CHAPTER -1

“Agriculture is the Backbone of Indian Economy”        -  Mahatma Gandhi

1.1 INTRODUCTION

Regional Rural Banks are playing an instrumental role in the development of India’s rural economy. Regional Rural Banks were established in 1975. They conceived with the vision of augmenting the outreach of the institutional channel of credit in the remotest areas of rural India. It is the intention of the Government to assist small and marginal farmers, rural artisans and agricultural labourers who are deprived of the crucial inputs of timely and adequate credit from the organized institutional sources. The Regional Rural Banks have got equal status with commercial banks in the issues of cash reserves, finance and interest rate. The Government of India and State Government which establish the bank and the particular sponsoring commercial bank in the rural areas are the twin control authorities. Central government has every power to establish the Regional Rural Banks anywhere and anytime. The central / state government recognizes the sponsored Regional Rural Banks with the assistance and advice of NABARD. The sponsor bank work as advisers of the Regional Rural Banks on financial issues. Five Regional Rural Banks were established on 2nd October 1975. Today in India, there are 86 Regional Rural Banks operating in 618 districts with more than 16,958 branches and employing about 74,800 persons.1 Since the beginning of liberalization, banking Industry in India has undergone a sea change. In 1991, the Indian economy went through the process of economic liberalization, which was followed up by the initiation of fundamental structural reforms in the banking sector in 1992. The reformation in the banking field was based on the recommendations proposed by Narashiman Committee Report (1991) that advocated a move to more market-oriented system which would operate in an environment of prudential regulations and transparency in accounting.

Development is an activity comprising both qualitative and quantitative change in the existing system aiming at immediate improvement of living conditions of the people. The

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idea of rural development has emerged in the context of agriculture and it remained for a long time with agricultural development in India. Since 1970s the concept of rural development has undergone a change and has become more comprehensive. Rural development comprises extension of benefits to the poorest among the rural.

Agriculture is the mainstay for more than 60 per cent of the Indian population. Agriculture is the basis of economic structure and it is not only the sources of raw material for principal industries like jute, textile, sugar and cotton but it also accounts for the maximization of the total income. Indian agriculture earned a multi-functional success in generating employment, food and lively-hood, nutritional and ecological security. Agriculture and agricultural allied activities contribute about 30 per cent to the GDP of India. The importance of agriculture was clearly identified by erstwhile prime minister Pandit Jawahar lal Nehru during 1960. Nehru was right in ideological thinking who exactly said “everything can wait, but agriculture cannot”. Agriculture is a way of life, a tradition, which for centuries has shaped the thought, the outlook, the culture and economic life of the Indians. Rapid growth of agriculture is essential not only from the point of view of agriculturists but also to achieve sustainable self-reliance, food security and to bring equity in distribution of income and wealth leading to rapid reduction in poverty levels. Poverty is a major threat to a country’s prosperity. Poverty exists when the resources of families or individuals are not adequate to provide a socially acceptable standard of living.

The continuation of the complex situation associated in agriculture, the rural folk remained eternal indebted to informal money lenders, their illiteracy, socio economic backwardness insufficient organized financial assistance made them to face vulnerable situation in India.

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Moreover, in addition to the above, the average size of landholdings, high unemployment situation, low agricultural output, high cost of labour, low prices at the time of harvest, and many times agriculturist not in a position to harvest and if harvested, the produce is dumped on the roads are making agriculture as unrewarding position and caused to abandon the farming culture and it is common to see that the rural folk migrating to nearby urban centers for a better life and earning. The situation is likely to be exacerbated further in the light of integration of agriculture trade in the global system and therefore agriculture today warrants immediate attention so that the farmers stay in the lands supplying adequate food to the industrial sector.

At present, the Indian agricultural scenario is facing a worst crisis. Mounting farm indebtedness, rural mass poverty and decreasing agricultural GDP are the major challenges to the Indian agriculture. All this made the way for the emergence of gruesome and chilling increasing incidence of farmers’ suicide. As far as figure on Suicides go, as many as 1,82,936 farmers have killed themselves in between 1997-2007.\(^4\) Sporadic increase in suicide reported despite state and central govt. announced various relief programs such as Vidarbha package for 36 crisis ridden districts of Andhra Pradesh, Karnataka, Kerala and Maharashtra in 2006 and other farmers’ relief measures such as debt relief commission. The very next year of announcement of said packages, 16,372 agriculturists committed suicide across the country.

Institutional credit agencies like co-operatives have a long history of agricultural development.\(^5\) These agricultural co-operatives were established with an object of providing cheaper credit to the farmers and to protect them from exploitation by the village money lenders. Unfortunately, co-operative societies could not obtain satisfactory result due to inherent weakness in its movement. The weaknesses that are associated may be concentration of management of co-operatives by a few big farmers, default and indiscipline in the repayment on account of poor supervision and RBIs intervention in the


middle strengthening commercial banks to finance agricultural sector though not succeeded but disturbed sufficiently the growth of co-operative spirit. Over the years the productivity, efficiency and profitability of the system has suffered.\textsuperscript{6}

Regional Rural Banks have been formed to facilitate the credit to agricultural and rural development including small and marginal farmers, agricultural labourers and rural artisans. The first five RRBs have been established in four states including Uttar Pradesh, Haryana, Rajasthan and West Bengal which started functioning from 2\textsuperscript{nd} October 1975.\textsuperscript{7} As on 31\textsuperscript{st} March 2013, in Karnataka, totally 6 Regional Rural Banks have been in operation with a network of 1,372 branches spread over 30 districts. In spite of various natural abnormalities affected on agriculture, Regional Rural Banks have been functioning with considerable profit.

1.2 BRIEF INTRODUCTION OF PRAGATHI GRAMIN BANK

The Regional Rural Banks were established to provide better clientele in the rural areas. Over the years, Regional Rural Banks have been facing problems due to directed credit and various other controls. Steps have been taken up by the Government of India to improve their viability, but, the trend of recurring losses continued. In view of this, a policy outcome for amalgamation of Regional Rural Banks at sponsor bank level was initiated by Government of India in the year 2005-06. Pragathi gramin bank is one of the Banks which was formed after amalgamation of Four Regional Rural Banks sponsored by Canara Bank in Karnataka.

The erstwhile banks financial position and their share in the Pragathi gramin bank at the time of amalgamation was Tungabhadra gramin bank business of Rs. 1476.95 crores constituting a share of 54.69 per cent of the total business of Pragathi gramin bank (Tungabhadra gramin bank was established on 25\textsuperscript{th} 1976, it was the First Regional Rural Bank established in South India and ninth Regional Rural Bank in the country), where

as Chitradurga gramin bank with a business of Rs. 577.40 crores constituting a share of 21.38 per cent of the total business of Pragathi gramin bank, and the third portion of share constituting of Kolar gramin bank with a 16.52 per cent with a business of 446.13 crores and at last the Sahyadri gramin bank share was only 7.41 per cent with a business of 200.06 crores. The Pragathi gramin bank overall total business on the day of amalgamation was Rs. 2700.54 crores.\textsuperscript{8}

The Pragathi gramin bank after the amalgamation of the four erstwhile gramin banks with its area of operation spread over seven districts, and caters to 1/3rd of the geographical area of the state and thereby, has earned the opportunity of serving a larger section of the rural populace. Pragathi gramin bank consists of total villages of seven districts and the area of Pragathi gramin bank’s operation was varied in cultures and traditions, as well as climatic conditions. Viewed from the developmental angle, except for the districts of Shivamogga, Koppal, Raichur Bellary and Davanagere, which are being irrigated areas, while the other districts like Chitradurga, Kolar, and Chikkaballapur are less irrigated and are classified as backward districts. Large parts of the population still remain outside the banking fold. It is thus, the endeavor of the bank to go down the micro level to reach the unreached through vigorous implementation of Financial inclusion. The Chitradurga gramin bank, Tungabhadra gramin bank, Kolar gramin bank and the Sahyadri gramin bank etc., which were working under 7 districts were merged and became Pragathi gramin bank on 12th September 2005.\textsuperscript{9}

1.3 EXTENSION ACTIVITIES UNDERTAKEN BY PRAGATHI GRAMIN BANK

Extension activities that are conducted by the branches help in creating awareness among the farming community. The technological developments in the agricultural sector, act as a forum to project the bank’s various loan/deposit schemes. Thus, bank firmly believed that progress of the clientele is linked to the bank’s progress. To improve the quality of advances and to create an environment for proper end-use, the loans are continuously

\textsuperscript{8} Pragathi Gramin Bank Annual Report of 2005-06.

\textsuperscript{9} Idib. Pp.4
provided as extension activities. Therefore, the various extension programmes were conducted not only by the bank but also in association with NABARD, Insurance companies, NGOs etc. Some of the activities are enumerated below.

1.3.1 Customers Meet
Almost all the branches had conducted periodical customers meet and specifically on 15th of every month to strengthen the rapport and relationship with the customers. Bank’s chairman, general managers and senior managers from head office visited the branches and participated in such meetings and addressed the customers and obtained the feedback regarding various schemes and services. Many Jana samparka Sabah, village meets, recovery meets are conducted throughout the years.

1.3.2 Seminar, Camps Etc.
Bank encouraged farmers in the study area and operation to switch over traditional farming to modern methods. The seminars/workshops/trainings/Krishi mela were conducted by branches on topic such as horticultural crops, banana culture, vermin-culture, apiculture, rainwater harvesting etc.

1.3.3 Social Service & Grameena Pratibha Puraskar
Bank is earmarking certain amount of its profit for donating to the deserving poor students, physically challenged for providing school fees, distribution of books and study materials. It recognized meritorious students in the rural areas, who have secured more marks in SSLC / PUC examination through awarding cash prizes.

1.3.4 Solar Home Lights and Water Heaters.
Uninterrupted power supply is one of the important infrastructures for development of rural economy. Further, there are many remote village households which do not have power and causing adverse affects on economic & social activities in rural areas. Solar power is an alternative source of energy that can solve power problem to some extent.
Solar home lights and water heaters are provided by the bank to the needy and deserved at subsidized rates.

1.3.5 KISAN CREDIT CARDS to Farmers

Pragathi gramin bank issues Kisan credit cards, to all farmers / owner cultivators, tenant cultivators and share croppers / individual farmer having agreement with institution farmers to have cash credit facilities without going through the credit screening processes repeatedly. This will avoid in delay for paying the loan to needy and also reduce the repeated paper work of the staff. Pragathi gramin bank issues a kisan credit card passbook which contains details of credit limit sanctioned, land particulars, rate of interest and due dates etc., which was attested by the supervisor of the staff. Apart from crop loans, which kisan credit card normally issues to the farmers, it also provides individuals for undertaking minor irrigation activities, land development, bio-gas plantation, horticulture, animal husbandry, pisci-culture. The farmer can pay the interest only on the amount withdrawn, not on the loan sanction. From 2001-02 onwards, in consultation with insurance company, accident insurance scheme was introduced for the entire Kisan credit card holder against accidental death/ permanent disability to avoid non-performing assets of the bank. Every year Pragathi gramin bank accumulated Kisan credit cards holders were gradually increasing. At present 38,971 kisan credit card holders are getting the benefit of the scheme.

1.3.6 Opening No Frill Accounts to Rural Poor’s

“No frills accounts” facility was available at all branches of Pragathi gramin bank. The banking services had been extended to the underprivileged sections of society. When they are hesitate to open an account in the banks, Pragathi gramin bank provoke them to make transactions in the bank by opening an account with zero or low minimum balance requirements. When a customer opens an account, he regularly operates either in the form of deposit or withdraws, which indicates inflow and outflow of cash. Pragathi gramin bank has launched a campaign to encourage people to open no-frill bank accounts and

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10 Annual Reports of Pragathi Gramin Bank.
avail maximum benefits. Pragathi gramin bank has been continuously increasing no-frill accounts every year. The bank branches are covering more and more people in both rural and semi-urban areas by providing banking facilities to the unbanked mass.

1.3.7 Ultra Small Braches
Pragathi gramin bank strives hard to provide banking facilities to the remote villages, by opening new branches. Though there are some villages which are not covered under new branches, Pragathi gramin bank takes the lead in providing more and more banking facilities to the villagers, which are not having proper infrastructure facilities. The village whose population is more than 2,000, Pragathi gramin bank has opened ultra small branches. The villagers need not go to the branch for banking activities; instead the bank will go to the door steps of the villagers through the business correspondents. They can deposit and withdraw a stipulated amount of Rupees 2,000.00, and can get the printout in their pass book through the internet. This has been supervised by the bank officials who visit the ultra small branch at a prescribed day for every week.

1.3.8 ATM Debit Cards
ATM cards are issued by commercial and private banks, but in the history of the gramin bank, it is the new one. Pragathi gramin bank has introduced ATM card facilities in all the branches. The Pragathi gramin bank account holders can enjoy the equal status as compared to the nationalized and other private banks.

1.3.9 Kamadhenu Deposit
It was the special deposit apart from the regular fixed deposit by the bank. In this deposit, the customer can deposit a minimum of Rupees 100/-without a maximum ceiling limit. It’s period is minimum five months to ten years. The rate of return should be attractive as compared to any other deposits, and for senior citizens, the rate of interest is high (0.5 per cent as compare to others). The depositors can withdraw the interest amount at their convenient period of monthly, quarterly, half yearly or yearly. They can withdraw before the due date or obtain the loan on the deposit slip.
1.3.10 National Electronic Fund Transfer Service

Now-a-days all the banking transactions run through the finger tips. The computerized net works of the Pragathi gramin bank provide various facilities to the customer, as NEFT (National Electronic Fund Transfer) is needed to the rural people. With this, a customer can credit to any Individual, firm or corporate having an account with any other bank branches in the country. The customer should be very careful while dealing with national electronic fund transfer services in case, they remit the amount which can’t be recovered. Pragathi gramin bank charge minimum rate up to rupees one lakhs, if it exceeds one lakhs, the branch charges at a slab rate.

1.3.11 Pragathi Spandana – House Magazine

Pragathi gramin bank has regularly brought out a house magazine, where the staff members have an opportunity to express their creativity on art, jokes, stories and articles related to current changes in the banking sectors and cultural activities of the kids of the staff. Pragathi gramin bank appreciates the workers performance and highlights in the magazines those who work for the benefit of the Pragathi gramin bank.

1.3.12 Social Activities of the Bank

Pragathi gramin bank is not only doing the banking activities, it is also undertaking social activities, which has a name in all the eight districts. Pragathi gramin bank is concerned about education, health, employment generation and rural development activities in many areas. The bank has, set apart, some of the amount every year for social activities, and donates to the poor school children, physically challenged people by providing three wheel bicycles and organizing health camps in rural areas.

The staff of Pragathi gramin bank is also serving the society in the name called “SANIHA”. All the staff members are voluntarily donating minimum rupees of ten out of their monthly salary. They also utilize the amount for the various social activities, like; providing hearing aids to deaf persons, utensils to poor and deserving students, and blanket to the beggars’ and arranging blood group identification camps, etc.
1.3.13 Business Facilitator / Business Correspondents

The illiterate villagers hesitate to consult the officers of various departments. Annually, government announces various programs to uplift the rural people but those programs would not reach them fully. Hence, in the year 2006, RBI issued guidelines to the banking sectors to employ two categories of intermediaries called Business Correspondents (BCs) and Business Facilitators (BFs) to expand their outreach.11 These banks operate a number of services to their clients such as ATMs, Internet and other traditional services and they use new facilities like, business correspondents and business facilitators as their new innovative activities. The banks permitted to carry out the activities on behalf of the banks as agents. The business correspondents and business facilitators are local peoples and they have a close contact with the rural people and they are available at all times. The local folks talk freely and clear their doubts by discussing with the business facilitators. Business correspondents and business facilitators are the representative of the bank and provoke the people to open an account in the bank, and obtain the various facilities from the banks as well as governments. Business correspondents undertake activities like identification of borrowers, verifying the preliminary loan application, awareness about the savings, follow-up of recoveries, collect and disbursement of small value of amount. Pragathi gramin bank has also implemented these activities on select 350 suitable business correspondents and business facilitators all over the eight districts. It has encouraged the farmers through the above activities to obtain the banking facilities, which has improved and developed their economic conditions.

1.3.14 Ultra Small Branch Facilities

Gramin banks are striving hard to provide financial services to the un-banked segment of the rural population. Therefore, Regional Rural Banks are expanding their branches all over the country where banking facility are less or not available at all. Hence, Regional Rural Banks are extending banking facilities to reach every nuke and corner of the

country. Regional Rural Banks have increased their assistance to agriculture and allied sectors and brought prosperity among the farmers in particular and rural populace in general.

Ultra small branch is a small handy device operated by the business correspondence or business facilitators in the rural areas where there are no branches established and the representative of the banks are providing banking facilities to the needy people. Business correspondence or business facilitators operate devices with the help of ATM cards and smart cards, where customers can visualize their balance, withdraw or deposit the amount. This facility is only provided to the villages where 5-10 km far from the branches. The old aged people, widows, physically challenged persons and the farmers are getting the benefits of these services at their door steps. The main aim of ultra small branches, are inculcating the habit of savings among the people of their earnings. The banks educate on the benefits of saving money, and organize awareness programs at various places. This would not only help in improving the financial position of individual account holders alone but also of the society.

1.4 BRIEF INTRODUCTION OF FARMERS’ CLUB

Most of the world’s poor live in rural areas. Seventy-five percent of those living in extreme poverty are dependent on agriculture. Majority of people are directly or indirectly engaged in this sector. Farmers are trained technically to find solutions themselves in the area of agriculture. This is achieved by helping them to identify the problems and seek the right solutions by combining their indigenous knowledge with improved knowledge and by using their resources properly. There are many primary-level agricultural cooperatives in the developing world, but majority of them, have been financially vulnerable and ineffective. Though there are various other concepts that are being established and revised often and often in order to enhance the economic standard of rural farmers”.

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12 Indian agriculture seasons date. 28-9-2010. free e-magazine on geography in India.
The organized sector in India brings solution to their problems through collective bargaining and bringing pressure on the administration. But unfortunately the agriculture sector so far remains unorganized and unmanaged. Now, a situation has emerged on the part of the farmers to organize and fight for them in order to materialize some of the objectives. Organizations bring some solutions and make the agriculturists feel happy and enjoy the benefits that are hitherto missing. Therefore, the government of India initiated Farmers’ Clubs in order to associate them better. A Farmers’ Club is an informal forum at the grass root level which links the farmers with rural banking institutions for the mutual benefits and creates user-friendly environment through direct intervention of National Bank for Agriculture and Rural Development (NABARD).

NABARD is set up as an apex development bank with a mandate of facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas, and last, it mandates in discharging its role as a facilitator for rural prosperity. The Farmers’ Club was launched by the NABARD in the year of 1982. NABARD launched Vikas Volunteer Vahini in November, 1982 to promote the five principles of “Development through Credit”. They envisage utilizing credit in an appropriate manner to enhance productivity and production leading to increase in income and repayment of loans for recycling of funds. These clubs are established by rural branches of commercial banks, (Both nationalized and private sector) co-operative banks, Agriculture universities, Regional Rural banks, NGOs etc. There is more than 1, 01,951 such clubs that are operating throughout the country. Total out of that, 16,925 clubs are operated by Regional Rural Banks. Pragathi gramin bank operating 1,212 Farmers’ Club throughout the eight district and bags “Best Farmers’ Club” awards in the Karnataka state. The Farmers’ Clubs are attracted by the farmers with their performance hence it has been increasing its number year by year.\textsuperscript{13} The service activities of Farmers’ Clubs are highlighted below.

\textsuperscript{13} NABARDs Annual Report 2012-13.
1.5 EXTENSION ACTIVITIES PERFORMED BY FARMERS’ CLUBs

1.5.1 Village Knowledge Centre

Farmers’ Clubs acts as a village knowledge (VKC) center by providing instant access to farmers for the latest information and knowledge of agriculture, from seeds selection to marketing the produce. They graduate the targeted people for taking up income generating activities and increasing their credit absorption capacities. It also provides all the address and the contact numbers which are related to the departments of agriculture, Kisan call centre, hospitals, marketing etc. Farmers’ Club coordinates with the Government departments and ensures flow of allocated funds under various developmental schemes for the villages.

1.5.2 Formation of Self Help Groups (SHGs)

Farmers’ Club persuades the rural women in their region to form an informal group of 10-20 women who have affinity among themselves. The women who work in the fields have weak financial position and hence, the Farmers’ Club formed the groups to educate them on how to save their amount and lend to each another in the critical time, so that they can bail themselves during financial difficulties. With this, the Farmers’ Club develops leadership qualities among the women, and enables them to discuss the problems related to the field of agriculture and various other activities. Farmers’ Clubs acts as a credit linkage between the banks and self-help groups for financial loans, which has tremendous position impact on rural women.

1.5.3 Formation of Joint Liability Groups (JLGs)

Farmers’ Club members consult the landless farmers, artisans, residing in the same village or area and engaged in the same work, either agriculture or artisans. The fellow members who are farmers and landless or tenants or do not have the proper title certificates of the land holdings. Farmers’ Club joins 4-10 such farmers, who are willing to strive hard in their respective fields and insists on them to form a strong group and link them to the bank to open joint liability groups. When the joint liability groups availed loan, the members can either choose to share among themselves or give it to the needy
member. By doing so, Farmers’ Club has largely improved the rural people financial position.

1.5.4 Health Check Up Camps in Villages

Farmers’ Club conducts the health camps in villages as a part of creating awareness on general health among the people. It provides general health care services and counsels them on basic healthcare and hygiene. Farmers’ Club has given much concentration in educating the people on use of proper drainage system, which is the root cause of many diseases. In India, every year a large number of people die from multiple causes and majority of deaths occur only in low-income rural people. Despite conducting innumerable awareness camps by the Farmers’ Club unfortunately villagers do not use them in a proper manner.

Farmers’ Club not only gives health awareness to the villagers but also, monitors continuously. Farmers’ Club is in regular contact with the hospitals and provides immediate medical aid to the needy people. The health camps usually organized by the Farmers’ Club include, eye camps, iodine testing camps, women health care camps, blood group check-up camps etc.

1.5.5 Guidelines of Banking Facilities

Farmers’ Club remains the mouth piece between the stakeholders (bankers & farmers) and this has helped them spread the message easily to the mass. It encourages the local people to open savings bank account in the bank only at minimum balance and deposit part of their earnings for uncertain days. The club helps the villagers in creating a smooth link for gross root level credit mobilization between the people and bankers. Farmers’ Club assists to the farmers obtain the KCCs (Kisan Credit Cards) and GCC (General Cash Credit) that helps them obtain timely credit, which minimizes its disbursements. Further, Farmers’ Club gives proper guidance to the loaned farmer to repay the amount in time for obtaining various benefits and subsidies from the banks as well as government and this helps the banks to reduce non-performing assets in the banks.
1.5.6 Arranging Field Visits

Enriching farmers’ knowledge remains the most beneficial on the long run. Most of the farming families who are small and marginal farmers, practicing traditional methods of cultivation yield much less because they have no knowledge of modern methods of agriculture. Farmers’ Club arranges field visits which improvises the farmers’ knowledge regarding field activities, thus increasing the yield and income too.

The Farmers’ Club arranges and provides training to the members, through the agricultural universities, RUDSET (Rural Development and Self Employment Training Institute), MYRADA (Mysore Resettlement and Development Agency’), KVK (Krishi Vignan Kendra). The training institute arranges the field visits. The members of the club along with the farmers of the same villages enhance the farmers’ creativity and empowerment. During the field visit, farmers exchange information between different farmers groups (Nigin Chhay, 2002), where they observe the employed techniques of farmers and try to implement them in their fields, which leads to overall development of farming activities in the villages.

1.5.7 Animals Check Up Camps

More than 75 per cent of the population in villages worship animals and use them in agricultural activities, and them without, they remain handicapped. Hence, Farmers are expected to take care of their animals and their welfare. Therefore, the Farmers’ Clubs are assisting the rural farmers and their animals through arranging animal health check up camps, free medicines, tonics and other health kits to the farmers are issued.\(^{14}\)

1.5.8 Acquired Immune Deficiency Syndrome Awareness Programs in Villages

Acquired Immune Deficiency Syndrome (AIDS), most deadly is an infectious disease caused by human immunodeficiency virus (HIV). It destroys a subgroup of white blood

cells of the body’s immune response. AIDS is transmitted from an infected person to others during unprotected sex, use of infected needles, blood transfusions and from a mother to her newborn child. The innocent people are unknowingly affected even if it is not their fault. The chronic stage causes symptoms such as severe diarrhea, extreme fatigue, intermittent fever, leads to more chills, sweats and weight losses. The rural people without knowing the concept of this blame their fate for the diseases. The Farmers’ Club in the rural area are making an effort of educating the rural people regarding spreading of the diseases. Club spreads the awareness about HIV-AIDS in villages through cultural performances, using street dramas, music and folk arts of the members. The members contact the health departments and provide free medical checkup for rural poor. HIV patients can live longer if prescribed medicines are taken.

### 1.5.9 Development of Watersheds

Farmers’ Club educates the people for wise use of water for longer period of time. It is one of the most important substances on earth. All plants and animals must have water to survive. Water is an essential production factor in agriculture, both for crops and for livestock. Indian agriculture is dealing with the consequences of extreme natural calamities such as floods, storms and drought, which might imply excess or scarce water availability, that are likely to become more frequent as a result of climate change. Year by year the water level keeps declining and the average rainfall is declining to the lowest extent. Monsoon variance is due to drastic climate change. Water is the most precious resource and therefore the Farmers’ Club has worked to build water storages and recharging the groundwater levels in the villages. The members of the club preserve the water for the future use by constructing the check dams. During the rainy seasons, the club stores the water through the check dams, then automatically water level in the earth will increase to some extent. Farmers’ Club educates the farmers to construct more and more check dams and water sheds during the rainy seasons. This stores water to some extent and helps to increase the water levels and rejuvenation of the wells, bore-wells etc.
1.6 REVIEW OF LITERATURE

Several research studies are conducted on different aspects of Gramin banks including the Farmers’ Club. As a part of this research few such literatures relating to growth and financial performance of gramin banks, importance on rural credit and working of Farmers’ Clubs are broadly classified into two types A and B. Part A pertaining to gramin banks and Part B pertaining to Farmers’ Club (including agriculture development through farmers, farmers organizations) are reviewed and presented.

1.6.1 Review of Literature on gramin bank

The review of literature relates to gramin banks on their growth and performance, how they manage non-performing assets, their credit support to farmers’ and small and medium entrepreneurs in rural areas. gramin bank related literature has been divided into two types, namely:-

1.6.1.1 Literature relating to growth and financial performance of gramin banks and
1.6.1.2 Literature relating to managing and importance of rural credit by gramin banks.

1.6.1.1. Literature relating to growth and financial performance of gramin banks:

Vijaya Boothapur and Morage Prakash V. (2012)\textsuperscript{15} conducted a study on non-performing assets effects in Krishna gramin bank situated in Karnataka, and found that, non-performing assets have been challenges for the banking sector. In their study, they also found that the standard assets of the bank have increased which reduces the losses of the bank and increasing the performing assets by effective lending system and the loyal borrowers. The authors observed that sub-standard assets decreased from 1.60% to 0.70% during 2006 and 2010 respectively. In the same manner the authors discovered that, doubtful debts declined from 1.04% in 2007 to 0.57% in 2010, this revealed that, bank efficiency in managing loans, by adopting strict norms of lending, contributed to gradual decline in quantum of loss assets. Further the author is of the opinion that in order to reduce the non-performing assets, the bank has to adopt certain preventive measures,

while providing loans by taking care in selecting fresh borrowers. Bank should set up separate recovery cell and provide special training on recovery of the debts in-time. The recovery officers should confirm by themselves whether the borrower uses the fund for the intended productive purposes, develop a proper follow up mechanism and regular contacts with the borrower any necessary help.

**Sujatha Susana D. et al., (2011)**

studied how merger and acquisition helps to achieve synergy by integrating business units. They found that merger and acquisition increases the performance, competitive advantages, increased market share, enhancement of revenue by saving costs, reduction in risks, enhancement of market access and better access to newer technologies. The author also found that there is no significant change in the profitability, due to economic recession risks which were not in the control of any individual banks and which never attributed to the inefficiency of the banks. The author opined that the only a ray of hope was to amalgamate the Regional Rural Bank got that positive results with the banks striving hard to increase their profitability.

**Ammannaya. K.K (2011)**

investigated how Karnataka had successfully provided and supported banking facilities in the state. The year 1870 gave birth to Chitradurga Savings Bank which had merged with a private bank after completing one hundred years. But, later between 1900-1950, swadeshi movement increased the number of banks in India and also in Karnataka. The author noticed that during the period of nationalization the total branches of Karnataka had increased to 761 branches and further increased by 950 percent worth 7,300 of the current branches. These branches had a population of 33,000 compared to the current 11,000 per operation. The tendency of increase in bank branches and by opening more no frill accounts by the rural people leads to avail credit and be part of banking services. The author further says that banks by integrating with rural people can provide information. Researcher discussed how Karnataka banks played more

**Notes:**


attention in reducing of burden of population per branch by opening more branches and providing financial inclusion to all individually which will accelerate the economic growth of the state.

**Onkar et al., (2010)** in their study, analyzed the trends in deposits and credit deployment of Regional Rural Bank in the state of Karnataka during the post reforms period of 1992-2008, and found that the area of deposit mobilization and credit disbursement, Regional Rural Bank are made notable progress. The ratio of Regional Rural Bank despite fluctuating throughout their study period continued focusing on agriculture credit disbursement in the state of Karnataka and had favored credit to personal loans in place of rural artisan industries credit and other small scale industries.

**Deshpande S.K and Degaonkar A.M (2007)** did their research on the role of gramin banks in financing rural subsistent farmers with special reference to the success of Marathwada gramin bank, and their analysis reveals that, the officials opinions on deposit by borrower and advance per branch was on high aggregate cluster of 0.75 deposit by borrowers per branch measure, followed by a raise in deposit and percentages in advance value of 0.443. Similarly they found that the medium aggregate cluster of bank officials was more on interest paid by borrower and borrower capacity to repay loan in medium aggregate cluster of a restricted 0.435 and greater than or equal to 0.2373. Lastly the author observed that the low aggregate cluster was more restricting with similarity value of less than 0.370 in advance of 0.353, followed by an interest rate with similar measure of 0.286. Hence, they classified it as low preferred dimension. They found that, the opinion of borrowers was more on implementation of crop insurance and housing loan facility for farmers in high aggregate clusters, henceforth, it is named as highly preferred dimension.

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Dhananjaya B.N. (2007)\textsuperscript{20} made an attempt to elicit the savings mobilization in different saving products offered by Pragathi Gramin Bank. He highlighted that Regional Rural Banks are established with a view to develop the rural economy by providing several financial services, by encouraging the local people in conducting village level campaign, distribution of handouts, leaflets by bank officials. Banks found another avenue to convey the mass people through village meets. Recently Pragathi gramin bank has simplified the norms and uses the local vernacular to attract the customers. Normally rural people open an account for obtaining a loan rather than savings. But later on, they inculcate the habit of savings and bank provides the benefit of Insurance linked savings to the rural poor.

Biswa Swarup Misra’s (2006)\textsuperscript{21} in their exploratory analysis revealed that the problem of the loss making Regional Rural Bank is neither confined to some specific states nor to a group of sponsor banks. In the absence of any strong systematic pattern so as to suggest that the performance of Regional Rural Bank is driven by the peculiarities of any particular sponsor Bank or a specific State in which they operate. The authors said that, econometric estimation should be employed so as to decipher the factors that contribute to their financial health.

Nitin and Thorat et al., (2004)\textsuperscript{22} provided a penetrating analysis as to how constraints in the institutional dimension have seriously impaired the governance of the regional rural banks. They have argued that perverse institutional arrangements that gave rise to incompatible incentive structures for key stakeholders such as political leaders, policy makers, bank staff and clients have acted as constraints on their performance. The lack of performance of the regional rural bank during the last two decades, according to the authors can be largely attributed to their lack of commercial orientation. An appropriate restructuring strategy would require identifying the problems leading to the non


\textsuperscript{21} Biswa Swarup Misra’s (2006) Research Officer in the Department of Economic Analysis and Policy, Reserve Bank of India

\textsuperscript{22} Nitin and Thorat et al., (2004).” Indian Regional Rural Banks: Journal of Micro finance, Vol.3 No-1, pp 65-94.
satisfactory performance of the regional rural bank regarding for the geographical factors concerns the authors considered different parameters that impact the functions of regional rural bank and asserts that, geographical location of regional rural bank is not the limiting factor for their performance.

**Vyas Committee II (2004)** state that, for smooth running of subordinate regional banks, it is inevitable to merge other gramin banks sponsored by the same public sector bank, at state level. The committee said that, with the effect of the merger, the amalgamated regional rural bank become financially stronger and bigger in size and their business volume is enhanced and banks administration becomes easy. It further stated that the merger, helps the expansion of business opening currency chests and conduct state Government business as a sub-agent of sponsor banks, open non-resident of India (NRIs) accounts subject to certain conditions and the branch licensing policies and opening new branches gets liberalized. Regional rural banks should be grown and strengthened to make vibrant channels of credit delivery. The Vyas committee concluded that regional rural bank is the “people hope” in rural villages and under several measures.

**Srinivas Prasad. T. Dr. (2003)** in his study revealed that the various measures initiated for revamping the regional rural banks had resulted in overall growth in the financial health of regional rural bank sustain their activities. However, the regional rural bank has to play their role in the competitive environment particularly with the number of private banks and financial institutions coming out with their new innovative products coupled with technology up gradation. So, regional rural banks should be able to derive competitive advantage from the extensive branch networks, in which they look for diversification of their lending portfolios to achieve better productivity and sustainability the author suggested that, by trying to bring about improved performance, the banks should ensure that the social content of lending are not reduced as they are the legitimate instrument of economic change. Thus, regional rural banks have to evolve an appropriate strategy to serve the rural poor and at the same time achieve sustainable viability.

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23 Vyas Committee II, Report- 2004  
Banambar Sahoo (2002)\textsuperscript{25} stated that banks exist for the purpose of lending money and occupy one of the pivotal role for major fields like economics & financial matters which are the life blood of the country. The author finds that lending itself involved some risks in obtaining the confidence of the public and necessary steps were taken by the bank for preventing losses by introducing an \textit{“Eight Point Health Codes”} for credit administration in 1980 by Reserve Bank of India. The author found that the bank had adopted various measures for providing credit against tangible securities by lower exposure of credit as well as over and undue cautions in credit decision to check non-performing assets, further the author discovered that in 1992 banking sector reforms reduced bank non-performing assets because banks applied the 4C’s (Credit, Customer, Computer and Capital restriction).

Deshpande D.V. et al., (1998)\textsuperscript{26} in their study, found that, the poor man’s bank had passes through various recommendations and periodic policy initiatives to review their performances. In the initial stages the banks carried out pilot study by forming five Regional Rural Banks to review their performance. The results were encouraging us, 75 more Regional Rural Bank were developed and grew further covering more geographical areas as by the author findings by enhancing non-targeted clients from 40 to 60 per cent. Later regional rural bank was recommended to merge with the sponsor banks to form a single bank at the national level but the recommendations were not considered for approval. The author discovered that in 1994 bank administration were revised and looked forward for financial viabilities with regional rural bank having rich experiences of over two decades in rural banking to teach the customer to productively utilize the loans and in return to gain the advantages on easy and proper follow-up to tame non-performing assets in banks. The author concluded by saying the future regional rural banks will remain bright with successful rural financial institutions implemented.

\textsuperscript{25} Banambar Sahoo (2002) \textit{“Bankers Hand book on N.P.A. Management”} II\textsuperscript{nd} Edition.,

\textsuperscript{26} Deshpande D.V. et al., (1998) \textit{“Status and Problems of Regional Rural Banks”} Organisation Development Approach to Revamping of Regional Rural Banks” proceedings of the National Seminar conducted from 28\textsuperscript{th} to 30\textsuperscript{th} January, pp. 24-61.
Hosmani (1995)\textsuperscript{27} critically evaluated in his study, the performance and impact of a regional rural bank, (Malaprabha gramin bank) in Karnataka, by using a multistage stratified random sampling procedure for selecting the required samples. The author analyzed the pattern of credit flow using Kendall's coefficient of concordance and the inequality index (Gini coefficient) to know the extent of concentration. A comparative assessment was also made for the period of establishment and development. The author found that liquidity and solvency position of the bank was sound. The pattern of credit flow to beneficiaries remained unchanged as was indicated by significant Kendall's Coefficient of concordance (0.90) and Gini coefficient (0.12) which indicated a lower inequality in credit distribution among beneficiaries. Operating NRI account, export financing, simplification of procedure, credit enhancement, long run planning and periodical evaluation were some of the recommendations made by the author for enhancing the performance of gramin banks.

Gadgil (1994)\textsuperscript{28} discussed the impact of financial sector reforms on the formal agricultural credit system in India. Movements of interest rates on agricultural loans over the period 1980-94 were under investigation. It was observed that the new rates on crop loans to farmers were not high enough to enable Co-operative and Regional rural banks to meet the financial transaction and risk costs, necessitating continued subsidization by the National Bank for Agriculture and Rural Development (NABARD) / Reserve Bank of India. The researcher then discussed the restructuring of regional rural banks and rural branches of commercial banks and the future role of NABARD under the situation of total deregulation of interest rates.

Pramod Kumar (1993)\textsuperscript{29} carried his research by studying the progress and performance of regional rural banks in India based on selected performance indicators such as number of regional rural bank, number of branches, districts covered, deposits and different categories of advances by collecting secondary data from regional rural bank division,

NABARD, for a period of eleven years from 1979-80 to 1989-90 and found out that the regional rural banks should mobilize deposits in order to increase the amount of C.D ration. Further, the author mentioned that with increase in coverage for states, the quantum of loan per account for allied activities and short-term loans would decrease. He found that states like Orissa, Kerala, West Bengal, Tamil Nadu, Tripura, Bihar, Karnataka and Assam has shown bad performance and the other states were performing well. Researcher suggested that the bad performing states should revise (step up) their advances on agricultural investment and also observe that the adequate short-term loans are advanced as much as needed for the farmers.

Balishter et al., (1992) investigated the performance of the Etawah Kshetriya gramin bank, in Uttar Pradesh for the period between 1984 to 1988 and discovered how success was assessed in terms of eight criteria’s namely: coverage, growth in deposit and deposit accounts, composition of deposits, total loan advances, loan advances to the weaker sections of the rural community, purpose wise loan advances, recovery position, profit and loss account. The researcher found that the bank was relatively successful in deposit mobilization, particularly from the weaker sections of rural society through small savings accounts. Even though the bank was found to maintain a 2:1 ratio in financing agricultural and non-agricultural activities in accordance with Reserve Bank of India guidelines, it was felt that the loan advances to rural cottage industry, must be promoted. Recovery performance was found to be unsatisfactory and even though the losses had fallen over the study period, and was suggested. Further, those greater efforts were required to turn the bank into a financially viable and self-sustaining initiative.

Malik & Mittal. (1991) studied the performance of regional rural banks in Haryana, and their role in promoting rural development. Since 1976, the author did analysis on branch expansion, deposit mobilization and credit deployment and found that regional

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rural banks have made considerable progress in all the areas but they were facing losses due to over dues and default.

Sinha (1991)\textsuperscript{32} studied the financial status of regional rural banks, which were setup in India by the government in order to build credit links between financial institutions and rural areas and indicated the need of fund management within the banks. The creation of deposits, the use of funds and interest rate policies were reviewed. The author recommended that regional rural bank, by offering higher interest rates, should mobilize resources and encourage the creation of deposits. The author further urged the banks to invest in approved securities as part of a long-term strategy. Some other measures were also suggested by the author for more efficient operation of regional rural bank.

Kalkundrikars (1990)\textsuperscript{33} in his study on “regional rural banks and economic development” observed that, the first three gramin banks were established, which was the landmark in the history of rural areas. The author reveals that, in 1976 Malaprabha gramin bank stood first in overall performance followed by Tungabhadra gramin bank and Cauvery gramin bank respectively, in places which were very backward due to irregular monsoons. Further, the author says that, regional rural banks should cater for credit to the rural poor/communities, which they are not aware of various schemes. The author also said that branches be expanded in their respective areas to achieve growth of deposit accretion, through staff by promoting awareness among the rural people to habituate them on banking activities and saving habits. Kalkundrikar suggested that, banks as lending institutes should have to recover the dues from the willful defaulters by undertaking legal proceedings. Importantly fund recycling to the needy people can be possible if the banks entrusted role by the government of recovering. The loans are made at the right time, lastly the author observed that gramin banks had a positive attitude of providing socio-obligation to the rural people and hence they must not neglect to earn the necessary profit.

The study conducted by Asha (1988)\textsuperscript{34} revealed that, Regional Rural Banks were established with the motto to serve poorest of the poor. The author said that, Interference through politics and non-interest of staff are creating major impact on rural development. Further, the author opined that regional rural banks are the foundation of building and developing rural credit structure on behalf of millions of weaker sections, whose benefits have been denied. The researcher has highlighted that, large scale corruption and nepotism with the help of politicians, bankers and the local staff are the hindering factors which come in the middle of achieving their goals. She recommended for efforts to be made to consolidate and strengthen the regional rural bank for growth. The author recommended the Dhār committee (1984) to be implemented to allow open branches to help compensate the losses incurred the rural areas. This will help Regional Rural Bank over dues, which were mounting by limiting recycling of funds due to adequate training and inappropriate salary structure.

Patel and Shete (1980)\textsuperscript{35} are of the opinion that National Institute of Banking Management made a valuable analysis on performance and prospects of regional rural bank. They gave a comparative picture of performance in deposits, and recommended for branch expansion and credit deployment of the co-operative banks, commercial banks and regional rural banks in a specified area. Their recommendations were an eye opener for many stakeholders who are engaged or interacted in the rural credit by regional rural bank.

Suryawanshi et al., (1978)\textsuperscript{36} studied the gap existing between the availability and requirement of credit in agricultural finance in irrigated areas of Jalagon district of Maharashtra. They observed that the big farmer receives a larger share of the loans advanced. They also found that, the institutional agencies like the co-operatives and commercial banks had not made much impact on the small and semi-medium cultivators even in the irrigated area. The author noticed that, the average cash expenditure was Rs.

\textsuperscript{34} Asha (1988) “Turning RRBs into effective institutions”, Yojana, July16-31, p.24-25.
\textsuperscript{35} Patel and Shete (1980) www.ccsenet.org/ibr International Business Research Vol. 3, No. 4; October 2010 Published by Canadian Center of Science and Education 205.
814.18 per hectare, which was in a slight declining trend in the credit gap, per size of the holdings.

1.6.1.2 Literature relating to managing and importance of rural credit by gramin banks

Eshwara P. (2011) observed that the performance of regional rural banks before and after merger and pointed out that, the merger has resulted in increased loans, issues simultaneously and reduced the loss making branches by more than a half. This helped as the author says, to benefits in extending business operations to new areas with less costs and reduce non-performing assets below the standard year by year. The author further suggested that regional rural banks to keep good rapport and liaison with rural borrowers and make follow-up advances for effectiveness to make more borrowers friendly and to easily accept regional rural banks as their friend, philosopher and guide.

Erappa. S and Jayasheela (2010) investigated the role of institutional approach in restricted sense, by taking credit as an instrument advance by the rural institutions like regional rural bank, to eradicate poverty. The Regional Rural Bank credit programs were classified as IRDP (dominated the dairy), SC/ST and NS (Non-Scheme), the general loans where subsidy schemes were not covered. The author found out that IRDP and SC/ST those covered under IRDP and SC/ST schemes were willful defaulters, similarly the trend emerges in the case of non-schemes, who have believe and impression that loan amount may be waived off in due courses due to promise from politicians, middlemen etc. The author concludes that, promoting non-farm schemes is a sign of rural diversification which needs proper identification of this scheme under agro-climatic and environmental conditions and characteristic features and perceptions of the beneficiaries are important rather than blindly sanctioning the schemes. Lastly, the author concludes that these incentives should be given the beneficiaries who have cleared the loans.

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promptly and locating banks in the rural area where the staff are close to the beneficiaries and advising them promptly.

**Ruston Ali Ahmed (2004)** study conducted on impact of financing by Rajshahi Krishi Unnayan bank on agricultural development of Bangladesh has revealed that variations in farm and off farm production, income from agro-based trade, intensity of cropping, amount of cultivated area of uncommon crops, total and per capita consumption expenditure of the borrowers are found statistically significant higher than the non-borrowers. On the other hand, insignificant relations of working capital investment for farming and use of inputs with demand of bank credit are observed in case of small and large farms, but those are found significant in case of medium farmer’s credit delivery procedures and services of the sample bank do not satisfy the expectations of the borrowers. The study embodies that, the major problems associated with the bank financing are diversion of the borrowed fund, poor recovery of loans and high default rate, which are attributed to both the borrowers and the bankers.

**Agarwal, R.K. (1991)** conducted a study on the object of evaluating the working and operation of Prathama bank in Moradabad and Rampur district in Uttarpradesh. Researcher observed in his research that, the Prathama bank engage in fulfilling the credit requirements of the marginal and small farmers, small entrepreneurs, artisans and other needy and neglected class in the rural areas of both districts. Prathama bank minimizes the unwanted competition among nationalized and co-operative banks and enlarges the planning activities like expansion of branches, enhance deposit mobilization, credit plan and earning the profits.

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Chauhan et al., (1991) studied the availability and adequacy of credit to the needy borrowers and the impact on income generation of rural people by enhancing the savings habits among the people in regional rural banks operated areas. The branches were selected randomly and analyzed in Etawah district of Uttar Pradesh. Borrowers were divided into four categories by the researchers’ namely small and marginal farmers, landless labors and rural artisan and small traders. Results for the year 1984-85 showed that the availability of credit per borrower was the highest for landless labour, however, it was found that the demand for loans exceeded the supply by about eight per cent for the other three categories of borrowers. Further, it was found that 35 per cent of total loan were put to unproductive use to the urgent consumption needs particularly in landless labour group and a very little surplus income existed within the sample ranging from 7 to 16 per cent for the average household. The credit activities and schemes are encouraging for mobilization of saving among the rural poor.

Varshneya, J.S (1988) in his article reviewed the role played by the commercial banks in the upliftment of rural areas. The author found that banks which were essentially urban oriented displayed a remarkable flexibility to adjusting in rural areas by contributing towards their development. The author suggested that, full development calls a multi-pronged approach, economic, social and political in which the government financial institutions and social/ voluntary organizations must work in coordination together.

NABARD (1986) published “A study on Regional Rural Banks viability”, which was conducted by Agriculture Finance Corporation (AFC) in 1986 on behalf of NABARD. The study revealed that viability of regional rural bank was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The proportion of the establishment costs to total cost and expansion of branches were the critical factors, which affected their viability. The study further concluded that regional rural bank

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43 NABARD (1986) “A study on RRBs Viability”,


incurred losses due to defects in their systems as such, there was need to rectify and make them viable. The main suggestions of the study included improvement in the infrastructure facilities and opening of branches by commercial banks in such areas where regional rural bank were already in function.

Jain and Sarawgi (1981)\textsuperscript{44} in their study of assessing the impact of farm loans on farm production, income and employment of selected tribal farmers in Dindori block of Mandla district of Madhya Pradesh and found that there were 43.04 per cent increase in the total farm production with loan facilities. The total incomes of borrowers before loans are obtained which accounted for 28 per cent increase in the total income of borrowers. They concluded that the farm credit had a positive impact in rising the farm production and income in the area of their study.

Mishra et al., (1981)\textsuperscript{45} studied the impact of farm loans on the net farm income of the farmers in Shahpur of Jabalpur district, Madhya Pradesh. The study revealed that before taking the crop loan the net farm income were Rs. 2,46,366, Rs. 4,17,760 and Rs. 8,19,930 as small, medium and large size groups, respectively, but with loan availability it increased to Rs. 3,38,993, Rs. 6,548.60 and Rs. 12,53,596, respectively on the three size groups of farmers. It was concluded that the change in the net farm income was due to the crop loan which resulted to increase of cropping intensity and ultimately the yield.

Shivaprasad (1980)\textsuperscript{46} conducted a survey in Shivamogga district of Karnataka to know the impact of Syndicate bank finance on farm income and the proper optimum cropping pattern for the sample farmers using linear programming technique. He found that, through resources reorganization there will be an increase Rs. 1,174.39 for small and 9,935.05 for large farmers. The opinion survey indicated that majority of the farmers

\textsuperscript{44} Jain and Sarawgi (1981) "Impact of farm credit on farm production and employment in selected tribal areas of Madhya Pradesh". Indian Land Bank Journal, 20(1): 53-69.


were satisfied with the credit operation of the bank such as the time taken to sanction the loan, time spent by the farmers to obtain loan and procedure adopted for sanctioning the loan. He concluded that Syndicate Bank finance had helped the farmers to augment the net farm income.

**Singh et al., (1978)** researcher revealed that, regional rural bank Parrukhabad concentrated on short-term loans for crop, purchasing of milch animals, for small business man and rural artisans. Regional rural banks Parrukhabad however, did not concentrate mostly in extending long-term loans to purchase tractors or for installing tube-wells. The study concluded that, recovery performance was unsatisfactory because the regional rural bank and commercial banks were new entrance in rural financing and lacked trained and experienced personnel with rural background which largely effected recovery process.

**Suryawanshi et al., (1978)** studied the gap existing between the availability and requirement of credit in agricultural finance on irrigated areas of Jalagon district in Maharashtra. They observed that big farmers received a large share of the loans advanced. The authors found that, there was a slightly declining trend in the credit gap, an increase in the size of the holding, of 814.18 per hectare. This arouse because institutional agencies like the co-operatives and commercial banks had not made much impact on the small and semi-medium cultivators even in the irrigated area extend credit required.

### 1.6.2 Review of literature on Farmers’ Clubs

The review of literature pertaining to Farmers’ Club, and relating to the formation and organizing the farmers, farmers development through modern techniques and various other activities for uplifting their economic stability of the rural life. Hence, the Farmers’ Club literature has been further divided into two types namely:

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1.6.2.1 Literature relating to Farmers’ Club.
1.6.2.2 Literature relating to farmers organizations and overall development of agricultural and farmers of the rural areas.

1.6.2.1 Review of Literatures relating to Farmers’ Club

Vidya.P.Kati (2012) in her study, on the performance evaluation of Farmers’ Club in Kolhapur, found that certain clubs after inauguration did not carried out some major activities as mentioned in the report due to lack of leadership and interest from members. Further the researcher found that Farmers’ Club extended some loans to women farmers by linking to rural banks to empower them become more productive. The author recommends that, clubs educate, train and counsel farmers on modern technologies, in order to improve their productivity. Finally researcher concluded that, Farmers’ Club should lead by example in collecting loans on behalf of sponsor bank branches.

Mahesh Puchhupadi (2012) in his article took a study how farmers in Dakshina Kannada district had in cooperated the education that had been imparted to them. Now farmers can creatively think on how they can yield maximum returns by using machinery at the time when manpower has reduced. The author says that the earlier days were, dark for farmers due to labour problems, low prices, less demand and were not aware of the product recipes. The author underlines that when farmers joined “Sneha Koota” (Farmers’ Group/Koota) they were able to discuss how farmers could solve their problems when in an organization. Whereby, an individual’s problem can be jointly shared by the group. Researcher conclude by saying that as an example, farmers who grew fruits, flowers and other fast perishable produce could yield high returns because they can reach the market and deliver the product easily.

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Ramanath. R.L. (2010)\textsuperscript{51} in his study surveyed how LPG (Liberalization, Privatization and Globalization), made India relook into her earlier policies because the macro level changes in policies had direct impact in the field of agriculture marketing. He found that 70 per cent of the population in one way or the other depends on agriculture and allied activities. Food grain production was increased three-fold from 50.80 million tons in 1950-51 to 183 million tons in 2002-03 due to the concerted efforts of Governments and other bodies, due to the modern scientific and technological system implemented into the Indian agriculture system. The author though says that, agricultural production was not enormously increased as compare to the population that drastically increased which is a threat in relevance. The author concludes that, a solution to abundant food security is to support the vast majority of marginal and small farmers, so they can counter balance of competition.

Kumud Chandra Goswmi (2010)\textsuperscript{52} in his study found that, Farmers’ Club is not only functioning for creating economic benefits of the members but also engaged in some social welfare activities. The study comes out with a model for successful implementation of Farmers’ Club in rural development. Farmers’ Club may overcome the problems of covering the almost unbanked or under banked rural sectors by contacting Panchayath raj institution to play a significant role in regard to rural conditions.

The study conducted by Resham Singh (2008)\textsuperscript{53} found that the purpose of Farmers’ Club is to promote agriculture interest and social interactions among those taking the same occupation. The study reveals that Farmers’ Club inform farmers regarding agricultural techniques and technologies, credit facilities, banking instructions relaxing some rules arranging various training to the members, solving local issues as the role models. The author says that, Farmers’ Club have become training centers for small and marginal


farmers with a motto of earning more from the existing scarce resources, that helps guard the interest of farmers. Farmers through Farmers’ Club can now deliver their fresh produce and other perishable products easily / quickly. The researcher also indicated that under the Farmers’ Club umbrella, farmers are saved from exploitation by money lenders, literacy is fought and socio and cultural activities are promoted easily.

**Humana, People to People** (2008)\(^{54}\) have a Farmers’ Club which trains field instructors, who can live and work in a rural community where the project of the club is situated. Researcher should be someone expected to work independently and flexible to tasks that vary according to seasons and needs of project funds. Their work as per the Farmers’ Clubs guidelines have through reports instructors train extension workers and mobilizing them to train other farmers. The objects of this clubs are through field instructor who help farmers to increase their wealth; provide family with nutritious food, improving the land for well being of farmers and their families, for fresh water and effective use of rain water. Farmers’ Clubs in Zimbabwe according to Humana is a tool for food security and poverty elevation. These can be achieved when Humana through Farmers’ Clubs work with the community to promote cooperation and development, increasing awareness on water efficiency system, and Government issues, assisting the project leader with necessary administration communication and financial support. Lastly, Humana reports that, the each Farmers’ Club holds general meetings once in every month, can learn new techniques, ideas, answer to problems and also field visits are made by extension officers, field day demonstrations are held, actions in the community are carried out for awareness purposes, farmers are invited to attend and participate in events and workshops are held on some specific subjects.

**Merlin Flower. F** (2004)\(^{55}\) studied the “Indian Farmers’ Dilemma”, and said that, despite farming remaining the backbone of the country, it has been disfigured and even broken, because of exploitation by middlemen, lack of proper storage, economic constricts (like importation of agriculture products), high cost of farm inputs, lack of bank loans when


needed, indebtedness due to crop farming, lack of subsidies among others contributed to backwardness in agriculture. The author suggest that, help intervene in exploitation of farmers by middlemen, reduce imports by promoting local produce, adoption of technology in farming supporting farmers from the grass roots, giving subsidizing cost of farm inputs, offering loans at affordable rates of interest among other to support the plight of the farmer.

Malik. D.P. et al., (2001) have conducted a study on how the Farmers’ Club was operating and educate the farmers in their behavioral attitudes in India. The study focused on need and importance of club to the agriculturists. NABARD launches VVV (Vikas Volunteer Vahini) during the year of 1982. NABARD existed with an intention of providing agriculture loan through financial institutions. NABARD was facing acute recovery problem of loans from banks, due to the poor repayment behavior of farmers. To overcome the demerits of recovery, NABARD launched “vikas volunteer vahini” during the year of 1982. The vikas volunteer vahini has renamed as Farmers’ Club in the year of 2005. Further, the author says that Farmers’ Club is the nerve center of promoting the developmental activities. It is an informal group of 15-20 farmers, artisans etc, but excluding of willful defaulter and those who are involving in the political parties Farmer’s observes Farmers’ Club guidelines regarding the usage of modern technology, proper utilization credit for higher productivity, repayment of loans in time and sharing their experiences with co-farmers. Conducting melas, animal and health camps, construction of watersheds, roads etc. By the instruction and financial aid of the NABARD, the Commercial banks (45%), Regional Rural banks (34%), Co-operative banks (12.52%), Krishi Vigyan Kendras, Agriculture Universities and NGOs (8.48%) are established 2,840 in 382 districts of 23 states in India during the year 1999.

Narayanamoorthy. A (2000) carried a study on farmers’ education and productivity of crops as a new approach. The author concluded after analyzing the role of farmer’s


education in the productivity of crops by estimating five alternative specifications of production functions, that, the use of yield increasing inputs is significantly higher among the high educated group of farmers compared to less educated groups. Also the study concluded that, the role of farmers’ education will be very limited or insignificant in the productivity of crops, when farmers uniform variety of crop in a modern dynamic agricultural set-up.

Alhajihamma Umar (2000)\textsuperscript{58} in his study presented an article on “co-ordination with extension services and rural farmers clubs, where the researcher identified that the, major challenges facing the rural agriculture and the rural farmers of Africa. These African farmers are regarded as the weakest boys vulnerable of poverty. Author’s study surveyed public respondents and targeted their opinion on either to support or oppose the adoption of proposed method called coordination with a United States, based international agency Africa rural connect, with a view to produce support to rural farmers and promote rural agricultural development. But he study out of the analysis indicated tremendous of the proposed method that showed that it was not panacea for achieving its objectives.

Alistair Mutch (1900)\textsuperscript{59} in his article, he attempted to trace the links between economic change and the social movement by an examination of the growth and development of farmers association in Lancashire in the final decade of the 19\textsuperscript{th} century, where he found that farmers organization played a role in rescuing depression of agriculture in Lancashire 1890-1900. The study created a more rounded picture of the effects of economic change in the social structure of rural Lancashire. The article highlights that, most farmers grew little wheat with the help of family labour which resulted to emergence of foreign competition. Coupled with high prices more imports were made from U.S.A & Canada, whereas the local produce had no value, this adversely affected farmer’s expectation of profits. The author said the political solution put forward to moderate farmer’s quest was

\begin{itemize}
  \item Alhajihamma Umar (2000) “Co-ordination with extension services and rural farmers clubs (A recommended programme for adoption) under: AFRICA Rural connect” (Presented paper (Information Officer Administration Department (Information Unit) Potiskum Local Government Secretariat PMB 1017 POTISKUM YOB, State NIGERIA GSM NO. 08029434785).
  \item Alistair Mutch (1900) “Farmers’ organizations and agricultural depression in Lancashire” 1890-1900, the agricultural history review, page 26-36.
\end{itemize}
put into place by farmer’s policies for the farmers’ organization of Lancashire. Both parties held an intellectual co-hervient view of their problems, which among them were to make available market for their produce and ensured daily wages for farmers. Land owners hostility could be put to hold due to intervention of farmers’ organization and tradition relationship between landlords and tenants over rode economic considerations. In this article the author was tried to argue that Lancashire farmers organization were much more than mere reflection to economic factors. They were culmination of a particular place in the development of Lancashire agriculture.

1.6.2.2 Literature relating to farmers organizations and overall development of agricultural and farmers of the rural areas

Venkatesh. J. and Ms. Prabha. I.S. (2011)\textsuperscript{60} carried research on challenges and transmission of technical knowhow through agricultural extension services (AES) and said that agricultural extension services objectively transmits latest technical know-how to farmers, enhancing farmers knowledge about crop techniques and help in productivity increase through training course, farm visits, Kisan melas, Kisan club, etc, by the help of National Institute of Agricultural Extension Management (NIAEM) as their apex. The authors also addressed that AEA (Agricultural Extension Activities) are the media through which information on agriculture is passed on to farmers by creating and restricting infrastructure delivery system, extension of research to meet the requirements of small farmers who constitute the majority of the farming community in the state under study.

The study conducted by Umesh Chandra Sarangi (2010)\textsuperscript{61} reveals that, the agriculture output was maximized with the help of agricultural loans. The regional rural banks are not only providing loans, they also guide the farmers for proper utilization of agriculture loan. NABARD revised the credit schemes for small, marginal and tenant farmer, their


\textsuperscript{61} Umesh Chandra Sarangi (2010) “Nabard to refinance scheme to fund small, marginal farmers”. Financial express.com Assessed on February.
share was 82 per cent of the total farmers in the country. The banks provide loans and get incentives on annual basis for first three years by way of promotional grants. NABARD assures 100 per cent refinancing assistance to such banks those who are lending loans under the scheme of joint liability groups. Joint liability groups are contributing positive to the agriculture value chain and thereby enhance agriculture production and productivity and ensuring food security to the vulnerable sections. Loans to the agricultural, allied agricultural activities are ensure gainful and livelihood opportunities for enhancing small and marginal farmers.

Hemalatha. B (2008)\(^{62}\) in her study has stated that India is an agrarian country, though productivity of crops in India has low as compared to China and other developed countries, 65 per cent of the total population was dependent on agriculture whereas in developed countries the dependent on agriculture was only 2-12 per cent. Majority of farmer’s dependent on rural money lenders only due to ineffective operations of loans by banks. Crop insurance has not covered all farmers except bank loans that cumulate debt will lead them to suicide. Recently, the availability of labour for agriculture has been declining of farmers’ status in the society. Farmers are losing their dignity as compare to the white collar job employees, because their income was more and secured. The fringe benefits leads the economic disparity between poor and rich has been increasing. The share of a farmer retail price has been declining where as traders share has been increasing. Normally the prices are low at the time of harvest and later the prices are hike like anything.

Arul Kamaraj. J.M & Arul Suresh. j (2008)\(^{63}\) have conducted a study on voluntary organizations working for enhancing of rural people and play a creative role in motivating the people by utilizing the available resources, and found that the organizations tackle the social, economical and other various problems faced by the rural folks. They further found the voluntary organizations have a great role through speedier

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rural development, through mobilizing farmers and generate awareness among others and medium farmers. The author concluded that organizational development programs acts as eyes and ears of the farmers at villages and supplement the efforts for improving their economic standards.

Mishra. P.K (2008) observed that agriculture growth went declining as the percentage of population depending on agriculture increased. The GDP declined which make the Government to frame various policies of rejuvenating the agriculture sector faster, sustainably and ensuring inclusive growth. The study shows that the National Policy for farmers was set up with the main aim of improving the economic viability of farmers. The National Development Council (2007) was launched. Another scheme called as Rashtriya Krishi Vikas Yojana (RKVY) and National Food Security Mission (NFSM) were also launched by the State Governments to operate new programs for supporting agriculture, ensure availability of quality inputs, as a way and encourage better agricultural practice.

In continuation the author says that the state government promoted Kisan credit card (KCC) to farmers for easy delivery of agricultural credit in a more flexible and liberalized them at a lower rate of Interest. The agriculture extension system has played an important role of using the agricultural equipments, in the field which have minimized the cost. These new agricultural equipments bridge the gap between the lab and the land.

Researcher also noted that, the Government had announced minimum support price (MSP) to safeguard the farmers from the exploitation by the middlemen and ensure remunerative prices to the farmers. As the overall Indian farmer’s gambles with the monsoons and other natural calamities, the author denotes that National Agricultural Insurance scheme was implemented which were weather based crop insurance scheme (WBCIS) to safeguard the losses of the farmers, to help revolve and improve the income and welfare of farmers.

Sing. B.P and Rupasi Tiwari (2003) have stated that, the world is passing through the era of information and communication technology. The author said that agriculture field has no exception from that and ICT (Information and Communication Technology) can render the best technical services on agricultural and livestock production system, market information, weather information etc., and assist the farmers in taking the right decisions at the right time by carrying out farm operations. Majority of the farmers in rural area, possess less land holdings, small size of livestock and are not in a strong economic support to afford the cost of information technology. In villages, VKC (village knowledge centers) established in various states like M. S. Swaminatha Research Foundation (MSSRF), Pondicherry, Jhabua development communication project (JDCP), the Warana village project in Maharashtra. The author says this project can provide updates to farmers around the clock further, the author discussed the effects also Karnataka being the first state to adopt information technology through C-DOT government. The study shows information and communication technology truly benefited the farmers and the surrounding villages by providing mass awareness and increased farmers’ knowledge about agriculture and animal husbandry. The authors conclude that if information technology if effectually communicated can change the attitude, behavior of farmers’ knowledge level and increase their income which automatically improves their living standards.

Sethi. K.S (2003) said that, development implies an overall positive change in the economic as well as social aspects. It involves an improvement in the standard of living by equitable distribution of the gains of economic growth. The gains of economic growth should be transfer in such way, so that into the improvement of quality of life through better health, education, housing and welfare is obtained. The process of technology adoption can’t be taken as a simple process like that of giving a pill to common man to revitalize him and pull him up above the poverty line. The author further

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said that an interactive process of education regarding the availability alternatives, so that the rural communities are empowered to take informed decisions for their development. In India, Government operates a large number of schemes for rural development including agriculture, horticulture, health etc. At present in the Panchayat level, Government has established Rural Development Clubs (RDCs). The rural development clubs as the author found were situated in the rural areas and provided guidelines to the villagers. How to use technology on seeds, multi crop production, vermin-composting, fertilizers, soil conservations etc, and in panchayat offices televisions and computer have been installed to make the farmers inform themselves and updating of the market situations, price fluctuations, climatic conditions etc.,

**Sharma. G.R (1988)** in his study identified NABARD’s role in assisting rural credit through various institutions, by providing short-term, medium term and long term credit. The study concludes that, hardly 3.1 per cent of total credit requirements of rural borrower were met by the cooperative and 3 per cent was available from the Government sources, these necessitated the farmers to seek other credit requirements like private money lenders. The committee recommended an integrated scheme of rural credit which included rationalization, reorganization and strengthening cooperative credit structure. Lastly, the author says that NABARD was a solution for taking care of financing rural credit by coordinating activities of cooperative and commercial streams of credit. This, as per the author will reduce imbalance and disparities and should be given prior attention.

**Deep Sagar (1988)** studied agricultural reforms impact on various countries, and said that success or failures depend upon the availability of conductive conditions covering a specific country. Agriculture reforms can be broadly classified into three schools such as technological schools, distribution schools and revolution schools as per the author. The technological school was concerned with increases in production and productivity and also concentrates on technological reforms (ex. Green revolution, white revolution, etc), while distribution schools refer to distribution of economic benefit of land to the needy.

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land ceilings, tenancy reforms and rent reduction. The author concludes that, in India the agricultural policy reform did not affected production, but eliminated zamindar and other intermediaries.

The study highlights that Krishna Anand (1988)\(^69\) how NABARD has benefited the rural poor by providing timely and needy credit for promoting agricultural related economic activities, after the recommendation by Sivaraman committee of 1982. The author concludes that NABARD has undertaken numerous activities and suggested improvement in the credit delivery system providing investment credit for rural development activities through institutions like PLDs, Commercial banks and regional rural banks.

Satyanarayanan. T.V (1985)\(^70\) in his study, comprehensively covered how crop insurance schemes were installed and provided confidence to farmer who faced innumerable risks and uncertainties from the time lag of sowing till harvest. The study focused how Indian farmers are facing drought, floods, cyclones and hailstorms that have taken a heavy toll of crop life year after year. The 1984 drought hit eight states of 32 million hectares and 40 million hectares of land in the country were flood-prone as per the author. The author opinions that these natural calamities had hit small and marginal farmers they were economically weak and not able to bear additional risks. The insurance scheme implemented during the Kharif season helps the weaker sections of the farming communities by covering only restricted to bank crop loans of 2% insurance premium (Kharif) and by 1per cent (Pulses and oil seeds) of which marginal and small farmers benefits up to 50 per cent subsidies exclude the state and central governments. The author observed that GIC (General Insurance Cell), crop insurance cells at the state capitals, maintains liaison with the state government/Reserve Bank of India /Commercial Banks/NABARD protects the farmers and to help the restores their credit-worthiness.

Arul kamaraj. J.M and Arul Suresh.J (2008)\(^{71}\) in their study they revealed 70 per cent of the people in India lives in villages with deplorable socio-economic condition, high rate of illiteracy, poverty and ignorance which the author says its eradication can be made when harmonious relationship is maintained to achieve faster development by imitating missionaries and religious organizations that preached unity amongst. The places then worked a voluntary organization as per the authors’ plays a critical role in motivating the people and supervising in collaboration with the government to distribute equal distribution and utilization of resources for integrated development. The author has comprised missionaries and other religious organization styles of their voluntary organization to reduce poverty on villages. The author found that, short-term and long-term activity by organizations improve villages through agricultural extension, road construction, minor irrigation projects, eye camps, blood donation camps and various other social problems. Lastly, the author concluded that the opportunities available to elevate poverty amongst rural poor is by engaging rural people through vocational training facilities creating job securities through small-scale and cottage industries and other subsidized necessary help.

Kiresur. V.R. et al., (2003)\(^{72}\) in their study the contract farming explored the opportunities for small and marginal farmers in the context of liberalization in India. The average size of land holding was 1.55 hectare and the proportion of large farmers was only 1.6 per cent, while small and marginal farmers put together made up 78.2 per cent, while the average size of agriculture holding across different states in the counter ranged from the lowest of 0.33 hectare in Kerala to highest of 6.82 hectare in Nagaland. Small and medium farmers were under constant pressure to achieve not only food security but also some amount of cash income from farming was meager, which made the bargaining power low to compete commercially with their counter parts from liberalized regions. World Trade Organization made farmers to form smaller clubs to cater for their

\[\text{\textsuperscript{71}}\text{Arul Kamaraj J.M & Arul Suresh. j (2008) " Role of voluntary organizations in rural development " Readers Shelf, Vol.4, issue No 4.}\]

problems. So, that cost of production and commercial marketing of farm products could be beneficial for small farmers, as per the author increase the bargaining power and could compete in the global market. Finally the author concluded that the only remaining opinion that could safeguard the interest of small and marginal farmers in the context of liberalized global context was to adopt contract farming which is skill incentive and capitalist countries competition will be low.

Lakshmanan. S (1990)\(^{73}\) in his study focused about the structure and activities of Gobichettipalayam union farmers’ organization, a state association branch established in the agriculturally progressive Periyar district of Tamilnadu, where the study aimed in assessing the objectives, structure achievement and failures of the organization. This union was established in the year 1979 with a demand of fixing prices on the basis of costs, cost of production of agricultural commodities, abolition of seizure of property of farmers by law, crop insurance to all farmers and provision of inputs, housing, education and transport facilities to farmers. The author earlier had studied how Indian farmers were disorganized, powerless, misguided by politicians even after even after independence and till now their struggles have not yielded any demands by either government channels. The author in his investigation opinions that the membership of this organization increased rapidly in 1982, but due to strict government measures their membership declined. Further the study concludes by outlining the struggles addressed by different channels and means and they are baring the fruits as further order farmers in this district can now obtain bus transport to remote areas, able to start milk society, they check increase in land tax and farmers are able to appreciate the role of this organization, which had addressed their grievances in a unified way.

1.7 STATEMENT OF THE PROBLEM

Agriculture is predominant in India and nearly 60% of the population in the country depends on agriculture with 23 per cent contribution to the GDP. The hike in agrarian

distress and distress driven suicides have to be dealt seriously. Poverty eradication program undertaken by the government during the plan period have not fulfilled the expectations. Further there is an increase in the farmer’s suicide even after declaration of various packages. Though there is a little success in arresting up-growing suicidal curve, but still agricultural suicides are occurring on a rampant scale in India. The compensation payment mode played a questionable role in farmers’ life, an unwelcome situation, emerging farmers committing suicides to get the compensation. The loan waiver and cash support sent a wrong message to thousands of distressed farmers.

After 66 years of independence, though the share of agricultural income in the total national income have declined from 50 per cent in 1950 to 18 per cent in 2007-08, even today more than 60 per cent of the workforce are engaged in agriculture. The growth of other sector and overall economy of the country depends on the performance of agriculture to a considerable extent. Agricultural production is a biological process and is diminishing return activity since land is finally a fixed factor of production and the demand of agricultural commodities is income in-elastic and all these factors make agriculture different to other sectors of the economy. Further, the number of small and marginal holdings, the net sown area under such holdings have increased and medium and large holdings and the net sown area have reduced during the post independence period, the conversion of existing lands into farms and commercial application of the land have un-popularized agriculture.

Over the years, the vision of farmers has undergone a change and the role expected to be enlarged to enable them to facilitate transfer of technology, propagation of seeds, village concept, strengthening agricultural extension services, undertaking collective purchase and distribution of inputs, production and marketing, capacity building of members, and to act as business facilitators. The club also helps in transmitting the latest agricultural techniques to the farmers, orienting them to establish better relationship with banks, adoption of latest post-harvest handling technology, value addition etc, and these leads

the club to enjoy the benefits of collective bargaining power both for procuring inputs and select their produce, encouraging farmers to conduct monthly meeting regularly, guide them to have meaningful discussion and take necessary follow up action. And also motivate the members to identify credit and non-credit needs (training, socio-economic, village infrastructure, etc.), preparation of a plan of action and accordingly arrangement for expert talks, counselling, need-based activities etc.

Timely and adequate agricultural credit is important for increase in fixed and working capital for farmers. Regional rural banks provide sufficient credit to farmers by avoiding them to obtain loans from local money lenders. After Independence, lot of steps have been taken by the Government i.e. Nationalizing banking sector, co-operative banks and regional rural banks for providing priority sector lending and to enhance the countries self sufficient in the food grains.

The regional rural banks in the present millennium have to understand all the challenges faced by agricultural sector, the enormous pressure to produce more food from less land and availability with shrinking resources is tough task for the farming communities of the country. It is the need of the hour to increase the subsidies in the agriculture sector as aggregate measure of support. It is seen in India as a consequence of globalization farming became worse than business. A business man who cannot repay can be a bankrupt and may disappear and whereas an agriculturist can either cheats or repay loan and cannot escape. It is a real comment that the system has been engineered to make the farmer indebted. Farming being a distressed job and this distress leads the farmers to take the end of his life due to burdensome repayment of the loan. Agricultural distress resulting low yield, pay high cost for organic fertilizer and low prices at the time of harvest makes the farming community insecure, helpless, loneliness and the loss of reputation in the society makes the farmers commit suicide. Hence, in this situation a need has been felt by the researcher to conduct the present study to check the role of Pragathi gramin bank in solving the problems of the agriculturists, creation of awareness and education through promoting Farmers’ Clubs may solve the problems to a certain extent. Several studies have been conducted on Regional rural banks in different states.
however no such study has been conducted so far in Karnataka state. The review of
literature shows that some researchers concentrated on some specified research issues.

The main objective of Farmers’ Club is to achieve the prosperity of the farmers with
overall agricultural development in the study area by facilitating credit counselling,
technology counselling and market counselling. Farmers’ Club is an association of
farmers, informal group of farmers in a village or a cluster village whom they share the
knowledge and act as a training center for the small and marginal farmers. Farmers’ Club
links farmers and banks and provide valuable information to the banks and also assist the
banks in several ways like preparation of debtors list, recovery of loan and in maintaining
the good rapport between banks and farmers.

After the inception of regional rural banks, they have taken deep roots and have become a
sort of inseparable part of rural structure in India. The sponsor bank took the initiative
and established the branches which have increased rapidly with people centered benefit.
The bank and their staff strive extra hard to serve the people. In 2005, four gramin banks
merged with the sponsorship of Canara bank in Karnataka to form Pragathi gramin bank.
With the guidelines of NABARD, Pragathi Gramin Bank has opened a minimum one
Farmers’ Club per branch and through that it is providing various services and facilities
to the rural folks. Through this guideline, both the bank and club get the mutual benefits,
including providing loans, debts collection and maintaining good relationship between
the bank and the farmers.

Moreover, in the current scenario, all the activities are co-related and mutually beneficial.
Pragathi gramin bank assist the farmers and Farmers’ Club in order to increase the
economic standard of the farmers by providing financing and non-financing Government
schemes like, subsidies, waive of loan and various other facilities. The Pragathi gramin
bank has been playing a vital role, in the development of farmers and farmers’ Club in
particular and agricultural in general.

The need of the hour is to restructure the entire agricultural policy aiming at providing
better return to the farming community. The creation of awareness among the farmers
could be done through Farmers’ Club and against this background in order to fill the gap the present study “ROLE OF PRAGATHI GRAMIN BANK IN THE DEVELOPMENT OF FARMERS’ CLUB IN KARNATAKA” is undertaken.

1.8 OBJECTIVES OF THE STUDY

The overall objective of the study is to analyse the role of Pragathi gramin bank in the development of Farmers’ Club in the study area of Karnataka state. In order to attain the overall objectives, the present study is carried out with the following objectives.

1. To study the origin and development of regional rural banks in general and Pragathi gramin bank in particular.
2. To study the significance of Farmers’ Club.
3. To study the role of Pragathi gramin bank in the development of Farmers’ Club.
4. To analyse the operational performance of Farmers’ Club.
5. To analyse the perception of bank towards the performance of Farmers’ Club.
6. To analyse the perceptions of farmers towards Farmers’ Club.
7. To offer useful suggestions for the development of Farmers’ Club.

1.9 HYPOTHESES OF THE STUDY

The following hypotheses have been formulated on the basis of the objectives of the study.

1. The effective recovery position leads to lesser amount of loss assets
2. Farmers’ Clubs suggestions play a significant role in promoting Farmers’ Club branches.
3. Pragathi gramin bank plays a significant role in development of Farmers’ Clubs.
4. The socio- activities played by Farmers’ Club significantly uplifts member’s position.
5. Participation in agricultural related activities has significant influence on others to join the clubs.
6. Willingness to adopt technologies plays a significant role in undertaking agricultural extension activities.
7. Attending meetings significantly decide on loan priorities
1.10. RESEARCH METHODOLOGY

In order to attain the objectives of the study, the following research methodology has been adopted.

1. 10.1 Universe of the Study:

The operating jurisdiction of Pragathi gramin bank is considered as a universe of the study. The operational activity of Pragathi gramin bank has been extended to eight districts of Karnataka state including Bellary, Raichur, Koppal, Davanagere, Chitradurga, Shivamogga, Kolar and Chikkaballapura.

The bank has a total of 434 branches out of which 37 branches represent urban segment (8.52 per cent), 60 branches represent semi-urban segment (13.82 per cent) and 337 branches represent rural segment (77.65 per cent). Similarly, the bank has opened a total of 1220 Farmers’ Club out of which 8 clubs are established during 2012-13.

1.10.2 Source of Data:

In the study, both primary and secondary sources are used to collect the necessary information. Primary data has been collected from the sample respondents by using a well structured questionnaire and interview method. The sample respondents are selected from both the banker side and farmers’ side. The informal observation and interview methods have been used to identify the current conditions before administering the questionnaire. The secondary information has been collected from various published and unpublished sources including research work, books, journals, magazines, newspapers, government statistical reports, RBI bulletins, Reports of Banking Commissions, annual reports of Pragathi gramin bank and websites.

1. 10.3. Questionnaire:

The questionnaire has been used as a major tool in collection of primary data. The questionnaire has two folds. The first fold of the questionnaire focuses on the role of Pragathi gramin bank in the formation and development of Farmers’ Club. It is also intended to collect the perceptions of the bankers towards the functioning and development of Farmers’ Club. The second fold of the questionnaire is a schedule of
interviewing focuses on the perceptions of the farmer beneficiaries towards the performance of Farmers’ Club. At no time prompting was done, the farmers answered all questions out of their memory and memory may be subjected to memory loss.

The pilot study has also been conducted by the researcher in order test the effectiveness of the questionnaire and finalise it.

1.10.4 Sample Design:

The respondents in the study are divided into two broad categories namely respondents from bank side and respondents from Farmers’ Club side. In order to study the role of Pragathi gramin bank in the development of Farmers’ Club, a total of 500 respondents have been selected out of which 200 from banker side and 300 from Farmers’ Club side. The stratified Random sampling technique has been used to select the respondents to represent the diversified characters of population.

1.10.5 RESPONDENTS FROM BANK SIDE:

The total of 434 branches of Pragathi gramin bank spread over eight districts of the state covering urban, semi-urban and rural segments. Out of the total rural segment branches, 200 branches (59.34 per cent) with an exception of minor numerical differences that found in the study districts have been selected representing each district under jurisdiction as sample respondents. The branches of urban and semi-urban segments have been left out of sample selection as they have not formed any Farmers’ Club. The detail of the sample design has been shown in the table No.1.1.
### Table - 1.1: Sample Design for the group of Pragathi Gramin Bank Branches

<table>
<thead>
<tr>
<th>District</th>
<th>Total Branches</th>
<th>Branch Segments</th>
<th>Sample Branches from Rural Segment</th>
<th>Percentage of Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Urban Segment</td>
<td>Semi-urban Segment</td>
<td>Rural Segment</td>
</tr>
<tr>
<td>Bellary</td>
<td>78</td>
<td>13</td>
<td>11</td>
<td>54</td>
</tr>
<tr>
<td>Chitradurga</td>
<td>78</td>
<td>4</td>
<td>5</td>
<td>69</td>
</tr>
<tr>
<td>Chikkaballapur</td>
<td>35</td>
<td>1</td>
<td>6</td>
<td>28</td>
</tr>
<tr>
<td>Davanagere</td>
<td>57</td>
<td>4</td>
<td>4</td>
<td>49</td>
</tr>
<tr>
<td>Kolar</td>
<td>40</td>
<td>2</td>
<td>7</td>
<td>31</td>
</tr>
<tr>
<td>Koppal</td>
<td>48</td>
<td>2</td>
<td>8</td>
<td>38</td>
</tr>
<tr>
<td>Raichur</td>
<td>61</td>
<td>6</td>
<td>13</td>
<td>42</td>
</tr>
<tr>
<td>Shivamogga</td>
<td>37</td>
<td>5</td>
<td>6</td>
<td>26</td>
</tr>
<tr>
<td>TOTAL</td>
<td>434</td>
<td>37</td>
<td>60</td>
<td>337</td>
</tr>
</tbody>
</table>

**1.10.6 RESPONDENTS FROM FARMERS’ CLUB SIDE:**

The rural segment branches of the bank have extended their assistance to open 1,220 Farmers’ Club spread over eight districts. Out of the total, 30 clubs representing 2.46 per cent have been selected as sample and from each club selected for the study, 10 respondents including Co-ordinators and Assistant Co-ordinators have been selected to study the performance of the club. The detail of the sample design has been shown in the table No. 1. 2.

### Table - 1.2: Sample Design for the group of Farmers’ Club

<table>
<thead>
<tr>
<th>Districts</th>
<th>Total No. of Farmers’ Clubs</th>
<th>Sample Farmers’ Clubs</th>
<th>Sample Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bellary</td>
<td>199</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Chitradurga</td>
<td>205</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Chikkaballapur</td>
<td>58</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Davanagere</td>
<td>143</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Kolar</td>
<td>186</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Koppal</td>
<td>219</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Raichur</td>
<td>145</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Shivamogga</td>
<td>65</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1220</td>
<td>30</td>
<td>300</td>
</tr>
</tbody>
</table>
1.10.7 ANALYSIS AND INTERPRETATION

The data collected by administering the questionnaire and interview schedule to both the categories of respondents was compiled and codified by using software and manual method of tabulation is also made. In order to analyse the data, various mathematical and statistical tools have been used with the help of Statistical Package for Social Sciences (SPSS) software. In addition to the simple percentage and averages, the chi-square test and ANOVA test have also been used to analyse the data. Further, the graphs, figures and tables have been used for presentation to make the statistical information easily understandable and draw the inferences.

1.11. LIMITATIONS OF THE STUDY

The present study is confined to eight districts of Karnataka state and the study is restricted to operational area of Pragathi gramin bank. The study further focuses on Farmers’ Club and farmers of Pragathi gramin bank in Karnataka. The study period pertaining to 8 years that too only after the amalgamation of Pragathi gramin bank (i.e. from 2005-06 to 2012-13). The study sample is too small and the study is a confined only to the sample selected and cannot be generalised. And any generalization of the study needs further in depth research.

1.12 CHAPTER SCHEME

The present study is divided into seven chapters. These chapters are arranged in such a manner that a logical sequence is maintained.

The First Chapter deals with the introductory part of the study. It covers the introduction, review of literature, statement of the problem, objectives of the study, hypotheses, research methodology, and limitations of the study and chapter scheme.

The Second Chapter conceptual framework deals with the origin and development of banking sector in India in general and Gramin Bank in particular. The survey also deals Growth and Development, performance and Reports of committee’s on regional rural banks. Origin and development of Gramin banks in Karnataka in general and Pragathi
gramin bank in particular, Priority sector loans, growth and development of Farmers’ Club through Pragathi gramin bank.

The Third Chapter provides an Overview of Farmers’ Club, Introduction, operational activities, development of farmers through Farmers’ Club, NABARDs role, Ratings, Farmers’ Club and social-activities and origin and growth of Farmers’ Club in India and Karnataka.

The Fourth Chapter throws light on the Profile of Karnataka and Pragathi gramin bank profile of the study area, history and development of commercial banks and gramin banks in Karnataka.

The Fifth Chapter is devoted for the analysis and perceptions of branch managers. The information collected through questionnaire from branch managers and their behaviour towards the Farmers’ Club and banks different activities towards Farmers’ Club for promotional activities has stated in this chapter.

The Sixth Chapter is focussed on the analysis and perceptions of club members. The information collected through interview schedules from members of the Farmers’ Club about the clubs role in development, benefits, duties, and responsibilities, financial assistance given by Pragathi gramin banks and non-financial assistance to the club members has been assessed in this chapter. The hypotheses were also tested in this chapter.

The Seventh and last chapter highlights the findings with suitable suggestions and concluding remarks. The area of scope for further research is also presented.