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A STUDY ON IMPACT OF MICRO FINANCE ON AGRICULTURE AND RURAL DEVELOPMENT WITH SPECIAL REFERENCE TO KARNATAKA GRAMEEN BANK –WITH REFERENCE TO BENGALURU RURAL

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ABSTRACT

This study is conducted with an objective to analyses. Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. It is not just about giving micro credit to the poor rather it is an economic rural development tool whose objective is to assist poor to work their way out of poverty. It covers a wide range of services like credit, savings, insurance, remittance and also non-financial services like training, counseling etc Microfinance sector has grown rapidly over the



past few decades. **Nobel Laureate Muhammad Yunus** is credited with laying the foundation of the modern MFIs with establishment of **Grameen Bank, Bangladesh in 1976**. Today it has evolved into a vibrant industry exhibiting a variety of business models. This study is mainly based on primary data, collected from 70 respondents located in different places in Bengaluru rural. Based on data analysis and interpretation that mention the study can be concluded that the responses from the beneficiary farmers, the effective utilization of micro finance institution is better when compared to money lenders or other financial institution, rate of interest is also less as compared to other sources of finance for the farmers. The purpose of the study is to examine the role of micro finance in the empowerment of rural people and the realization of financial inclusion in Bangalore rural dist. Today the MFIs want the government to empower them for mobilizing savings with increasing demand for rural finance, and the inadequacies of formal sources. However, in the light of recent experiences, and the need for qualitative growth, we suggest that MFIs should be managed with better scrutiny in terms of finance and technology as well as social responsibility.

KEYWORDS: SHGs , Micro finance, Grameen Bank.

INTRODUCTION

The emergence of banking in India came in the 18th century with the existence of General Bank of India. Then the Bank of Hindustan was formed, but these two banks are now obsolete. Thereafter, the Indian government set up three presidency banks in India, they are Bank of Bengal, Bank of Bombay, and Bank of Madras in the year 1809, 1840 and 1843 respectively. Subsequently, these three banks were merged together and named as Imperial Bank of India (IBI). Now it is known as State Bank of India (SBI). The first wholly owned Indian bank was Allahabad Bank, it started its operation in the year

1865. The market expanded with the formation of banks like Punjab National Bank and Bank of India in the year 1906. In India all Banking rules and regulations are encircled by RBI. It is so called as Banker's Bank. In the year 1935, the Reserve Bank of India (RBI) lawfully took the responsibility of regulating the Indian Banking Sector. In 1947, the Reserve Bank was nationalised and given the varied powers. Hasty improvement of technology has underwritten to substantial decrease in transaction cost, it enabled greater divergence of the portfolio and upgrades in credit distribution of banks. In spite of exemplary progress, serious problem have emerged reflecting decline in productivity, efficiency and disintegration of the productivity of the banking sector. To overcome this problem, the Government setup Narasimham Committee under the chairmanship of M. Narasimham to investigate the issues and recommend solutions to boost the strength of financial system in India.

ORIGIN OF RRBS AND THE BANK

Regional Rural banks (RRBs) in India were established by Government of India, under provisions of RRBs Act 1976, enacted by the Indian Parliament. The objective of setting up of these special categories of Banks is to cater to the basic banking needs of unbanked rural people and to contribute for the development of rural economy and prosperity of the region and employment generation. RRBs have now become an integral part of the Indian Banking System. RRBs like public sector banks, are established by government of India and are the schedule banks, notified by Reserve Bank of India.

RRBs are jointly owned by Government of India (GOI), Sponsor Bank and the concerned State Government and with share proportion 50%,35% & 15% respectively.

The Government of India, with a view to improve the operational viability and efficiency of RRBs, initiated the process of Structural Consolidation by amalgamating RRBS. The amalgamated RRBs were expected to provide better customer service with improved infrastructure, computerization, pooling of experience workforce, common publicity and marketing efforts etc. The amalgamation intended to reap benefits of large area of operation, enhance credit exposure limits, undertaking diverse banking activities and ultimately achieving synergy and economies of scale.

The Government of India vide Gazette Notification No. 852 dated 22.02.2019 has notified amalgamation of Pragathi Krishna Gramin Bank (PKGB) sponsored by Canara bank and Kaveri Grameena Bank (KGB) sponsored by State Bank of India and formed new RRB called "**Karnataka Gramin Bank**". Accordingly, the new Bank - "**Karnataka Gramin Bank**" has come into existence w.e.f 01.04.2019 with its head office at Ballari, under the Sponsorship of **Canara bank**.

The major functions of RRB's are as follows:

- Expanding banking facilities to rural and semi-urban areas.
- Encouraging the habit of saving between rural and semi-urban populations.
- By charging a lower interest rate, the Regional Rural Banks reduce the cost of credit in the rural areas.
- They grant loans and advances to small farmers as well as agricultural laborers so that they can start their own agrobusiness activities, which includes acquisition of land-dwelling, seeds and fertilizers etc.

Year - event

- 2012 - The Bank was established as 'Kaveri Grameena Bank', on 1 November.
- 2014 - Bank has recorded a growth rate of 36.52 per cent during 13-14.
- 2014 - Bank launches financial inclusion scheme.
- 2014 - Bank opens four branches in Mandya district.
- 2015 - The Kaveri Grameena Bank has enrolled over 48,000 subscribers for the PMSBY in Mysore.
- 2015 - Kaveri Grameena Bank has enrolled 1,01,104 subscribers to the insurance schemes underlining the popularity of the social security schemes in rural areas.
- 2015 - The Kaveri Grameena Bank plans to extend internet and mobile banking services to its customers.

- 2019 the kaveri Grameena bank amalgamated with Pragathi Krishna Gramin Bank (Sponsor Bank - Canara Bank) and Kaveri Grameena Bank (Sponsor Bank - State Bank of India) are being amalgamated and the name of new entity is Karnataka Gramin Bank (Sponsor Bank - Canara Bank). The effective date of amalgamation is 01-04-2019.

COVID - 19 Package:

RBI has issued guidelines on COVID - 19 Regulatory package under which, the bank has granted moratorium of 6 months on the payment of all the installments and /or interested as applicable falling due between 01.03.2020 and 31.08.2020. all such accounts where the moratorium is granted the asset classification shall remain stand still during the moratorium period. The assets classification as on 31.03.2020. has been retained based on the overdue status as at 29.02.2020, as per RBI guidelines and Bank has not considered slippages from 31.03.2020. in line with the requirement the Bank hold necessary provisions as on 31.03.2020 against the assets where the asset classification benefit has been extended on account of standstill requirements.

REVIEW OF LITERATURE:

The present research is an attempt to study make deep into, micro finance impact on Rural Development. It is necessary to examine and analyse the methods and tools used to improve the situation in view of rural development in Bengaluru District.

Dr. Roopali Patil, Dr. Vani Kamath (2017) in their article an attempt has been made to highlight the impact of micro finance on rural development with special reference to Gulbarga Division of Karnataka state. They mainly concentrate on how micro finance has contributed to eradicate the poverty in this division. This paper also throws light on how micro finance service for rural development through grameena Bank in Magadi taluk

Dr. B N Harisha (2018), describes, primary cooperative Agricultural and Rural development banks are playing an important role in meeting the credit requirements of the rural populations. Present study makes an attempt to analyses the growth of these banks in Karnataka over a period of five years (2010 to 2015). The study revealed that although there is an increase in this paper deals with the Demand Collection and Balance Share capital Membership that particularly so overall in this various dimension on of working PCARDBs in Karnataka. Karnataka state is the 6th largest state in India. When compared to other state in recent years. Financial activities and banking sector reforms is very well. It may be stated that PCARD Banks have made a commendable progress in quantitative terms that is loans recovery over the years but they are suffering from high over dues due to poor recovery and heavy accumulated losses. The need of the hour is to increase the recovery to improve the financial strength of the banks and to render good services to rural people. In a country like India.

STATEMENT OF THE PROBLEM

The above review of literature indicates that most of the studies dealt with the aspects of women empowerment through micro finance, SHGs linkages. Micro finance of Gramin Bank shows rural development results by using different tools and techniques. Now a day's farmers are facing various problems relating to their farming activities and losses of crops due to various factors. The statement of the problem is stated that understanding the awareness of farmers and the developmental activities in rural households are very difficult. The peoples who are in rural backward are generally illiterate and they were not much aware of micro finance inclusions available for them. As compared to other lending financial institutions, micro finance institutions are very easy to access and the procedures required to get financial assistance like loans and advances, subsidies, grants etc

OBJECTIVES

- To know the impact of micro financial services initiatives on Agriculture and Rural development of Solur division.

- To assess the satisfaction level of microfinance clients for Microfinance services offered by Karnataka Gramin bank. In Solur Division.
- To throw light on role played by Micro Financial Institutions in improving standard of living of rural people of Solur division.

RESEARCH METHODOLOGY

The study is based on sample survey method. Data which are gathering from primary data through the questionnaire about the respondent knowledge, attitude, awareness and satisfactory level of farmers towards micro finance inclusion. Respondents are to be selected randomly irrespective of age, education and income level of Ramanagara district. Both primary and secondary data are taken into consideration for the conducting the research.

SOURCES OF DATA

Primary data:

- Data observed or collected directly from first-hand experience for a specific purpose is called primary data. The study is basically dependent on primary data. The required primary data will be collected by means of a questionnaire provided to Solur division.

Secondary data:

- Secondary data is the data which have been already collected by and readily available from other sources. The secondary data which are collected from the national and international e-journals, research articles, books and reports published by RBI, NABARD, and Newspapers etc. conducted through Primary Data.

DATA COLLECTION INSTRUMENTS

By using Statistical methods, charts, tables, graphs, and diagrams in the study data has been analyzed. Especially for getting accurate and proper result to provides better services through micro finance inclusions and take corrective actions for the increased number of developmental programs in agriculture and rural households.

SAMPLE DESIGN

Sample Size:

Sample size of 70 respondent in solur Magadi taluk have been taken for the study to meet the requirements and administered the questionnaire to the respondents to obtain the information.

Sample Technique:

Simple random sampling method is the sample technique used to collect the information.

Analysis of Data:

Data are subjected to statistical analysis such as descriptive statistical and frequency distribution. This is applicable to mainly categorized data. And planned to use percentages to analyze the data.

LIMITATIONS OF THE STUDY

This study is only concentrating on agriculture & rural development not for the other activities.

- ❖ The sample size of only 70 respondents are not much sufficient to statistical validating.
- ❖ Limited period of the time, methods and tools are used for conducting research.

These study bounds only to the limited geographical area Bangalore Rural solur. The time of the study is limited being study conducted within a span of 4-6 months.

Analysis of Data :-

Data are subjected to statistical analysis such as descriptive statistical and frequency distribution. This is applicable to mainly categorized data. And planned to use percentages to analyze the data.

Type of business report that uses qualitative and quantitative company data to analyze as well as evaluate a business strategy or process while empowering employees to make data-driven decisions based on evidence and analytics. Data Analysis is the method of steadily making use of numerical and/or logical strategies to label and demonstrate, shorten and review, and evaluate information. A critical aspect of ensuring information integrity is the correct and suitable appraisal of research findings. It is -the main important part of any studies. Data evaluation summarizes the collected data. It includes the translation of statistics accumulated through using analytical and logical reasoning to decide patterns, relationships, or developments.

Showing the gender wise classification of respondents

Particulars	No.of Respondents	Percentage
Male	15	21%
Female	55	79%
Total	70	100%

portrays that gender wise classification of respondents, it inferred that out of 70 sample respondents 55 (79%) of them were Female respondents ,15 (21%) of them were Male respondents respectively.it shows that male people also choose the Micro Finance activities for the sake of their livelihood.

Table Showing the age wise classification of respondents

Particulars	No.of Respondents	Percentage
20 – 30 years	55	78 %
30 – 50 years	10	14 %
50 above	5	8%
Total	70	100%

Analysis:

Table portrays that age wise classification of respondents, it inferred that out of 70 sample respondents 55 (78%) of them were 20-30 years respondents, 10 (14%) of them were 30-50 years respondents, 5 (8%) of them were 50 above respondents respectively.

Table : Showing the marital status of respondents

Particulars	Respondents	Percentage
Married	55	78%
Unmarried	15	22%
Total	70	100%

Analysis:

Table shows that the marital status of sample respondents, it interfered that out of 70 respondents 55(78%) were married group and remaining 15(22%) were fall under unmarried group.it inferred that major of the people were in married group, it shows that married people are usually responsible when compare to unmarried people, so they were doing Micro Finance activities for the sake of their family.

Table Showing the Education level of respondents

Particulars	Respondents	Percentage
SSLC	49	73%
PUC	12	15%
Graduation and above	9	12%
Total	70	100%

Analysis:

Table shows that education qualification of sample respondents, it inferred that out of 70 respondents 49(73%) of them were completed their SSLC, 12(15%) respondents were completed their PUC and remaining 9(12%) were completed their Degree respectively. It shows that due to lack of education it creates unemployment so that these peoples choose Micro Finance activities for earning money and the sake of their livelihood.

Table Showing the Monthly income of respondents

Particulars	Respondents	Percentage
Below 10000	15	21%
10000 - 20000	25	35%
20000 - 50000	20	29%
50000 Above	10	15%
Total	70	100%

Analysis:

Table shows that monthly incomes of sample respondents, it inferred that out of 70 respondents 15(21%) of them were earning below 10000 monthly , 25(35%) respondents of them were earning 10000 - 20000 monthly , 20(29%) respondents of them were earning 20000 - 50000 monthly and here we have majority of 10000 - 20000 monthly income people are interested in Micro Finance activities and remaining 10(15%) were 50000 above respectively,it inferred that majority 35 % peoples were basically earning 10000 - 20000 income monthly, it shows that these peoples are choose Micro Finance activities for the sake of their livelihood and they come to know about various activities involved in the Micro Finance

Table showing the bank account in which bank of respondents

Particulars	Respondents	Percentage
Nationalized Bank	30	42%
Co-operative Bank	10	14%
Kaveri Grameena Bank	25	38%
Others	5	6%

Analysis:

Table shows that bank account in which bank of sample respondents, it inferred that out of 70 respondents 30(42%) of them were having account in nationalized bank , 10(14%) respondents of them were earning 10000 – 20000 monthly , 20(29%) respondents of them were earning 20000 – 50000 monthly and here we have majority of 10000 – 20000 monthly income people are interested in Micro Finance activities and remaining 10(15%) were 50000 above respectively.It shows that these peoples are also having some of the awareness about Kaveri Grameena Bank and choose Micro Finance activities for the sake of their livelihood and they come to know about various activities involved in the Micro Finance

Table Showing the types of accounts of respondents

Particular	Respondent	Percentage
Savings Account	47	86%
Current Account	13	10%
Other	10	4%
Total	70	100%

Analysis:

Table shows that types account in bank of sample respondents, it inferred that out of 70 respondents 47(86%) of them were having savings account , 13(10%) respondents of them were having current account, 10(4%) and here we have majority of savings account people are interested in Micro Finance activities and remaining 10(15%) were other account which are not specified above respectively.It inferred that majority 86 % peoples were basically having savings accounts in bank , it shows that these peoples are choose Micro Finance activities for the sake of their livelihood and they come to know about various activities involved in the Micro Finance.

Table showing the any loan taken by respondents

Particulars	Respondent	Percentage
Yes	28	40%
No	42	60%
Total	70	100%

Analysis:

Table shows that any loan taken by sample respondents, it inferred that out of 70 respondents 28(40%) of them were taken loan , remaining 42(60%) respondents of them were not taken any loan and here we have majority of NO who are not taken any loan in Micro Finance activities specified above respectively. It inferred that majority 60 % peoples were basically not taken any loan, it shows that these peoples are aware of these process which involved Micro Finance activities for the sake of their livelihood and if they implement this type of activities and then they come to know about various activities involved in the Micro Finance.

Table Showing the for which purpose of loan borrowed by respondents

Particulars	Respondent	Percentage
Poultry Farming	30	42%
Agriculture	25	38%
Income generating activites	5	6%
Any other	10	14%
Total	70	100%

Analysis:

Table shows the purpose of loan borrowed from the micro finance institution by the sample respondents. It infers that out of 70 respondents, 30(42%) of them are borrowed for poultry farming activities, 25(38%) respondent are for agriculture activites , 5(6%) respondent are for income generating activities and remaining 10(14%) respondent are for any other related activities like asset building, emergencies, children's education etc respectively.

Table showing the amount borrowed by the respondents from MFI's.

Particulars	Respondent	Percentage
Below 50000	20	28%
50000 – 100000	15	22%
100000 – 200000	30	43 %
200000 Above	5	7%
Total	70	100%

Analysis:

Table portrays that the amount borrowed by sample respondents. Out of 70 respondents 20(28%) of them borrow below 50,000, 15(22%) of respondents were borrow 50000 - 1,00,000, 30(43%) of respondents were taken upto 1,00,000 – 2,00,000 and remaining 5(7%) people were borrowing more than 2,00,000 respectively. After analysing the table, we can know that 43% of respondents borrow the loan up to 1,00,000 – 2,00,000 and 28% of them borrow below 50,000 , 22% of them borrowed 50,000 – 1,00,000 and 7 % of them borrowed above 2,00,000 respectively.

Table Showing the number of respondents satisfied with the activities of MFI's

Particulars	Respondent	Percentage
Yes	50	75%
No	20	25%
Total	70	100%

Table portrays the number of respondents who are satisfied with the activities rendered by the micro finance institution. Out of 70 respondents, 50(75%) of them were satisfied and the remaining 20(25%) of respondents were not satisfies with the MFI's respectively.It inferred that the Government have taking correct initiatives to promote rural backward people and helps the, to mitigates their farm risks which leads to Increase in self Confidence, increase in income & standard of living, Increase in the education level of children & status in society.

Table Showing the sources of information about the MFI's

Particulars	Respondent	Percentage
Media	20	28%
Family and relatives	30	42%
MFI's staff	15	26%
Others	5	4%
Total	70	100%

Analysis:

Table portrays that where the sample respondents got information about MFI's facilities. It shows that out of 70 respondents, 20(28%) of them were got information from the medias, 30(42%) of respondents were received information from friends & relatives, 15(26%) of them were got information through MFI's Staffs and remaining 5(4%) respondents were informed by other sources of information. It shows that beneficiaries play a vital role in promoting farmers in rural areas by providing information regarding MFI's facilities.

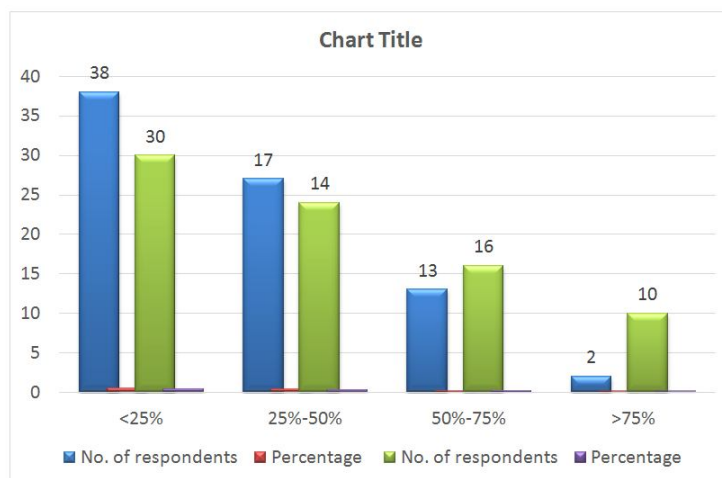
Table showing the increase in the income level (monetary benefits) before and after joining MFI's

Particulars	Before		After	
	No. of respondents	Percentage	No. of respondents	Percentage
< 25%	38	48%	30	38%
25% - 50%	17	34%	14	30%
50% - 75%	13	16%	16	20%
> 75%	2	2%	10	12%
TOTAL	70	100%	70	100%

Analysis:

Table represents the income level of the respondents before and after joining MFI's. it inferred that sample size of 70 respondents, 38(48%) of them got increases in their income level less than 25% before joining MFI's as compared to 30(38%) of them after joining MFI's, 17(34%) before joining as compared to 14(30%) of respondent got 25-50%,13(16%) of respondents before as compared to 16(20%) of respondents got 56%-75% and the remaining 10(12%) of them were got more than 75% in increased income level as compared to 2(2%) respondents before joining MFI's respectively.

Showing the increase in the income (monetary benefits) level before and after joining MFI's



that majority of respondent's gain <25% increases in their income level i.e., 38% before joining MFI's as compared to 30% after joining MFI's, 10% of respondent who got more than 75% increases in their income level after joining MFI's as compared to 2% of respondents got >75%.

FINDINGS

- It is found that, the majority of respondents belongs to the 20-30 year age group. It shows that these people are more interested in micro finance activities.
- The majority of respondents 78% were belongs to the married category. Usually married people were responsible when compare to unmarried people. So, they were depending upon micro finance activities for the sake of their family.
- It is found that, majority of respondents were belonging to the SSLC i.e., 73%. It is shows that due to lack of education it creates unemployment so that people choose the micro finance activities for the sake of their livelihood.
- The majority of respondents i.e., 35% were belongs to 10000 - 20000 monthly income earning group. It shows that micro finance is the risky activity that's why they earn less income compared to salaried people.
- It is found that the majority of inferred that majority 42% respondents were basically having their account in nationalized bank. it shows that these peoples are also having some of the awareness and choose Micro Finance activities for the sake of their livelihood and they come to know about various activities involved in the Micro Finance.
- The majority of respondents i.e., it inferred that 86 % respondents were basically having savings accounts in bank , it shows that these peoples are choose Micro Finance activities for the sake of their livelihood.
- It is found that it inferred that majority 60 % peoples were basically not taken any loan, it shows that these peoples are aware of these process which involved Micro Finance activities for the sake of their livelihood and if they implement this type of activites and then they come to know about various activities involved in the Micro Finance.
- It is found that 75% of respondents were fully satisfied with the MFI's activities and 25% of them were dissatisfied.
- It is found that, majority of 42% respondents got information about MFI's by friends & relatives. beneficiaries plays vital role in rural area to promoting micro finance activites.

- The majority of respondents i.e., 48% have got less than 25% increase in their income level, and 2% respondents got more than 75% increase in their income earning level.
- It is found that, after joining MFI's majority of 26% respondents income & standard of living is increased, 29% respondents children's education got increases and self-confidents of 16% respondents also increased.
- It is found that the most of respondents 30% were joining MFI's because it provides loans and advances women empowerment to low income people and offers incentives programmes.
- We can say that micro finance institutions play a major role in the development of micro finance activities.

SUGGESTIONS

This present study shown certain suggestions, the implementation of initiative programmes, it leads to greater acceptance of MFI's activities by the farmers and agriculture peoples of rural area. These suggestions will help made improve MFI's performance towards rural development as well as in the micro finance activities.

CONCLUSION:

This study provides the loans and advance facility to the farmers to mitigate the financial risk. Microfinances were not working in the field of saving and credit but also providing the skill-based income generating activities to uplift the economic status of people. The importance of microfinance was felt more in rural areas than the urban areas because of the less infrastructural development in in the former.

Based on data analysis and interpretation that mention the study can be concluded that the responses from the beneficiary farmers, the effective utilization of micro finance institution is better when compared to money lenders or other financial institution, rate of interest is also less as compared to other sources of finance for the farmers. Microfinance has become a very accepted and popularly used tool to eradicate poverty. This study illustrates that micro finance has a great impact on poverty reduction. The borrower should use properly the obtained loan and the microfinance institutions also should have appropriate policy and implication to have a role more on poverty reduction.

Microfinance It would be ideal to enhance the creditworthiness of the poor and to make them more "bankable" can contribute to solving the problem of inadequate housing and urban services as an integral part of poverty alleviation programs.

At last it can be concluded that, financial incentives provided by the MFI's are become easy access to the farmers now a days because of its initiatives taken by the staffs of MFI's and also with the help of Government. Microfinance can contribute to solving the problem of inadequate housing and urban services It would be ideal to enhance the creditworthiness of the poor and to make them more "bankable". as an integral part of poverty alleviation programs.

Micro finance has been proved to be an important tool in the development process empowering the rural poor women educationally , socio-economically and politically. Impact of micro-finance is appreciable in bringing confidence , courage , skill development and empowerment among rural poor women.

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