



A study on the regional rural bank and agricultural development

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Abstract

Agriculture is the backbone of the Indian Economy and it is less organised as compare to the industrial sector. Although the majority of the people involved in agriculture are residing in rural areas and they are not aware of the modern agricultural technology. In order to develop the agriculture, the government has established National Bank for Agriculture and Rural Development (NABARD) with an intention to educate the people for development through credit. NABARD evolved a new policy to extend the promotional support to the agriculture through the Regional Rural Banks. The presents study is intended to focus on the role of RRBs on the development of agriculture. In India, total 17,976 farmers associations which are also called as farmers' club were working in 2006 which increased to 54,805 in 2010. The study is concluded with a statement that the RRB under the study has been playing a vital role in imparting scientific knowledge to the farmers and motivating them to adopt knowledge in their fields through farmers associations by following the micro credit system.

Keywords: Regional rural bank, agriculture, modern agricultural

Introduction

In India, the agricultural field has been emerged with new developments by the introduction of globalization policy. In order to take the benefits out of the developments and to face the challenges posed before them, it was inevitable to the farmers to organize themselves. The early efforts of farmers to organize were having narrow views of their problems in connection with price of the products. However, these efforts were not sufficient to get thorough knowledge about agricultural technology and availability of finance through banks. In 1975, the then prime minister of India, Indira Gandhi announced a "Twenty Point Programme" claiming to improve the agricultural sector. This TPP has been amended twice in 1982 and in 2006. The Government, under TPP, has established National Bank for Agriculture and Rural Development (NABARD) with an intention to educate the people for development through credit.

NABARD introduced the concept of Vikas Volunteer Vahini programme in November 1982 to propagate the philosophy of "Development through Credit" with the help of a group of farmers organized for the purpose. The programme was later rechristened as Farmers' Club Programme (FCP) in 2005. By the end of December 2009, NABARD facilitated the formation of 38,215 clubs across 29 states including 589 districts and 97,724 villages through institutional and other agencies. The Vikas Volunteer Vahini programme as conceived by NABARD in the initial years, laid emphasis on propagating five principles of "Development through Credit". They are: proper credit usage, enforcing strict credit discipline, adoption of proper production techniques, proper savings and prompt repayment.

Over the years, the role of FCS has been expanded to act as Business Facilitators / Business Correspondents for banks, strengthen agricultural extension services, facilitate transfer of technology, undertake collective purchase of inputs, capacity building of members, formation of various groups (Self Help Groups, Joint Liability Groups and Producer

Groups), undertake community related works, assume the role of a leader and act as NGOs. Keeping in view their emerging role and laying emphasis on their sustainability, NABARD decided to evolve a new policy to extend the promotional support to associations of the agriculturists through institutional and other agencies including Regional Rural Banks (RRBs), Commercial Banks, Co- operative Banks and Krishi Vignan Kendra (KVK).

Objectives of the Study

The overall objective of the study is to analyse the role of the Regional Rural Banks in developing the agriculture in Karnataka. However, the specific objectives of the study are listed below.

- To study the development of Regional Rural Banks
- To study the scenario of association of agriculturists
- To analyse the role of RRB in development of agriculture

In order to achieve the aforesaid objectives, the present study is confined to the Pragati Grameen Bank of Karnataka state and the Farmers' Club which are also called as association of agriculturists.

Regional Rural Banks-An Overview

The aim of Shri. M. Narasimhan working group, formed in 1975, was to bring banking facilities to the poorest of the poor in rural areas as it was found that commercial banks continue to have an urban bias, while the co-operative banks were just not equipped for the task. It was generally agreed that a specialized service to the rural poor should be given the result of which was ended with the establishment of RRBS. The RRBS were found as low cost profile banks for reducing the cost of rural credit. In India, the working of RRBS started on 2nd October, 1975 with six banks in collaboration with the central government, state government and sponsor bank. Within a span of five years from 1975, the numbers of RRBs have been increased to 85 which again increased to 196 in 2000. However, in 2005 and 2010,

the state-wise merger and acquisition of RRBS has been taken place and the RRBS sponsored by the same commercial banks were merged with each other and formed a single bank. This process has resulted in the decreased number of RRBS in 2005 and 2010. Although the number of RRBS decreased in 2010, the number of branches increased to 15,475 which are spread over 619 districts.

In recent days, RRBS have been evolved as specialised rural financial institutions for developing the rural economy by providing credit to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. They have played a key role in rural institutional financing in terms of geographical coverage, clientele outreach and business volume as also contribution to development of the rural economy. A remarkable feature of their performance over the past three decades has been the massive expansion of their retail network in rural areas. RRBS have demonstrated their high potential in the area of branch expansion in remote areas of the country.

Development of the Association of Agriculturists

The concept of Farmers' Club Programme (FCP) conceived by NABARD in 1982 has proved to be an effective and efficient tool, not only in mobilizing the farming community at the grass roots level to access technologies and the markets, but also to generate sound business enhancing the opportunities for banks, besides providing a platform to strengthen the agricultural extension services. Other spin-offs have been the target of financial inclusion and aiming at socio-economic development of specific villages. In the era of LPG, farmers' groups or associations including Farmers' Clubs and Federations of Farmers' clubs assume significance towards the concept of credit by propagating the five principles of "Development through Credit". These clubs used to help the farmers through skill empowerment, water harvesting and management, soil fertility and hiring of agricultural implements. In India, the maximum number of FCs launches have been found in 2010 (16,590) whereas the lowest number of FCs have been launched in 2006 (4,312) However, at the end of 2010, the total numbers of working FCs are 54,805. As far as FCs promote by RRBS are concerned, the number has been gradually increased from 7525 in 2006 to 16925 in 2010. The increasing trend of FCs can also be seen in connection with the area spread. The total districts covered by FCs in 2009 are 589 and the villages are 87,724 which were only 524 districts and 40,885 villages in 2006.

Profile of the Bank under Study

The major development in connection with RRBS has been emerged in 2005-06 where the decision of state-wise consolidation of RRBS working under a same sponsor bank has been implemented. The consolidation of the RRBS was based on the recommendation of Chalapathy Rao Committee (2001), Vyas Committee (2004) and Sardesai committee (2005). As a result, in Karnataka, Pragathi Gramin Bank has been established by the consolidation of Tungabhadra Gramin Bank, Chitradurga Gramin Bank, Kolar Gramin Bank & Sahyadri Gramin Bank which were sponsored by Canara Bank. Presently, the PGB has been serving in eight districts of Karnataka including Bellary, Chitradurga, Davangere, Koppal, Raichur, Shimoga, Kolar and Chikkaballapur with a total of 350 branches of which

289 are in rural areas and 61 are in urban and semi-urban areas.

The main objective of PGB is to serve the rural in order to increase the production by inculcating new and improved agricultural technologies, to create awareness among farmers about various financial benefits being offered by the bank and other schemes to help them to improve their economical positions. At the time of consolidation of the bank, the total number of FCs was 395. After consolidation, the PGB has launched FCs every year. PGB has launched total 761 FCs after consolidation. The highest number of FCs (453) has been launched in the year 2007-08 and the lowest number has been recorded (44) in 2009-10. Of the total 1156 FCs working presently under PGB, the highest number of FCs are found in Koppal districts (219) which is followed by Chitradurga (205) and Bellary (198). The lowest number of FCs is recorded in Shimoga district (64).

Developments of Farmers through FC

Rural India is the backbone of the country's economy and for development of this sector has to empower the rural people. Agriculture in our country is the vocation of majority of our population. However, Indian agriculture needs radical changes to cope up with increasing demand for quality products in domestic as well as world market. In most pockets of the country, farmers are mainly doing traditional agriculture. Information technology and communication is developing at a very fast pace and is out of reach of many sections of the rural population even today. The advent and fast development of Information Technology and Communication has narrowed down the distance through faster communication and the world has become a global village. This has brought a drastic change in all walks of life especially in rural areas wherein majority of India lives. In order to make headway in this direction, it is prime important to sensitize the farmers about various aspects related to agriculture/market information.

Keeping in view these requirements, a need was felt by FC to sensitize the farmers/to enrich their knowledge to meet the challenges of today. In this background, FC has set up for implementation of several developmental programmes of social interest. Farmers mainly use information from other farmers, input dealers, programmes on radio and television to improve on cultivation practices, inputs etc. to provide them the latest know-how on developments. FC serves as information dissemination centre providing instant access to farmers the latest information/knowledge available in the field of agriculture, starting from crop production to marketing. In-Charge, FC works as a relationship manager between the Bank and the farmers Diversification in Agriculture through FC.

Farmers were made aware with the latest agro technologies, credit facilities, bank instructions flexibilities of rules, local issues and their solutions, arrangement of various trainings etc. The clubs proved as a guardian of members and all SHGs of the command area. Keeping in view the various activities of the club, the various agencies visited the area as well as the branch. The aim was to guide the farmers to adopt organic farming with latest technology to enhance the income. It was also stressed to diversify crop rotation. The club holds public meetings to aware and trains the farmers about latest technologies in agriculture. They were deputed to the training institutions to adopt organic farming. And

finally the adopted the latest technologies and they supplied the pure eatables to the people.

FC Arranging Training to the Farmers

The Department of Agriculture maintains 20 agricultural schools in the State. The main objective of these schools is to impart training to the children of farmers on modern agricultural technology. Residential courses of three months duration include subjects like cultivation of crops, use of modern hi-tech implements, animal husbandry, sericulture, fisheries and agricultural marketing. This form of training enables the children of farmers to return to their holdings and assist their parents in crop cultivation. Apart from this it is also providing professional extension training, where on the professional farmers will guide the unprofessional farmers about organic farming. They will also be giving market linkage to the farmers.

Scientific Storage of Agri Products

In India where small and marginal farmers constitute major farming community, do not have the facility to retain the farm products with themselves till the market prices are favourable. It is very much essential to provide them the facilities of scientific storage to avoid produce deterioration and enable them to meet their credit requirement. An establishment of rural godowns will enable small and marginal farmers to increase their holding capacity which will make them to sell their product at remunerative prices and avoid distress sales. PGB the maximum numbers of farmers (1225) have taken a loan to construct/ renovation of rural godowns in the year of 2010, whereas the lowest number of farmers (205) in the year of 2007. It indicates, the farmers are aware of keeping their grains in the godown to wait the prices hike in the market and to earn maximum price for their products.

Seed Village

Quality seed is very vital to ensure improved productivity. Supply/ availability of quality seed remain a major constraint in most of the agrarian belts. Seed Village concept, setting up of demonstration seed farms with the help of Seed Certifying agency/ SAUS/ KVK can help farmers to promote own seed farms which are technically feasible and financially viable.

Demonstration Nursery Plots

Farmer participatory nursery demonstration unit may form a part of the developmental project where horticulture/ vegetable cultivation are pre dominant. Demonstration units may form part of the proposal in such areas.

Compost/ Vermi Compost Unit

Model Vermi compost units will help in the optimum use of natural resources in tune with environmental approach. The Farmers Clubs, / Farmers' Collectives are to be empowered with the knowledge on vermi composting. These units can be replicated in other areas mainly for captive consumption/sale within the developmental area.

Joint Liability Groups

The concept of Activity based/ crop specific JLGS at Village level, have immense potential for timely decision support systems, linkage with agencies for input and output services and custom made specific financial products which

can cater to felt needs of the rural agri-preneur and also economy of scales for the banker The government has decided to form Farmers JLGS, especially to upgrade the farming techniques for the small and medium holders. Banks can grant loans to small and marginal farmers, dairy farmers, artisans and petty traders, apart from tenant farmers, if they formed joint liability groups. "Banks also provided training, skill upgrading classes and provided financial support.

Conclusion

In India, RRBs have been established as a new set of regionally oriented rural banks. RRBs have been playing a key role in rural development by financing and assisting to the agriculture. In Karnataka, the Pragathi Grameen Bank (PGB) is one of the leading rural banks and it has 365 branches covering 8 districts of which 76 percent of branches are at rural areas. NABARD encourages rural banks to promote Farmers' Clubs (FC) in rural areas to propagate the principle of Development through Credit". The FCs develops the link between the farmers and the Agricultural Universities. In addition, the FCs helps banks to reduce the NPAs.

In India, total 17,976 clubs were working in 2006 which increased to 54,805 in 2010. Similarly, the clubs promoted by PGB were 495 in 2006 and it has increased to the tune of 1,156 clubs in 2010. The loan amount released by PGB after promoting FCs was Rs. 1.65 lakhs in 2008 which is raised to Rs. 2.06 lakhs in 2010 covering 12,15,829 farmer beneficiaries. The NPA of 21 branches of the bank was zero in 2006 and the number of branches having zero NPA has been increased to 42 in 2009.

To conclude, PGB has been playing a vital role in imparting scientific knowledge to the farmers and motivating them to adopt that knowledge in their fields through farmers clubs by following micro credit system. The PGB also undertake socio-economic developmental activities like education, health, environment and natural resource management through FCs which help the farmers to face recessions in any manner by transporting the technical know-how from the laboratories to the land.

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