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IMPACT OF MICRO FINANCE ON AGRICULTURE AND RURAL DEVELOPMENT WITH SPECIAL REFERENCE TO PCA AND RD BANK LTD.

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ABSTRACT:

The present study is conducted with primary objective to analyse micro finance on agriculture and rural development, micro finance is a Category of Financial Services targeting individual and small business who has insufficient access to conventional banking and related facilities. Microfinance refers to the delivery of various financial services like investments, micro credit, money transfers, micro insurance etc. in surmount for the poor to allow them to boost their income levels and promote living. In India, microfinance began in the private sector in 1921 with the formation of Syndicate Bank. In its first years, the Syndicate Bank concentrated on raising micro deposits in the form of daily/weekly basis and approved micro loans to its clients for shorter periods. The Goal of Micro Finance is to ultimately provide impoverished people a chance to become self-sufficient. This study is mainly formulated on primary data. The purpose of the study is to examine the role of micro finance in the empowerment of rural people and the awareness of financial inclusion in Bangalore rural dist. Today the MFIs want the government to empower them for mobilizing savings with growing demand for rural finance, and the shortcomings of formal sources. However, in light of recent experiences and the need for qualitative growth, we believe that MFIs should be administered more carefully in terms of money, technology, and social responsibility.

KEYWORDS: *Micro finance, Rural development*

INTRODUCTION:

Microfinance is the provision of financial services to low-income clients or solidarity financing organisations, such as consumers and small business owners, who have historically had limited access to banking and financial services. It is not just about giving micro credit to the poor rather it is an economic development tool whose goal is to help poor to work their way out of poverty. It covers a great variety of services like credit, savings, insurance, remittance and also non-financial facilities like training, counseling etc.

Over the last few decades, the microfinance industry has grown at a rapid pace. **Nobel Laureate Muhammad Yunus** is credited with laying the core of the modern MFIs with establishment of **Grameen Bank, Bangladesh in 1976**. Today it has emerged into a vibrant industry exhibiting a range of business models.

In India, microfinance institutions (MFIs) come in the form of NGOs (registered as societies or trusts), Section 25 companies, and Non-Banking Financial Companies (NBFCs). Commercial Banks, Regional Rural Banks (RRBs), cooperative societies and other huge financiers have played an important part in providing refinance facility to MFIs. Self-Help Groups (SHGs) have also been used by banks to give direct loans to group borrowers.

MEANING OF MICROFINANCE

Microfinance is an approach in which loans, credit, insurance, access to savings accounts, and money transfers are granted to small business holders and entrepreneurs in the impoverished parts of India. The recipients of microfinance are those who do not have reach to these traditional financial resources. Interest rates on microloans are usually higher than that on traditional personal loans. Reserve bank of India staes NBFC-MFI as a non-deposit taking NBFC (other than a company licensed under Section 25 of the Indian Companies Act, 1956) with Minimum Net Owned Funds of Rs.5 crore (for NBFC-MFIs registered in the North Eastern Region of the country, it will be Rs. 2 crore) and having not less than 85% of its net assets as “qualifying assets”. Final goal of microfinance is to give low income people an possibility to become self-sufficient by providing a means of saving money, borrowing money and insurance.

SALIENT FEATURES OF MICROFINANCE

Some of the prominent features of microfinance are as follows:

- The borrowers are usually from low income families.
- Loans availed under microfinance are generally of small amount, i.e., micro loans
- The loan duration is short
- Microfinance loans do not need any collateral
- These loans are generally repaid at higher frequencies
- The goal of most microfinance loans is income generation

IMPORTANCE OF MICROFINANCE

Nearly half of the population of our country does not have a basic savings account. However, this segment involves financial services so that their expectations such as building of assets and protection against risk can be satisfied.

Microfinance provides access to capital for individuals who are financially deprived. These groups would have resorted to borrowing money from friends or family members if microfinance organisations had not provided loans to them. The chance of them choosing for fast cash loans or payday advances (that bear huge interest rates) are also high.

Microfinance assists these groups invest intelligently in their businesses, and hence, is in alignment with the government's vision of financial inclusion in the country.

Highlights

- Microloans in the range of Rs.20,000 – Rs.30,000 are availed the most in India. However, the category of loans in the range of Rs.30,000 - Rs.40,000 saw a growth of 56% between Q3 FY18 and Q3 FY19. ,
- The microfinance industry has registered a climb of 44% YoY as on 31 March 2019. (As per CRIF High Mark Report)

STATEMENT OF THE PROBLEM

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 OF THE STUDY

- To know the impact of micro financial services initiatives on Agriculture and Rural development of Bangalore rural division.
- To know whether there is need for microfinance initiatives in Bangalore rural Division.
- To assess the satisfaction level of microfinance clients for Microfinance services offered by PCARD Bank Ltd. in Bangalore rural Division.
- To identify whether the Micro financial services initiatives are dependent of the interest and financial conditions of rural people.
- To throw light on role played by Micro Financial institutions in Improving standard of living of rural people of Bangalore rural division.

SCOPE OF THE STUDY

- To know about how microfinance playing effective role in the economy.
- This study is limited to the microfinance activities of Primary co-operative agriculture & rural development bank located at Bangalore rural dist.
- This study is concentrating about problems associated with micro credits in developing the

countries.

REVIEW OF LITERATURE

- **Otilia MANTA (2016),** in his article "THE ROLE OF MICROFINANCE IN SUSTAINABLE RURAL DEVELOPMENT" describes the real problem, that of economic and social gap between the welfare of the rural population in developed European countries and in Romania. Rural areas, as reported by the EU Rural Review, are estimated to generate 48% of the gross value of the EU economy and 56% of total employment in the Member States. A typique future is the presence of the rural economy small and medium enterprises (SMEs), many of which are micro-enterprises with a high percentage of self-employment jobs. Agriculture policies, like policies in other industries, place a premium on a fair distribution of investment to agricultural production and productivity. The capital required to establish such institutions should be provided by the government in the form of financial contributions that will be repaid on time. Another very important aspect is to create innovative models of microfinance and continuous training of human capital involved in providing financial services in rural areas and in the financial education of those accessing microcredit. To achieve this goal of establishing an innovative and coherent rural microfinance system, it would be preferable to start with what worked well in the credit system in Romania during the interwar period, particularly the innovative models currently in use in some EU countries, and develop our own innovative microcredit models.
- **Chandra Prasad Dhakal & Prof. Dr. Govinda Nepal (2016),** concluded in their work "CONTRIBUTION OF MICRO-FINANCE ON SOCIO-ECONOMIC DEVELOPMENT OF RURAL COMMUNITY", microfinance institutions are established to promote the financial activities mainly saving and credit in community. The goal of the research was to determine the impact of microfinance on the socioeconomic development of rural communities. The research used a quantitative approach. The 8 microfinances in Syangja district provided cross-sectional data. The respondents were chosen using a purposeful sampling strategy. There was a need to improve the internal management of microfinance to provide the services more effectively. Microfinance institutions are developed with the common purpose of contributing in the socioeconomic changes of community & 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. Microfinance operations are more effective in reducing poverty levels, encouraging people to save and credit, as well as promoting business activities by giving load facilities. Microfinance institutions accepted that they charged higher interest rates than the other banking institutions because of its own sustainability strategy. It was necessary to monitor the microfinance activities from the government to strengthen the capacity of management and promote the effectiveness of communities' services.
- **Isabelle Musanganya, Chantal Nyinawumuntu, Pauline Nyirahagenimana (2017),** prescribed in their article "THE IMPACT OF MICROFINANCE BANKS IN RURAL AREAS OF SUBSAHARAN AFRICA" as many researchers consider microfinance as a tool for poverty

reduction. In various Sub-Saharan African nations, comparing microfinance lending versus regular bank lending and examining the consequences on economic growth has been done. Microfinance loans, as compared to commercial banks, boost growth, according to recent research. The rise in microfinance over the last decade has led different researchers to compare the macroeconomic effects of microfinance with those of traditional banks. Macroeconomic indicators: economic growth and investment were used in this regard. The credit generating aspect of microfinance banks appears to be more important in raising growth than is microfinance banks role of deposit taking. Second, though bank lending does not show strong evidence of a growth effect in some Sub-Sahara Africa, it does show some evidence of an investment effect, contrary to microfinance. Thus, bank credits may have a stronger impact in spurring investment than microfinance. The implication is that microfinance loans may augment growth in other ways than by increasing physical capital. These facts reviewed provided added weight to arguments supporting the promotion of microfinance in developing countries. We can emphasize again, however, that microfinance should not be considered as a panacea to spurring growth given the fact that the economic magnitude of their effect is small.

- **Dr. Roopali Patil, Dr. Vani Kamath (2017),** in their article **"**IMPACT OF MICROFINANCE ON RURAL DEVELOPMENT" (WITH SPECIAL REFERENCE TO GULBARGA DIVISION OF KARNATAKA STATE", with special reference to the Gulbarga division of Karnataka state, an attempt has been made to illustrate the influence of microfinance on rural development. They mainly concentrate on how microfinance institutions have contributed to the improvement of standard of living of people in Gulbarga division. It also highlights the importance of more microfinance projects in the Gulbarga division. This article also discusses how the interest rate, degree of satisfaction, and financial situation of rural people in Gulbarga division affect micro financial services. There are six major MFIs operating actively in the district by providing credit to rural people. To summarise, the whole analysis shows that microfinance operations have a considerable impact on improving the family's living quality, not only in economic terms but also in social terms. Microfinance operations have a noticeable and positive impact on the living standards, empowerment, and poverty reduction of the disadvantaged in society. There are MFIs currently serving the poor in the area, and they offer the regulator a good alternative for expanding Gulbarga's financial inclusion initiatives. A place like Gulbarga which is the less developed districts of the country is a big task to the microfinance model to revolutionize on multiple fronts including products, processes and technologies.
- **Dr. B N Harisha (2018),** in his work **"**PERFORMANCE OF PRIMARY CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS IN KARNATAKA" describes, Primary cooperative Agricultural and Rural development banks are playing an important role in meeting the credit requirements of the rural population. Present study makes an attempt to analyses the growth of these banks in Karnataka over a period of five years (2010 to 2015). Although there is an increase in this paper's demand collection and balance share capital membership, the study found that this is particularly true in this diverse dimension on the working PCARDBs in Karnataka. Karnataka is India's sixth most populous state. 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. In a country like India, it is critical to boost recovery in order to restore bank financial strength and provide effective services to rural people.

- **Mr. Gopalakrishna K & Dr. Pramod Gomchkar (2018),** in their article **"**IMPACT OF PRIMARY CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANK CREDIT ON SOCIO- ECONOMIC DEVELOPMENT OF FARMERS A STUDY WITH REFERENCE TO SOUTH CANARA DISTRICT OF KARNATAKA" examine the importance of Agricultural development is stressed on the ground that 'a sustained growth rate in Agricultural output is not only a strong anti-inflationary force, but also makes a favorable impact on income growth. A primary co-operative agriculture and rural development bank is established in each Taluk to address the farmers' long- and short-term financial needs. Farmers can get loans from these banks for both agricultural and non-agricultural purposes. This financing enables farmers to increase farm output by utilising contemporary agricultural technology. This adds to the expansion of farm credit. In this paper an attempt is made to explain the impact of primary co-operative Agriculture and rural development Bank credit on socio-economic development of farmers. It is found that, the PCARD Banks are rendering yeoman service to the farming community and contributing towards the socio-economic development of the rural farming community. At the same time, it should be emphasised that they have a significant number of nonperforming assets (NPA), resulting in significant compounded losses. But the important thing is measures should be taken to enhance the financial position of PCARD Banks in order to provide better service to the farmers.
- **Arman Hossen , Md. Rubel Miah , Roksana Aftab Ruhi (2019),** in his article – "CONTRIBUTION OF MICRO FINANCE ON POVERTY ALLEVIATION IN BANGLADESH" concluded that Poverty exists through the world as a curse and a big trouble in the way of development. Poverty is defined as a situation in which people are deprived of their basic requirements such as food, clothing, shelter, education, treatment, and so on. Market dynamics, as well as deliberate initiatives by national governments, non-governmental organisations (NGOs), and funders that see microfinance as an efficient tool for reducing poverty, have aided the steady rise of the micro finance interested parties. It demonstrates that, in practise, microcredit can be regarded a successful strategy for reducing poverty in developing nations such as Bangladesh. To be more ensure that how much and how the microcredit really reduces poverty. Microfinance has become a very accepted and popularly used tool to eradicate poverty in developing countries like Bangladesh. In rural area the living standard of people lying below poverty level. This study has been carried out to evaluate and examine as how much the microfinance can change the socio-economic condition of rural people & also examines the formation of small capital by households from microfinance institutions. This study illustrates that micro finance has a great impact on poverty reduction. The borrower must make correct use of the loan, and microfinance organisations must have acceptable policies and implications in order to play a larger part in poverty reduction.

SWOT ANALYSIS OF MICRO FINANCE

Strengths

- Reliable business model.
- Helped in the reduction of poverty.
- Encourage investors wishing to broaden their portfolios and lessen their risks.
- Consumer protection, openness, and governance are all priorities.
- Strong support from banks and NGOs wo are able to access bulk funds for on lending.
- Huge networking available.
- SHG bank linkages widely adopted approach involving bank, NGOs and poor.

Weaknesses

- Interest rates are higher than those charged on traditional bank loans.
- Expensive transactions.
- Large segment is still unattended due to lack of access.
- Many poor still prefer informal providers (Local Zamindars, Chit funds) of finance which charge at a high interest rate.
- MFIs targets Women.
- Many places in states such Uttar Pradesh, Bihar, Madhya Pradesh are under served.
- Loan fatigue is not well regulated, resulting in poor recuperation and politicisation.

Opportunities

- Huge demand and supply gap.
- Huge potential and heavy need for this market.
- Inclusion of innovative models and initiatives.
- Employment opportunity
- Chance for Pvt. Banks, NBFCs, Foreign Banks to get in this business segment.

Threats

- A global financial storm is brewing.
- Concerns about regulatory uncertainty arose.
- There is fierce rivalry.
- Central bank policies and processes that may put poor individuals at a disadvantage.
- Credit risk, operational risk, strategic risk, liquidity risk, market risk, fraud and legal risk, reputation risk, and external business risk are all hazards that MFIs face.

CHANNELS OF MICRO FINANCE

Microfinance in India, operates through two channels:

- SHG – Bank Linkage Programme (SBLP)

- Micro Finance Institutions (MFIs)

SHG – BANK LINKAGE PROGRAMME

This is the bank-led microfinance channel which was established by NABARD in 1992. Under the SHG model the members, generally women in villages are influenced to form groups of around 10-15. The members bestow their savings in the group regularly and from these savings small loans are offered to the members. In the later period these SHGs are provided with bank loans generally for income generation goal.

The group's members meet regularly when the new savings come in, return of past loans are made from the members and also new loans are paid. This model has been very much successful in the past and with time it is becoming more favoured. The SHGs are self-sustaining and once the group becomes secure it starts working on its own with some support from NGOs and institutions like NABARD and SIDBI.

MICRO FINANCE INSTITUTIONS

Those institutions which have microfinance as their main activity are known as micro finance institutions. A number of organizations with diversifies size and legal forms offer microfinance service. These institutions lend through the idea of Joint Liability Group (JLG).

A JLG is an informal group involving 5 to 10 individual members who come jointly for the pobjective of availing bank loans either individually or through the group mechanism against a mutual guarantee. The cause of existence of separate institutions i.e. MFIs for offering microfinance are as follows:

- High transaction costs – microcredits typically fall below the break-even point for banks making loans.
- Lack of collateral – the impoverished are rarely in a position to give collateral to receive credit.
- Loans are usually accepted for extremely brief periods of time.
- A higher rate of default and a higher frequency of instalment repayment

ROLE OF MICROFINANCE INSTITUTIONS (MFIS)

The following organisations provide microfinance services:

- Cooperatives and rural banks are examples of formal institutions.
- Non-government organisations, or semiformal institutions
- Informal sources, such as small-scale lenders and shops

Microfinance services supplied by formal and semiformal institutions are referred to as institutional microfinance.

A microfinance institution is a financial institution that specialises in providing banking services to low-income individuals and groups. These organisations obtain funds from traditional financial institutions and provide assistance to the disadvantaged. As a result, microfinance institutions are proving to be one of the most successful strategies for alleviating poverty in India.

While some MFIs are well-run and have a long track record, others are self-sufficient in terms of operations.

Microfinance is provided by a variety of institutions in India, including commercial banks, credit unions, non-governmental organisations (NGOs), government bank sectors, and cooperatives.

Microfinance institutions augment the services that banks provide. Financial services such as insurance, savings, and remittance are available in addition to microcredit. Non-financial services like as training, counselling, and assisting borrowers are also made available in the most accessible way possible.

Note that:

• The borrower receives the above-mentioned services at their leisure;

• The borrower also determines the repayment schedule;

• Interest rates charged by MFIs are typically higher than those charged by traditional banks; and

• Interest rates vary widely depending on the loan purpose and borrower history.

CONS / CRITICISM OF MICROFINANCE

Many people have recognized microfinance as a clear path to breaking the cycle of poverty, assisting marginalised people, reducing unemployment, and increasing their earning capacity. However, it has drawn criticism from some quarters, with some claiming that microfinance exacerbates poverty. The fact that some microfinance borrowers use these loans to pay off current obligations or meet basic needs bolsters these claims.

In countries like South Africa, where the bulk of microfinance loans are used for basic necessities, the situation is even worse. Borrowers are forced to take out fresh loans to repay the previous loan if they do not produce new income from it. This only serves to exacerbate the debt problem.

- Legal structure and laws
- Financial illiteracy

- Inability to create sufficient funds
- Group member dropouts and migration
- Transparent Pricing
- Cluster development - battle for market share

THOUGHT-PROVOKING FACTS ON MICROFINANCE

- In the microfinance sector around the world, mobile phones are rapidly being used as banking channels. Mobile phones have yet to gain traction as a banking channel in India's remote areas, despite their success in nations such as the United States and Kenya.
- Women are the most common microfinance borrowers around the world. The majority of these women also live in rural areas.
- When compared to other developing countries such as Bangladesh, Vietnam, and Peru, India's microfinance industry has grown at the quickest rate.
- Microfinance loans have a high percentage of repayment. This is unequivocal evidence of the concept's efficacy.

GAPS IN FINANCIAL SYSTEM AND NEED FOR MICROFINANCE

According to the World Bank's most recent data, India is home to nearly a third of the world's poor (surviving on an equivalent of one dollar a day). Microfinance is a major contributor to financial inclusion in India, despite the fact that various federal government and state government poverty alleviation programmes are now functioning. It has made a significant contribution to the eradication of poverty over the last few decades. According to reports, those who used microfinance were able to enhance their income and thus their standard of living.

About half of India's population still lacks a savings bank account and is thus unable to use any banking services. Poor people also require financial services to meet their basic needs, such as consumption, asset accumulation, and risk mitigation.

Microfinance institutions are a good complement to banks, and in some ways, they are even better. These institutions not only provide microcredit, but also other financial services such as savings, insurance, and remittance, as well as non-financial services such as individual counselling, training, and support for starting a business, all in a convenient manner.

All of these services are delivered to the borrower's doorstep, and in most circumstances, with a repayment schedule that is convenient for the borrower. All of this comes at a price, and the interest rates imposed by these institutions are higher than those offered by commercial banks, ranging from 10% to 30%.

Some argue that the interest rates imposed by some of these institutions are excessively high, while others argue that the high interest rates are fair given the cost of capital and the expense of providing the service.

CONTROVERSY ON MFIS

Over the previous five years, the Indian microfinance sector has seen enormous expansion, with institutions facing little oversight. Prudential criteria applied to some microfinance firms, but no regulations addressed loan practises, pricing, or operations. Customers became increasingly unsatisfied with microfinance services as a result of low oversight and rapid sector growth, culminating in the **Andhra Pradesh crisis in the fall of 2010**.

Microfinance institutions with exposure to Andhra Pradesh faced large losses as a result of low repayment rates. Banks across India halted lending to microfinance firms, fearing that a similar situation may arise elsewhere, causing a liquidity constraint for microfinance institutions that rely heavily on bank lending for funding. Microfinance institutions, microfinance clients, banks, investors, and local governments were all pushing for additional legislation to solve the sector's major difficulties as the sector came to a halt. The Reserve Bank of India (RBI) responded by forming the **Malegam Committee**, a sub-committee of the RBI.

The key customer concerns that contributed to the crisis were coercive collection techniques, usurious interest rates, and selling practises that resulted in over-indebtedness, which were all addressed by this group. Because the previous regulations did not address these challenges, it was unclear who should respond to them and how they should respond. This exacerbated the broader regulatory uncertainties, as well as the repayment and institutional liquidity problems that resulted. In January 2011, the Malegam Committee released their proposed regulations.

The Structure of Agriculture and Rural Development Banks

In India, there are separate structures of credit institutions for providing

- Short-term and Medium-term credit and
- Long-term credit to the farmers.

The structure of the co-operative credit institutions for short term and medium term is federal in character. Primary Agricultural Cooperative Banks (previously primary agricultural credit societies) operate at the village level and are federated at the district level into "District Central Co-operative Banks." State Co-operative Bank (Apex Bank) of each State is linked with these DCCBs. The long-term co-operative credit structure is not uniform throughout the country, although these institutions follow a consistent pattern across the country.

"The structural pattern of these banks falls into one or the other of the following four categories:

- The federal type with Central Land Development Bank at the top and primary land development bank at the base.
- The central land development bank advancing loans direct to individuals operating through

branches.

- The central land development bank operating through branches as well as primary land development banks.
- The central land development bank, operating through separate departments of central co-operative banks of the area. These separate departments are, however, being rapidly replaced by independent primary land development banks".

At present, the federal system exists in the states of Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, and Chattisgarh. In the states of Assam, Bihar, Gujarat, Jammu and Kashmir and Uttar Pradesh and in the union territories of Puducherry, Manipur and Tripura, the longterm credit structure is unitary in character. In the States of West Bengal and Himachal Pradesh, the long-term credit institutions come under mixed type with PCARDBs and branches of SCARDB. In Andhra Pradesh, the co-operative credit institutions follow an integrated structure through which short-term, medium-term and long-term credits are provided by single agency. This is known as single window credit delivery system.

In States like Tamil Nadu and Karnataka, the Primary Co-operative Land Development Banks (PCARDBs) were established at Taluk/Block level. In some States, the area of operation of primary land development banks extends to a whole district or a number of Taluks. The RBI in 1951 considered a federal structure for long-term to be the one best suited to Indian conditions. The All India Rural Credit Survey Committee was also in favour of a two-tier system.

PCARD BANKS IN KARNATAKA

The primary Co-Operative Agriculture and Rural development Banks which are functioning in Karnataka are individual autonomous bodies and members of the Karnataka State Co-Operative Agriculture and Rural Development Bank. These banks borrow funds from KSCARD Bank and lends directly to the agriculturist.

PCARD Banks offer investment finance for activities such as minor irrigation, farm mechanisation, horticulture and plantation, land development, animal husbandry, fisheries, farm forestry, and the non-farm industry. The loans are available for a variety of terms ranging from 3 to 16 years, depending on the type of investment, asset life, and borrowers' repayment capacity, and are offered at administered interest rates established by the RBI/National Bank. The current interest rate is between three and ten percent.

The PCARD Banks finance primarily farmers for development of agriculture. Since 1986, however, these banks have expanded their business to include non-farm financing. This would primarily give new economic prospects for rural residents and others. There are 177 PCARD Banks functioning in Karnataka

THE OPERATIONAL UNITS

The operational units refer to branches of SCARDBs or PCARDBs or its branches (or DCCBs as in Andra Pradesh) which are dispensing long-term credit at the grass-root level. The head office of the apex bank itself is an operational unit in case of small banks without branches or affiliated PCARDBs.

The operational units of ARDBs in India are Assam, Bihar, Chhattisgarh, Gujarat, Harayana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Pondicherry, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal.

AREA OF OPERATIONS

There is wide variation in the area of operations of Primary Co-operative Agriculture and Rural Development Banks. At some places, the PCARDBs covers a district, while in others it extends to few Taluks or Panchayat union Blocks.

"In 1951, a Reserve Bank of India bulletin pointed out that the area of operation of a primary bank should be compact so as to enable it to maintain contact with the borrowers, but at the same time it should be large enough to give primary bank sufficient business so as to make it an economic and efficient unit".

Most of the committees on rural credit suggested that the area of operation of a PCARDBs should be compact so as to have close contact with the borrowers and viability.

" The size of the primary unit, according to the Rural Credit Review Committee (1969), should be small enough to retain close contact with borrowers while yet being large enough to make the unit sustainable in terms of available and potential business. The committee suggested that the question whether the primary unit should extend over a Taluk or a sub-division consisting of two or three Taluks or an entire district with branches as units at the lowest level might be decided in each area with reference to these considerations and the circumstances".

The PCARDBs are independent primary level institutions catering to the financial requirements of the farmers and the members who want to become entrepreneurs. The branches of SCARDBs under unitary system are doing the same functions of PCARDBs.

PCARD Banks' financial resources include both owned and borrowed funds. The components of the farmers are

- Share capital
- Reserve fund and other reserves and
- Membership and other fees.

The latter consists of

- Deposits
- Borrowings from the state Co-Operative Agriculture and Rural Development Bank.
- State Government share contribution
- Grants and subsidies and
- Cash credit.
- Interest income
- Credit deployment

The agriculture economy is boosted by solid agricultural credit policies. In other words, the modern commercial farm enterprise is hinged on the sound credit policy in the sense adequate wherewithal in right time for right purpose in easy terms of repayment. The provision of agricultural credit should be aimed at:

- To raise the farmers' level of living;
- To augment the famers to adopt agricultural production and thereby strengthening farm economy;
- To encourage the farmers to adopt new agricultural techniques;
- To develop the resourcefulness of farmers

LOAN OPERATIONS

The Land Mortgage Banks had been providing loans for the redemption of land and liquidation of old debts for quite long-time. The Registrars' Conference held in 1956 prescribed the following objectives for which the banks should provide loans.

- The redemption of land and houses of the farmers,
- The improvement of lands and methods of cultivation,
- The liquidation of old debts, and
- Purchase of land.

The Central Banking Enquiry Committee accorded top priority to the redemption of land and liquidation of old debt in order to save the lands of the farmers from being sold due to heavy indebtedness. The Land Mortgage Banks reoriented their operations to production by giving priority to applications for loans for land development on the basis of the recommendations of the All India Rural Credit Survey Committee.

"The Reserve Bank of India also stressed for providing loans to productive purposes and announced that at least 80 per cent of the total loans issued by a Central Land Development Bank should be for productive purposes, if they were to be eligible for debentures support from the Reserve Bank of India, the State Bank of India and the Life Insurance Corporation".

During 1969-70, it was decided that a Land Development Bank should give 90 per cent of the loans for productive purposes and of this at least 70 per cent should be for identifiable productive purposes.

The Reserve Bank of India had made the classification of loans as given below.

A. Identifiable Productive purposes:

- Sinking of new wells.
- Constructions of new tanks to conserve water for wet cultivation.
- Boring and deepening, re-construction or repair to old wells.
- Installation of persion wheels.
- Purchase and installation of pump sets.(diesel or electrical)
- Purchase of tractors, power tillers, mechanical sprayers and other machinery and implements.
- Construction of godowns , cattle sheds, farm houses etc.
- Barbed wire and stone fencing.

B. Non-identifiable productive purposes:

- Leveling, bunding and reclamation of land.
- Soil conservation
- Construction of drainage channels to prevent flooding.
- Preparation of land for orchards, plantations etc.

C. Non-productive purposes:

- Loans for redemption of prior debts/mortgages.

- Purchase of tenancy / ownership rights
- Purchase of land
- Others

QUANTUM OF LOANS

The quantum of loans depends upon the cost involved in the developmental activity on land or purchase of agricultural machinery or the project cost in case of NFS loans.

"The Reserve Bank of India had suggested that the quantum of the loan provided loan individual should be limited to the outlay or the cost of investment on land or the machinery and equipment and should not be higher simply because the security offered by the borrower would cover a bigger loan".

Similarly, no borrower shall be allowed a period longer than necessary. The borrower's eligibility for a loan and the duration of loan are determined by the repaying capacity of the borrowers.

SECURITY AND VALUATION

The PCARDBs are disbursing long-term loans on the security of the mortgage of immovable properties. The immovable property, which is offered as security should be free from any encumbrance and the borrower of loans should have a clear title. The valuation of land offered as security for the loan is generally based on the "average sale statistics method", which takes into account fluctuations in the market price of land.

Another method of valuation is based on a certain multiple of the revenue assessment on land. In Tamil Nadu, the 'Guideline Value' computed at the Sub-Registrar's Office of the Registration Department is taken in to consideration. The revaluation of land is also done periodically to ensure adequate security (for the loan given already). The loan amount shall not exceed 50 per cent of the value of the immovable property mortgaged in case of agricultural loans. In case of NFS loans, the eligibility of loan may be determined at 50 Per cent of the value of immovable property plus the value of the asset created out of the loan and that the quantum of loan should not exceed the value of immovable property mortgaged to the bank.

RATE OF INTEREST

The rate of interest charged by the banks at the borrowers' level is not uniform. The PCARDBs charge interest by keeping a margin over the rate of interest charged by the SCARDBs. In the case of unitary type, the rate of interest would be slightly less than the rate of interest charged by PCARDBs, because the margin to be allowed to the PCARDBs is avoided. The rate of interest charged by the banks at the borrowers' level ranges from 12% to 17.50 % on agriculture and non-farm sector loans depending upon the quantum of loans.

LOAN PROCEDURE

Generally, the PCARDBs take long-time in the sanctioning of loans. Long duration of advances involves examination of documents of title of the borrowers to the property by scrutinizing titles, encumbrances etc. The PCARDBs are authorized to sanction agriculture loans up to a maximum of Rs.2 lakhs, beyond which the SCARDBs sanction the loans. In case of NFS loans, the primaries are not empowered to sanction loans. The loan applications for NFS activities are processed by the PCARDBs and sanctioned by the SCARDBs.

Allowing primary banks to sanction agriculture loans up to a certain limit is to cut delay in sanctioning loans. The SCARDBs also opened branches/ regional offices (as in Tamil Nadu) at district level to reduce delay in processing loan applications.

A member has to apply for loan along with required documents including the title deed. The Secretary of the bank will make an entry of the application received in the Register of Applications. Nil-Encumbrance Certificate from the registration department is to be submitted subsequently. Loan applications for agricultural loans will be processed by the PCARDBs.

The loan applications for minor irrigation purposes will be forwarded to the Co-operative Sub-Registrar/ Extension Officer for Co-operation for inspection and enquiry. The officers will visit the field, conduct inquiry and submit report to the bank. In the meantime, the land will be valued by the LVO [Land Valuation Officer]. Legal opinion will be given by the legal advisor of the SCARDBs.

The applicant has to execute a mortgage bond in favour of the PCARDB. Another Nil-Encumbrance certificate is to be obtained for the period from the date of application to the date of sanction of loan. The Loan Sub-Committee or the board of directors will sanction the loans up to the limit for which the PCARDB is authorized. Loans for the purchase of agricultural machinery will be paid directly to the dealer, who supplies the machinery and in other cases, it will be paid to the borrowers.

FINANCIAL STRUCTURE OF PCARDB's

In co-operatives, share capital is the major component of owned funds, which forms the basis for borrowings from higher level institutions. The share capital is contributed by the individual members, State Government and others. The share capital and the reserves constitute owned funds.

The Primary Agriculture and Rural Development Banks raise their share capital by issuing shares to the members and the amount of borrowings of the members is subjected to certain times of their contribution towards the share capital. Initial contribution to the share capital by the members in certain proportion to their borrowings from the bank is to be followed. But the PCARDBS are raising share capital by deducting a certain percentage of the amount borrowed by the members at the time the loan is advanced. The method of deducting an amount from the loan amount for the contribution to share capital should not be allowed by the federation. The contribution of members towards the share capital decides the borrowing power of the members.

"The Central Banking Enquiry Committee (1931) was of the opinion that the percentage of share capital to loan need not be large as the loan is fully secured by the mortgage".

The All India Rural Credit Survey Committee (1954) had strongly recommended a strong capital base for the primary land development banks (PCARDBs). The Committee recommended State's participation in the share capital of co-operatives at all levels to raise their borrowing power, which is linked to their owned funds.The PCARDBs are independent primary level institutions catering to the financial requirements of the farmers and the members who want to become entrepreneurs. The branches of SCARDBs under unitary system are doing the same functions of PCARDBs.

The resources of finance of PCARD Banks comprise the owned and the borrowed funds. The components of the farmers are

- Share capital
- Reserve fund and other reserves and
- Membership and other fees.

The latter consists of

- Deposits
- Borrowings from the state Co-Operative Agriculture and Rural Development Bank.
- State Government share contribution
- Grants and subsidies and
- Cash credit.
- Interest income
- Credit deployment

A sound agricultural credit policy strengthens the farm economy. In other words, the modern commercial farm enterprise is hinged on the sound credit policy in the sense adequate wherewithal in right time for right purpose in easy terms of repayment. The provision of agricultural credit should be aimed at:

- To improve the living standard of the farmers;
- To augment the famers to adopt agricultural production and thereby strengthening farm economy;

- To encourage the farmers to adopt new agricultural techniques;
- To develop the resourcefulness of farmers

DISBURSEMENT OF LOANS

The operational units of the ARDBs are lending for numerous agricultural and non-agricultural activities by which permanent investment on land and other assets are created.

SUPERVISION

Supervision over utilization is necessary to ensure proper use of loans. In the case of land development and sinking of wells, it is necessary to verify whether the work is actually taken up .These loans are given in instalments and further instalments will be given only after verifying the progress of the previous stage of work. The supervisors of the PCARDBs take up this work and they also pursue the borrowers to pay the loans when they fall due. The All India Rural Credit Review Committee [1969] and the Committee on Land Development Banks [1974] stressed the need for adequate number of supervisors and the importance of effective supervision. Effective supervision will ensure better recovery.

NON-PERFORMING ASSETS

The assets (loan outstanding) of the banks are classified into four as per the Prudential Norms. They are

- Standard Assets,
- Sub-Standard Assets,
- Doubtful Assets and
- Loss Assets

NABARD AND NON-FARM SECTOR

Since its inception, the Reserve Bank of India [RBI] had been financing the Co-operative Credit System. For this purpose, the RBI had established the Agricultural Credit Department [ACD] in the bank in the year 1935: Through this department, the RBI had been providing refinance facilities to co-operative credit institutions in India.

The All India Rural Credit Survey Committee recommended the State's participation in the share capital of co-operative societies at all levels. Following the recommendation, the State Governments started contributing towards the share capital of Co-operatives to enhance the borrowing power, which is linked to the share capital and the reserve fund. National Agricultural Credit [Long-Term Operations] Fund was constituted by the RBI to meet the financial requirements of the Land Mortgage Banks.

The Agricultural Refinance Corporation [ARC] was established in 1963 on - the basis of the recommendation of the AIRCSC for the establishment of a separate institution to provide resources to Land Mortgage Banks [present PCARDBs] for long-term lending to farmers for the development of agriculture. After the establishment, the resources were met by the ARC. "The All India Rural Credit Review Committee [AIRCRC] of 1969 recommended provision of loans from the RBI to the State Governments for contribution to the share capital of PLDBs. This recommendation was accepted by the RBI and continued later by ARDC and NABARD".

"The main objective of ARC was to grant medium and long-term credit by way of refinance for development of agriculture, by accessing resources from the market, including international agencies. Although primarily a refinancing agency, the ARC had from the very beginning assumed a developmental and promotional role, it was renamed Agricultural Refinance and Development Corporation [ARDC] in 1975.

The Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development [CRAFICARD] recommended the establishment of the National Bank for Agriculture and Rural Development [NABARD] in 1981. It also recommended diversification in lending, by the longterm credit structure, including the lending for non-farm activities. Subsequently, the NABARD was established on the 12th July 1982 by an Act of Parliament. Government of India set up NABARD as a development bank to facilitate credit flow for promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts.

The functions of Agriculture Credit Department of the RBI and the Agricultural Refinance and Development Corporation [ARDC] were taken over by the NABARD. The headquarters of the NABARD is at Mumbai, operating through 28 Regional Offices located in the State Capitals and 360 District Offices.

The functions of the NABARD include

- Credit Planning and Financial Services,
- Promotion and Development, and
- Supervision.

The NABARD prepares Potential Linked Credit Plans for the districts in the country. It also prepares a State Focus Paper for every State. State Credit Seminars are convened by NABARD annually.

The NABARD's financial assistance includes short-term credit to cooperative banks and RRBs for providing loans to seasonal agricultural operations and a number of other purposes. Medium-term [MT] credit is given to cooperative banks on account of crop loss due to natural calamities and for providing MT loans for agriculture and allied activities.

Long-term credit [LT/ Investment credit] is given to SCARDBs, RRBs, State Co-operative Banks and Commercial Banks for providing loans to agriculture and allied activities, Khadi and Village industries, Rural Non-Farm Sector and Rural Housing. The National Bank also gives loans to State Governments for share capital contribution to co-operative credit institutions. It also provides loans under Rural Infrastructure Development Fund [RIDF] to the State Governments for rural infrastructure projects. NABARD is also supervising co-operative banks, RRBs under the Banking Regulations Act. Inspection of SCARDBs is undertaken on a voluntary basis.

ELIGIBLE PURPOSES OF INVESTMENT CREDIT

Investment credit leads to creation of new assets and capital formation. Technology upgradation through investment takes place and results in increased production, productivity, and incremental income to farmers and entrepreneurs. Major purposes of industrial credit include Minor Irrigation, Farm Mechanization, Plantation / Horticulture, Annual Husbandry, Non-Farm Sector activities including Rural Housing.

The loans are made available to following purposes.

- Land improvement
- Conversion of dry land into wet land
- Digging and repairs of wells inclusive of tube wells
- Purchase of oil engines, electric motors, pump sets
- Purchase of tractors and their accessories
- Purchase of power tillers, sprayers and other farm machinery
- Purchase of milch cattle
- Subsidiary occupations namely sheep and goat rearing, poultry, piggery, pisciculture
- Construction of farm houses, cattle shed
- Horticulture, sericulture, gobar gas plants

CRITERIA

Sanctioning of investment credit needs the satisfaction of certain preconditions viz, Technical feasibility and Financial Viability of the project, capacity to generate incremental income to the ultimate borrowers enabling them to have a reasonable surplus after repayment of loan instalment. The period of loan ranges between 5 and 15 years depending upon the purpose for which it is provided.

RESEARCH DESIGN

The present research is an attempt to study make deep into IMPACT OF MICRO FINANCE ON AGRICULTURE AND RURAL DEVELOPMENT.

The scientific method is used to discover the truth regarding business phenomena. Defining business opportunities and problems, producing and assessing ideas, monitoring performance, and comprehending the process are all part of this process.

The research design serves as a blueprint for data collection, measurement, and analysis. It is the plan and structure of investigation so conceived as to obtain answers to research questions. Research design is the framework of research methods and techniques chosen by a researcher. The design allows researchers to hone in on research methods that are suitable for the subject matter and set up their studies up for success.

The type of research (experimental, survey, correlational, semi-experimental, review) and its sub-types are explained by the design of a research topic (experimental design, research problem, descriptive case-study).

Data collection, measurement, and analysis are the three primary types of study designs. The research design will be determined by the type of research challenge that a business is experiencing, not the other way around. The study's design phase specifies which tools to employ and how they should be used.

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 formers towards micro finance inclusions. The total samples selected for the study was 100 respondents. Respondents are to be selected randomly irrespective of age, education and income level from Bangalore rural 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 Bangalore rural 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.

SAMPLING DESIGN

Sample Size :-

Sample size of 100 respondent in Nelamangala 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.

Table 1 Showing the age wise classification of respondents

Particulars	**No. of respondents**	**Percentage**
20-30 years	20	25%
31-40 years	23	29%
41-50 years	19	24%
More than 50 years	18	22%
TOTAL	**80**	**100%**

Analysis:

Table 4.1 portrays that age wise classification of respondents, it inferred that out of 80 sample respondents 20(25%) of them were between the age group of 20-30 years, 23 (29%) of them were between the age group of 31-40 years, other 19 (24%) of them were between the age group of 41-50 years, remaining 18 (22%) were cross the age of 50 years respectively.

Interpretation:

The above chart shows that the sample responds were equally distributed in different age group although 29% of them were fall between the age group of 31-40. It shows that the age between 31-40 years people were more interested in micro finance activities as compared to 20-30 years, 41-50 years and more than 50 years of aged peoples.

Table no. 4.2: Showing the marital status of respondents

Particulars	**No. of respondents**	**Percentage**
Married	55	69%
Unmarried	25	31%
TOTAL	**70**	**100%**

Analysis:

Table 2 Shows marital status of sample respondents, it interfered that out of 80 respondents 55(69%) were married group and remaining 25(31%) were fall under unmarried group.

Interpretation:

The chart shows that marital status of respondents, 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 agricultural activities for the sake of their family.

Table no. 3: Showing the Education level of respondents

Particulars	**No. of respondents**	**Percentage**
Illiterate	43	54%
SSLC	16	20%

PUC	11	14%
Degree	10	12%
TOTAL	**80**	**100%**

Analysis:

Table 3 shows that education qualification of sample respondents, it inferred that out of 80 respondents 43(54%) of them were illiterate in nature, 16(20%) of them were completed their SSLC, 11(14%) respondents were fail in PUC qualification group and remaining 10(12%) were completed their Degree respectively.

Interpretation:

Above chart portrays that educational level of respondents, it inferred that majority 54% peoples were basically illiterate, it shows that illiterate people choose the agricultural activities for the sake of their livelihood.

Table no. 4: Showing the average annual income of respondents

Particulars	**No. of respondents**	**Percentage**
Up to 25,000	25	31%
Up to 50,000	32	40%
Up to 1,00,000	15	19%
Above 1,00,000	8	10%
TOTAL	80	100%

Analysis:

Table 4 shows the average annual income of selected respondents. Total of 70 respondents disclose their annual income, it depicts that a greater number of respondents belongs to up to 50,000 income group such as 32(40%) of them are in this income group. 25(31%) respondents belongs to up to 25,000 income earning group, other 15(19%) of respondents falling under 1,00,000 annual income group and least number of respondents earning more than 1,00,000 annual income as only 8(11%) of them are belongs to this group.

Interpretation:

Graph infer that out of 80 respondents, 32(40%) of the, 50,000 average annual income group. Agriculture is the risky activity, so farmers are usually earning less income when compared to salaried people.

Table no.5: Showing the Agricultural land owned by respondents

Particulars	No. of respondents	Percentage
1-3 acres	22	28%
4-6 acres	34	42%
7-10 acres	15	19%
More than 10 acres	9	11%
TOTAL	**80**	**100%**

Analysis:

Table 5 depicts the agricultural land owned by the respondents, among the 80 respondents 22(28%) respondent were own 1-3-acre agricultural land. 34(42%) of them are own 4-6-acre agricultural land, other 16(23%) of respondents were own 7-10 acres and only 9 (11%) of them are own more than 10 acres agricultural

Interpretation:

Graph 4.5 infer that out of 80 respondents, a greater number of i.e., 42% them are on the 4-6-acre agricultural land, so it can depict major respondents are belongs to medium scale farmers as compared to 1-3 acres (28%), 7-10 acres (19%) and more than 10 acres (11%) respectively.

Table no.6 Showing the Pattern of Agriculture land owned by respondents

Particulars	No. of respondents	Percentage
Dry land	45	56%
Irrigation land	35	44%
TOTAL	**80**	**100%**

Analysis:

Table 6 ws the pattern of agriculture land owned by the respondents. It infers that out of 80 respondents, 45 (56%) of them are on dry land and remaining 30(44%) are own irrigation land.

Interpretation:

Graph 6 infer that a greater number of respondents i.e., 56% of respondents is on the dry land, it depicts that major number of respondents only depends upon the rain for their agricultural activities.

Table no. 7: Showing the purpose of loan borrowed

Particulars	**No. of respondents**	**Percentage**
Agriculture	35	44%
Animal husbandry	14	17%
Income generating activities	20	25%
Any other	11	14%
TOTAL	**80**	**100%**

Analysis:

Table 7 portrays the purpose of loan borrowed from the micro finance institution by the sample respondents. It infers that out of 80 respondents, 35(44%) of them are borrowed for agricultural activities, 14(17%) respondent are for animal husbandry, 20(25%) respondent are for income generating activities and remaining 11(14%) respondent are for other related activities like asset building, emergencies, children’s education etc respectivel

Interpretation:

that most of sample respondents, 35(44%) of them are borrowed loan for agriculture activities, it depicts that major number of respondents only depends on agricultural activities as compared to 14(17%) respondents for animal husbandry, 20(25%) respondents for income generating activities and remaining 11(14%) respondents for other related activities respectively.

Table no.8: Showing the amount borrowed by the respondents from MFI's.

Particulars	No. of respondents	Percentage
50,000	15	19%
1,00,000	28	35%
1,50,000	21	26%
More than 2,00,000	16	20%
TOTAL	**80**	**100%**

Analysis:

Table 8 portrays that the amount borrowed by sample respondents. Out of 80 respondents 15(19%) of them borrow 50,000, 28(35%) of respondents were borrow 1,00,000, other 21(26%) of respondents were taken up to 1,50,000 and remaining 16(20%) people were borrowing more than 2,00,000 respectively.

Interpretation: It depicts that loan borrowed from respondents. After analysing the table, we can know that 35% of respondents borrow the loan up to 1,00,000 and 26% of them borrow 1,50,000.

Table no.9: Showing the number of respondents satisfied with the activities of MFI's

Particulars	No. of respondents	Percentage
Yes	72	90%
No	8	10%
TOTAL	**80**	**100%**

Analysis able 9 portrays the number of respondents who are satisfied with the activities rendered by the micro finance institution. Out of 80 respondents, 72(90%) of them were satisfied and the remaining 8(10%) of respondents were not satisfies with the MFI's respectively.

Interpretation: that most of sample respondents, 90% of them are satisfied with the MFI's activities. 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 no. 10: Showing the sources of information about the MFI's

Particulars	**No. of respondents**	**Percentage**
Media	15	19%
Friends & Relatives	38	47%
MFI's Staff	20	25%
Others	7	9%
TOTAL	**80**	**100%**

Analysis:

Table 10 portrays that where the sample respondents got information about MFI's facilities. It shows that out of 80 respondents, 15(19%) of them were got information from the medias, 38(47%) of respondents were received information from friends & relatives, 20(25%) of them were got information through MFI's Staffs and remaining 7(9%) respondents were informed by other sources of information.

Interpretation: inferred that out of 80 sample respondents, the majority of people got information through friends & relatives. It shows that beneficiaries play a vital role in promoting farmers in rural areas by providing information regarding MFI's facilities.

Table no 11 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%	27	34%	24	30%
50% - 75%	13	16%	16	20%

> 75%	2	2%	10	12%
TOTAL	**80**	**100%**	**80**	**100%**

Analysis:

Table 11 represents the income level of the respondents before and after joining MFI's. it inferred that sample size of 80 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, 27(34%) before joining as compared to 24(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.

Interpretation:11 depicts that majority of respondent's gain <25% increases in their income level i.e., 38% before joining MI'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%.

Table no. 4.12: Showing the changes (non-monetary benefits) perceived by the respondents after joining MFI's

Particulars	**No. of respondent**	**Percentage**
Self-confident	13	16%
Income & Standard of living	29	36%
Education level of children	23	29%
Others	15	19%
TOTAL	**80**	**100%**

Analysis:

The table 12 shows the changes perceived by respondents after joining the MFI's. Among 80 respondents, 13(16%) respondents' self-confidence is increased, 29(36%) respondents' income as well as standard of living also increased, 23(29%) respondents children's education level also increases and remaining 25(19%) respondents' status in society, other improvements takes place.

Interpretation:

The above chart represents the changes perceived by the farmers after they joined the MFI's. It inferred that most of the respondents 36% of them were joined MFI's, it shows that increase in income level and standard of living of farmers and other benefits like increased communication ability, increased social awareness, respect from the family members, creates leadership skills, enhance power of decision making in family and group and so on effectively.

Table no.13: Showing that reasons for joining MFI's by the respondents.

Particulars	**No. of respondents**	**Percentage**
Hassle free process	19	24%
Collateral Security	17	21%
Low rate of interest	20	25%
Others	24	30%
TOTAL	**80**	**100%**

Analysis:

The above table inferred that out of 80 sample respondents, 19(24%) of them were join the MFI's because of hassle free process to sanction loan, 17(21%) of respondents were MFI's doesn't demand the security to sanction loan, 20(25%) of respondents because of sanction loan at relatively low rate of interest and the remaining 24(30%) of respondents for they provide loan to low income people, other people have increased their income through this program, incentive programs offered by it and so on respectively.

Interpretation:

After analysing the table, we can say that 24(30%) of respondents join MFI's because of they provide loan to low income people, other people have increased their income through this program, incentive programs offered by it as compared to other.

FINDINGS

- It is found that, the majority of respondents belongs to the 31-40 year age group. It shows that these people are more interested in agricultural activities.
- The majority of respondents 69% were belongs to the married category. Usually married people

were responsible when compare to unmarried people. So, they were depending upon agricultural activities for the sake of their family.

- It is found that, majority of respondents were belonging to the illiterate i.e., 54%. It is shows that illiterate people choose the agricultural activities for the sake of their livelihood.
- The majority of respondents i.e., 40% were belongs to 50,000 annual income earning group. It shows that agriculture is the risky activity that's why they earn less income compared to salaried people.
- It is found that the majority of 42% respondents were belonging to 4.6 acre agricultural land. It shows that majority of them belongs to medium scale farmers.
- The majority of respondents i.e., 56% have owned the dry land. It shows that majority of farmers depends upon the rainy season.
- It is found that 44% of respondents were borrowed agricultural loan. 35% respondents borrowed up to 1,00,000 and 26% of them were borrowed 1,50,000.
- It is found that 90% of respondents were fully satisfied with the MFI's activities and only 10% of them were dissatisfied.
- It is found that, majority of 47% respondents got information about MFI's by friends & relatives. beneficiaries plays vital role in rural area to promoting farmers.
- The majority of respondents i.e., 38% have got less than 25% increase in their income level, and 12% 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 to low income people and offers incentives programmes.
- We can say that micro finance institutions play a major role in the development of agriculture & rural developmental activities.

SUMMARY

The structure of the long-term co-operative credit institution differs from State to State. Similarly, the area of operation of these institutions varies in the country. The PCARDBs in India are depending on apex banks for finance and they are not permitted to borrow from other financial agencies like development banks and commercial banks. These banks must be permitted to borrow from other institutions also. Diversification of lending took place at various stages of development. They should probe the possibilities of lending to other purposes. They may diversify their lending policy and provide education loan to the members enabling them to provide higher education to their children. The recovery performance of the banks is very poor which affects the borrowing of the banks leading to non-availability of loans to new members.

A large majority of the PCARDBs do not have elected board of directors due to the supersession of the boards by the State Governments. The State Governments must stop this practice and create conducive atmosphere for conducting election. The Agriculture and Rural Development Banks help the farmers, artisans, craftsmen and other qualified persons to develop their economic conditions by providing the credit required by them. Though these banks are not uniform in pattern, their functions are similar and they play a significant role in the development of the rural economy in general and rural non-farm sector in particular.

LIMITATIONS OF THE STUDY

- This study is only concentrating on agriculture & rural development not for the others activities.
- This study is limited to the geographical boundaries of Bangalore rural dist.
- The sample size of only 100 respondents is not much sufficient to statistical validating.
- Limited period of time, methods and tools are used for conducting research.

SUGGESTIONS

The chapter discusses certain suggestions, the implementation of initiative programmes, it leads to greater acceptance of MFI's activities by the farmers of rural area. These suggestions will help made improve MFI's performance towards rural development as well as in the agricultural field.

- The government has to provide more & more information regarding MFI's to the illiterate farmers in backward region.
- To mitigate the farm risk MFI's, give optimal loan to farmers.
- To promote agricultural activities & rural development it is necessary that government educate the rural farmers about the benefits and advantages provided by MFI's to reduce the burden of farm risk.
- Advertising is not appropriate; therefore, many farmers are not aware about MFI's initiatives to rural area, so give more advertising regarding this.
- Most of farmers does not having proper information regarding the process involved while getting loans and advances, so staffs of MFI's has given proper information regarding the processes.
- MFI's set up a fund that microfinance banks could access at a lower rate for onward lending to their customers at a much cheaper rate.
- Government regulation are needed to look into the operation of these microfinance banks by strictly monitoring their activities.
- Microfinance banks should develop financial product services and delivery mechanisms that meet the financial needs of a wider spectrum of rural and urban poor.

- should introduce new financial product or services that support customer – defined pathways out of poverty.
- To help recover from losses associated with unanticipated crises or economic stress events after they occur, microfinance banks should provide more flexible loan and savings products.
- It is recommended that, before giving advances to the farmers the bank officials must make an attempt to know the need for which the loan is demanded.

CONCLUSION

The present study givesto me good experience to understand about Micro Finance activities, it provides the loans 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 formers. 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.

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.

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