

## AN ANALYTICAL STUDY ON AGRICULTURAL CREDIT IN KARNATAKA

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### ABSTRACT

In India, agriculture and its associated sectors are vital for the accelerated growth of the economy. Agriculture is recognized as one of the oldest professions globally. The current agricultural financing framework in India encompasses multiple dimensions, with various agencies and financial institutions participating in the provision of agricultural credit, particularly aimed at supporting rural populations. The Indian financial system is divided into two categories: formal and informal financial institutions. This indicates that some financial intermediaries operate within the organized sector, while others function in the unorganized sector. The agricultural sector in India encounters numerous challenges, with finance being a fundamental issue. Sufficient financial support is crucial for achieving rapid growth in this sector. In this context, the present study aims to examine the role of cooperative banks in agricultural finance within the state of Karnataka.

**Keywords:** Agricultural, Agricultural credit, Credit Structure

### 1. INTRODUCTION

Agriculture is essential for the growth of developing economies such as India. Finance is widely acknowledged as the cornerstone of all economic activities, whether in business or non-business sectors. In the contemporary economy, agriculture and its related sectors are pivotal to economic advancement. A significant challenge facing Indian agriculture is the issue of financing. Just as industrialists and business enterprises require credit, so too do farmers. The lack of access to credit is a primary barrier to agricultural growth and development. The necessity for financial resources in agriculture cannot be overstated, particularly given that productivity remains low due to financial limitations. This paper aims to examine agricultural credit in Karnataka. Accelerated and sustained agricultural development is crucial for fostering economic growth. Agricultural development encompasses increased crop production and productivity, the creation of employment opportunities, and an enhanced standard of living for farmers. Furthermore, the agricultural sector plays a vital role in promoting overall economic development. In India, agriculture is a key contributor to the economy, representing approximately 19 percent of the GDP, with around two-thirds of the population reliant on this sector. Additionally, 60 percent of businesses are linked to agricultural products, and farmers account for 50 percent of the national income. The demand for agricultural credit arises from several factors: i) the mismatch between income realization and expenditure; ii) the need for substantial investment in fixed capital; and iii) unpredictable fluctuations in capital requirements and savings that accompany technological advancements.

### 2. OBJECTIVES OF THE STUDY

- To study the of agriculture credit structure in Karnataka.
- To analyze the role cooperative banks in agricultural credit.

### 3. METHODOLOGY OF THE STUDY

The current research relies exclusively on secondary data. This secondary data primarily comprises the annual reports released by the Cooperative Department of the Government of Karnataka. The study's methodology incorporates various sources, including books, a review of existing literature pertaining to the cooperative sector, and online resources. The scope of this study is limited to the state of Karnataka.

**Agricultural Co-operative Credit Structure:** In Karnataka two types of Cooperative financing Institutions are active for Agriculture credit disbursement, one is looking after short term and medium term credit and another looking after agriculture credit needs of long term.

**Short term and Medium term Credit Co-operative Structure (STCCS):**

In the short term financing structure, 5658 PACS in the State are operated. Along with this, there are 21 District Cooperative Central Banks (DCCB) with 818 branches. Karnataka State Co-operative Apex Bank is operated as State level credit institution. These financial institutions have prepared Business Development Plan (BDP) with a view to strengthen investment base of their financial and institutional set up in accordance with NABARD.

Long Term Credit Cooperative Credit Structure (LTCCS):

Karnataka State Co-operative Agriculture and Rural Development Bank (KSCARD) at the State level and 176 Primary Co-operative Agriculture and Rural Development Banks at the taluk level cater to the long term credit needs in the two tier credit delivery system. The National Bank for Agriculture and Rural Development (NABARD) provides refinance to the Apex bank and KSCARD Bank on the loans disbursed by them.

Disbursement of Agriculture loan:

As on 31-3-2021, the short term (ST), Medium term (MT) and Long term (LT) loans issued by the co-operative credit system in the state was Rs.16366.70 crore, Rs.957.45 crore and Rs.411.13 crore respectively as against Rs.12987.17 crore, Rs.590.70 crore and Rs.264.63 crore issued Agricultural a year ago indicating a marked improvement in the issue of all type of Agricultural loans.

Recovery of Loans:

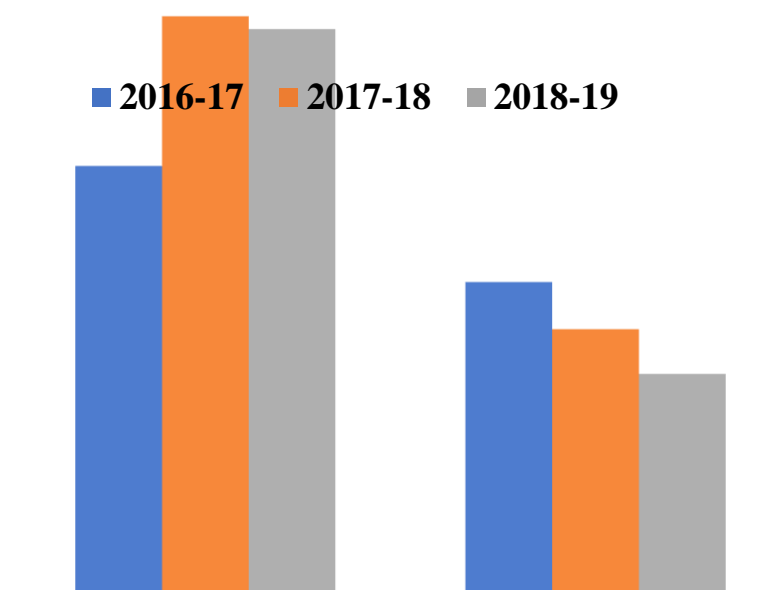
The Comparative position of recovery of Short, Medium and Long term loans under the Cooperative Credit System in the State for the years from 2018-19 to 2021-22 is presented vide Table 7.3.15 . The recovery figures show that there is high overdue in long term loan compared to other term and short term loans, the recovery has fallen drastically in the current year.

#### 4. DATA ANALYSIS AND INTERPRETATION

**Table- 1** agriculture Credit Structure in the Karnataka, from 2016-17- to 2018-19

Year	Short term		Medium term		Long term		Total		(%)
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	
2016-17	11000	10769	1000	692.78	600	440.41	12600	11902.19	94.46
2017-18	12000	10571.88	1000	848.73	500	198.27	13500	11618.88	86.06
2018-19	12000	10585.97	1000	530.78	423.26	233.77	13423	11350.52	84.56

Source: <http://sahakara.kar.gov.in/agriculturecredit.html> (Rs.In Crores)



**Graph-1-** Agriculture Credit Structure in the Karnataka, from 2016-17- to 2018-19

In Karnataka, the framework for agricultural credit operates on a three-tier system, encompassing short-term, medium-term, and long-term loans. The data presented in the table indicates that loan disbursement in Karnataka over the past three years, from 2016-17 to 2018-19, achieved targets of 94.46%, 86.06%, and 84.56%, respectively. According to statistics available on various websites, the initiative to provide loans to farmers through Kissan Credit Cards

commenced in the fiscal year 1997-98. As of March 31, 2019, a total of 2,167,215 KCC cards had been issued, with 2,108,944 cardholders enrolled in the Personal Accident Insurance Scheme.

## 5. CONCLUSION

Agriculture is fundamental to the Indian economy, playing a significant role in its overall development. Nevertheless, the sector faces numerous challenges, such as labor shortages, wage disparities, lack of information, and market-related obstacles. A critical issue within the agricultural domain is the accessibility of sufficient credit for farmers. This examination centers on agricultural credit in Karnataka. Agricultural financing has been vital in enhancing farming operations throughout India. The Green Revolution, characterized by a greater use of inputs like fertilizers and seeds, has increased the demand for credit, which agricultural financial institutions have supplied to support farmers in their cultivation endeavors.

## 6. REFERENCES

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