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Constitutional Mandates and their Impact on Poverty Reduction through Agricultural Finance

Mr. Anil Bansi Kharat[1], Dr. Nilesh V. Hodlurkar[2]
[1] *Research Scholar, Yashwantrao Chavhan college, Ambajogai Beed.*
[2] *Research Guide, Assistant Professor, HOD of Economics, Swami Ramanand Tirth College, Ambajogai Beed.*

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Corresponding Author:
Mr. Anil Bansi Kharat

Abstract:

Agriculture is the backbone of the Indian economy. For the sustenance of the agriculture sector, we need to ensure sustainable agriculture credit to ensure the rural agrarian social structure remains intact. More than 55 percent of the people directly depend on agriculture for employment, food, and livelihood. However, agriculture's contribution to the total GDP share is approximately 17 percent. It means that more than 55 percent of people share 17 % GDP income, which underlines huge inequality in the distribution of wealth. This picture of the Indian economy is against the constitutional morality of ensuring equitable and justified development of India and the concentration of wealth. The Constitution of India guarantees and ensures fundamental rights for a dignified life for every citizen of India. The Directive Principles of State Policy Mandate the State to promote welfare by securing a social order with justice - economic, social, and political and emphasize equitable distribution of resources and prevention of wealth concentration. The present research paper underscores the important role of agriculture finance in shaping rural community livelihood and reducing poverty, reducing inequality, and spurring economic growth under the Constitutional Mandates and their impact on Poverty Reduction through Agricultural Finance.

Keywords: Constitutional Mandates, Poverty reduction, Agricultural Finance, rural development, constitutional provisions

1. Introduction

The World Bank report underscores that the share of people living below the poverty line in India has dropped from 57.7 percent to 23.9 % in the period 2011-12 to 2022. This overall reduction in poverty can be observed in rural and urban areas. Reduction in poverty has been caused due to the government's constitutional right-based approach to subsidize food, employment generation schemes, and agricultural credit has contributed to poverty reduction across the region and Demographic groups. Force steering rural life significantly in rural India. (Poverty & Equity Brief, n.d.) (Aayog, n.d.) Growth in agriculture is a more effective tool in reducing poverty. Agriculture growth reduces poverty by raising farmer income, generating Employment, and reducing food prices. This requires critical investment in rural education and agriculture credit to transition agriculture into more employment and successful reduction in poverty, backed by the laws.(World Bank World Development Report, 2008) (Kashinath Pawar & Talekar, 2023)

The constitutional mandates represents foundational legal frameworks that guide governmental priorities and resource allocation towards the socio-economic development of the nation. The Constitution of India is not merely a legal document but a living document and is the highest law of the nation (book). The preamble of the Constitution promises to secure all its citizens justice in social, economic, and political terms and assure equality of status and opportunity with dignity of the individual and the unity and integrity of the nation. This mandates India's reduction in poverty through a constitutional obligation and to secure all its citizens a dignified life under the democratic Setups.

A paper study of constitutional mandates and constitutional provisions, which are important in poverty reduction through agricultural finance under the Constitution

2. Objectives of the paper

1. To underscore the importance of constitutional mandates and constitutional provision that direct the rural poverty reduction and agriculture development through agriculture finance

2. To study the nexus between constitutional provisions, agricultural finance, and poverty reduction outcomes in rural India

3. Literature review

The previous study efforts underscore the reduced poverty, collaborative approach to address poverty by highlighting the importance of social justice and the constitutional mandate to ensure dignity and equality for all citizens in India. The study conducted by (Narayan Vasudeva, n.d.)concludes that achieving social justice and economic empowerment is essential for a meaningful and dignified life, aligning with the constitutional values of justice, liberty, equality, and fraternity One more study (Aggarwal & Sonam, n.d.) emphasis the significant role of the judiciary and conclude that legal empowerment is a an important tool for eradicating poverty in India, reshaping social justice and governance.

Another scholarly effort (Sonia, 2018) (Sharma & Kumar, n.d.) emphasizes the importance of constitutional provisions and various poverty alleviation programs aimed at eradicating poverty and ensuring basic human rights related to living standards and a dignified life. In light of these studies, the present paper seeks to highlight and discuss agricultural credit as one of the crucial inputs addressing rural poverty through constitutional provisions.

4. Research methods and materials

The research paper employed a comprehensive literature review of previous studies available through secondary data. Secondary data includes various scholarly research papers, government documents, the Indian Constitution, books, and new papers etc.

5. Discussion and Analysis

A) Constitutional provisions for Poverty Reduction

The Constitutions serve as a supreme fundamental legal document that defines state structure, delineates governmental powers, and enumerates socioeconomic rights. The constitution of India incorporates various rights under the fundamental rights, including rights to food, livelihood, etc, and socioeconomic rights under the directive principle of state policy includes social security and equitable development. Various provisions of the Constitution of India can be stressed to the right to livelihood and dignified life, and freedom from poverty and deprivations. The constitutional provisions are normative expectations and legal obligations for state action toward inclusive development. Some of the major constitutional provisions linked to agriculture finance and poverty reduction are discussed below**.** (Kashyap, 2014) (Bakshi, 2018)

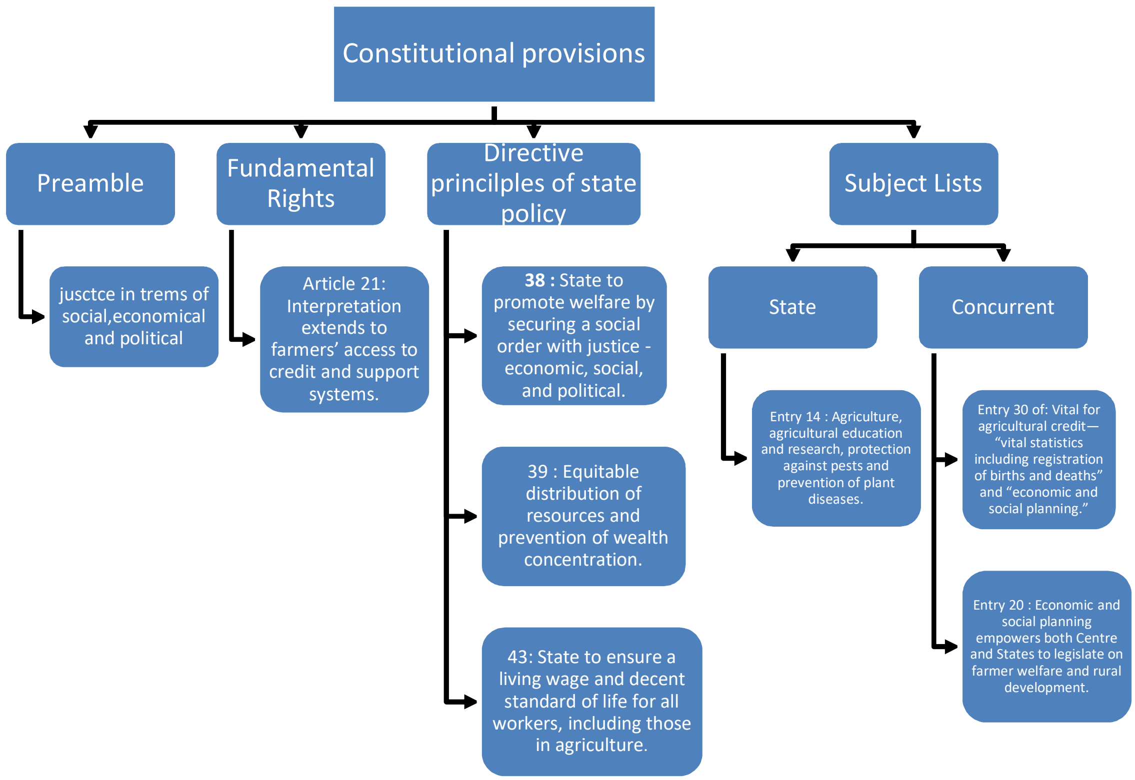

Figure 1 : various constitutional provisions linked to agriculture development and poverty reduction

a) Preamble to the Constitution:

The preamble to the Constitution lays down fundamental values and the philosophy on which the Constitution is based. The ultimate goal is to secure the dignity of the individual and the unity and integrity of the nation. To assure the dignity of the individual of a nation, people should enjoy a meaningful life under the constitution. (Bakshi, 2018)

b) Fundamental Rights : Article 21: The Supreme Courts have upheld the right to livelihood as an integral part of Article 21.

c) Directive Principles of State Policy : Seek to achieve the ideal of a democratic welfare state set out in the Preamble and to bring about the social and economic revolution and cast upon the State the duty to secure a just social order. (Kashyap, 2014)

- Article 38, lays down that the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic, and political, shall inform all the institutions of national life. (Bakshi, 2018)
- Article 39 emphasizes the right to livelihood and equitable distribution of resources and prevention of wealth concentration. (Bakshi, 2018)
- Article 43: Directs the State to ensure a living wage and decent standard of life for all workers, including those in agriculture. (Bakshi, 2018)

d) Seventh Schedule of the Constitution:

State List:

- Entry no. 14: Agriculture, including agricultural education and research, protection against pests, and prevention of plant diseases. (Bakshi, 2018)

Concurrent list:

- Entry no. 20: Economic and social planning empowers both the Centre and States to legislate on farmer welfare and rural development. (Bakshi, 2018)

B) Judicial interpretations regarding rights to poverty and livelihood guarantees

- Article 21: Supreme Courts have upheld the right to livelihood as integral to Article 21. The majority of people in India depend on agriculture for their livelihood, and agricultural credit is one of the vital inputs in agricultural productivity and sustainability.(Neepa Jani, 2013)
- Tamil Nadu v. National South Indian River Interlinking Farmers Association case :

The Supreme Court ruled that it is the State’s duty to ensure water and credit access for farmers. The court's ruling emphasised ensuring equitable treatment of all farmers, reinforcing the principle of non-discrimination under the law (Dhananjaya & Chandrachud, n.d.)

B. Agricultural Finance

1) Role of institutional credit and priority sector lending in rural finance

The rural credit in India consists of two sectors. Non- Non-Institutional and Institutional. The non-institutional sector consists of professional and agricultural money-lenders, landlords, traders, commission agents, relatives, and friends, whereas the institutional sector comprises co-operatives, commercial banks and regional rural banks.(Singh Boparai, 2025) The banking sector plays a crucial role in the development of a nation’s economy. Besides economic growth, the banking sector also leads to the removal of poverty and the equitable distribution of income. Sectors of the economy that the Government and RBI consider important for the country's development are to be given priority over other sectors. These sectors are called Priority Sector and Priority Sector Lending, governed by RBI guideline norms that mandate banks to allocate 18% of Adjusted Net Bank Credit to agriculture. (Singh Boparai, 2025)

2) Impact on farmers and rural development

The recent NABARD All India Rural Financial Inclusion Survey (NAFIS) for 2021-22 results are helpful to understand how rural economic and financial development indicators have evolved since the 2016-17 survey results show that there is an Increase in Average Monthly Income, Rise in Average Monthly Expenditure, Increase in Financial Savings, Kisan Credit Card, and Insurance Coverage. (Empowering Rural India: NABARD Survey on Rural Financial Inclusion, 2024)

a) Increase in Average Monthly Income: The average monthly income of households saw a substantial rise of 57.6% over a five-year period, increasing from Rs. 8,059 in 2016 17 to Rs. 12,698 in 2021-221. For agricultural households, cultivation was the main income source, making up about one-third of their monthly earnings.

b) Rise in Average Monthly Expenditure: The average monthly expenditure of rural households rose significantly from Rs. 6,646 in 2016-17 to Rs. 11,262 in 2021-22. The agricultural households reported a relatively higher consumption expenditure of Rs. 11,710 than Rs. 10,675 for non-agricultural households.

c) Increase in Financial Savings: The annual average financial savings of households increased to Rs. 13,209 in 2021-22 from Rs. 9,104 in 2016-17. Overall, 66% of households reported saving money in 2021-22, with 71% of agricultural households reporting savings during the period.

d) Kisan Credit Card : scheme has emerged as a key tool for promoting financial inclusion in the rural agricultural sector, showing substantial growth in coverage over the past five years. In total, 44% of agricultural households were found to possess a valid Kisan Credit Card.

e) Insurance Coverage: The percentage of households with at least one member covered by any form of insurance increased significantly from 25.5% in 2016-17 to 80.3% in 2021-22. Agricultural households outperformed their non-agricultural counterparts by a margin of roughly 13 %.

3) Government schemes supported by constitutional mandates

Pradhan Mantri Kisan Samman Nidhi : Direct income support of ₹6,000/year to small and marginal farmers under a central sector scheme.

Kisan Credit Card (KCC): Emerged as a key tool for promoting financial inclusion in the rural agricultural sector.

National Bank for Agriculture and Rural Development (NABARD) as a Development Bank, is mandated for providing and regulating credit and other facilities for promoting integrated rural development and securing prosperity of rural areas.

Interest Subvention scheme : the scheme offers interest subvention on loans provided by financial institution. Contributing to reduce interest burden of small and marginal farmers.

Pradhan Mantri Fasal Bima Yojana (PMFBY) have significantly contributed to improving the lives of the rural population. As access to financial services continues to expand, there is a bright outlook for the economic empowerment of these households.

4) **Status Credit access, employment generation, and poverty in agrarian communities**

Credit access Status : The share of direct agricultural credit has increased significantly over the year. It was just 0.6 per cent in 1950-51 but rose to In 2022-23, the ratio stood at 62.91 %**.** By 2018, institutional sources accounted for 67 per cent of the borrowing, while non-institutional sources comprised 33 per cent. A significant portion of agricultural household loans (33 per cent) still come from non-institutional sources.(Naik et al., 2024)

Employment Status : Agriculture provides around 52.1% employment. And it is biggest unorganized sector of the Indian economy. The agriculture sector employs nearly half of the workforce in the country. However, it contributes to 17.5 % of the GDP in 2015-16. (Bhoir, 2025).

Rural poverty : Although Rural poverty has significantly decreased in recent years. Agricultural development policies and agricultural credit access have contributed significantly to strengthening rural India. In 2023-24, the rural poverty rate stood at 4.86%, a remarkable decrease from 25.7% in 2011-12. Addressing rural poverty is a moral imperative to ensure inclusive growth and development for the nation. (Rural poverty in India: Causes, manifestations, and recent decline (2024-25 analysis))

6. Recommendations

1. Enhancing financial inclusion backed by constitutional provisions and obligations

2. Strengthening constitutional backing for poverty alleviation schemes and programs.

3. Integrating sustainable development goals with constitutional mandates and agricultural finance.

4. considering the research gap, future research should focus on the constitutional mandates and agricultural finance

7. Conclusion

The available literature consistently demonstrates that agricultural finance encompassing credit, savings, and insurance can significantly improve smallholder incomes, food security and livelihood. Recent NABARD bank survey underscores the importance of support and investment in rural development, a key to a more prosperous and financially secure future for India's rural population. The role of constitutional mandates in strengthening agricultural finance remains an important but under-researched question. The nexus of constitutional mandates, agricultural finance, and poverty reduction will remain a critical policy domain. As global development agendas increasingly emphasise inclusive growth, climate resilience, and sustainable agriculture, the paper concludes with the critical role of constitutional mandates in sustainable poverty reduction through agricultural finance

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