

THE FINANCIAL SERVICES ON RURAL DEVELOPMENT – WITH SPECIAL REFERENCE TO COCONUT FARMERS

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Abstract:

The economic growth of the country is very important to the government, Industries, and people of the country. The inclusion of all section in the nation's growth is needed and this creates welfare state. In India, majority of people living in rural areas and depends on agriculture income. To enhance the agricultural productivity, the government of India and RBI have taken several measures like, proving subsidy, training, formation agricultural university and extension of financial services. This study empirically assess the farmers' opinion on banking services particularly credit facilities. We use questionnaires' to collect the data from the 85 sample respondents. We use, simple averages, charts and ANOVA to analyse the data. Based on the results, we found that agricultural term loan and Agri-gold loan facilities are more familiar to the farmers. The less interest rate, easy availability and government subsidy measures significantly influence on farmers while selection of loans. Further, the discussion with the branch managers reveals that priority sectors preference of the central government and banks policy helps farmers to avail the loans. Overall, we observed that the organised financial banking sector pays significant role in the rural agricultural development.

KEYWORDS:

Rural development, financial system, priority sector.

INTRODUCTION:

The Indian Financial system is the well-designed structure helps for economic transformation. The Nationalisation of banks, five year plans of central government, establishment of regional rural banks, division of sector in to priority and non-priority measures are forced to banks operate in rural India. This created breathy environment to the rural people to access the banking services. In the post-independence, the rural development is the passionate word debating among the government officials. More than 70% Indian population is situated in the villages Majority of village population still have no adequate accesses to financial services therefore this is the needed area of the development. The government adopts many policies to develop the rural people. Out of which, changing the financial practices in the nation is also important move, this helps to generalise the financial services to marginalised sections. The accessibility of the functions financial system plays the key role in the development. Mainly, he Indian government undertakes reforms in the financial system to enhance the accessibility of financial services to rural people. Specifically, nationalisation of banks, credit co-operatives, NABARD activities and grameen banks bring major intuitional change in the financial system. Accordingly, new innovations in banking services like micro finance, Kisan credit cards, subsidies for the agricultural equipment's' are motivates the rural people to access the financial services. The objectives of these activities are to improve the usage of financial system by the rural people and to achieve the economic development. According to Census 2009-10 the

more than 50.19% population depends on the agriculture sector. In Karnataka also agricultural sector contribution towards employment is very high. The agricultural sector is developing by innovations, adopting new technology and foreign collaborations'. Meantime, Indian farmers' are categorised as poor and they are not organised. Thus, financial assistance to the farmers is needed. The accessibility of financial services to the farmers are mainly depends on the financial system flexibility and strength. In this study we try to analyse the farmers' experience, and involvement of financial system in rural development. We empirically assess the farmers' opinion on Indian Financial System by using questioner method. We selected coconut farmers for the reason that coconuts are main crop in Tumkur district and the coconut crop is long term crop and needs several years of maintenance and caring. Therefore, it requires huge amount, it creates the famers to depend on the financial assistance from different source. In this study, we analysed the accessibility and usage of financial services by rural people for their development by the organised financial sources. Our study covers the sample of 85 coconut farmers located across the Tumkur District and 5 nationalised bank branch managers. We used well-designed questionnaire to collect the information from the farmer families. Our empirical study shows that, the awareness and usages of financial services are increasing in the coconut farmers. The banks crop loan is helps farmers to undertake to developmental activities in the form. The government programme like, less interest in agricultural loan and a few repayment incentives to prompt customers motivates the rural people to correct repayment of loans. The discussion with the bank managers revealed that the agriculture is the priority sector and this helps coconut farmers to access the loan. These measures are helping economic condition of the farmers.

The paper organised as follows. The next section describes the review of related literature; Section 3 points the objectives of the study. The section 4 discusses sample, data and methodology used in the study. Section 5 presents and discusses the empirical results. Section 6 concludes the paper.

2. REVIEW OF LITERATURE

The financial system plays key role in the economic system by transferring excess fund from investors to needed group for economic activities. This also speed ups the growth of the economy and the nation by providing financial assistance (Goldsmith, 1969). Bank fragmentation helps to achieve economic growth of the banks and fragmentation helps banks to manage the portfolio of credit allocation and minimise the risk. Subsequently, satisfy the needs of the farmers can be achieved. Schultz (1964) and Hayami and Ruttan (1971) stated that development in the agriculture is possible with the rapidly adoption of innovation and technology and this contribution to overall growth of the nation. Millor (1998) argued that there is a positive relationship with agricultural growth and other related sector growth of the country. Mellor (1976) found that the agricultural employment and other sectors' employment linkages having the relationship and impacts on the growth of the rural areas. Thirtle et al. (2003) and Christiaensen and Demeny (2007) demonstrated that agricultural growth significantly reduces the poverty of the rural households. Dasgupta (2001) based on the review of three reports suggests that banker needs to needs to understand the logic and spirituality of rural banks and banks needs to follow certain steps to uplift the weaker sections of the rural areas. He remarked that, banks accountability is needed to increase the credit facilities to the farmers, meantime, there is a necessity to assess genuine requirements and also directs farmers to right path. Addition to this he pointed that supply of the credit to the agricultural sector increases the development activities of agricultural sector.

The above studies related to contribution of banking sector towards agriculture and rural development reveals that the rural development is needed to county economic development. The studies also exhibit that there is a positive association between the agricultural development and rural development. These factors motivate us to assess the contributions of banking sectors to the agriculture development which significantly leads to rural development.

3. OBJECTIVES OF THE STUDY

1. To examine the awareness of the agricultural loans in the rural farmers.
2. To assess the purpose of agricultural loan is used by the farmers.
3. To evaluate the impact of standard Agri-loan loan features on selection of agricultural loan by the farmers.
4. To assess the Bankers (Branch-Managers) opinion about agricultural loan.

4. Sample, Data, and Methodology

This study covers Tumkur district coconut farmers, sample of 85 farmers selected, those who avail the loan from the organised banking regime. We use simple averages, charts and ANOVA to analyse the data

obtained from the sample. Based on the objective 3 and 4 we developed our hypothesis motivation factors.

Null hypothesis are -

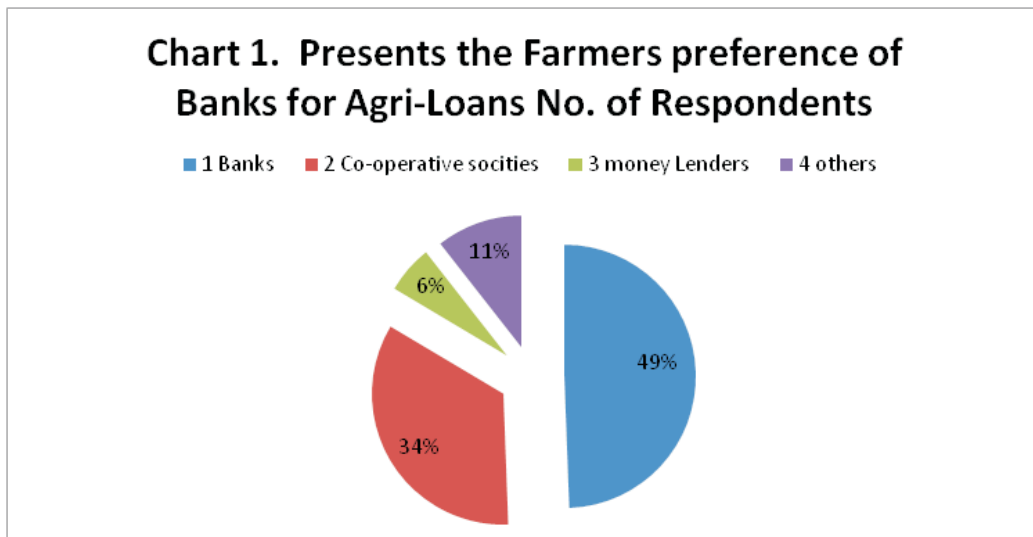
1. The purpose of loan of the farmers do not influence on selection of agricultural loan.
2. There is no difference between the purpose of agricultural loan
3. The Loan features like, less interest, easy availability, Government subsidy does not influence on loan selection process of coconut farmers.
4. There is no difference between loan features like, less interest, easy availability and government subsidies.

5. Empirical results

In this section, we present the empirical results obtained by the tests.

Sl. no	Awareness Agri-about Loan by the Farmers	Yes	No	Yes %	No %
1	Agricultural Term Loans,	39	46	45.88	54.11
2	Land Purchase Scheme	5	80	5.88	94.11
3	Equipment Loan	16	69	18.82	81.17
4	Agri Land Development Loan	15	70	17.64	82.35
5	Agri-Gold Loan	25	60	29.41	70.58

The above table shows that Minority of the coconut farmers are aware of agricultural term loans, and Agri-Gold loans, meantime farmers are less aware of land purchase scheme and Land development Loan scheme. The equipment loan involves the Tractors, cultivating machines, harvesting machines, and other innovative machines, which are subsidised by the government. The awareness about Equipment's loan and development loans are good sign. Anti-poverty programmes of World Bank show suggests that more spending on the irrigation and land development activities' helps to increase the productivity of agriculture and it leads development.



The chart 1 reports the farmer preference of institutions' selection while taking loans. Nearly, 50% of the farmers use to take loans form the Nationalised Commercial Banks. The co-operative banks and societies participation is 34 % this shows that majority of the farmers prefers organised financial institutions. This also signs that farmers are comfort to have relationship with the banks compare to other type's institutions. The RBI directions, like, collateral, simplicity, and security towards agricultural loan helps farmers to avail the loan from the banks. This has achieved by increasing number of participation in the banking sector.

Table 2. Presents the Farmers Purposes for taking Agri-Loans							F test	
Sl. No	Purpose for the loan	strongly agree	agree	no decision	Disagree	strongly disagree		
1	To form	24	41	2	10	8	F statistic =0.34050	P Values = 0.84664
2	For development	23	48	2	8	4		
3	For irrigation	21	39	0	17	8		
4	To pay old loans	22	34	6	12	11		
5	For other purposes	19	36	0	21	9		
F test	F statistic = 138.5169							
	P Values = 3.37E-12							

The Hypothesis 1 and 2 tested by the above table. The calculated P value (3.37E-12= 0.00) is in accepted region at 1% level, therefore null hypothesis 1 is rejected. Hence, we conclude that the purpose of the loan significantly influence on the selection of the agricultural loan by the farmers. The P value (0.84664) is belongs acceptable region at 5% level, therefore we accept the null hypothesis. Hence, we conclude that there is no significant difference between the purposes of the farmers while selection Agri-loans.

Table 3. Presents the Formers Response on Standard Loan Features							F test	
Sl. No	Standard features of loan	Strongly Agree	Agree	Undecided	Diagree	Strongly Disagree		
1	Less interest	47	16	6	14	2	F statistic =0.06078	P Values = 0.94145
2	Easy availability	25	31	0	22	7		
3	Government subsidy	19	33	15	23	2		
F test	F statistic = 6.39260							
	P Values = 0.01305							

The P values (0.01305) for the column is in rejection region at 5% level. Therefore, we reject the null hypothesis 3 and pointed out that Loan features like, less interest, easy availability, Government subsidy significantly influence on loan selection process of coconut farmers. Therefore, government can monitor the Agricultural loans by differencing these factors. The P value (0.94145) is insignificant for row items in the above. This leads acceptance of null hypothesis and evidence to conclude that there is no difference between features of loan like, less interest, easy availability and government subsidies.

Further, we had discussion with the five different managers of nationalised banks. They pointed out that agriculture is the priority sector; this directs banks to sanction enough loans to agricultural sector. The farmers expect more loan than their credit worthiness and repayment of agricultural loan farmers are less compare to other sectors. And farmers are not visit to banks frequently therefore, communication also one barrier found to the branch managers.

CONCLUSION

In India, the RBI and government of India have taken several measures' to extend the fanatical services to rural people. The accessibility of financial services enhances the confidence among the people and creates infrastructure for growth. Therefore, we study the accessibility and usage of the credit facilities by the coconut farmers of Tumkur district. Our study covers 85 coconut farmers as sample and 5 branch managers. We use simple average and ANOVA tests to analyse the data. Based on the results we find that Agricultural Term Loans and Agri-Gold loans re more familiar to the rural farmers. More than 83% of the farmers prefers take loan from the organised financial sector. This gives guidance to extend the banking services to rural area. The less interest rate, easy availability and government subsidy factors significantly influence the farmers to selection of Agri-loans. Further, the discussion with the branch manages reveals that priority sectors preference of the central government and banks policy helps farmers to avail the loans. Overall, we observed that the organised financial banking sector pays significant role in the rural

agricultural development.

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