

# Assessing the Government Initiatives on Farmers' Financial Inclusion in Karnataka

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**Abstract**—The Government of Karnataka has made significant strides in improving the financial inclusion of farmers through a series of targeted policies and initiatives. Financial inclusion is crucial for the economic empowerment of farmers, enabling them to access essential services such as credit, insurance, savings, and payments. This paper reviews secondary data on the key policies and programs initiated by the State government, including schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Fasal Bima Yojana (PMFBY), and the Karnataka Financial Inclusion Policy. Through an analysis of existing Government reports, statistical data, academic research, and policy documents, this paper examines these initiatives' role in enhancing farmers' financial inclusion in Karnataka.

**Index Terms**—Financial Inclusion, Government initiatives, Karnataka, Financial Inclusion Policy.

## I. INTRODUCTION

Financial inclusion refers to the process of ensuring that individuals and businesses, especially those in rural and marginalized areas, have access to affordable and appropriate financial products and services. In Karnataka, a predominantly agrarian state, financial inclusion is a crucial component for improving the socio-economic conditions of farmers. Despite the rapid growth of formal financial services in urban areas, rural farmers continue to face barriers in accessing financial resources, which impedes their agricultural productivity and overall economic growth. Recognizing this, the Government of Karnataka has implemented several policies to integrate farmers into the formal financial system. These initiatives aim to ensure that farmers have access to credit, insurance, savings, and other financial products that are vital for managing agricultural risks and improving productivity.

## A. LITERATURE REVIEW:

- Mohan (2013) discusses the importance of financial inclusion in India, focusing on the role of banking systems in empowering farmers. He highlights that financial inclusion helps reduce dependence on informal credit sources and supports farmers in managing risks and enhancing economic stability. The study emphasizes the role of initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY) and Kisan Credit Cards (KCC) in improving access to credit and insurance services, which are vital for the financial sustainability of farmers in Karnataka.
- Mishra, Sharma, and Pradhan (2019) examine the impact of digital financial services on the financial inclusion of farmers in rural Karnataka. Their research highlights how mobile banking, digital wallets, and UPI-based systems are helping farmers access formal banking services. The study found that although these services have improved financial inclusion, challenges such as low digital literacy and inadequate internet infrastructure still hinder broader adoption, suggesting the need for further investment in digital education and infrastructure.
- Kumar and Sharma (2018) assess the effectiveness of the Pradhan Mantri Fasal Bima sYojana (PMFBY) in providing financial security to farmers in Karnataka. The study highlights that PMFBY has significantly reduced financial vulnerability, especially in drought-prone areas. However, they identify issues such as delayed claim settlements and insufficient awareness about the scheme among farmers, suggesting that these challenges hinder the full potential of the program.
- Kulkarni and Desai (2021) explore the role of Business Correspondents (BCs) in enhancing

financial inclusion in rural Karnataka. The study reveals that BCs have been crucial in facilitating access to credit, savings, and insurance products for farmers, especially in remote areas lacking banking infrastructure. However, the authors note that the success of BCs depends on adequate training, remuneration, and the availability of digital tools. The paper advocates for improving the coordination between BCs and financial institutions to enhance service delivery.

- Yadav (2018) investigates the relationship between financial literacy and the adoption of formal financial services by farmers in Karnataka. The study finds that financial literacy significantly influences farmers' use of banking services like Kisan Credit Cards (KCC) and crop insurance schemes. However, despite the government's efforts to promote financial literacy, the study reveals that many farmers still lack basic financial knowledge, limiting their ability to fully benefit from these services. The author recommends more tailored financial literacy programs, particularly for small and marginal farmers.
- Patil, Patil, and Rao (2020) evaluate the Karnataka Financial Inclusion Policy introduced in 2017. The policy aimed to increase access to banking services and promote financial products among farmers. The study finds that while the policy has made strides in enhancing financial inclusion through initiatives like Business Correspondents (BCs) and financial literacy programs, it also faces challenges. These include limited digital infrastructure, a lack of awareness, and coordination issues between banks and government agencies. The authors suggest that improved infrastructure, awareness campaigns, and better coordination are needed to ensure the policy's success.

#### B. Objectives of The Study:

To assess the key initiatives taken by Government of Karnataka in promoting financial inclusion of Farmers.

## II. METHODOLOGY

The present study is based on secondary sources of data consisting of Government Policies and official reports like the Karnataka Financial Inclusion Policy, Annual Reports from the Department of Agriculture, PMJDY, and PMFBY, Peer-reviewed journal articles, research papers, and reports on financial inclusion and rural development in Karnataka, Data from official databases such as the National Sample Survey Office (NSSO), Karnataka Economic Survey, and Reserve Bank of India (RBI) reports will be used to provide statistical evidence on the financial inclusion landscape in Karnataka.

### A. Key Policy Initiatives by The Government to Improve Financial Inclusion of Farmers in Karnataka:

#### 1. Financial Inclusion Policy of Karnataka

In 2017, the Government of Karnataka launched the Karnataka Financial Inclusion Policy with the goal of providing access to formal financial services to underserved populations, including farmers.

This policy focuses on:

- Ensuring that all households, especially in rural areas, have access to basic financial services like savings accounts, credit, and insurance.
- Facilitating the establishment of Business Correspondents (BCs) and Business Facilitators (BFs) to act as intermediaries between financial institutions and farmers.
- Promoting digital financial services to encourage the use of mobile banking and digital payments, ensuring farmers can access financial services in a cost-effective and convenient manner.

#### 2. Kisan Credit Card (KCC):

The KCC scheme is an agriculture credit delivery instrument that offers several benefits, helps in uplifting the standards of living of farmers, encourages them to shift from subsistence farming to commercial farming by providing timely credit, and also brings them under the purview of financial inclusion. KCC Scheme is showing upward trend in Karnataka.

**Table 5. Agency-wise Progress of Kisan Credit Card Scheme in India Karnataka (Number in '000 & Amount in crore)**

Sl. No.	Agency / Year	Co-operative Banks		Regional Rural Banks		Commercial Banks		TOTAL	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2017-18	2447	11,664	719	9,135	925	24,171	4091	44969
2	2018-19	2509	11,516	631	9,130	852	23,333	3992	43978
3	2019-20	2742	13,593	536	11,146	831	22,791	4109	47530
4	2020-21	2925	17,173	606	9,777	1292	19,140	4823	46090
5	2021-22	3125	1,44,511	668	11,701	944	19,013	4737	1,75,226

(Source: Trends & Progress of Banking in India, Publications, RBI)

(Note 1: Number represents the number of operative Kisan Credit Cards and amount represents the total amount outstanding on the KCC scheme in Karnataka)

### 3. Pradhan Mantri Jan Dhan Yojana (PMJDY)

Although this is a national scheme, the Pradhan Mantri Jan Dhan Yojana (PMJDY) has been actively promoted in Karnataka as a part of the financial inclusion agenda. The initiative aims to provide every household with access to a basic savings bank account, along with:

- Rupay debit cards for easy transactions.
- Overdraft facilities and insurance.
- Enabling Direct Benefit Transfers (DBT), including subsidies for various agricultural schemes.
- Through this program, Karnataka has increased the number of farmers with access to formal banking services, which helps them avail credit facilities for agricultural activities.

### 4. Karnataka State Farmers' Welfare Scheme

- The Karnataka State Farmers' Welfare Scheme focuses on financial support and welfare measures for farmers in distress. Under this initiative, farmers are provided financial assistance in the form of:
- Crop loans at subsidized interest rates to reduce the burden of high-interest rates from informal lenders.
- Debt relief programs to help farmers who have faced natural calamities or financial distress.
- Grants and subsidies for purchasing agricultural equipment, irrigation systems, and other essential inputs.

### 5. Karnataka State Agricultural Credit Corporation (KSACC)

The Karnataka State Agricultural Credit Corporation (KSACC) plays a significant role in enhancing agricultural credit availability. It offers:

- Short-term and long-term loans to farmers at low-interest rates for agricultural and allied activities.
- Loans for the purchase of machinery, irrigation facilities, and livestock.
- The KSACC also works in collaboration with commercial banks to provide farmers with easy access to finance.

### 5. Interest Subvention Scheme

Karnataka's Interest Subvention Scheme aims to provide farmers with financial support by subsidizing the interest rate on agricultural loans. Under this scheme:

- Farmers are provided short-term loans for crop cultivation at low-interest rates, with the state government offering a subsidy on the interest to ensure affordability.
- This scheme helps farmers reduce their debt burden and incentivizes them to access institutional credit.

### 6. Financial Literacy and Awareness Campaigns

The Government of Karnataka has actively promoted financial literacy through several initiatives:

- Financial Literacy Centers (FLCs) have been set up across the state to educate farmers on the benefits of formal banking and financial products.
- Awareness campaigns organized in rural areas encourage farmers to adopt banking habits, use digital banking services, and understand government schemes like PM-KISAN (Pradhan Mantri Kisan Samman Nidhi), PMFBY (Pradhan Mantri Fasal Bima Yojana), and others.

- These campaigns aim to improve the farmers' knowledge of financial tools, such as loans, savings, and insurance, and help them make informed decisions.

#### 7. Pradhan Mantri Fasal Bima Yojana (PMFBY)

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is one of the key insurance schemes promoted by the Government of India, but it is also extensively implemented in Karnataka. This initiative provides:

- Crop insurance to protect farmers against natural disasters like droughts, floods, and pests.
- Financial support for farmers facing yield losses due to these risks, ensuring that they are not financially devastated in times of crisis.
- Farmers are encouraged to enrol in the scheme through financial institutions, including banks and BCs, making it easier for them to access the benefits.

#### 8. Digital Financial Services and Cashless Transactions

To further improve financial inclusion, the Government of Karnataka has supported digital financial services, with a particular emphasis on mobile banking and digital payments. Initiatives include:

- Karnataka Mobile Banking Project: This initiative encourages farmers to access bank services via mobile phones, even in remote areas.
- Training on cashless transactions and the use of mobile payment systems, like UPI (Unified Payments Interface) and QR code payments, are promoted among farmers to reduce dependency on cash transactions.
- This initiative not only improves financial access but also enhances transparency and accountability in financial dealings.

#### 9. Linkage with Self-Help Groups (SHGs) and Cooperatives

The government has supported the formation of Self-Help Groups (SHGs) and cooperatives, which have become an important tool for financial inclusion in rural areas. These groups help farmers:

- Save collectively and access micro-credit.
- Participate in government welfare programs and financial literacy training.

- The government has also collaborated with cooperatives to offer insurance, loan products, and financial training for farmers through these grassroots institutions.

#### 10. Crop Loan Waiver Schemes

At various points, the Karnataka government has implemented crop loan waiver schemes to alleviate the financial burden on farmers who are unable to repay loans due to unforeseen circumstances like droughts, floods, or crop failure. These waivers offer:

- Debt relief to distressed farmers, giving them a fresh start for the next agricultural season.
- Financial assistance through subsidies for the repayment of loans taken from formal financial institutions.

### III. IMPACT OF POLICY INITIATIVES

- Increased Access to Credit

The policies have led to a significant increase in the number of farmers accessing formal credit. The Kisan Credit Card (KCC) scheme, linked with PMJDY accounts, has allowed farmers to avail of low-interest loans for agricultural inputs, reducing their reliance on moneylenders.

- Improved Financial Security through Insurance  
PMFBY has enabled many farmers to secure insurance for their crops, reducing the financial strain caused by crop failure. The scheme has been instrumental in mitigating risks posed by Karnataka's unpredictable weather conditions, such as droughts and floods.

- Digital Empowerment

The expansion of mobile banking and cashless payment systems has improved access to banking services for farmers, particularly in remote areas. The adoption of mobile banking has facilitated financial transactions, enabling farmers to receive subsidies and make payments efficiently.

### IV. CHALLENGES

Despite the successes, several challenges remain in the implementation of financial inclusion policies:

- Digital Literacy Gap: While digital banking is growing, many farmers, especially older generations, struggle with using mobile phones and digital platforms.

- Infrastructure Issues: Poor internet connectivity in remote areas continues to be a barrier to accessing digital financial services.
- Awareness Deficit: Despite financial literacy programs, many farmers remain unaware of all the benefits offered by government schemes, leading to low participation rates.

## V. RECOMMENDATION

The Government of Karnataka has implemented a range of policies to enhance financial inclusion among farmers. While these initiatives have achieved significant progress, there are still barriers related to digital literacy, infrastructure, and awareness that need to be addressed. To improve the financial inclusion of farmers further, the following recommendations are made:

- Expand digital infrastructure in rural areas to improve connectivity.
- Increase awareness campaigns to ensure farmers are fully aware of the benefits of financial products and schemes.
- Strengthen financial literacy programs to ensure that farmers are equipped with the knowledge to use digital platforms effectively.
- Encourage greater participation of Business Correspondents to provide on-the-ground support and guidance to farmers.

## VI. CONCLUSION

The Government of Karnataka has made significant strides in improving the financial inclusion of farmers through a combination of financial services, literacy programs, credit access, and insurance schemes, addressing the remaining challenges such as technological barriers, lack of awareness, and trust issues, continued focus on improving infrastructure, digital literacy, and community-based financial support will be key to ensure that farmers can fully benefit from these programs and improve their economic well-being.

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