

An Overview of Rural Credit Through Public Sector Banks in Karnataka- A Study of State Bank of India in Hassan District

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Introduction

Credit is not only one of the critical inputs in agriculture but also an effective means of overall development of rural economy. A number of agencies such as co-operatives, regional rural banks, commercial banks, self- help groups and a well spread informal credits out lets together constitutes the Indian rural credit delivery system. Rural credit is any type of lending program or line of credit that is aimed at impacting a rural population in some manner. There are banks and co operatives that specialize in extending these types of credit to farmers and others engaged in the agricultural task.

Rural credit seen has undergone a major transformation the quality of cultivator's credit has improved. It has become more and more production oriented and institution biased correspondingly. Individuals have access to rural credit options under certain circumstances. For example, novice farmers and ranchers may be granted a loan or line of credit to manage the acquisition and upgraded of an existing farm operation or the establishment of a new one. Farmers and ranches are sometimes extended credit of this type when some sort of natural disaster has reined crops and threatens the ongoing operation of the branch or farm.

What is Rural Credit?

Rural credit is a small amount of money which give to the poor peoples including small scale farmers and unemployed person as loan to start their own work by development banks or any other financial institutions.

The basic objective of the rural credit is provided adequate and timely for agriculture and related activities to enable the rural people to exploit opportunities for development.

Need For Rural Credit

The financial requirements of the Indian farmers can be classified into three types depending upon the period and the purpose for which they are required.

Farmers need funds for short periods of less than 15 months for the purpose of cultivation or for meeting domestic expenses. For example: They want to buy seeds fertilizers 'fodder for cattle etc.

For the purpose of making some improvement on land buying cattle agricultural implements etc.

The formers need finances for the purpose of buying additional land, to make permanent improvements on land to pay off old debt and to purchase costly agricultural machinery. These loans are for long period of more than 5 years.

The former include loans to buy seeds, fertilizers implement etc.to pay taxes to govt. and to make prominent improvements on land such as digging and deepening of wells fencing in their agricultural operations or in improving their land.

Sources of rural credit

The seventh five years plan 1985-90 states that co-operatives commercial banks and Regional Rural banks are the three main institutional agencies in the field of Rural credit.

Co- operative Bank

The Co-operative credit societies and the co-operative banks an important link in present rural banking system of India. Hence an analysis of the significance and recent trends in co-operative banking in the country should form an important part of the study of rural banking in India. The co-operative credit in the country even under the present multi-agency approach to the provision of rural credit. The draft five year plan (1978-83) rates for instance that the co-operative system is the most widely distributed and organised credit system which can readily take up the vast task of purveying short medium- and long-term credit to the areas.

Benefits

Co-operatives society have provided credit to the farmers at a cheap rate more than 60% of the credit of framers are met by the co-operative society.

The co-operative society has led to the use of better farming methods such as the use of improved seeds manners etc.

The co-operative society hence also helped in rural areas they have educated the framers so that latter could give up many of their bad habits like gambling drinking etc.

The co-operative societies have played a significant role in areas of credit agricultural production agricultural processing and marketing.

Links finance with marketing.

Commercial Banks and Rural Credits

An important argument in support of bank nationalization was that commercial banks kept themselves aloof from the problems of agricultural and had remained largely indifferent to the credit needs of framers for agriculture operations and land improvement. When social control of banks was introduced in 1967, a rapid expansion in bank branches in rural and semi- urban areas this number had increased to over 47,190 by march 2002, there are now over 16 million agricultural borrowing accounts with commercial banks accounting to RS 63.080 crores as compared to only 0.2 million to accounts with total outstanding advance to the extent of about RS 160 crores in June 1869. A large number of village co- operatives are among the borrowers are among the borrowers some of them borrowing from other financial agencies as well.

Rural credit and Regional Rural Banks

One of the important points of the old 20 points economics programmes of Ms. Indira Gandhi during emergency was the liquidation of rural indebtedness by stages and provide institutional credits to farmers and artisans in the rural areas through started in 1975, the RRB now became an integral part of the rural banking services to the rural areas by opening large network of branches.

Review of literature

Micro finance -An innovation rural credit system

Gurmeent Singh (2009) in his paper, microfinance – A Innovation Rural credit system studied that in march 2001, 71% of the linked SHG were from southern region consisting of Andhra Pradesh, Karnataka and Kerala and Tamil Nadu. The share of southern region has come down progressively over the years but still at 44 % many states as Uttar Pradesh and Bihar with high incidence of poverty showed poor performance under programme. So, it is finally clear that the role of micro finance institutions is very importance in rural development and poverty by microfinance institutions, Government, NGO and social organisations.

Institutional support for rural credit and debt relief-role of NABARD.

M. Maheshwari and S.M. Chockalingam, in his paper the level of indebtedness has also been considerably reduced. Due to the efforts of government under loan waiver scheme through which relief is passed on to NABARD and other institution. This article tries to focus on institutional supported towards debt relief and rural credit granted by NABARD under refinance.

M A Lokhande (2009) explains microfinance programme has a significant role to play in Indian economy for boosting micro entrepreneurial activities and for creating productive assets coupled with employment generation. So, in order to cover all the poor households, particularly BPL households there is need for providing full support the government financial institutions and NGOs SHGs programme. Such initiative would also contribute to better utilization and recovery of rural credit.

Research Gap

There are number of general studies on Rural Credit in India and Karnataka. But there is dearth of attempts to comprehensive study of institutional of Rural Credit at the micro level, that is at the district level. Hence, the present study makes an attempt to reduce this gap.

Objectives

To study the position of rural credits in Hassan district.

To assess rural credits requirements of cultivators in Hassan district.

To find out and understand the innovative strategies that banks have been employing in supplying Rural Credit

Need for the study.

In this study to know that lending policy and recovery policy and we know how to follow up in rural credits post sanctioning by public sector bank. This is helpful for to knowing whatever critical issues and what all the problems are in rural credits.

Research Methodology and data sources

Geographical Areas covered

State bank of India

K.R. Puram, Hassan

The secondary data collected from various publications of the Reserve Bank of India, Government of India reports and district co-operative bank reports. Data are also collected from books, journals, Periodicals, all sources listed in the bibliography.

Limitation of the study

The main limitation of the present study is the non-availability of update information.

Due to time constraint.

Instead of entire Hassan district only one branch selected for the study.

There is enormous gap in secondary data, taluk wise and village wise data are not available with respect to banks. Such statistics is available for co-operatives, this has made the study extremely difficult.

Problems of rural credit

Following are the problems of rural credit:

Complicated procedure:

Our farmer is uneducated and he cannot complete the formalities to obtain the loan complicated procedure is the main obstacle in the way of borrowing.

High Rate of interest:

Our former is poor and rate of interest is very high so it discourages the farmer to get the credit.

Lack of Planning

In India there is a lack of credit planning.in order to meet the credit requirements of agriculture sector there is a need of preplanned expansion programmed for the agriculture sector.

Small Farmers Ignored

In commercial banks always ignored the small farmers keeping in view the repayment problem. Because everybody hesitates to lend the money to poor person.

Lack of information;

In the villages people are understand and banks are also not available. So, they do not know the information about credit and the procedure of borrowing.

Lack of Contact

The credit officers have no contact with the farmers. So due to this reason our farmer cannot get the loan.

Uncertain Weather:

Our farmer fears to borrow that if crops damage due to floods or untimely rains then how he will repay.

Low yield

In our country the production per acre is very low and rate of profits are also low. So, it reduces the loans repayment ability of the farmers.

Problem of security

Our small farmers cannot get the credit because they are unable to offer security to the credit institutions. Even they are unable to provide guarantee of two persons.

Credit Timings:

Farmers gets the loan to purchase the seeds fertilizers and other inputs. Sometimes the credit is not provided in time to the farmer and he fails to use these inputs.

Unproductive Use:

A large share of credit which is provided to the farmers is misused. Our farmer uses the credit on death birth occasions lavishly.

Profile of the sample unit

Introduction

State bank of India, Hassan city branch is located in Shankar Matt Road, Hassan. There are 14 members worked in this bank. Regional business office located in Mysore. There are 16 regional offices in all over India. The branch manager work under regional business office and regional business office reported to local head office and local head office reported to corporate centre.

Turnover

Table 3.1
Table showing turnover of the Sample Unit.

Year	Turnover (Rs in crores)
2016-17	32
2017-18	36
2018-19	41
2019-20	47
2019-21	52
2021-22	61
2022-23	70

Source: Primary data from SBI

In bank the turnover increased year by year from 2005 to 2012. It is good performance in corporate sector against the backdrop of a challenging environment, the net profit of the bank increased from 32 crores in financial year 2016 to 70 crores in the financial year 2023.

Customer Base

Table 3.2
The table showing total customer base of the sample unit.

Year	Total customer
2014-15	600
2015-16	1000
2016-17	1800
2017-18	2000
2018-19	3000
2019-2020	5600

Source: Primary data from SBI

The turnover and all matters related to the business of the unit depend on its base. Hence the relevant are collected and presented in table 3.2

Deposits

Table 3.5.
showing deposits of the sample unit

Year	Loans (Rs in lakh)
2014-15	38
2015-16	15
2017-18	23
2018-19	74
2019-20	80
2020-21	93
2021-22	99

Source: Primary data from SBI

The above table shows the deposits in SBI Hassan from past 7 years. The deposits increased almost 3-fold during the period. Increasing in deposits shows the working efficiency and customer satisfaction.

Loans:

Table 3.5.
Table showing loans disbursed by the sample unit.

Year	Loans (Rs in lakh)
2014-15	26
2015-16	41
2017-18	51
2018-19	84
2019-20	83
2020-21	90
2021-22	99

Source: Primary data from SBI

The loans disbursed by the sample unit are progressively increasing over the years. It is important for the branch to ensure that their loans are properly utilized and repaid. loans and advances issued by RBI. Loan assets become non-performing assets (NPAs).

Recovery:

Table 3.6. showing recovery position in SBI Hassan

Year	In%
2015-16	65
2016-17	62
2017-18	50
2018-19	72
2019-20	77
2020-21	86
2021-22	98

Source: Primary data from SBI

Here the recovery position is good. In this bank strictly follow up the rules and regulation in lending procedure and also recovery the loan amount. This step is easy to collect the recovery amount and these strict procedures helps to create the awareness in customers. In this bank the recovery position is more than 90%. It has maintained a good percentage of recovery the rural credit.

SBI Rural credit

Crop Loans

Farm Mechanization

Sheep & Goat Rearing

Provision of irrigation

Modernization of farm practice

Dry land farming and wasteland development

Finances for fisheries

SBI Green card scheme

Findings

This project work is a study dealing with rural credit system in general and this study has highlighted the rural credit and the rules and regulations followed by public sector banks in disbursing rural credit.

The prudential norms that specify the level of NPA and other related reserves with the banks is the guiding force behind the process of credit disbursement.

In case of pre sanction procedures beginning from a loan application being made that the borrower is has a viable occupation so as to be able to repay the loan.

Whenever necessary the banks resort action such as serving notices, referring to the court for decree and seizure of property if it is inevitable.

The SBI Hassan City Branch has a good chunk of rural credit accounting to almost 40 percent of its total advances.

The sample unit has a good turnover, deposit base and credit deployment which have been continuously growing from the base year of 2005.

Conclusion

Country like India, where more than 70% of the people lived in rural area and they are depending on agriculture and where the average farmer is unable to fight their legitimate claims. The public sector banks play a vital role. The real development of rural India depends on how efficiency these institutions are working.

The success of agricultural development in programme in any region depends not only on the use of agricultural technology but also on the availability of adequate credit facility required for the purchase of agricultural inputs at the right time.

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