

# Survey of Financial Services Extended to Farmers in Rural Areas: Facts and Myths a Ground Level Case Study of Sheloshi Village in Gagan Bawada Taluka in Kolhapur District

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## ABSTRACT

*Financial services are pre-requisite for the transformation of the economy. A country like India where 60% of the population stays in rural areas, outreach of financial services is highly necessitated. Nearly 50% of the country's population is yet to be covered under the formal system of banking and at the other end lies the task to fulfill the needs of the existing customer particularly from rural areas.*

*The paper analyzes the network and quality of financial services provided under the Financial Inclusion in rural areas through the banks. The study mainly focuses on whether financial services are provided to the targeted group in rural areas. For this purpose information from all villagers of Sheloshi village has been collected to get the authentic inputs. The result indicates that financial services are not up to the mark and satisfactory. It will not be exaggeration to say that they are not provided even though there is a Kolhapur District Primary Co-operative Bank. These facts certainly have a major impact on the results of the study.*

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## I. INTRODUCTION

The new millennium has brought with it challenges & opportunities in various fields of economic activities including banking. Financial services have become the epicenter of economic development. It is these services highly needed to be expanded in the rural areas. A scheme of Financial Inclusion has led to the wider expansion of Financial services in rural areas. Many commercial bank's such as Nationalized, Cooperative's and RRB's roped in & interestingly moulding their operations to widen their base in city & particularly rural areas.

### Objective

The objective of this study is to find out the Financial Services provided by the banks to farmers.

### Financial Services: Emerging Trends

Competitive banking sector has thrown the financial services as a hallmark of establishing the efficiency of bank. Obviously variant services such as Transfer of Funds, Insurance schemes, Mobile banking, Loan facilities, Credit & Debit Card etc. have become common. Commercial banks particularly nationalized, co-operative's & foreign banks etc have joined this area to grab aggressively the customers.

Ironically it is important to mention that such type of competition highly skewed in city areas. Rural areas are not covered upto the mark. In other words financial services have not reached to the rural masses satisfactorily & as a result large size of population still alienated from this financial services.

## II. METHODOLOGY

For the detail study of bank services in rural areas, a small village model is selected namely Sheloshi in Gaganbawada Taluka. This village is located at the foothill of Sahyadri range & has a Kolhapur District Primary Co-operative Bank along with Agriculture Vikas Seva Sanstha's. They are Tanubai & Vithalai Vikas Seva Sanstha which are not functioning due to internal politics. This village is comparatively larger than other hamlets in Taluka & 15 Km's. away from Gaganbawada Taluka where nationalized bank i.e. Bank of India and other Co-operative banks are functioning. To know about financial services, an exhaustive survey of of the entire village has been undertaken. Door to Door sampleholders are contacted even from wadi (small group isolated from village). Information regarding financial services such as Saving A/C, Transfer of Funds, Crop Loan Facilities, Occupation, expectation about no fill A/c etc also collected. This

methodology has been adopted to get the detail information about financial services provided by a local primary cooperative bank. The number of home wise sample holders contacted are 75 in numbers.

**Research Design**

The research design selected for the present study is microscopic with only one village from the Gaganbawda Taluka has been chosen. This is done with a view to get accurate information about financial services. For analyzing further the quality of financial services.

1. Does the nationalized bank take initiative to satisfy the needs?
2. Do other non-banking financial sectors such as SHG active & satisfy the requirement? also considered.

**Hypothesis**

The Study Tests the following hypothesis The financial services have not reached to the rural masses.

In statistical terms

*HO:* There are no adequate banking services available in the village.

*HI:* Banking services provided are adequate in rural areas.

**III. LIMITATIONS OF THE STUDY**

- The study is primarily based mainly on primary data. Secondary data is not available.
- Findings are based on verbal information. No statistical information is available. The study had to rely on direct opinion of the respondents.
- There is no co-operation from the bank officials about the extent of information provided.
- Illiteracy & ignorance about the banking habits put obstacle in getting of somewhat reliable information from this sample holders.

**Empirical Analysis & Interpretation**

Here the information relating to respondents banking services about saving account, loan facilities & other such as crop loan schemes, Insurance products etc collected through the questionnaire. Besides personal information relating to size of family, literacy status, economic position collected to determine the status. In addition to geographical aspects pertaining to connectivity & distance to taluka from village along with working of non-banking institutions as well as Seva Sanstha's considered.

By analyzing the all questionnaires it is here observed that majority of the respondents simply have a Saving A/C's with bank. No other facilities provided or either availed of by them. Very few of them know about the insurance and crop loan schemes.

Distribution of loans on the recommendation of Seva Sanstha has become a nightmare to them. Seva Sanstha's are formed by the representative's who are nominated by the villagers. Loan takers submit a proposal to Agriculture Seva Sanstha's along with bond & land record. After scrutiny, loan proposals are forwarded to the bank & then bank credit the amount to the loan takers account. Recommendations of loan proposals to bank is a discretion of Seva Sansthas. These Seva Sansthas act in a impartial manner. This is somewhat unjust, time consuming & causes a great deal of miserability to the prospective loan takers.

**Loan Procedure**



Ironically Seva Sansthas are not functioning due to political rivalry & finally deserving loan takers (farmers) are perpetually denied of claims. This is the actual observation of Sheloshi village. Besides there are housewives keenly interested to have a loan for smaller type of occupations such poultry farming, Sheep rearing, Animal husbandary etc. also equally denied.

Even though the rates of interest are nominal below 10% nobody is getting loan, but those who have availed of loan repaid it in time.

About other services such as Insurance services, Transfer of funds, Pos machines, there is no remarkable penetration. Most of the respondents have simply have saving account but not getting other services. Some of the respondents are labourers, don't have saving with the bank. About no frill account many of them have an expectation of minimum Rs.100/-but compulsorily observed Rs.300/-which seems excess. There is an expectation about Nationalized banks should step forward in providing of services in village.

From the above HO hypothesis is accepted.

#### IV. FINDINGS

1. Most of the respondents have not availed of loan facilities even though they desire & deserve. Those who have taken the loans repaid & there are no defaulters.
2. Banking services such as Insurance schemes, Crop loan schemes have not reached. Very few of them have availed.
3. There is only one Primary co-operative bank. No other non-banking financial institutions such as SHG are functioning.
4. Co-operative bank simply does the function of acceptance of deposits & sanctioning of loans. But the loans are sanctioned on behalf of Seva Sanstha's with guaranty of recovery of loans. There is no direct disbursement of loan to the farmers.
5. There are many respondents simply have a saving A/C. Very few of them have satisfied with the financial services such as Health insurance & Crop insurance.
6. Besides smaller number of respondents have availed of the loan facilities. Majority of them are not benefited even though rates of interest are normal.
7. There are many who have desire to avail of loan facilities for the purpose of allied agricultural occupations also not entertained.
8. Nationalized bank is located far away i.e. 20 Km. from the village. But many respondents prefer to have financial services from Nationalized bank.
9. Some of the respondents have no security to avail of loans. They are land less labourers and marginal farmers.
10. Seva Sanstha's (Vitthalai & Tanubai) are charging hefty service charges.
11. Farmers Loan Waiving Scheme naturally not benefited to the small & marginal farmers.

#### V. SUGGESTIONS

- As there is a cluster of villages, for two or three villages one Nationalized bank is needed. At present only about 5% of India's 6 Lakh villages have bank branches. Ministry of Finance under Financial Inclusion is seriously thinking PSB'S & Co-operatives should undertake direct funding to farmers. Housewives should be provided loans as they are very sincere and honest in repayments.

- No frill Accounts facilities must be observed strictly as there are number of respondents who have limited source of income. So they can join into the stream of financial services and efforts should be made to provide low cost services such as ATM, Mobile banking, Micro ATM & Kiosks can be used.
- Educational loan has become priority sector lending should be diluted to secondary & higher secondary education in rural areas.
- Awareness about various banking services such as Life insurance, Crop loans schemes, Health insurance must aggressively implemented.
- Role of Nationalized bank & RRB'S must be friendly and they should take active role about development of banking services such as Micro insurance, Animal insurance, Crop insurance & Micro pension in remote areas i.e. Wadi's. Besides bank should operate one-man branches in remote areas i.e. in hinterlands. A business correspondent will work in 100-200 sq.ft. room and connect with Core Bank Solution (CBS).
- The Central Govt. Agricultural schemes and Subsidies directly transferred to the farmers through the Nationalized & Cooperative banks.

#### VI. CONCLUSION

The study examined the nature of financial services particularly in rural areas at Sheloshi village. Emphasis had been given to study the present status of services offered by the bank i.e. co-operative bank. The objective of this research paper is spell out exactly the reality about plight of farmers relating to financial services. The study analyzed the working of co-operative bank other & Seva Sansthas. It also suggested number of measures relating to direct funding to the farmers and inclusion of banking services at the doorstep of farmers.

#### VII. REFERENCES

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