2026 Volume: 02 Issue: 09 www.ijrpa.com ISSN 2456-9995 Review Article

International Journal Research Publication Analysis

Page: 01-06

AN ANALYSIS OF THE ROLE OF CO-OPERATIVE BANKS IN EXTENDING AGRICULTURAL CREDIT IN KARNATAKA

Thejaswini K. A., Sandyarani K. S.

Associate Professor/Research Scholar, Maharanis Women's Commerce and Management College, Mysuru.

Article Received: 01 August 2026
Article Revised: 21 August 2026
Published on: 11 September 2026

***Corresponding Author: Thejaswini K. A.**
Associate Professor/Research Scholar, Maharanis Women's Commerce and Management College, Mysuru.

DOI: https://doi-doi.org/101555/ijrpa.5484

ABSTRACT

Co-operative banking is a type of bank set up on a co-operative model. Like other banks, co-operative banks raise funds through shares, accept deposits, and provide loans. This system is part of the Indian banking structure and aims to reach rural areas in India. The co-operative banking sector has a vast network that offers credit services to rural agricultural credit seekers. It plays a significant role in socio-economic development and has contributed to the country's GDP growth. Primary Agricultural Credit Societies (PACS)which accounts for 30 percent of microcredit in India and are vital for community development in all states. Consequently, a study has been conducted to examine the structure of agricultural credit in Karnataka, as well as to assess the current status and performance of co-operative banking related to agricultural credit in rural and urban areas of the state.

KEYWORDS: Co-operative, Banking, Agricultural Credit, Karnataka.

1.INTRODUCTION

Co-operative banking is an organisation which is based on co-operative principles and engages in ordinary banking activities just as other banks do. Co-operative banks are set up by raising funds through the issue of shares, accepting deposits and granting loans. They play a vital role in the socio-economic development of a country. Co-operative banks have common origins and are characterised by mutual co-operation, member ownership, ethical standards and solidarity as well as social cohesion. Because of the financial help they have given to people in need, co-operative banks have been acknowledged at both the micro and macro levels. These banks are part of the existing banking system and were mainly established to help small and marginal farmers by providing them with agricultural credit and also by assisting them in purchasing inputs, storage and marketing and so on. Out of the total credit disbursed, 67 per cent is rural credit supplied by co-operative banks. In urban areas these banks provide financial assistance in respect of self-employment, industries, start-ups, house finance and personal finance etc. Since agriculture is the main form of employment, India ranks fifth in the world as the largest producer of over 80 per cent of agricultural products. The government is carrying out a various measures in order to give greater support to both rural and urban communities through the banking finance system. The Primary Agricultural Credit Societies (PACS) of co-operative banks have a significant role to play in offering financial assistance under various schemes and account for 30 per cent of micro credit in India and in the state of Karnataka. Loan Credit facilities are offered to farmers by co-operative banks, commercial banks, and regional rural banks at a lower rate of interest. There are mainly three kinds of credit: short term, medium term, and long term. Short term credit is available for a period of less than 15 months and is repayable after harvest; it is mainly used for the purchase of fertilizers, seeds, and for paying wages. Medium term credit covers for a period ranging from 15 months to 5 years and is used for buying cattle, pump sets and other agricultural implements. Long term credit is obtained for a period exceeding five years and is used for improving the land and for horticultural purposes.

2. Literature Review

Jyoti Gupta & Suman Jain (2012), in the article “A study on Cooperative Banks in India with special reference to Lending Practices “, the study focused on some successful co-operative banks in Delhi. The study reflects on the loan processes and adoption of latest technology, the author identifies a wide range of services, provided to private and corporate customers and for people from the middle class, for whom a bank is a place where they can save their money, The study also reflects on the range of facilities provided which do not appear superior to that of private banks, their interest rates are definitely competitive. Unlike private banks, the documentation required by UCBs is both lengthy and strict, making it rather difficult to get loan approval.

Maheshkumar M (2020). The present study, entitled **“**A Study on the analysis of the financial performance of the district central co-operative bank in Karnataka, a comparative study examines the development and performance of co-operative banking in Karnataka. The study is primarily based on secondary data collected from official records, reports, and available information relating to co-operative banks and co-operative societies in the state.

The study results reflect the best-performing DCC banks and concluded there is a statistically significant difference in the performance level in financial status of the District Central Co-Operative Banks in Karnataka State. The state has more scope to improve the financial performance of the all DCC banks in Karnataka.

Dr. Sushil Beliya and Maheshkumar (2022) The study on District Co-operative banks is conducted to assess the financial performance and understand the status of DCC banks through the measuring parameters which acts as indicators such as focusing on profitability, working capital share capital, loans short term, and medium terms loans in the state of Karnataka by using simple statistical tools.

3. Objectives

1 To examine the district-wise number of primary Agricultural credit societies in Karnataka
2 To understand the structure and system of co-operative credit banking in Karnataka.
3 To analyse the loan sanction status of primary co-operative credit societies in Karnataka

3.1 Research methodology

The secondary sources of information were collected from the Statistical Department, Office of the Co-operative Societies Department, journals, and internet sources.

3.2 Limitation

The study was undertaken based on secondary sources of information and is restricted to Karnataka state co-operative credit societies on their short-term, medium-term and long-term loans relating to agriculture.

3.4 Structure of co-operative Banks in Karnataka

Agricultural credit is one of the basic inputs necessary for comprehensive agricultural development. NABARD is India's specialised bank for Agriculture and Rural Development in India. As India is a developing nation and is based mainly on agriculture as a primary occupation, there is an immense need of credit flow to small and marginal farmers. After independence, the Government started providing assistance to the needy through various agencies like co-operatives, commercial banks, and regional rural banks at a cheaper rate of interest. There are mainly three types of credit facilities provided to the agriculturist: short-term, medium-term, and long-term. Short-term credit is given for a period less than 15 months, which is payable after harvest. Credit is granted mainly to purchase fertilizers, seeds, paying wages etc. Medium-term credit is the credit requirement for a medium to period ranging from 15 months to 5 years for purchasing cattle, pump sets and other agricultural implements. Long term credits financed for a long period for more than 5 years for improving land, horticulture purposes. As India is a developing nation and is based mainly on agriculture as a primary occupation, there is an immense need of credit flow to small and marginal farmers. After independence, the Government through various agencies like co-operatives, commercial banks, and regional rural banks, started providing assistance at a cheaper rate of interest. There are mainly three types of credit facilities provided to the agriculturist: short term, medium term and long term. Short-term credit is given for a period less than 15 months, which is payable after harvest. Credit is granted mainly to purchase fertilisers, seeds, paying wages etc. Medium-term credit is the credit requirement for a medium to period ranging from 15 months to 5 years for purchasing cattle, pump sets and other agricultural implements. Long term credits financed for a long period for more than 5 years for improving land, for horticulture purpose.

3.5 District-wise list of PACS of the State of Karnataka

As on date, the STCCS consists of 5,658 PACSs and 21 DCCB with 818 branches and one state level Apex Bank, namely the Karnataka State Co-operative Apex Bank. As per NABARD guidelines, the BDPs of these societies' banks have been formulated for their business development and strengthening of these institutions. An agreement was entered into by NABARD, the State Government and the Apex Bank in June 1995, which has been renewed from time to time.

3.6 Long-Term Credit Co-operative Structure (LTCCS):

The LTCCS has a two-tier structure comprising of the apex level KSCARD and the 176 Primary Co-operative Agriculture and Rural Development Banks functioning at the level of the taluka. NABARD provides refinance facilities for the credit extended by the apex bank and KSCARD.

3.7 Interest rates and Loan Amount

Farmers can avail the short-term, medium and long-term loans for agricultural purpose. Short-term agricultural loans up to Rs.3.00 Lakhs, medium- and long-term agricultural loans up to Rs.10.00 lakhs are available at the concessional rate through Cooperative institutions. Farmers can also get loans above these limits at normal interest rate. Short-term loans are sanctioned based on their land holding and crop grown according to the scale of finance fixed by the district-level technical committee, which will comprise NABARD district-level officer, Officers from the Department of Agriculture, Horticulture, Sericulture, Fishery, Co-operation and farmers.

3.8 The Interest subsidy on Agricultural Loans at 0 & 3%:

Agricultural loans up to Rs 3 lakh have been disbursed at the rate of 0% and loans above 3 lakhs up to 10 lakhs is sanctioned at the net effective rate of 3%. As per the available data, in the year 2018-19, Rs.96300.00 lakhs was provided for implementation of this scheme. The Government has released Rs.77749.64 lakhs, and the entire amount is released through DCC Banks towards the claims of 19,89,021 beneficiaries.

As per the latest report, the agricultural loans released through co-operative credit societies are:

3.9 Agricultural loans disbursed through the cooperative credit system

Year	Short-term agricultural loans	Medium-term loans	Long-term loans	Total
2020–21	₹16,366.70 crore	₹957.45 crore	₹411.13 crore	₹17,735.28 crore

The above table provides the information relating to the status of release of short-term, medium-term and long-term loans disbursed through cooperative credit societies.

4. Findings: Primary co-operative credit societies are gaining its significance as more than 60 per cent of the agricultural loan is disbursed by co-operative banks in Karnataka. Up to Rs 3 lakhs amount of short-term loan the rate of interest is charged is at 0 percent. The maximum loan sanctioned is 10 lakhs at a net rate of 3 percent and more than 10 lakhs at a reasonable rate of interest. The target set to sanction loans and the achievement made is satisfactory in relation to the disbursement of agricultural loans. The state government schemes of lending loans at 0 percent and 3 percent is very feasible for the support of farmers.

5.CONCLUSION: Primary Agricultural co-operative credit societies doing a tremendous effort in improving the agricultural productivity and income of farmers by lending loan at feasible interest. In the same way, the Central government and NABARD is joining hands with the state governments to support in financing funds to the co-operative banks. The government's new policies and programs are mainly for the rural and marginal farmers support in enhancing their income and also the nation's revenue.

BIBLIOGRAPHY

1 Jyoti Gupta & Suman Jain (2012) "A study on Cooperative Banks in India with special reference to Lending Practices "International Journal of Scientific and Research Publications, Volume 2, Issue 10, October 2012 ISSN 2250-3153

2 **Maheshkumar M (2020).** The present study, entitled **"**A Study on the analysis of the financial performance of the district central co-operative bank in Karnataka, a comparative study, GIS SCIENCE JOURNAL VOLUME 7, ISSUE 11, 2020

3 Mahesh Kumar M & Dr. Sushil Beliya " Progress of District Cooperative Banks in Karnataka" Strad Research, VOLUME 9, ISSUE 7, 2022

4 https://sahakarasindhu.karnataka.gov.in/9/agricultural-credit/en

5 https://sahakarasindhu.karnataka.gov.in/info2/Interest+Subsidy+for+Agricultural+Crop+Loan/en

6 www.wikipedia.org.>Agriculture-in-India www.sahakara.kar.govt.in>agriculturalcredit

7 www.economicsdiscussion.net>ndia>cooperative-banking-in india

8 www.blog.ipleaders.in>India

9 www.sahakara.kar.gov.in>faqcredit www.thehindubusinessline>neai cle22777776

10 https://sahakarasindhu.karnataka.gov.in/9/agricultural-credit/en