

The Status of Institutional Finance and Agricultural Development in Karnataka

Dr. K.S. Veerendra Kumara

Assistant Professor, DOS in Economics, Mukthagangothri, KSOU, Mysuru-06

Abstract: *The present study highlighted that the institutional finance and agricultural development in Karnataka, it is mainly focus on institutional finance through commercial banks, cooperative banks and regional rural banks to agriculture sector. The regional rural banks as more tremendous growth of investment loan as increased Rs.291.57 to 3763.28 crores with CAGR of 22.65 per cent during period 2005-06 to 2017-18. Despite, the Government of Karnataka have providing short, medium and long-term loans to agricultural farmers with very concessional of interest and also provides attractive interest subsidies through cooperative institutions to farmers at a lower rate of interest. Therefore, present paper highlights that the performance of institutional finance of agribusiness has been creating more income, agro-industrial revolution and more employment generation to rural farmers and reducing poverty in the rural areas.*

Keywords: Agriculture, Institutional Finance, Crop Loan, Investment Loan

INTRODUCTION

The Karnataka state is mainly depending upon an agrarian economy; it is growth and development of agriculture and allied activities. Quality of food production and productivity has been more significant over the last decade. There are more significant changes in the cropping pattern from food crops to high demand crops like., fruits, flowers, vegetables and plantation crops. However, this has increased the levels farmers' income, more employment opportunity and high scope of agro based industries, but still now there as more gap in the infrastructure and the leading of technology to glut, more price fluctuation, scarcity, wastage and low remuneration prices. The Government of Karnataka considers the agriculture and allied sectors as more provide for the accelerate GDP growth; it's highly impact to farmers income level and food security.

The Karnataka state agricultural sector more diversified and richer biodiversity, agro-climatic

zones for the farming variety of agriculture and horticulture crops and also more developing fisheries sector. Agribusiness is the drive area to achieving the goal of higher GDP level. As per Agricultural Statistics, the Karnataka state about 3 per cent of the total agro and allied produce for food processed. In this way, the Government of India major target is achieve the food processing about 25 per cent by the 2025 at the all India level. The development of agribusiness as a major vibrant sector for more creating employment opportunities and farm returns is more and also higher value addition.

There are several agricultural finance schemes in Karnataka,

Crop Loan:

The Government of Karnataka have providing short, medium and long-term loans to agricultural farmers with very concessional of interest and also provides attractive interest subsidies through cooperative institutions to farmers at a lower rate of interest.

Agri. Gold Loan:

Karnataka Bank offers loans up to Rs.2.50 crores with an interest rate starting at 9.04 per cent per annum and also the loan up to Rs.15 crores with an interest rate starting at 11.30 per cent per annum.

Krishik Sinchana Scheme:

Karnataka Banks offers loans for irrigation, requiring residential, commercial, or agricultural property as security

Other Agricultural Loan Schemes in Karnataka include:

- Kisan Credit Card Scheme
- Agriculture Special Gold Loan
- Agriculture Marketing Infrastructure (AMI/Godown)

- Dairy Entrepreneurship Development Scheme
- National Livestock Mission-EDEG Component Scheme
- Establishment of Agri-Clinics and Agri-Business Centres
- Shreyas Agriculture Loan

207-18. The table clearly indicates that the crop loan has been increases from Rs.4204.59 to 28719.66 crore with CAGR has been grown at the rate of 17.64 per cent, investment loan has been increased from Rs.3549.85 to 14149.73 crores with CAGR of about 10.52 per cent and also total commercial loan for agriculture increased from Rs.7754.44 to 42869.40 crores with CAGR of about 15.34 per cent during the same period.

Table-1 clearly reveals that the performance of crop loan, Investment loan and total loan for commercial banks in Karnataka during the period of 2005-06 to

Table-1: Crop Loan, Investment Loan and Total Loan for Commercial Banks in Karnataka During the Period of 2005-06 to 2017-18.

Years	Crop Loan	Investment Loan	Total Loan
2005-06	4204.59	3549.85	7754.44
2006-07	5815.60	3733.53	9549.13
2007-08	5815.36	3266.22	8625.58
2008-09	6725.45	3958.53	10683.98
2009-10	8993.44	4725.01	13718.45
2010-11	10534.39	7204.25	17738.64
2011-12	9519.78	4422.25	13942.03
2012-13	14216.40	5992.19	20208.59
2013-14	16741.82	6044.25	22786.08
2014-15	19554.03	5356.75	24910.78
2015-16	23325.34	9139.51	32464.97
2016-17	27353.34	9324.24	36677.58
2017-18	28719.66	14149.73	42869.40
CAGR	17.64	10.52	15.34

Source: Directorate of Economics and Statistics, Ministry of Agriculture, Government of Karnataka

Figure-1: The performance of Agriculture Loans in Commercial Banks.

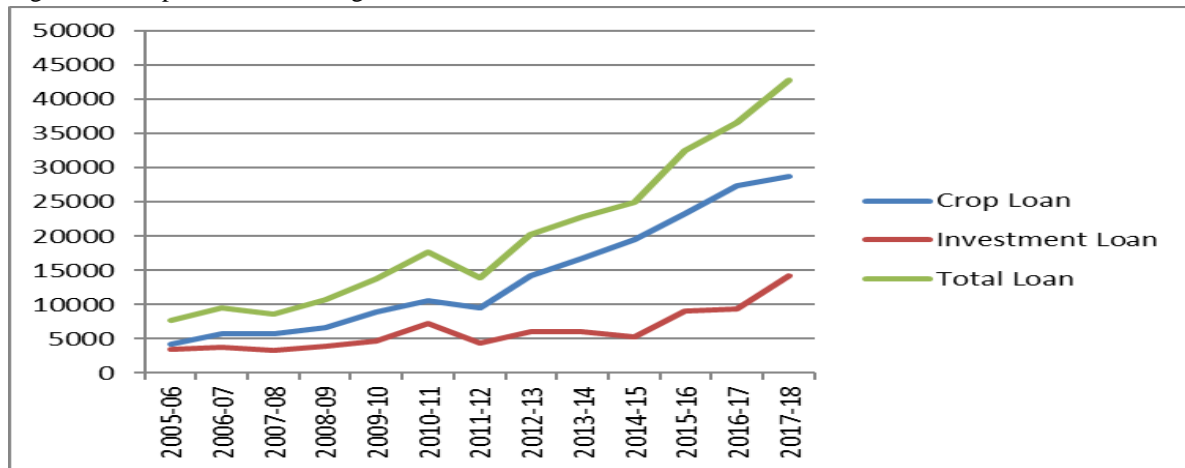


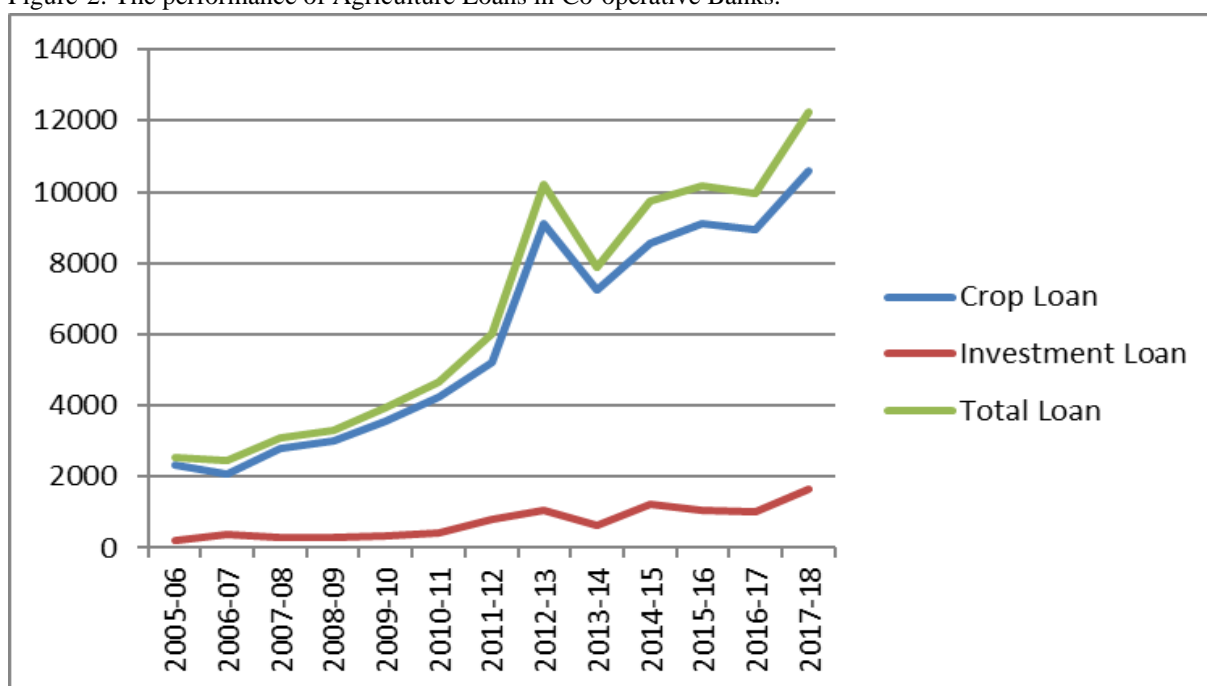
Table-2: Crop Loan, Investment Loan and Total Loan for Co-operative Banks in Karnataka During the Period of 2005-06 to 2017-18.

Years	Crop Loan	Investment Loan	Total Loan
2005-06	2313.14	228.06	2541.20
2006-07	2082.41	362.68	2445.09
2007-08	2789.59	286.16	3075.75
2008-09	3010.62	286.30	3296.92

2009-10	3578.59	347.24	3925.83
2010-11	4251.38	411.91	4663.29
2011-12	5197.63	816.64	6014.17
2012-13	9130.42	1066.29	10196.71
2013-14	7266.40	633.33	7899.73
2014-15	8544.55	1212.48	9757.03
2015-16	9102.88	1054.39	10157.28
2016-17	8938.09	1005.73	9943.82
2017-18	10594.07	1661.90	12255.97
CAGR	15.65	17.09	15.78

Source: Directorate of Economics and Statistics, Ministry of Agriculture, Government of Karnataka

Figure-2: The performance of Agriculture Loans in Co-operative Banks.



The performance of institutional finance for cooperative banks in Karnataka during the period 2005-06 to 2017-18 presented in Table-2. The crop loan as increased from Rs.2313.14 to 10594.07 crores with CAGR constituting 15.65 per cent. And

the investment loan increased from Rs.228.06 to 1661.90 crores with CAGR of about 17.09 per cent during the same period. And both the loan amount has been increased from Rs.2541.20 to 12255.97 crores with CAGR of about 15.78 per cent.

Table-3: Crop Loan, Investment Loan and Total Loan for Regional Rural Banks in Karnataka During the Period of 2005-06 to 2017-18.

Years	Crop Loan	Investment Loan	Total Loan
2005-06	1425.67	291.57	1717.24
2006-07	1944.87	360.54	2305.41
2007-08	2371.82	367.66	2739.48
2008-09	2940.96	363.30	3304.26
2009-10	3250.07	448.25	3698.32
2010-11	3196.48	552.03	3748.51
2011-12	3426.64	982.44	4409.09
2012-13	3637.38	1543.32	5180.70
2013-14	4719.88	1061.26	5781.15
2014-15	6430.17	1343.39	7773.56

2015-16	6929.95	1992.66	8922.60
2016-17	8057.57	1926.83	9984.40
2017-18	7341.73	3763.28	11105.40
CAGR	14.38	22.65	16.0

Source: Directorate of Economics and Statistics, Ministry of Agriculture, Government of Karnataka

Figure-3: The performance of Agriculture Loans in Regional Rural Banks

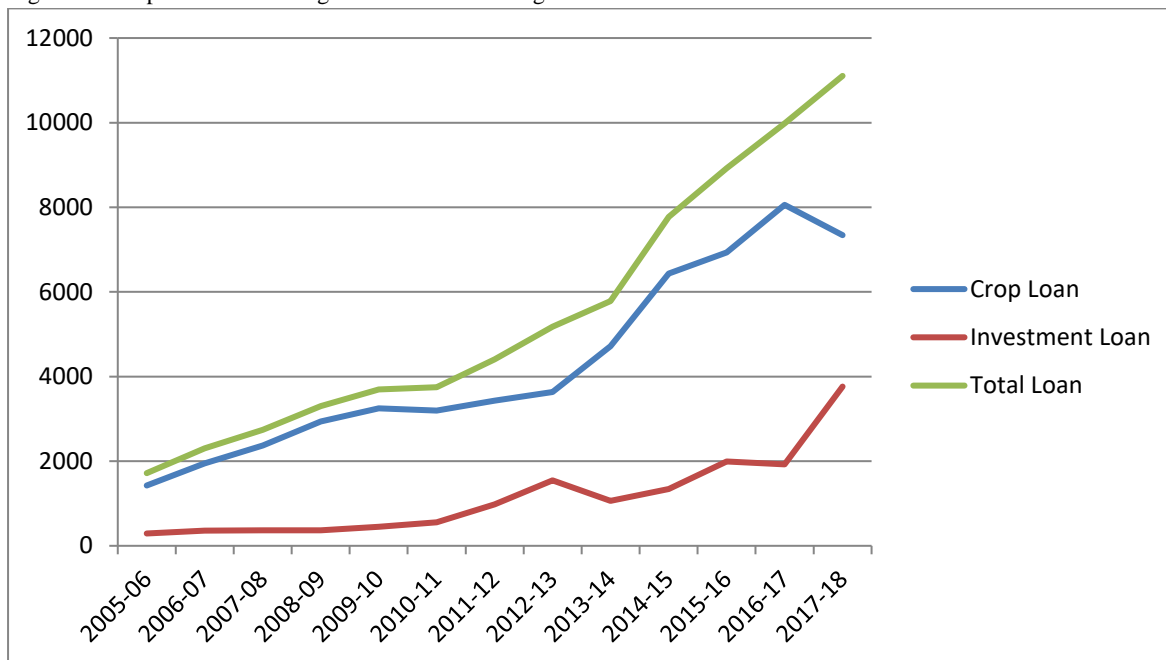


Table-3 clearly indicate that the performance of Regional Rural Banks during the period 2005-06 to 2017-18. The table shows that the crop loan has been increased from Rs.1425.67 to 7341.73 crores with CAGR of 14.38 per cent, investment loan as increased Rs.291.57 to 3763.28 per cent with CAGR

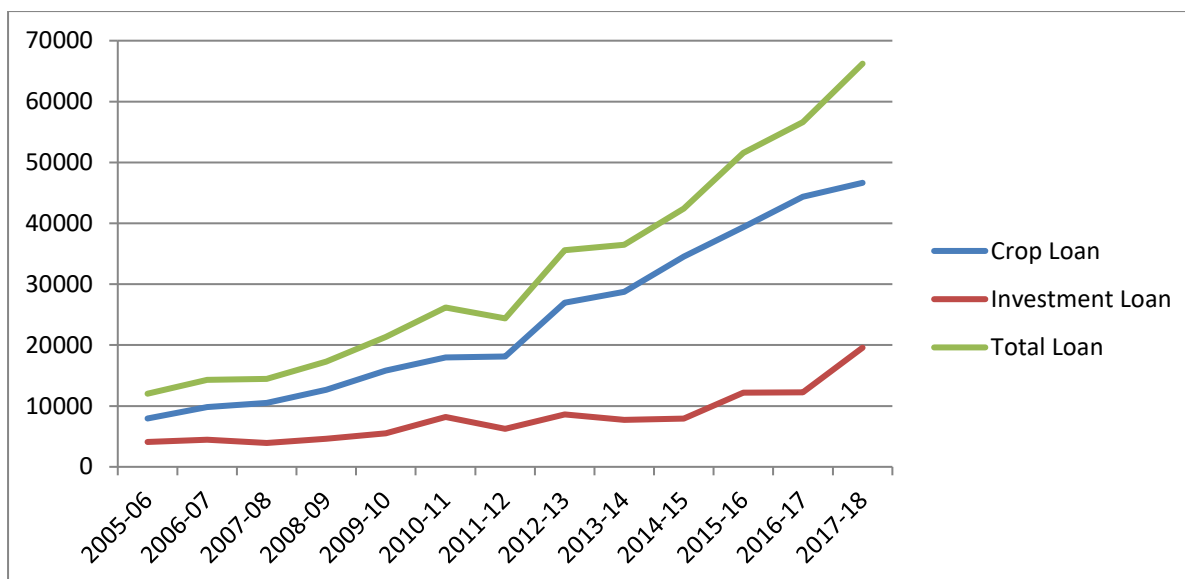
of 22.65 per cent during the same period. And together, both the institutions increased from Rs.1717.24 to 11105.40 crores with CAGR constituting at 16.00 per cent during the period of 2005-06 to 2017-18.

Table-4: Crop Loan, Investment Loan and Total Loan for All Financial Institutions in Karnataka During the Period of 2005-06 to 2017-18.

Years	Crop Loan	Investment Loan	Total Loan
2005-06	7943.40	4069.48	12012.88
2006-07	9842.88	4456.75	14299.63
2007-08	10520.77	3920.04	14440.81
2008-09	12677.03	4608.13	17285.16
2009-10	15822.10	5520.50	21342.60
2010-11	17982.25	8168.19	26150.44
2011-12	18144.06	6221.23	24365.28
2012-13	26984.20	8601.80	35586.00
2013-14	28728.11	7738.85	36466.95
2014-15	34528.11	7912.62	42441.37
2015-16	39358.30	12186.56	51544.85
2016-17	44348.99	12256.80	56605.80
2017-18	46655.46	19574.91	66230.37
CAGR	16.65	12.46	15.54

Source: Directorate of Economics and Statistics, Ministry of Agriculture, Government of Karnataka

Figure-4: The performance of Agriculture Loans in All Financial Institutions



The table-4 highlighted that over all the institutional performance during the period 2005-06 to 2017-18 the crop loan has been increased from Rs.7943.40 to 46655.46 crores with CAGR of 16.65 per cent, investment loan as increased from Rs.4069.48 to 19574.91 crores with CAGR of 12.46 per cent. The overall total loan performance has been increased from Rs.12012.88 to 66230.37 per cent with CAGR is 15.54 per cent during the same period.

CONCLUSION

The institutional finance play an important role in agricultural development in Karnataka state. Over the last decade, the institutional framework of agriculture credit work is more significant, but there are several gaps in their performance. Therefore, present paper highlights that the performance of institutional finance of agribusiness has been creating more income, agro-industrial revolution and more employment generation to rural farmers and reducing poverty in the rural areas.

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