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AGRICULTURE FARMERS AND FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO BAGALKOT DCC BANK IN KARNATAKA STATE

DR. H H BHARADI
ASST. PROFESSOR
DEPARTMENT OF STUDIES IN ECONOMICS
S.R KANTHI P.G CENTRE
RANI CHANNAMMA UNIVERSITY
BAGALKOT

ABSTRACT

Agriculture is the primary sector of the Indian economy and providing more than 55 per cent of the employment to the growing population directly and indirectly, contributing around 14 per cent of share to the national income. It also earning foreign exchange to the tune of more than US dollar 300 billion. However, its growth when compared to other sector is volatile and the present year performance of agriculture is too poor due to the lack of better rain fall received. The agriculture farming community is hard hit by many reasons including finance. The finance is the life blood of the farmer's. Most of the farming communities living in rural areas are poor. They do not have any access to the banks. The access of the poor farmers to the banking services is important for the alleviation of the rural poverty. Their access to the banking services will contribute a lot to the growth and development of the Indian economy. However, many studies reveal that 30 per cent of the bank branches operate in the rural areas that house 72.2 per cent of the country's population. Further rural India accounts for just 9 per cent of total deposits, 7 per cent of total credit, 12 per cent of life insurance and 6 per cent of non-life business in India. Therefore, there is a need to study on agriculture farmers and financial inclusion at the micro level with special reference to the Bagalkot DCC Bank including 6 talukas level branches in the district, The present study is focused on financial inclusion of different types of farmers by the Bagalkot DCC Bank. The study is mainly based on secondary data and used simple percentage and average method. The study covers the period from 2010 to 2012 to assess the financial advancement of the different banks.

KEYWORDS

farmers, BAGALKOT DCC bank.

INTRODUCTION

The Government of India has a long history to expand financial inclusion to begin with a major step started since 1969 for Nationalization of the major private sector players in India, the RRBs were established in 1975 by GOI to provide financial support to weaker section of the society in India. Financial inclusion is the delivery of financial or banking facilities to all people in a fair, transparent and equitable manner at an affordable cost. According to Leeladhar (2006), financial inclusion means "The delivery of banking services at an affordable cost to the vast sections of the disadvantaged and low income groups". Usha Thorat (2006) has defined the term as "Provision of affordable financial services viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded". It is a mantra that envisages bringing everyone irrespective of financial status into the banking fold. The main objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit the disadvantaged community. Financial inclusion helps to bring the excluded groups to finance. It yields uniform economic development, both spatially and temporally, and ushers in greater economic and social equity. It aims at reducing poverty and brings greater equity in the country. No-frills account encourages the savings habit of the masses. It helps bring a large section of the underprivileged people into the banking net. It encourages bringing un-banked customers into financial mainstream. Hence, this will accelerate the economic development of the country. It is identified that the financially excluded sections are Marginal farmers, Landless laborers' Oral lessees, urban slum dwellers, Migrants, Self-employed and unorganized sector enterprises, Ethnic minorities and socially excluded groups, Senior citizens and women. Nationalization of Banks in India marked a paradigm shift in the focus of banking as it was intended to shift the focus from class banking to mass banking. The rationale for implementing cooperative and Regional Rural Banks were also to take the banking services to poor people and different types of farmers. Only 37.2 per cent of bank branches are located in rural areas, but 40 per cent of the population has bank accounts leaving the majority 60 per cent without access to formal banking channels. Out of over 6 lakh villages in the country, hardly 30000 villages have bank branches 51.4 per cent of farm households out of 203 million households have no access to any source of credit –formal or informal 73 per cent of farm households have no access to formal sources of credit. Hence, in order to examine the financial inclusion for agricultural development at the ground level, the farming communities of Bagalkot district through cooperative banks have been taken up for the study.

METHODOLOGY

The entire discussion of the paper has been made on the basis of secondary sources. The different sources secondary data like books, journals, related websites and annual reports of the DCC Bank have been consulted in this regard. Bagalkot district DCC Bank was selected purposively for the present study, as the Bagalkot district is one of the agriculturally backward districts in North-Karnataka. Within the district, Bagalkot, Badami, Hungund, Jamakandi, Mudhole and Bilagi taluka co-operative Banks have been also selected to examine the financial inclusion of excluded in the related region. The data covered the period from 2010 to 2012

OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

1. To study the growth of agriculture and other sector in India.
2. To study the sources of agriculture credits by different financial institutions
3. To examine the loans and advances by the Bagalkot DCC Bank to the farmers
4. To analyze the branch wise agriculture MT loans by different branches in Bagalkot district.
5. To know the main findings of the study.

ANALYSIS AND INTERPRETATION

GROWTH OF AGRICULTURE AND OTHER SECTORS

Developing countries like India still have dominance of agriculture in their economy in terms of revenue generation as well as manpower employment. About 60 per cent of population engage in Agriculture in India contributes 14 per cent of GDP whereas the developed countries get only 2 to 3 per cent of their GDP from agriculture. About 10 per cent of the national exports originate in this sector it shows clearly that economic growth and development of India is closely tied to the development of agriculture. The agriculture sector, as such has been growing at a relatively low rate in comparison to other sector of the economy. The table 1 shows the sector wise growth rate of economy.

TABLE 1: GROWTH RATE OF DIFFERENT SECTORS (PER CENT)

Annual Rates	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Agriculture	5.1	4.2	5.8	-0.1	0.4	6.6	3.0
Industry	9.7	12.2	9.7	4.4	8.0	7.9	7.1
Services	11.0	10.1	10.3	10.1	10.1	9.4	10.0
Non-Agriculture	10.5	10.8	10.1	8.2	9.4	8.9	9.0

Source: Economic Survey 2010-11

The growth of industry, service and non-agriculture has been constant over the years, in contrast to this; agriculture sector is more volatile and returned to the negative in 2008-09. Low growth in agriculture indicates the necessities financial inclusion of the excluded vast farming community in India.

CREDIT TO AGRICULTURE

Credit plays a vital role for the development of agriculture. It generates low income or surplus due to increasing cost of inputs and implements. Indian agriculture is a way of sustenance not a surplus yielding work. Credit is beneficiary for all types of small, medium farmers, SC / ST farmers, women farmers and minorities' farmers. However it is inevitable for small and marginal farmers which constitute 78 per cent of the total farmers. Small farmers having holding less than 2 hectares and marginal farmers having holding less than 1 hectares. Economy of Indian farmer is dualistic where existence of two different segments. One is developed, which makes use of modern technique of production and have a few problems regarding bank finance. The other is subsistence which makes use of primitive methods of production and has lot of problems in financing agriculture credit. Agricultural credit needs short term, medium term and long term. Short term needs varies between 3 months to 15 months it is seasonal and for purchasing of seeds, fertilizers, pesticides and payment of wages and operational expenses.

TABLE 2: SOURCES OF AGRICULTURE CREDITS BY DIFFERENT FINANCIAL INSTITUTION (PER CENT)

Source	1951-52	1961-62	1970-71	1971-82	1991-92	2002-03	210-11
Government	3.3	2.6	3.6	4	6.1	3	4
Cooperative Societies	3.1	15.5	22.7	28.6	21.6	26	24.9
Commercial banks	0.9	0.6	4.0	28	33.7	27	43.1
Money lenders	90.9	67.4	68.4	38.8	32.7	41	21.9
Others	1.8	13.9	1.3	0.6	5.9	3	6.1
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Report of the all India rural credit review committee 1969, RBI bulletin and NSSO, May 2011, Economic Survey 2010-11

This type of need is mostly required by all farmers. Medium term needs varies between 15 months to 5 years for the purchase of cattle, small agricultural implements, repairs and constructional wells, Sheep rearing, Miltch Cattle, purchasing pipeline ,Tractor, poultry etc. Long term needs are required for the permanent improvement on lands ,digging tube wells, purchase of larger agricultural implements and machinery like tractor, harvesters etc and repayment of old debts . The period of such credit extends beyond 5 years. The details of agriculture credits by different Financial Institution are given in table 2.

PROFILE OF THE BAGALKOT DISTRICT

During 1997 the new Bagalkot district has come into existence, The bifurcated Bagalkot district consists of six C.D. blocks namely Badami, Bagalkot, Bilagi, Hunugund, Jamakhandi and Mudhol. The district is located in the northern part of Karnataka. The most elevated portion of the district lies between 450 to 800 meters above the sea level extends over an area of 6593 sq. kms. The district is bounded by Bijapur district towards north, Gadag district towards south, Raichur district towards east, Koppal district towards south east and Belgaum district towards west. Historically it is the home land of great chalukya dynasty.

LOANS AND ADVANCES BY THE BAGALKOT DCC BANK TO THE FARMERS

Credit flow to agriculture particularly to the small and medium farmers increased manifold over the time. DCC Bank Bagalkot provides the credit to the different purposes for different farmers. The loans and advances to the SF/MF increased from Rs 22346.19 lakhs to Rs 36669.87 lakhs over the period from 2010 to 2012. Hence, the No. of farmers included was increased from 90686 to 99114 over the year. Of the total, financially included No. of SC farmers was declined from 7.22 per cent to 6.60 per cent. The financial benefit availed by this farmers was also declined from 8.12 per cent to 7.52 per cent in Bagalkot district. In contrast to this the agriculture credit extended to ST farmers was increased from RS 1427.86 lakhs to Rs 1541.72 lakhs. However, it declines from 4.13 per cent to 2.62 per cent. It is inferred from the table that the No. of SC/ST farmers together raised from 11.2 per cent to 14.25 per cent, but in terms of amount it was declined from 12.25 per cent to 10.14 per cent during the same period.

TABLE 3: LOANS AND ADVANCES BY THE BAGALKOT DCC BANK (Rs in lakh)

year	Loans to SF and MF		Loans to SC		Loans to ST		Loans to SC and ST	
	No. of Farmers	Amount Sectioned	No. of Farmers	Amount Sectioned	No. of Farmers	Amount Sectioned	No. of Farmers	Amount Sectioned
2010	90686 (65.85)	22346.19 (64.64)	9943 (07.22)	2806.73 (8.12)	5230 (03.80)	1427.86 (4.13)	15173 (11.02)	4234.59 (12.25)
2011	102550 (70.65)	29755.12 (66.27)	11057 (07.62)	3603.38 (8.03)	4837 (03.33)	1534.62 (3.42)	15894 (10.95)	5138.00 (11.44)
2012	99114 (61.13)	36669.87 (62.29)	10697 (06.60)	4425.42 (7.52)	12415 (07.66)	1541.72 (2.62)	23112 (14.25)	5967.14 (10.14)

Source: Annual Report of the Bagalkot DCC Bank

AGRICULTURE CREDIT TO WOMEN, MINORITIES AND FRESH MEMBERS

The growth of women farmers and minorities were also raising as compared to the other farmers in the district, the women through the financial inclusion among the excluded a significant change in the financial assistance of the co-operative banks in the Bagalkot district. The SF/MF farmers, SC/ST farmers, women and minorities particularly the dryland area like Bagalkot have been the target of financial inclusion policy and practice since 1904 when the first Cooperative Society was registered in Gadag taluk in Karnataka. Since then several major steps have been taken to expand the network of financial institutions in order to "include" SF/MF, SC/ST farmers, women and minorities farmers in to the country's financial sector. The table 4 shows that the number o women farmers and minorities and fresh farmers have been provided credit by the DCC Bank Bagalkot for agriculture is augmenting steadily over the years. The overall growth of financial assistance to the women, minorities and fresh farmers in region is a progressive. The amount sanctioned to the women farmers was increased from 3.21 per cent to 11.87 per cent during 2011 and 2012.

TABLE 4: LOANS AND ADVANCES BY THE BAGALKOT DCC BANK (contd) (Rs in lakh)

year	Loans to Women		Loans to Minorities		Loans to Fresh members		TOTAL	
	No. of Farmers	Amount Sanctioned	No. of Farmers	Amount Sanctioned	No. of Farmers	Amount Sanctioned	No. of Farmers	Amount Sanctioned
2010	NA	NA	NA	NA	NA	NA	137719	34568.06
2011	4650 (3.20)	1440.03 (3.21)	6950 (4.79)	2015.45 (4.49)	5442 (3.75)	1418.84 (3.16)	145150	44899.20
2012	18297 (11.28)	6985.85 (11.87)	17312 (10.68)	6312.15 (10.72)	16981 (10.47)	5333.91 (9.16)	162131	58867.76

Source: Annual Report of the Bagalkot DCC Bank

The no. of women farmers were also increased from 3.20 per cent to 11.28 per cent. Whereas minorities farmers for whom the amount was sanctioned 4.49 per cent in 2011 and rose to 10.72 per cent. However financially included these were increased from 4.79 per cent to 10.68 per cent. The same position was continued even with the fresh members of the bank. Therefore, the Bagalkot DCC Bank made an effort to bring in to the financial fold of the excluded farmers in Bagalkot district. The details are given in table 3 and 4 respectively.

BRANCH WISE AGRICULTURE MT LOANS BY DIFFERENT BRANCHES

As many as six revenue taluka comes under Bagalkot jurisdiction; the Bagalkot DCC Bank established each branch in all the taluka head quarters in the district to provide term loans to agriculture farmers. The table 5 vivid the MT agriculture loans by the different branches in the district. The amount advanced to the agriculture and to the different farmers was fluctuated over's the year. The amount of loan advanced by the Bagalkot branch was increased from Rs 601.33 lakhs in 2010 to Rs 951.42 lakhs in 2011. However, it declined to Rs 441.2 lakhs in 2012. Similarly, the No. of farmers were also increased from 150 to 206 and declined to 84 during under study period, but both the amount sanctioned and financially included farmers in terms of per cent were increased. Amongst the six branches the performance of Badami branch in terms of financial inclusion did an outstanding work when compared to the other branches in the entire district. In contrast to this poorest performance made by Bilagi branch, it is evident from the table that Rs 817.07 lakhs was advanced to the farmers and was highest in 2010 and the lowest was Rs 386.46 lakhs advanced by the Bilagi branch. Same way the No. of farmers financially included was also highest and lowest ie 268 and 121 respectively both in Badami and Bilagi.

TABLE 5: MT AGRICULTURE LOANS BY THE DIFFERENT BRANCHES IN BAGALKOT DISTRICT (Rs in lakh)

Name of the Branch	Total Advances in 2010		Total Advances in 2011		Total Advances in 2012	
	No. of Farmers	Amount Sectioned	No. of Farmers	Amount Sectioned	No. of Farmers	Amount Sectioned
Bagalkot	150 (14.04)	601.33 (15.93)	206 (17.03)	951.42 (15.80)	84 (22.70)	441.2 (22.06)
Badami	268 (25.11)	817.07 (21.64)	301 (24.90)	1211.66 (29.12)	89 (24.05)	433.30 (21.66)
Hunugund	257 (24.09)	1031.97 (27.33)	187 (15.47)	1016.23 (16.87)	76 (20.54)	427.15 (21.36)
Jamakandi	138 (12.93)	469.65 (12.44)	215 (17.78)	1181.76 (19.62)	49 (13.24)	283.31 (14.17)
Mudhol	133 (12.46)	468.87 (12.42)	155 (12.82)	959.98 (15.94)	35 (9.46)	191.65 (9.58)
Bilagi	121 (11.57)	386.46 (10.24)	145 (11.99)	701.00 (11.64)	37 (10.00)	223.10 (11.15)
TOTAL	1067 (100)	3775.35 (100)	1209 (100)	6022.05 (100)	370 (100)	1999.71 (100)

Source: Annual Report of the Bagalkot DCC Bank

During 2012 all the branches advanced very less amount of money and also the farmers included less in numbers, due to the lack of timely rainfall the farmers did not borrowed money from the banks. Moreover, the problems of recovery are also a cause of concern to all the branches. Hence, from the above it is inferred that during 2012 was considered as the bad year for both farmers and the different branches in the district.

MAIN FINDINGS OF THE STUDY

Following are the main findings of the study.

Credit is essential for all types of small, medium farmers, SC / ST farmers, women farmers and minorities' farmers. However it is inevitable for small and marginal farmers which constitute 78 per cent of the total farmers

Due to low income and yield in the region few farmers have been borrowed from the banks when compared the national level and other banks.

Economy of the Indian farmer is dualistic where existence of two different segments. One is developed, which makes use of modern technique of production and have a few problems regarding bank finance. The other is subsistence which makes use of primitive methods of production and has lot of problems in financing agriculture credit.

Credit flow to agriculture particularly to the small and medium farmers increased manifold over the time. DCC Bank Bagalkot provides the credit to the different purposes and for different farmers. The loans and advances to the SF/MF increased from Rs 22346.19 lakhs to Rs 36669.87 lakhs over the period from 2010 to 2012.

Financially included No. of SC farmers were declined from 7.22 per cent to 6.60 per cent. The financial benefit availed by this farmers was also declined from 8.12 per cent to 7.52 per cent in Bagalkot district.

The agriculture credit extended to ST farmers was increased from RS 1427.86 lakhs to Rs 1541.72 lakhs. However, it declines from 4.13 per cent to 2.62 per cent.

The SF/MF farmers, SC/ST farmers, women and minorities particularly the dry land area like Bagalkot have been the target of financial inclusion policy and practice since 1904 when the first Cooperative Society was registered in Gadag taluk in Karnataka.

The overall growth of financial assistance to the women, minorities and fresh farmers in region is a progressive. The amount sanctioned to the women farmers was increased from 3.21 per cent to 11.87 per cent during 2011 and 2012.

Amongst the six branches the performance of Badami branch in terms of financial inclusion did an outstanding work when compared to the other branches in the entire district. In contrast to this poorest performance made by Bilagi branch, it is evident from the table that Rs 817.07 lakhs was advanced to the farmers and was highest in 2010 and the lowest was Rs 386.46 lakhs advanced by the Bilagi branch.

During 2012 all the branches advanced very less amount of money and also the farmers included less in numbers, due to the lack of timely rainfall the farmers did not borrowed money from the banks. Moreover, the problems of recovery are also a cause of concern to all the branches.

CONCLUSIONS

Bagalkot district is one of the backward areas in spite of the major river flowing in the district, the DCC bank made an effort to financial inclusion of the excluded. When compared with the SF/MF, the SC/ST farmers, women farmers, minorities' farmers were less financially included, due to small size of land holdings, low yielding, and the use of primitive methods in agriculture and others. However, there is a good scope for all the financial institutions in the district regarding the financial inclusion of the excluded segment of the district.

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