



The Role Of Financial Insitution In Karnataka Education And Agriculture Development. A Case Study

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Introduction:

A few of these developments need a special mention in this preface. Firstly, starting from Circa 600 A.D. for over 500 years, Karnataka was one of the leading political powers in India. Those royal dynasties that ruled Karnataka during this period, carved a special place for themselves in the history of the country, due to their highly efficient and fighting military forces. Secondly the Vijayanagara Empire (1336-1565), symbolized the spirit of resistance to foreign invasions and also the potentiality of its people to establish a strong and benevolent system of administration. Here again, it would be appropriate to specially mention the efforts of “Tiger of Mysuru” - Tipu Sultan who was among the first rulers to fight against the Britishers and was the first Indian ruler to be martyred in the battle field. Lastly, in modern times Sir K. Sheshadri Iyer, Sir.M.Visvesaraya, Sir. Mirza M. Ismail and other Dewans of Mysuru Kingdom, through their great administrative talent, statesmanship and constructive economic policies, made the Princely State of Mysuru, not only the nucleus of Modern Karnataka, but also as a model to the rest of the Country. A few of these developments need a special mention in this preface. Firstly, starting from Circa 600 A.D. for over 500 years, Karnataka was one of the leading political powers in India. Those royal dynasties that ruled Karnataka during this period, carved a special place for themselves in the history of the country, due to their highly efficient and fighting military forces. Secondly the Vijayanagara Empire (1336-1565), symbolized the spirit of resistance to foreign invasions and also the potentiality of its people to establish a strong and benevolent system of administration. Here again, it would be appropriate to specially mention the efforts of “Tiger of Mysuru” - Tipu Sultan who was among the first rulers to fight against the Britishers and was the first Indian ruler to be martyred in the battle field. Lastly, in modern times Sir K. Sheshadri Iyer, Sir.M.Visvesaraya, Sir. Mirza M. Ismail and other Dewans of Mysuru Kingdom, through their great administrative talent, statesmanship and constructive economic policies, made the Princely State of Mysuru, not only the nucleus of Modern Karnataka, but also as a model to the rest of the Country. A few of these developments need a special mention in this preface. Firstly, starting from Circa 600 A.D. for over 500 years, Karnataka was one of the leading political powers in India. Those royal dynasties that ruled Karnataka during this period, carved a special place for themselves in the history of the country, due to their highly efficient and fighting military forces. Secondly the Vijayanagara Empire (1336-1565), symbolized the spirit of resistance to foreign invasions and also the potentiality of its people to establish a strong and benevolent system of administration. Here again, it would be appropriate to specially mention the efforts of “Tiger of Mysuru” - Tipu Sultan who was among the first

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KEYWORDS: FINANCIAL INSTITUTIONS AGRICULTURE DEVELOPMENT INFRASTRUCTURE LOANS UNIVERSITIES ECONOMICALLY WEAKER SECTION.

Aims and objectives of the study

1. To study the role of financial institutions in Karnataka
2. To study how many institutions help to development
3. To study agriculture and industrial development in the state
4. To study the educational facilities by the financial institutions
5. To study the background of developmental needs of the citizens
6. To study the rural development and infrastructure of Karnataka state

Hypothesis of the Study

1. Financial institutions are very helpful to Karnataka peoples
2. Some institutions located at urban area
3. Financial institutions given loan for only some ones
4. In rural area institutions are very less
5. Education and farmer development is very good
6. Science and technology also developed by financial institutions

Status of Higher Education and Educational Loans in India

India's higher education sector is the largest in the World in terms of enrolment. As per AISHE (2016-17) report, 35.7 million of students have been enrolled in higher educational institutions with 19.0 million boys and 16.7 million girls. Higher educational institutions have been categorized in 3 broad Categories; University, College and Stand-Alone Institutions. currently, there are 864 universities, 40,026 colleges and 11,669 stand-alone institutions in the country (AISHE, 2017). Over the last 70 years, higher education in India has grown remarkably with an increase of student enrolment ratio by 34 times in universities and 74 times in colleges. To meet the current demand in the higher education sector, private institutions are playing a significant role by charging a higher cost which is beyond the reach of economically weaker sections in the society due to unequal distribution of income. Today, equal accesses to higher education has become a central issue. Financing higher education has been a prevalent issue between the state and centre in India. To address this problem, various financial institutions are extending their helping hand to assist the common man with an adequate financial facility through educational loans. Educational loans are seen as a better alternative for

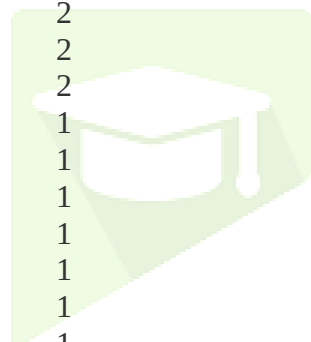
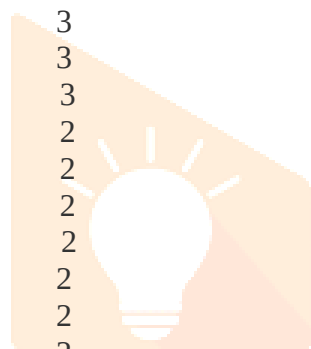
those who cannot afford to access higher education. Educational loan (Outstanding ₹70, 475 Cr, 31st Dec 2014. Indian Express, 2015) is considered as an alternative source to finance higher education due to non-affordability and insufficiency of public resources in developing countries like India. In 2001, the model Education Loan Scheme was introduced by the Indian Banks' Association (IBA Model) to help meritorious students to pursue higher education in India and abroad. The sole purpose of this loan facility was to ensure that no qualified student was left behind with financing as a hurdle for his/her desired field of higher studies. It was envisaged that equal

access would be provided to all students without any discrimination and sanctioning such loan was purely based on eligibility or qualification of the student. As the focus was on human capital development, repayment of the loan was expected to come from future earnings of the student after completion of education. Hence the assessment of the credit was purely based on the employability, earning potential of the student upon completion of the course and not the parental income or family wealth. In short, education loans are seen as a reliable alternative source to meet the expenses in the higher education sector as well as future investment in human capital.

Status of higher education in Karnataka: Karnataka is one of the revolutionary states in the country with respect to higher education. Karnataka is a state one among 29 states in India located in a south-western region with the 6.11 core (2011) population. It consists of 5.05 % of the total population of the country. Karnataka's literacy rate is 75.4%. According to the AIHE 2015-16 report published by MHRD, the State is privileged to have 52 total number of universities. Stands fourth place in the country for the highest number of universities. One central university and with one national importance, 25 state public universities. One state-open university and state private university. 4 Government and 11 private deemed universities. There are 26 General, five agricultural, two fine arts, 2 law and six medical universities with specialization. Enrolment for under graduation is 14,20,697 and for post-graduation is 2,00,909 among 1,03,261 are female and 97,648 are male. GER for Karnataka is 26.1%. The southern part of Karnataka got the better enrolment ratio and a good number of educational institutions compared to the northern part of Karnataka.

City/Area	Population	No Of F I
Bengaluru	8.44M	884
Mysore	868.31K	214
Yelahanka	116.45K	162
Mangalore	417.39K	134
Hubli	840.21K	131
Davangere	435.13K	102
Shimoga	319.55K	77
Bijapur	271.06K	73
Tumkur	307.36K	72
Bellary	336.68K	71
Hassan	128.53K	66
Udupi	165.00K	59
Raichur	225.96K	54
Hospet	197.85K	51
Mandya	134.84K	45
Chitradurga	138.59K	44
Kolar	126.44K	42
Chikmagalur	121.48K	41
Gadag	162.57K	32
Bangarapet	42.79K	23
Anekal	36.69K	11
Dharwad	-	11
Koppal	60.87K	11
Harihar	78.03K	9
Nelamangala	28.70K	8
Robertsonpet	135.22K	8
Yadgir	65.38K	7
Hoskote	41.24K	6

Kampli	36.64K	6
Tarikere	37.85K	6
Malavalli	38.13K	5
Arsikere	44.27K	4
Challakere	53.51K	4
Gubbi	17.98K	4
Indi	34.08K	4
Koppa	5.12K	4
Kushtagi	24.18K	4
Mundargi	21.83K	4
Sidlaghatta	49.11K	4
Channagiri	20.38K	3
Closepet	93.53K	3
Coondapoor	28.49K	3
Gajendragarh	29.75K	3
Jevargi	20.16K	3
Mudgere	9.32K	3
Nargund	33.40K	3
Sakleshpur	24.93K	3
Siruguppa	47.92K	3
Bail-Hongal	47.06K	2
Chikodi	34.98K	2
Chincholi	20.45K	2
Devanhalli	25.23K	2
Harpanahalli	44.98K	2
Hole Narsipur	28.29K	2
Karwar	64.46K	2
Koratagere	14.45K	2
Kunigal	33.27K	2
Lakshmeshwar	35.14K	2
Annigeri	25.75K	1
Channapatna	66.65K	1
French Rocks	19.05K	1
Haveri	60.16K	1
Holalkere	15.48K	1
Hosanagara	5.19K	1
Hukeri	20.82K	1
Hungund	19.04K	1
Ilkal	56.94K	1
Kundgol	17.62K	1
Mudgal	21.01K	1
Mundgod	17.00K	1
Ron	22.59K	1
Saundatti	40.09K	1
Seram	35.13K	1
Shirhatti	16.60K	1
Sindgi	33.77K	1
Sringeri	4.27K	1
Sulya	18.95K	1
Turuvekere	14.12K	1
Ullal	59.12K	1



Economic growth of every nation is dependent upon the role of financial institutions and the ultimate financial development. Policymakers and economists generally agree that financial Development contributes towards financial institutions and markets, such as commercial and investment banks, bond and stock exchanges which in turn lead to economic growth.

The structuralism view is financial development impacts directly on investment growth and asset competition and it ensures that the relationship between investment and real interest remain negative. In other ascs financial sector may be under developed or over developed (Colin, 2000). “If financial sector is underdeveloped it will not provide adequate channels for the mobilization of saving and they may keep it in the form of gold ornaments”. If financial sector is overdeveloped then it may become a medium of transmitting saving from the domestic economy to world capital market. Several studies show that countries such as Japan,

Taiwan and China carefully pay attention to “maintaining a balance between real and financial sector development” “Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost” (Rangarajan Committee 2008). The various financial services include affordable credit, savings, insurance, bank account, financial advice, payments and remittance facilities. But, In India the basic concept of financial inclusion is having a saving or current account with any bank. In reality it includes loans, insurance services and much more.

Mobility and Economic security- enables poor women in making them economic agents of change by— increasing their income and productivity. Ability to make small and large purchases— Involvement in major household decisions.— Relative freedom from domination within the family. Political and legal awareness.— Involvement in political campaigning and protests and to access to markets and information. They become— more confident and get better control of the resources. Financial development is usually defined as a process that marks improvement in quantity, quality, and efficiency of financial intermediary services. “This process involves the interaction of many activities and institutions and possibly is associated with economic growth”. Financial development has very an important role in economy. There are two schools of thought towards this study. First is repressionist and second is structuralism. “The repressionist concludes in their studies that financial development is an outcome of the maintenances of positive real interest rates and it impacts positively on commodity sector growth” Arshad, Qayyum & Saeed, 2005. These include currency, demand deposits, time deposits.

SEWA Bank provides microfinance services to women, offering small loans to support income generating activities such as agriculture industry handicrafts, and small businesses. By extending financial services to women who lack access to traditional banking, SEWA Bank empowers them economically.

Impact on Economic Development: Financial Inclusion: SEWA Bank promotes financial inclusion by reaching out to those who are often— excluded from mainstream banking, thereby contributing to a more inclusive economic development model.

Rural Development: The bank's focus on rural areas contributes to the development of these regions— by fostering entrepreneurship and economic activities at the grassroots level.

Women Empowerment: SEWA Bank's microfinance initiatives empower women by providing them— with the means to generate income and improve their living standards. Financial development is usually defined as a process that marks improvement in quantity, quality, and efficiency of financial intermediary services. “This process involves the interaction of many activities and institutions and possibly is associated with economic growth”. Financial development has very an important role in economy. There are two schools of thought towards this study. First is repressionist and second is

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Working of financial institutions

1. Capital Mobilization and Formation
2. Investment Facilitation
3. Payment Systems and Financial Formation
4. Risk Management and mobilization
5. Global Financial combination
6. Financial Intermediation and Efficiency
7. Credit Creation and Monetary Policy
8. Long-Term Investments and Infrastructure Financing
9. Financial Inclusion and Social Impact
10. Technology and Innovation in economic activities
11. Hedging and Risk Management
12. Education and Financial Literacy

As witnessed in case studies from India, financial institutions are instrumental in addressing specific developmental challenges, whether it be rural empowerment, infrastructure financing, or digital financial inclusion. These examples underscore the adaptability of financial institutions in tailoring their services to diverse economic contexts and needs. Looking ahead, the continued evolution of financial institutions is essential in navigating the challenges of a rapidly changing global landscape. Embracing technological advancements while ensuring financial stability,

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India’s DFI landscape features several prominent institutions, each serving specific sectors and purposes. Understanding their individual roles helps appreciate the comprehensive coverage they provide to the economy.

Export-Import Bank of India: Established in 1982, EXIM Bank serves as India’s principal financial institution for coordinating the working of institutions engaged in financing exports and imports. Imagine a bridge connecting Indian businesses to global markets – that’s essentially what EXIM Bank represents. The bank provides various financial services including pre-shipment and post-shipment finance, buyers’ credit, and lines of credit to overseas entities for importing goods and services from India. For an Indian textile manufacturer looking to export to African markets, EXIM Bank doesn’t just provide financing but also offers market intelligence, helps with documentation, and even provides insurance against political and commercial risks.

EXIM Bank also plays a crucial role in India's development cooperation initiatives, extending lines of credit to developing countries for importing Indian goods and services. This dual role makes it both a commercial facilitator and a tool of India's soft diplomacy.

National Bank for Agriculture and Rural Development: NABARD, established in 1982, stands as the apex institution for rural development finance in India. If you've ever wondered how millions of small farmers across India access credit for seeds, fertilizers, and equipment, NABARD is often the invisible hand making it possible.

The institution operates through a unique three-tier structure: it refinances Regional Rural Banks and cooperative banks, which in turn lend to farmers and rural entrepreneurs. This structure ensures that even a small farmer in a remote village of Odisha can access institutional credit without having to navigate complex urban banking systems.

Beyond traditional agricultural finance, NABARD has evolved to support rural infrastructure, watershed development, and rural innovation. It finances projects ranging from rural roads and market yards to renewable energy installations in villages. The institution also promotes financial inclusion through initiatives like Self-Help Group (SHG) linkage programs, which have brought millions of rural women into the formal financial system.

Small Industries Development Bank of India: SIDBI, established in 1990, focuses on the development and financing of micro, small, and medium enterprises (MSMEs). Consider the thousands of small manufacturing units, service providers, and entrepreneurs who form the backbone of India's economy – SIDBI exists to nurture and support their growth.

The institution provides both direct and indirect financing. Direct financing involves loans to individual MSME units for purchasing equipment, expanding operations, or meeting working capital needs. Indirect financing works through other banks and financial institutions, essentially acting as a wholesaler of funds for MSME financing.

SIDBI has also embraced technology and innovation, supporting fintech companies that serve MSMEs and promoting digital financial services. Its venture capital arm invests in promising startups, particularly those working in areas relevant to small industries.

National Housing Bank: NHB, established in 1988, serves as the apex institution for housing finance in India. Housing represents one of the largest investment decisions for most families, and NHB ensures that adequate institutional support exists for this crucial sector.

The bank refinances housing finance companies, provides direct lending for housing projects, and promotes innovation in housing finance. It has played a crucial role in developing India's housing finance ecosystem, supporting everything from individual home loans to large residential projects.

NHB also focuses on affordable housing, supporting initiatives that make homeownership accessible to lower-income groups. Its residex (residential price index) has become a standard benchmark for tracking housing price trends across Indian cities.

How DFIs support economic development: The impact of DFIs extends far beyond the loans they disburse. They serve as catalysts for economic development through multiple channels, creating ripple effects that benefit entire sectors and regions.

Filling market gaps And Communications : Commercial banks often hesitate to lend to certain sectors due to perceived risks, long gestation periods, or lack of expertise. DFIs step into these gaps, providing crucial financing that might otherwise be unavailable. A renewable energy project in Rajasthan, for instance, might struggle to get financing from a commercial bank due to its long payback period and technical complexities. DFIs, with their sector expertise and patient capital approach, can evaluate and finance such projects effectively.

Risk mitigation and innovation: DFIs often pioneer new financial products and approaches that commercial banks later adopt. They experiment with innovative financing structures, develop new risk assessment methodologies, and create financial products tailored to specific sector needs. This innovation eventually benefits the broader financial system as successful models get replicated by other institutions.

Capacity Building and technical Idieas: Beyond financing, many DFIs provide technical assistance, training, and capacity building support to their clients. NABARD, for example, trains bank officers in agricultural lending, helps farmers adopt new technologies, and supports the development of rural financial institutions. This comprehensive support approach ensures that financing translates into genuine developmental impact.

Institutional Financing in Karnataka State: The state of Karnataka has about 29,000 villages and possesses about 190 lakh hectares of land out of which about 106 lakh hectares of land is being cultivated in all the three seasons in a year. Government has increasingly begun to tap institutional finance from banks and other term lending institutions for financing for various developmental programmers in the state in view of the need to supplement plan financing. Banks in the state have also played a pivotal role in this regard. However, credit should be utilized in a prudent manner to maximize returns and spread the benefits over a wider section of the population. Successful implementation of socio-economic developmental programmers calls for effective co-ordination between financial agencies and government departments. It also helps in improving efficiency of resource allocation and identifying infrastructural gaps. The state level Banker's committee, constituted by the Reserve Bank of India under the Lead Bank scheme periodically has taken up the review of the performance and monitors progress under special schemes. At the district level the district consultative committee with the CEO of ZP as chairperson and representatives of financial Institutions and heads of government department at the district level as members monitor the implementation of government sponsored schemes and service area credit plans. At the block level, Block level Banker's committee chaired by Lead District Manager with bank managers and departmental heads of government at block level as members periodically review the implementation of government sponsored schemes and service area credit plans and sorts out problems encountered in the implementation of various programmers. This is to select priorities for loan assistance from National Bank for Agriculture and Rural Development under Rural Infrastructure Development Fund scheme launched in 1995

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