



# Impact of NABARD's Interest Subsidy Schemes on Farmer's Debt Burden in Sagar Division

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## ABSTRACT

This research investigates the impact of NABARD's interest subsidy schemes on the debt burden of farmers in Sagar Division. It aims to understand the utilization of these schemes, focusing on loan types and their financial implications. Through a mixed-methods approach, data will be collected from 20 farmers using structured interview schedules to gauge their experiences with NABARD's schemes and their debt status. The study will assess the effectiveness of the subsidies in alleviating debt burdens, analyzing savings on interest payments and their influence on repayment capabilities. Furthermore, it will explore the qualitative impact of reduced debt on farmers' well-being, considering potential enhancements in financial security and resource allocation for farm improvements or family needs. Findings from this research are expected to contribute to a better understanding of the role of interest subsidy programs in enhancing farmers' financial resilience and fostering economic growth at the community level in Sagar Division.

**Keywords:** NABARD, Interest Subsidy Schemes, Debt Burden, Financial Impact.

## INTRODUCTION

In the agrarian heartland of Madhya Pradesh, where the rhythm of life is set by the cycle of sowing and harvesting, the welfare of farmers stands as a paramount concern. With over 70% of the state's population engaged in agriculture, initiatives aimed at bolstering the agricultural sector resonate deeply within its socio-economic fabric. Amidst this landscape, the National Bank for Agriculture and Rural Development (NABARD) emerges as a pivotal institution, spearheading various schemes and interventions to alleviate the financial burdens faced by farmers. India's agriculture sector, despite its critical role in sustaining livelihoods and ensuring food security, grapples with multifaceted challenges ranging from erratic weather patterns to market volatility and inadequate access to credit. Chief among these



challenges is the burden of debt on farmers, which threatens the financial stability and well-being of agricultural communities across the nation. Recognizing this pressing issue, NABARD has instituted several initiatives, including the Interest Subvention Scheme, to provide crucial support to farmers and mitigate their debt burden.

Since its inception in 2006-07, NABARD's Interest Subvention Scheme has been a cornerstone for supporting agricultural credit and enhancing rural livelihoods. By subsidizing interest rates on agricultural loans, the scheme aims to make credit more accessible and affordable to farmers, thereby fostering agricultural productivity and rural development. The scheme's impact reverberates across the nation, including the fertile plains of Madhya Pradesh, where agriculture forms the backbone of the economy.

Madhya Pradesh, blessed with fertile soil and favorable agro-climatic conditions, has witnessed remarkable growth in agricultural credit over the years. The Annual Credit Plan (ACP), synchronized with NABARD's Potential Linked Credit Plan, reflects a steady expansion of credit in the state, from Rs 6,954 crore in FY 2005-06 to a staggering Rs 215,427 crore in FY 2022-23. This growth trajectory underscores the pivotal role of credit in driving agricultural activities and enhancing rural livelihoods across the state.

Within Madhya Pradesh, the Sagar Division emerges as a microcosm of India's agricultural landscape, characterized by diverse crops, varying climatic

conditions, and a predominantly agrarian economy. In this context, understanding the impact of NABARD's Interest Subvention Scheme on the debt burden of farmers in Sagar Division assumes paramount importance. The division's Gross Value Added (GVA) from agriculture, amounting to Rs 33,605.76 crore in 2019-20, underscores the significance of agricultural credit in augmenting productivity and farmer incomes.

The state's emphasis on agricultural diversification and horticultural development underscores the need for targeted financial support to farmers. Initiatives such as the Pradhan Mantri Fasal Bima Yojana, Soil Health Card scheme, and Horticulture promotion efforts aim to bolster agricultural resilience and enhance farmers' access to modern farming practices. In this dynamic landscape, examining the efficacy of NABARD's Interest Subvention Scheme becomes imperative for informed policy formulation and rural development strategies.

## LITERATURE REVIEW

The literature surrounding agricultural credit in India reflects the sector's pivotal role in the country's economy and the challenges it faces in ensuring sustainable growth and financial stability for farmers. Scholars have highlighted the need for increased credit flow to agriculture to enhance productive capacity, land utilization, and water resource management. Despite efforts to double institutional agricultural credit flow, disparities persist in credit distribution across regions (R.S. Sidhu and Sucha Singh Gill, 2006).



Agriculture, sustaining nearly half of India's population, remains fundamental to livelihoods and food security (Lambani Mahesh1 and N. S. Mugadur, 2022). However, declining profitability has led to farmer indebtedness, exacerbated by rising input costs and stagnant returns. Small and marginal farmers, predominantly reliant on non-institutional credit sources, struggle with debt repayment due to limited earnings (Baboo Jakhar, 2022).

Credit accessibility significantly influences agricultural decisions and technology adoption. While increased credit flow enhances agricultural productivity, its direct impact on crop productivity is modest. Agricultural credit policies should prioritize expanding institutional coverage, particularly for marginalized farmers, and diversifying lending beyond crop sectors (Elumalai Kannan, 2011).

Historically, India's agricultural credit initiatives evolved from early co-operative movements to the establishment of Regional Rural Banks (RRBs) and the National Bank for Agriculture and Rural Development (NABARD). Priority sector lending and concessional interest rates aimed to address credit disparities and boost agricultural credit disbursement (Renita D'Souza, 2022).

Recent trends indicate a shift towards structured credit facilities, reducing reliance on informal intermediaries. Despite flaws in credit delivery mechanisms, agricultural credit continues to drive output growth, with potential for further integration of regional banking

institutions (Ujwala Kambali and Niyaz Panakaje, 2022).

Moving forward, sustainable agricultural financing models must align with the Sustainable Development Goals (SDGs), integrating environmental responsibility into banking strategies (Dr. Mohan Sahni, 2020). While initiatives like financial inclusion and priority sector lending have expanded credit accessibility, challenges remain, including the impact of loan waivers on credit discipline and the need for comprehensive distress alleviation measures (Anwarul Hoda and Prerna Terway, 2015).

In summary, the literature underscores the critical role of agricultural credit in India's rural economy and the imperative for inclusive and sustainable credit policies to support farmer livelihoods and enhance agricultural productivity. Addressing disparities in credit distribution, improving institutional coverage, and mitigating the impact of debt on farmers are essential for achieving long-term agricultural growth and rural development.

### **RESEARCH METHODOLOGY**

This study adopts a mixed-methods approach to thoroughly examine the impact of NABARD's interest subsidy schemes on farmer's debt burden in Sagar Division. Integrating both quantitative and qualitative techniques, this methodology aims to provide a comprehensive analysis of the subject. The key components of the research methodology include:

**OBJECTIVE**

1. Investigate the extent of farmers' usage of NABARD's interest subsidy programs in Sagar Division, focusing on loan types availed, such as short-term crop loans and longer-term agricultural loans.
2. Assess the financial impact of NABARD's subsidy programs on farmers in Sagar Division, analyzing savings on interest payments and their effect on repayment capabilities to gauge effectiveness in alleviating debt burdens.
3. Explore the qualitative impact of reduced debt on farmers' well-being in Sagar Division, examining if decreased financial burdens enhance security and enable resource allocation to farm improvements or family needs. Additionally, investigate potential community-wide effects, including economic growth and improved opportunities.

**DATA COLLECTION**

Data will be collected from farmers residing in Sagar Division, representing various geographic locations within the area. Structured interview schedules will be administered to the selected farmers, gathering information on their utilization of NABARD's interest subsidy schemes, debt burden, and perceived impact of the schemes on their financial situation. Trained researchers will conduct face-to-face interviews following a structured questionnaire format, ensuring consistency and reliability in data collection. This method allows for in-depth exploration of farmers'

perspectives and experiences regarding NABARD's subsidy schemes and their debt burden.

**POPULATION AND SAMPLING TECHNIQUE**

The population under study comprises farmers in Sagar Division who have effectively utilized NABARD's interest subsidy schemes. From this population, a sample size of 20 farmers will be selected using the non-probability snowball sampling technique. This technique involves identifying initial respondents who meet the criteria and then asking them to refer other farmers who have similarly utilized the schemes. The sample will be diverse in terms of respondent characteristics such as age, gender, farm size, and socioeconomic status, ensuring a comprehensive representation of the population.

**REPRESENTATION AND INTERPRETATION OF COLLECTING DATA**

Sr. No.	Variable	Category	No of Respondent
1	Age	21-35	7
		Above 35	13
2	Gender	Male	17
		Female	3
3	Education	Below Graduation	12
		Graduation	5
		Above Graduation	3
4	Farm Size (acer)	Below 2	9
		2-5	7
		5-10	4
5	Availed Loan	Yes	20
		No	0

**Table 1: Demographic Profile of Respondent**

The analysis of respondent demographics reveals a diverse composition within the sample population in Sagar Division. While 65% of respondents fall into the older age group above 35 years, 35% represent individuals aged between 21 and 35 years. Moreover, the gender distribution reflects a significant disparity, with 85% of respondents being male and only 15% female. Educational backgrounds vary, with 60% having education below graduation, 25% at a graduation level, and 15% holding education beyond graduation. Farm size distribution shows 45% of respondents operating farms below 2 acres, 35% between 2 to 5 acres, and 20% between 5 to 10 acres. Notably, all respondents, comprising 100%, have availed loans through NABARD's interest subsidy programs, indicating a widespread reliance on financial support within the farming community. These demographic insights provide crucial context for understanding the utilization and potential impacts of NABARD's schemes on farmers' debt burden and financial resilience in the region.

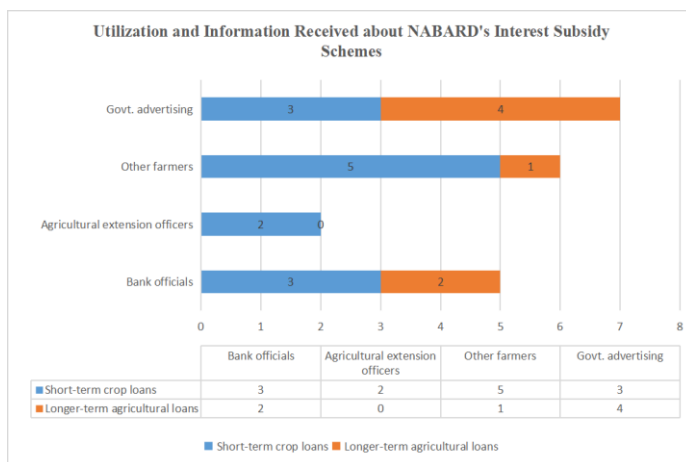
In the case of longer-term agricultural loans, 50% of farmers obtained information from "Govt. advertising," 25% from "Bank officials," 12.5% from "Other farmers," and none from "Agricultural extension officers."

Finding: Graph: 1 indicates "Other farmers" play a significant role in disseminating information about NABARD's interest subsidy schemes, particularly for short-term crop loans. This highlights the importance of informal networks and peer influence among farmers in accessing such programs.

"Bank officials" also seem to be a crucial source of information for both types of loans, indicating the importance of direct communication channels between financial institutions and farmers.

The relatively low utilization of information from "Agricultural extension officers" suggests potential gaps in the outreach efforts of agricultural extension services in disseminating information about NABARD's schemes.

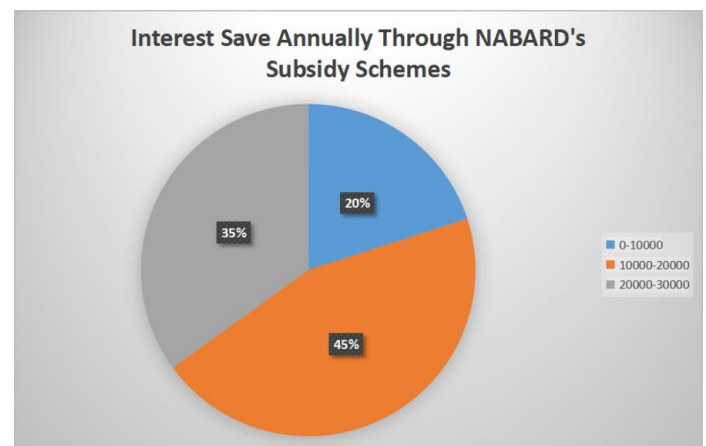
The higher reliance on "Govt. advertising" for longer-term agricultural loans could indicate effective communication strategies employed by the government to promote these schemes among farmers.



Graph 1

### Utilization and Information Received about NABARD's Interest Subsidy Schemes

For short-term crop loans, 37.5% of farmers received information from "Other farmers," followed by 25% from both "Bank officials" and "Govt. advertising," and 12.5% from "Agricultural extension officers."



Graph 2

## FINANCIAL IMPACT OF NABARD'S SUBSIDY PROGRAMS

### Impact of NABARD's Subsidy Schemes on Interest Savings and Loan Repayment Capabilities

1. Interest Savings Annually through NABARD's Subsidy Schemes Graph: 2

Majority of respondents (9 out of 20, 45%) reported annual interest savings ranging from ₹10,000 to ₹20,000 through NABARD's subsidy schemes. 7 respondents (35%) reported savings between ₹20,000 to ₹30,000 annually, while 4 respondents (20%) reported savings below ₹10,000.

2. Savings on Interest Payments Affected the Ability to Repay Loans Graph: 3

12 respondents (60%) reported an improved repayment capability as a result of savings on interest payments through NABARD's subsidy schemes. 6 respondents (30%) reported no significant impact on their repayment capabilities, indicating a stable financial situation despite the savings. 2 respondents (10%) found it difficult to assess the impact, possibly due to other financial factors affecting their loan repayment abilities.

Finding: Graph: 2 indicates that NABARD's subsidy schemes have a significant impact on interest savings for farmers, with a considerable proportion experiencing savings ranging from ₹10,000 to ₹30,000 annually. This suggests that the subsidies effectively alleviate the financial burden on farmers by reducing their interest payments, contributing to their overall financial well-being.

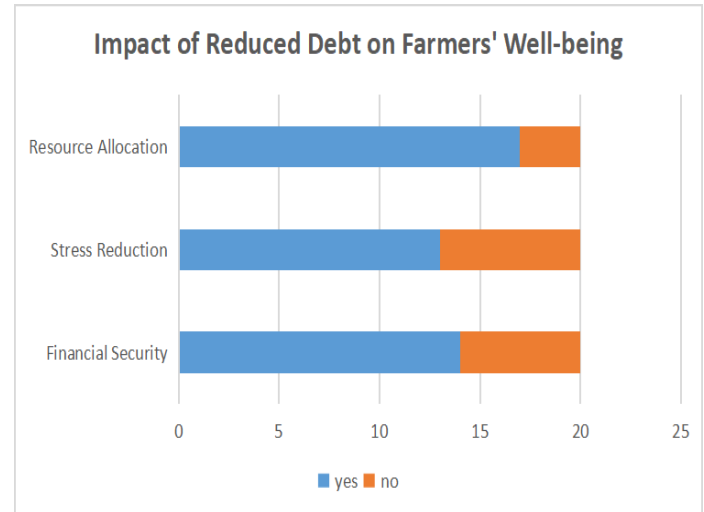
The majority of respondents reported an improved repayment capability as a direct result of the savings on interest payments. This demonstrates the tangible benefits of NABARD's subsidy schemes in enhancing farmers' financial stability and empowering them to meet their loan obligations more effectively.

### Impact of Reduced Debt on Farmers' Well-being:

**Financial Security:** 70% of respondents reported an increased sense of financial security as a result of reduced debt burden, suggesting that decreased debt contributes to improved financial stability among

farmers.

**Stress Reduction:** 65% of respondents mentioned experiencing reduced stress and anxiety due to decreased debt burden, indicating that alleviating debt burden has a positive impact on farmers' mental well-being.



Graph 4

**Resource Allocation:** 85% of respondents indicated reallocating saved funds towards farm improvements or family needs, highlighting the importance of utilizing saved resources to enhance farm productivity and address household necessities.

Finding: The thematic analysis reveals that reduced debt has a significant positive impact on farmers' well-being, particularly in terms of financial security, stress reduction, and resource allocation. The majority of respondents reported experiencing improved financial stability and reduced stress levels due to decreased debt burden, indicating the importance of alleviating financial pressure among farmers.

The analysis underscores the significance of resource allocation in maximizing the benefits of reduced debt. Farmers prioritize investments in farm improvements and family needs, demonstrating a holistic approach to utilizing saved funds for enhancing both agricultural productivity and household welfare.



These findings highlight the importance of NABARD's interest subsidy schemes in improving farmers' overall well-being and fostering economic development in the region. By reducing debt burden and empowering farmers to invest in their farms and families, these schemes play a crucial role in enhancing financial resilience and promoting sustainable livelihoods in rural communities.

## RESULT AND DISCUSSION

1. Impact of NABARD's Subsidy Schemes on Farmers' Financial Well-being: The results of this study highlight the substantial impact of NABARD's interest subsidy schemes on farmers' financial well-being. The analysis revealed significant interest savings annually, with a majority of respondents experiencing tangible benefits in terms of reduced debt burden and improved repayment capabilities. These findings align with previous research indicating that interest subsidy programs play a crucial role in alleviating the financial pressures faced by farmers and enhancing their overall economic resilience.

2. Factors Influencing Farmers' Access to Information about Subsidy Schemes: The study also shed light on the sources of information accessed by farmers regarding NABARD's subsidy schemes. While "Other farmers" emerged as a primary source of information, followed by "Bank officials" and "Govt. advertising," there was relatively low utilization of information from "Agricultural extension officers." This disparity underscores the need for targeted communication strategies and outreach efforts to ensure broader access to subsidy programs among farmers. Strengthening partnerships between agricultural extension services, financial institutions, and government agencies could enhance information dissemination and improve farmers' awareness and utilization of subsidy schemes.

3. Qualitative Impact of Reduced Debt on Farmers' Well-being: Thematic analysis revealed the qualitative impact of reduced debt on farmers' well-being, highlighting improvements in financial security, stress reduction, and resource allocation. Farmers reported feeling more financially secure and

less stressed due to decreased debt burden, with many reallocating saved funds towards farm improvements and family needs. These findings underscore the holistic benefits of interest subsidy programs in enhancing farmers' overall welfare and livelihoods.

4. Implications for Agricultural Policy and Rural Development: The findings of this study have significant implications for agricultural policy and rural development initiatives. NABARD's interest subsidy schemes play a crucial role in improving farmers' financial resilience and fostering economic growth at the community level. By reducing debt burden and empowering farmers to invest in their farms and families, these schemes contribute to overall well-being and prosperity in rural areas. Continued investment in such initiatives, coupled with targeted outreach efforts and capacity-building programs, is essential for addressing the challenges faced by farmers and building resilient rural economies.

5. Limitations and Future Directions: While this study provides valuable insights into the impact of NABARD's subsidy schemes on farmers' well-being, it is not without limitations. The sample size may be limited, and the study focused on a specific geographical area, potentially limiting the generalizability of the findings. Future research could explore the long-term effects of interest subsidy programs on farmers' livelihoods and assess the effectiveness of different communication strategies in promoting awareness and utilization of subsidy schemes among farmers across diverse regions.

## CONCLUSION

The study has provided valuable insights into the impact of NABARD's interest subsidy schemes on the debt burden and financial well-being of farmers in Sagar Division. Through a mixed-methods approach, the research examined the utilization of these schemes, their financial implications, and the qualitative effects of reduced debt on farmers' lives. The findings indicate that NABARD's subsidy schemes have a significant positive impact on farmers' financial resilience. The analysis revealed



substantial interest savings annually, leading to improved repayment capabilities and reduced stress levels among farmers. Moreover, the qualitative assessment highlighted the qualitative benefits of reduced debt, including enhanced financial security and increased resource allocation for farm improvements and family needs.

These findings underscore the importance of interest subsidy programs in alleviating the financial pressures faced by farmers and fostering economic growth at the community level. By reducing debt burden and empowering farmers to invest in their farms and families, NABARD's schemes contribute to overall well-being and prosperity in rural areas.

However, the study also identified areas for improvement, particularly in enhancing farmers' access to information about subsidy schemes. Strengthening communication strategies and outreach efforts could help ensure broader access to these programs among farmers and maximize their benefits.

Overall, the research has significant implications for agricultural policy and rural development initiatives. Continued investment in interest subsidy programs, coupled with targeted outreach efforts and capacity-building programs, is essential for addressing the challenges faced by farmers and building resilient rural economies.

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