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RESEARCH ARTICLE

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AN OVERVIEW OF CROP LOANS IN KARNATAKA

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ABSTRACT

Farming remains the most significant sector of the Indian economy. It is also known as the backbone of the Indian economy. It has 45.5% of the total workforce involved in agricultural and allied sector activities (2021-22 Employment and Unemployment Scenario of India-Directorate General of Employment) and accounts for 18.3% of the country's Gross Value Added (GVA) for the year 2022-23 (Ministry of Statistics & Programme Implementation). The development of the agriculture sector further needs credit support. Agricultural credit is essential for the development of the agricultural industry and it helps to adopt modern farm equipment and technologies. The farming sector has many challenges such as poor capital formation, the difference among the regions, the small size of land holding, landless and poor labourers, non-institutional sources of credit at considerably high rates, etc. With this background, the present paper attempted to address the origin of crop loans in India, the performance of the financial institutions in providing crop loans, and the impacts of crop loans on the agriculture sector in Karnataka, as well as give some suggestions for improvement.

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INTRODUCTION

Farming is the most important sector of the Indian economy. At present India stands in second position at the world level in terms of farm output. It is a process under which land is utilized for growing various crops. According to the third advance estimate of the Ministry of Agriculture, India's food grain production in 2022-23 is projected to be 330.53 million tonnes, with record output of rice, wheat, maize, soybean, rapeseed, mustard, and sugarcane. Agriculture is a leading sector of our economy and finance plays a significant role in increasing farming production. The All India Rural Credit Survey Committee (AIRCSC, 1951-54) laid the foundation of the institutional framework to establish a sound credit delivery system for financing agriculture and allied activities. Availability and access to adequate, timely, and low-cost credit from institutional sources are of great importance, especially to small and marginal farmers. Along with other inputs, finance is essential for establishing sustainable and profitable farming systems. Most of the farmers are small producers engaged in farming activities. Agricultural finance is not only an input but also helps in creating an environment for the adoption of modern production technology and encouraging private investments in farms. In Karnataka, the total area cultivated under food crops during 2021-22 was 83.33 lakh hectares and the food production was 143.68 lakh tonnes. During 2022-23 it is estimated that (as per the second advance estimates) 81.56 lakh hectares of area under food

crops will be cultivated with the production of 134.89 lakh tonnes. It is estimated to produce 12.18 lakh tonnes of Oil seeds during 2022-23 as against the production of 11.21 lakh tonnes in 2021-22. Similarly, it is also estimated to produce 21.48 lakh bales of Cotton during 2022-23 as against the production of 19.53 lakh bales in 2021-22.

REVIEW OF LITERATURE

A review of the literature is an essential part of the research, which provides researchers with a more capable understanding of the problem of the study. In this section, the researcher reviewed the related literature in this regard in a few Research Papers and Articles. Channaveera Gouda, B. S. Reddy, Satishkumar M, Sharan Bhoopal Reddy and Amrutha T. Joshi (2023) "Utilisation of institutional microcredit and its impact on the livelihood of small and marginal farmers in Karnataka." This paper analyzes the utilization pattern of microfinance and its economic impact on beneficiary farmers. Girisha M.C and Dr Narayanamma P.N (2021) "Role of institutional loans and marginal farmers' economic condition concerning Hassan district, Karnataka." This study analyses the importance of loans for economic development. Dr. Satyveer Singh Meena, Mr.Vikash and Mr. Anubhav (2021) "Sources of agricultural credit." This study focuses on Different types of agencies involved in transmitting credit to farmers. Shivaswamy G P, Raghavendra K J, Anuja A R, K N Singh, Rajesh T. and Harish Kumar H V (2020) "Impact of institutional

credit on agricultural productivity in India: A time series analysis". The Paper study has examined the trends and regional variations in institutional credit flow to agriculture in India from 1991–92 to 2016–17 using a compound annual growth rate. Renita D'Souza (2020) "Improving Access to Agricultural Credit: New Perspectives." The paper emphasizes that the financial sector needs to understand the current economic realities of the farmers and consider them as an untapped credit market rather than high-risk, low-quality credit assets. Aarthi Dhakshana J.D and Dr. K.V.R. Rajandran (2018) "Challenges and Problems on Farmers' Access to Agricultural Credit Facilities in Cauvery Delta, Thanjavur District." This paper studies the issues faced by the farmers to obtain agricultural loans.

Research Objectives:

- To study the Origin and features of Crop loans in India.
- To study the performance of the financial institutions in providing crop loans.
- To study the impacts of crop loans on the agriculture sector in Karnataka.

RESEARCH METHODOLOGY

The paper is based on secondary data compiled from diverse sources of Agricultural finance, journals, newspapers relevant websites, etc. The data were compiled from the Agricultural Statistics the Department of Agriculture and Co-operation, Ministry of Agriculture, Government of India (GOI), Reports on Currency and Finance, published by the Reserve Bank of India (RBI), and various annual reports of National Bank for Agriculture and Rural Development (NABARD).

Origin and Features of Crop Loan: Farmers are given a lot of offers and benefits to assist them in their endeavours of farming. They need help with irrigation, land loans, modern equipment procuring, livestock purchasing, and most importantly crop loans. Crop Loans are also called Short Term Loans for "Seasonal Agricultural Operations." Seasonal Agricultural Operations connote such activities as are undertaken in the process of raising various crops and are seasonally recurring in nature. The activities include, among others, ploughing and preparing land for sowing, weeding, and transplantation where necessary, acquiring and applying inputs such as seeds, fertilizers, insecticides etc. and labour for all operations in the field for raising & harvesting the crops. Thus, the credit required to meet the current expenditure for raising the crops on land till the crops are harvested is construed as production or short-term credit. In India, the origin of the Crop Loan can be traced back to the recommendations of agricultural finance. Sub-committees appointed by the Government of India in 1944, under the chairmanship of Dr. D. R. Gadgil. The committees made a thorough appraisal of the cooperative credit structure in the context of providing timely and adequate credit to all credit-worthy farmers. The co-operative planning committee, under the chairmanship of Shri. R. G. Saraiya in 1945 also endorsed the recommendations of the Gadgil committee in this connection. The Crop loan plays a vital role in Indian agriculture. Therefore, the concept of Crop loans & their needs, how it is benefit farmers and the progress of crop loans in India are crucial to study. The researcher aims to analyse the Importance of the Crop Loan System in Indian agriculture.

Features of a Crop Loan

- Based on the type of crop being cultivated and the area under cultivation
- High-value crops can get higher loan amounts
- Encourages modernization and adoption of the latest technological advancements in agriculture
- Disbursement is in the form of an overdraft facility.
- Borrowers are given a Kisan Credit Card which can be used for various purposes

Performance of the financial institutions in providing crop loans: Agricultural finance in India's agricultural sector is the most significant factor. Crop loans are necessary input for Indian farmers.

Table 1. Crop loan and Term loan in India

| Years | Crop loan (amount in crore Rs) | Term loan (amount in crore Rs) |
|---------|-----------------------------------|-----------------------------------|
| 2017-18 | 753214.20 | 409402.74 |
| 2018-19 | 752209.00 | 504620.38 |
| 2019-20 | 825150.88 | 567578.52 |
| 2020-21 | 893757.07 | 681641.36 |
| 2021-22 | 1099678.56 | 763684.93 |

Sources: NABARD (Answer data of Rajya Sabah session – 258)

The table indicates the flow of Crop loans and term loans in India from 2017-18 to 2021-22. It shows that Crop loans had steadily increased from Rs 753214.20 crore in 2017-18 to Rs. 1099678.56 crore in 2021-22, it was increased by 31.50% and also term loans steadily increased from Rs. 409402.74 crores in 2017-18 to Rs. 763684.93 crores in 2021-22, it was increased by 46%.

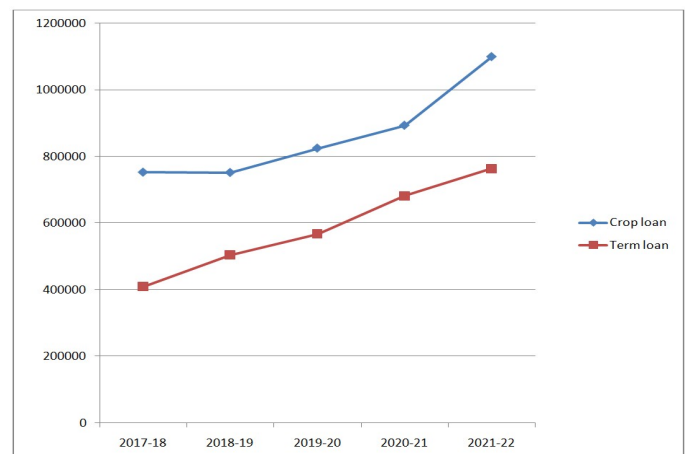


Figure 1. Crop loan and Term loan

Above the Figure 1 shows that crop loan and term loan curves are positively sloped, which means both are increased. but the crop loan curve is above the term loan curve, it indicates that the crop loan amount is larger than the term loan amount and comparing both, the term loan growth level is higher than the crop loan.

Impacts of crop loans on the agriculture sector in Karnataka: For the agriculture sector in India, Short-term credit is an important factor. It allows the farmers to fulfil the requirements of the agricultural production cycle, where income is received only after the harvest, while investment in inputs, like fertilizer, seeds, etc., must be met in advance. Thus, the availability of credit allows for greater use of purchased inputs and consumption by farmers and helps in increasing their welfare. crop loans are called short-term loans, these are necessary for the farmers to fulfil their basic activities in farming like purchasing seeds and fertilizers, and other harvesting activities.

Crop Loan and Production of Total Food Grain's details in Karnataka: (Area: In lakh hectares, Production: In lakh Tonnes, Yield: In Kgs per hectare)

| Years | Crop Loan amount(in Crores) | Total Food grains | | |
|---------|-----------------------------|-------------------|----------------------|---------------|
| | | Area | Production of Grains | Average yield |
| 2017-18 | 44145.77 | 76.53 | 139.91 | 1924 |
| 2018-19 | 37974.94 | 80.99 | 108.20 | 1406 |
| 2019-20 | 44476.75 | 81.73 | 136.51 | 1758 |
| 2020-21 | 52038.26 | 84.93 | 159.35 | 1915 |
| 2021-22 | 74152.79 | 81.66 | 143.68 | 1759 |

Sources: NABARD (Answer data of Rajya Sabah session – 258) and Final Estimates of District Wise Area, Production and Yield of Principal Crops In Karnataka for the year 2021-22 Directorate of Economics and Statistics, Bengaluru.

Above the table indicates the flow of Crop loans and the production of food grains in Karnataka. It shows that Crop loans had steadily increased from Rs. 44145.77 crore in 2017-18 to Rs. 74152.79 crore in 2021-22, increased by around 40%. The production of food grains had fluctuations year by year. In 2017 it was 139.91 lakh tonnes and in 2021-22 it was only 143.68 lakh tonnes.

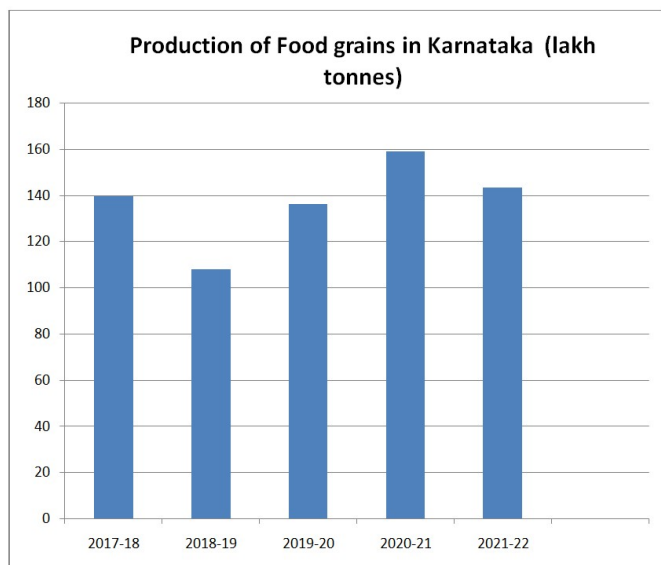


Figure 2. Production of food grains in Karnataka

Above the Figure 2 indicates the production of food grains in Karnataka. It shows that The production of food grains had fluctuations of year by year. In 2017 it was 139.91 lakh tonnes and in 2021-22 it was only 143.68 lakh tonnes.

Some Issues and Challenges faced by Farmers for getting crop loans

- Insufficient scale of finance
- Higher interest rate for delayed repayment
- Many farmers have not any Education
- Long procedure for documentation/RTC/no due certificate etc
- The bank does not entertain marginal and small farmers
- Difficulty faced in banking operations
- Problem of communication with bank officials
- Lack of credit details
- Bank is inconsiderate about delays in repayment due to crop loss while informal lenders are considerate.

RECOMMENDATIONS

This study aims to make too few recommendations for improvements to crop loans. Main measures to improve the reach of institutional credit, increase credit flow to allied activities, and improve the KCC scheme, priority sector lending certificates, and the agriculture sector are needed to take proper action to reach farmers regarding crop loans.

CONCLUSION

Short-term credit is one of the inputs for improving production, and productivity and reducing farmers' distress. Finance institutions play a main role in farming sector. The crop loan system is a comprehensive blueprint of credit. It is a short-term credit. The percentage share of crop loans is higher than other term loans in the agriculture sector. Some issues of this system include mistakes in valuing the crop, the worst productivity and low price can cause longer indebtedness and intermediaries could control the prices of the supplies and therefore the debt. However, the Government is always trying to overcome those drawbacks through various schemes, committee recommendations and credit institutions. When the Financial institutions provide sufficient loans to farmers especially small and marginal farmers in Karnataka it will be a boost to farmers.

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