

**FINANCING THE FIELDS: THE ECONOMICS OF CREDIT ACCESS IN
INDIAN AGRICULTURE**

YUVIKA CHAUDHARY

A project report submitted

in partial fulfilment of the requirement for the award of the degree of

MASTER OF ARTS

IN

FINANCIAL ECONOMICS



May 2025

MADRAS SCHOOL OF ECONOMICS

Chennai- 600025

ABSTRACT

Access to formal credit plays a crucial role in enhancing agricultural productivity and mitigating risks in rural India. Despite sustained policy interventions, a significant share of agricultural households continues to rely on informal credit sources, often under unfavorable terms. This study investigates the determinants of formal credit access in Indian agriculture using unit-level data from the 77th Round of the National Sample Survey (NSS) on the Situation Assessment of Agricultural Households, covering the 2018–19 agricultural year and comprising around 58,000 rural households. The analysis addresses three core dimensions: (i) household-level determinants of the percentage share of formal loans, (ii) factors influencing the likelihood of obtaining a loan for agricultural purposes, and (iii) the elasticity of credit demand with respect to interest rates. Ordinary Least Squares (OLS), logistic regression, and log-log models are employed to analyze the demand side factors influencing the above dimensions.

OLS results indicate that institutional linkages such as access to Kisan Credit Cards (KCC), crop insurance, and membership in farmer organizations substantially increase the share of formal loans. Higher consumption expenditure and larger landholdings are also positively associated. The logistic regression model reveals that households engaged in crop production are significantly more likely to access agricultural loans, especially when supported by KCC and insurance coverage. The log-log model shows credit demand to be inelastic with respect to interest rates, reflecting structural constraints. These findings underscore the critical role of institutional inclusion and economic capacity in enabling formal credit access, while highlighting the persistent limitations in expanding credit demand in rural India.