CHAPTER VII

SUMMARY, FINDINGS AND SUGGESTIONS

STATEMENT OF THE PROBLEM

A large section of the rural population in India is poor and unemployed. Various poverty alleviation and rural development programmes were introduced under the successive Five Year Plans to solve the problems of people living below the poverty line. While these programmes did ensure increased agricultural production, the benefits, by and large, went to large and medium farmers. A Micro Approach to a specified group of people over a specified area became necessary. It was at this stage that the concept of 'Priority Sector' came into consideration.

PRIORITY SECTOR

The concept of priority sector lending has been evolved to ensure that assistance from the banking system flows in an increasing measure to certain vital sectors of the economy and according to national planning priorities.

At present PRIORITY SECTOR broadly includes, 1) Agriculture, 2) Small Scale Industries, 3) Industrial Estates, 4) Road and Water Transport Operators, 5) Retail Trade and Small business, 6) Professional and self employed persons, 7) Education, 8) Housing Loan to weaker sections and 9) Pure consumption loans to weaker sections. The commercial banks were directed to give at least 40 per cent of their advances for the priority sector.
The Priority Sector lending has received the maximum attention. A large volume of literature has been generated and a vast majority of them has been critical. The criticism is however, based on different perceptions of the critiques, their concerns and the varying levels of understanding of the programme.

So an objective and dispassionate look at the Priority Sector lending becomes necessary in order to find out what proportion of the assistance goes to the deserving poor, how much incremental income is actually generated, what are the sectoral variations in income generations, what is the difference between initial poverty gap and benefit derived, has the poverty gap been reduced, what were the liabilities before assistance, what are the post assistance liabilities, what are the changes in consumption pattern and living standard and what is the rate of recovery of such lendings. It becomes, therefore, necessary to find out whether the assisted families or the beneficiaries were able to cross the poverty line and if so, are they significantly better off after the assistance compared to the position prior to their receiving the loans. It is also necessary to examine whether the resources spent on Priority Sector Lending can be justified on the grounds of equity and efficiency in order to place the programme in correct perspective. It is towards answering some of these questions the present study has been contemplated and the Union Territory of Pondicherry has been selected for study.
OBJECTIVES OF THE STUDY

The overall objective of the study is to evaluate the impact of the Priority Sector Lending on the weaker sections of the rural poor.

HYPOTHESIS

The above focus has led to the basic hypothesis that Priority Sector lending has generated additional employment income to the weaker sections so as to enable them to cross the poverty line.

METHODOLOGY

The Union Territory of Pondicherry had been purposely selected for the present study taking into consideration the locational advantages and the compact nature of the area rapid strides that are made to increase the income and employment in recent years. All the communes in the Union Territory were classified on the basis of SC/ST population and by using a multi-stage stratified random sampling, 312 beneficiaries from 24 villages in 3 communes were selected.

The primary data required for the study were collected from the sample beneficiary house-hold through a personal interview with the help of a pre-tested questionnaire. The secondary data were compiled from the records of the various banks thro the Lead Bank and from the registers of the DRDA, District Statistical Office and Survey Department of Pondicherry.
The collected data were subjected to conventional analysis by using simple average and ratio analysis. Gini Concentration Ratio and Lorenze curves were used. Functional analysis was also done to assess the extent of influence made by the various factors. Discriminant analysis was used to find out the factors that could differentiate the beneficiaries crossing the poverty line from those who did not.

ANALYSIS OF GENERAL FEATURES AND ECONOMIC EVALUATION OF THE SCHEMES

An analysis of the general features of the sample and the economic evaluation of the schemes reveals that a majority of 180 (57.69%) out of 312 households were agricultural labourers. The next largest number of 53 (16.99%) households were engaged in Industry, Service and Business. The number of other categories of households ranged between 24 and 28.

There were 107 (34.29%) scheduled caste/tribe households and 205 (65.71) non-scheduled caste households. The average family size worked out to 5.3 persons. The number was marginally higher (5.45 persons) in case of SC families. The number of NSC adult males (3.53) was marginally higher than that of SC adult males (2.49). Similar figures in case of adult females revealed that SC adult females (2.27) were marginally higher than NSC adult females (2.18).
A majority of 238 (76.22%) beneficiaries belonged to the age group of 31-50 years. Among them 125 belonged to the age group of 41-50 years.

A large number (20.51% of beneficiaries were literate 69 (33.6%) of the NSC beneficiaries and 38 (35.51%) of the SC beneficiaries were illiterate. Among the literates, 100 (32.05%) had education up to elementary level and 65 (20.84%) up to secondary level.

As many as 277 beneficiaries had their own houses and only 35 resided in rental houses. However, 208 of the owned houses were only thatched huts. The remaining 69 were pucca buildings. A large percentage of SC families had only thatched houses.

The beneficiaries received financial assistance under nine different schemes under three categories. The largest number 118 (37.82%) of beneficiaries received assistance under the Allied Activities category followed by 104 (33.33%) under Agriculture category and the remaining 90 (28.85%) under Industry, Science and Business category.

The financial assistance was extended to a largest number of 59 beneficiaries under milch animals scheme, 49 under bullock cart scheme, 42 under goat rearing scheme and 40 under plough bullock schemes. The number in case of other beneficiaries varied between 15 and 35.
A large number of 46 SC beneficiaries got assistance under Allied Activities category and 76 NSC beneficiaries under Agriculture category.

The net income earned by SC beneficiaries was lower than that of the NSC beneficiaries in all the nine schemes. The rate of return was higher in case of SC beneficiaries than that of NSC beneficiaries under the Industry scheme. Similarly the rate of return showed marginally higher figure for the SC group under the milch animal schemes.

IMPACT OF PRIORITY SECTOR LENDING ON INCOME LEVELS AND ON CROSSING THE POVERTY LINE

The prime objective of providing loans to Priority Sector is to enable the beneficiary families to cross the poverty line. The yardstick for measuring the impact of Priority Sector Lending in this connection is, therefore, the percentage of families who have crossed the poverty line. Hence an analysis of the improvement in the income level of the beneficiary households and the extent of crossing over the poverty line reveals that lending under priority sector schemes resulted in the contribution of 36.39% to the total income of the beneficiaries. Such contribution was lower (34.41%) in case of Scheduled Caste (SC) group than that of Non Scheduled Centre (NSC) group (38.52%). 264 (84.61%) of the beneficiaries had income upto Rs. 4000. Among the 107 (SC) beneficiaries 95 (88.78%) belonged to this income group. Taking into
account the income from non-priority sector sources, it was found that 200 (64.1%) beneficiaries consisting of 134 (65.36%) NSC and 66 (61.68%) SC beneficiaries belonged to the lowest income bracket of below Rs. 4000. When the total income is considered, a different picture emerges. The largest number of (31.73) beneficiaries income under the income bracket of Rs. 4001 to Rs. 8500. This group includes the largest number of 64 (31.22%) NSC and 35 (32.71%) SC beneficiaries.

As regards the lending under the Agriculture category, out of 104 beneficiaries, 98 (94.23%) consisting of 70 (92.11) NSC and 28 (100%) SC beneficiaries had income upto Rs. 4000 from priority sector sources. Similar figures for these income group in case of income group non-priority sector sources were 65 (62.5%) consisting of 47 (61.84%) NSC and 18 (64.29%) SC beneficiaries. Considering the total income, it is observed that a picture similar to the overall trend appears - the largest number of 38 (36.54%) beneficiaries had income between Rs. 4001 to Rs.8500.

With regard to lending under the Allied Activities category also, the position is similar to the overall trend of largest number of beneficiaries having income upto Rs. 4000 from priority and non-priority sector advances.

As regards those who borrowed under the category of Industry Service and Business though the largest number of beneficiaries had income upto Rs. 4000 from PS as well as non PS sources, a different picture
emerges when total income is considered. As many as 29 (32.22%) earned Rs. 11001 and above and 7 out of them were SC beneficiaries. Thus the PS assistance led to the improvement in the income levels of the sample beneficiaries and the impact was higher in the case of Non SC beneficiary households than that of SC households.

The financial assistance enabled 69 (22.12%) households (48 NSC and 21 SC) to cross the poverty line. This number goes upto 77 (24.68%) when adjustments are made for the size of the family and changes in the price level. Based on the Gini Concentration Ratios for this, it is found out that the inequality in income distribution was more pronounced among the NSC beneficiaries, households in agricultural and non-agricultural labour and small farmer categories. It was more pronounced among the SC in ISB and marginal farmer categories. There was a reduction in the disparity of income distribution due to grant of advances to priority sectors.

ANALYSIS OF EMPLOYMENT GENERATION AND STANDARD OF LIVING

Priority sector advances had resulted in creating additional employment by way of maintenance and operation of the assets acquired. As these assets were looked after or managed by the beneficiary himself with the assistance of the members of his family the man hours of work put in by the household increased after the acquisition of assets. In order to assess the nature and extent of employment generation resulting from
priority sector advance, the particulars regarding employment were analysed. The analysis reveals that priority sector lending has resulted in sizable employment generation and it was the highest in business unit. Employment generation was evident among the weaker section households. It was found that the assets had generated sizable income to the households and that a major portion of additional income was used for consumption purposes.

The propensity to consume was high among the scheduled castes. They spent more on food, liquor, narcotics, socio-religious and cultural items. The non-scheduled castes spent more on non-food items. An inverse relationship between income and percentage of expenditure was observed.

In terms of ownership of durable goods labour households had a lower standard of living than that of small and marginal farmer households. The scheduled castes had a lower standard of living than that of non-scheduled castes. The savings of the scheduled castes were lower than that of the non-scheduled castes.

The beneficiary households faced problems in getting the assistance, maintaining the assets and improving their levels of living. They had to incur heavy expenditure in getting the loan and asset. Most of them found the loan inadequate to buy the asset. Added to these were exploitation by middlemen, lack of grazing land and veterinary facilities and competition from traders.
The banks faced the problems of identification of right type of beneficiaries, provision of infrastructural and technical facilities and effective recycling of funds through timely recovery of loans. The unfavourable political climate, the misuse of credit, absence of adequate facilities to train the borrowers and supervision of the end use of loan are the other problems.

The functional analysis undertaken to study the extent of influence made by various factors on the consumption expenditure of the beneficiaries households revealed that household income and family size had significant influence on the consumption expenditure of the family. The influence of educational status though positive, was not statistically significant.

In case of the five categories of beneficiary households, income, family size, education and social status have significant influence on the consumption expenditure. A negative relationship between consumption expenditure and educational status was observed in the categories of agricultural labourers and small farmers.

In case of scheduled caste class income and family size had positive influence on consumption expenditure. However, educational status did not have significant influence. For the non-scheduled caste class also, income and family size were found to have positive influence.

Discriminant analysis was used to find out the factors that could differentiate the beneficiary crossing the poverty line from those who
did not. Income of the household had the highest discriminating power followed by consumption expenditure. This analysis would be useful in identifying the prospective beneficiaries and those beneficiaries who had crossed the poverty line.

**SUGGESTIONS**

The Study finds that there is a positive impact on the living conditions of the poor due to the provision of credit. Though the various schemes of poverty alleviation implemented by the Banks have made a positive impact in the sense that they have contributed for generation of additional income among the rural poor, it has to be mentioned that because of a number of factors, the impact was not as much as desired of planned. Further the impact should be a sustainable one. For this the following measures are suggested.

1. Credit is only one of the number of inputs that go to the activity to raise the standard of life of the poor though this fact is sometimes not recognised. It has to be conceded that credit is not the magic wand to create wonders overnight by turning the poor to rich. It is one of the inputs that has to be integrated with other inputs such as training, expert counselling, transportation, marketing etc.,

2. As per the existing practice, banks directly enter the field, identify the credit gap and operate various lending programmes, whereas for the provision of other inputs, there are a number of agencies including
different departments of the State Government. Instead of directly lending to the weaker sections, it is suggested that the Banks may make available the needed funds as per identified credit gap to one or more Agency either in formal or informal [NGO's] systems, which in turn can purvey all necessary inputs directly to the beneficiaries. Such an integrated approach with formal as well as informal systems can help ensure continuous monitoring of the activity thus paving the way for proper end use and return of banks money and recycling. The elimination of multiple intermediaries will save a lot of time and effort for the poor. The saved time can be used productively for increasing his income.

3. For rural development, the field level rural units like DRDA & BDO are functioning and all the infrastructural needs for rural areas are taken care of by them besides subsidy. Although credit [Priority] is an essential component for rural development and poverty alleviation, as already stated it is not the only input. It is one among the inputs for the said purpose. The past experience indicates poor recovery although there is a positive impact on the standard of living which evidences capacity to repay.

It is emphasised that once the poor people are able to raise the standard of living, it is imperative that the higher level of living should be sustained for which both credit and non credit inputs should go together continuously. Towards this end it is suggested that these institutions such
as D.R.D.A. or the Block level Office may be entrusted with the task of conducting Bank credit on behalf of the banks along with other development inputs.

The above single agency can also coordinate the various funds that are now being operated by bodies such as Khadi & Village Industries Commission and thus promote the location-specific rural industries that will eventually lead to increase in the income of the rural poor who are underemployed. The single window approach is recommended because it will go a long way in educating the rural poor about the various schemes. The benefits of the schemes these can be carried to the maximum number of people.