



## IMPACT OF REGIONAL RURAL BANKS ON SMALL FARMERS DEVELOPMENT: WITH SPECIAL REFERENCE TO KARNATAKA VIKAS GRAMEEN BANK: AN ANALYSIS OF PRIMARY DATA

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### ABSTRACT:

Karnataka Vikas Grameen Bank (KVGB) which is the one of the most leading Regional Rural Bank in Karnataka rural areas plays a very significant role in the economic as well as rural development. The main objectives of KVGB are to provide credit and other facilities particularly to small and marginal farmers, agricultural laborers, rural artisans and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in rural areas. This paper assess the impact of agricultural loans provided by KVGB on small farmer households in terms of employment level, income, savings, assets and living standard between pre-credit and post-credit period in the study area; and suggest the remedial measures in the light of empirical study for the effective functioning of KVGB to development of farmers in Karnataka in general and in Dharwad district in particular. This study is based on primary data. Simple statistical tools like averages, ratios, percentages, were employed for analysis of data. The main findings reveals that the proportion of employment generation, income generation, average household expenditure, average household savings, asset creation, agricultural production and living standard of the small farmers was found to be quite significant in post-credit period as compared to the pre-credit in the study area. The study suggest that the success stories of the sample farmers, who have substantially improved their production, income, savings and living standard and also become socially self-confident, must be given wider publicity among the non-borrowers so that they too are inspired and motivated to form into KVGB credit facilities.



**KEYWORDS:** Small Farmers, RRBs, KVGB, Credit, Pre-Credit, Post -Credit, Employment Generation, Income Generation, Expenditure Pattern, Savings, Asset Creation, Agriculture Production, Living Standard, Dharwad taluk, Navalgund taluk, Kundagol taluk.

### 1.INTRODUCTION

Rural development has to play a phenomenal role in the overall socio-economic development of a country like India, where the majority of the population lives in rural areas. The rural sector affects directly or indirectly almost all the economic

activities in the country and provides employment to the maximum number of people. A large part of the revenue of the government is also generated from the rural. The necessity of rural finance was felt to provide protection & reliance to rural people like moneylenders,

landlords & traders etc. but they exploit farmers and small entrepreneurs by charging exorbitant rate of interest & force farmers to sell their product at low price to them. Rural people also face the risk of unpredictable production of crops due to high dependency on

monsoon. Including problem of finance they also suffer from lack of seeds, fertilizers, water supply and other facilities which lead to rural in debtness'.

Now a day's Regional Rural Bank especially in rural areas play a very significant role in the economic as well as rural development. The Regional Rural banks were established on October, 2nd 1975. The main objectives of these banks are to provide credit and other facilities particularly to small and marginal farmers, agricultural laborers', rural artisans and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in rural areas. The aim of rural banks is to bridge the credit gaps existing in the rural areas and they are supposed to be effective instruments of economic development in rural India. They will extend productive credit to the rural community and they will have purely rural orientation in their activity and in the manner of extending their activity.

The overall development of the economy depends to a large extent on the banking sector, as financial institutions at as suppliers of capital for production The main objectives of these banks are to provide credit and other facilities particularly to small and marginal farmers, agricultural laborers', rural artisans and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in rural areas of goods and services which in turn raises income and standard of living of the people. Generally, the studies on Regional Rural Banks were concentrated on the macro level only. None of the study focused on Karnataka Vikas Grameen Bank (KVGB) which is the one of the most leading Regional Rural Bank in Karnataka. Therefore it is necessity to assess the impact of credit facilities by KVGB on rural households. Against this background the present study has been undertaken.

## 2. OBJECTIVES OF THE STUDY

The objectives of the study are to :

- Assess the impact of agricultural loans provided by KVGBs on small farmer households in terms of employment level, income, savings, assets and living standard between pre-credit and post-credit period in the study area; and
- Suggest the remedial measures in the light of empirical study for the effective functioning of KVGBs to development of farmers in Karnataka in general and in Dharwad district in particular.

## 3. DATA BASE AND METHODOLOGY

The present study is mainly based on primary data. Multi-stage stratified random sampling technique was adopted for collection of the primary data. The present study was carried out in three taluks of Dharwad district namely, Dharwad, Navalgund and Kundagol. While Dharwad taluk represents developed region, Navalgund taluk represents moderately developed region and Kundagol taluk represents the backward region. Dharwad, Navalgund and Kundagol taluks have highest percentage of small farmers in Dharwad district. From each taluk two villages viz., Uppina Betageri and Nigadi from Dharwad taluk, Arekurahattin and Morab from Navalgund Taluk and Gudageri and Kamadolli from Kundagol taluk were chosen. These villages have relatively higher proportion of small farmers, different levels of agricultural prosperity and infrastructural facilities. The sample households belonging mainly to SCs, STs, OBCs and Others who are agricultural loans borrowed from KVGB was randomly selected in each village of the study area. From each village 50 households of were selected. The total sample size of the study was 300 households consisting of 50 households each from 6 villages. Simple statistical tools and techniques like averages, ratios, percentages, were employed for analysis of data.

## 4. RESULTS AND DISCUSSION

In this section an attempt has been made to assess the impact of Karnataka Vikas Grammen Bank credit facilities on small farmers livelihood status using the primary data in Dharwad district of Karnataka.

#### 4.1. Impact of KVGB Credit on Employment

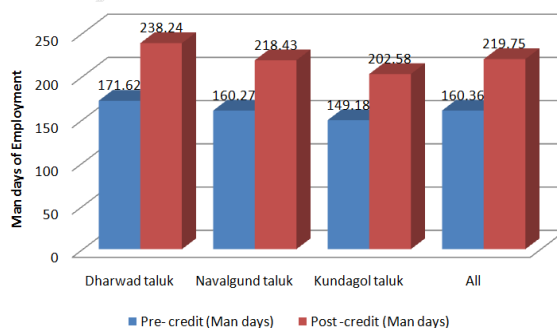
The upliftment of weaker sections and the down trodden has been the major agenda of the KVG bank. Besides this the Bank has been a front runner in catering to the needs of the farmers, traders, rural artisans, professional and self-employed, contractors and all sections of the society (Baligatti and Danappanavar 2016). Table 1 provides the data on employment generation among sample farmers in pre and post-credit period. The data indicates that the proportion of employment generation was found to be quite significant in post-credit period as compared with pre-credit period in all the selected taluks during the study period. Across taluks the proportion of man days of employment was found to be higher in Dharwad taluk (238.24) as compared to that of in Navalgund taluk (218.43) and Kundagol taluk (202.58) in post-credit period (Figure 1). While the proportion of incremental employment in terms of man days was also found to be higher in Dharwad taluk (66.62) as compared to that of in Navalgund taluk (58.16) and Kundagol taluk (53.40) (Figure 2). Similarly the percentage increase in employment was found to be higher in Dharwad taluk (38.82 per cent) as compared to that of in Navalgund taluk (36.29 per cent) and Kundagol taluk (35.79 percent) (Figure 3). This implies that the average number of days the sample farmers could get themselves employed was high, due to the financial and institutional support of the KVGB.

**Table 6.1**  
**Employment Generation among Sample Small Farmers in Pre and Post- Credit Period**

Taluks	Pre- credit (Man days)	Post -credit (Man days)	Incremental employment	Percentage increase
Dharwad taluk	171.62	238.24	66.62	38.82
Navalgund taluk	160.27	218.43	58.16	36.29
Kundagol taluk	149.18	202.58	53.40	35.79
All	160.36	219.75	59.39	37.04

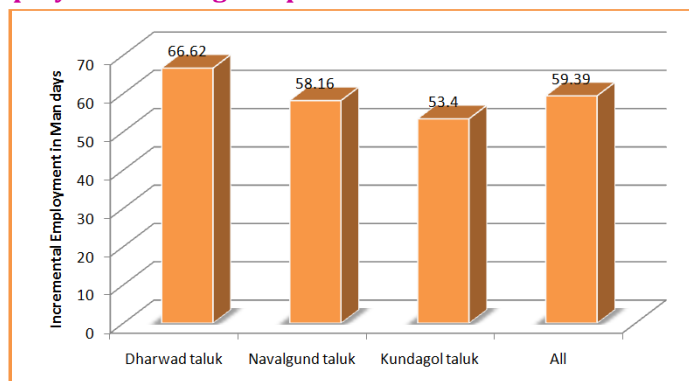
Source: Field Survey.

**Figure 1**  
**Man days of Employment among Sample Small Farmers in Pre and Post- Credit Period**



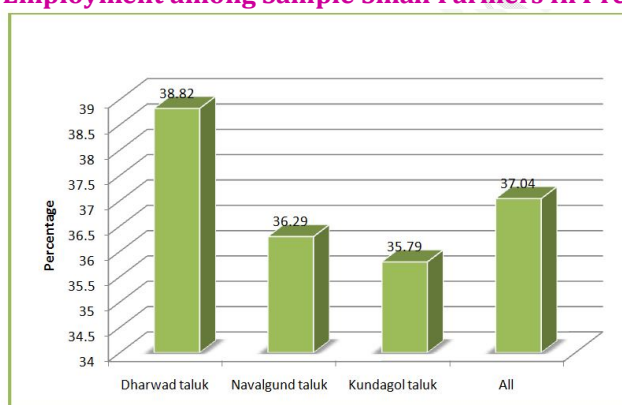
Source: Table 1

**Figure 2**  
**Incremental Employment among Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 1

**Figure 3**  
**Percentage Increase in Employment among Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 1

#### 4.2. Impact of KVGB Credit on Income Generation

Income is one of the important indicators to measure the level of living of the members of the society. The data regarding the average household income of sample farmers was estimated at two points of time i.e. pre and post-credit. In order to find out the differences, if any, in generation of income from KVGB credit, the data was further analyzed across the selected taluks.

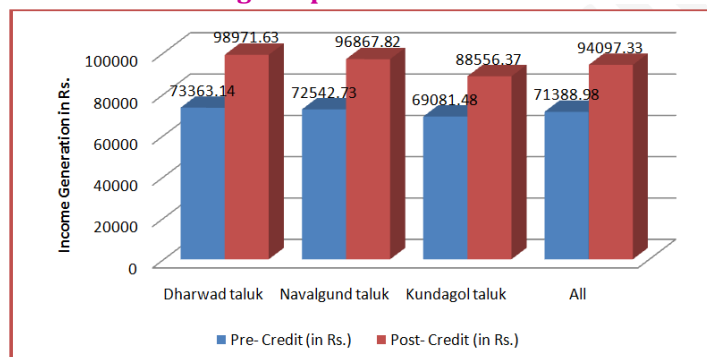
Table 2 presents the data on income generation among sample farmers in pre and post- credit period. It is clear from the data that the average household income of the sample farmers during post credit is Rs. 94097.33 constituting 31.81 per cent. The taluk wise analysis reveals that the proportion of average household income was found to be higher in Dharwad taluk (Rs.98971.63) as compared to that of in Navalgund taluk (Rs.96867.82) and Kundagol taluk (Rs.88556.37) in post-credit period (Figur 4). Further the proportion of incremental income from pre-credit to post-credit period was found to be higher in Dharwad taluk (Rs.25608.49) as compared to that of in Navalgund taluk (Rs.24325.09) and Kundagol taluk (Rs.19474.89) (Figure 5). While the percentage increase in household income was also found to be higher in Dharwad taluk (34.91per cent) as compared to that of in Navalgund taluk (32.54 per cent) and Kundagol taluk (28.19 percent) (Figure 6). This implies that the average household income of sample farmers has been increased in post-credit period, due to the higher number of man day's employment generated by the utilization of KVGB credit in their agriculture and allied activities.

**Table 2**  
**Income Generation among Sample Small Farmers in Pre and Post- Credit Period**

Taluks	Pre- Credit (in Rs.)	Post- Credit (in Rs.)	Incremental Income	Percentage increase
Dharwad taluk	73363.14	98971.63	25608.49	34.91
Navalgund taluk	72542.73	96867.82	24325.09	32.13
Kundagol taluk	69081.48	88556.37	19474.89	28.19
All	71388.98	94097.33	22708.36	31.81

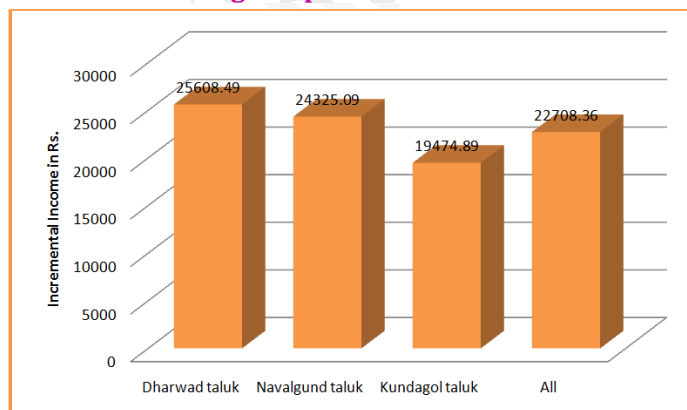
Source: Field Survey.

**Figure 4**  
**Average Income Generation among Sample Small Farmers in Pre and Post- Credit Period**



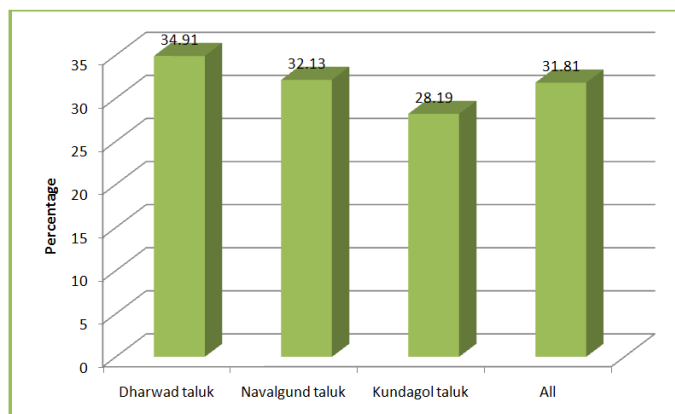
Source: Table 2

**Figure 5**  
**Average Incremental Income among Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 2

**Figure 6**  
**Percentage increase in Average Income among Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 2

#### 4.3. Impact of KVGB Credit on Expenditure Pattern

The expenditure pattern reveals the improvement of living standards of the farmers and their family members. When the savings is increased, the members of small farmer households actively participated in income –generating activities which resulted in earning more income with these the purchasing power of them increased in order to buy the good quality goods and services. How the KVGB credit facility has influenced the expenditure pattern of the small farmer households is discussed in the following tables.

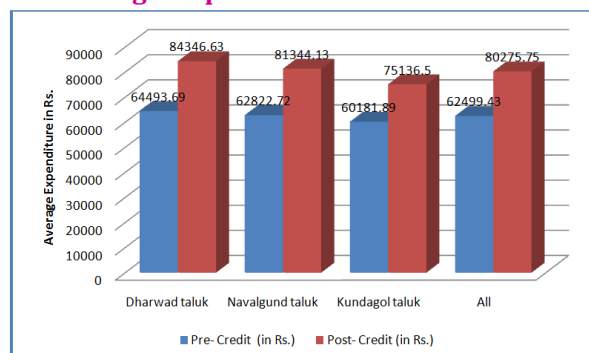
Table 3 presents the data on average household expenditure among sample small farmer households in pre and post- credit period. The data indicates that the expenditure incurred by the sample small farmer households is comparatively quite higher in post-credit period with the pre- credit period. Across taluk the proportion of average household expenditure was found to be higher in Dharwad taluk (Rs. 84346.63) as compared to that of in Navalgund taluk ( Rs. 81344.13) and Kundagol taluk (Rs. 75136.50) in post-credit period (Figur 7). While the proportion of incremental expenditure from pre-credit to post-credit period was found to be higher in Dharwad taluk (Rs. 19852.94) as compared to that of in Navalgund taluk (Rs. 18521.41) and Kundagol taluk (Rs. 14954.61) (Figure 8). Similarly, the percentage increase in household expenditure was found to be significant in Dharwad taluk (30.78 per cent) as compared to that of in Navalgund taluk (29.48 per cent) and Kundagol taluk (24.85 per cent) (Figure 9).

**Table 3**  
**Average Expenditure among Sample Small Farmers in Pre and Post- Credit Period**

Taluks	Pre- Credit (in Rs.)	Post- Credit (in Rs.)	Incremental expenditure	Percentage increase
Dharwad taluk	64493.69	84346.63	19852.94	30.78
Navalgund taluk	62822.72	81344.13	18521.41	29.48
Kundagol taluk	60181.89	75136.50	14954.61	24.85
All	62499.43	80275.75	17776.32	28.44

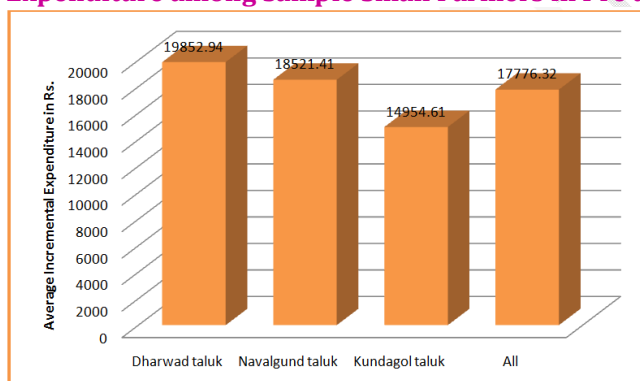
Source: Field Survey.

**Figure 7**  
Average Expenditure among Sample Small Farmers in Pre and Post- Credit Period



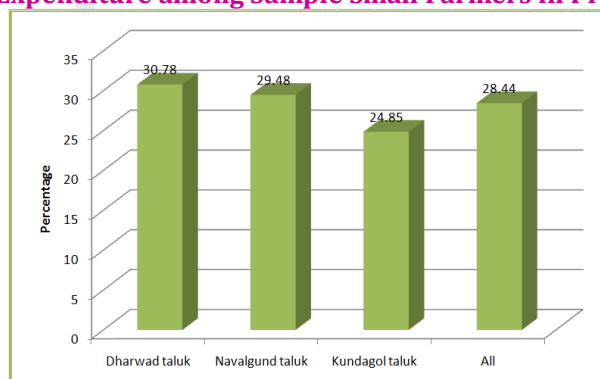
Source: Table 6.8

**Figure 8**  
Average Incremental Expenditure among Sample Small Farmers in Pre and Post- Credit Period



Source: Table 6.8

**Figure 9**  
Percentage Increase in Expenditure among Sample Small Farmers in Pre and Post- Credit Period



Source: Table 6.8

#### 4.4. Impact of KVGB Credit on Income Savings

One of the main objectives of KVG bank is to inculcate saving habits and to improve the economic well-being of the farmer households in general marginal and small farmers in particular. This has given scope to the loan borrowers to generate savings in order to provide economic security to



them. Besides, the more the savings at their disposal, the more their repayment capacity to repay the bank loans which, in turn would encourage them to raise fresh loans for further promotion of their income-generating activities.

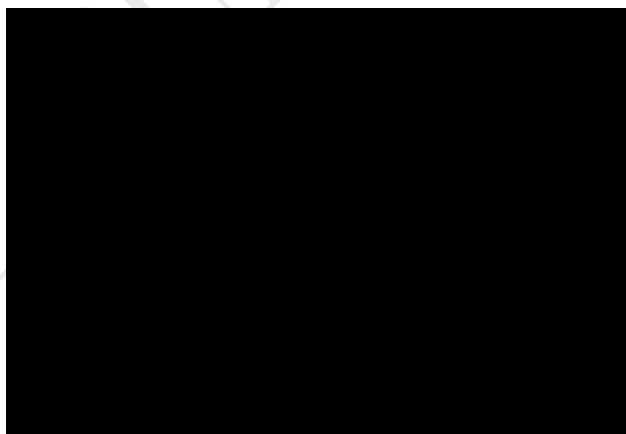
Table 4 presents the data on average household savings among sample small farmers in pre and post- credit period. The data reveals that the proportion of average household savings among the sample small farmers was found to be significant in post-credit period with the pre- credit period. Going by taluks the proportion of average household savings was found to be higher in Dharwad taluk (Rs. 41838.64) as compared to that of in Navalagund taluk (Rs. 40404.76) and Kundagol taluk (Rs. 34697.13) in post-credit period (Figure 10). Further the proportion of incremental expenditure from pre-credit to post-credit period was found to be significant in Dharwad taluk (Rs. 16241.27) as compared to that of in Navalagund taluk (Rs. 15269.89) and Kundagol taluk (Rs. 12797.09) (Figure 8). The percentage increase in household savings was found to be higher in Dharwad taluk (63.45 per cent) as compared to that of in Navalagund taluk (60.75 per cent) and Kundagol taluk (58.43 per cent) (Figure 11).

**Table 4**  
**Average Savings among Sample Small Farmers in Pre and Post- Credit Period**

Taluks	Pre- Credit (in Rs.)	Post- Credit (in Rs.)	Incremental savings	Percentage increase
Dharwad taluk	25597.37	41838.64	16241.27	63.45
Navalgund taluk	25134.87	40404.76	15269.89	60.75
Kundagol taluk	21900.04	34697.13	12797.09	58.43
All	24210.76	38980.18	14769.42	61.00

Source: Field Survey.

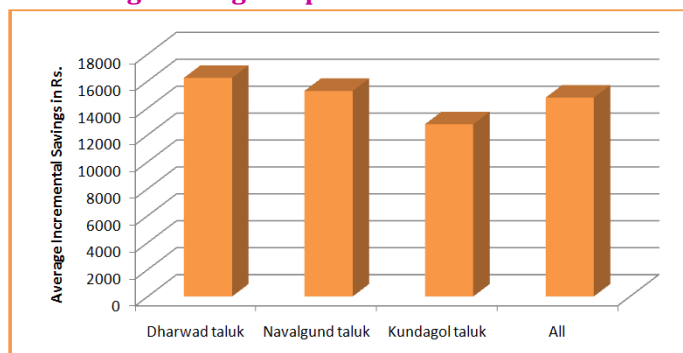
**Figure 10**  
**Average Savings among Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 4

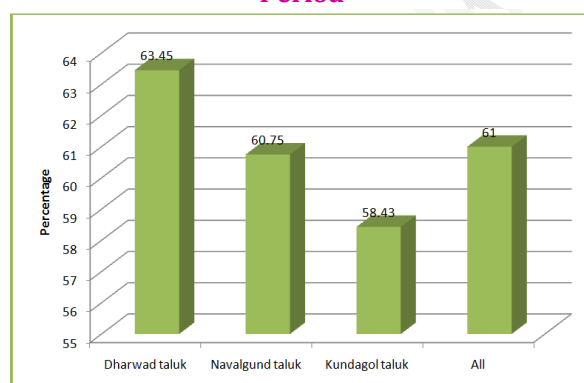


**Figure 11**  
Average Incremental Savings among Sample Small Farmers in Pre and Post- Credit Period



Source: Table 4

**Figure 12**  
Percentage Increase in Average Savings among Sample Small Farmers in Pre and Post- Credit Period



Source: Table 4

#### 4.5. Impact of KVGB Credit on Asset Creation

The hard core of the rural poverty is constituted by the marginal farmers, agricultural labourers, small farmers and rural artisans, possessing little or virtually no assets. Hence the main philosophy behind the credit facilities of KVGB is creating additional productive assets of rural poor households as a result of reinvestment of surplus derived from savings.

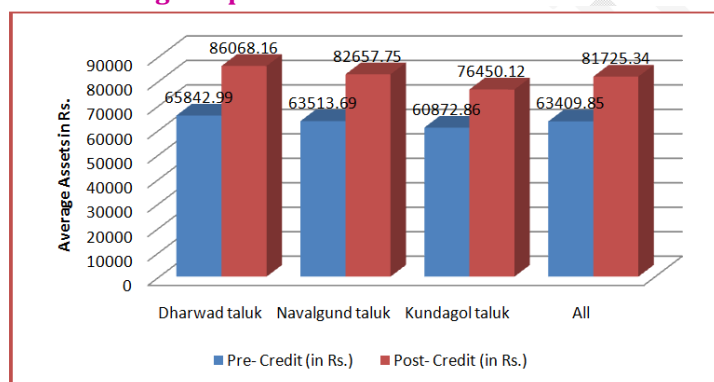
Table 5 presents the data on average assets among sample small farmers in pre and post- credit period. The data indicates that comparatively the asset creation in post-credit period is the highest as against the pre- credit period. Across taluks the proportion of average assets was found to be higher in Dharwad taluk (Rs. 86068.16) as compared to that of in Navalgund taluk ( Rs. 82657.75) and Kundagol taluk (Rs. 76450.12) in post-credit period (Figur 13). Further the proportion of incremental assets from pre-credit to post-credit period was found to be higher in Dharwad taluk (Rs. 20225.17) as compared to that of in Navalgund taluk (Rs. 19144.06) and Kundagol taluk (Rs. 15577.26) (Figure 14). Similarly the percentage increase in household assets was found to be significant in Dharwad taluk (30.72 percent) as compared to that of in Navalgund taluk (30.14 per cent) and Kundagol taluk (25.59 percent) (Figure 15). This implies that the sample small farmers could rise their assets considerably, which may be due to financial and institutional support of the KVGB.

**Table 5**  
**Average Assets among Sample Small Farmers in Pre and Post- Credit Period**

Taluks	Pre- Credit (in Rs.)	Post- Credit (in Rs.)	Incremental assets	Percentage increase
Dharwad taluk	65842.99	86068.16	20225.17	30.72
Navalgund taluk	63513.69	82657.75	19144.06	30.14
Kundagol taluk	60872.86	76450.12	15577.26	25.59
All	63409.85	81725.34	18315.50	28.88

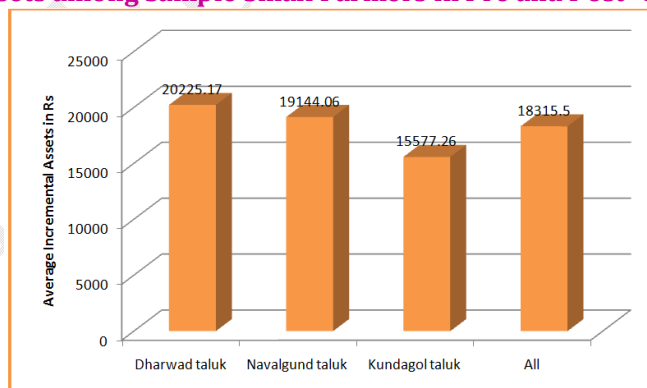
Source: Field Survey.

**Figure 13**  
**Average Assets among Sample Small Farmers in Pre and Post- Credit Period**



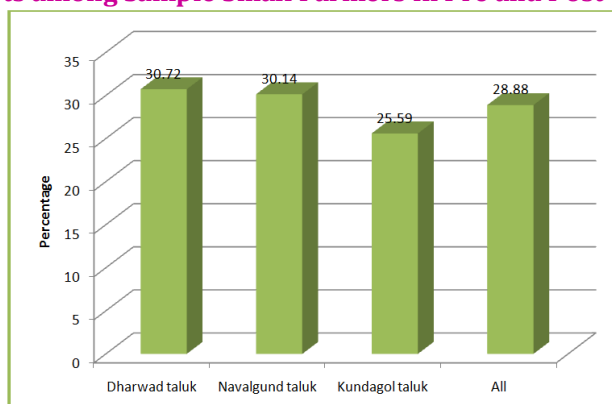
Source: Table 5

**Figure 14**  
**Average Assets among Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 5

**Figure 15**  
**Average Assets among Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 5

#### 4.5. Impact of KVGB Credit on Cropping Pattern & Production

Cropping pattern is playing an important role in the sustainable development and production of agriculture. Therefore here an attempt has been made to analyze the impact of KVGB credit on cropping pattern and production of the sample farmers. Table 6 provides the data on distribution of sample small farmers by impact of KVGB credit on cropping pattern and production in the study area. The data reveals that the proportion of small farmers who have changed their cropping pattern after availing of KVGB credit was found to be quite significant (52 percent ) in the study area whole (Figure 16). Similarly at the aggregate level the proportion of small farmers whose agricultural production was raised after availing of KVGB credit was found to be higher (89.3 per cent) in the study area (Figure 17). Across taluks the proportion of small farmers who have changed their cropping pattern after availing of KVGB credit was found to be higher in Dharwad taluk as compared to that of in Navalgund and Kundgol taluk. A similar trend was observed in case of agricultural production.

**Table 6**  
**Distribution of Sample Small Farmers by Impact of KVGB Credit on Cropping Pattern & Production in Study Area (in per cent)**

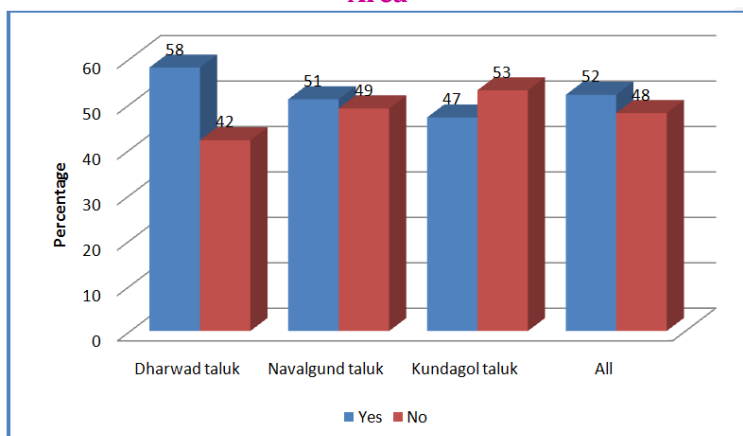
Responses	Dharwad taluk	Navalgund taluk	Kundagol taluk	All
<b>Impact on Change in Cropping Pattern</b>				
Yes	58 (58.0)	51 (51.0)	47 (47.0)	156 (52.0)
No	42 (42.0)	49 (49.0)	53 (53.0)	144 (48.0)
Total	100 (100.0)	100 (100.0)	100 (100.0)	300 (100.0)
<b>Impact on Production</b>				
Yes	93 (93.0)	91 (91.0)	84 (84.0)	268 (89.3)
No	7 (7.0)	9 (9.0)	16 (16.0)	32 (10.7)

<b>Total</b>	100 (100.0)	100 (100.0)	100 (100.0)	300 (100.0)
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Note: The figures in parenthesis indicate the percentage.

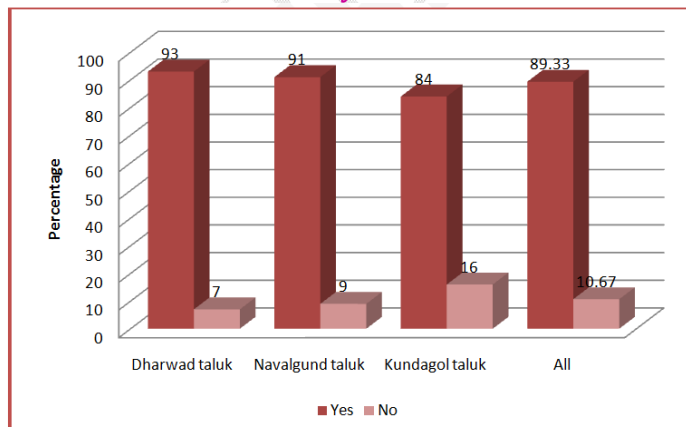
Source: Field Survey.

**Figure 16**  
**Percentage Distribution of Respondents by Impact of KVGB Credit on Cropping Pattern in Study Area**



Source: Table 6

**Figure 17**  
**Percentage Distribution of Respondents by Impact of KVGB Credit on Production Process in Study Area**



Source: Table 6

#### 4.6. Impact on Living Standard

Table 7 presents the data on improvement in living standard of sample small farmers in post-credit period. The data indicates that a majority of 76.3 percent sample small farmers have stated that KVGB loans have substantially improved their living conditions in post-credit period. While a minimum of 19 per cent sample small farmers have stated that KVGB loans have marginally improved their living conditions in post-credit period by providing them new source of income, better production and higher returns (Figure 18). However a considerable proportion of 4.7 per cent sample small farmers have stated that there is no improvement in their living conditions. It is because they have used the loan for unproductive purposes. Going by taluks the proportion of positive impact of KVGB loans on the living

standard of sample small farmers was found to be higher in Dharwad taluk as compared to that of in Navalgund and Kundagol taluks in post-credit period.

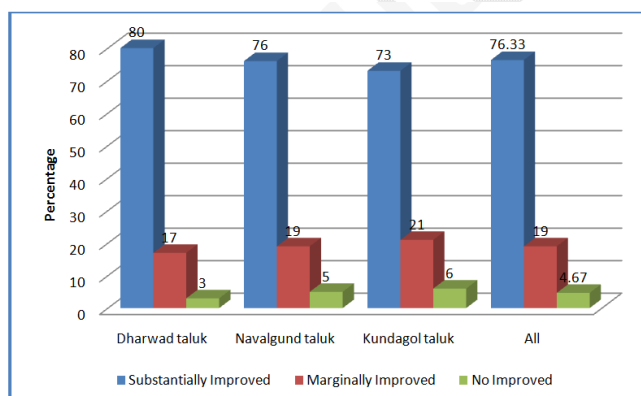
**Table 7**  
**Improvement in Living Standard of Sample Small Farmers in Pre and Post- Credit Period**

Response	Dharwad taluk	Navalgund taluk	Kundagol taluk	All
Substantially Improved	80 (80.0)	76 (76.0)	73 (73.0)	229 (76.3)
Marginally Improved	17 (17.0)	19 (19.0)	21 (21.0)	57 (19.0)
No Improved	3 (3.0)	5 (5.0)	6 (6.0)	14 (4.7)
Total	100 (100.0)	100 (100.0)	100 (100.0)	300 (100.0)

Note: The figures in parenthesis indicate the percentage.

Source: Field Survey.

**Figure 18**  
**Percentage Improvement in Living Standard of Sample Small Farmers in Pre and Post- Credit Period**



Source: Table 7

## 5. POLICY SUGGESTIONS

In the light of the findings of empirical study, the following suggestions are offered for the effective role that the KVGB can play in the economic improvement and the quality of life of the poor/ low- income rural households in general and small farmer households in particular;

- KVGBs have been functioning well but no follow up measures are taken to evaluate the disbursed credit for the borrowers. The follow up makes possible the necessary changes, such policies may become obsolete and redundant. Therefore, there should be a perfect tandem with planning, execution and control.
- No minimum loan size should be fixed. The farmers should be at liberty to decide the quantum of credit required based on their agricultural land, own assts position and repayment capacity.
- Where it is required multiple credits in small doses should be provided in accordance with the absorptive capacity of the farmer community.

- The banks should expand their area of operation to subserviced areas so as to cover more agricultural families.
- Success stories of the sample farmers, who have substantially improved their production, income, savings and living standard and also become socially self-confident, must be given wider publicity among the non-borrowers so that they too are inspired and motivated to form into KVGB credit facilities.
- A smaller proportion of small farmer community have not been improved their living standard, due to miss utilization of credit borrowed from the bank. Hence, the farmers like this should be guided to use productive purposes by providing adequate training.
- The farmers should take KVGB credit only as a tool and as a solution of their socio-economic status by themselves. The farmer himself is the solution for low income and seasonal employment.
- The concepts of village banking and mobile banking should be introduced so that savings habit of farmers is promoted and the loan recovery rate improves.
- NGOs & Voluntary organizations should be associated in the functioning of KVGB. They can help motivate, organize and make them conscious of the peasant community.
- The KVGB credit is only part finance to the small farmers and not a total finance i.e., it is only a seed money and not a tree itself.
- The farmer should be honest, disciplined, hard-working, sincere, forecasting, etc. He should continuously monitor his performance.

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