



ORIGINAL RESEARCH PAPER

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"A STUDY OF AGRICULTURAL FINANCE PROVIDED BY BANKS IN SEDAM TALUKA, KALABURAGI DISTRICT OF KARNATAKA"

KEY WORDS: Finance, Bank, Farmers, Income, Agriculture

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ABSTRACT

Finance in agriculture is as important as development of technologies. Technical inputs can be purchased and used by farmers only if sufficient money (funds) is available with farmers. Most of the times farmers suffer from the problem of inadequate financial state. This situation leads to borrowing from an easy and comfortable source. Professional money lenders were the only source of credit to agriculture till 1935. They used to charge unduly exorbitant rates of interest and follow serious practices while giving loans and recovering them. As a result, farmers were heavily burdened with debts and many of them are left with perpetuated debts. There were widespread discontents among farmers against these practices and there were instances of riots also. The modern agriculture has increased the use of inputs especially for seed, fertilizers, irrigational water, machineries and implements, which has increased demand for agricultural credit. The adoption of modern technology, which is capital intensive, has commercialized agricultural production in India. Besides, the farmers' income is seasonal while his working expenses are spread over time. In addition, farmers' inadequate savings require the use of more credit to meet the increasing capital requirements. Furthermore, credit is a unique resource, since it provides the opportunity to use additional inputs and capital items now and to pay for them from future earnings. In this context, this study is an attempt to find out the farmers' perception towards agricultural finance provided by various sectors of banks in Sedam taluka, Kalaburagi district of Karnataka.

INTRODUCTION

Agricultural production in this country depends upon millions of small farmers. Their intensity, effort and efficiency have helped in raising yields per acre. Finance in agriculture act as a key to farmers. But farmers' money is always inadequate and he needs outside finance or credit. Because of inadequate financial resources and absence of timely credit facilities at reasonable rates, many of the farmers, are unable to go in for improved seeds and manures or to introduce better methods or techniques. The farming community must be kept informed about the various sources of agriculture finance. Agricultural finance possesses its usefulness to the farmers, lenders and extension workers. The knowledge of lending institutions, their legal and regulatory environment helps in selecting the appropriate lender who can adequately provide the credit with terms and related services needed to finance the farm business.¹

Institutional credit, which played a vital role in the development of agricultural sector, was instrumental in the development of Indian agriculture. It showed all signs of resilience to natural shocks like droughts and famines. In fact, credit has acted as a means to provide control over resources to enable the farmers to acquire the required capital for increasing agricultural production. It enabled the farmers to go for short-term credit for purchase of inputs and other services and the long-term credit for investment purposes. Thus, credit has played a pivotal role by facilitating technological up-gradation and commercialization of agriculture. The success of Green Revolution in Indian agriculture to a large extent laid on institutional credit support to agricultural sector in terms of expansion in inputs like fertilizers, irrigation and private capital formation.²

Finance is one of the major critical inputs for agricultural development. It capitalizes farmers to undertake new investments and/or to adopt new technologies. The importance of agricultural finance is further reinforced by the unique role of Indian agriculture in the macroeconomic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural finance in fostering agricultural growth and development, the emphasis on the institutional framework for agricultural finance is being emphasized since the beginning of planned development era in India.³

SIGNIFICANCE OF THE STUDY

Agriculture usually plays a vital role in the economy of every nation as it tends to feed the entire population of a country and in that respect that it correlates and interacts with all the related industries of that country.⁴ A country is usually considered to be a socially and

politically stable nation if it possesses a very stable agricultural basis. The agricultural field represents the main source of employment in most countries. The larger farms usually find it necessary to hire additional hands to successfully cultivate the lands and to take care of the related farm animals. Most of these large farms have processing plants located in nearby facilities for finalizing their agricultural products and developing the by-products.⁵ Most of the modern farms and agriculture-related industries make good use of today's modern equipment as well as the principles of science and technology.

The use of technologies in farming is determined by finance and competence of farmers towards coping with these advancements relating to agriculture.⁶ These are the current issues of the agriculturists and farmers. In this regard, this study gets prominence in focusing farmers' perception towards agricultural finance provided by various sectors of banks for the development of agriculture in Sedam Taluka Kalaburagi District of Karnataka.

STATEMENT OF THE PROBLEM

Agriculture is the backbone of the Indian Economy"- said Mahatma Gandhi six decades ago. As we have entered the new millennium, the situation remains the same, with almost the entire economy being sustained by agriculture, which is the mainstay of the villages. Not only the economy, but also every one of us looks up to agriculture for our sustenance too.

In Sedam Taluka, agriculture is the most over riding sector in the economy. Farmers actively participate in cultivation at the age of 18 to 20 years. On an average, throughout the country, farmers have committed suicide at the age of 35 to 45. The reasons are non-availability of credit, sub standard inputs and non-availability of extension services. There is accumulated debt on the bank loans and private loans. They sell their entire gold, mortgage all their lands. Ultimately, at the age of 35, 40 and 45 when their children are grown up, when the question of their marriage comes, they feel that there is little hope to handle the critical family situation. Farmers command no respect in the society and are looked down upon, they have no guaranteed income or sufficient income, and have no full-time work. There is unemployment, under-employment, and most of the time owing to famine, drought, floods and other natural calamities they have to migrate.

OBJECTIVES OF THE STUDY

- To study socio-economic conditions of the farmers availing agricultural loan from banks through various schemes.
- To draw the opinion of the farmers about receiving agriculture finance and the problems faced in settling the same.

- To offer suggestions to the banks and the beneficiaries for the efficient sanctioning and effective use of the loan sanctioned.

SCOPE OF THE STUDY

This study is confined to the cultivators mainly engaged in cultivation of land in Sedam Taluka of Kalaburagi district. It provides the details of the status of farmers, perception of the farmers about agricultural finance and problems encountered by farmers for receiving agricultural loan and socio economic background of the farmers. It covers the farmers perception towards agriculture finance provided by various sectors of banks in Sedam Taluka Kalaburagi district.

METHODOLOGY

Sources of the study

The data required for the study have been collected from both the primary and secondary sources. The primary data have been collected directly from Farmers by using Interview schedule. The secondary data have been collected from the published journal, books, magazines and websites.

Sampling Design

Two sampling methods, viz., stratified random sampling and purposive sampling have been adopted for selecting samples of the respondents. The farmers are selected by purposive sampling technique. The data have been collected from 100 (farmers) respondents.

PROFILE OF THE RESPONDENTS

Gender classification is of paramount importance as women are participating on all aspects of profession in line with men and hence this question is asked and the results are given below;

Table: 1. Gender wise Classification

Particular		Male	Female	Total
Marginal Farmer	Number of respondents	45	05	50
	Percentage	90	10	100
Small farmer	Number of respondents	44	06	50
	Percentage	88	12	100
Large Farmer	Number of respondents	45	05	50
	Percentage	90	10	100
Total	Number of respondents	134	16	150
	Percentage	89	11	100

Source: Field Study

The table.1 explains the gender wise classification of the respondents. In case of 50 marginal farmers 90 per cent are male and remaining 10 per cent are female. In relation to the 50 small farmers 88 per cent are male and remaining 12 per cent are female. As far as the 50 large farmers 90 per cent are male and rests of the farmers are female. The general observation relating to gender reveals that out of 150 farmers 89 per cent are male and the remaining 11 per cent are female. Majority of the farmers are male.

Age is one of the most important factor for human living and age also serves as a yard stick to participate or discontinue any occupation or profession, thus the questions relating to the age of the farmers are gathered and the results are given in the following table.

Table: 2. Age wise classification

Particular		Below 25 Age	26-50 Age	Above 50 Age	Total
Marginal Farmer	Number of respondents	8	20	22	50
	Percentage	16	40	44	100
Small farmer	Number of respondents	9	15	26	50
	Percentage	18	30	52	100

Large Farmer	Number of respondents	--	12	38	50
	Percentage		24	76	100
Total	Number of respondents	17	47	86	150
	Percentage	11	31	58	100

Table.2 reveals the age wise classification of the respondents. Of the 50 marginal farmers 44 per cent belong to the age group above 50 years of age, 40 per cent of the respondent belong to the age group from 25 years to 50 years and the remaining 16 per cent of the respondents belong to the age group of below 25 years. In the 50 small farmers category 52 per cent belong to the age group of above 50 years of age, 30 per cent belong to the age group from 25 years to 50 years and the remaining 18 per cent from in the age group of below 25 years. In relation to the 150 large farmers category 76 per cent belong to the age group of above 50 years, 24 per cent belong to the age group from 25 years to 50 years of age. The overall observation relating to the study provides information that out of 150 farmers is that 58 per cent belong to the age group above 50 years of age, 31 per cent belong to the age group from 25 years to 50 years and the remaining 11 per cent from in the age group of below 25 years of age. From this it is viewed that majority of the aged people engage in agriculture operations.

Education is one of the most important factors that influence the society to a larger extent and so the professions and hence an attempt is made to analyze the level of education of respondents.

Table: 3. Education wise classification

Particular		No formal	Below high school	Higher Secondary	U.G	P.G	Profes sional	Total
Marginal Farmer	Number of respondents	25	10	09	05	01	--	50
	Percentage	50	20	18	10	02	--	100
Small farmer	Number of respondents	22	13	12	03	--	--	50
	Percentage	44	26	24	06	--	--	100
Large Farmer	Number of respondents	19	16	07	04	02	02	50
	Percentage	38	32	14	08	04	04	100
Total	Number of respondents	66	39	28	12	03	02	150
	Percentage	44	26	19	08	02	01	100

Source: Field study

The table .3 gives the information about the education wise classification of the farmers. In the case of the 50 marginal farmers category 50 per cent have no formal education, 20 per cent have studied below high school level, 18 per cent have higher secondary school level, 10 per cent are under graduates and the remaining 02 per cent have post graduate level qualifications. As far as 50 small farmers category is concerned, 44 per cent of the respondents have no formal education, 26 per cent have studied below high school level, 24 per cent have studied higher secondary school level and 06 per cent have undergone under graduate level. In this category there are no representations from post graduate and professional farmer respondent. From the total of 50 large farmers

category 39 per cent have no formal education, 32 per cent have studied below high school level, 14 per cent have undergone higher secondary level, 08 per cent have studied under graduate level 04 per cent have studied post graduate level. The overall observation relating to the study provides information that out of 150 farmers 44 per cent have no formal education, 26 per cent have studied below high school level, 19 per cent have studied high school level, 08 per cent have studied under graduate level, 02 per cent have completed their post graduate levels and the remaining 01 per cent have professional courses. Naturally those who studied are engaged in other business and jobs. Hence, very poor ratios of educated people are engaged in the agriculture farming.

Nature of family is plays a vital role in increasing the agriculture production. Thus the question relating to the nature of family of the farmers are gathered and given in the following table.

Table; 4.Nature of the Family

Particular		Nuclear	Joint	Total
Marginal Farmer	Number of respondents	30	20	50
	Percentage	60	40	100
Small Farmer	Number of respondents	27	23	50
	Percentage	54	46	100
Large Former	Number of respondents	30	20	50
	Percentage	60	40	100
Total	Number of respondents	87	63	150
	Percentage	58	42	100

Source: Field study

The table .4 shows that the nature of family of the farmers. In case of 50 marginal farmers category 60 per cent are living in nuclear family and 40 per cent are living in joint family. As far as 50 small farmers category 54 per cent are living in nuclear family and the remaining 46 per cent are living in joint family. From 50 large farmers category 60 per cent are living in nuclear family and 40 per cent are living in joint family. The overall observation relating to the study provides information that out of the 150 respondents 58 per cent are living in nuclear family and 42 per cent are living in joint family.

Communication for agriculture is also not seen as a major priority at both national or international level and the role of the media as an effective player in agricultural development. Therefore this question is relating the ways to know about formal source are gathered and given in the following table.

Table: 5. Knowledge about the financial sources

Particulars		Fellow Farmers	News Papers	Others	Televisions	Total
Marginal	Number of the Respondents	33	04	06	07	50
Farmer	Percentage	66	08	12	14	100
Small	Number of the Respondents	30	05	10	05	50
Farmer	Percentage	60	10	20	10	100
Large	Number of the Respondents	27	07	10	06	50
Farmer	Percentage	54	14	20	12	100
Total	Total	90	16	26	18	150
	Percentage	60	11	17	12	100

The table.5 views the knowledge about the financial sources. Of

the 50 marginal farmers 66 per cent have known about the financial sources through fellow farmers, 12 per cent through others, 14 per cent through televisions and 08 per cent have known through news papers. In case of 50 small farmers category 60 per cent have known about the financial sources through fellow farmers, 20 per cent have known through others, 10 per cent have known through news papers and the remaining 10 per cent have known about through televisions. From the 50 large farmers category 54 per cent have known about the financial sources through fellow farmers, 20 per cent have known through others and 14 per cent have known through news papers. The overall observation relating to the study provides information that out of the 150 farmers 60 per cent have known about the financial sources through fellow farmers, 17 per cent have known through others, 12 per cent have known through televisions and 11 per cent have known through news papers. Majority of the farmers have known the financial sources through fellow farmers, because it is an easy way to provide information.

The subsidy reduces costs to farmers and indirectly increases income of poor farmers. Due to the income transfer, farmers can increase the use of inputs, which, in turn, contributes towards increased output. Thus this question relating to subsidy is gathered and given in the following table.

Table: 6. Opinion about Subsidy

Particular		Satisfied	Not satisfied	Total
Marginal Farmer	Numberofrespondents	9	41	50
	Percentage	18	82	100
Small Farmer	Numberofrespondents	12	38	50
	Percentage	24	76	100
Large Former	Numberofrespondents	22	28	50
	Percentage	44	56	100
Total	Numberofrespondents	43	107	150
	Percentage	29	71	100

Source: Field study

The table.6 indicates the opinion about subsidy. In case of 50 marginal farmers category 82 per cent have responded 'No' about subsidy and 18 per cent have responded 'Yes' about subsidy. As far as 150 small farmers category 77 per cent have responded No about subsidy and 24 per cent have responded 'Yes' about subsidy. From 50 large farmers category 56 per cent have responded 'No' about subsidy and 44 per cent have responded 'Yes' about subsidy. The overall observation relating to the study provides information that out of the 150 farmers 71 per cent have responded 'No' about subsidy and 29 per cent have responded 'Yes' about subsidy. Majority of the farmers have responded 'No' about subsidy. It is because there is lack of awareness among the farmers about subsidy Agriculture is facing a serious crisis and some productive measures have to be undertaken by the government in this regard. The loan waive scheme targets a selected group of farmers being benefited. Thus the question relating to loan waive is gathered and given in the following table.

Table: 7.Opinion about Loan Waive

Particular		Satisfied	Not satisfied	Total
Marginal Farmer	Number of respondents	05	45	50
	Percentage	10	90	100
Small Farmer	Number of respondents	09	41	50
	Percentage	18	82	100
Large Former	Number of respondents	25	25	50
	Percentage	50	50	100
Total	Number of respondents	39	111	150
	Percentage	26	74	100

The table 7 shows the opinion about loan waives. In case of 50 marginal farmers category 90 per cent have responded 'No' opinion about loan amount waived and 10 per cent have responded 'Yes' opinion about amount waived. As far as 50 small

farmers category 82 per cent have responded 'No' opinion about loan amount.

Table: 08. Problems faced for receiving agricultural finance

Particular	Marginal formers			Small formers			Large former		
	Agree	Disagree	Total	Agree	Disagree	Total	Agree	Disagree	Total
Not aware of the facilities available	32 (34)	18(36)	50(100)	22(44)	28(56)	50(100)	15(30)	35(70)	50(100)
Complex documentation	19(38)	33(66)	50(100)	18(36)	32(64)	50(100)	10(10)	40(80)	50(100)
Not satisfied with area approach	30(60)	20(40)	50(100)	20(40)	30(60)	50(100)	24(48)	26(52)	50(100)
Lack of service / co-operation from the bank	20(40)	30(60)	50(100)	24(48)	26(52)	50(100)	12(24)	38(76)	50(100)
No faith in schemes / institutions	24(48)	26(52)	50(100)	22(44)	28(56)	50(100)	24(48)	26(52)	50(100)
Lack of educational knowledge	35(70)	15(30)	50(100)	32(64)	18(36)	50(100)	15(30)	35(70)	50(100)
Not satisfied with indemnity level	24(48)	26(52)	50(100)	29(58)	21(42)	50(100)	22(44)	28(56)	50(100)
Banker's behaviour not encourage	15(30)	35(70)	50(100)	15(30)	35(70)	50(100)	08(16)	42(84)	50(100)
Loan has taken from sources other than banks	26(52)	24(48)	50(100)	20(40)	30(60)	50(100)	20(40)	30(60)	50(100)
Loan amount is not in time	22(44)	28(56)	50(100)	21(42)	29(58)	50(100)	22(44)	28(56)	50(100)
Scale of finance inadequate	28(56)	22(44)	50(100)	27(54)	23(46)	50(100)	23(46)	27(54)	50(100)
High interest rate	30(60)	20(40)	50(100)	20(40)	30(60)	50(100)	14(28)	36(72)	50(100)

Source: Field study Figar in the bracket is Percentage

The table 8 shows that out of the 50 marginal farmers, 70 percent of respondents agreed the lack of educational knowledge and 60 percent are agree about high interest rate ,no faith in schemes /

institution (48), Out of 50 small formers (4.59), not satisfied with indemnity level (42), not aware of the facilities available (44), high rate of interest (40), Out of 50 large formers 52 percent are not faith in schemes.

Table: 9. Opinion on loan waiving scheme

Particulars	Marginal Farmer		Small Farmer		Large Farmer		Total	
	Number of	%	Number of	%	Number of	%	Number of	%
	Respondents		Respondents		Respondents		Respondents	
Good for agriculture development	-	-	-	-	28	56	28	19
Facilitates further loans	-	-	-	-	22	44	22	15
Induces wilful default	10	20	08	16	-	-	14	12
Waiving is the way to cheat farmers	40	80	42	84	-	-	82	54
Total	50	100	50	100	50	100	150	100

Source: Primary Data

The table 9 shows that opinion on loan waiving scheme. In case of 50 marginal farmers category 80 per cent farmers loan waiver scheme is the way to cheat farmers and 20 per cent farmers that loan waiver scheme induces wilful default. As far as 50 small farmers category 92 per cent farmers have the opinion that loan waiver scheme is the way to cheat farmers and 16 per cent farmers have the opinion that loan waiver scheme induces wilful default. From 50 large farmers category 56 per cent farmers have the opinion that loan waiver scheme is good for agriculture development and 43 per cent farmers have the opinion that loan waiver scheme facilitates further loans. The overall observation relating to the study provides information that out of the 150 farmers 54 per cent have the opinion that loan waiver scheme is the way to cheat the farmers, 19 per cent have the opinion that loan waiver scheme is good for agriculture development, 15 per cent have the opinion that loan waiver scheme facilitates further loans and 12 per cent have the opinion that loan waiver scheme induces wilful default. Majority of the farmers feel that loan waiver schemes is a cheating mechanism by farmers.

SUGGESTIONS

1. The agricultural finance should be provided for fairly long period and it should be commensurate with the operations for which it is designed to facilitate and it should be provided at lower rate of interest.
2. Crop loan should be given under the bank's lending programme and almost all needy farmers especially small and marginal farmers should be given crop finance for raising crops with recommended package of practices for higher

returns. Farmers should be provided guidance for improved farming techniques, balanced fertilization, use of water saving devices and proper plant protection measures

3. Banks should undertake hydrological surveys on priority basis, formulate area based schemes, update land records and organize finance camps for on the spot sanction by the bank.
4. The loan should be advanced only to the needy and deserving farmers who have high degree of integrity and are equipped with the honest sense of finance use.
5. The exposure of finance users with mass media of communication, particularly radio and farm publication may be increased. The field officers of the bank should also develop more contact with their clientele
6. The crop loan availed by the farmers did not entirely cover the cost of cultivation. Finance given on the basis of cost of cultivation rather than on the basis of scale of finance can reduce the existing crop loan gap.

Conclusion

The farmers are the most hapless victims of the private money lenders who are free to recover their loans by high handedness and attachment of the crop of the poor farmers as well as their personal belongings, land and living quarters. Available resource base and the capacity to generate sufficient levels of financial resource within the rural sector particularly in agricultural sector are, however limited at present. Institutional financing is viewed from this angle as a principal resource of external finance to support in a planned manner. Institutional finance enables the farmer to procure the necessary wherewithal of production and creates conducive climate for enhanced output. Since institutional finance exerts a "push effect and has a catalytic role in development process, provision of adequate, timely and liberal

finance to the farmer becoming an integral part of the agricultural development policy in India. As a result, agricultural finance in the country is provided through three main channels, viz., commercial banks including private sector banks in the recent years, regional rural banks and cooperatives. From this study farmers view banks do not provide finance in time and there is no sanction of sufficient amount. A special care should be given to provide finance in time which will facilitate better growth in agriculture production and also farmers' social conditions in this study area.

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