Chapter I

Introduction and Design of the Study
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1.1 INTRODUCTION

"India lives in villages" – is the message of the father of the nation, Mahatma Gandhiji. He has experienced the importance of village economy and had a great concern over the downtrodden. Since 76 per cent of our country’s population lives in more than 5,76,000 villages and agriculture and allied activities provide employment and sustenance to 90 per cent of the villagers, the statement of Mahatma Gandhiji shows the real picture of our economy. Rural economy forms the real foundation of India’s economy. It contributes a major share in the GDP of our nation.

It has an important influence on the food supplies of our country and also it is the major supplier of raw material and needed labour to the industrialization of our country. Besides that rural, especially the agricultural sector provides vast market for various industrial goods by absorbing the manufactured goods like fertilizers, diesel engines, pesticides, water pumps, electric motors, etc. Rural sector is the major contributory to the development of service sector too. The development of service sector like trade banking, insurance, transport storage, advertising and communication depends on the development of agriculture and its allied activities. Further, the role of rural sector in our foreign trade is also significant. Thus, rural sector is an important segment of Indian economy. It influences the pace of development in the rest of economy1.

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1 K. Someshwar Rao (1998), Economics of Rural Banking, Anmol Publication’s Pvt. Ltd. New Delhi, p.1
Socio–Economic Conditions of Rural Poor

In spite of huge significance of rural economy, the living condition, lifestyle and socio-economic status of rural people continue to be miserable. The standard of living of an average Indian is among the poorest in the world. Nearly 400 to 500 million people live in villages untouched by the benefits of the modern development. They are hungry and sick and they live in mud houses which are dark and dingy without air or sunlight. They do not have furniture or other requirements of living and in some cases, animals also share their residence. There are no bathrooms and toilets and there are is complete absence of sanitation or hygiene. After sunset, most of the villagers go to sleep. There is no a light or brightness in the houses or in the road side.

Poverty, illiteracy, diseases, absence of sanitation and housing, lack of purified drinking water, absence of medical facilities are the hallmark of villages. The extent of Indian backwardness and human deprivation is depicted by Rumki Basu. The notable points are:

- 34 per cent of the total population lives in a absolute poverty
- One third of the world’s poor live in India
- 135 million people are denied access to primary health care services
- 226 million people are without safe drinking water and 640 million have to make to without basic sanitation facilities.
- 88 per cent of all pregnant women suffer from anaemia
- There are 62 million malnutrition children under the age of five
- 291 million adults are still illiterate
- 45 million children were out of primary school in 1995

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• Nearly one third of children under the age of sixteen are forced into child labour and
• India was ranked first in arms import but 147 in per capita income between 1988 and 1992.

Poverty, unemployment inequality of income and resources and absence of social justice are the main problems which affect the development of rural poor.

Poverty in India

Poverty is the situation in which a section of the community is unable to acquire even the basic necessities of life such as minimum food, clothes and shelter. Poverty must be regarded as a general form of relative deprivation which is the effect of mal distribution of resources.

Martin Rein\(^3\) observes the three broad concepts of poverty. According to him, poverty can be defined as subsistence, inequality and externality. Subsistence is concerned with the minimum provision needed to maintain health education and working capacity. Inequality is concerned with the relative position of the income groups to each other. Externality is concerned with the social consequence of poverty.

In earlier days poverty meant a quantitative measure of economic deprivation. But now the emphasis is equally on the lack of opportunities, access to resources and other human developments.

The environment of poverty is conditioned by malnutrition which increases vulnerability to disease as well as reduces learning ability, malnutrition adversely effects fuller mental development, physical growth, productivity, the span of active years of service, all of which significantly influence the economic potentiality of human being.

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\(^3\) Vasant Desai (2009) Quoted in his book rural development in India, Himalaya Publishing House, Mumbai, p. 27
Lack of education increases ignorance and reduces the scope of self improvement. Ignorance never helps prevent sickness. It also affects the social value system. Illiteracy and fertility are vicious combination. The net result of malnutrition is illiteracy, poor housing, poor health, reduced production of basic goods and low incomes.

Poverty affects the quality and quantity of human capital. The culture of poverty is associated with the dependence on fate, ignorance sense of resignation, fatalism, low motivation for education and development, inadequate preparation for an occupation and no plan for future.

**Causes of Poverty**

Poverty is an age-old problem, the combination of several factors like economic, political, geographical, social, psychological and cultural issues work behind it. In India and the other parts of the world the social origin of rural poor is an outcome of the process of property differentiation, which had its roots in the class domination by the ruling class. The people who belong to forward communities have adequate physical assets through ancestral resources and this in turn provides additional income to them. But the small and marginal landholders, agricultural labourers, large number of rural artisans and most of the people of scheduled castes, scheduled tribes, and people belong to backward and most backward communities face different issue.

The traditional “varna system”, by which certain occupations, with good working conditions and possibility of huge and regular earning are undertaken by forward communities. The work concerned with low status with non technical, less knowledgeable and unskilled coupled with poor irregular income like hair dressing, dress washing, scavenging, loading and unloading and agricultural work

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4 Sen A.K. Poverty, Inequality and Unemployment, some empirical issues in Management, Economic and Political Weekly, No.1, VIII No.31-33, p.1457.
etc. are assigned to low social status people. Thus, socially upward categories can secure more income and wealth and socially downward can get only poor income.

**Foreign Rule in India:** Before independence, foreign rulers did nothing to improve the downtrodden rural mass. Their selfish policies concentrated their efforts on urban areas only and the rural areas were looked upon as suppliers of cheap labour and agricultural produce. Their cottage and village industries existing at the time collapsed and their economic and social conditions were deteriorated due to colonial administration. In the long era of colonial rule which ruthlessly and systematically destroyed the basis of sound efficient productive arts and crafts in the country through highly discriminating fiscal policies. The attempts to alleviate rural backwardness against urban income through improved capacity to change relative growth rate of agriculture and manufacturing were affected\(^5\).

**Urbanisation of Economy:** It appears despite the huge anxiety and attempts to develop backward region it rural areas, by and large it is true that 95 per cent our countries industrial production with most of its income actually accrues to urban areas. Agriculture and allied activities are predominantly belonging to rural areas, but the profits and benefits are obtained by urban industrialists.

In actual practice, the benefits of technological back through did not reach that rural India to the extent necessary for elevating them from their backwardness.\(^6\) The sophisticated transport activities such as aircraft, railways and highways road transport have the largest urban sources of growth. Hence, the pattern of growth in Indian manufacturing and territory occupancy is such that the urban areas are benefited more than that of rural areas.

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**Lack of Motivation:** A large section of rural community mainly consisting of landless agricultural labourers, bonded labourers, scheduled castes and scheduled tribes have got used to poverty to which they have been subjected for centuries. That has become their way of life and there is no urge or motivation to bring improvement and to rise above the poverty line. Even if there is an urge among rural people to improve the economic condition, they do not have the necessary productive assets and skills with them to produce wanted goods and earn money.

**Lack of Productive Assets:** In rural areas, land is the main and often only productive asset. But the increasing population of rural area without corresponding increase in cultivable land is an additional problem of rural areas. The National Commission on Agriculture (1976) has pointed out that only 13 per cent of farmers own over 55 per cent of land and 55 per cent own only 12 per cent of cultivated land. The small and medium cultivators account for over 87 per cent of total cultivators. Such a structural variation of land ownership is also causes to the poverty.

**Illiteracy:** There is widespread illiteracy and absence of modern silks among vast rural masses. Because of their illiteracy the rural artisans who produce traditional goods find that there is no demand for such goods and they cannot stand competition with goods coming from urban areas.

**Unemployment:** In the absence of any productive assets or with inadequate productive assets, the only source of income for vast rural masses is wage employment. But employment in rural areas is also limited and depends upon vagaries of monsoon. If monsoon fails the land remain uncultivated. Even if monsoon is satisfactory, there is only single cropping system, which means employment for only four to five months. For the rest of the year they remain unemployed earning hardly any income. This situation forced them to indebtedness.  

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7 Parthasarathy S, Employment and Unemployment of Rural Labour and Crash Programme in West Godawari District AP, Andra University, Waltair.
Rural indebtedness: This is an important factor for the prevailing poverty and backwardness of rural areas. Every rural individual, invariably in which work they involve, have indebted huge amount to the village money lenders.\(^8\)

Crop Failure: There will, usually, be crop failure due to flood, drought or theft or any other mishap. In such case, in the absence of any savings, they are forced to go into debt both for their immediate consumption and for meeting the expenses of next season.

Unproductive Expenditure: The celebrations of various social and religious ceremonies like births, deaths, marriages in a customary way with the distribution of food to the entire village community and feasting are also caused such poverty.

Unnecessary Litigations: The inter family and intra family dispute over small issues like boundary line, sharing of well water lead to prolonged litigation to several years with huge legal and other expenditure. In such cases, the rural households get into the grip of village money lenders.

High Value System: Rural community brought up with traditional values feels that it is their moral responsibility to fully repay the ancestral debt which has gone on accumulating over the years. Very often the villagers have to incur additional debt to clear the old debt and thus the vicious circle continuous from generation to generation. The poor people are so pathetic that an adage “they’re born in debt they live in debt and die in debt” aptly describe their plight.

Money lenders: In some cases, the professional money lenders also encourage the poor illiterate and needy household to borrow on the security of land or house and their ultimate aim being to grab the assets of rural debtors. The money lenders are often unscrupulous, they charge very high rate of interest, they obtain signature of

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borrowers on blank stamped papers, they do not give receipts for getting interests and they manipulate accounts. All with the view to see that the borrower do not ever get out of the clutches of themselves.

**Frustration of rural youths:** The socio psycho feature of the rural youth has undergone a significant change in last few decades. The rural youth today are more frustrated than were their predecessors. This is a result of non fulfillment of their growing expectations of an improvement in the quality of life. At the same time, they are being strongly influenced by the ripples of socio-cultural changes emanating from the urban areas. Cinema and the development of mass medias have contributed to bring about this change.

The growing exposure to modern life style have strongly influenced the average rural youth’s personal habits such as new hair style, dressing style smoking, drug addiction etc. Thus, the key reasons for poverty in rural sector are discriminatory education system, high incidence of health problem, widespread unemployment, inaccessibility to capital, very few opportunities for women to earn their livelihood, lack of availability of vocational skills, inadequacy of agriculture and live stock extension services, ecological imbalances, environmental degradation, inconsistent drinking water supply, lack of access to social and legal justice, a rapid increase in population, urbanization of industrialization etc.

**State’s Role in Socio-Economic Transformation**

After independence, realizing the significance of improving the plight of rural masses and being committed constitutionally to improve their socio-economic well-being, several steps were taken by government of India and various rural development programmes were implemented. The main object of all the programmes have been to improve the socio-economic conditions of rural people by increasing agricultural production, developing small scale and cottage
industries, creating maximum possible employment opportunities eradicating poverty from rural sector and providing basic amenities of life.

These development programmes are an important tool for bringing about desired improvement in the life of the rural people. It is a strategy designed to improve the social and economic life of a specific group of the rural poor.

Rural development is of vital importance for bringing about the overall socio-economic development in the country. Therefore, the real growth of Indian Economy lies in the emancipation of rural masses from the condition of object poverty in which they have been living for centuries. Keeping these objectives in view, the government gave priority to rural development programmes and plans but an appraisal of the achievements of various rural development programmes reveal that no doubt, these programmes were initiated by the government with the noble objectives, but they failed to produce tangible results. Many factors like lack of trained and dedicated personnel, non-participation of people in the development programmes, socio-economic backwardness of people, political pressure, and bureaucratic indifferences can be attributed for not achieving the desired results. But non-availability of adequate and timely credit can be stated as one of the most important factors responsible for this sad state of affairs. Among the various infrastructural facilities needed to improve upon the plight of rural masses, provision of bank credit is certainly pre-requisite without which, rural socio-economic development is not possible.

Traditionally, due to the absence of institutional lending agencies like the co-operatives and commercial banks, the farmers and other realities used to get credit from the non-institutional money lenders like Shahukars and Seths, who instead of providing credit facilities used to exploit them for their selfish ends through the process of charging manipulated high rate of interest. They used to usurp the farmers' holdings. In order to come over this evil and to provide
financial assistance to the needy villagers, co-operative banking institutions were introduced in the country about hundred years back and vigorous efforts were made to strengthen them. Whole of the country was covered under the net work of co-operative institutions. Despite the network and their wider coverage, they were not in a position to keep pace with ever increasing credit requirements of rural sector.

In order to ensure adequate and need based credit in rural sector, the Government of India desired to make use of the services of commercial banks with vast resources at their disposal. With this objective, the Government of India in 1969 nationalized fourteen major commercial banks to provide credit facilities to the neglected rural sector in India.

The government made changes in the credit schemes and policies of the banks so as to direct the flow of their credit to hitherto neglected sectors of rural economy. Prior to nationalization, banks were inclined towards financing industries only in urban areas. They were hesitant to enter into the field of rural development. But the whole situation has undergone a fundamental change after nationalization of commercial banks India.

With the state take-over of commercial banks, banks have been called upon to assume a great variety of new responsibilities in the area of social banking for which there are no precedents or guidelines. Banking has transformed itself from "elite banking to mass banking'. As engines of development and vehicles of silent socio-economic revolution in the countryside, Indian banks have assumed new responsibilities in the fields of geographical expansion, functional diversification and personal portfolio. The old methods and techniques have yielded place to new techniques of viability, need based financing and marketing. Instead of the banks working merely for immediate profit they are required to participate in the nation-building activities and help in bringing socio-economic change.
The credit deployment with social implication is the essence of all social banking. The term social banking refers to the policy induced bank assistance to the designated priority sectors and weaker sections of the community, which had hardly any access to banking prior to nationalization of banks. It implies opening of branches in places hitherto unknown and liberal lending for rural avocation aims at generation of employment and income, and improvement in the standard of living of the people.

1.2 STATEMENT OF THE PROBLEM

Indian banking provides a unique example of blending the services of commercial banking with social banking. The conversion of class banking into mass banking during the last four decades can be described as a correction of historical distortion. The traditional myth of banking industry based on profitability, liquidity and safety has given way to public utility. An important landmark of social banking has been a shift from credit-worthiness of the borrower to credit worthiness of project and from security-oriented lending to purpose oriented lending.

The massive branch expansion in the places hitherto unbanked, liberal lending to designated priority sector and weaker sections of society, converge of a large number of small borrowers through specially designed social banking measures, schemes and programmes are achievements of social banking. Our deposit, credit and branch expansion in post-nationalization phase is unparalleled in world history. But unfortunately, large over dues, erosion of profitability and stress and strains experienced by the banks in maintaining their commercial viability has generated much debate. The burden of default in respect of priority loans has been quite severe and has put a heavy liability on banks. It remarked that targets of rural branch expansion, priority sector lending, and subsidized interest rate policy have all been responsible for the deterioration in the quality of
performance, even the quantitative growth has been spectacular. The M. Narasimham Committee on the Financial System has reported to redefining the priority sector and bring down the priority sector target from 40 per cent of the total bank advances to as low as only 10 per cent. This recommendation limits the social lending operations of commercial banks.

Besides that the recent plea for privatization of nationalized banks after bank nationalization experience calls for some reexamination of the present social banking programmes and measures to investigate what went wrong with its performance in India.

Commercial banks have been assigned the duty of implementing number of lending programmes for the benefit of weaker section of the society. But how far these programmes reached to the knowledge of the village poor is a question mark. The socially and financially affluent group can easily catch and understood the availability of programmes and approach the implementing authorities to avail the benefits. The poor and weaker section group, because of their unawareness about the scheme, could not approach to obtain the benefits of the programmes. Even though understood it; it is not easy to them to access the authorities to avail the benefits. There is a general opinion that the identification of beneficiaries is improper and the benefits are not distributed to the real victims and it is enjoyed by socially sound and financially wealth categories.

The distribution of loan involves a hierarchy of agents and their involvement at each level of distribution especially at the selection of right beneficiaries is more. It is mostly influenced by ruling political parties at local level or it is directed by some local level communal and social leaders. It increases the chances of harassment and corruption. Majority of the problems faced by the beneficiaries of rural social lending schemes are basically related to corruption, delay, distribution of sub-standard material etc.
The location of bank office and officers is based at urban areas and in order to meet them, the beneficiaries are required to incur heavy expenditure as transport charges and food cost etc as well as they have to spend a full day by losing their wage income of the day. In most of the cases the loan application forms are printed in English or Hindi and it is unknown to the villagers and so they required someone’s help even to fill-up the particulars in the application form and follow the instructions of the officials. So, there is a procedural difficulty to beneficiaries to avail the benefits.

The government officials and bank officials are not shown adequate interest or concern over the development of villagers and they perform the work as a duty to be imposed to them. In short, their demand is ignored by the bankers by assuming that this is an additional burden to them and if it is performed, that will cause extra non-conventional difficult task as well as financial loss to their operations due to poor repayment practices of the borrowers. In some cases, the projects or the purpose of the loan is forced by the bankers which, is not accustomed to the beneficiaries’ skills or needs. In such cases, they find difficult to manage or continue the activity and earn income out of it.

The amount allotted for the projects under social lending programmes are inadequate to the actual requirements and for the remaining financial needs they have to depend only to the non-institutional sources. Thus from the point of view of policy making government as well as implementing agencies, bankers there are number of problems emerged in every stage of disbursement of social oriented credit programmes and there is no specific remedy or answer sorted out to the problems.

In short there is a ‘threat or fear’ to the bankers by the beneficiaries’ attitudes and irresponsiveness over the social lending activities of the bank in India. In the same way there is a ‘distrust or doubt’ to the beneficiaries and
potential beneficiaries towards the unbiased and genuine implementation of the social lending programmes offered by the Government of India. The rural poor assumes that the schemes launched by the Government are only an 'eye-wash' meant for political interest expecting votes from them and the ruling government has no real interest on their upliftment. In such circumstances, an attempt has been made by the researcher to elicit the real problems of the beneficiaries while availing the social lending services of the banks in India.

1.3 REVIEW OF LITERATURE

Numerous research as well as general studies have been made, over the years, with regard to role of banking institutions in financing agriculture, small scale industry and other schemes under the programme of rural development. As it is not possible to deal with all the studies, an effort has been made to review some of the important works having a great impact on the present study.

The books, research papers and articles relating to the present book have been reviewed separately in the chronological order in the succeeding pages under the following three broad groups,

i. Concept of social obligation
ii. Application of the concept of social obligation into banks and
iii. Performance evaluation of few social lending programmes

Concept of Social Obligation

Francis Cherunilam⁹ (1981) in his essay, 'Social Responsibilities of business' views that business enterprises should be socially responsible because they make use of the resources of the society and depend on the society for their functioning.

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⁹ Francis Cherunilam, Social responsibility of Business, Lok Udyog, February 1981, pp. 57-60.
Kenneth E. Goodpaster and Johan B. Mathews, Jr.\textsuperscript{10} (1982) reject the view that business corporation need not have any kind of moral integrity. They assert that a corporation can and should have a conscience. Hence they argue that a business should monitor the effects of its decisions on the environment and human health as a morally responsible individual would do. They also hold that the pursuit of profit and self-interest need not be pitted against the demands of moral responsibility.

According to James W. Hathway\textsuperscript{11} (1984) business should not only assume social responsibility but also should convince the public about its involvement. His stress on communicating the results of social responsibility programmes arises out of a concern for warding off the danger of emerging pressure groups and governmental intervention.

Keith Davis and William Fredrick\textsuperscript{12} (1984) in their book entitled Business and Society, state that business and society consist of an interactive system. Both have been so intricately intertwined that one cannot exist without the other.

The earliest view on the responsibilities of a business is that a business is established to make profit and that no additional responsibility by way of social obligation should be imposed on it. This is the view presented by Theodore Levitt\textsuperscript{13} (1984) in his Dangers of social responsibility, he asserts that the function of a business is to produce sustained high-level profits. In his view, welfare and society are not the corporation's business, because socially responsible acts do not make good economic sense.

\textsuperscript{11} James W. Hathway, Has social responsibility cleaned up the corporate image? Business and Society Review, 51, Fall, 1984, pp. 56-59.
A. Farooq Khan\textsuperscript{14} (1985) in his book Business and Society argues that the responsibilities of a business extend to the different groups that constitute society beyond the consideration of profit.

Application of the Concept of Social Obligation to Banks

In the following pages it is proposed to present some of the authoritative views on the application of the concept of social obligation to commercial banking practices in India.

In the course of his address at the opening session of the International Seminar on Banking and Development, J.S. Addo\textsuperscript{15}(1970) made a frontal attack on the security-oriented lending by commercial banks and called for a shift of lending norms. This has undoubtedly a social tinge.

Banking Commission\textsuperscript{16} set up under the chairmanship of R.G. Saraiya (1972) went into the entire gamut of the commercial banking system in India. Banking commission found that there were state wise imbalances in the matter of bank offices, deposits and credit. Banks were urban-biased in the matter of banking business.

B.K. Pal and K.L. Mukhopadhay\textsuperscript{17} (1973) in their work Agricultural finance in West Bengal have made a joint effort to assess the credit requirements of the farmers of West Bengal. They hold that no doubt, the cooperative banks, and Government sponsored institutions are meeting the credit needs of the farmers, yet the agriculturists are suffering for want of funds. The authors

\textsuperscript{14} A. Farook Khan, 1985, Business and Society, New Delhi : S Chand and Company Ltd.
recommend suitable institutional changes to bridge the credit-gap which is likely to widen in the coming future.

In his work entitled Role of Commercial Banks in India's Developing Economy\(^{18}\) (1974) B.P. Sharma has observed though the financial institutions, particularly commercial banks have been playing a laudable role in the promotion of agriculture and in mobilizing rural savings, but even then there remains a lot to be done in this respect. The banks have failed to touch, landless labourers, small and marginal farmers which directly and indirectly need bank credit facilities.

V.R. Mutalik Desai\(^{19}\) (1979) asserts that banks have not made any dent in eliminating regional imbalances.

Hari Narayan Agarwal\(^{20}\) (1979) in his book captioned 'A Portrait of Nationalized banks: A study with reference to their social obligations' gives the following views. Public sector banks owe obligations to customers, society, government, other financial institutions, employees and towards themselves. As regards the performance of commercial banks in discharging social obligations, he states that though the nationalized banks have opened more offices in the rural and the semi-urban areas, their performance regarding opening offices in unbaked semi-urban centers is not satisfactory.

Kishore C. Padhey\(^{21}\) (1980) in his study commercial banks and rural development has presented an account of the banking system in our country and their role in rural development. He hold that the commercial banks have been

\(^{18}\) B.P. Sharma, Role of commercial banks in India's developing economy, S. Chand & Company, New Delhi, 1974.


\(^{21}\) Kishore C. Pandhey, Commercial Banks and Rural Development, Asian Publications Services, New Delhi, 1980.
S.K Basu (1980) in his study entitled Commercial Banks and Agricultural Credit\textsuperscript{22} has made an attempt to assess the contribution of commercial banks in the development of agriculture. He feels since nationalization though the commercial banks have done a commendable job in developing agriculture yet, there is a dire need to have a fresh look on the problem to bring more improvements in the future plans.

Ashok Kumar Gupta\textsuperscript{23}(1980) argues the case for making profit. He observes, to continue to perform their multifaceted role effectively in the years to come, banks should strike a balance between socio-economic considerations and commercial principles of profitability and business efficiency.

Yerram Raju\textsuperscript{24} (1981) discusses vital issues in priority sector credit and concludes that credit distribution is highly skewed in favoring landlords.

S.C. Kulshreshtha\textsuperscript{25}(1982) views that the social responsibilities of banks have increased manifold after nationalization and that they have to promote economic growth rather than behave as orthodox passive spectators.

C. Rangarajan\textsuperscript{26} (1982) has made a deep study of the impact of innovations in banking on deposit and credit. He has found that deposits tend to grow at a faster rate in the first six years of setting up a bank. As regards credit, the uneven behaviour of credit-deposit ratios in different states still persists. The insistence of

\textsuperscript{22} S.K. Basu, Commercial Banks and Agricultural Credit, Allied Publishers Pvt. Ltd, New Delhi, 1980
\textsuperscript{24} B. Yeram Raju, Some issues in Priority Sector Credit, Financial Express, April 10, 1981.
a minimum credit-deposit ratio is in his view, likely to force banks to tap more effectively the locally available resources.

Upadhyay and Kaveri\(^{27}\) (1982) have observed in their study that bank funds are not fully utilised for business purpose and hence have not made any significant impact on the small business units. A majority of the borrowers use a part of the bank finance for consumption purpose. Hence, it is advisable to grant consumption loans separately apart from business. Moreover, the non-borrowers should be educated on the salient features on bank schemes, in which task bank staff has to play a vital role. It is essential to establish a rapport with them and convince them on the scope of bank schemes and the desirability of availing them.

Ramana\(^{28}\) (1983) has found that the adoption of democratic decentralization, introduction of social welfare legislation, implementation of five year plans involving institutional agencies like commercial banks in the process of rural development have not been able to eradicate some of the basic evils of our society like exploitation by money-lenders and harassment or the scheduled castes and scheduled tribes. It is suggested that monetization of our economy; liberalized institutional credit; its productive utilization and prompt repayment; generation of larger marketable surpluses and increased incomes in the rural sector are, indeed, some of the basic requirements if the rural population has to improve its lot.

Economic and Statistical Organisation, Punjab (1983)\(^{29}\) has conducted a study of commercial bank loans advanced to weaker sections of the community in Punjab. It has been observed that there is no proper scrutiny of applications by sponsoring agencies. The purpose for which loan is being asked for remains quite

\(^{28}\) V. Venkata Raman, Evaluation of selected villages in Medak District, (AP) Adopted under State Bank of India’s, Gramodaya scheme, Research Project sponsored by SBI, Osmania University, Hyderabad.
vague. It is also noted that the sponsoring agencies do not keep a record of the cases sponsored to the financing banks; this sometimes leads to duplication in advancing loans. It is suggested that on-the-spot loaning should not be done as it does not allow proper scrutiny of the applications.

N. Vijay Ratnam\(^\text{30}\) (1983) states that the main aim of all rural banking institutions is to provide credit to small farmers, landless agricultural workers, and other poor sections, but unfortunately, this objective has been mostly defeated in practice. There is also a strong argument that commercial banks are neglecting relatively small borrowers in rural areas and concentrating will to do farmers.

T. Siddaiah (1984)\(^\text{31}\) in his study has observed that the concept of social banking has been sufficiently experimented upon and some progress has been achieved in the process of transformation of class banking into mass banking; but, so far, social banking has not become a reality of the day in its true spirit. The study reveals that the non-institutional credit agencies are still playing a predominant role in the rural economy and rural credit structure in particular. It is suggested in the study that there should be more effective, meaningful, and purposeful cooperation, coordination, dialogue, and liaison between the various agencies involved in the process of implementation of social banking.

Kale and Mali (1984)\(^\text{32}\) have observed that in spite of nationalization of banks, it is somewhat sad to note that they have been of little use to the common man, i.e., poor people. Mostly, they avoid advancing loans to such people. Further, small borrowers have to give bribe to the functionaries of different development agencies at the time of obtaining necessary papers, signatures, certificates, etc. and


they have to visit these offices several times, thus incurring heavy costs and losing wage income on these days. It is concluded that poor people in rural areas are subject to various kinds of exploitation by the very development agencies which have been created by the government for their uplift.

N.S. Bhat\(^3\) (1984) discusses the unhealthy trend of the shifts of rural deposits of commercial banks to urban centers and their impact on rural development. Credit deposit ratio is generally higher in the urban areas than in the rural areas indicating shift of rural deposits to the urban centers.

On the subject of societal banking in India, A.N. Rajaraman\(^4\) (1985) observes: "The yardstick measuring the working of banks is not more balance sheet and profit and loss account but the social obligations performed. Commercial banks have taken banking to the doors of the rural community". However, rural people still depend on private agencies for their immediate credit needs.

Syndicate Bank\(^5\) (1985) calls for concerted action for helping the artisans, who deprived of bank finance, are unable to make use of their age-old skills and are consequently going into oblivion. If adequate bank finance is made available to them, a dent can be made on rural poverty and unemployment.

Kamal Nayan (1985)\(^6\) has found in his study that objectives of bringing the benefits of bank services to the door-steps of the weaker sections of society are a great challenge for the management of commercial banks, particularly the public sector banks. Periodical monitoring of the performance, both at the macro and the micro-level, which provides necessary feedback and triggers the process of

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corrective action, is essential, not only to ensure a steady progress towards the achievement of social objectives but also to improve the operational efficiency and health of commercial banks.

Mitra (1985)\textsuperscript{37} has conducted an evaluation study in Singhbhum district (Bihar) and has observed that the success of any social banking programme mainly depends on two factors viz.: (i) organizational and managerial efficiency of the delivery system; and (ii) people's participation in the programme through proper motivation and through development of rural entrepreneurship.

R.K. Pany\textsuperscript{38} and J.P. Singh\textsuperscript{39} (1985) in their books 'Institutional Credit for Agriculture in India' and 'Role of Institutional Finance in Agricultural Development' have made an effort an effort to examine some important issues pertaining to agricultural credit like inadequate financial assistance to agriculture, lack of simple and straightforward banking methods and procedures and non repayment to agricultural loans by the farmers etc.

Chawla (1986)\textsuperscript{40} has studied banking developments in Patiala district with special reference to branch expansion, deposit mobilization, credit deployment, priority sector lending and poverty alleviation programmes. It is concluded that, although imbalance in banking presence continues to exist, a clear trend in reduction of inter-block disparities is observed. The analysis reveals that only four banks operating in the district, which have regional character, have opened more branches in rural areas than in urban areas.

\textsuperscript{38} R.K. Pany Institutional Credit for Agricultural in India, Ashish publishing House, New Delhi, 1985.
\textsuperscript{40} Arvinder Singh Chawla, Banking Development in Patiala District, Department of Business Management, Punjab University, Patiala, 1986
Husain's study (1986) has led to the conclusion that the performance of Indian banking industry has been quite impressive in terms of branch expansion, mobilization of savings and extension of credit especially to priority sector. But at the same time, the banking suffers from organizational, managerial and functional problems. The poor capital base, low profitability, mounting dues and poor customer service are some of the serious drawbacks which threaten the future of commercial banking in India.

Kulshreshta's study (1986) has led to the conclusion that broader outlook of lead banks, revision of the Reserve Bank's - licensing policy, provision of well-trained and sufficient staff, arrangement of infrastructural facilities, etc. will stimulate rapid branch expansion and reduce intra-district imbalances of banking coverage in the country.

Chawla (1987) in his research work has highlighted the outstanding achievement in the priority sector lending in terms of quantitative targets but he has observed that, within the priority sector the relatively well-off have got the maximum benefits, whereas the poorest of the poor have remained credit-starved. Thus, there is also a need for laying down the priorities in such a manner that the poorest of the poor are benefited.

The State Bank of Patiala (1987) has conducted a study to known the impact of bank lending in rural areas in Patiala district. The study reveals that there is proper coordination between the Lead Bank and Government agencies but coordination between financing bank offices and field agencies was lacking. It has

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41 Farhat Husain, Public Sector Commercial Banking in India, Deep and Deep publication, New Delhi, 1986.
been observed that credit camps have not made the desired impact in boosting agricultural lendings although the overall recovery of advances is satisfactory. However, the recovery in Government sponsored programmes is quite low. Political interference and willful default are the main reasons for low recovery.

Singh (1987) has, in his study conducted in Patiala district, tried to analyze the reasons underlying the presence of the professional moneylender as a source of credit in the rural areas. The study reveals that money-lenders continue to operate in remote interiors of rural India due to (i) Immediate availability of finance as the money-lender is easily accessible; (ii) ignorance and conventionality on the part of the borrowers; (iii) non-provision of loan to the borrowers for their genuine unproductive needs from institutional sources, and (iv) intimate or age-old link of the borrowers with the money-lenders.

Ram Davar (1988) in his work 'Institutional Finance to Small Scale Industries' has remarked that small scale industries are instruments of socio-economic transformation of rural sector. He is of the view that despite the efforts of Government, still small scale industry suffers or want of adequate funds. He holds that 'finance's are pre-requisites for the survival of small industries and can be made available by the Government through commercial banks.

Pandey (1989) has concluded in his study that if commercial banks aim at reaching the poor peasants, rural artisans and other rural people with small or no assets or means, the banks will not only have to develop appropriate organizational skills but also change their attitudes in favour of the hitherto neglected sector of the rural economy. Opening of commercial bank branches in

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rural areas is often were a ritual, meant mainly to fulfill physical targets but without any firm commitment or even the faintest notion of serving rural areas and customers.

Deshpande (1989)\textsuperscript{48} has observed that provision of credit assistance is, not enough. In fact, it has only second priority. It is essential to identify obstacles in the development process before any scheme is introduced to a region. The conditions differ from region to region and it may not be possible for the government to prepare a development programme for each region. The local level officials should be encouraged to make an effort to understand local conditions and make suggestions to the higher authorities.

State Bank of Patiala (1989)\textsuperscript{49} has in its study on rural lending in Patiala district, recorded that the scale of finance for crop loan is inadequate due to increased cost of inputs. The farmers are still in the clutches of money-lenders, commission agents who are charging exorbitant interest rates, ranging from 30 to 35 per cent per annum. It has been suggested that instead of giving capital-subsidy, the beneficiaries should be provided kind subsidy, i.e., waiving off interest, insurance of animal, etc.

Pasricha (1991)\textsuperscript{50} has studied the role of bank finance in the rural development in Punjab and has reported that subsidy-linked social banking schemes should be reoriented in order to check the misutilisation of loans taken just to grab subsidy. It is suggested that subsidy should be released only when the principal amount is repaid.

\textsuperscript{48} V.S. Deshpande, Reaching the Poor – A work of voluntary organization, Koyanagar District – Satra, Maharashtra, National Institute of Bank Management, Pune, Oct. 1989 (Mineo)
\textsuperscript{49} State Bank of Patiala, Rural Lending, A Study of Patiala District, The Mall, Patiala 1989 (Mineo)
A.C.K Nambiar⁵¹(1992) in his study observes that the gross root level agencies may be involved right from the beginning of the identification of poor. Once the programmes are put into operation there is also the need to monitor closely the changing status of the households.

U.C Patnaik and B.N. Misra⁵²(1993) in their study suggested that to reduce over dues in banking institutions a sizeable number of field staff are to be engaged for collection of debts and they should approach the borrowers frequently for collection of loans.

Rakesh Malhotra and R.K. Srivastava⁵³(2001) in their study view that research and development is one of the neglected areas of Indian banking sector. Banks need to invest in this aspect to comprehend the needs of customers.

T.S. Naidu & R. Yugendar⁵⁴ (2001) in their study mentioned that information regarding rural development programmes not adequate to villagers, the repayment of loan amount in very poor and most of the loan funds are utilized for their daily consumption needs.

Shankar Chaterijee⁵⁵ (2002) in his study at Uttra Pradesh observed that bank personnel always raise objections about the status of unmarried girls for sanctioning credit against them due to the risk on their part after their marriage who would take responsibility to repay the loan.

Susheela Subramanya\textsuperscript{56} (2004) made clear that high economic growth would provide better opportunities for reducing poverty in India, provided inflation rates are reduced by adopting, appropriate macro-economic policies and skill full state intervention in favour of the poor.

B.H Nagoor\textsuperscript{57} (2004) in his study observes that in the present context effective implementation of rural programmes have been less strong than what one would have desired. The weakness shall have to be addressed and tackled through an appropriate policy framework to cut various malpractices existing in the country.

V. Nirmala, K. Sham Bhat and P. Buvaneswari\textsuperscript{58} (2004) in their studies recommended that the beneficiaries should be encouraged to venture into more diversified activities which would raise their earnings and savings, further training relating to the activity chosen should be improved.

Emil Mathew\textsuperscript{59} (2006) in his study concluded that there should be enough supportive facilities to undertake income generating activities; otherwise they will continue to depend on micro finance groups at times of repayment, so a credit plus approach in desirable otherwise the dependency of the poor would continue even after participating in a programme.

K.K. Tripathy, I.G. Tripathy and S.K. Jain\textsuperscript{60} (2007) in their study suggested that the amount of financial assistance to the beneficiaries should neither be very

small nor be very high and should be based on the absorption capacity of the poor. Further steps should be initiated to extend credit in multiple doses over a period of time to ensure just utilization of money.

A. Vinayagamorthy\textsuperscript{61} (2007) in this research study stated that the repayment of loan by beneficiaries was regular and timely, so that he concludes that the economic activity of SHG was successful in achieving women empowerment in rural areas of Tamilnadu.

Parmjit Kaur Dhinds and Seozy\textsuperscript{62} Bhatia (2008) in their study on micro finance concluded that many problems have been highlighted by various researchers and policy makers but there is a general consensus that inspite of all the hardships SHG must be given a big push if we want to salvage our stagnant rural economy.

Tiken Chandra Das and Kanak Kanti Bagchi\textsuperscript{63} (2008) in their study suggested that employment programmes of the government such as various rural development programmes, wage employment programme, self employment programme targeted nutrition programmes should continue to improve the lots of rural labourers.

Manoj Pillai\textsuperscript{64} (2010) in his study on social banking expressed that social banking concept had mixed results in India as even after strong efforts, the problem of financial exclusion still prevails in India. Government of India along with central bank has come up with specific schemes for a balanced financial inclusion of poor.

\textsuperscript{64} Manoj Pillai (2010) Social Banking in India Myths and Realities, The Management Accountant, March 2010, p. 985
Performance Evaluation of few Social Lending Schemes

Minocha (1986)\(^6\) has indicated in his study that the methodology of "crossing the poverty line" to measure reduction in people below the poverty line is questionable. Those who are provided loans and subsidy are deemed to have crossed the poverty line. However, quite a large number of assisted households may slide down below the poverty line. It has been observed that in many cases provided to the households had been disposed of as there was no continuous flow of income to the family. It is reported that wrong identification of beneficiaries, wrong choice of activities, unsound credit delivery system, no planned increase in the supply of inputs, absence of backward and forward links, effects of inflation, all these are the factors which have reduced the effectiveness of the IRDP.

Verma (1986)\(^6\) has studied the impact of the (IRDP) on the socio economic status of women and their families in Udaipur district (Rajasthan) and has come to the conclusion that delays in sanctioning the loan and grounding the activity and in identifying the beneficiaries should be avoided in order to win the confidence of women beneficiaries.

Evaluation and Monitoring Cell, in the Economic Research Department of State Bank of India has conducted a study (1987)\(^7\) on the Impact of Bank Credit on Weaker Sections' Financed under the Differential Rate of Interest Scheme. It has been observed that the utilisation of bank loans have generally raised the levels of income and employment of the borrowers, who in turn have found it possible to improve their quality of life at least in quantitative terms.


Srivastava (1988)\textsuperscript{68} has in his study conducted in Ferozepur and Ropar districts of Punjab, observed that the situation of the rural poor can only be improved if they are integrated into an overall system. Any programme of rural development has to take into account the inter-relationship of social, political, economic and technological factors in its approach.

Hebbar (1988)\textsuperscript{69} has found in his study that the majority of beneficiaries do not even know the schemes, concept and contents of the IRDP. After knowing the scheme, the beneficiaries go to the bank without having any knowledge of how to fill up the forms. Moreover, disbursement of loan is not made on time. The study concludes that much has yet to be done to solve the IRDP implementation problems, without injuring the social and economic interests of the country.

Swaminathan (1990)\textsuperscript{70} has reported in his study that though the general guidelines for IRDP have been determined at the national level, the implementation of the programme and its performance have been far from uniform across the country. A common factor underlying the failure of specific schemes is the absence of seriousness and imagination in local level planning process.

P.R. Sivasankar, M. Madhusudavarma and K. Ekambaram (2006)\textsuperscript{71} in their study stated that several beneficiaries expressed dissatisfaction with the services rendered by DRDA and the sponsoring banks and they endorsed the opinion that the training provided to them was not at all useful.

\textsuperscript{68} Dr. A.K. Srivastava, IRDP in India, Policy and Administration, Deep and Deep Publication, New Delhi 1988.
\textsuperscript{70} Madhura Swaminathan, Village Level Implementation of IRDP: Comparison of West Bengal and Tamilnadu Economic and Political weekly Vol. XXV, No. 13, March 31, 1990, pp. 17-27.
P.V. Narasaiah, Sudarsana Murthy, P. Suresh (2006) in their study concluded that proper appraisal of SGSY would be possible only if the trades offered to women are economically sound, with consultancy and guidance services in self employment and income generating ventures.

D. Ramesh and M. Narsi Reddy (2007) in their study at Andra Pradesh found that infrastructure is necessary for the success of SGSY programme. The erstwhile IRDP did not show much success due to the lack of infrastructure. They suggested that the implementing agency should consider the opinions of beneficiaries feedback for improving the quality and implementation of the programme for overall upliftment of beneficiaries.

B.R. Suresh (2007) in his study observed that monitoring of the credit schemes was not up to the expected level besides that there was little knowledge about PMRY among the educated unemployed.

G.P Prasain, M. Ibungomacha Singh and Sarat Singh (2009) have observed that there is a low achievement on the implementation of PMRY in their study area when compared to the average of other districts.

1.4 OBJECTIVES OF THE STUDY

This study falls under the broad area ‘Business and Society”. The theme within the broad area is 'societal expectations on the role and responsibilities of banks in a pluralistic society’. Within the broad aim, following are the specific objectives of the study.

i) To study the various social lending schemes and examine the role of implementing agencies in discharge of the schemes.

ii) To assess the beneficiaries awareness and their perception towards the social lending schemes.

iii) To assess the impact of social lending schemes on the income generation of beneficiaries.

iv) To assess the problems faced by the beneficiaries in availing the social lending services.

v) To assess the level of satisfaction of beneficiaries towards the services rendered by commercial banks in discharging the social lending schemes.

vi) To offer suitable suggestions to the policymakers and implementing agencies for efficient discharge of the schemes.

1.5. SIGNIFICANCE OF THE STUDY

India is a secular and socialistic country. The major goals of the nation in the post independence period as enshrined in the constitution of India were to achieve economic growth, reduce inequalities of status and provide opportunity to all, ensure justice – social, economic and political, guarantee liberty of thought, expression, faith belief and worship and assure the dignity of the individual and unity and integrity of the nation.

It is clear in our constitution, Human rights article one specified that all human being are equal in dignity and rights, and in Article 23 it is given that every one has the right to work, to free choice of employment and to protection against unemployment. In article 26, it is stated that everyone has the right to a standard of living adequate for the health and well being of himself and of his family. Thus, it becomes a duty of the State to provide such a quality life to the society as a whole. In the words of Mahatma Gandhi, “to gain independence not for the literate and
the rich of India, but for the dumb millions". Since Gandhi’s dumb millions live predominantly in villages in India, he advocated that resources must reach the rural areas, and industrial investments to be decentralized and should be limited to those that are labour intensive.  

The growth of political economy of villages dominates the views of Indian planners in the post-independence period. In order to realize the goals the era was began of planned development of five year plans. Under the planned socio-economic development Gandhian ideology was perpetuated by his political follower Pandit Jawaharal Nehru and other succeeding political leaders.

A great range of instrumentalists had been brought into play until now in the context of rural development. In such movement, the basic goal of establishment of a society based on the egalitarian values and of rapid increase in the standard of living of people, particularly of the common man and weaker sections. The benefits of development were made to flow in the more backward sections of the community and concentration of income, wealth and power was to be progressively reduced and dispersed.

The past six decades of India’s independence present a mixed record of achievement and failures. No doubt there was a decisive economic spirit in these years much greater and much intensive than at any other time since British rule. But the development indicated that the major beneficiaries of the economic growth including the expansion of banking and insurance “have been the wealthier part of the population both in rural and urban areas”. The concentration of economic

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76 I.A Davey, Industrial Development in Rajasthan and Madhya Pradesh, India, Transaction’s Institute of British Geographers, No. 49 March 1979, p. 184
power has increased in all these years. In rural areas, the bottom 30 percent owned only two per cent of all assets in 1971-72, while the top 30 percent owned 82 percent of assets.\footnote{The Draft Sixth Five Years Plan, Planning Commission, New Delhi, 1978.}

Moreover the steady increase in the rate of economic growth has failed to solve the problems of poverty. India did raise real income per person but relatively slowly and still contains too many ultra – poor.

Despite the fact that removal of poverty and reconstruction of society have been important objectives of planning in India, the condition of poor in rural areas where the hard core of poverty lies, continues to be as appalling as it was at the start of planning.\footnote{R. Kothari, Democracy in India, Crisis and Opportunity, Allied publications, New Delhi, 1975.} Obviously, there is a gap between intention and achievement, and it is due to a failure of planning as much as failure of implementation.\footnote{Kamta Prasad, Planning and to Poor: Gap between Intention and Achievement, The Statesman Delhi, March, 14, 1981.}

Dube\footnote{S.C Dube, Contemporary India and its Modernization, Vikas Publishing House, New Delhi, 1974.} says that our plans had an elite bias’ strange but true in the process of development the poor become poorer and the rich become richer and the poorer section of our people suffered as callous neglect.

Myrdal observes that “All measures whether in the form of agricultural extension work and technical improvement, or community development programme or land reforms-have tended to work to the advantage of the relatively wealthy. This reflects that economic growth does not necessarily rise the share of the poorest segments of the population. The massive development programmes for rural areas have elitist bias despite their professed intent in favour of the weaker sections\footnote{I. Adleman and C.T. Morris, Economic Growth and Social Equity in Developing Countries, Stanford University Press, Stanford California, 1973, pp. 160-85.}. It seems that all attempts towards immediate gain in production also intensified the prevailing uneven distribution of economic inequalities.
In India not to say that there was no growth, but to say that there was
growth with poverty, As per Frank's analysis, there happens not the development
of development but development of underdevelopment in a capitalist economy. In
other words, while the rich prosper, the poor turn to be pauper simultaneously.\(^5\)

From these analyses, it is clear that well to do in the society particularly in
rural areas were able to derive major benefits from development schemes than the
poor and downtrodden. Now the question is why there is uneven distribution of the
development benefits despite our best intentions.

India has great heritage of cultural values like Ahimsa, Dharma. But here
itself there is an existence of inequalities in the form of status, wealth and also for
the improvement of rural poor. Besides that there is exploitation by an organized
upper class of the society by capturing the economic benefits meant for the poor.
This kills the basic principle of humanitarianism and human values in the rural
society.

Thus, it is an immense necessary to find out the factors which affects the
growth and development of the quality life of the village poor. Though the policies
of the government as well as the policy makers are intended to achieve the goal of
rural upliftment, there can be some hurdle in the implementation process of the
credit programmes which causes the slow or poor growth of the rural masses.

The senior most administrator and eminent economist, Dr. Manmohan
Singh while assuming the office of Prime Minster-ship at the first time in India
expressed his deep concern over this issues. In his first press meet, he appealed to
the academicians and research scholars to find out a viable mechanism to solve the
chronic problem of poverty and unemployment in rural areas as well as successful
implementation rural development programmes. In this environment it is felt that

the study on beneficiaries perception and satisfaction on social lending schemes in Coimbatore district is socially relevant and currently an active topic for discussion and analysis.

1.6 PERIOD OF THE STUDY

The study was held during the period from April 2008 to June 2009.

1.7 SCOPE OF THE STUDY

The scope of the study is restricted to selected social lending schemes operated through the commercial banks in Coimbatore district. The schemes selected are Biogas, SGSY, PMRY, SJSRY, SGSY-housing, SEMFEX and TAHDCO. The broad aim of the study is to facilitate the effective implementation of social lending schemes through a direct survey made towards the beneficiaries of the scheme. To accomplish the requirements of the study, the researcher assessed the awareness, perception, expectations and satisfaction of beneficiaries. Besides that their socio-economic change, out of the credit scheme and their practical problems during the course of getting the benefit have also been examined in this study. Hence it is expected that the study shall be helpful to the policy makers, implementing agencies, commercial banks, beneficiaries of the scheme and the society at large for re-designing their views to the overall development of our nation.

1.8 OPERATIONAL DEFINITIONS

i. Bank

The term ‘bank’ in this study is applicable only to the commercial banks which are implementing the government sponsored lending programmes. It does not cover the co-operative banks, foreign banks, and other modern private sector banks.
ii. Beneficiaries

The term ‘beneficiaries’ in this study is used to indicate the people who have availed benefits from the commercial banks under the government sponsored ‘Social lending programmes’ implemented by banks.

iii. Social Banking

Social banking stands for the orientation and direction of the various activities of commercial banks towards the upliftment of the poor and downtrodden with the aim of achieving socialistic of pattern of society.

iv. Social Lending

In this study, the term social lending is confined only to deployment of credit to eligible borrowers under various Government sponsored credit programmes and it does not include priority sector lending, lending to weaker sections voluntary by performed by banks without government direction.

v. Social Lending Programmes

The term social lending programmes denotes the various credit programmes designed by the central and state Governments and implemented through various commercial banks.

vi. Poverty

Poverty is the state in which a section of the community is unable to acquire even the basic needs of life such as minimum food, clothing and shelter. Poverty may be of (i) absolute poverty and (ii) relative poverty. Absolute poverty means, absence of minimum physical quantities of requirements for subsistence determined for livelihood. The people whose level of income falls below this standard is known as absolute poverty.
Relative poverty compares living standards of people with living standards in different countries and considers the poverty of one set of people compared to the standard of living of another set of people. In this study, the term poverty includes only absolute poverty.

vii. Village Poor

This term village poor includes the people living in rural or village locations in the categories of marginal farmers, small farmers, landless laborers, rural artisans and craftsman, members of scheduled castes, scheduled tribes and unemployed.

1.9 PROFILE OF THE STUDY AREA

Coimbatore district is situated in the extreme West of Tamilnadu, near the state of Kerala. It is surrounded by mountains and reserve forests. It is called the Manchester of South India due to its extensive textile industry, fed by the surrounding cotton fields. The district houses large number of small scale engineering companies. The motor and pump industry of the district supplies two thirds of India’s requirements, while its wet-grinder industry has a near monopoly. Automobiles, jewellery manufacturing and exports, production of wind energy hosiery and poultry industries are some of the other major industries in the district. Most of the industries are run by entrepreneurs, often indigenous with the family based or community financing. Agriculture is still the major occupation in the district as many other parts of the country. The major rivers flowing through the district are Bhavani, Noyyal, Amaravathi, Siruvani and Alliyar. The major crops of the district are gingili, cotton, coconut, arecanut and betel leaves, corn, maize and millets, tea, coffee and pepper.
Agriculture allied agricultural activities, small scale industries, tiny sector, cottage industries and small business operations are some of the major occupations of the people in different parts of district. Therefore, this district is chosen for this study.

This study covers the rural Panchayat areas as specified by the Revenue authorities of the district and it excludes Municipal Corporations, Municipalities Town Panchayats and other urban areas of the district. Out of 19 Panchayat Blocks of the district, the study was carried out only in 10 Panchayat blocks namely Anamalai, Avinashi, Karamadai, Madathukulam, Palladam, Pollachi (North), Pongular, Sultanpet, Thondamuthur and Udumalpet.
1.10 METHODOLOGY

This study is empirical in nature based on survey method. The whole data required for the study has been collected in three forms. The primary data relating to the beneficiaries were collected by administering the interview schedule. The secondary data required for the conceptualization of social lending activities were obtained from various published and unpublished records, reports, books, journals and magazines. Besides that the researcher had discussion with various implementing agencies to identify the problems of the study.

i. Sampling Design

The researcher has selected 300 sample beneficiaries to represent the rural areas in Coimbatore district. Out of the total 19 Panchayat Blocks in this district, 50 per cent has been taken as sample and it consists of 10 in number. In the second stage in each sample block, three villages have been selected by lottery method and it consists of 30 in number. Finally, in the third stage, in each sample village ten beneficiaries have been selected by convenient sampling method with the help of Panchayat presidents and Panchayat counselors of the concerned villages. The same technique was adopted to collect data from all the ten sample blocks. Thus, the study consists of 300 sample beneficiaries representing 30 villages in 10 Panchayat Blocks of the Coimbatore district in Tamilnadu.

ii. Construction of Tools and Pilot study

The tools for collecting primary data were constructed by the researcher himself. Adequate casual interviews were conducted with implementing agencies, commercial banks, and beneficiaries in under to find out the variables structured and used in the interview schedule of the study. A pilot study was conducted during December 2007 in three sample blocks of the selected blocks. In the light of the experience gained, the interview schedule was revised suitably and it was also translated into Tamil version to suit the needs of rural beneficiaries and at last it was finalized after careful scrutiny.
iii. Field work and Data Collection

The field work of the study was conducted during the period between April 2008 and June 2009. Personal interview was the major tool used for data collection and hence a well framed and structured interview schedule was constructed by the researcher and it was used for collecting data from the beneficiaries. The researcher along with few assistants has visited each village personally and obtains the necessary data. In case if there was any incomplete data in any interview schedule, it was replaced by another beneficiary of the same village. Before the interview, proper rapport was established. The data collected were recorded by the researcher in the interview schedule. The schedules thus field up were thoroughly checked to ensure accuracy consistency and completeness. The data, thus, collected were categorized and posted in the master table for further processing.

iv. Frame work of Analysis

The researcher has employed the following tools to suit the requirements of the present study.

- Percentage Analysis
- Chi-Square Analysis
- Discriminant Function Analysis
- Weighted Average Score Analysis
- Rank Analysis
- Analysis of Variance
- Factor Analysis
- Multiple Regression Analysis
- Correlation and Path co-efficient Analysis
v. Hypotheses

In tune with second, third, fourth and fifth objectives of the study the null hypotheses have been formulated that the selected independent variables such as age, gender, marital status, education, occupation, income level, type of family and size of family have no relationship with the following dependent variables:

a. The perception of beneficiaries
b. Impact of bank loan on their income generation and
c. Satisfaction of beneficiaries

1.11. LIMITATIONS OF THE STUDY

This study falls under the following limitations:

i. The numbers of sample respondents have been restricted to 300 due to the difficulty of identifying and collecting information from the beneficiaries.

ii. The study is subject to the familiar limitations of survey method that there is a lack of opportunity to probe the respondents beyond the given answer.

iii. The data furnished by the beneficiaries are not completely free from bias.

iv. The limitations associated with the statistical tools are applicable for the tools employed in the study also.

v. This study is conducted in Coimbatore district of Tamilnadu and hence the findings of this study may not be generalized to the extent of whole country.

1.12. CHAPTER SCHEME

The thesis is presented in five chapters. The content of the chapters are as follows:

The first chapter deals with introduction and design of the study. It includes introduction, statement of the problems, review of literature, scope of the study, objectives of the study, operational definitions, methodology, limitations of the study and chapter scheme.
The second chapter is designed for the conceptualization of social lending activities of commercial banks.

The third and fourth chapters are devoted to analyse the data collected from the beneficiaries.

The fifth chapter summarises the findings of the study and also offers few suggestions along with conclusion.