



Agriculture sector: issues and challenges: A study with special reference to Dakshina Kannada and Udupi districts of Karnataka

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Abstract

Indian economy is an agrarian economy. Our agriculture depends not only on monsoon but also on financial assistance to finance the agricultural inputs. The guidelines of priority sectors of all the years have aimed at giving a proper direction to the banks to make them extend financial assistance to the economically neglected sections of the society. The state's welfare policy becomes successful when the provisions of welfare reaches even the last person in the society. Indian banking system is operating with the concept of social banking. As Mahatma Gandhi said "India lives in villages and agriculture is the soul of Indian economy". Indian agriculture is able to meet the food requirements of the people and it serves as the bigger supplier of raw materials to the agro-industries. India has made its mark globally in the crops such as coconut, ginger, cashew nut, rice, coffee, tea, black pepper, fruits and vegetables, etc. But one should note that the development in agriculture is not suddenly took place. It has changed over the years that too gradually. The agriculture today is changed drastically when we compare it with how it was 50 years back. Today also the agricultural sector is facing challenges such as lower education, poor socio economic conditions, lack of technical skills and inability to apply the modern technologies due to lower access to financial assistance, small land holdings due to the families becoming the divided families, monsoon dependent agriculture etc. Therefore an attempt is made in this paper to find out the present challenges of agriculture. The paper has also tried to come out with a suggestion to convert the agricultural sector in to an agricultural enterprise. The agriculture need to be recognised not merely as a farming activity but as a business enterprise.

Keywords: priority sector, agriculture lending, loan waiver, MSP, demographic factor, cooperative banks

Introduction

Agriculture in India is considered to be the back bone of Indian economy. We find the agricultural sector as a major participant in the priority sector. The living standard and the ability to satisfy the demands of rural population are provided by the agriculture as it gives the farmers a stabilised income. The population census of 2011 has revealed that 833 millions of the population are the part of villages whose main occupation is agriculture and allied activities enabling them their bread and butter. India is the largest grower of pulses, paddy, spices, and wheat. India has put its impression in the growing of fruits and vegetables. India is one among the very few countries which has made a mark in terms of growing paddy, wheat, groundnut, pulses, tea, coffee, sugarcane, cotton, jute, rubber, tobacco etc. Agriculture contributes reasonably well to the Indian GDP. Agriculture contributes to the Indian export as well. As per the second Advance Estimates of Production for 2017-18 aggregate commercial crops is estimated to be 4464.81 lakh tonnes and food grains is estimated to be 277.49 million tonnes. (Agricultural Statistics Division 2016-17 Directorate of Economics & Statistics Department of Agriculture, Cooperation and Farmers welfare Second Advance Estimates of Production of Commercial Crops for 2017-18 dated 27.02.2018, http://eands.dacnet.nic.in/Advance_Estimate/2nd_Advance%20Estimates-2017-18.pdf)

In India agriculture is taken up by the people directly as well as indirectly. Direct agricultural activities are nothing but the cultivating activities that the Indian farmers take up as their main occupation. On the other hand indirect agricultural activities are nothing but engaging in the agro business activities. Indian agricultural activities have the feature of leaving its mark in the Indian economy. The success of Indian agriculture, demands for the government to extend its support the agricultural activities financially as well as non-financially especially to the small farmers who are contributing to the positive development of Indian economy.

The success of any agricultural activity depends to a great extent on the regular and more and more use of modern methods of farming activities including the usage of sophisticated machineries. This demands for a huge financial assistance. The farmers require the financial assistance not only before the crops are grown but also they need financial assistance after the crops are grown. They need the funds to buy seeds, fertilisers, pesticides, machineries for the agriculture such as tillers, ATV, UTV, cultivators etc. They also need funds to finance their marketing activities, providing for irrigational facilities, repaying the earlier debts, etc. Therefore, timely credit is considered as an important mediating input for agriculture to improve productivity. Access to institutional credit enables the farmers to purchase

inputs and to enhance the productivity. In order find out the region –specific issues two districts of Karnataka are selected for the study.

Literature review

Joshi (1972) appealed RBI to come out with different components of priority sectors more specifically as some of the banks were required to understand the scope of agricultural lending. The role of RBI in clarifying the priority sector will improve the involvement of bankers in lending to the farmers

Chawla (1979) found that priority sector lending is not serving the purpose for which it has been designed. The researcher has studied the fund flows to the priority sector during seventies

Rajagopal Committee (1994) stated that the credit facilities at concessional rate or lower rate of interest should only be given to the poor and the under privileged society and the loan at commercial rate should be provided to the higher income society

Kochar A (1997) ^[10] said that the income level and the inequalities of income can be altered by extending credit to all types of farmers and the rural economy is significantly influenced due to the existence of formal credit sector in India. The study has come out with the suggestion that a plan need to be developed aiming at relaxing the restrictions on credit so that the farmers are helped leading to accumulation of resources to develop the irrigational facilities through long term credit leading. This long term lending will enhance the income of the rural area.

Agrawal KP *et al.* (1997) ^[1] commercial banks and the cooperatives have their own respective shares in the rural credit in the form of type of credit. The commercial banks have a major share in the long term credit and the cooperatives have the larger share in short term credit. The commercial banks have major market shares for term loans and the cooperatives have the major market share for short term loans. The increase in the input cost was met by the farmers by the increased working capital supply made available to the farmers through these credits.

NA Majumdar (1998) said that the public sector banks with or without the credit targets should include in their business portfolio a provision to provide a financial assistance to the priority sector as the sector is very vital in the sustained growth of Gross Domestic Product (GDP).

Briquette (1999) ^[11] said in their study that the agriculture can have sustainable growth leading to the rural development by the provision of credit. It was also stated in the study that more and more use of latest technologies will enhance the productivity and production. But these technologies are not within the reach of small farmers they cannot afford it. Hence it was felt that by extending the credit even to them the productivity and production can be improved

Jayal Ud-Din Ahmed (2010) ^[2] felt that the shrinking share of real priority sector, neglect of agriculture accounts across the different categories of priority sector, loan recovery mechanism etc. are some of the serious issues which need an immediate attention of the policy makers.

Selvarajan. B and Dr. Vadivalagam. G (2013) ^[6] have studied on the participation of Indian banks in advancing to the priority sector and comparing the same with the public sector

bank as a whole. The Indian banks have a bigger share than that of public sector banks in terms of a lending to the priority sector and the management of NPAs.

Wagh Rahul and Dr. Anil P Dongre (2016) found that multiple factors are contributing to agricultural sector in India. The growth in household income and consumption, expansion of food processing sector and increase in agricultural exports are the proofs for the development of agricultural sector.

Susanta Kumar Sethy (2016) said that the financial inclusion is not the policy to be chosen but a compulsory policy to be inculcated. The banking sector is an important participant for the effective financial inclusion through the development of strong linkages with the community based financial ventures and cooperatives it can gain trust and goodwill of the poor. It was also felt in the study that the financial inclusion has not yet yield the desired result and the realisation of the complete financial inclusion may consume some more years. But doubt is not at all felt regarding the significant role played and is working on the positive side and the banks are an important driver for the financial inclusion for the inclusive growth.

Research methodology

Statement of the problem

India's program of directed credit which is popularly known as priority sector lending, which has been in operation since 1969. Government of India has taken a number of initiatives like nationalisation of prime banks in the year 1969 and 1980 so as to keep the lending policy under its control. It was done with the intension that they can direct more funds to priority sectors as these sectors facing the problem of low return and longer gestation period which made them less attractive to private investors. Over and above this imperfection is found in information dissemination related to different schemes which has further weakened the priority sector. Financial institutions have failed to understand the social benefits of these priority sectors. Since the inception of priority sector lending policy, major changes were made in the scope and extent of credit. Experiment is done by redefining the definitions and sub-classification. But when we study the present scenario, it is felt that enlarged areas has resulted in loss of focus especially on agriculture. Trading in priority sector lending certificate, which is allowed with the intension of pumping more funds to agriculture sector, is not happening as expected. A gap between priority sector lending guidelines and parallel policy related to development under financial inclusion is found. Credit is often not the major constraint as presumed. Specific sectoral constraints play a crucial role in growth of the sector. So along with credit requirement, other issues need to be tackled so that robust growth can be expected.

Further, the banking system and economic environment has changed drastically. Keeping in mind requirements of some forty years back, will not cater the requirement of today. Looking at borrowing pattern of the respondents in study area it is felt that there is a need for provide more and more assistance to co-operative banks as they are the major player in the agriculture crop loan lending and public sector banks should be assigned with enhanced responsibility of providing corporate investment in agriculture aspect. With regard to Dakshina Kannada and Udupi district limited study is conducted in farm requirements. Though these two districts

are called cradle of banking system, no much study has been done to see the reach and utilisation of farm credit. So there is need for identification of farm issues first in order to design a suitable policy.

Objectives of the study

- To analyse the factors influencing the preference for the type of banks, fund diversion and delay in repayment
- To analyse the issues related to the farm sector in the area under study

Hypothesis

H₁: Demographic significant impact on the preference for particular type of bank for credit requirement

Table 1

Demographic factors included in the study	Age, Education qualification, Income, Number of dependents and Type of family
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Data collection

The study is based on primary and secondary data sources. The secondary data sources include:

- Journals
- Publications of RBI
- Publications of NABARD
- Economic survey report
- Newspapers
- E-resources

Primary data

The relevant primary data are collected through a structured

and a pre tested questionnaire. A pilot study was conducted with the 50 agriculturists to understand the relevance of the questionnaire designed for the study. In order to test the reliability of the questionnaire Cronbach’s alpha is applied and the questionnaire with less than 0.7 is weeded out.

Questionnaire

Questionnaire served to the respondents which consisted of information on the personal profiles of the borrowers, particulars related to agriculture, information related to agricultural credit, information related to marketing of agricultural produce.

Secondary data

The secondary source of data such as books periodicals articles from EBSCO, RBI publications, NABARD report, Hand book of statistics are used to collect the data

Description of the study area

The study is conducted in Dakshina Kannada and Udupi districts of the state of Karnataka. Dakshina Kannada district consists of five taluks namely, Mangalore, Bantwala, Puttur, Sullia and Belthangadi. Total area covered is 4866 square kilometres. Udupi district consists of three taluks namely, Udupi, Karkala and Kundapura. Total area covered is 3880 square kilometres.

Sampling design

In order to meet the objective of study information is collected from agriculturists. 740 farm households (476 from Dakshina Kannada district and 264 from Udupi district) are selected randomly.

Table 2: Sample size of the borrower

Taluks of Dakshina Kannada District	Number of samples
Sullia	114
Belthangadi	92
Bantwal	84
Puttur	130
Mangaluru	56
Taluks of Udupi District	
Udupi	72
Karkala	97
Kundapura	95

Tools and techniques used

Following tools and techniques are used to analyse the data collection

- Chi-square test
- Fishers Exact test
- Factor analysis
- Central tendency measures
- Principal component analysis

Scope of the study

Present study is undertaken in Dakshina Kannada and Udupi district of Karnataka.740 farming households are selected to study the issues and challenges related to agriculture sector especially related to agriculture credit. Agriculture in the present study covers only crops, and excludes related activities

like diary, fishery and poultry. Research is limited to crop loans and term loans which are given for farm development, mechanisation and irrigation. Priority sector lending aspect is confined to agriculture only.

Research design

Descriptive and diagnostic approach is applied to study the subject under research. In-depth analysis is done to analyse the data so as to understand the problems defined to provide concrete suggestions.

Data processing and statistical analysis

Structured questionnaire was used to collect the data from agriculturist. At the same time secondary data were collected from annual reports and website. Collected data was analysed

using different statistical tools and techniques. The statistical package for social sciences (SPSS) was used to analyse and interpret the data.

Analysis and interpretation

The responses were analysed using statistical package SPSS. Factor analysis was used to determine whether there was any common construct represent respondent’s perception about factors leading to understand issues and challenges of agriculture sector which is the need of the hour to be addressed so as to strengthen the sector. Factor analysis was applied after testing the data on KMO and Bartlett’s test which tested the adequacy of data as KMO measures is >0.6 at zero level of significance. Factor analysis test is applied to

find out crucial variable influences decision.

Table 3: KMO and Bartlett's Test

Kaiser-Mayer-Olkin Measure of sampling Adequacy		0.712
Bartlett's test of sphericity	Approx chi-square	2036.72
	Df	42
	Sig	0.0001

Various characteristics which influences crucial decisions related to agriculture credit are classified into 2 factors, which can be inferred by retaining only the variables with Eigen value greater than 1. We can infer that 50.28% of the variance is explained by these 2 factors.

Table 4

Component	Initial Eigenvalues			Extraction sum of squared Loading			Rotation sums of squared loading		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	2.783	33.16	33.16	2.783	33.16	33.16	2.783	31.09	31.09
2	1.796	17.12	50.28	1.796	16.12	48.28	1.796	19.19	50.28
3	0.985	14.09	64.37						
4	0.816	11.064	75.43						
5	0.617	9.12	84.55						
6	0.522	6.21	90.76						
7	0.431	5.43	96.19						
8	0.691	2.61	98.8						
9	0.532	1.2	100						

Extraction Method: Principal component analysis

Factor analysis using principal component analysis is done to find out similarities between various characteristics.

Table 3: Rotated Component Matrix

	component	
	1	2
Duration for sanction of loan	0.762	
Documentation procedure	0.742	
Number of visit visits to bank to avail the loan	0.721	
Loan waiver scheme		0.797
Sufficiency of loan amount		0.726
source for mobilizing deficit amount		0.702
Assistance in the event of crop failure		0.502
Extraction Method: Principal component Analysis		
Rotation Method: Varimax with Kaiser normalization		
Rotation converged in 3 iteration		

On the basis of above information final factors are identified. Volume of credit, financial assistance and pre sanction formalities are considered as major issues related to

agriculture credit. Timely assistance is prime requirement of the farmers. More than 64% of respondents are having the same opinion

Table 4: factor influencing requirement of agriculture credit

Factor No	Factor name	Component of the factor
1	Pre- sanction formality	Duration for sanction of loan
		Documentation procedure
		Number of visit to bank to avail the loan
2	Financial assistance	Loan waiver scheme
		Sufficiency of loan amount
		source for mobilizing deficit amount
		Assistance in the event of crop failure

Credit plays a very important role in the growth of any sector. Agriculture is not an exception to that. Decisions related source from where farmers prefer to borrow depends upon terms and conditions of borrowing, nearness, Pre-sanctioning procedure, documentation etc. As terms and conditions of co-operative banks for crop lending is favourable for farmers, they usually borrow from co-operative banks. Rural reach of co-operative banks is good in Dakshina Kannada and Udupi district. Majority of the respondents are dependent on co-operative banks for their fund requirement. As there is security problem related to land holdings they found it difficult to borrow from nationalised banks. Over and above this 5 to 10 times pre-sanction visit is required. So banks need to concentrate on reducing the time required for sanctioning the credit and make it hassle free loan.

Another important thing to be addressed immediately is banks need to finance the 100% fund requirements of farmers. Or else they end up in borrowing from money lenders and whatever the benefit they get from subsidised rate gets offset by increased cost of borrowing, At the same time post-harvest services should be extended to strengthen the financial conditions. Partial funding of requirement is the other reason for diversion of fund for unproductive requirement considering these financial institutions need to take some measures to improve the credit sanctioning procedure. Factor analysis is done so as to find out major issues related to agriculture credit Dakshina kannada and Udupi district are known for tree based farming. Majority of agriculture income is generated from arecanut, coconut, cashew, pepper, rubber and jack fruit. But proportionately required processing unit is not found in this region. Financial institution in collaboration with specialised training institute can help in establishment of processing unit, educate and train locals in processing and marketing so that financial condition of farmer can be improved. When agriculture gets entrepreneurial touch it will

reach new height. 36% of total respondent especially in the age group of 20-30 are interested in setting up of processing unit if financial assistance as well as technical assistance is given to them. This is a positive sign as it can generate employment opportunity in rural area and prevent migration to urban. Nationalised banks should engage in establishing agri-infrastructure and processing unit so that pressure on urban area can be reduced. Shri kshetra Darmasthla Rural Development Project (SKDRDP) and RUDSETI are already working on inclusive rural development. Rural development and self -employment training institute started in the year 1982 with the active support of syndicate bank and Canara bank. More banks should come out with similar kind of projects so that the agriculture sector will empower on its own.

Farmers often face difficulty in obtaining pre-harvest finance because of their inability to satisfy demand for risk managing collateral so as to obtain fund. Nearly 31% of the respondents under study are facing the problem of collateral security. A proper functioning system for agrarian receipt might make agriculture financing more attractive for potential creditors and will improve farmer's access to pre-harvest financing from banks. This will improve man-days involvement in agriculture activity. Along with this research centres should involve in research activity which should complement and assist local agriculture activity. Research centre located in Puttur taluk of Dakshina Kannada district is working in line with this objective. They have developed new variants of crops which is grown locally like cashew, arecanut etc which yields higher return in short gestation period. Science should work for people else it will remain only in paper. Climate based agriculture will help farmer to improve their economic conditions. Only then the real purpose behind priority sector lending will fulfil.

Table 5: Age and types of bank

	Type of Banks				Chi-square	P value
	Public	Private	co-op	Total		
Below 20	7	5	10	22	23.31	0.003
	7%	10%	2%	3%		
20-30	17	8	106	131		
	18%	16%	18%	18%		
30-40	26	14	162	202		
	28%	28%	27%	27%		
40-50	28	17	173	218		
	30%	34%	29%	29%		
50 and above	16	6	145	167		
	17%	12%	24%	23%		
Total	94	50	596	740		
	100%	100%	100%	100%		

Source: Primary data

Highly significant association is found between age and preference for type of bank. Chi-square between age and preference for type of bank is 23.31. p value is 0.003<0.01 which shows significant impact of age on preference for type of bank. Study reveals that higher preference (31%) for public sector bank is found among the respondent belong to the age group below 30 compared to age group above 40(9%).

Because we can find the diversity in need across the different age group. Younger generation is more into introducing technology, so they are going for long term fund which is lent by public sector banks. And respondents of senior age group concentrate on crops so they generally prefer co-operative banks

Table 6: Education level and types of bank

	Type of Banks				Fisher's exact Test	P value
	Public	Private	co-op	Total		
Illiterate	9	4	32	45	29.31	0.004
	10%	8%	5%	6%		
Below SSLC	38	28	242	308		
	40%	56%	41%	42%		
PUC	19	7	131	157		
	20%	14%	22%	21%		
Degree	12	5	98	115		
	13%	10%	16%	16%		
Post Graduate	5	3	57	65		
	5%	6%	10%	9%		
Technical/DIP	3	2	28	33		
	3%	4%	5%	4%		
Professional degree	8	1	8	17		
	9%	2%	1%	2%		
Total	94	50	596	740		
	100%	100%	100%	100%		

Source: Primary data

The survey reveals that there is a close association between formal education and preference for banks. We can see higher percentage (32 out of 45 which accounts to 71%) of respondents with no formal education prefer co-operative banks for their fund requirement as lesser documentation and processing. But respondents with higher qualification are

found preferring even public sector banks. Generally, for long term fund requirement and fund required for agri-equipment are borrowed from public sector banks. Fisher's exact test is to find the association between formal education and preference for type of bank. P value is $0.004 < 0.01$ which shows high significance association.

Table 7: Income level and types of bank

	Type of Banks				Chi-square	P value
	Public	Private	co-op	Total		
Less than 10000	16	6	66	88	40.936	.0001
	17%	12%	11%	12%		
10000-20000	37	20	268	325		
	39%	40%	45%	44%		
20000-30000	21	8	148	177		
	22%	16%	25%	24%		
30000-50000	4	12	92	108		
	4%	24%	15%	15%		
Above 50000	16	4	22	42		
	17%	8%	4%	6%		
Total	94	50	596	740		
	100%	100%	100%	100%		

High significant association is found between the income and preference for type of bank. Chi - square between income and preference for type of bank is 40.936 and p value is $0.000 < 0.01$ which indicates that income has significant influence on preference for type of bank. 75% (66 out of 88) respondent of income group below 10000 prefer co-operative

bank but it is only 52% (22 out of 42) in case of respondent of income group above 50000. Majority of respondents of higher income group have adopted mechanized farming so their fund requirement is for long term. Naturally high percentage of respondents belong to this income preferred public sector bank for their fund requirement

Table 8: Number of dependents and types of bank

	TYPE OF BANKS				Chi-square	P value
	Public	Private	co-op	Total		
<2	8	4	63	75	26.159	0.0001
	9%	8%	11%	10%		
2 to 5	63	36	484	583		
	67%	72%	81%	79%		
>5	23	10	49	82		
	24%	20%	8%	11%		
Total	94	50	596	740		
	100%	100%	100%	100%		

Analysis reveals that 84% (63 out of 75) of respondent with less than 2 dependents have preferred cooperative sector bank for agriculture credit, but only 59%(49 out of 82) have preferred co-operative banks for fund requirement.28%(23 out of 82) of respondent with more than 5 dependents have preferred public sector bank for agriculture credit but it is only 11% in case of family with less than 2 dependents. Chi-square is 26.159 and p value is 0.000<0.01 which shows high significant association between these two variables.

Table 9: Number of days engaged in agriculture during the year and types of bank

No. of Days	TYPE OF BANKS			Total	Chi-square	P value
	Public	Private	co-op			
<100	13	19	104	136	18.092	0.021
	14%	38%	17%	18%		
100-150	18	6	126	150		
	19%	12%	21%	20%		
150-200	11	7	94	112		
	12%	14%	16%	15%		
200-250	22	8	104	134		
	23%	16%	17%	18%		
>250	30	10	168	208		
	32%	20%	28%	28%		
Total	94	50	596	740		
	100%	100%	100%	100%		

Source: Primary Data

No of man-days indicates the dependence on agriculture. 28% of total respondents spent more than 250 days in a year on agriculture activity and 18% of respondent have spent only 100 or less days in agriculture activity. Preference for public sector bank for agriculture credit is found more among those farmers who involved themselves for more than 250 days (14%) compared to those farmers who are just growing one crop and spend only 100 or less days in farming (9%). Chi-square between number of farming days and preference for bank is 18.092 and p value is 0.02 which is less than 0.05. This shows significant association at 5%

Findings

- A significant association is found between the age of respondents and preference for type of banks, as chi-square test value is 23.31, P = 0.003<0.01. Higher preference (31%) for public sector banks among younger age group especially below 30 years is found compared to senior age group (9%). High preference (86%) for co-operative bank is found among aged respondent as compared to youngster which count only 45%. This is because of outreach of co-operative banks in rural area and majority of employees are locally based and familiar to the villagers.
- A close association is found between educational qualification and preference for the type of banks, as the chi-square is 29.31, P =0.04. 71% of respondents with no formal education preferred co-operative bank. Only 20% of respondents without formal education preferred public sector bank, but 47% of respondents belong to highly qualified respondent group preferred public sector banks. Fisher’s exact test shows P=0.004<0.01.

- High significant association is found between income and preference for bank as chi-square is 40.436, P= 0.001. 75% of respondent of income group below 10,000 preferred Co-operative banks but only 52% In case of respondent preferred co-operative bank among income group 50,000. This may be due to the varied requirement of different income group.
- Survey revealed that there is significant association between family dependents and preference for particular type of banks. High dependence on co-operative banks is found among bigger family.
- Tree based farming is majorly found in the study area which requires regular attention. Therefore, a majority of respondents i.e. 28% were involved in agriculture activity for more than 250 days and 18% for more than 200 days. The respondents (76%) who involved for lesser than 100 days in agriculture activity are found depended on co-operative loan 14% of the respondents involved in more than 250days found dependent on public sector banks compared to only 9% of respondent whose agriculture activity is only 100days.
- Agriculture is losing its attraction year by year. Very few I.e. only 3% new entrants are found among total respondents selected for study. 75% of respondents are involved in agriculture activity for more than 10years. A close association is found between years of involvement and preference for particular type of banks. 85% of respondents with more than 10 years of experience in agriculture field preferred co-operative banks for the credit purpose compared to only 47% among those who newly entered into agriculture activity.
- Poor information dissemination is the root cause for majority of the problems related to agriculture sector. Most of the facilities are availed by a handful farmers and are not reached the real needy because of the bottleneck in dissemination of information. There is a significant association found between source of information and preference for type of bank, as Fisher’s Exact test shows P=0.001. Bank employee should take up the responsibility to fill this gap. As such now only 33% of respondents are getting information about different schemes from the bank employees.
- Majority of respondents (49%) have borrowed short term loan and only 23% of respondents have borrowed long term loan. 57% respondents who have borrowed short term loan preferred co-operative banks and only 18% respondents preferred public sector banks. Co-operative banks are prime lender of crop loans. The significant association is found between term of loan and preference for the type of banks.
- Loan diversion is found in the study area. 25% of respondents have diverted their fund to non- agriculture purpose. Actual percentage may be more than this as it is very difficult to find out.

Recommendations

- Priority sector lending policy should be merged with financial inclusion objectives, so as to chalk out flexible strategy for the lending to the priority sectors, depending upon the competitive strength of the bank or on the basis

of its business model.

- Poor data base about the credit worthiness of the borrower is the major reason because of which banks fail to come to the right conclusion. Therefore, the lending policies should be designed with the support of village panchayaths. The Panchayaths should be assigned with the responsibilities of building up of basic data base of farmers like, the crops which the farmers will be growing, number of crops, data related to land holdings etc., which should be updated every year. Farmers should compulsorily register with the panchayaths or with the authorized person, about their farm activities of the year. This information can be utilized by all banks to prepare an appropriate strategy.
- Survey conducted in the area of Dakshina Kannada and Udupi district revealed that apart from credit services, farmers are not getting any other supports from lending institutions especially from public and private sector banks. So to strengthen the financial conditions of farmers, banks need to concentrate on extension activities like providing market related information, MSP, climate based agriculture, cost effective mechanization. Instead of thinking it as an additional burden, banks should consider this as an investment. This will contribute in one way to the CSR activities also. Another advantage of this is, it will improve the financial position of farmer which will in turn reduce the burden of NPA.
- Public sector banks should concentrate more on agri-infrastructure development and leave the crop related activity to the co-operative banks. Dakshina Kannada and Udupi District are better known for tree base farming rather than crop based farming. This can be converted into better business model by encouraging more and more public investment especially on the fruit and other processing units which will improve the shelf life of the agriculture output. Corporate should invest first automatically tree based farming will improve. This is the best business model for coastal belt of Karnataka.
- Banks, panchayath and self-help groups should work together, so that expertise of each group would result in synergy effect and they can capitalize each other's strength.

It is observed that gap in the information dissemination is taken advantage by small groups. Therefore, more awareness should be created about the availability of different schemes.

- Timely sanctioning of funds is as much important as sufficient sanctioning of funds. Untimed sanctioning of fund is as good as not sanctioning of funds. It is observed in the survey that minimum of 5 to 6 pre sanction visit were required to avail the credit. Therefore, there is an urgent need to take some measures to reduce the time taken for sanctioning of funds and number of visits for availing the credit so that the productive time can be invested in agriculture activities.
- Traditional concept of social capital can be re-introduced, where in thousands of farmers of one area can become partners to grow high value crops by using innovative farming technique, which will strengthen financial condition.

- Many crops like pepper, vanilla etc. that are traded in commodity markets are grown in the region under study. But very few, one can say less than 2% of respondents knew about Derivative trading. So as to protect farmers from huge loss from fluctuating price during post-harvest period, they are to be educated about the derivative trading. This region is well known for good education institution. These education institutions should be assigned with the responsibility of educating farmers
- Banks generally finance partially the fund required. So the option left for farmer is either to go for money lender or end up in selling assets. This will erode the benefits of subsidy received. For this reason, farmers drop the idea of advancing agriculture activity. In order to overcome this, banks need to finance as far as possible 100% of fund requirement so that real benefit of subsidy can be enjoyed by farmers.
- Agriculture insurance should be made compulsory to avail other benefits. Awareness about the importance of this need to be created.
- Awareness about farm tourism, weekend tourism which is gaining importance in other countries can be implemented here as well. Most of the people basically from DK and Udupi district are settled outside the district especially in capital city and even in many of the foreign countries. They can be attracted through farm tourism and it will be an addition to farm income. Some progressive farmers like Son's Farm from Moodubidri, Didupe near Belthangadi, to name some few of this region are already into this. But this can be launched in large scale

Conclusion

Agriculture being the predominant part of Indian priority sector, is placed in a key position of satisfying the major portion of the demands of farmers in the rural area as it gives a stabilised income to a great extent. To bring the agriculture to the new height the banks need to support the agriculture not only by giving the financial assistance but also by giving all the other necessary assistance. Banks should concentrate on the extension activities such as providing to the farmers up to date data related to market, MSP, climate based agriculture, cost effective mechanisation etc. This should not be viewed as an additional burden but as an investment opportunity. This will even serve as an execution of Corporate Social Responsibility by the banks. Another advantage of this is, it will improve the financial position of farmer which will in turn reduce the burden of NPA.

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