

## **CHAPTER – V**

### **PERFORMANCE OF REGIONAL RURAL BANKS IN KARNATAKA – AN ANALYSIS**

#### **5.1 Introduction**

This chapter provides the origin and growth of Grameen Banks in Karnataka, its branch expansion, credit deployment and advances to various sectors in the state economy. Analysis starts with brief introduction of the Grameen Banks in Karnataka State.

Particularly Grameen Banks in Karnataka have come a long way since 1976, when the first Grameen Bank in the state was established. Since then twelve more Grameen Banks were sponsored, covering all the districts in the state. Hence, compared to those operating in different states, these banks have proved to be viable rural credit agencies accessible to the weaker sections of the society. Two of them Malaprabha Grameena Bank and Thungabhadra Grameena Bank have proved to be role models. -. Incidentally, when the Government of India initiated the process of reorganization of Grameen Banks in September 2005, these two banks were the first banks, with which six other Grameen Banks in the state were emerged. The Grameen Banks constitute a sizeable part of the rural banking base in the state of Karnataka.

It is interest to note that by the banks in the state that is responsible for the growth and spread of Grameen Banks in Karnataka. The five public sector banks originating from the state and the omnipresent big brother - State Bank of India have sponsored thirteen Grameen Banks in the state. The state government has also taken keen interest in their formation, as a minor partner, the Government of India being the major shareholders in the state.

## **5.2 Growth and Spread of Grameen Banks in India**

The Government of India in boosting the Grameen Banks after bank nationalization not satisfied with the progress made in this direction by the nationalised banks. And an alternative, farmer friendly, rural-oriented, low cost rural credit agency was considered necessary to meet the rural credit requirements in the country. The Government of India appointed a working group in 1975 under the chairmanship of M. Narasimham to examine in depth the setting up of new rural banks as subsidiaries of public sector banks.

The Ministry of Finance has emphasised, "that unless new institutions are started on the basis of attitudinal and operational ethos entirely different from those obtaining in the public sector banks, So perpetuating the present mode of function in the public sector banking system". Before the recommendations were operationalised by an Act of the Parliament, two public sector banks were asked to sponsor the new rural banks in Uttar Pradesh. An ordinance was passed to pave the way for their establishment in 1975. The Grameen Banks Act 1976 was passed later, making the Government of India, the state governments of the states concerned and the public sector banks as the shareholders. The Government of India was to hold 50 per cent of the capital, State government 15 per cent and the sponsoring bank to hold 35 per cent. Public sector banks started the process of establishing Grameen Banks in their lead districts.

In Karnataka Canara Bank sponsored the first Grameen Banks, Tungabhadra Grameena Bank in 1976, at Bellary, covering Bellary and Raichur districts. This was named after the river, which was irrigating a vast portion of the command area of this bank. During the same year, the Syndicate Bank established the Malaprabha Grameena Bank at Dharwad, covering Dharwad and Belgaum districts. Malaprabha River is a tributary of Krishna River flowing in these two districts. Cauvery Grameena Bank also came in to being in the same year at Mysore sponsored by State Bank of Mysore. Cauvery River, historically, has been an integral part of the socio-economic life of the

old Mysore state. The area of operation of this bank was the two districts of Mysore and Hassan.

Krishna Grameena Bank, named after the mighty Krishna river was born in Gulbarga in 1978, sponsored by the State Bank of India, covering Gulbarga and Bidar districts. Canara Bank sponsored the next grameen bank, Chitradurga Grameena Bank in 1981 at Chitradurga, a town of historical importance. Kalpatharu Grameena Bank, sponsored by State Bank of Mysore appeared at Tumkur in 1982. Then it was named after the cash crop predominantly grown in the district – Kalpatharu, the coconut trees in the state.

During the year 1983, Kolar witnessed the birth of Kolar Grameena Bank. Canara Bank, which perhaps found it appropriate to name it after the town, promoted it known for the gold mines. During the same year, Syndicate Bank sponsored Bijapur Gramin Bank at Bijapur, the historical town, where the Golgumbaz stands even to this date as a reminder of the Bahamani rulers.

After that Corporation Bank took up the sponsorship of Chikamagalur – Kodagu Grameena Bank in 1984. Covering the two districts, its head quarter was in Chikamagalur. Its lengthy name is now abridged into Chiko Grameena Bank. In Shimoga, the small town tucked in the Sahyadri mountain range, Canara Bank established Sahyadri Grameena Bank. This was followed by Netravathi Grameena Bank of syndicate Bank, at Mangalore. River Netravati flows from the Western Ghats to join the sea at Mangalore. The fourth bank to be born in the same year was Varada Grameena Bank at Kumta. Syndicate Bank chose to name it after a small, less known river that flows in Uttara Kannada district. The details of the establishment of Grameen Banks and Sponsoring Bank in the state of Karnataka are presented in table -5.1.

**Table – 5.1****Grameena Banks in Karnataka**

<b>Sl. No</b>	<b>Name of the Bank</b>	<b>Location</b>	<b>Year</b>	<b>Sponsoring Bank</b>
01	Tungabhadra Grameena Bank	Bellary	1976	Canara Bank
02	Malaprabha Grameena Bank	Dharwad	1976	Syndicate Bank
03	Cauvery Grameena Bank	Mysore	1976	State Bank of Mysore
04	Krishna Grameena Bank	Gulbarga	1978	State Bank of India
05	Chitradurga Grameena Bank	Chitradurga	1981	Canara Bank
06	Kalpatharu Grameena Bank	Tumkur	1982	State Bank of Mysore
07	Kolar Grameena Bank	Kolar	1983	Canara Bank
08	Bijapur Grameena Bank	Bijapur	1983	Syndicate Bank
09	Chikmagalur – Kodagu Gameena Bank	Chikmagalur	1984	Corporation Bank
10	Sahyadri Grameena Bank	Shimoga	1984	Canara Bank
11	Netravati Grameena Bank	Mangalore	1984	Syndicate Bank
12	Varada Grameena Bank	Kumta	1984	Syndicate Bank
13	Visweshwaraiah Grameena Bank	Mandya	1985	Vijaya Bank

Source: NABARD Reports, Various Issues, Bangalore.

In the state of Karnataka the last grameen bank to come up in the state was Visveshvaraya Grameena Bank at Mandya in 1985. Very thoughtfully it was named after Sir M. Visveshvaraya, the well – known engineer – statesman, who was the architect of the irrigational facilities, ushering in prosperity to Mandya district.

The rural credit of the banks has been very effective in extending credit facilities to large number of rural households. They have opened branches in many inaccessible villages and tribal villages. They have been able to bring to the banking fold small borrowers in good number, inculcating in them banking habits. Initially, these banks were directed to confine their business to the targets groups – the marginal farmers, agricultural labourers and village artisans, lending at relatively lower rates of interest. This factor has adversely affected their profit earning capacity. Conceived as a low cost credit agency, its pay scales were on par with that of the local government staff, lower than that of the bank staff. The wage revision made to bring about wage- parity as a result of the labour dispute raised the wage bill substantially, pushing many banks into red. It is only after liberalization and de-regulation of their customer-base, many of them could move back into good health.

In Karnataka the total number of branches of Grameen Banks is 1148. The branches of grameen banks constitute 53 per cent of the rural banking base of bank in the state. Handling over 43 lakhs deposit account, they mobilize 36 per cent of the total deposits mobilized by the rural branches of all banks. Grameen Banks serviced about 54 per cent of the rural customers. Out of every rupee lent by banks in the rural sector in Karnataka, Grameen Banks disburse 40 paise only.

An interesting condition is that the poor recovery was the bane of a few regional rural banks during the last few years. Now they have geared up their recovery machinery and are on par with the commercial banks in this sphere. With high NPA ratios, some of them were in the red for some time. Grameen Banks in the state have proved their viability as all of them are now earning profits particularly.

### **5.3 Area of Operation of Grameen Banks in Karnataka**

The area of operation of many Grameen Banks was one of the limiting factors. Some of them were confined to single districts or a couple of districts. The Government of India has decided to merge the regional rural banks at the state level on a selective basis. The sponsoring banks were directed to merge their Grameen Banks operating within the states. This process was started in September 2005. Three of the sponsoring banks have already implemented this process of revitalizing Grameen Banks in Karnataka.

After that Syndicate Bank has merged four of its Grameen Banks – Malaprabha Grameena Bank, Varada Grameena Bank, Netravati Grameena Bank and Bijapur Grameena Bank into Karnataka Vikasa Grameena Bank. The new bank has a network of 387 branches, spread out in nine districts; Dharwad, Belguam, Bagalkote, Bijapur, Gadag, Haveri, Uttara Kannada, Dakshina Kannada and Udupi. Its deposits base of Rs.1,917 crores and advances of Rs.1749 crores as on March 2006. It has earned a profit of Rs.32.09 crores. It emerges as one of the biggest grameen banks in India. Its head office is the former head office building of Malaprabha Grameena Bank at Dharwad. This bank has become the first grameen bank in the country to install an ATM. It has a programme of installing 20 ATMs.

Canara Bank has merged four grameen banks – Tungabhadra Grameena Bank, Chitradurga Grameena Bank, Sahyadri Grameena Bank and Kolar Grameena Bank to form Pragathi Grameena Bank, with its head office in Bellary. This amalgamated bank has a deposit base of Rs.1643 crore and advances of Rs.1614 crore. Covering seven districts – Bellary, Raichur, Koppal, Kolar, Davanagere, Shimoga and Chitradurga, it has 350 branches.

Cauvery Grameena Bank and Kalpatharu Grameena Bank sponsored by State Bank of Mysore have been merged and renamed as Cauvery Kalpatharu Grameena Bank from June 29, 2006. Operating in six districts – Mysore,

Hassan, Chamarajanagar, Tumkur, Bangalore – rural and Bangalore – urban district, it has 202 branches. The deposits of the amalgamated bank are Rs.798 crore and advances are Rs.605 crore. With this, the number of grameen banks in the state has come down from 13 to 6. The other three grameen banks operating now in the state are: Krishna Grameena Bank sponsored by State Bank of India; Chikamagalur – Kodagu Grameena Bank sponsored by Corporation Bank and Visveshwarayya Grameena Bank, sponsored by Vijaya Bank. Since sponsors of these three grameen banks have only one grameen bank each in the state, they are likely to maintain their individual existence.

Hence we may say that the Grameen banks in the state have already acquired a strategic space in the rural banking segment. They provide a dependable financial infrastructure spread over the entire state. They have built up expertise in rural banking over the last 30 years. In any of the developmental activities to be introduced in rural India, they can be effectively used. Financial inclusion is now receiving the attention of the planners very seriously. Self-Help Groups are considered as a means for reaching out to the poor, who are yet to be touched by the organized banking sector only.

#### **5.4 Progress of the Grameen Banks in Karnataka**

Generally the agriculture and rural sector play an important role in India's overall development. Grameen Banks were formed through RBI Act of 1976 to provide the credit to the rural poor. Grameen Banks were expected to evolve as specialized rural financial institutions for developing the rural economy by providing credit to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs (Sardesai Committee, 2005).

Dhananjaya (2005) in his work stated that Grameen Banks have played a key role in India in enhancing financial services in rural sector. Apart from their focus on lending to the priority sector, these banks have also evolved different savings products to provide safe savings options in the rural sector. Over the years, Grameen Banks emerged as a key rural financial institutions in

terms of geographical coverage, clientele outreach and business volume. From a modest beginning of six Grameen Banks with 17 branches covering 12 districts in December 1975, the number of Grameen Banks has grown into 196 with 14,446 branches working in 518 districts across the country in March 2004. During the year 2009, Grameen Banks have a large branch network in the rural area forming around 37 per cent of the total rural branches of Commercial Banks. The rural orientation of Grameen Banks is evident from the fact that their rural and semi-Urban branches constituted over 95 per cent of their branch network system.

The performance of the Grameen Banks in Karnataka State from the liberalization period i.e., 1990-91 to 2009-10 is presented in table – 5.2. Grameen Banks in Karnataka have achieved significant growth in terms of number of wide branches during the both regimes. Since 1990-91 there were 13 Grameen Banks with 1075 Branches working across the districts of Karnataka state. In addition to these compound growth rates were worked out to understand the progress of the Grameen Banks in Karnataka State, the highest growth rate could be observed in case of deposits constituting about 22.92 per cent compared to the advances of the Grameen Banks during the liberalization regime. During the post liberalization regime the highest growth can be searched in case of advances constituting about 20.29 per cent compared to the deposits. When the growth rate is observed it is the increase of Grameen Banks constituting about 20.39 per cent compared to the advances. In this manner since from their inception the Grameen Banks have rendered services to the rural people and play an important role along with other financial institutions.

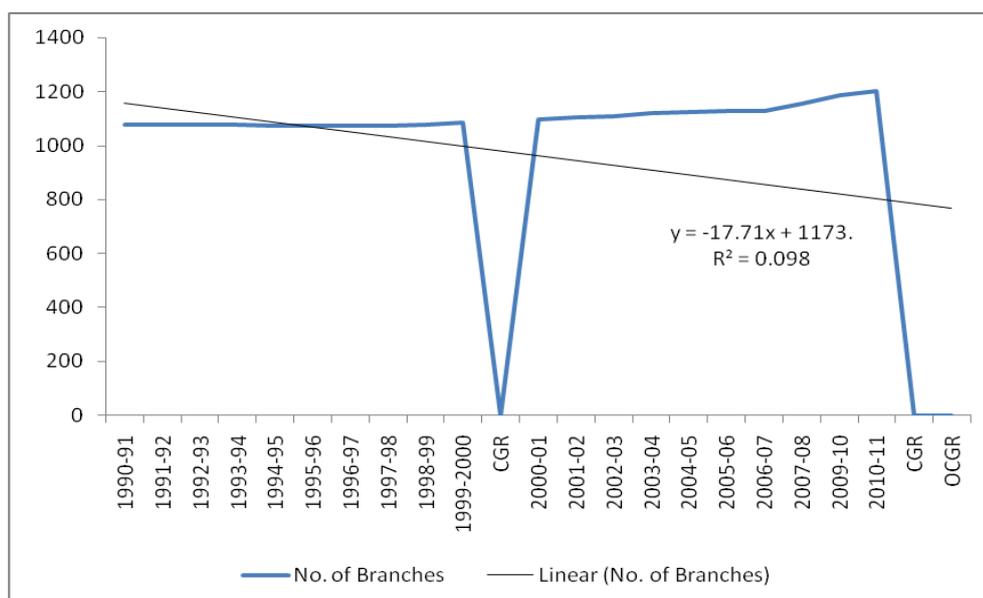
**Table-5.2****Performance of the Grameen Banks in Karnataka State (Rs.in Crore)**

<b>Year wise details</b>	<b>Number of Branches of GBs</b>	<b>Deposits of GBs</b>	<b>Advances of GBs</b>
1990-91	1075	316	376
1991-92	1075	380	384
1992-93	1075	460	432
1993-94	1075	584	546
1994-95	1074	768	721
1995-96	1074	964	892
1996-97	1074	1118	1052
1997-98	1073	1325	1210
1998-99	1075	1592	1365
1999-2000	1085	1990	1639
CGR	0.04	22.92	19.55
2000-01	1096	2432	1979
2001-02	1103	2720	2256
2002-03	1107	3264	2594
2003-04	1120	4134	3650
2004-05	1124	4569	4177
2005-06	1127	5004	4705
2006-07	1128	6025	5893
2007-08	1153	7618	7082
2009-10	1184	9981	8788
2010-11	1201	11727	9781
CGR	0.94	19.01	20.29
OCGR	0.52	20.39	19.48

Source: NABARD Annual Reports.

**Graph – 5.1**

**Performance of the Grameen Banks in Karnataka State**



We know that the Tungabhadra Grameena Bank (GB) was the first RRB to be established in Karnataka state. It had started functioning on January 27, 1976 with its head office at Bellary. Two more Grameen Banks i.e., Malaprabha GB and Cauvery GB also started their operations in the same year. As on March 2005, there were 13 Grameen Banks with 1124 branches operating in the 27 districts of Karnataka State details are presented in Table-5.3.

**Table-5.3****Status of the Grameen Banks in Karnataka**

<b>Sl. No</b>	<b>Name of the Grameen Banks in Karnataka</b>	<b>Date of Establishment</b>	<b>Districts Covered under GBs</b>
1	Tungabhadra Grameena Bank	20/01/1976	Raichur- Bellary
2	Malaprabha Grameena Bank	16/08/1976	Dharwad- Belgum
3	Cauvery Grameena Bank	2/10/1976	Mysore- Hassan
4	Krishna Grameena Bank	1/12/1978	Bidar
5	Chitradurga Grameena Bank	5/8/1981	Chitradurga- Tumkur
6	Kalpatharu Grameena Bank	31/03/1982	Bangalore (Rural)
7	Kolar Grameena Bank	16/02/1983	Kolar
8	Bijapur Grameena Bank	31/03/1983	Bijapur
9	Chikkamagaluru-Grameena Bank	28/04/1984	Chikkamagaluru- Coorg
10	Sahayadri Grameena Bank	6/9/1984	Shimoga
11	Netravathi Grameena Bank	11/10/1984	South Kanara
12	Vardha Grameena Bank	12/10/1984	North Kanara
13	Vishveshwaraiah Grameena Bank	27-03-1985	Mandya

Sources: State Focus paper, Karnataka and NABARD Annual Reports.

In Karnataka subsequent to the amalgamation process number of Grameen Banks reduced to six while leaving the number of branches almost intact. Because of the downsizing process of the public sector organizations, the GOI in consultation with sponsor banks and the NABARD took a decision to amalgamate the Grameen Banks. As on March 2010, there were 6 Grameen

Banks with 1184 branches working in 30 districts across the Karnataka State, the details are presented in Table-5.4.

**Table-5.4**

**Status of the Grameen Banks in Karnataka**

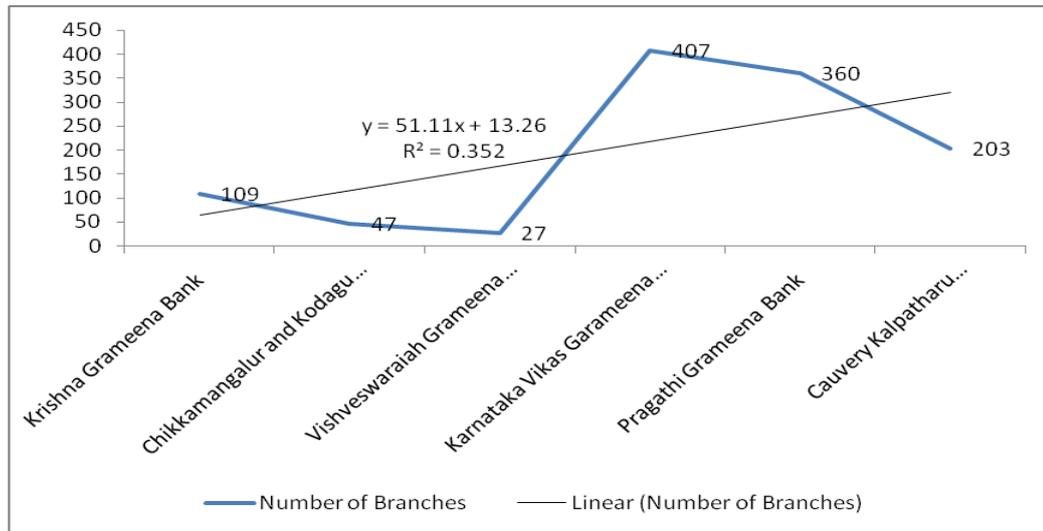
<b>Sl. No</b>	<b>Name of the Grameen Banks</b>	<b>Sponsor Banks</b>	<b>Date of Establishment</b>	<b>Number of Districts Covered</b>	<b>Number of GB Branches</b>
1	Krishna Grameena Bank	State Bank of India	1-Dec-1978	2	109
2	Chikkamangalur and Kodagu Grameena Bank	Corporation Bank	28-Apr-1984	2	47
3	Vishveswaraiiah Grameena Bank	Vijaya Bank	27-Mar-1985	1	27
4	Karnataka Vikas Grameena Bank	Syndicate Bank	*12-Sep-2005	9	407
5	Pragathi Grameena Bank	Canara Bank	*12-Sep-2005	7	360
6	Cauvery Kalpatharu Grameena Bank	State Bank of Mysore	*24-May-2006	8	203

Note: \* Date of Amalgamation

Sources: State Focus paper, Karnataka and NABARD Annual Reports.

**Graph – 5.2**

**Status of the Grameen Banks in Karnataka**



**5.5 Present Position of Grameen Banks in Karnataka**

Generally the Grameen banks may be considered as one of the most suitable financial agencies for promoting and fostering Self-Help Groups as a conduit for extending micro finance in rural India. Rural banking being their core-competence, they could be major players in this arena in the future banking picture. Recognizing their strategic position, it is remarkable to make them the kingpin in the micro finance movement. Grameen banks already have a readymade rural base, designed for handling the credit delivery system, conducive for small lending. Having branches in remote rural areas, manned by rural – oriented personnel, they have better accessibility to the needy households than any other agency. The grameen banks have easy access to low cost funds, mobilized through savings bank deposits from rural households. Performance of many of them in this field is remarkable. For instance, Karnataka Vikas Grameena Bank has savings bank deposits of Rs.884 crore as on 2011-12 which account for 46 percent of its total deposits of the GBs. The details of present status of grameen banks in Karnataka are presented in table –

5.5.

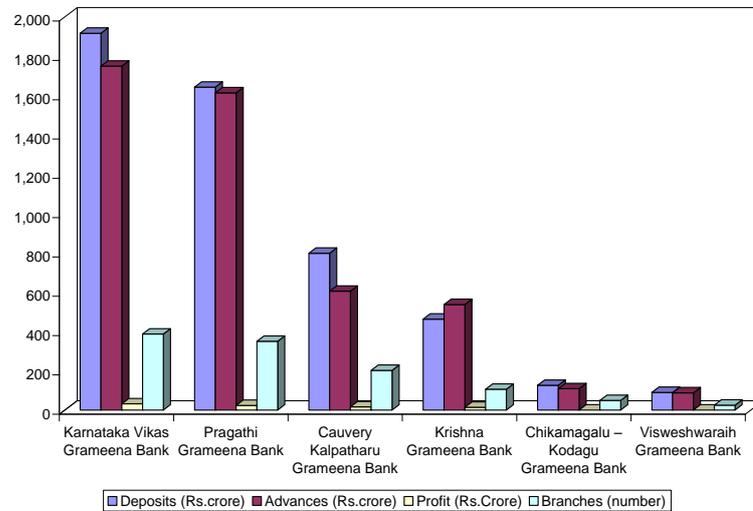
**Table - 5.5**  
**Present Status of Grameen Banks in Karnataka**

<b>Sl. No</b>	<b>Name of the Grameen Bank</b>	<b>Deposits of GBs (Rs.crore)</b>	<b>Advances of GBs (Rs.crore)</b>	<b>Profit details of GBs (Rs.Crore)</b>	<b>Branches of GBs (number)</b>
01	Karnataka Vikas Grameena Bank	1,917	1,750	32.09	387
02	Pragathi Grameena Bank	1,643	1,614	23.69	350
03	Cauvery Kalpatharu Grameena Bank	798	605	16.33	202
04	Krishna Grameena Bank	463	537	14.06	106
05	Chikamagalu – Kodagu Grameena Bank	126	109	0.22	49
06	Visweshwaraih Grameena Bank	90	88	-	25

Source: NABARD.

**Graph – 5.3**

**Present Status of Grameen Banks in Karnataka**



Generally Grameen Banks have been dealing with only small borrowers from the beginning. Banks were precluded from lending to activities other than those pertaining to the prescribed target groups. Nearly 83 per cent of their borrowing accounts are in the advances group of less than Rs.25,000. Micro finance should not become one more column in their reporting format. There has been very little effort made to re-orient their lending programmes, assigning the importance due to micro finance programmes. No doubt, many of them have tried to reach out to the Self Help Groups to rural women, as reported in their annual reports with photos of some of the respondents, as they are called like that only.

Grameen Banks staff has to be trained in handling micro finance, with conceptual clarity and understanding operational intricacies. Goal fixation has to be avoided. Covering all the households in the villages coming under their jurisdiction, over a reasonable time frame should be the goal. This has to be derived from the methodologically formulated Service Area Credit Plans forming part of the District Credit Plans. They should be built into the branch business plans. The details of total loans issued by Grameen Banks in the state of Karnataka are presented in table-5.6.

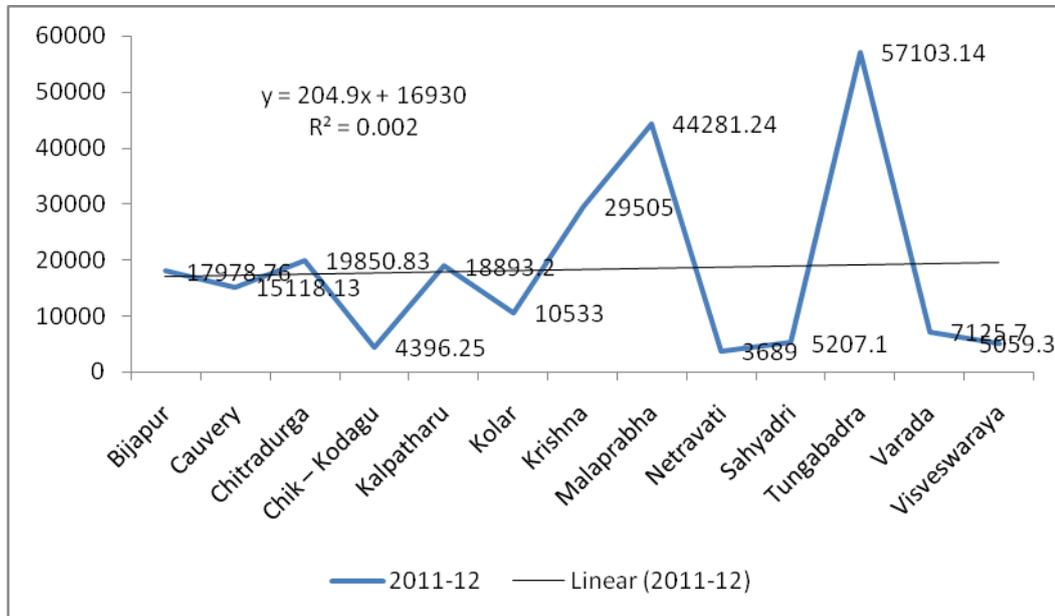
**Table – 5.6****Total Loans Issued By Grameen Banks in Karnataka**

<b>Name of Grameen Banks</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
Bijapur Grameen Banks	11366.00	13902.49	17978.76
Cauvery Grameen Banks	11693.00	11761.30	15118.13
Chitradurga Grameen Banks	12840.46	14258.91	19850.83
Chik – Kodagu Grameen Banks	2354.26	3475.57	4396.25
Kalpatharu Grameen Banks	7811.14	12299.09	18893.20
Kolar Grameen Banks	8008.73	8118.00	10533.00
Krishna Grameen Banks	17207.00	17327.00	29505.00
Malaprabha Grameen Banks	26125.75	33323.49	44281.24
Netravati Grameen Banks	2570.00	3463.32	3689.00
Sahyadri Grameen Banks	4169.38	4205.25	5207.10
Tungabadra Grameen Banks	45887.00	39210.00	57103.14
Varada Grameen Banks	4494.95	6142.06	7125.70
Visveswaraya Grameen Banks	3279.17	3761.95	5059.30
<b>Grand Total</b>	<b>157806.84</b>	<b>171248.43</b>	<b>238740.65</b>

Source : Annual Reports of NABARD various issues.

**Graph – 5.4**

**Total Loans Issued By Grameen Banks in Karnataka**



Organizationally, Grameen Banks have the handicap of being controlled by three masters, Government of India, Karnataka State Government and the sponsoring bank, while NABARD also comes in as a nodal agency. Granting them the autonomous status is necessary to make them an equal partner in rural banking.

The rural branches of commercial banks with those of Grameen Banks at the state level would be one positive method of consolidating the rural banking structure. It must be admitted that rural banking is not the core competence of commercial banks. They would be willing to withdraw from the rural scene, if permitted by the regulator, who has compelled them to be there. Passing on their rural business to the Grameen Banks sponsored by them, they can concentrate on core banking business in the non-rural areas from semi-urban to metropolitan areas. The detail of the share of Grameen Banks in rural banking in Karnataka up to 2011-12 is presented in table – 5.7.

**Table - 5.7****Share of Grameen Banks in Rural Banking in Karnataka**

<b>Sl. No</b>	<b>Indicators of Branches</b>	<b>Grameen Banks</b>	<b>All Banks</b>	<b>Share of Grameen Banks (percent)</b>
01	Details of Rural Branches (number)	1148	2161	53.12
02	Details of Deposit Accounts (No.lakh)	43.41	87.07	49.85
03	Details of Deposit Amount (Rs.crore)	4,102.60	11,393.92	36.00
04	Details of Borrowing Accounts (No.lakh)	11.81	21.90	53.92
05	Details of Credit Amount (Rs.crore)	3,759.30	9,255.73	40.61

Source: NABARD.

The selected Grameen Banks privatization could be one of the means of making them autonomous and self-reliant. This experiment may be given a trial, asking the highly profitable new generation banks to take over one or two Grameen Banks. Managing them as subsidiaries, it could be an organizational challenge to these banks, which often talk about the merger and amalgamation route for their accelerated growth strategy.

The emerging the rural banking structure should be financially viable and operationally flexible. Reaching out to the largest number of rural customers, should be the focus, as was enunciated by the authors of the Grameen Banks. Professionally managed, it should be amenable to the adoption of modern

practices. Rural branches should not remain like the village- ration shops, selling only the subsidized products to the selected groups, as the branches of Grameen Banks have been doing all along. They should evolve themselves as the retail outlets of financial supermarkets, selling the fast moving products at competitive prices and have a strong door-delivery wing for the special customers, self help groups. Hence, some of them have started selling insurance and mutual fund products are a welcome development. Karnataka Vikas Grameena Bank's annual report indicates that the bank has earned a commission of Rs.24 lakhs by selling life insurance and non-life insurance products during the year 2008 only.

## **5.6 Gaps in credit needs**

Generally, we have examined the sectoral credit needs of Karnataka as estimated by NABARD for the year 2001-2002 and tried to assess the banking sector's readiness to meet these needs by keeping in background the actual performance of the banking sector in the preceding year(s) as a guiding factor in this matter.

Financial requirements of Karnataka for the year 2001-2002 as estimated by NABARD based on district-wise potential linked plan (PLP) are of the order of Rs. 7813 crore. Of this the requirements of agriculture and allied activities together are of the order of Rs. 5036 crore (64.5 per cent), that of the non-farm sector (NFS) are Rs. 1159 crore (14.8 per cent) and that of the other priority sector (OPS) are Rs. 1618 crore (20.7 per cent) respectively( Table-5.8).

NABARD's own estimates of credit gap after considering the likely bank credit flow to the NFS and OPS are of the order of Rs.259.41 Crore and Rs.281.15 Crore, respectively. Besides it is important to notice that in none of the district's the likely credit flow to these sectors matches fully with the requirement (Table-5.8). Such estimates of credit flow and credit gap of the agriculture and allied activities are not apparently made by NABARD. But the credit gap of agriculture and allied activities may be expected to be considerable, if the performance of the banking sector in the preceding year(s) is any guide.

## Crop Loans

Generally we know that agriculture is the mainstay of Indian economy. More than 70 % of the population depends on agriculture and its allied activities. The Grameen Banks are taking care of this sector by providing short-term and term-loans. Table-5.8 denotes the year-wise loans provided for crops and agricultural activities.

**Table - 5.8**

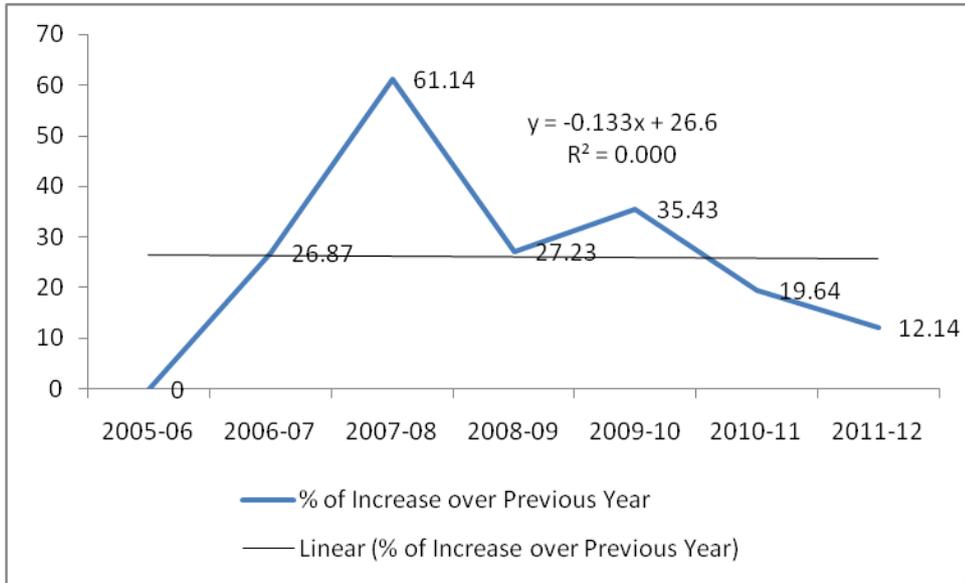
### Details of Crop Loans

<b>Year wise details</b>	<b>Total Amount of Short-Term Loans</b>	<b>Percentage of Increase over Previous Year</b>	<b>Total Amount of Term Loans</b>	<b>Percentage of Increase over Previous Year</b>
2005-06	4,834	----	1,045	----
2006-07	6,133	26.87	1,042	26.87
2007-08	9,883	61.14	2,043	61.14
2008-09	12,575	27.23	2,144	27.23
2009-10	17,031	35.43	3,198	35.43
2010-11	20,377	19.64	3,461	19.64
2011-12	22,851	12.14	3,648	12.14

Source; NABARD.

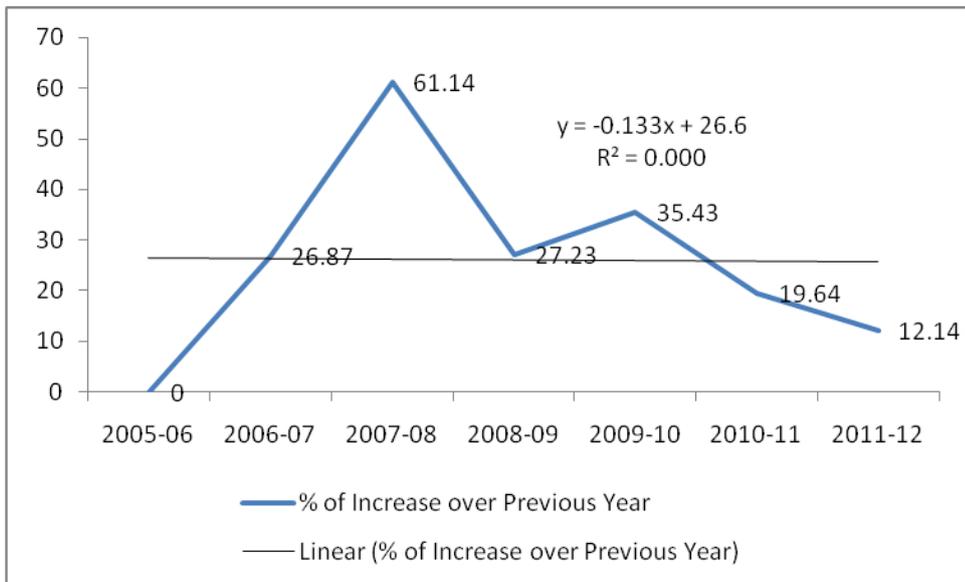
**Graph – 5.5**

**Details of Crop Loans**



**Graph – 5.6**

**Details of Crop Loans**



From the above table-5.8 it is clear that the short-term loans for crop has been increasing year after year. The disbursements of short-term loans were Rs. 4, 834 crores in 2005-06 which has gone up to Rs. 22,851 crores in 2011-12. The year 2009-10 registered a higher rate of percentage i.e., 35.43. The disbursement of term-loans for agriculture and allied activities by the Grameen Banks are not quite encouraging. It has been increased from Rs.1,045 crores in 2005-06 to Rs.3, 648 crores in 2011-12. The increase over the period was 3.49 times also.

### **5.7 Priority Sectors Loans by Grameen Banks**

Rural credit policy in India envisaged the provision of a range of credit services, including long-term and short-term loans to rural community. During the operation of three decade, the Grameen Banks in India have recorded a significant growth in the disbursement of loans. Table-5.9 provides the loans issued to various groups apart from the short-term and term-loans in the priority sector.

**Table – 5.9**

#### **Priority Sectors Loans by Grameen Banks (Rs.in Crores)**

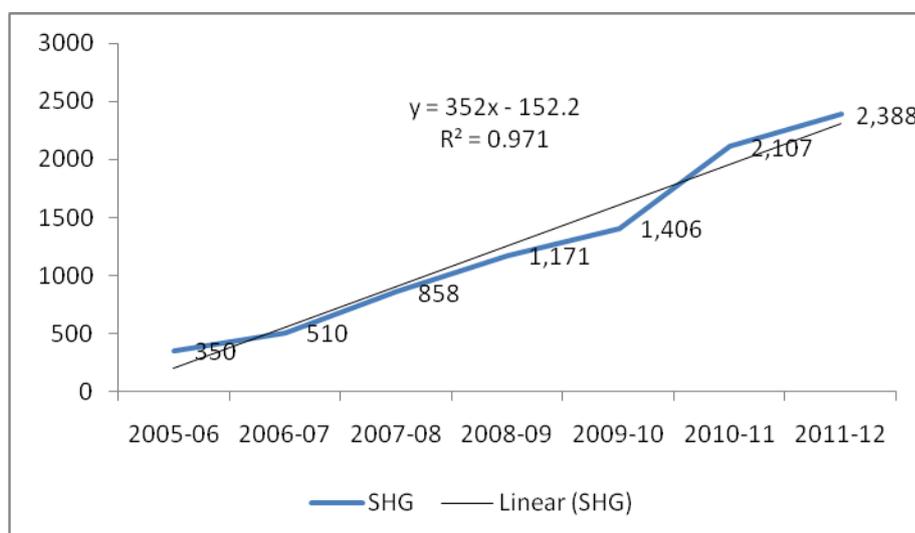
<b>Year wise details</b>	<b>Details of Rural Artisans</b>	<b>Details of SSI</b>	<b>Details of Retail Trade</b>	<b>Self help groups</b>	<b>Other Priority Sectors details</b>
2005-06	238	138	1,421	350	819
2006-07	276	167	1,653	510	1,941
2007-08	316	210	1,967	858	1,290
2008-09	304	342	1,841	1,171	2,282
2009-10	320	342	1,984	1,406	2,222
2010-11	326	638	2,024	2,107	2,775
2011-12	552	670	2,370	2,388	3,662

Source; NABARD

We can observe from the above table that the loans provided by the Grameen Banks to various groups have been increasing year after year. The loans to rural artisans have been increased from Rs.238 crores in 2005-06 to Rs.552 crores in 2011-12. The increase over the period was 2.3 times. Likewise, all the groups have been provided loans by the Grameen Banks in an increasing amount also.

**Graph – 5.7**

**Priority Sectors Loans by Grameen Banks (Rs.in Crores)**



### **5.7.1 Details of loans to Agriculture V/s Non-Agriculture**

In Karnataka Grameen Banks are providing loans to agricultural sectors for their development in the country. In this context, the total loans provided by Grameen Banks are categorized into two groups namely agriculture and non-agriculture sector. The year wise percentage of loans outstanding to agriculture and non-agriculture is furnished in Tabe-5.10.

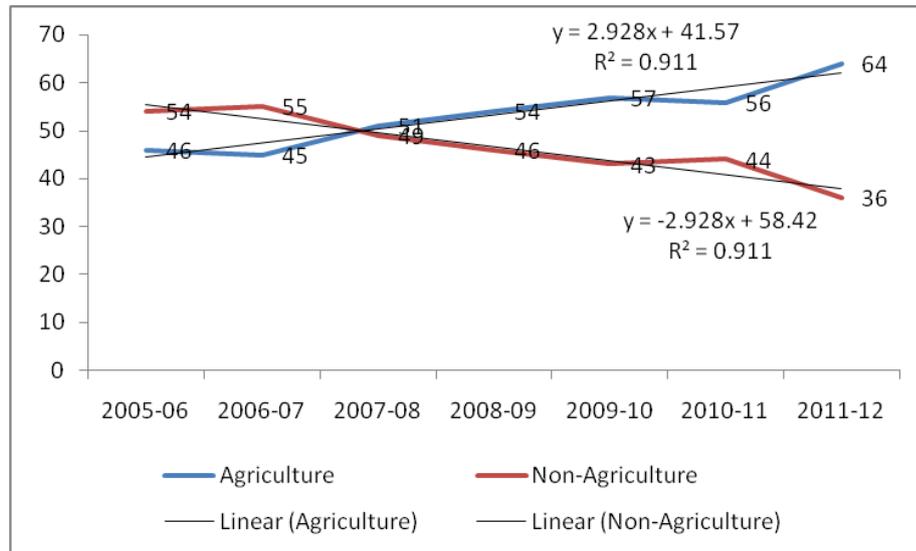
**Table-5.10****Outstanding Loans to Agriculture V/s Non-Agriculture**

<b>Year wise details</b>	<b>Agriculture (%)</b>	<b>Non-Agriculture (%)</b>
2005-06	46	54
2006-07	45	55
2007-08	51	49
2008-09	54	46
2009-10	57	43
2010-11	56	44
2011-12	64	36
Mean	53.28	46.71
Standard Deviation	6.626067	6.626067
Co-efficient of Variation	12.44	14.18

Source: NABARD

**Graph – 5.8**

**Outstanding Loans to Agriculture V/s Non-Agriculture (percentage)**



From the above table-5.10 it is exhibited that the Grameen Banks have been quite successful in its agricultural loans. During the period under reference, the banks have been able to mark a rising trend in its loans outstanding with 46 per cent in the year 2005-06 to 64 per cent in 2011-12. A further analysis of the table reveals that the loan outstanding to non-agriculture has been decreasing from 54 per cent in 2005-06 to 36 per cent in 2011-12. Even though the standard deviations of the percentages of the agricultural and non-agricultural loans outstanding by the Grameen Banks remain the same value of 6.626067, the co-efficient of variation differs. Hence, the agricultural loans outstanding are more consistent than that of non-agricultural loans outstanding activities.

## **5.8 Postion of Kisan Credit Credit in Karnataka**

In the state of Karnataka, CBs, Grameen Banks and 19 District Central Cooperative Banks are actively engaged in issuing Kisan credit cards to farmers. Nearly 23,09,000 Kisan credit cards were issued which was 6.3 per cent of the total for all India level as on January 2004. A total credit of Rs.734 crore was issued through KCC which was 8.3 per cent of the total for all India level during the same period also.

Out of the total cards issued, cooperative banks, Grameen Banks and CBs account for 44.4 per cent, 18.6 per cent and 37 per cent, respectively. With regard to cumulative amount sanctioned through KCC, the commercial banks dominate the scene as they account for 43.9 of the total amount sanctioned. The share of cooperative banks and Grameen Banks were 32.3 per cent and 23.8 per cent, respectively. In Karnataka, the ratio of total Kisan Credit Card issued to number of land holdings was 37.1 per cent. The progress therefore, seems to be somewhat satisfactory trend.

## **5.8 Postion of Kisan Credit Card in Mysore District**

In Mysore district the Kisan Credit Card Scheme which enables the farmers to obtain loans for their agricultural operations on a revolving cash credit limit basis has been introduced by all the banks with effect from Khariff 1999 season. The KCCS basically aims at providing adequate and timely credit support to the farmers for agricultural operations including purchase of implements.

In the light of the above mentioned issues, it is pertinent to know the impact of KCC on the farming community. How far has the KCC card system helped the farming community in improving their socio-economic conditions? Were the objectives of KCC has fulfilled while delivering the credit facilities?

What are the benefits and constraints of this system compared to other credit delivery system? Apart from card holders, the study will also contact non-card holders to elicit their opinion on the potential benefits of KCC.

### **5.8.1 The Major Features of KCC Scheme Launched By Commercial Banks**

Generally all the 27 public sector CBs have launched the KCCS bases on the model scheme circulated by RBI in august 1998. Barring one or two banks, all public sector CBs had prepared their own KCCS before December 1998 and launched the scheme on pilot basis in their selected branches. Later on the scheme was expanded to cover the entire country.

### **5.9 Eligibility of farmer for issue of Kisan Credit Card**

Generally most of the CBs had issued KCC only to those farmers who were having good track record for the last 2-3 years. However, later on, some of the banks have modified these instructions allowing the issue of cards to even new borrowers. Similarly, syndicate bank modified its eligibility criteria to cover all types of farmers and advised all its branches that KCC may be compulsorily issued to all the farmers with requirement of production credit of Rs. 5000/- and above limit.

#### **5.10.1 Minimum Credit Limit**

Central Bank and NABARD while circulating their model scheme on Kisan credit among the banks had recommended Kisan cards for farmers whose requirement of crop loan was Rs. 5,000 and above. However, the ceiling was subsequently amended and all the banks were advised that they could work out their own loan limits/ceiling. On a review of the schemes of public sector commercial banks, it was observed that most of the banks have

brought down the ceiling from Rs. 5,000 to Rs.3000. Some of the banks did not stipulate any lower ceiling in monetary terms whereas others have prescribed the ceiling in terms of ownership of irrigated land with the farmers, i.e. minimum one acre irrigated land only.

### **5.10.2 Basis for fixation of credit limit to farmers**

Central and NABARD through the model scheme circulated amount the banks had recommended that credit limit under Kisan cards may be fixed on the basis of operational land holding, cropping pattern and scales of finance as recommended by District Level Technical Committee (DLTC) State Level Technical Committee (SLTC). Wherever, the DLTC/SLTC have not recommended scale of finance for crops or in the opinion of the bank, recommended lower scales than required amount, banks were allowed to fix appropriate scales of finances for the crop. It was also stipulated that for fixation of credit limit operational land holding might include the leased in land and exclude leased out land. Most of the banks have followed the above guidelines as suggested in the model scheme.

### **5.10.3 Restriction on Maximum Amount**

Hence, Except Union Bank of India, Allahabad bank and Punjab national bank, the public sector CBs have not prescribed any maximum limit under Kisan Card only.

### **5.10.4 Fixation of seasonal limit**

The model scheme had recommended that while fixing the limit, banks may take into account entire production credit requirement for the farmers for full year including the credit requirement of the farmer for ancillary activities

related to crop production such as maintenance of agricultural machinery/ implements, electricity charges etc and also allied activities and nonfarm activities. Banks were also advised to fix appropriate sub limits auctioned, taking into account the seasonally in the credit requirement. The scheme circulated by most of the banks had included this feature in their instructions a few of the banks have built this feature within the methodology adopted for working out the overall limit, while other banks have left it to the discretion of branch managers to fix seasonal limits.

#### **5.10.5 Credit limit of working capital requirement**

Generally as envisaged the model scheme, all CBs have issued instructions for inclusion of short term fund requirement for meeting the needs of allied activities like dairy, poultry of farm machinery and also the working capital requirement for nonfarm activities bidding undertaken by farmers in arriving at limit. However, the instructions issued by the various banks have been at variance.

Particularly The syndicate bank has fixed such additional credit at Rs. 1,500 for one activity subject to maximum of Rs.3,000 whereas the Canara Bank put the additional credit limit at 20% of limit for agriculture and allied activities.

#### **5.10.6 Margin and Security Norms**

In Karnataka all the banks have issued in their respective circulars on KCC about margin and security norms. While majority of the banks have specifically mentioned margin requirement for different slabs of sanctioned amount, others have advised that the cards would be covered by norms as applicable in the case of other agriculture advances.

### **5.10.7 Facilities of drawal at other branches**

And one of the ideas behind KCC was to allow flexibility to the former for drawal of cash at various branches of the issuing bank particularly those located in semi-urban areas to facilitate easy availability of cash for purchase of agri-inputs like fertilizers and pesticides. Though most of the banks had allowed this facility to the cardholder some have restricted this facility to the identified branches within the district only. However, wherever this facility has been extended, it has been allowed for only literate card holders. Cardholders who are illiterate will have to operate on the limit from the issuing branch only. The banks which have allowed this facility to their card holders had advised their branches to charge a specific amount as service charges of the card holder withdraws cash at a branch(s) other than the issuing branch. The amount of service charge/commission ranged from 2 to 3per cent of the cash withdraws. It is felt that the percentage is quite high and rather than being a facility, it appeared to work as deterrent. In our cases, both syndicate bank and Canara banks have not provided such facility of drawal at other branches to the KCC holders.

### **5.11 Repayment instruction**

The limit sanctioned under the KCC is in the nature of revolving cash credit and each drawal is repayable within 12 months, yet all the banks have advised their branches to fix specific repayment norms while sanctioning credit limit under Kisan Credit Cards. All the banks have followed by procedure of fixing sub limit under the Kisan Card and operations on the next sub limit are permitted only when the repayment of the previous sub limits are made. This means that if a carnet has been sanctioned a limit with sub limits for khariff and rabi crops, he would be allowed to draw khariff limit only when full/partial amount under khariff limit has been repaid. Similarly, to draw upon the rabi limit, specific portion of outstanding under khariff sub-limit will have to be repaid. In our case, the syndicate bank has not issued any specific instructions

regarding repayment of loan. But the Canara Bank has specified that loan should be repaid immediately after harvesting of crops and within the period of one year. If the loan has been taken for the long term crops like sugarcane, banana etc., it should be repaid immediately after harvesting.

### **5.11.1 Insurance of the Card Holder**

The model scheme circulated by RBI/NABARD insurance of the cardholder by the issuing banks was not recommended, some of the commercial banks have introduced the provision of insurance to the cardholder in the scheme implemented by them. Both syndicate bank and Canara bank have introduced the scheme of personal accident insurance to the cardholders. In our field study it is found that, the cardholders of syndicate bank are covered under personal accident insurance scheme and are paying a premium of Rs.5 per annum. Canara bank provides personal accident insurance upto Rs.50,000 to all farmers below the age of 70 years who availed crop loan under the KCC scheme.

Insurance is good features introduced by some commercial banks with a view to not only add to the marketing component of the Kisan Card product but also the bank for the amount borrowed under the card with effect from the year 2001-02. Union Finance Minister has proposed to make the insurance compulsory for all Kisan Card holders and the premium would be shared by the card issuing institutions.

### **5.11.2 Issue of Cheque Book**

In order to facilitate the drawal of cash both at the issuing as well as other designated branches some of the banks have issued Cheque Book to the card holders. This facility, however, has been restricted to only literate borrowers. In certain other banks, this facility has been given only to farmers holding good record. In the remaining banks, the drawls of cash are allowed only through the debit slip of the card issuing branch only.

### **5.11.3 Service charges**

To issue the Kisan Credit Card, most of the banks have been levying fees under different names such as service charges, follow up charges, out of pocket expenses, inspection charges etc, to cover their cost. In some of the banks, these charges are quite substantial. Some of the banks have also been charging inspection charges as well as application processing charges from the borrower. For replacement of lost card or damaged card a few of the banks have been charging as high as Rs.200 from the borrower to provide duplicate card. Similarly, one or two banks have also been levying charges as much as Rs.200 as penalty in case of not linking of card. In our study it is found that no one has paid any charge or fees to banks toward obtaining Kisan Credit Card.

### **5.11.4 Opening of Saving Bank account**

Except Syndicate Bank, none of the other commercial banks have made it compulsory for borrower to open a saving bank account with the bank branch in order to avail the facility of Kisan Credit Card.

### **5.11.5 Payment of Interest**

Except a few, most of the banks have not given specific guidelines to their branches in the Kisan credit card account. A few banks who have issued instructions in this regard are either prescribing certain minimum credit balance for a specific period or paying interest @ 4 per cent on minimum balance from the 10<sup>th</sup> to the last day of the month. In absence of this facility many farmers may not be induced to maintain credit balance in the Kisan Credit Card account and this could affect the recovery of dues.

### **5.11.6 Crop Insurance**

Compare to the public sector banks; have provided guidelines to their branch managers in the circular relating to Kisan Card on coverage of crop insurance under Rastriya Krishi Bima Yojana. For instance, Syndicate Bank have advised its branches that premium for crop insurance to be worked out on the basis of limit sanctioned for crop insurance. Other banks have advised their branch managers to debit the crop insurance premium to the borrowers account wherever insurance scheme is available for farmers.

### **5.12 Summary**

The above analysis clearly indicates that the agricultural growth is crucial for alleviating rural poverty eradication. Then the access to institutional credit to more farmers and appropriate quantity and quality of agricultural credit are crucial for realising the full potential of agriculture as a profitable activity. Considering the crucial role of credit, the Tenth Five-Year Plan (2002-07) envisages a substantial jump in credit flows to agriculture to Rs.7,36,750 crores in the plan period as compared to the credit flow of Rs.2,29,956 crores achieved in the Ninth Five-Year Plan period. Credit flow to agriculture sector from all formal sources amounted to Rs. 70,810 crores in 2002-03 and Rs.86,981 crores in 2003-04, much below the levels envisaged in the Tenth Plan. Over the slower growth of agriculture credit, the Government announced a comprehensive policy on June 18, 2004. Then the policy envisages a 30 per cent increase in credit to agriculture sector in 2004-05 over an estimated credit flow of Rs.80,000 crores in 2003-04. The implementation of the policy has been entrusted to PSBs, private sector banks, Grameen Banks and co-operative banks. Then the policy has indicated that each rural and semi-urban branch of commercial banks, on an average, will take up at least two to three new investment projects in the area of plantation and horticulture, fisheries, organic farming, agro-processing, livestock, micro irrigation, sprinkler irrigation, watershed management, village and other agricultural activities development in the state.

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## MYSORE DISTRICT MAP

