1. Executive Summary

By and large the agriculture sector is suffering due to fragmented land holdings, large number of families depending on agriculture than its required potential, lack of financial and other support to farmers for needed inputs. With a view to augment this problem, there have been supports extended to agriculture even from the colonial period, and more so after attaining independence. The Government of Karnataka is no exception to express its concern for agriculture and the agriculture dependent families. Providing financial support to farmers through cooperative structures that are owned and managed by farmers themselves is the unique feature of support provided to farmers.

The nature of support extended by the GOK starts from providing loans at subsidised interest rates from 6 % in 2004-05 to no interest on short-term and medium term loans. In addition to this with a view to support the cooperative structure to get strengthened and to sustain itself Vaidhyanathan Fund was created and provided.

The concern of the Government as explained above was to strengthen the credit delivery system to the farmers and make available easy credit at concessional or with no interest so that there is increased food production simultaneously helping small and marginal farmers improve their economic and social status by mitigating the financial burden by the standard practice of the farmer's borrowing from private money lenders.

The evaluation had looked into various problems concerning the quantum of loan, their timely disbursement, loan utilisation, repayment, beneficiary selection, categories of farmers covered, the effectiveness of the credit facilities and interest subsidy and the mechanisms of functioning of PACS and other related systems towards effectively fulfilling the set objectives.

The evaluation design included getting responses from different stake holders on the predesigned questions, semi structures interviews, FGDs, and looking into the documents in PACS and DCBs. The statistical data collected was segregated and analysed and presented with qualitative inputs that were also gathered from interviews, meetings and discussions with different stake holders.

The mandate by the KEA to conduct the evaluation by was confined to two districts of each of the four revenue divisions. The selected sampling consisted 160 PACS from 8 districts and 2 DCC Banks. The sampling of beneficiary selection for the study consisted of a mixture of Old and New members, ST/ST/Minority, small medium and big farmers and male and female members.

Findings:

The study team conducted FGD with 2544 farmers across eight districts. No doubt that the farmers are receiving crop loans from PACS/DCCBs, unfortunately the loans sanctioned are untimely and it has not been helping them (farmers) to the extent to which it should have been. Invariably, because of this reason the farmers have to take loans from private money lenders. This has been in one way or the other making the farmers to be in the clutches of private money lenders.

As the time of sanction did not match the agriculture season coupled with non-availability of seeds, fertilizer and pesticides at one place in majority of PACS the farmers bought these items in the open market. With a view to ensure repayment, old loans are mostly renewed showing in records that the old loans are cleared and the new loans are given afresh.

Some of the PACS followed the guidelines for the selection of farmers and crop based scale of finance and the farmers feel that the scale of finance is not sufficient and the matching of loan to the crops is hardly done.

The categories like the SC, ST and Minorities were covered for the loans though with varying degrees of quantum of loans. The women and disability members were not seen to be covered. The small and marginal farmers did not benefit much as they found the documentation and running around work to be not worth the efforts.

Though some PACS are surviving by doing retail sales and pigmy collection, majority of them do not get sufficient revenue for the maintenance of Co-operative institution. Hence most of the PACS are collecting charges on the loans sanctioned. The Vaidyanathan amount is also used for loan gaps in the DCC banks.

Various methods of lending were used like direct remittance to the farmer's accounts in PACS and other others, through cheques and direct cash. There were sudden and immediate withdrawals of loans in one bulk or in between a maximum period of 30 days.

Majority of the PACS cover 10% of new farmers for the loans and the Government order of covering 25% of new farmers is not adhered to for various reasons.

As per the impact of services on production, farm income and change in cropping pattern there were mixed responses and 60% were in the affirmative, 20% neutral and another 20% were in the negative.

The Evaluation study recommends that

i) It is more advisable if loans are provided to such individuals those who are actual cultivating the land.
ii) The crop loans should be sanctioned on time.
iii) There should be timely co-ordination between the PACS and the Revenue Department for the purpose of at the time of sanctioning of loans the updating of RTC with the name of recent crop should be ensured.
iv) There should be minimal and farmer friendly documentation for loans.
v) Marketing of crops and minimum prize strategies to be worked out and followed.
vi) The documents of assets created by farmers, by using the loans should be kept in the PACS.
vii) PACS should have provisions of agro-support material like seeds, fertilizers and pesticide at competitive rates at the time of requirements of the farmers for their optimal utilisation.

2. Introduction

In the years since its independence, India has made immense progress towards food security. Indian population has tripled, and food-grain production more than quadrupled. There has been a substantial increase in available food-grain per capital. Today, India ranks second worldwide in farm output despite the primary