CHAPTER VII
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CHAPTER VII
FINDINGS AND CONCLUSION

Banks, as financial institutions, have been accorded a very important role in the development process of the country, since independence. The Reserve Bank of India, the apex batik in the country prepared a strong base of institutional credit for the promotion of agriculture and rural activities, but, being the central bank of the country, it has to perform a more crucial role of regulation and control of credit and monetary system of the country. So, due to the burden of central banking function, the RBI cannot pay full attention to the flow of credit for agricultural and rural sector. So, a separate institution, namely National Bank for Agriculture and Rural Development (NABARD), was established in 1982. It has taken over the functions of the erstwhile Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of the RBI and Agricultural Refinance Development Corporation (ARDC). As the apex institution, NABARD is concerned with policy, planning and operations in the field of rural credit and related economic activities in rural areas.

To mitigate the resource crunch for ground level lending, NABARD has been refinancing the multi-agency institutional set up in rural India such as Cooperatives (Coop.), Commercial Banks (CBs) and Regional Rural Banks (RRBs) for the past two decades.

Since NABARD is on the verge of completing two decades of existence, it is pertinent to asses its role in promoting Rural Development at the grass root level and to investigate whether the benefits of the different schemes of NABARD reach the various segments of rural people.
The available studies relate to evaluation of single agency/multi agency system in institutional credit, purpose, utilization and repayment behaviour at micro level lending. But there is dearth of studies of the performance of NABARD holistically including refinance, development, innovative and coordinating activities.

Keeping this in view, the present study aims at studying the various issues connected with the 'Role of NABARD in promoting Rural Development' in Dindigul District. The study is restricted to the beneficiaries of Canara Bank branches, Primary Agriculture Cooperative Banks, Primary Cooperative Agriculture and Rural Development Banks and innovative schemes, namely Self-Help Groups, Rural Artisan Guild and Villas Volunteer Vahini clubs in selected blocks of Dindigul District, Tamil Nadu.

The specific objectives of the study are:

1. To review the policies, programmes and performance of NABARD in promoting rural development at National level and in Tamil Nadu.
2. To identify the innovative schemes implemented by NABARD for rural development in the study area.
3. To examine the utilization of credit by the borrowers.
4. To study the repayment behaviour of the borrowers.
5. To assess the impact of the credit programmes on borrowers in terms of employment creation and income generation.

The present study is a descriptive one where the analysis is based on both secondary data collected from the reports and records of banks and primary data gathered from sample borrowers. A sample of 430 respondents have been drawn from a cross section of the total borrowers from the six selected branches.
of Canara Bank, eight Primary Agriculture Cooperative Banks located in the service area of the branches of Canara Bank and two Primary Cooperative Agriculture and Rural Development Banks in the selected blocks of Dindigul District. Besides 96 Self-Help Groups members, 12 representatives of Artisan Guild and 22 Vikas Volunteer Vahini (VVV) club members were also included in the sample. The study has employed various tools of analysis like averages, percentages, compound growth rate, cubic trend equation, 'f test, correlation, Multiple Regression Analysis and Discriminant Function Analysis. Following are the findings of the study.

Summary of Findings:

The inferences from the study on 'Role of NABARD in promoting Rural Development has helped to identify the major issues with respect to refinance facilities of NABARD and ground level disbursement of credit, utilization, impact and recovery.

Refinance Facilities of NABARD:

The objectives of refinance facilities provided by NABARD are increasing the credit flow to agricultural and rural development activities, ensuring credit outreach to the rural poor for whom access to credit is difficult, supplementing the resources of banks as their own resource mobilization is not normally adequate, and upgrading the quality of appraisal and monitoring of loans by the banks through sound technical and financial pre-conditions for project sanction.

The agencies eligible for refinance are Commercial Banks (CBs), Regional Rural Banks (RRBs) State Cooperative Banks (SCBs), District Cooperative Banks, State Cooperative Agriculture and Rural Development Banks (SCARDBs)/Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).
The forms of refinance facility are automatic refinance facility and schematic refinance facility. Quantum of refinance varies between 90-100 per cent for SCARDBs, 80-100 per cent for SCBs, 80-100 per cent for RRBs and 70-100 per cent for CBs depending on regions and activities. The interest rate of refinance also differs from bank to bank and depends on amount. It ranges between 7 per cent and 10.5 per cent with effect from May 2000.

Refinance disbursement of NABARD at all India level has registered more than seven fold increase from Rs.703 during 1982-83 to Rs.5215 crores in 1999-2000. The cumulative disbursement of refinance for the 18 years was Rs.41952 crores. The average annual refinance in the nineties was nearly three times the average of that in eighties.

The refinance disbursement registered a steady growth in Tamil Nadu from Rs.39 crores in 1982-83 to Rs.392 crores in 1999-2000 and recorded ten-fold increase in eighteen years. The share of Tamil Nadu in total refinance facilities of NABARD ranged between 5.38 per cent and 8.68 per cent during the period under study. The compound growth rate of refinance assistance to Tamil Nadu during the period 1982-83 to 1999-2000 constitutes 11 per cent as against 9.78 per cent at all India level.

Region-wise Refinance Facilities of NABARD:

Region-wise disbursement shows that the percentage of refinance for southern regions has been on higher side (29.94 per cent) followed by central region (20.85 per cent) and northern region (20.10 per cent). The north-eastern region, has got the lowest (2.24 per cent) share. The regional distribution reveals considerable inequality due to lack of growth and absorbing power of certain regions like north-eastern region. Recently NABARD adopted special policy measures for improving the flow of credit to north-eastern region.
State-wise Disbursement of NABARD Refinance:

State-wise disbursement of refinance reveals that Uttar Pradesh received the lion's share of 15.33 per cent (Rs.6432 crores) in the total disbursement and Sikkim received the least quantum of refinance accounting for only 0.02 per cent (9 crores). The share of Tamil Nadu in the total disbursement has ranged between 5.38 per cent and 8.68 per cent over the years and Tamil Nadu stands fifth place among the states in absorbing refinance. The compound growth rate registered is high in the state of Megalaya (28.4 per cent) and lowest in the state of Manipur (3.7 per cent).

Refinance Facilities to Less Developed States:

The total share of refinance claimed by less developed states which are ten in number ranged between 37.33 per cent and 43.70 per cent. In aggregate terms, the disbursements in the less developed states registered a continuous increasing trend as the total disbursement increased from Rs.306 crores in 1982-83 to Rs.2108 crores in 1999-2000 showing an increase of 6.89 times. The compound growth rate for less developed states is 10.9 per cent whereas the same for over all refinance disbursement for all India is 9.78 per cent. Thus the analysis reveals that the refinance disbursement of NABARD to the less developed states is in accordance with the principle of equity and justice.

All India Agency-wise Disbursement of NABARD Refinance:

The extent of refinance facilities to different institutions at all India shows that State Cooperative Agriculture and Rural Development Banks (SCARDBs) have obtained the major share (41.54 per cent) followed by Commercial Banks (83.78 per cent). The least share of refinance was absorbed by State Cooperative Banks (11.83 per cent). The compound growth rates
shows that the SCBs have recorded the highest growth rate (19.7 per cent) followed by 15.1 per cent growth for SCARDBs and 4.3 per cent for CBs.

All-India Purpose-wise Disbursement of NABARB Refinance:

Examination of all India purpose-wise disbursement of refinance brings out the fact that above half (50.44 per cent) of the disbursement was made for agriculture sector and 12.93 per cent of the share was allocated for allied sector. Next to agriculture development, high priority was given to poverty alleviation programme (19.59 per cent). Non-farm sector accounted for 12.64 per cent of the total share. Activity-wise distribution of refinance shows that farm-mechanisation claimed a major share (23.29 per cent) followed by minor irrigation (20.80 per cent). The refinance amount for poverty alleviation programme (IRDP) has registered a four-fold increase from Rs.185 crores in 1982-83 to Rs.735 crores in 1998-99. The share of (IRDP) in total refinance has declined from 26.32 per cent in 1982-83 to 11.31 per cent in 1999-2000.

The compound growth rate shows that the highest positive growth rate has been registered for non-farm sector (44.6 per cent) followed by farm-mechanisation (15.6 per cent). Negative growth rate has been recorded in go bar gas plant (-14 per cent).

The distribution of schemes also increased substantially from the initial years from 24,410 during 1982-83 to 1,20,373 in 1999-2000, recording a growth of 393.13 per cent over a period of 18 years. The distribution of schemes is high in CBs (57.20 per cent) followed by SLDBs (33.46 per cent) and least number of schemes claimed by SCBs (3.93 per cent). The compound growth rate of distribution of schemes for 18 years is 14 per cent.
District-wise Refinance Disbursement of NABARD in Tamil Nadu:

District-wise disbursement of NABARD refinance reveals that Salem district received the highest share (9.56 per cent) of refinance during the period under study closely followed by Coimbatore and Kancheepuram with 8.31 per cent and 7.78 per cent respectively. Among the 24 categorised districts in Tamil Nadu, Dindigul district occupies 16th place with 2.57 per cent in the total share. In Tamil Nadu, the districts in which population served per bank office is less than the state average (14,200) are 14 in number and they have absorbed 47.16 per cent to 58.15 per cent of the total disbursement during the period under study. District-wise, the highest compound growth rate is recorded in Villupuram district with 38.4 per cent followed by Kanyakumari (24 per cent), Dhappiri (23.2 per cent), Tiruvannamalai (19.2 per cent), Virudhunagar (14.7 per cent) and Theni (14.1 per cent). These districts have recorded growth rates higher than the overall compound growth rate for the state (14 per cent).

Agency-wise Disbursement of NABARD Refinance in Tamil Nadu:

The agency-wise analysis of refinance facilities in Tamil Nadu during recent 10 years discloses that Tamil Nadu Cooperative State Agriculture and Rural Development Bank (TNCSARDBs) received the highest share (46.37 per cent) of refinance followed by CBs (34.38 per cent) and Tamil Nadu State Agriculture Cooperative Bank (17.36 per cent). In the case of TNCSARDBs more than threefold increase is noticed.

Purposewise Disbursement of NABARD Refinance in Tamil Nadu:

The purpose-wise disbursement in Tamil Nadu indicates that non-farm sector activities received as high as 25.47 per cent followed by farm mechanization (18.45 per cent), Integrated Rural Development Programme (14.65 per cent) and minor irrigation with 7.06 per cent. Poultry/sheep/piggery,
daily development and fisheries constituted 8.99 per cent, 13.04 per cent and 1.31 per cent respectively. Though IRDP has absorbed as high as 33.92 per cent during 1990-91, which gradually fell down to 8.65 per cent during 1999-2000, Agriculture sector has received the highest priority (29.46 per cent) in the disbursement of refinance facilities in Tamil Nadu as in the case of all India level.

NABA.RD Refinance - Dindigul District:

More than 50 per cent of the disbursement in Dindigul District was made to TNSARDBs and 32.51 per cent of the total share was received by CBs. Activity-wise disbursement of refinance facilities shows that farm-mechaiisation absorbed a lion's share of 22.07 per cent followed by 21.89 per cent for dairy development. The compound growth rate for refinance disbursement in Dindigul District for different activities shows that poultry development recorded highest growth rate of 40.5 per cent.

Loan Disbursement by Ground Level Lending Institutions:

The performance of the sample Primary Agriculture Cooperative Banks (PACBs) in deployment of credit to borrowers over the past ten years shows fluctuating trend. Variation in disbursement has also been noticed among the two blocks under review. Borrowers of PACBs in Reddiarchatram block (a dry block) have availed more credit than the borrowers of Amur Block (wet block). The amount of disbursement made by the PACBs of Athur Block has increased by 1.5 fold as against 2.64 fold in Reddiarchatram Block over the past 10 years. An increasing trend has been noticed in the overdue position of the selected PACBs, The amount of overdues has increased by Rs.27.39 lakhs in PACBs of Athur Block over the years and the percentage of overdues to its outstanding advances has escalated to 59.04 in 1999-2000 from 54.22 in 1990-91. Similar trend could also be seen in the overdue position of PACBs in Reddiarchatram Block,
The performance of the PCARDBs in selected blocks reveals that the two PCARDBs shown keen interest in deployment of credit. The amount disbursed by PCARDB in Dindigul and Reddiarchatram increased by 12 fold and 7 fold respectively during the study period.

Credit Disbursement to Sample Borrowers:

Credit disbursement to the sample borrowers shows that out of the 430 respondents, 70.23 per cent constituted the beneficiaries of Reddiarchatram Block and the rest (28.77 per cent) are the borrowers from Athux Block.

In Athur Block among three banks, PACBs covered 66 per cent of the total beneficiaries by providing short-term loans for raising commercial crops (banana and sugarcane) and micro enterprises like petty shops and idli shops. Next to PACBs, CBs covered 23.44 per cent borrowers and deployed loans and advances with a view to help them to carry on land development activities and also for the starting of mini dairy and poultry enterprises of their own. PCARDBs have covered 10.16 per cent of the borrowers and disbursed loan for both fanning and non-farm activities like minor irrigation, farm mechanization and tyre cart.

In Reddiarchatram Block, PACBs have covered 79.47 per cent of the total sample borrowers. PCARDBs have covered 10.93 per cent of the borrowers. The rest (9.60 per cent) of the loan account has been financed by CBs for productive purposes like land development, mini dairy and poultry enterprises. Thus in both blocks PACBs as institutions closer to the door-steps of the villages, and have played a crucial role in financing the programmes of rural development. The block-wise loan deployment by the selected banks shows that the average loan amount issued is found to be higher in Reddiarchatram Block than Athur Block in the case of activities like poultry, sugarcane, petty/idli shops, minor irrigation, farm mechanization and tyre cart.
Thus banks have given more loans in dry block than in the wet block during the period under study.

Further it is noted that majority of the loans in terms of accounts as well as amount have been distributed for agriculture and animal husbandry activities. In the case of PACBs and PCARDBs which are mainly engaged in disbursement of financial assistance for agriculture, there is preponderance of land-based loans both account-wise and amount-wise. Only 8.6 per cent of the total accounts are found under non-farm sector. Thus non-farm sector claims only meager amount in the total disbursement. Activity-wise average amount of borrowing per account is found to be higher in the case of farm mechanization followed by poultry.

Gender-wise distribution of credit shows that the coverage of women in the number of loan accounts is below 12 per cent, constituting 16.95 per cent in the case of CBs, 9.85 per cent in the case of PACBs and 13.04 per cent in the case of PCARDBs. Total share of loan amount for women also below 8 per cent comprising 14.46 per cent, 7.82 per cent and 5.40 per cent in the case of CBs, PACBs and PCARDBs respectively. The average amount of assistance per loan account in general is smaller for women than for men. In the non-farm sector also men again play a dominant role as the proportion of non-farm sector loan amount to men (83.87 per cent) is far outstanding compared to the share of women (16.13 per cent). Women are prominent only in animal husbandry activities.

Disbursement of credit on the basis of land holding reveals that 58.84 per cent of the total borrowers who belongs to marginal farmers category availed 39.03 per cent of the total borrowings and 27.91 per cent belongs to small farmer category availed 27.79 per cent of the total assistance and big farmers (13.26 per cent) having more than two hectares of land, availed 33.18 per cent
of the total assistance. Thus small and marginal farmers are getting due share in the disbursement of loan.

Indebtedness to Money lender:

Among the total sample borrowers (430), 32.86 per cent of the borrowers have also been indebted to money-lenders. Indebtedness to money-lenders is more prominent among the marginal farmers (34.39 per cent) and big farmers (35.09 per cent). Indebtedness to money-lenders is high in Athur Block (35.94 per cent) compared to Reddiarchatram Block.

Multiple Borrowing:

The study reveals that 48.6 per cent of the sample borrowers have availed loan only once from the selected banks in both blocks put together, it is found that 29.53 per cent of the borrowers have availed second dose of loan and 21.86 per cent of the borrowers have availed more than three times.

Among the two blocks, Reddiarchatram Block has recorded the highest per cent of second loans (34.11 per cent) and Athur Block has recorded the largest percentage of third loan (27.34 per cent). Agency-wise, it is found that in the case of CBs second does of loan could be secured by 8.47 per cent of the borrowers as against 36.30 per cent in the case of PCARDBs. The higher percentage of second dose of loan in the case of PACBs is mainly due to availability of short-term credit and prompt repayment behaviour which made them repeated borrowers under NABARD rural credit schemes. The reason for large number of second loan for banana activity in Athur Block is assured local market and the reason for repeat loans in the case of sugarcane is due to the marketing link with Madurai Sugar Mills at Vadipatty.
The cost incurred for the loan borrowing reveals that all the sample borrowers (430) have incurred cost while availing the credit for different purposes under NABARD refinance credit programmes. Component-wise indirect cost is the largest component of transaction cost in CBs and PACBs ranging between 68.01 per cent in CBs and 60.40 per cent in PACBs. This is mainly due to the cumbersome procedures adopted by the lending agencies and consequent loss of man-days of employment and wages on account of repeated visits to banks and other offices. In the case of PCARDBs intermediary cost with 54.45 per cent is the largest component of the transaction cost.

Utilisation of Loan:

Utilisation of loan by the sample borrowers reveals that 52.33 per cent of the total accounts and 62.62 per cent of the amount have been utilised for the purpose for which it was availed. Block-wise utilization of loan shows that 57.81 per cent of the borrowed accounts and 60.37 per cent of the borrowed amount was utilized properly in Athur Block as against 50 per cent of die accounts and 63.54 per cent of the amount in Reddiarchatram Block. Bank-wise, the highest per cent of proper utilization was found in CBs in terms of both account (72.85 per cent) and amount (79.78 per cent). Though there was follow-up action by the PCARDBs, only 50 per cent of the borrowed accounts 75.84 per cent of the amount were used for the purposes for which they availed.

Diversion for Productive Purposes:

Further 18.84 per cent of the total sample borrowed accounts and 16.20 per cent of loan amount was diverted for productive purposes which generated employment and income to the borrowers. Block-wise the percentage of diverted cases for productive purpose both in terms of account and amount were found to be less in Athur Block (16.41 per cent accounts and 15.74 per cent...
amount) than Reddiarchatram Block (19.87 per cent accounts and 16.38 per cent amount). Bank-wise such tendency is more in PACBs. Though the borrowers approached the banks for their intended purposes, the banks could issue loans only for permissible purposes. Many of the agricultural loans were diverted for allied activities such as milch animal, sheep/goat rearing, tailoring and small business.

Misutilisation:

The study shows that 28.84 per cent of the borrowed accounts and 21.18 per cent of the borrowed amount were misutilised by the borrowers. Inter block comparison shows that the percentage of total borrowers who misutilised the loan was found to be more in Reddiarchatram Block constituting 30.13 per cent as against 25.18 per cent in Athur Block. Inter bank comparison reveals that misutilised accounts were more in PCARDBs (32.61 per cent) followed PACBs (30.46 per cent). Activity-wise misutilisation in terms of accounts (41.38 per cent) and amount (37.35 per cent) is found to be more in tyre cart activity. Among the misutilisation accounts, marginal farmers (39.92 per cent) and small farmers (14.17 per cent) category are more pronounced than big farmers (10.53 per cent).

Reasons for Misutilisation:

It is found that 46.77 per cent of the borrowers used the borrowed amount for family commitments including social obligations, followed by consumption purposes (25.81 per cent) and settlement of previous debts (27.42 per cent).

Repayment Performance of Borrowers:

The repayment performance of borrowers indicate, of the total sample borrowers (430), 50.46 per cent have closed their accounts by completely repaying the principal amount along with interest. Further 25.58 per cent of the
respondents have repaid their loan amount regularly. The closed accounts and regular accounts which constitute 76.04 per cent of the total show the good repayment performance of the sample borrowers. The irregular borrowers and defaulters constitute 11.63 per cent and 12.33 per cent respectively.

Bank-wise repayment performance reveals that both closed and regular accounts constitute 69.49 per cent in the case of CBs as against 76 per cent in the case of PACBs and PCARDBs. Thus PCARDBs have shown better performance in repayment compared to PACBs and CBs. The relative affluence of the sample and effective post-loan supervision by the PCARDBs explain the success of these banks.

Block-wise data on repayment performance shows that closed and regular accounts together constitute 81.25 per cent in Athur Block as against 73.84 per cent in Reddiarchatram Block. The percentage of default accounts is found higher in Reddiarchatram Block (14.24 per cent) than in Athur Block (7.81 per cent). The reasons for differential performance (30.13 per cent) are the rate of misutilisation is more in Reddiarchatram Block (30.13 per cent) than in Athur Block (25.78 per cent) and all the default accounts are found in the field of agriculture, the reason being the failure of monsoon and inadequacy of irrigation facilities.

Overdues Position:

Out of 430 borrowers 50.46 per cent have completely repaid and closed their accounts leaving 213 accounts under outstanding. Among 213 outstanding accounts, 103 accounts represent overdues. It is found that 48.36 per cent of the outstanding accounts and 45.88 per cent of the outstanding amount remain overdues.

Bank-wise comparison of repayment reveals that the percentage of overdues to the outstanding in terms of accounts and amount is found to be high in the case of PACBs followed by CBs. Among the different activities, tire
percentage of overdues to outstanding in terms of accounts as well as amount is found to be high in the case of poultry in CBs. In PACBs, the percentage of overdues to outstanding in terms of accounts is high in the case of sugarcane activity and banana activity. In PCARDBs, both in terms of accounts and amount, the percentage of overdues to outstanding is high in the case of minor irrigation. Among the nine activities in three banks, the percentage of overdues to outstanding is the largest in poultry in respect of number of accounts and banana in respect of amount of loan.

Block-wise comparison shows that in terms of account (54.11 per cent) as well as of amount (48.02 per cent) the percentage of overdues to outstanding is higher in dry Reddiarchatram Block than in wet Amur Block.

Overdues position on the basis of land holding reveals that among the total overdues accounts, 83.50 per cent of the borrowers are marginal farmers owning less than one hectare of land and 12.62 per cent of the borrowers belongs to the category of small farmers. Thus marginal and small farmers are prominent in overdues accounts. This might be due to the fact that the misutilisation cases are more in marginal and small farmers.

The discriminant function analysis was carried out to know the different variables which discriminate the two groups namely non-defaulters and defaulters and to identify the dominating factors responsible for poor repayment performance. The variables included in the study were education (Xᵢ), status of employment (X₂), number of times borrowed (X₃), farm size (X₄), utilization of the loan (X₅), borrowed amount (X₆), follow-up by lending agency (X₇), timeliness of loan (X₈), number of visits to the bank (X₉), adequacy of loan (X₁₀) percentage of bank loan to total borrowing amount (X₁₁), percentage increase in the income (X₁₂), interest rate (X₁₃) and size of the family (Xᵤ).
The results of discriminant function analysis shows that number of times borrowed ($X_3$), utilization of loan ($X_5$), adequacy of loan ($X_{io}$), family size ($X_{14}$), education ($X_i$), farm size ($X_4$) in the case of agriculture sector activities, number of visits to the bank ($X_9$), family size ($X_{14}$), education ($X_i$) and utilization ($X_5$) in the case of agriculture allied sector activities and timeliness of loan ($X_g$), farm size ($X_4$) in the case of non-farm sector activities are the characteristics which are discriminating non-defaulters and defaulters.

The main reasons put forward by the respondents for non-repayment of the loan installments were inadequate supervision by the lending agency, low income from the activity and misutilization of loan etc.

Impact of Loan:

One of the objectives of ground level lending by the financial institution is creation of income yielding assets. It is observed that 75.49 per cent (231 borrowed accounts) of the total utilized borrowers generated different categories of assets in both the blocks. Among the total assets 60.78 per cent (69 borrowers) of the borrowers created assets under animal husbandry sector such as cow, sheep and poultry. Eleven borrowers (3.59 per cent) generated assets related to agriculture like tractor, oil engine and pump sets and 30 (9.80 per cent) borrowers created assets in non-farm sector which includes petty shop/idli shop/restaurant, tyre cart and tailoring shop.

Impact of loan on the borrowers in terms of income reveals that most of the activities have recorded positive incremental income among the proper utilization category of borrowers in two blocks. However among the proper users of loan amount, income accrued is more pronounced in the case of poultry activity, followed by farm mechanization. Among the diversion of activities, the loan amount received for minor irrigation, diverted to milch animals, yields the highest (45.27 per cent) incremental income followed by mini dairy diversion to tailoring and petty shops (24.94 per cent).
Among the three activities viz., land development, mini dairy and poultry, though the total allocation is the highest for land development, the high proportion of increase in income is obtained in poultry. This might be due to the fact that investment in land development brings only slow increase in return, since the loan was issued for development of existing coconut garden. However in the case of poultry, the gestation period is only eight weeks and the products enjoy continuous demand in the market.

In PACBs, among the three activities namely banana, sugarcane and petty/idli shops, the proportion of increase in income is the highest for sugarcane activity (31.52 per cent). The reason is that the yield is sold to the sugar factory (i.e.,) Madura Sugar Mill, Vadipatti and the farmers are not affected by fluctuation in price as the price is fixed by the government, while uncertain existing market price determines the price for banana.

Among the three activities namely minor irrigation, farm mechanization and tyre cart for which the loan availed from PCARDBs, farm mechanization and tyre cart have brought significant increase in the income and the level of increase is very high for farm mechanization (62.52 per cent). This might be due to the fact that, farm mechanization reduces labour cost and brings rental income.

The percentage increase in incremental income is more for diversion activities than for proper utilization in the case of minor irrigation (45.27 per cent) and mini dairy (24.94 per cent) which shows that activities which are skill based and demand based will be more profitable than activities which are supply leading.

As a result of the bank loan most of the beneficiaries have been rescued from the high rate of interest (as high as 60 per cent per year), which they would have paid to the local money-lenders. The consequent reduction in the cost of bank financed capital itself represents a substantial amount of the net income.
The 't' values of increase in mean income shows that under proper utilization, the activities such as land development, Mini dairy, banana cultivation, farm-mechanisation cases are found to be significant at 1 per cent level.

Multiple Regression Analysis was carried out to find out the relative importance of various factors, which influence the income of the borrowers under different activities. The increase in aggregate farm income of the borrowers is taken as dependent variable (Y) and the explanatory variables constitute education (Xi), timeliness of loan (X2), amount of borrowing in rupees (X3), farm size in acres (X4), borrowing cost in rupees (X5), year of experience (X6), number of times borrowed (X7), utilization of loan (X8) and size of the family (X9). The analysis establishes the positive influence of amount of borrowing in rupees (X3), farm size in acres (X4), timeliness of loan (X2) and proper utilization (X8) on income generation.

The impact of loan in terms of increase in land under cultivation shows that the loan disbursed to most of the agricultural activities in both blocks have witnessed the increase in the volume of land under cultivation after receiving the loan. The gross cropped area after the loan investment has more than tripled, quadrupled in the case of bon-owers of minor irrigation, farm mechanization and tyre cart under PCARDBs. The increase in cropped area is more pronounced in the case of farm mechanization activity (326.67 per cent) in Reddiarchatram Block in which the loans were used for purchase of tractors.

Impact on Employment of Borrowers:

Impact of bank loan on employment reveals that 83.05 per cent of the borrowers who utilized the borrowed amount for either authorized or unauthorized purposes had been benefited in terms of employment in the case of CBs as against 69.54 per cent in the case of PACBs and 67.39 per cent in the
case of PCARDBs. Under CBs poultry activity has brought the largest incremental increase in duration of average man-days of employment (125.77 per cent) followed by mini dairy (105.72 per cent) and land development (30.92 per cent). In the case of PACBs, rate of increase in duration of employment is found to be significant in petty/idli shop activity (383.52 per cent). It is pertinent to note that the proper utilization of banana and sugarcane activities yielded low incremental increase of employment while the diversion of these loan to activities like mini dairy/goat rearing/tailoring yielded high incremental employment (i.e.,) 510.72 per cent and 28.41 per cent due to labour intensive nature of the work.

Loan availed for farm mechanisation (PL) under PCARDBs generated high incremental increase of man-days (103.78 per cent) followed by tyre cart (PU) (58.93 per cent). Under diverted purposes, minor irrigation to milch animals recorded high incremental increase of man-days (119.15 per cent) followed by tyre cart (89.21 per cent). It is found that calculated 't' values for all the activities under proper utilization category in three institutions, except 'banana', all other activities are found to be significant at 1 per cent level of probability.

Innovative Schemes:

An attempt also has been made to study the innovative schemes such as Vikas Volunteer Vahini, Rural Artisan Guild, Self-Help Groups programme and Rural Infrastructure Development Fund in the study area.

The main objectives of VVV are to ensure quality of lending and promoting village development by eliciting participation of the banks and rural borrowers in order to inculcate the banking habit including repayment ethic among the beneficiaries. The function of selected VVV clubs in the study area reveals that in Velankannipuram VVV club at Athur Block, out of 30 default
borrowers found in the village as on August 1995, 15 loan started dripping into the bank between April 1995 and March 1996. In addition to banking service, the club has conducted free eye camp services, medical camp and undertaken reconstruction of balwadi center.

The activities undertaken by Koralampatti Farmers' Club in Reddiarchatram block covered programmes in crop production technology, animal health campaign and front line demonstration on oil seeds. The VVV club at Panjampatti in Adiur Block is found in complete state of dormancy. In short, the functioning of VW clubs in both the blocks is not satisfactory.

Another innovative scheme of NABARD namely Rural Artisan Guild in the study area was established in 1988 by Gandhigram Trust. Under this, common facility centres were constructed with NABARD's grant of Rs.30.24 lakhs during 1991-95. The common facility centres cover blacksmithy, carpentry and banana fibre at Chinnalapatti and Gandhigram in Athur Block, brass vessel and blacksmithy at Tliethupatty in Nilakottai Block and pottery in Vedasandur Block and cotton rope common facility centre at Veerachinnampatty in Sanarpatty Block.

Under carpentry common facility centre at Chinnalapatty, 150 carpenters have registered and make use of the centre. This centre earns an income of Rs.65,000 every year. After meeting the maintenance expenses, the centre earns Rs. 15,000 as net income.

In banana fibre common facility centre at Gandhigram, so far 270 women have been given training in production of tea mat, bag, flower pot, box, pot hanger, door curtain and light lamps from banana fibre and telephone mat, dining table mat from woollen rope and jute bag from jute etc. The value of production increased from Rs.28756 in the year 1992-93 to Rs.80000 during the year 1999-2000.
The blacksmithy and carpentry common facility centre at Sakkayanayakkanoor, collected an amount of Rs.90,000 as service charges from artisans and deposited in the bank. The brass vessel common facilities centre at Nilakottai received an amount of Rs.14,000 as service charges from the artisans. The common facilities centre for steel furniture at Vedasandur has been collected an amount of Rs.76,275 as service charges. The total production has increased from Rs.8 lakh during 1992-93 to Rs.48 lakhs during the 1999-2000.

The main activity of pottery common facilities centre is bricks manufacturing. The sendee charge collected from the artisans was Rs.44,000 within a period of five years.

Under cotton rope common facility centre at Sharnarpatty, the production of cotton rope has increased from Rs.1.41 lakhs to Rs.2 lakhs. But due to technical problems, since 1998-99, the unit is not functioning.

Because of the existence of Artisan Guild, the beneficiaries under poverty alleviation programmes were selected properly and leakages minimized in availing the loan amount and due to the monitoring of proper use of financial assistance, repayment of loan also good. Besides, cost of procuring raw material was reduced and the technological improvement among the artisans took place.

**Self-Help Group - Innovative Scheme for Women:**

The Centre for Social Service and Research an NGO in the study area has promoted Self Help Groups covering both Athur and Reddiarchatram blocks. All the selected SHGs in the study area have built corpus fund of Rs.1 1,57,992 through regular savings of Rs.50 per month. The corpus fund is used to advance loans to the members. It is found that 5.33 per cent of the groups promoted by CSSR in both blocks are three years old, 20 per cent of
them are two years old and 74.66 of the groups have been functioning since 2000 only.

NABARD assistance was given made to the groups under Swamjayanti Gram Swarozgar Yojana (SGSY) scheme for the SHGs in the study area. The third stage of SGSY has been reached only by 9.73 per cent of the groups. The purpose for which the loans were availed from the corpus fund by the members shows that 57.78 per cent of the selected group members in Athur Block uses the loan for consumption purpose as against 29.41 per cent in the case of Reddiarchatram block. Production loans are found more in Reddiarchatram block (50.98 per cent) as against Athur Block (42.22 per cent). This is because of the experience of the group and the interest of the group members in Reddiarchatram block.

The impact of the micro finance through SHGs in the study area shows that 55.21 per cent of the selected group members have got additional employment and 57.29 per cent of the members have earned additional incremental income. One group namely Chemparuthi at Armai Nagar in Reddiarchatram Block started the creamery with financial assistance form bank and received incremental income.

The assistance sanctioned for Dindigul District under Rural Infrastructure Development Fund (RIDF) II to VII envisaged improvement of 121 road works, two irrigation projects and construction of 14 bridges, which would link the so far unconnected crossings. The project outlay was Rs.48.783 crores and RIDF assistance was Rs.43.74 crores. Apart from providing roads access to remote villages in hills, the works, executed in the plains have ensured a spurt of 25 per cent in vehicular traffic. The district offers excellent scope for further implementation of the road works especially in the hills.
Issues in Focus:

The policy initiatives of NABARD are mainly geared to increase the credit dispensation for improving employment, production and productivity in rural areas. The performance of NABARD at macro level is found to be in line with its objectives. The less developed and backward states like Uttar Pradesh, Madhya Pradesh, Bihar, Orissa, Assam, Rajasthan, Manipur, Jammu and Kashmir, Tripura have got priority in refinance facilities. Also in Tamil Nadu, the less developed districts like Ramanathapuram, Nagapattinam, Nilgiris, Pudukotai, Tirunelveli, Vellore, Dindigul, Dharmapuri get priority in refinance facilities. Along with increase in production, NABARD also seeks to improve the access of credit to vulnerable sections of the society at grass-root level to credit.

The ground level lending realities, focused in the study, reveals that while marginal and small farmers get 66.82 per cent of the total credit disbursed in the study area, the misutilisation rate is as high as 31.64 per cent as against 28.84 per cent for the total sample population. Overdues accounts of small and marginal farmers represent 96.12 per cent of the total overdues accounts. Except poultry and farm mechanization, other activities have not proved very successful. In many cases, the disbursement of loan is not need based which results in diversion of loan for unauthorized purposes. Poultry is profitable but percentage of overdues to outstanding is the largest in this activity. The follow-up measures of financial institutions is also not seem to be satisfactory.

Women who constitute 49.69 per cent in the study area, account for only 11.16 per cent of borrowing accounts and 7.88 per cent of dispersed amount. They are generally considered by the ground level lending institutions as neither credit worthy nor bankable as they do not own any property or assets to cover the bank risk. Also their illiteracy leads to difficulties in complying with
formalities in availing credit. The high transaction cost for borrowers have also played havoc as it involves various middlemen and wastage of man-days. The money-lenders are still popular source of finance in the study area since the benefits of lower rate of interest charged by banks could not be fully realized because of the high transaction cost.

Under such circumstances, banks shall have to reach the rural masses through group approach which will cut down transaction cost, time and other hassles. The innovative schemes like SHG is not evenly spread in the two blocks under study. The concept of people's participation was experimented by NABARD in the form of VVV which again failed in the study area due to lack of enthusiasm and interest on the part of the people and bank managers. Though NABARD has introduced a number of programmes like District Rural Industries Project (DRIP), Assistance for Marketing of Non-Farm Products of Rural Women (MAHIMA), Assistance to Rural Women in Non-Farm Development (ARWIND), none of them is implemented by the ground level institutions in the study area. Some branch managers of the banks are unaware of many of these schemes.

Policy Implications:

The term 'social banking' refers to a policy of induced credit delivery by banks to economically weaker sections of the society as identified from time to time. Following suggestions are made to realize the objectives of social banking in the study area.

The situation warrants participation of the borrowers in the planning of lending activities which alone can minimize misutilisation. and default in repayment. Organisation of the borrowers is the only way to make the ground level lending a success, in this regard, the SHGs have served as an alternative strategy of banks in reaching the poor.
The Artisan Guild and Common Facility Centres concepts should be extended to all the districts under NABARD's innovate projects.

Proper effort is necessary to revive the VVV spirit of borrower education.

NGOs and educational institutions can be involved to revive VVV.

Special emphasis is needed in disbursement of refinance to the non-farm sector activities.
- Group based lending system can be adopted to promote better repayment. NGOs can be involved in the lending, monitoring and follow-up. The case of Artisan Guild in Amur block in organizing the beneficiaries deserves merit.

Need based loan should be given priority in disbursement of loan.
- Delay in deployment of loan and the borrowing cost can be reduced by simplifying the procedures.

The unit cost may be fixed according to the nature of activity which may reduce the burden of the borrowers in availing additional loan from money-lenders.

Post-loan supervision on the part of lending institutions should be made effective. Incentives should be provided particularly, to those who repay the loan in time. To improve the quality of inspection simplification of reporting system and training of officers in methodology of inspection can be adopted by NABARD.

Assistance of local influential people such as Panchayat Presidents, Village Administrative Officer, Village leader may also be sought for recovery purposes. The recovery machinery needs considerable Strengthening to reduce Non Performing Assets.
The personnel policies of banks need reorientation. The personnel policies should be evolved so that there is considerable pool of expert rural bankers who can be considered for posting in rural branches for longer period with incentives. Perhaps the banks may have to consider evolving rural cadre of officers with certain incentives having a separate channel of promotions for such officers.

With the introduction of New Panchayati Raj system, the district development plan gets priority. The observations of the present study is that credit plans are not properly prepared. Preparation of credit plans needs scrutiny so that all bankable activities based on local resources availability are included in the credit plans. Bank managers in the rural areas have to make though study of their area of operation. The District Development Plan and then integration with credit plans/district credit plan needs proper review so that no economic activity which is bankable and can be taken up for financing is left out.

SHGs scheme has proved to be very effective on a limited scale in the study area. Possibilities should be explored to expand the scheme on a larger scale without compromising the quality.

- At present SHG programme is prominent only among the women. Men groups should also be promoted so that greater impact on effective utilization and prompt repayment can be realized.

Among women, there is an emerging gap between credit expectation and credit supply and unless the gap is reduced, the social momentum of the project may be affected adversely.

As the groups mature in size, a shift from consumption to production loan should be given due attention by the members of the group and by the self-help promoting institutions. Entrepreneurship development
programme should be conducted for SHG beneficiaries in areas having effective linkage,

- Linkage of SHGs with institutions promoting technological innovations should be promoted.

NABARD strongly feels that the banking system should play a more proactive role in the areas of micro finance which offers potential business. NABARD is keen to share and support and collaborate with banks and NGOs in the joint endeavour of reaching the poor and providing them financial services. NABARD envisages to cover one million groups over the next 10 years. Training programme should arranged to all regional Chiefs and field level functionaries about SHG linkage scheme. Steps can be taken to route 15 per cent of their advances through SHG/NGO linkage. Promotion of SHG concept through VVV and Farmers club will be the steps in the right direction. There is need for proper arrangement for sustainability of SHGs after NGO withdrawal. Region-wise workshops involving NABARD, NGO of the areas, banks and SHGs should be conducted. Measures like training/orientation of bank officials for their role as self help promoting institutions, introduction of a scheme by NABARD to recognize award for the outstanding efforts of SHG/NGO.

- The SHGs bank linkage programme has come to stay as a strong supplementary credit delivery mechanism in rural areas. Recognising this RBI has advised the banks to treat SHG financing area as mainstream credit activity under priority sector and Service Area Approach. It has the potential to offer the three components of rural banking - deposit mobilization, increase in credit flow and more important by good recovery of loan issued. It has the potential to offer all the three components and it could be considered as three-in-one.
programme for a banker. It has disproved the myth that Social Banking means a losing position. However SHG programme, though not a panacea for all die problems of rural poverty it has all the potential for becoming a permanent system of rural lending in the country.

- Banks could improve their lending through SHGs by encouraging the growth of intermediate structures like potential NGOs and developing partnership with their and by enhancing the mind-set of the bank staff through appropriate training. The training will create a facilitating environment for initiating collaboration between banks and groups.

* Banks should concentrate on forming more and more groups in clusters of villages since the costs efforts for subsequent SHGs are far lower than those needed for the pioneer SHGs in an area.

a Government of India could earmark a part of the funds spent on providing subsidies under government sponsored programmes for the formation of SHGs.

While the National Bank's role in increasing the flow of ground level investment in agriculture through credit support had been significant, a lot remains to be done for promoting non-farm investments in the rural areas by devising suitable credit packages. Various promotional measures had been taken for skill and entrepreneurship development for promoting micro enterprises in the rural areas. Further, to improve the productivity of investment credit, the flow of production credit needs to be further accelerated.

Another area, which will require focused attention in the coming years, is institutional development. The National Bank has to pay more attention in the years ahead in building institutions at grass-root level in order to ensure that the credit absorption capacity of the system is improved. The National Bank will also have to devote greater attention to effectively meet the training needs of its own staff as also those of the client banks.
Evaluation of NABARD schemes by outside agencies should be encouraged. The funding of such studies will help NABARD to learn useful lessons from the experience of development schemes and to make necessary changes in operational policy and procedure with a view to improving the overall performance and impact of schemes.

To conclude, NABARD has acted as an apex refinance institution as well as development institution in the field of Rural Development. It has devised various measures, and created gross-root level institutions to support the implementation of the national policies for increasing agricultural production, employment generation in rural areas, income generation through efficient use of local resources, reduction in regional imbalances and social imbalances through credit based area specific programs improving credit absorptive capacity of banking system and improving the quality of lending though proper control of technical and financial parameters and propagation of repayment ethics. The measures suggested in the study would go a long way in further improving the operations of NABARD and realizing the objectives of National Bank namely gearing up credit dispensation for improving production and productivity in rural areas.