

INSTITUTIONAL CREDIT AND AGRICULTURE DEVELOPMENT – WITH SPECIAL REFERENCE TO BANGALORE RURAL DISTRICT

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Abstract

Agriculture is a number one sector of the Indian economic system as about 70 percent of the total population relies upon it and its dependence keeps unabated. The pulls and pressures in the farm issue retain to volume their have an impact on the overall direction of economic activity. Farming one of the maximum unsafe of all monetary enterprises, because it's miles absolutely out-door assignment exposed perilously to the unpredictable vagaries of climate. The crops are at risk of harm by numerous factors like illnesses, birds, stray animals, rats, natural and unnatural calamities together with floods, droughts, cyclones, fires and many others. So, provision of an effective insurance cover for farm activities is indeed very tough. The insurance corporations which had wealthy level in supplying the coverage cover and other varieties of enterprise aren't willing to take up crop insurance commercial enterprise due to higher chance aspect winning inside the farm zone. Cooperative credit shape became the first to recognize that increasing rural incomes through greater agricultural manufacturing and generating employment in non-farm sports as vital to expanding home marketplace for expanded funding and business increase. In view of the aid of cooperative credit, it has been possible to sign in higher charge of earnings growths. Prices of agricultural produce had been in large part responsible to arrest the fee of inflation. Short term cooperative credit structure silently has been operating on this philosophy. A strive is made on this chapter to research the function of cooperative banks in agriculture area development inside the state of Karnataka.

Keywords: Cooperative Banks, Agriculture Sector and Farming Community.

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INTRODUCTION

In the wake of introduction of monetary reforms in India due to the fact 1991 with emphasis on globalization and liberalization, financial sector reforms have assumed good sized importance. The simple objective of reforms within the monetary area has been to improve the performance, competitiveness, transparency and productiveness of monetary device as an entire. Under the procedure of economic quarter reforms, Government of India gave giant financial help to Public Sector Banks as also RRBs. However, cooperative banking area has been denied this pattern of monetary assistance notwithstanding the reality that the cooperative banks had been engaged in the important venture of transforming rural economy of the USA.

It is understood that cooperative credit score region along with agriculture and rural improvement banks constitutes an important section of Cooperative Movement and is gambling an essential role in financing short-term, medium-term and long-time period agriculture operation together with investment oriented initiatives for promoting rural improvement. Keeping in view the importance of cooperative credit sector in the context of socio-monetary development of the agricultural areas, the commonplace minimum programme of the existing Government has emphasized at the need to nurse back the weak cooperative credit sector to fitness and it's been proposed to double the glide of rural credit inside the next three years so that it will make certain that the insurance of small and

marginal farmers by way of institutional lending is increased extensively.

It is understood that the monetary role of a few State Cooperative Banks and a huge wide variety of District Central Cooperative Banks and PACs depart a whole lot to be preferred. It is likewise regarded that at the operational level, cooperative banks have suffered losses for closing many years due to their implementation of presidency backed guidelines and programmes. The interference with the aid of the government within the healing method as additionally the relaxation and concessions announced via the authorities resulting from herbal calamities, floods and drought in special components of the USA. Have expanded their losses. The Agriculture and Debt Relief (ADRS) Scheme of 1990, sponsored by means of Government of India did an un repairable harm to the weather of loan compensation tradition traditionally prevailing within therural areas.

Recently, Government of India has introduced its choice to provide crop mortgage to the farmers at 7 percentage fee of hobby according to annum with effect from 1-04-2006. In this context, Government has also promised to offer interest subvention (subsidy) at 2 percent according to annum to the public area banks and RRBs at the credit loans furnished through them out in their own budget. As in opposition to this, no such interest subvention has been promised to the cooperative credit score establishments who are predicted to provide crop loans from out in their very own funds which can be being raised by them at a high value of 9-10 percent per annum. As a rely of truth this 2 percent hobby subvention isn't always enough for cooperative banks.

The average loan healing levels for various rural cooperative banks in any respect India stage stood at 68% all through 2003-04 which became decrease than that found during 2002-03. It is viable that significant drought conditions which prevailed in lots of states in the course of 2003-04 and 2004-05 would have adversely affected these mortgage recoveries. Further, there are reports that deficiency in loan appraisal mechanism and inadequate follow-up and manager withinthe usage of loans coupled with political interference have also adversely affected the mortgage healing state of affairs. In view of this, it's miles vital that greater emphasis desires to be laid withinthe coming years on medical appraisal of mortgage packages and on the observe-up of utilizationof loans sanctioned for certain targets. In this context, it is pertinent to conduct in-depth examine on the function of cooperative banks in the empowerment of farmers.

REVIEW OF LITERATURE

Dhuru, Arundhati (2007) has been skeptical about the implementation as the muster rollsfabricator cannot be ruld out and the minimum payments are also not guaranteed. According to her the success of the scheme depends more on politics and less on economics.

Swaminathan, P. (2007) on the other hand has depended the scheme that merely on the basis of corruption reports and poor performance the scheme cannot be out rightly rejected. Economic Times (2007) has reported about the adverse impact of the NREGS as the farm activitiesin states of Andhra Pradesh and Kerala and that this scheme should be implemented only in least agricultural sector.

Singh (2006) in his paper entitled "Socio-economic impact of Integrated Rural Development Programme on Weaker Sections in Punjab" has concluded that the Integrated Rural Development Programme is showing its impact on the weaker sections served by it.

Martin Petrick & Laure Latruffe (2006) examines the micro econometric analysis of agricultural credit market outcomes in Poland that investigates the relationship between contractual arrangements and interest rates.

OBJECTIVES OF THE STUDY

1. To examine the utilization of the cooperative banks credit by the agricultural farmers inBangalore Rural district.
2. To suggest the suitable measures for further effective functioning of cooperative banks inadvancing agricultural credit.

SOURCES OF DATA:

Both primary and secondary data have been used for the purpose of this study.

- **Primary Data:** It refers to data that is collected afresh and recorded for the first timethrough questionnaire.
- **Secondary Data:** The secondary data are those data which are already published. Theseare collected through the journals and authors.

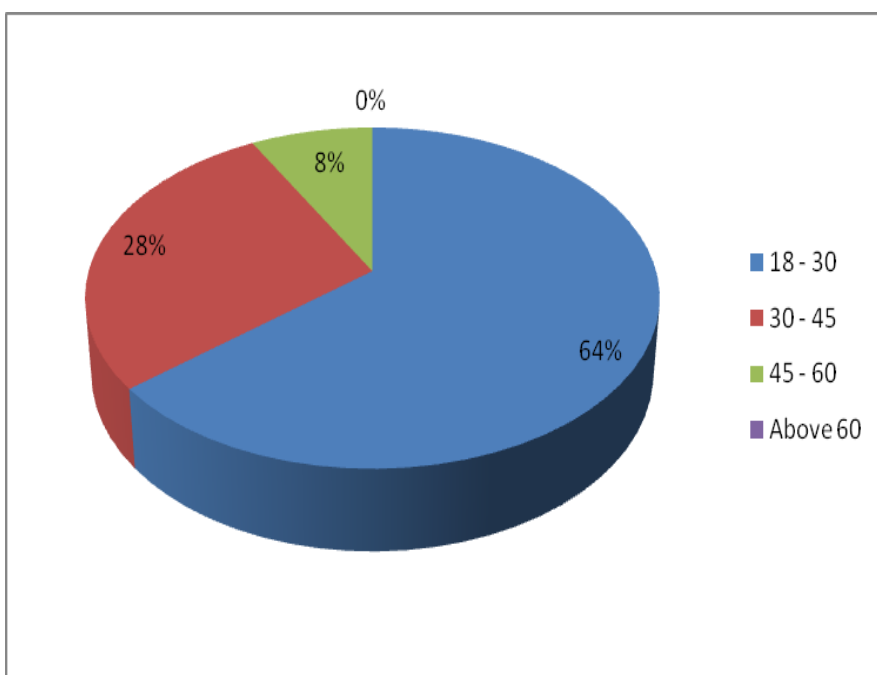
SAMPLING:

- Sample size: 100 respondents have been taken to the survey in Bangalore RuralDistrict.

DATA ANALYSIS AND DATA INTERPRETATION

1. Age wise classification of respondents

Particulars	No. of Respondents
18 - 30	64
30 - 45	28
45 - 60	8
Above 60	0



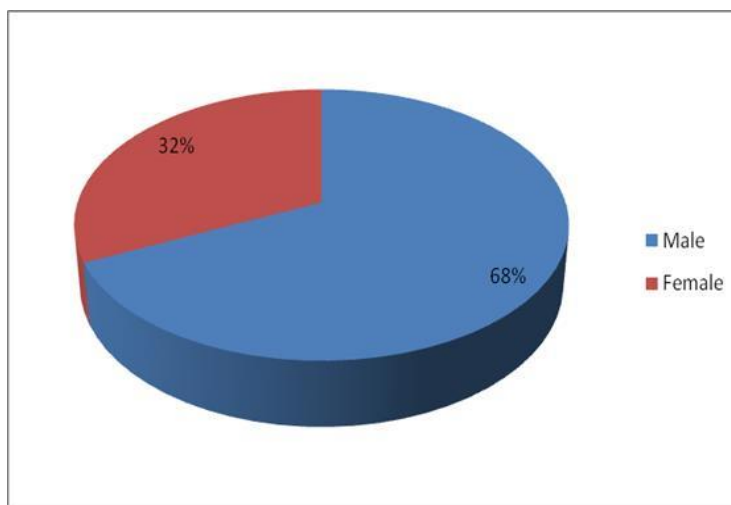
Source: Primary Data

Interpretation

From the above chart, 64% of respondents are aged between 18 - 30. 28% of the respondents are belonging to the age group of 30 – 45. 8% of the respondents belong to the age group of 45 – 60. There are no respondents belonging to the age group ageing above 60.

2. Gender Based Classification

Particulars	No. of Respondents
Male	68
Female	32



Source: Primary Data

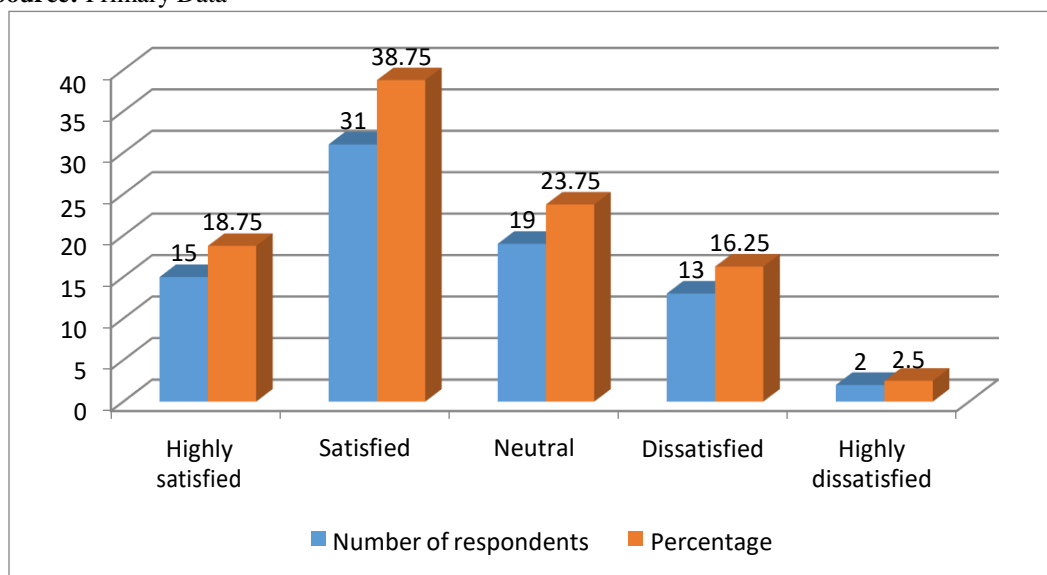
Interpretation

From the above chart, it is observed that the male respondents are of 68% and female are 32%. The majority of the respondents are male compared to female.

3. Satisfaction level on the assistance received from financial institution.

Sl. No.	Options	Number of Respondents	Percentage
01	Highly satisfied	15	18.75
02	Satisfied	31	38.75
03	Neutral	19	23.75
04	Dissatisfied	13	16.25
05	Highly dissatisfied	02	02.50
	TOTAL	80	100

Source: Primary Data



Interpretation:

The above table and chart shows that the satisfaction level on the assistance received from the financial institutions. 18.75% employees are highly satisfied, 38.75% employees are satisfied,23.75% employees are Neutral, 16.25% employees are dissatisfied and 2.50% employees are highly dissatisfied on the assistance received from the financial institutions.

4. Reasons for Approaching PACB for Financial Support for Agricultural Activities

Sl.No	Reasons	oskotePACB	mangalaPACB	Total
1	Low Interest Rate	40 (20.40)	65 (42.20)	105 (30.00)
2	Easy Terms of Repayment	20(10.20)	4 (2.59)	24(6.85)
3	Near to Residence	5(2.55)	35 (22.72)	40 (11.43)
4	To Enjoy Subsidy	5(2.55)	4 (2.59)	9 (2.57)
5	To Avoid Risk	5(2.55)	-	5 (1.44)
6	To Avail Consultancy/ guidance	2 (1.02)	-	2 (0.57)
7	Low Interest Rate/Easy Terms	75 (38.26)	40(25.97)	115 (32.86)
8	Easy terms of Repayment	10(5.10)	6 (3.89)	16 (4.57)
9	Low Interest Rate/ Easy Terms of Repayment/ to enjoy Subsidy	30 (15.30)	-	30 (8.57)
10	Immediate Disbursement	4 (2.04)	-	4 (1.14)
Total		196(100.00)	154(100.00)	350 (100.00)

Source: Field Survey.

The above analysis clearly indicates that the primary agricultural credit cooperative societies played an important role in providing loans for the farming community in Mysore district. The credit gap as the difference between the level of borrowing (actual loan amount given by PACB) and the actual amount spent by the borrower for the successful implementation of the agricultural activities. It has been calculated by considering the difference between the loan received for cultivating 1 acre of paddy and the actual cost of cultivation as per the respondent. PACBs are giving Rs.5280 as loan amount for each acre of land for cultivation of paddy. There may be differences in the consumption of agricultural inputs. The agricultural credit or seasonal credit constitutes working capital for the purchasing of seeds, manure, other raw materials and a reasonable amount for the maintenance needs for the formers and his family. This is also known as short-term (ST) loans, and constitutes the core of production credit provided to the formers. Bulk of the short-term loans are for agricultural purpose such as seasonal agricultural operations, i.e., for paddy, sugarcane, ground nut, ragi, bazra, jowar and maize etc. On the other hand, the medium term loans or loans for allied activities are similar. This type of loans are given for a period ranging from over 12 months to 5years for purpose such as reclamation of land, purchase of live-stock, machinery and other implements, sinking of wells, purchase of cattle, bullock-carts, diesel engines and pump-sets for making minor improvements on land, and for sericulture, buying milking animals, calf rearing and bio-gas etc.

FINDINGS OF THE STUDY

1. The majority of the farmers who gets assisted through the financial institutions are of the age group of 18 – 30 years.
2. The majority of the farmers are male and these are the one who take active interest in getting the benefits from institutional credit.
3. The majority of the farmers are satisfied and highly satisfied for the assistance received from the institutional credit.
4. The interest is low when Hosakote is compared to Nelamangala of the Bangalore Rural District.
5. Subsidy is enjoyed in both the taluks are as equal to each other.

SUGGESTIONS

1. The farmers of all the age groups should come to know the assistance provided by the financial

institutions in the district.

2. The famers of both the gender should come to know the assistance provided by the financialinstitutions in the district.
3. The famers should be retained as satisfied for the assistance provided by the financialinstitutions in the district.
4. Interest rate has to be taken in interest by other taluks in the district and should be givenimportance of.
5. Subsidy to the farmer's loan and financial assistance provided by the financial institutionsshould be in full support of the farmers and across all the taluks of the district.

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