped generating income for the bank due to default by borrowers. It is a key metric used to assess a bank's asset quality, financial health, and credit risk management capabilities.

Table 2: Recovery percentage of major institutional sources of credit

Year	Banks	Advanced amount	NPA amount	Recovery percentage
2021	Commercial banks	7396.25	886.97	88.0078
	Cooperative banks	5114.97	181.17	96.45
	RRBs	789.04	32.15	95.92
	Other banks	348.90	17.05	95.11
2022	Commercial banks	7396.25	1065.34	85.58
	Cooperative banks	5114.97	157.60	96.91
	RRBs	789.04	55.68	92.94
	Other banks	348.90	43.14	84.04
2023	Commercial banks	11997.5	1140.90	97.85
	Cooperative banks	8063.89	168.10	97.91
	RRBs	1157.44	39.66	96.57
	Other banks	592.26	44.63	92.4
2024	Commercial banks	16215.00	1093.55	93.25
	Cooperative banks	8805.23	159.60	98.19
	RRBs	1879.26	59.52	96.83
	Other banks	829.82	60.49	92.7

Source: State level bankers committee (SLBC)

Commercial banks experienced a noticeable drop in recovery rates in 2022, falling from 88.01 percent to 85.58 percent, likely due to economic disruptions caused by the pandemic. However, they bounced back strongly in 2023 with a recovery rate of 97.85 percent, possibly aided by policy measures or NPA restructuring. A slight decline in 2024 suggests some instability, indicating the need for ongoing efforts to sustain recovery.

Cooperative banks consistently recorded the highest recovery rates, improving each year and reaching 98.19 percent in 2024. This upward trend likely reflects strong community connections, effective local recovery efforts, and robust credit appraisal processes, underscoring their efficiency in maintaining asset quality. Regional Rural Banks (RRBs) also maintained relatively high recovery rates, though just below cooperative banks. The slight dip in 2022 may have been due to economic challenges, but the

recovery afterward demonstrates resilience in rural lending and possibly improved support systems for farmers and rural borrowers

The "Other banks" category saw the largest fluctuations, with a sharp decline to 84.04 percent recovery in 2022. Although recovery improved gradually afterward, it did not return to the 2021 levels by 2024. This suggests possible structural challenges, inconsistent credit quality, or less efficient recovery mechanisms within this group

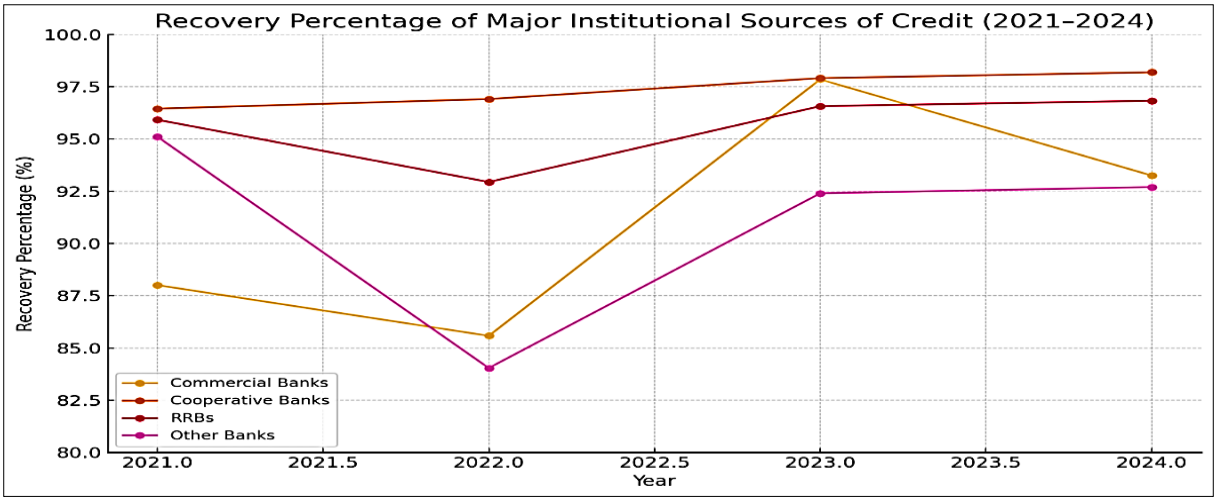

Fig 2: Recovery percentage

Conclusion

Institutional lenders overwhelmingly finance agriculture in Chhattisgarh, with commercial banks increasingly taking the lead in both crop and term loan disbursements. While cooperatives and regional rural banks remain in the mix, their share especially in money lent is slipping. Nevertheless, informal channels and government-driven credit schemes continue to support farmers who struggle to access formal credit, underscoring the need for policies that bridge gaps in outreach, equity, and inclusion.

Overall, the institutional lenders in Chhattisgarh exhibit strong recovery performance, with cooperative banks consistently achieving the highest recovery rates, closely followed by RRBs. Commercial banks show greater volatility: a dip in 2022 (probable external stress) was followed by a marked rebound in 2023, before a moderate slip in 2024. The "other banks" category witnessed wide fluctuations and has not regained its earlier performance levels by 2024, indicating weaker or inconsistent recovery practices.

These patterns suggest that local and smaller institutions (cooperatives, RRBs) may have advantages in enforcement, social proximity or borrower relationships that help sustain high recovery. In contrast, larger commercial banks, despite greater resources, face greater systemic exposure and volatility, requiring continuous strengthening of credit appraisal, monitoring, and enforcement frameworks.

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