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SUMMARY OF FINDINGS AND SUGGESTIONS

The primary objective of social control and nationalisation is to ensure a better alignment of the commercial banking system to meet the needs of the economy. With this framework, the research attempted to understand the impact of priority sector lending in Kanyakumari district and the factors influencing those credit. The primary and secondary data were analysed and the summary of findings and various suggestions are presented in this chapter.

7.1 Credit Demand and Supply Gap

The credit demand and supply were analysed based on the NABARD’s Potential Linked Plan (PLP) and the Lead Bank’s Ground Level Credit (GLC) and the following were observed.

The Credit-Deposit Ratio (CDR) for the bank branches during the last 2 year period of study was above 100 percent. The priority sector advance to total advance in Kanyakumari district for the year 2010-11 was 77 percent which is almost double the size against the mandatory norm of 40 percent. The percentage of agricultural advance to the total advance was 55 percent against the stipulated RBI norm of 18 percent during the year 2010-11. The advance to weaker section of the district was 28 percent of the total advance against the stipulated RBI norm of 10 percent. Also the advance to women against the total advance in the district was 28
percent against the stipulated norm of 5 percent. The ground level credit (GLC) has consistently exceeded the Potential Linked Plan (PLP) estimation during the last 5 years of study.

The credit flow through commercial bank branches had grown at a compound annual growth rate (CAGR) of 30 percent while the co-operative bank branches credit and financial institution credit has grown at a compound annual growth rate (CAGR) of 6 percent. The credit to primary sector for the last ten year period has grown at compound annual growth rate (CAGR) of 28 percent in the district. The secondary sector has grown at a compound annual growth rate (CAGR) of 21 percent during the last ten years. The credit flow to tertiary sector was at a compound annual growth rate (CAGR) of 22 percent. Thus it can be concluded that the credit has consistently surpassed the potential demand and the district was able to absorb the credit that has been channelized through the priority sector.

7.2 Profile of Priority Sector Beneficiaries

The profile of priority sector beneficiaries are highly related to the need and access to credit and hence the profile of beneficiaries were analysed and it reveals that out of the total beneficiaries surveyed 83.40 percent were male and 16.60 percent were female beneficiaries. The marital status which has a direct influence on income and expenditure
shows that 81.40 percent of the beneficiaries are married and 18.60 percent of the beneficiaries are unmarried.

The age of beneficiaries which indicate their level of exposure, experience and maturity shows that 42.70 percent of the beneficiaries are in the age group of 36 to 45 years followed by 31.60 percent in the age group of under 35 years. The education of beneficiaries which represents the level of understanding, expectations and perception indicates that 32.00 percent of the beneficiaries have passed SSLC and 19.80 percent are degree holders.

The occupation of beneficiaries which represent the earning levels and knowledge of various activities indicate that 20.90 percent of the beneficiaries are small-scale industrialists, and 15.80 percent are professionals and 13.40 percent are engaged in agricultural activities. The family size which represents the number of members and the collective need shows that 52.60 percent of the beneficiaries have family size of one to four followed by 33.60 percent of the beneficiaries with family size five to six.

The residence type of beneficiaries which represent the economic standards and proximity towards priority sector credit indicate that 68.80 percent of the beneficiaries own a house while 20.20 percent live in rented accommodation. The monthly income which determine the standard of living shows that 34.40 percent of the beneficiaries have monthly income
between `5,001/- and `10,000/- followed by 32.80 percent in the `3,001/- to `5,000/- income bracket.

The monthly expenditure which is an indicator of the personal commitment of the beneficiaries shows that 45.80 percent of the beneficiaries have a monthly expenditure of `1,001/- and `3,000/- and 25.30 percent have a monthly expenditure of `3,001/- to `5,000/-. The monthly savings which indicate the difference between income and expenditure shows that 47.80 percent of the beneficiaries save less than `1,000/- while 34.80 percent save between `1,001/- and `3,000/-.

### 7.3 Need for Priority Sector Credit

The average credit availed by the population (n=506) was `1,79,000/- with the range falling between `10,000/- and `5,00,000/- with a standard deviation of `1,29,500/-. The skewness of the credit availed is 1.304 and the kurtosis of the credit availed is 0.769. The majority of the beneficiaries availed credits to either start or expand the activity they are engaged in. The entire population felt that the directed credit has improved the standard of living.

It was found that 33.60 percent of the total beneficiaries availed the loan to expand the existing activity followed by 28.90 percent who availed the loan to start the activity. About 15.40 percent of the total beneficiaries availed to loan because of low income and around 12.60 percent of the total beneficiaries availed the loan because of unemployment. About 94.10
percent of the beneficiaries have improved the existing standard of living while the rest did not find any improvement.

7.3.1 Need for Priority Sector Credit

The major credit need factor analysed using Garrett’s ranking shows that the credit was mainly used to escape from the clutches of money lenders (Rank I) with the average score of 42 followed by the credit need to overcome famine (Rank II) with the average score of 34. The easy availability of credit facility is the third factor (Rank III) which had an average score of 31.

7.3.2 Association between profile variables and income group

The profile variable of the priority sector beneficiaries were tested for statistical significance against the income groups and it was found that age and income groups are significantly different and the effect size is considered to be small or smaller than typical. The variable education and income groups are significantly different and the effect size is considered to be small. The variable occupation and income groups are significantly different and the effect size is medium or typical. The variables monthly expenditure and monthly savings are significantly different in income groups and the effect size is medium or typical.

7.4 Access to Priority Sector Credit

The access of credit has been tested using statistical tools and hypotheses were tested to understand the parameters that influence the
credit. The type of priority sector loan availed by the beneficiaries was analysed and it can be found that 33.20 percent of the total beneficiaries have availed business loan while 32 percent of the total beneficiaries availed the agricultural loan. The service sector loan of 13.40 is closely followed by industry loan of 12.30 percent.

Out of the total beneficiaries, 25.70 percent of them came to know about the scheme under priority sector lending through bank staff and 21.30 percent came to know about the scheme through newspaper. Also 17.80 percent of the beneficiaries came to know about the scheme through their neighbours.

The priority sector beneficiaries had availed loan for various reasons. On examination it was found that 27.30 percent of the total beneficiaries availed the loan because of fewer formalities and 26.10 percent of the beneficiaries availed the loan because of quick disbursement. Also 25.70 percent of the total beneficiaries availed the loan because of low interest rate. Also 77.70 percent of the total beneficiaries received the loan amount applied in full while 22.50 percent of the total beneficiaries only received the loan amount partially.

The reasons for delay of the loan by the priority sector beneficiaries were explored and it was found that 59.70 percent of the total beneficiaries reported no delay. However, 18.60 percent of the total beneficiaries reported that the delay was due to procedural formalities followed by 9.50
percent reporting red tape among the bureaucracy. In order to avail the loan, the beneficiaries had to visit the bank on a number of occasions. It was found that 46.60 percent of the total beneficiaries visited the bank branch around 3 to 6 times while 27.30 percent of the beneficiaries visited less than three times.

The adequacy of the loan depends on the project/capital expenditure planned and it was found that 78.30 percent of the total priority sector beneficiaries felt that the loan received was adequate for the purpose of which the same was taken and 21.70 percent felt that the loan received was inadequate. The stage of receipt of loan has a direct impact on the project take-off and hence it was understood that 57.30 percent of the total priority sector beneficiaries received the loan before the start of the project while 42.70 percent of the beneficiaries received the loan after the start of the project. The procedure and formalities coupled with the service provided by the bank has a bearing on the access to loan.

It is learnt that about 68.40 percent of the total beneficiaries experienced difficulty and only 31.60 percent of the beneficiaries had no problem in getting the loan. The perception about the access to credit is formed through environmental input received by the beneficiaries and it can be understood by the service level expectation of the beneficiaries. It can be seen that the majority of the beneficiaries expect increase in principal amount of loan to be higher (Rank I) with an average score of 54
followed by reduction in rate of interest (Rank II) with an average score of 53. The reduced security requirement is the third service level expectation (Rank III) with an average score of 50.

The t test results indicate that behaviour of bank staff, guidance of bank staff, prompt loan release, repayment collection, bank location convenience, information on loan utilization, rate of subsidy and terms of repayment are significant at 5 percent level. The factors narrated through principal component analysis indicate that three factors explain the satisfaction level to the extent of 62.845 percent.

The most important factor was ‘service’ which consist of four variables with a reliability coefficient of 0.772, eigen value of 3.454 and explains 26.94 percent of variation. The second important factor was ‘access’ which consists of three variables with a reliability coefficient of 0.650 and explains 19.130 percent of variation. The third factor ‘product’ which consists of three variables has a reliability coefficient of 0.619 and explains 16.775 percent of variation.

Thus satisfaction of beneficiaries were broadly categorised under product, service and access and it is understood that beneficiaries will be benefited when quality product is offered through highly customised service and the priority sector loan is easily accessible to the beneficiaries.
7.4.1. Association between the profile variables and access to priority sector credit

The association between the profile variables and access to priority sector are tested for statistical significance and is found that ‘age’ of priority sector beneficiaries have a statistically significant difference on the product factor. The variable ‘education’ of priority sector beneficiaries have a statistically significant difference on all the three factors viz., service, access, and product. Occupation of priority sector beneficiaries has a statistically significant difference on all the three factors viz., service, access, and product.

The ‘family size’ of priority sector beneficiaries has a statistically significant difference on the two factors viz., access, and product. Five levels of the profile variable ‘Monthly income’ of priority sector beneficiaries have a statistically significant difference on the two factors viz., access and product. The variable ‘Monthly expenditure’ of priority sector beneficiaries has a statistically significant difference on the two factors viz., service and access. The ‘Monthly savings’ of priority sector beneficiaries have a statistically significant difference on all the three factors viz., service, access and product.

The post hoc Games-Howell test conducted for profile variable ‘Monthly savings’ indicate that there were significant mean differences on the service factor between the saving less than `1000/- and both the savings between `1,001/- to `3,000/- group (p < 0.008, d = 0.43) and the
savings between `3,000/- to `5,000/- group (p < 0.008, d = 0.61). Likewise, the post hoc Tukey HSD tests indicate that low monthly savings group and high monthly savings group differed in access factor (p < 0.05, d= 0.74) and in product factor (p<0.05, d= 0.45).

7.5 Use of Priority Sector Credit

The loan utilization indicates the 73.10 percent of the beneficiaries used the loan for the intended purpose and 26.90 percent of the beneficiaries have not used the loan for the intended purpose. Out of the 26.90 percent of the beneficiaries who diverted the loan, majority of the beneficiaries diverted the loan for purchase of household articles and used for family consumption. Medical treatment and use for marriage/festivals is another avenue of diversion.

7.5.1 Association between profile variables and use of credit

The association between profile variables were tested for statistical significance and the results indicate that none of the demographic variables viz., gender, marital status and age are significantly different. Education and use of credit are significantly different and the effect size is considered to be small or smaller than typical. Occupation and use of credit are significantly different and the effect size is considered to be medium or typical. Monthly income is significantly different among groups and the effect size is considered to be small or smaller than typical.
7.5.2 Association between outcome and use of credit

Creation of asset is important for the sustainability of the project and livelihood of the beneficiary and 81.80 percent of the beneficiaries exercised to option to purchase the asset and 18.20 percent have not exercised the option to purchase the asset. The profit/loss of the project based on the asset purchase indicates that 39.90 percent of the total beneficiaries had profit as the result of asset purchase and 34.40 percent had break-even and around 25.70 percent had loss.

The association between outcome and use of credit were tested for statistical significance and the results are show that the outcome of purchase and use of credit are significantly different and the effect size is small or smaller than typical.

7.5.3 Association between profile variables and reason for loss

The reason for loss was narrated with the help of factor analysis. The narrated five factors explain the reason for loss to the extent of 77.640 percent. The most important factor was ‘business’ which consist of four variables with a reliability coefficient of 0.831, eigen value of 4.927 and explains 28.983 percent of variation. The second important factor was ‘technical’ which consists of four variables with a reliability coefficient of 0.779 and explains 19.619 percent of variation. The third factor ‘financial’ which consists of three variables has a reliability coefficient of 0.629 and explains 10.915 percent of variation.
7.6 Benefit of Credit

7.6.1 Relationship between profile variables and achievement of purpose of loan

The profile variables were tested for statistical significance against the achievement of the purpose of loan and it was found that age of the priority sector beneficiaries and the achievement of purpose of loan are significantly different with the effect size of small or smaller than typical. Education of the priority sector beneficiaries and the achievement of purpose of loan are significantly different with the effect size of small or smaller than typical. Occupation of the priority sector beneficiaries and the achievement of purpose of loan are significantly different with the effect size of small or smaller than typical.

Monthly expenditure is significantly different with respect to achievement of the purpose of loan and the effect size is small or smaller than typical. Monthly savings is significantly different with respect to achievement of the purpose of loan and the effect size is considered to be small or smaller than typical.

7.6.2 Analysis of pre-income and post income of priority sector beneficiaries

The paired samples test results indicate the pre loan income and post loan income mean increase is marginal with a standard of deviation of 0.916 post loan. The difference which is statistically significant is medium
or larger than typical. Hence it can be concluded that there was a noticeable income change post loan and the loan has certainly benefited the priority sector beneficiaries.

7.6.3 Determinants of credit benefit of priority sector beneficiaries

The logistic regression indicates that when all the five predictor variables (age, education, amount of loan, profitability of asset purchase and income after loan) are considered together, they significantly predict whether or not the purpose/goal of loan is achieved. The odds ratios suggest that the odd of estimating correctly the achievement of the purpose/goal of loan improve by 16.7 percent if the education is known, by 39.5 percent if the profitability of the asset purchase is known and by 40.40 percent if the income after the loan is known.

7.6.4 Association between credit benefit and achievement of purpose

The change in income and utilization were tested for statistical significance and effect size and the results indicated that income before loan and the achievement of purpose of loan are significantly different and the effect size is considered to be small or smaller than typical. Income after loan and the achievement of purpose of loan are significantly different, the effect size is considered to be small or smaller than typical. Change in socio-economic status and the achievement of purpose of loan are significantly different with small or smaller than typical effect size.
7.7 Impact of Priority Sector Lending

7.7.1 Relationship between impact factors and income groups

The ‘t’ statistics revealing the significance of the differences among the different income groups on impact of loan of the beneficiaries and the narration of factors indicate that marriage of children, better health facilities for children, saving money, improvement in credit worthiness, relieved from the clutches of money lenders, expansion of activities on modern lines, business had a higher turnover, opportunity to involve family members, opportunity to understand modern technology, avoid buying on credit, purchase of modern equipment, purchase of land and modification of house are significant at 5 percent level.

The impact factor ‘Improvement in social conditions’ which consist of seven variables with a reliability coefficient of 0.807, eigen value of 3.014 and explains 14.74 percent of variation. The impact factor ‘Increase in Savings and investment’ which consists of six variables with a reliability coefficient of 0.837, eigen value of 2.882 and explains 12.190 percent of variation. The impact factor ‘Generated income and employment’ which consists of six variables has a reliability coefficient of 0.815, eigen value of 2.878 and explains 10.850 percent of variation and the impact factor ‘Asset creation’ which consists of four variables has a reliability coefficient of 0.648, eigen value of 1.198 and explains 10.250 percent of variation.
7.7.2 Association between profile variables and impact factors

The association between the profile variables and impact factors are tested for statistical significance and the results indicate that ‘gender’ of priority sector beneficiaries has a statistically significant difference on the ‘improvement in social condition’ factor. The variable ‘age’ of priority sector beneficiaries have a statistically significant difference on two factors viz., ‘Increase in savings and investment’, and ‘Generation of income and employment’. The variable ‘marital status’ of priority sector beneficiaries have a statistically significant difference on the ‘Generation of income and employment’ factor.

The variable ‘education’ of priority sector beneficiaries have a statistically significant difference on all the four factors viz., ‘Improvement in social conditions’, ‘Increase in savings and investment’, ‘Generation of income and employment’ and ‘Asset creation’. The variable ‘occupation’ of priority sector beneficiaries have a statistically significant difference on three factors viz., ‘Improvement in social conditions’, ‘Increase in savings and investment’ and ‘Asset creation’. The variable ‘Family size’ of priority sector beneficiaries have a statistically significant difference on three factors viz., ‘Improvement in social conditions’, ‘Increase in savings and investment’ and ‘Generation of income and employment’.

The variable ‘monthly income’ of priority sector beneficiaries have a statistically significant difference on all the four factors viz.,
‘Improvement in social conditions’, ‘Increase in savings and investment’, ‘Generation of income and employment’ and ‘Asset creation’. The variable ‘monthly expenditure’ of priority sector beneficiaries have a statistically significant difference on all the four factors viz., ‘Improvement in social conditions’, ‘Increase in savings and investment’, ‘Generation of income and employment’ and ‘Asset creation’. The variable ‘monthly savings’ of priority sector beneficiaries have a statistically significant difference on all the four factors viz., ‘Improvement in social conditions’, ‘Increase in savings and investment’, ‘Generation of income and employment’ and ‘Asset creation’.

7.7.3 Determinants of Priority sector lending

The multiple regression to determine the best linear combination indicate that that one unit of change in the social condition change make a change of 0.501 units change on the dependent variable i.e., asset creation, income and employment generation and savings and investment increase. The other variables that have a significant impact on the dependent variable are gender, marital status, size of family and monthly income.

7.8 Suggestions

The study finds that there is a positive impact on the living conditions of the priority sector beneficiaries. The access to credit, use of credit, benefit of credit and impact of credit provide an overall picture of
the priority sector lending in Kanyakumari district and its impact on rural development.

Since the need of priority sector credit is to escape the clutches of the money lender and the access to credit takes on an average of one to two months, it is understood that institutional credit is not available to the beneficiaries on time. Hence timely availability of credit to the priority sector beneficiary is necessary. Most of the credit need is short term; the priority sector beneficiaries expect easy availability and the quality service to the product offered.

Even though the priority sector loan is availed by the beneficiaries because of low interest rate and less formalities, the loan is received by the later than expected. Hence systems may be put in place to make the credit available based on the needs. The principal amount of loan received by the beneficiaries are not satisfying the needs of activities they are engaged in, the support can be on technical and business issues rather than only financing the project/activity.

Since the factors influencing the satisfaction levels are service quality, the commercial banks can provide better quality followed by the access to those services. Majority of the beneficiaries utilize the month for the intended purpose and the benefit derived out of the credit has a direct impact on the livelihood of those beneficiaries, the recommendations of Narasimham Committee – I that the priority sector lending target be
revised to 10 percent will directly affect the weaker sections and the needy. Hence the directed credit may be enhanced through effective monitoring and evaluation tools as recommended in the B.R. Verma Committee.

In the case of loss on the asset purchased using priority sector credit, the main factor was business which indicates the lack of those skills. Hence adequate training and infrastructure support will ensure that those seeking the credit get a full package of support. As improvement in social condition is determined by various predictor variables like income, savings, and size of family, which in turn are correlated with improvement in income patterns, financial support thorough priority sector credit definitely has an impact on the beneficiaries and the targeted lending has to continue in the near future.

7.9 Conclusion

Thus it is pertinent to note that the overall social objective of the priority sector is fulfilled and it provides the livelihood of the weaker sections and the sectors neglected by the formal lending mechanism. The core purpose of the directed credit gets vindicated and the same is expected to continue in the years to follow so that the population in the bottom of the pyramid is uplifted and placed in par with the rest of the society.
7.10 Scope for Further Research

The above research has further scope in various aspects of priority sector in the district. Further research can be on the following:

- Return on investment of the projects that were undertaken through priority sector credit.
- Effect of priority sector credit on the employment generation in the district.
- Comparative study on income levels of beneficiaries of priority sector credit and non-beneficiaries.