Regional rural banks were established with the specific objective of making the benefit of formal source of finance available at the local level to support the productive activities in the rural areas and thus to build an inclusive financial system to overcome poverty. As a scheduled commercial bank, SMGB has many peculiar features compared to other banks with regard to location of branches, type of customers, variety of schemes, size of loan and deposit accounts etc.

The SMGB has been in the development front of the northern Kerala since the last three and a half decades. The effect of its operation on the socio-economic aspects of the customers during the period under study is assessed as follows. The assessment has been made based on some well defined variables (Given in Chapter 1).

4.1 Employment Generated

Generating employment is one of the basic purposes with which financial institutions like commercial banks advance money. Also, it is widely recognized as the straight path to economic development. The provision of advances results in creation of income, assets, savings and demand. Using the loan amount the loanees generate employment to him and for others. The effect of advances of SMGB to generate employment to loanees and others is assessed as follows:

4.1.1 Employment Generated for Self (Opinion of Customers)

At the outset, the study considers more than 20 days of work as full employment, 10 days to 20 days of work as marginal employment and less than 10 days nominal employment. It is observed that nearly half of the customers
of SMGB have benefited from the finance by way of getting full employment. While, another 29 per cent has got marginal employment, though not full. And some 11 per cent of customers could create only nominal employment (Table 4.1). Along with this, there are 11 per cent customers, who could not make any change in employment level since the credit.

Table 4.1: Employment Generated per Month for Self

<table>
<thead>
<tr>
<th>Growth in employment in man-days</th>
<th>Districts</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palakkad</td>
<td>Malappuram</td>
<td>Kozhikode</td>
<td>Waynad</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
</tr>
<tr>
<td>&gt;20 days</td>
<td>18</td>
<td>58</td>
<td>70</td>
<td>40</td>
<td>82</td>
<td>55</td>
<td>28</td>
<td>67</td>
</tr>
<tr>
<td>10-20</td>
<td>7</td>
<td>22</td>
<td>58</td>
<td>33</td>
<td>40</td>
<td>27</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>5-10</td>
<td>4</td>
<td>12</td>
<td>16</td>
<td>9</td>
<td>18</td>
<td>12</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>No change</td>
<td>2</td>
<td>6</td>
<td>33</td>
<td>18</td>
<td>10</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
<td>177</td>
<td>100</td>
<td>150</td>
<td>100</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey.
Pearsonian Chi-square (df=9) = 27.38 p value .001*
*Significant at 5% level.

Waynad district stands first with regard to the creation of full employment, followed by Palakkad and Kozhikode. Whereas customers of Malappuram districts has the highest marginal employment, though they lag behind in creating employment in general, and they stand first among customers who have made no change in employment after taking the loan. In total, customers of Waynad district are the most benefited ones with regard to creation of employment and those of Malappuram are the least benefited. Also, there find a significant variation in the opinion of customers in the four districts with regard to it (p<0.05).

**GENERATION OF EMPLOYMENT: TESTING THE FOURTH HYPOTHESIS**

The foregoing analysis of data regarding the generation of employment after availing loan found that the proportion of customers who have generated employment is not utmost 50 per cent but its more than 50 per cent. The Z-test conducted to test the above, rejected the null hypothesis that 'not more than one-half of the customers of SMGB have increased their level of employment.
after availing the credit’ at 5 per cent level \((Z = 15.5, n=400, \alpha=0.05, p =0,\) upper tailed).

The study also estimated the range within which the proportion of customers who have increased their level of employment after availing the credit of SMGB varies, devising confidence interval of population proportion. Thus it is estimated that the percentage of such customers varies in between 85.8 to 92 per cent. Which means the proportion of customers who have an increase in employment will not exceed 92 per cent and fall below 85 per cent.

\[
\begin{align*}
\text{Test Statistic} \\
Z_c &= \frac{\hat{p} - P}{SE(p)} \\
SE(P) &= \sqrt{\frac{PQ}{n}} \\
&= \sqrt{\frac{0.5 \times 0.5}{400}} = 0.025 \\
\text{Sample proportion (p) value obtained from the analysis is 0.89} \\
Z_c &= \frac{0.89 - 0.5}{0.025} = 15.6 \\
Z_t &= 1.645 \\
p-Value &= 0 \\
\text{Confidence Interval of P= p± 2 SE(p)} \\
SE(p) &= \sqrt{\frac{0.89 \times 0.11}{400}} = 0.0156 \\
P &= 0.89 \pm 2 \times 0.0156 = 0.89 \pm 0.0312 = 0.858 \text{ (lower limit)} \\
&= 0.92 \text{ (Upper Limit)}
\end{align*}
\]

4.1.2 Employment Generated for Others (Opinion of Customers)

Here also, the nomenclature adopted for the scaling of number of mandays, adopted in the case of self employment generation has been followed. The survey data reveals that, more than half of the customers of SMGB have created at least one full additional employment. There are 14 per cent customers who created marginal employment and yet another 13 per cent has created only nominal employment. Again one fifth of the customers have made no change in the employment of others (Table 4.2).
With regard to the creation of additional full employment, Kozhikode district stands first, followed by Palakkad and Malappuram. Waynad district has more customers who made no change in the employment of others. Also the chi-square test shows a significant variation in the opinion of customers among the four districts (p<.05).

### Table 4.2: Employment Generated Per Month for Others

<table>
<thead>
<tr>
<th>Growth in employment in man-days</th>
<th>Districts</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palakkad</td>
<td>Malappuram</td>
<td>Kozhikode</td>
<td>Waynad</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
</tr>
<tr>
<td>&gt;20 days</td>
<td>19</td>
<td>61</td>
<td>87</td>
<td>49</td>
<td>99</td>
<td>66</td>
<td>7</td>
</tr>
<tr>
<td>10-20</td>
<td>7</td>
<td>23</td>
<td>27</td>
<td>15</td>
<td>7</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>5-10</td>
<td>2</td>
<td>6</td>
<td>23</td>
<td>13</td>
<td>16</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>No change</td>
<td>3</td>
<td>10</td>
<td>40</td>
<td>23</td>
<td>28</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
<td>177</td>
<td>100</td>
<td>150</td>
<td>100</td>
<td>42</td>
</tr>
</tbody>
</table>

*Source: Field survey.*

Pearsonian Chi-square (df=9) = 48.51. p value <.001*

*Significant at 5% level.

### 4.2 Changes in Income after Availing the Loan

A positive sustained change in income is a symptom of economic development. A change in income occurs when there is more sale of one’s output. It is a vital variable to evaluate the economic state and progress of any entity.

It is observed that in general there has been an increase in the income of customers after availing the loan. There is more than 50 per cent increase in income for one fifth of the customers. For nearly half of the customers (47%), the increase is between 30 and 50 per cent. Another 22 per cent customer has only less than 30 per cent increase. Finally, for 11 per cent customers, the SMGB loan has brought no change in income (Table 4.3).

The customers of Malappuram district has managed to earn more income followed by Kozhikode and Palakkad districts. Customers with no change in income are more in Waynad and less in Kozhikode district.
Table 4.3: Changes in Income after Availing the Loan

<table>
<thead>
<tr>
<th>Growth in income</th>
<th>Districts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palakkad</td>
<td>Malappuram</td>
</tr>
<tr>
<td>No</td>
<td>%</td>
<td>No</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>30-50%</td>
<td>14</td>
<td>45</td>
</tr>
<tr>
<td>&lt;30%</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td>No change</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey.
Pearsonian Chi-square (df=9) = 9.27 p value .413
Not significant at 5% level.

Amar Chand Kaushik (2009) in his study about impact of RRBs credit on income generation and poverty alleviation in rural Haryana had found that percentage increase in income over pre-credit period was found to be highest in the case of beneficiaries engaged in animal husbandry, followed by small business, rural industry and agriculture.

GENERATION OF INCOME: TESTING THE FIFTH HYPOTHESIS

The Z-test conducted to test the above perception, rejected the null hypothesis that ‘not more than one-half of the customers of SMGB have increased their level of income after availing the credit’ at 5 per cent level (Z =15.6, n=400, α=0.05, p =0, upper tailed). The test found that the proportion of customers who have increased their level of employment after availing the credit of SMGB is not utmost 50 per cent but more than that (P>0.5). Further, the study also estimated the range within which the proportion of customers who have increased their level of income after availing the credit of SMGB varies, on the basis of confidence interval of population proportion. Thus it is estimated that the percentage of such customers varies in between 85 and 91 per cent. Which means the proportion of customers who have an increase in employment will not exceed 91 per cent and fall below 85 per cent.
Test Statistic

\[ Z_c = \frac{p - P}{SE(P)} \]

\[ SE(P) = \sqrt{\frac{P \times Q}{n}} \]

\[ P = .5, \ Q = .5, \ n = 400 \]

\[ SE(P) = \sqrt{\frac{.5 \times .5}{400}} = \sqrt{\frac{.25}{400}} = 0.025 \]

*Sample proportion (p) value obtained from the analysis is 0.089*

\[ Z_c = \frac{0.89 - 0.52}{0.025} = 15.6 \]

\[ Z_t = 1.645 \]

\[ p-Value = 0 \]

*Confidence Interval of P = p \pm 2 SE(p)*

\[ SE(p) = \sqrt{\frac{p \times (1-p)}{n}} = \sqrt{\frac{0.89 \times (1-0.89)}{400}} = 0.0156 \]

\[ P = 0.89 \pm 2(0.0156) \]

\[ = 0.89 - 0.0312 = 0.85 (\text{lower limit}) \]

\[ = 0.89 + 0.0312 = 0.91 (\text{Upper Limit}) \]

4.3 Saving Status of Customers

Savings are the amount of resource set apart for future use or it is the deferred consumption against an expected accretion. There were no savings to customers before the SMGB finances were availed. For the purpose of this study, savings made by customers out of the income generated from their enterprises of varied nature using SMGB credit has only been considered.

Table 4.4: Saving Status of Customers

<table>
<thead>
<tr>
<th>Savings</th>
<th>Palakkad</th>
<th>Malappuram</th>
<th>Kozhikode</th>
<th>Waynad</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>15</td>
<td>64</td>
<td>52</td>
<td>5</td>
</tr>
<tr>
<td>%</td>
<td>48</td>
<td>36</td>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>113</td>
<td>98</td>
<td>37</td>
</tr>
<tr>
<td>%</td>
<td>52</td>
<td>64</td>
<td>65</td>
<td>88</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>177</td>
<td>150</td>
<td>42</td>
</tr>
<tr>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey.

Pearsonian Chi-square (df=3) = 7.814 p value .006*

* Significant at 5% level.

The savings status of customers revealed that (Table 4.4) only 34 per cent have a savings out of their income. The highest per cent of customers with savings is in Palakkad district (48%) followed by Malappuram (36%) and those
with the least savings are in Waynad district (12%). In the Chi-square test, a significant variation is also found in the opinion of customers in the four districts with regard to it (p<.05)

**LEVEL OF SAVINGS: TESTING THE SIXTH HYPOTHESIS**

The analysis of the forgoing data relating to the formation of savings by customers revealed that the proportion of customers who have made a savings after the SMGB finance is utmost 50 per cent (P≤0.5). The Z test conducted did not reject the null hypothesis that ‘not more than one-half of the customers of SMGB have increased their level of savings after availing the credit’ at 5 per cent level (Z = -6.4, n=400, α=0.05, p =1, upper tailed).

<table>
<thead>
<tr>
<th>Test Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>$Z_c = \frac{p-0.5}{0.025}$</td>
</tr>
<tr>
<td>$SE(P) = \sqrt{\frac{0.5 \times 0.5}{400}} = \sqrt{\frac{0.25}{400}} = 0.025$</td>
</tr>
<tr>
<td>Sample proportion (p) value obtained from the analysis is 0.34</td>
</tr>
<tr>
<td>$Z_c = \frac{0.34 - 0.5}{0.025} = -6.4$</td>
</tr>
<tr>
<td>Zc, 1.645</td>
</tr>
<tr>
<td>p-Value = 1.</td>
</tr>
<tr>
<td>Confidence Interval of P= 0.34 ± 2 (0.0236)</td>
</tr>
<tr>
<td>= 0.34 - 0.0473 = 0.293 (lower limit)</td>
</tr>
<tr>
<td>0.34 + 0.0473 = 0.386 (Upper Limit)</td>
</tr>
</tbody>
</table>

The study further estimated the range within which the proportion of customers who have increased their level of savings after availing the credit of SMGB varies, on the basis of confidence interval of population proportion. Thus it is estimated that the percentage of such customers varies in between 29.3 and 38.6 per cent. Which means the proportion of customers who have an increase in savings as a result of the SMGB credit will not exceed 38.6 per cent and fall below 29.3 per cent.
4.4 Size of Savings

The size of savings depends on factors like the size of profit, habit of thrift and opportunity for investment. Field survey showed that (Table 4.5) more people have only small savings. The analysis reveals that, 25 per cent customers have only nominal savings of rupees 10000 or less. There are 42 per cent customers with savings between ten thousand and twenty thousand. Between twenty thousand and thirty thousand, there are only 14 per cent customers. Further, it is found that the percentage of customers falls as the amount of saving rise. It is found that there is no significant variation in the opinion of customers among districts in this regard (p>.05) except Waynad, where there are no customers with more than rupees twenty thousand as savings.

<table>
<thead>
<tr>
<th>Assets (Rs)</th>
<th>Palakkad</th>
<th>Malappuram</th>
<th>Kozhikode</th>
<th>Waynad</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
</tr>
<tr>
<td>Up to 10000</td>
<td>5</td>
<td>33</td>
<td>11</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>10000-20000</td>
<td>6</td>
<td>40</td>
<td>28</td>
<td>43</td>
<td>21</td>
</tr>
<tr>
<td>20000-30000</td>
<td>2</td>
<td>13</td>
<td>11</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>30000-40000</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Above 40000</td>
<td>2</td>
<td>14</td>
<td>12</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
<td>64</td>
<td>100</td>
<td>52</td>
</tr>
</tbody>
</table>

Source: Field survey.
Pearsonian Chi-square (df=12) = 15.103 p value .263
Not Significant at 5% level.

4.5 Type of Savings

Savings can be made in many forms depending up on one’s preference of profitability, risk and liquidity. It is observed that the savings of SMGB customers are off-bank types (Table 4.6). Around 70 per cent customers have kept their savings out of banks. Only 31 per cent customers have savings in the form of bank deposit and insurance. Majority invests in gold and precious metals and 8 per cent have used their savings to acquire income generating assets like livestock and commercial vehicles. Nobody has invested in landed property or on houses.
Furthermore, customers in Palakkad district has their savings in the form of financial assets (60%) and live stock (40%). Customers in Malappuram district concentrates on gold and precious metals (80%), and those in Waynad district, invests in live stock and commercial vehicles (100%).

### Table 4.6: Type of Assets of Customers

<table>
<thead>
<tr>
<th>Assets</th>
<th>Palakkad</th>
<th>Malappuram</th>
<th>Kozhikode</th>
<th>Waynad</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
</tr>
<tr>
<td>Landed property</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Financial assets</td>
<td>9</td>
<td>60</td>
<td>13</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Gold &amp; precious metal</td>
<td>0</td>
<td>0</td>
<td>51</td>
<td>80</td>
<td>32</td>
</tr>
<tr>
<td>Live stock and commercial vehicles</td>
<td>6</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
<td>64</td>
<td>100</td>
<td>52</td>
</tr>
</tbody>
</table>

*Source: Field survey.*

### 4.6 Debt to Local Money Lenders

The presence of local money lenders is very common in the study area. Customers are lured to the informal finance due to the liberal procedures and the acceptability of a wide range of securities. In many cases they would be ready to lend even without any collateral. For SMGB, they have a special rural debt swap programme called ‘Snehagramam’, to help customers to come out of the bondage of money lenders.

### Table 4.7: Debt to Local Money Lenders

<table>
<thead>
<tr>
<th>Debt Status</th>
<th>Palakkad</th>
<th>Malappuram</th>
<th>Kozhikode</th>
<th>Waynad</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
</tr>
<tr>
<td>Indebted</td>
<td>13</td>
<td>42</td>
<td>79</td>
<td>45</td>
<td>39</td>
</tr>
<tr>
<td>Not indebted</td>
<td>18</td>
<td>58</td>
<td>98</td>
<td>554</td>
<td>111</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
<td>177</td>
<td>100</td>
<td>150</td>
</tr>
</tbody>
</table>

*Source: Field survey.*

Pearsonian Chi-square (df=3) = 15.46. p value .001*

*Significant at 5% level.*
Notwithstanding the best efforts that SMGB has put in this direction, the Field survey (Table 4.7) revealed that 35 per cent of the customers are simultaneously bearing some debt to the bank and to the local money lenders. The incidence is more in Palakkad (42%) and Malappuram (45%) districts.

4.7 Involvement of Customers in the Public Domain

Presence in the public domain is taken as a sign of elevation in the social ranking. In the context of the study, presence in the four fronts has been observed. Table 4.8 examines the phenomenon. First one (Farmers club and Snehagramam) is a protection umbrella held by the bank, second one (Kudumbashree and local body) is a mark of trust and honor conferred upon by the surrounding immediate society, third one (Traders associations) is a mark of awareness of one’s right and duties and the fourth one (Recreation) is a reflection of autonomy or freedom.

<table>
<thead>
<tr>
<th>Associated with</th>
<th>Districts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palakkad</td>
<td>Malappuram</td>
</tr>
<tr>
<td>Farmers club and Snehagramam</td>
<td>3 10</td>
<td>29 17</td>
</tr>
<tr>
<td>Kudumbasree and local body</td>
<td>8 25</td>
<td>41 23</td>
</tr>
<tr>
<td>Traders associations</td>
<td>15 49</td>
<td>57 32</td>
</tr>
<tr>
<td>Recreation</td>
<td>5 16</td>
<td>50 28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31 100</strong></td>
<td><strong>177 100</strong></td>
</tr>
</tbody>
</table>

Source: Field survey.

Pearsonian Chi-square (df=9) = 26.45 p value .002*

*Significant at 5% level.

It is revealed that only the least percentage (12.8%) of customers are under the protective umbrella. Around one fourth (25.5%) of the customers have association with either Kudumbasree or local bodies or both. Nearly 40 per cent of the people are members in their professional associations, and 22.3 per cent of them are seeking autonomy. Waynad district is ahead of others with
regard to the first two fronts. Membership in the traders associations is common in all districts except Waynad. Also, traders association is widely popular among customers in all districts and customers seeking autonomy is highest in Malappuram district.

4.8 Merit Assessment of Customers

To decide whether to lend or not customers need to be assessed against certain benchmarks. Besides the policy guidelines of the banks in this regard, individual managers differ in the criteria they use to decide. Table 4.9 shows that purpose of the loan is the first factor that most managers consider. There are purposes which the bank and the government of India favour at certain periods of time. Similarly if the purpose falls in priority sector category, it gets a preferential treatment. Repayment capacity is another important factor considered. Using the available information furnished by the customers, the banks project the cash flow of the customer for a specific future period. Based on which the repayment capacity is assessed.

Table 4.9: Assessment of Merit of Customers (Opinion of Officials)

<table>
<thead>
<tr>
<th>Reasons</th>
<th>PLKD</th>
<th>MLPM</th>
<th>KKD</th>
<th>WND</th>
<th>TOTAL</th>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Rank</td>
<td>Mean</td>
<td>Rank</td>
<td>Mean</td>
<td>Rank</td>
</tr>
<tr>
<td>Repayment capacity</td>
<td>2.11</td>
<td>2</td>
<td>2.25</td>
<td>2</td>
<td>2.02</td>
<td>2</td>
</tr>
<tr>
<td>Purpose of the loan</td>
<td>1.88</td>
<td>1</td>
<td>1.53</td>
<td>1</td>
<td>1.82</td>
<td>1</td>
</tr>
<tr>
<td>Repayment history of the customer</td>
<td>2.88</td>
<td>3</td>
<td>2.51</td>
<td>3</td>
<td>2.40</td>
<td>3</td>
</tr>
<tr>
<td>Value of collateral</td>
<td>3.11</td>
<td>4</td>
<td>3.69</td>
<td>4</td>
<td>3.74</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Field survey.
*Significant at 5% level.

The repayment history of the customer and value of collateral, are then considered in their order. Even though the opinions of officials are almost the same in all districts, Waynad district gives the first consideration for repayment capacity.
4.9 Periodical Assessment of Customers

To ensure the proper utilization and repayment of the loan amount, banks usually make periodical assessment of the customers. To assess, the banks devise many techniques. Table 4.10 shows that all customers of Palakkad and Kozhikode are periodically assessed while nearly 10 per cent of the customers in Waynad and 3 per cent of Malappuram districts escape periodical assessment.

4.10: Assessment of Customers by the Bank (Opinion of Customers)

<table>
<thead>
<tr>
<th>Status</th>
<th>Districts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palakkad</td>
<td>Malappuram</td>
</tr>
<tr>
<td>No</td>
<td>%</td>
<td>No</td>
</tr>
<tr>
<td>Assessed</td>
<td>31</td>
<td>100</td>
</tr>
<tr>
<td>Not assessed</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field survey.
Pearsonian Chi-square (df=3)= 8.62 p value .035*
*Not significant at 5% level.

4.10 Relationship between Diversion of Loan Use and Personal Traits of Customers

The distribution of Customers on the basis of diversion of loan use by their socio-economic and demographic characteristics is depicted in Table 4.11. ANOVA was applied to find out whether there is any significant variation in the perception of customers on diversion of loan use. Significant variation is seen in the opinion of customers of different gender and occupation. No significant variation is seen in the remaining four variables viz., educational qualification, religion, caste and poverty status.
### Table 4.11: Relationship between Diversion of Loan Use and Personal Traits of the Customers

<table>
<thead>
<tr>
<th>Variables</th>
<th>Category</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>400</td>
<td>1.64</td>
<td>.481</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
<td>312</td>
<td>1.14</td>
<td>.346</td>
<td>4.991</td>
<td>.026*</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>82</td>
<td>1.05</td>
<td>.217</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational qualification</td>
<td>Illiterate</td>
<td>5</td>
<td>1.00</td>
<td>.000</td>
<td>.936</td>
<td>.458</td>
</tr>
<tr>
<td></td>
<td>Below SSLC</td>
<td>187</td>
<td>1.1</td>
<td>.296</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSLC</td>
<td>114</td>
<td>1.16</td>
<td>.366</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PDC</td>
<td>61</td>
<td>1.1</td>
<td>.300</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>22</td>
<td>1.18</td>
<td>.395</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Professional</td>
<td>11</td>
<td>1.18</td>
<td>.405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religion</td>
<td>Hindu</td>
<td>245</td>
<td>1.10</td>
<td>.303</td>
<td>1.928</td>
<td>.147</td>
</tr>
<tr>
<td></td>
<td>Muslim</td>
<td>127</td>
<td>1.17</td>
<td>.373</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Christian</td>
<td>28</td>
<td>1.07</td>
<td>.268</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caste</td>
<td>SC/ST</td>
<td>35</td>
<td>1.11</td>
<td>.323</td>
<td>.069</td>
<td>.933</td>
</tr>
<tr>
<td></td>
<td>OBC</td>
<td>241</td>
<td>1.12</td>
<td>.321</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>General</td>
<td>124</td>
<td>1.13</td>
<td>.357</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty status</td>
<td>BPL</td>
<td>81</td>
<td>1.10</td>
<td>.300</td>
<td>.432</td>
<td>.511</td>
</tr>
<tr>
<td></td>
<td>APL</td>
<td>319</td>
<td>1.13</td>
<td>.332</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupation</td>
<td>Farmer</td>
<td>77</td>
<td>1.10</td>
<td>.307</td>
<td>2.536</td>
<td>.040*</td>
</tr>
<tr>
<td></td>
<td>Labourer</td>
<td>53</td>
<td>1.06</td>
<td>.233</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Self employed</td>
<td>166</td>
<td>1.12</td>
<td>.327</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>86</td>
<td>1.13</td>
<td>.336</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>others</td>
<td>18</td>
<td>1.33</td>
<td>.485</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Compiled data. * Significant.

### 4.11 Methods of Assessment

Subject to the broad guidelines, banks employ some convenient methods to assess their customers. It may vary according to the size of loan amount, nature of the loan, customers’ occupation and the location of the customer. Table 4.12 shows that, out of the different methods, viz., demanding periodical income statement, demanding of financial statements, local inquiry, direct official visit and monitoring of accounts operations, the direct official visit is the most common method devised by the bank, followed by local enquiry and demanding of the financial statements. The opinions of the officials (Table 4.13) were also the same in this regard. Usually they assess the customers in both pre sanction and post sanction stages. Demanding of periodical income and assets detail are very seldom used for assessment.
### Table 4.12: Methods of Assessment of Customers (Opinion of Customers)

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Palakkad</th>
<th>Malappuram</th>
<th>Kozhikode</th>
<th>Waynad</th>
<th>Total</th>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Rank</td>
<td>Mean</td>
<td>Rank</td>
<td>Mean</td>
<td>Rank</td>
</tr>
<tr>
<td>Demand periodical income, employment and assets details</td>
<td>4.45</td>
<td>5</td>
<td>4.27</td>
<td>5</td>
<td>4.33</td>
<td>5</td>
</tr>
<tr>
<td>Demand financial statements</td>
<td>4.06</td>
<td>4</td>
<td>3.54</td>
<td>4</td>
<td>3.47</td>
<td>3</td>
</tr>
<tr>
<td>Local enquiry</td>
<td>1.87</td>
<td>2</td>
<td>1.75</td>
<td>2</td>
<td>1.91</td>
<td>2</td>
</tr>
<tr>
<td>Direct official visit</td>
<td>1.35</td>
<td>1</td>
<td>1.35</td>
<td>1</td>
<td>1.24</td>
<td>1</td>
</tr>
<tr>
<td>Monitor account operations</td>
<td>3.16</td>
<td>3</td>
<td>3.50</td>
<td>3</td>
<td>3.61</td>
<td>4</td>
</tr>
</tbody>
</table>

*Source: Field survey.

*Significant at 5% level.
### Table 4.13: Methods of Assessment by the Bank (Opinion of Officials)

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Palakkad Mean</th>
<th>Palakkad Rank</th>
<th>Malapuram Mean</th>
<th>Malapuram Rank</th>
<th>Kozhikode Mean</th>
<th>Kozhikode Rank</th>
<th>Waynad Mean</th>
<th>Waynad Rank</th>
<th>Total Mean</th>
<th>Total Rank</th>
<th>ANOVA F</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand periodical income, employment and assets details</td>
<td>0</td>
<td>0</td>
<td>4.47</td>
<td>5</td>
<td>3.70</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4.13</td>
<td>5</td>
<td>5.45</td>
<td>.025</td>
</tr>
<tr>
<td>Demand financial statements</td>
<td>3.00</td>
<td>3</td>
<td>2.40</td>
<td>2</td>
<td>3.54</td>
<td>3</td>
<td>3.60</td>
<td>4</td>
<td>2.98</td>
<td>3</td>
<td>5.06</td>
<td>.003</td>
</tr>
<tr>
<td>Local enquiry</td>
<td>2.00</td>
<td>2</td>
<td>2.47</td>
<td>3</td>
<td>2.03</td>
<td>2</td>
<td>1.69</td>
<td>2</td>
<td>2.15</td>
<td>2</td>
<td>4.66</td>
<td>.005</td>
</tr>
<tr>
<td>Direct official visit</td>
<td>1.00</td>
<td>1</td>
<td>2.23</td>
<td>1</td>
<td>1.00</td>
<td>1</td>
<td>1.38</td>
<td>1</td>
<td>1.60</td>
<td>1</td>
<td>8.83</td>
<td>.000</td>
</tr>
<tr>
<td>Monitor account operations</td>
<td>4.00</td>
<td>4</td>
<td>3.42</td>
<td>4</td>
<td>3.94</td>
<td>5</td>
<td>3.00</td>
<td>3</td>
<td>3.56</td>
<td>4</td>
<td>2.96</td>
<td>.039</td>
</tr>
</tbody>
</table>

*Source: Field survey.

*Significant at 5% level.
4.12 Role of SMGB in the Socio-economic Progress of Customers

Socio-economic progress is a multi faceted phenomenon which can be gauged only with the help of varied data and sophisticated statistical investigation, analysis and interpretation. The present study, within the limited time and data premises, has inquired the role which SMGB has played in the socio-economic progress of northern Kerala. Variables such as creation of employment, improvement in income, formation of savings, and release from the debt trap to money lenders, involvement in the socio-cultural institutions, self help groups, and in local self governance have been examined and analysed.

Finally, the response obtained to an open question based on the thought and attitude of individual customers and officials (Table 4.14 and 4.15) reveal that, both customers and officials alike believe that SMGB has contributed to the socio-economic progress of the region.

Table 4.14: Role of SMGB in the Socio-economic Progress of Customers (Opinion of Customers)

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Districts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palakkad</td>
<td>Malapuram</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>%</td>
</tr>
<tr>
<td>Contributed</td>
<td>31</td>
<td>100</td>
</tr>
<tr>
<td>Not contributed</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Field survey.*

Pearsonian Chi-square (df=3) = 28.80 p value .000*

*Significant at 5% level.

Finally, the response obtained to an open question based on the thought and attitude of individual customers and officials reveal that, both customers and officials alike believe that SMGB has contributed to the socio-economic progress of the region. Virtually all customers (98.3%) and officials (96%) responded to the question affirmatively. Further, there is high degree of consistency in the response of both sets of respondents in the four districts as established by the chi-square test (p< .05).
Table 4.15: Role of SMGB in the Socio-economic Progress of Customers (Opinion of Officials)

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Districts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palakkad</td>
<td>Malapuram</td>
</tr>
<tr>
<td>Contributed</td>
<td>31 100</td>
<td>168 94.9</td>
</tr>
<tr>
<td>Not contributed</td>
<td>0 0</td>
<td>9 5.1</td>
</tr>
<tr>
<td>Total</td>
<td>31 100</td>
<td>177 100</td>
</tr>
</tbody>
</table>

*Source: Field survey.

Pearsonian Chi-square (df=3) = 17.74 p value.000*

* Significant at 5% level.

ROLE OF SMGB IN THE SOCIO-ECONOMIC GROWTH OF CUSTOMERS: TESTING THE SEVENTH HYPOTHESIS

The forgoing analysis of the data relating to the role played by the SMGB in the socio-economic growth of customers revealed that the proportion of customers to whom SMGB have contributed to their socio-economic growth is confined to 50 per cent. The Z-test conducted for this purpose also, rejected the null hypothesis that SMGB has contributed to the socio-economic progress of not more than one half of the customers, at 5 per cent level (Z = 19.3, n=400, α=0.05, p =0, upper tailed).

Test Statistic

\[ Zc = \frac{p - P}{SE(p)} \]

\[ SE(P) = \sqrt{\frac{P \times Q}{n}} \]

\[ SE(P) = \sqrt{\frac{0.5 \times 0.5}{400}} = \sqrt{0.0025} = 0.025 \]

Sample proportion (p) value obtained from the analysis is 0.98

\[ Zc = \frac{0.98 - 0.5}{0.025} = 19.3 \]

\[ Z = 1.645 \]

\[ p-Value = 0 \]

Confidence Interval of P= p± 2 SE (p)

\[ SE(p) = \sqrt{\frac{0.98 \times 0.02}{400}} = .007 \]

\[ P=0.98\pm 0.007 (0.007) \]

\[ =0.98 - 0.014 =0.964(Lower Limit) \]

\[ 0.98+0.014=0.994(Upper Limit) \]
The study also estimated the range within which the proportion of customers who have been lifted by the bank varies, on the basis of confidence interval of population proportion. Thus it is estimated that the percentage of such customers varies in between 96.4 and 99.4 per cent. Which means the proportion of customers who have attained the advancement in the socio-economic front with the help of SMGB finance will not exceed 99.4 per cent and fall below 96.4 per cent.
CASE STUDY

The Thathamangalam branch of SMGB in Palakkad district has many success stories related to both micro and small enterprises. Though agriculture is the main occupation of majority of the customers of the bank branch, there are many micro industrial units functioning with in half kilometre radius of the branch.

Sakeer Hussain (42), father of two children, with only 7th standard formal educations, was a tailor by profession until 2009. It was in 2009 he obtained a loan of Rs. 70000 from the SMGB to start a readymade garments manufacturing unit. In the early 2010, when the researcher first contacted him as part of primary data collection, he was busily engaged in the work of stitching 6000 uniforms for an Indian school at Bahrain. Rupees six per piece was the profit he earned he revealed us over a cup of tea. In a few words, he explained us the scheme of activities. Buying materials from Bangaloru, cut them to suit different sizes, distribute them to nearby house wives, who know tailoring. Some of them already had sewing machine and for others he made it available at his cost. The workers were on a piece rate wage. After stitching, he collected back the garments using his bicycle. He outsourced the work related to fixing of buttons, hook and clips. Packing and labelling were done in his tiny home with the help of his wife and children at their free time. In every week, he took these to Kannur and Talassery to contracted shoppers.

After a period of two years when the researcher visited, to include him as a case study, he is found working in a readymade manufacturing facility, opposite to the Thathamangalam primary school in Chenthamara Nagar, a tiny English board read “S.M Garments.” There were four high speed sewing machines, each costing Rs.20000 and a pile of cloth. There are 7 workers including four permanent and three ‘off-shop’ domestic women tailors. The average monthly turnover has reached Rs.250000. The loan is almost repaid, and has approached for another 2 lakh, the manager said. The present building that house the ‘SM garments’ is his own, that he had bought for Rs. 8 lakh in the last year. While leaving, the bank staff who accompanied me, pointed to Sakkeer Husain’s vehicle neatly parked in front of the shop, with a proud smile. It was nothing but the old bicycle.