

INSTITUTIONAL AGRICULTURAL CREDIT IN KARNATAKA: AN ANALYTICAL STUDY OF MANDYA DISTRICT

Rajesha. B

Research Scholar, Department of Economics, Karnataka State Open University,
Mukthagangothri, Mysore

Harisha N

Assistant Professor, Department of Economics, Karnataka State Open University,
Mukthagangothri, Mysore

ABSTRACT:

Institutional agricultural credit plays a pivotal role in enabling farmers to access financial resources for inputs, irrigation, mechanization, and post-harvest management. In Karnataka, agricultural credit has grown significantly, with the state consistently exceeding its planned disbursement targets under the Agricultural Credit Plan. However, disparities persist in the flow and accessibility of credit across districts and farmer categories. This study focuses on Mandya District, known as the "Sugar Bowl of Karnataka," to examine the distribution of institutional agricultural credit across cooperative banks, commercial banks, and Regional Rural Banks. Using secondary data from the Reserve Bank of India, NABARD, and district-level credit plans, the study analyzes agency-wise and taluk-wise credit allocation, highlighting the dominance of public and cooperative banks, inter-taluk variations, and challenges faced by small and marginal farmers. The findings indicate a concentration of credit on irrigated, high-value crops and underline the need for more inclusive, equitable, and development-oriented financial interventions. Policy recommendations include strengthening the role of RRBs and cooperatives, promoting crop diversification, enhancing financial literacy, and implementing innovative credit products to ensure sustainable agricultural growth.

Keywords: Institutional Agricultural Credit, Innovative Credit Products, Credit Distribution, Financial Literacy, Agricultural Policy.

INTRODUCTION:

Institutional agricultural credit serves as a cornerstone of rural financial systems, enabling farmers to secure timely resources for inputs, irrigation, mechanization, and post-harvest management. In Karnataka, the flow of institutional finance has shown remarkable progress, with disbursements under the Agricultural Credit Plan in 2020–21 reaching about ₹1,26,457 crore against a target of ₹1,12,199 crore—representing 112.7% of the planned target. The reach of formal finance has also been strengthened through the expansion of the Kisan Credit Card (KCC) scheme, under which more than 42 lakh cards had been issued by October 2021. Among the lending institutions, cooperative banks accounted for the largest share (51.9%), followed by scheduled commercial banks (33.3%) and regional rural banks (14.8%). Yet, despite these achievements, district-level disparities persist, with agricultural credit per capita ranging from as low as ₹334 in Gulbarga North to as high as ₹923 in Bagalkote, compared to the state average of ₹737.

Mandya district, popularly known as the "Sugar Bowl of Karnataka," occupies a unique place in the state's agrarian economy. Agriculture contributes nearly 15.9% to the district's Gross Domestic Product (GDP), while the per capita income was estimated at ₹3, 06,448 in 2023–

24. The district benefits from assured irrigation through the Cauvery River, which supports the cultivation of water-intensive crops such as sugarcane, alongside paddy and horticulture. This makes Mandya an ideal case for analyzing the flow and distribution of institutional agricultural credit. The present study draws upon secondary data from sources such as the Reserve Bank of India's *Basic Statistical Returns*, NABARD Annual Reports, and Lead Bank District Credit Plans for Mandya, in order to evaluate whether institutional finance is being distributed effectively and accessed equitably. By doing so, the study aims to assess the extent to which credit flows are contributing to sustainable and inclusive agricultural development in the district.

REVIEW OF LITERATURE:

Agricultural credit has been widely studied in India as a key driver of rural growth and farm modernization. Scholars such as Shetty (2006) and Narayanan (2015) emphasized that while the volume of institutional credit has grown steadily, its accessibility remains uneven, with small and marginal farmers still relying partly on informal sources. Chavan (2017) also pointed out that the concentration of agricultural credit is higher among larger farmers and capital-intensive crops, reflecting a persistent structural imbalance in rural credit delivery. In Karnataka, studies by Basavaraja and Mahajanashetty (2008) and subsequent NABARD reports highlight that credit distribution is strongly influenced by irrigation availability and cropping patterns. Districts like Mandya, with assured irrigation from the Cauvery basin, have attracted higher institutional lending, particularly towards sugarcane cultivation, reinforcing its identity as the state's "Sugar Bowl." However, literature also raises concerns about crop monoculture and debt stress in such regions (Shivanna, 2016). Despite these insights, comprehensive district-level analyses that compare Mandya's credit flow within Karnataka remain limited, presenting a clear research gap that the present study aims to fill.

STATEMENT OF THE PROBLEM:

Agricultural development in Karnataka is highly dependent on institutional credit, as farmers increasingly require financial resources to adopt modern technology, diversify crops, and manage risks. While the state has consistently surpassed its annual agricultural credit targets—as seen in 2020–21, when disbursement reached ₹1,26,457 crore against a target of ₹1,12,199 crore—the benefits of this credit expansion are not evenly distributed across districts and farm categories. Evidence shows that cooperative banks, commercial banks, and regional rural banks play a vital role, yet disparities persist in per capita credit distribution, with some irrigated districts enjoying better access while drought-prone and rainfed areas remain underserved.

Mandya district, with its strong irrigation base from the Cauvery river, has emerged as one of the largest recipients of institutional credit in Karnataka, largely due to the dominance of sugarcane and paddy cultivation. However, this concentration raises questions about the inclusiveness and sustainability of credit distribution. Small and marginal farmers often face barriers in accessing formal finance, while the preference of banks to lend for high-value and capital-intensive crops may aggravate regional and crop-level imbalances. Despite these concerns, there is limited empirical research that systematically examines how institutional credit flows are distributed within Mandya in comparison to the broader state trends. This research gap underscores the need for a detailed district-level study to assess whether institutional agricultural finance is equitable, efficient, and development-oriented.

OBJECTIVES OF THE STUDY:

This study has following objectives,

- To analyze the agency-wise distribution of institutional agricultural credit in Karnataka, focusing on cooperative banks, commercial banks, and regional rural banks.
- To Examine the Distribution of Institutional Agricultural Credit across Agencies in Mandya District:

RESEARCH METHODOLOGY:

The study adopts a descriptive and analytical research design, relying mainly on secondary data to examine the flow and distribution of institutional agricultural credit in Karnataka, with special reference to Mandya district. Data are drawn from the Reserve Bank of India's Basic Statistical Returns, NABARD annual reports and State Focus Papers, the Economic Survey of Karnataka, Mandya District Lead Bank Credit Plans, and reports of the Department of Agriculture. The analysis covers the role of different institutional agencies such as commercial banks, cooperatives, and regional rural banks, with attention to inter-district disparities in credit distribution. Graphs and tables are used to present findings in a simplified manner. The study is confined to institutional sources of credit, and its conclusions are subject to the limitations of secondary data availability and reliability.

Distribution of Institutional Agricultural Credit across Agencies in Karnataka:

Table: 1. Loans to Agriculture Sector in Karnataka (Performance on National Goals)

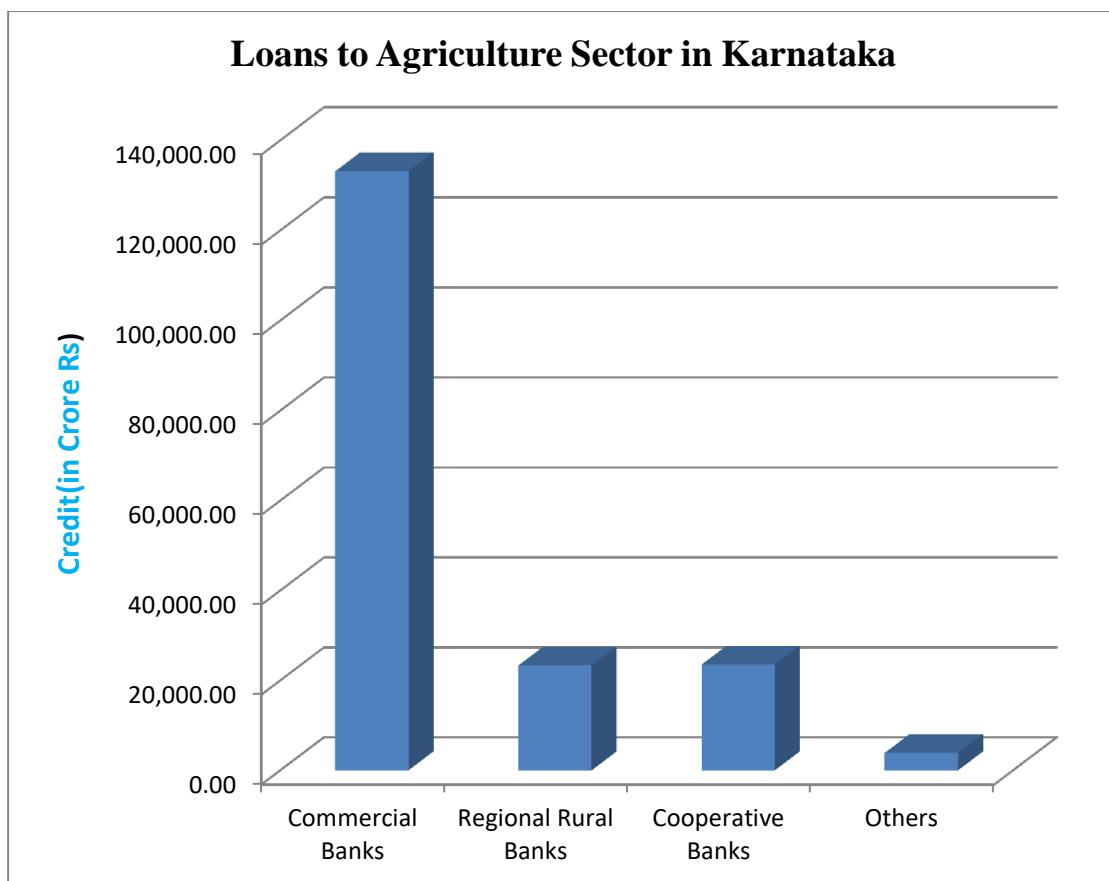
As Per 31/03/2024

Agency	Amount in Crore Rs.	% of Total Loans
Commercial Banks	1,33,138.57	11.7
Regional Rural Banks	23,326.85	51.5
Cooperative Banks	23,517.92	39.9
Others	3,881.64	25.2
All Agencies	183864.98	14.7

Source: State Focus Paper Year: 2025-26 State: Karnataka-NABARD

The data in Table 1 shows that as of 31 March 2024, commercial banks in Karnataka disbursed the highest share of agricultural loans at ₹1,33,138.57 crore, though their achievement stood at only 11.7 percent of the national goals, indicating limited priority for agriculture in their overall lending. Regional Rural Banks (RRBs) and cooperative banks, despite handling smaller volumes, performed significantly better with achievement levels of 51.5 percent and 39.9 percent respectively, reflecting their stronger orientation towards meeting farmers' credit needs, especially among small and marginal farmers. Other agencies accounted for a smaller portion, with 25.2 percent achievement. Overall, the figures suggest that while commercial banks dominate in terms of volume, RRBs and cooperatives play a more effective role in fulfilling agricultural credit goals, underlining their importance in rural credit delivery systems in Karnataka.

Figure: 1. Loans to Agriculture Sector in Karnataka (Performance on National Goals)



Source: State Focus Paper Year: 2025-26 State: Karnataka-NABARD

The bar chart illustrates the agency-wise distribution of agricultural loans in Karnataka as of 31 March 2024. It is evident that commercial banks dominate the agricultural credit flow, providing the highest amount at over ₹1,33,000 crore. In comparison, Regional Rural Banks (RRBs) and cooperative banks contributed much smaller but still significant amounts, each disbursing around ₹23,000 crore. Other agencies account for only a marginal share of about ₹3,800 crore. While commercial banks contribute the bulk of agricultural lending in terms of absolute volume, the relative effectiveness of RRBs and cooperative banks in reaching rural farmers is notable, as they are more directly engaged in agricultural credit delivery, particularly for small and marginal farmers. This graphical representation reinforces the data in Table 1, highlighting the uneven concentration of agricultural credit across agencies in Karnataka.

Distribution of Institutional Agricultural Credit across Agencies in Mandya District:

Table: 2. Agriculture Credit in Mandya District, 2022–23 (in Lakh Rupees)

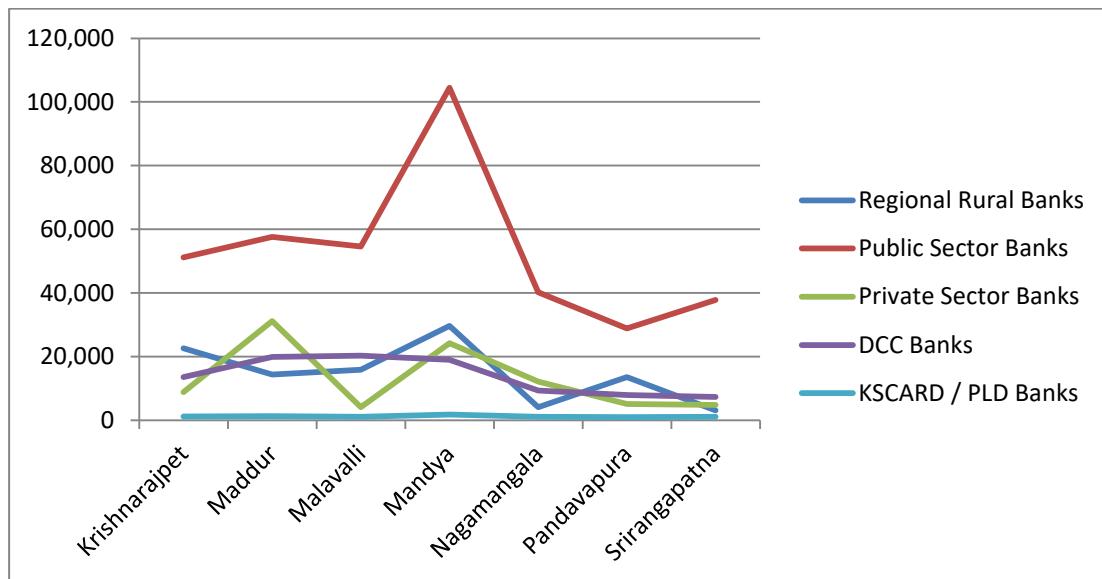
Taluk / Area	Regional Rural Banks	Public Sector Banks	Private Sector Banks	DCC Banks	KSCARD / PLD Banks	Total Credit
Krishnarajapete	22,636	51,177	8,808	13,602	1,260	97,483
Maddur	14,352	57,599	31,210	19,937	1,280	1,24,378
Malavalli	15,860	54,571	4,095	20,293	1,090	95,909
Mandya	29,639	1,04,461	24,267	19,049	1,860	1,79,276

Nagamangala	4,125	40,240	12,155	9,352	1,096	65,968
Pandavapura	13,569	28,877	5,135	7,902	1,040	55,625
Srirangapatna	3,128	37,836	4,814	7,398	1,110	54,263
Total	1,03,309	3,74,761	90,484	97,533	8,736	6,74,823

Source: District at a Glance – Mandya Statistical Report, FY 2022–23 (K-GIS, KSRAC).

Table 2 shows that in 2022–23, Mandya District received a total agricultural credit of ₹6,74,823 lakh, with Public Sector Banks providing the largest share (₹3,74,761 lakh), followed by DCC Banks (₹97,533 lakh), Regional Rural Banks (₹1,03,309 lakh), Private Sector Banks (₹90,484 lakh), and KSCARD/PLD Banks (₹8,736 lakh). Among the taluks, Mandya received the highest credit (₹1,79,276 lakh), indicating a concentration of agricultural activity and demand for finance, while Srirangapatna received the least (₹54,263 lakh). This distribution highlights the key role of public and cooperative banks in supporting farming, the contribution of regional and private banks, and the variation in credit allocation reflecting differences in agricultural intensity and development across taluks.

Figure: 2. Agriculture Credit in Mandya District, 2022–23 (in Lakh Rupees)



Source: District at a Glance – Mandya Statistical Report, FY 2022–23 (K-GIS, KSRAC).

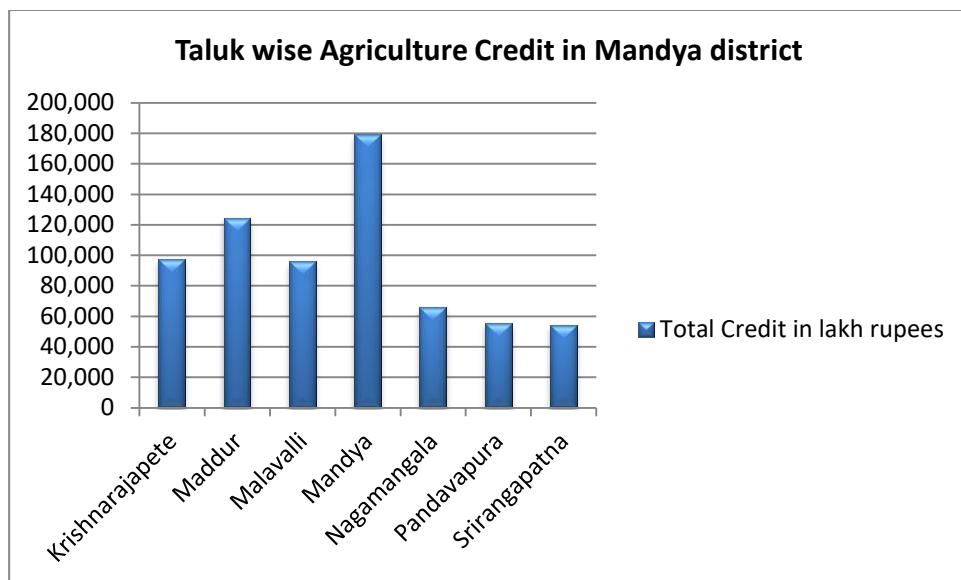
The figure illustrates the distribution of agricultural credit across different banks in Mandya District for 2022–23. Public Sector Banks dominate lending in all taluks, peaking in Mandya taluk at over ₹1,04,000 lakh, reflecting their central role in financing agriculture. Regional Rural Banks and DCC Banks provide moderate credit, with Regional Rural Banks showing higher lending in Mandya and Krishnarajapete, while DCC Banks have a relatively steady contribution across taluks. Private Sector Banks exhibit more variation, with a notable peak in Maddur, but generally lower credit compared to public banks. KSCARD/PLD Banks contribute minimally across all taluks. Overall, the graph highlights the dominance of public and cooperative banks in supporting agricultural credit, with smaller but important roles for regional and private banks.

Table: 3. Taluk wise total Agriculture Credit in Mandya District, 2022–23 (in Lakh Rupees)

Taluk / Area	Total Credit (in lakh Rs.)
Krishnarajapete	97,483
Maddur	1,24,378
Malavalli	95,909
Mandya	1,79,276
Nagamangala	65,968
Pandavapura	55,625
Srirangapatna	54,263

Source: District at a Glance – Mandya Statistical Report, FY 2022–23 (K-GIS, KSRAC).

Figure: 3. Taluk wise total Agriculture Credit in Mandya District, 2022–23 (in Lakh Rupees)



Source: District at a Glance – Mandya Statistical Report, FY 2022–23 (K-GIS, KSRAC).

The figure:3 shows the distribution of agricultural credit across seven taluks of Mandya district. Among them, **Mandya taluk** records the highest agricultural credit, exceeding ₹1,75,000 lakh, indicating its strong agricultural and financial activity. It is followed by **Maddur** with around ₹1,25,000 lakh, while **Krishnarajapete** and **Malavalli** show moderate credit levels of about ₹1,00,000 lakh each. On the other hand, **Nagamangala**, **Pandavapura**, and **Srirangapatna** have significantly lower credit flow, each below ₹70,000 lakh. Overall, the data reflect regional disparities in credit distribution, with Mandya taluk dominating in agricultural finance availability compared to other taluks in the district

FINDINGS:

The analysis of institutional agricultural credit in Karnataka reveals that while commercial banks disbursed the largest absolute volume of loans, they achieved only 11.7% of the national agricultural credit goals, indicating a relatively lower priority for agriculture within their overall lending. Regional Rural Banks (RRBs) and cooperative banks, though handling smaller volumes, performed more effectively, achieving 51.5% and 39.9% of targets respectively, highlighting their crucial role in supporting small and marginal farmers. Other agencies contributed minimally, reflecting limited participation in agricultural lending.

At the district level, Mandya received a total agricultural credit of ₹6, 74,823 lakh in 2022–23, with Public Sector Banks accounting for the largest share, followed by DCC Banks, Regional Rural Banks, Private Sector Banks, and KSCARD/PLD Banks. Among the taluks, Mandya received the highest credit, while Srirangapatna received the lowest, indicating a concentration of agricultural activity and credit demand. Public sector and cooperative banks dominate lending, whereas private and regional banks play supplementary roles. Despite the high overall flow, small and marginal farmers may face challenges in accessing loans, particularly for capital-intensive crops like sugarcane, showing inequities in credit distribution. The concentration of credit in irrigated and high-value crops also suggests that rainfed areas and low-capital crops receive relatively less support, raising concerns about sustainability and inclusiveness.

SUGGESTIONS:

To promote equitable credit access, banks should strengthen outreach and awareness programs, especially for small and marginal farmers in rainfed and low-irrigation taluks. Diversifying lending across crops will reduce overdependence on sugarcane and other high-value crops. Expanding the network of Regional Rural Banks and cooperative societies in underserved taluks can improve credit penetration and ensure more inclusive financing. Innovative credit products such as crop insurance-linked loans, flexible repayment schedules, and microfinance schemes should be introduced to reduce farmers' vulnerability and promote financial sustainability. Robust monitoring and evaluation mechanisms are essential to track district-level credit flows and assess their impact on agricultural productivity, income, and debt stress. Additionally, capacity-building and financial literacy programs will help farmers utilize credit more effectively, manage risks, and improve overall agricultural outcomes.

CONCLUSION:

Institutional agricultural credit in Karnataka has expanded significantly, with notable contributions from commercial banks, cooperatives, and Regional Rural Banks. Mandya District, benefiting from irrigation and high-value crop cultivation, emerges as a major recipient of such credit. However, the study highlights persistent disparities between taluks, inequitable access for small and marginal farmers, and concentration of loans in capital-intensive crops. For sustainable and inclusive agricultural development, it is essential to strengthen the role of cooperatives and RRBs, diversify lending across crops and regions, and enhance financial literacy among farmers. Equitable credit distribution will not only improve productivity but also contribute to rural prosperity, resilience, and long-term economic growth in Karnataka's agrarian sector.

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