CHAPTER VIII

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS
A number of development programmes have been formulated and implemented in the country, after Independence, for eradicating poverty and to uplift the socio economic status of the people through the generation of employment opportunities. Though some of such programmes could produce the expected result to a certain extent, others were far beyond the reach. For a better result, special programmes for the generation of employment opportunities should be formulated on the basis of size and magnitude of unemployment in the urban and rural areas and for the educated unemployed and other unemployed. Prime Minister's Rozgar Yojana is a new programme launched in 1993 for the generation of employment opportunities among the educated unemployed in urban and rural areas.

The success of such self employment programmes depend on the cooperation of the commercial banks operating in the country. Before nationalization, the majority of the commercial banks were in the private sector.
They were serving the business communities in cities and urban areas. They were mainly concerned with the safety of their assets and their profits. They neglected the cottage and small scale industries, small business and self employment projects and agriculture, which had a major role in generating employment and contributing to a well balanced decentralized economy. The commercial banks neglected these activities on the ground that these units being established in the remote areas, operated by small entrepreneurs, offered very little tangible security.

After nationalization, commercial banks started serving the rural areas and finance development activities. The central government urged the commercial banks to share the responsibility in uplifting the economy. The commercial banks started giving special care to the financing of development schemes sponsored by the government. Hence viable projects should not be denied of bank credit on the ground of inability of the borrower to offer tangible security.

Kerala has ample scope for the implementation of development programmes for the generation of employment opportunities and to promote balanced regional development because of the high literacy rate and better banking development. With the object of providing employment opportunities and to improve the standard of living of the people, a number of self-
employment programmes have been implemented in the State. The PMRY scheme aims at the generation of employment opportunities through the establishment of micro enterprises, with financial assistance from commercial banks. The commercial banks who were reluctant in financing self employment activities have been asked to finance the PMRY scheme in the State.

This research study has been undertaken with the object of conducting a thorough evaluation on the performance of the PMRY scheme in Kerala, advances given by commercial banks under the scheme, and its impact on the socio economic status of the borrowers.

The problems in the implementation of the scheme were also analysed in the study so that viable suggestions can be given to overcome these problems and to improve its performance, which may help the implementing agencies to act as effective instruments of social change.

The major objectives of the study are recapitulated below:

1. To estimate the impact of the programme on employment, income and assets position of the Prime Minister’s Rozgar Yojana beneficiaries in the State.
2. To estimate the impact of the programme on the standard of living of the Prime Minister’s Rozgar Yojana beneficiaries in the State.
3. To assess the effectiveness of the programme implementation machinery in the State of Kerala.

4. To identify the common deficiencies of the programme implementation machinery in the state of Kerala.

5. To give suggestion to the Government and the Banking authorities on the basis of findings and conclusion of the study.

The Design and Methodology of the Study

The study was conducted in two stages. In the first stage the secondary data were collected such as the data available from the published sources like publications of the Reserve Bank of India, the Central and State Government, the Central Statistical Organisations, The Indian Banks Association, The State Level Banker's Committee and the National Institute of Management. The available data was analysed to get an insight into the PMRY. Constructive comments made in the research articles have paved the way for acquiring reasonably good knowledge on the topic.

In the second stage primary data were collected from the PMRY beneficiaries and from the Bank personnel who participated in the implementation of the PMRY Scheme. These respondents were personally interviewed with the help of structured questionnaires. Besides relevant
information was collected through discussions with managers of District Industries Centres, Officials of the Government and Banks.

For the purpose of the study, the State of Kerala was divided into three regions, viz., the Northern, the Central and the Southern regions. From each region one district was selected at random. From each district 5 villages were selected at random. Thus a total of 15 villages were selected. From each village, 10 PMRY beneficiaries and 1 Bank Manager were selected. Thus the survey covered 150 PMRY beneficiaries and 15 Bank Managers. Multi-stage sampling framework and stratified random sampling techniques were applied in selecting the respondents.

The collected data was analysed with the help of computer. Computer package namely MS Excel was also used for the analysis.

Various mathematical and statistical tools like average, percentages, compound growth rates, correlation analysis, Mann-Whitney U Test, Kruskal Wallis One analysis of variance, Friedman's Two-way analysis of variance, Chi-square test, Karl Pearson's co-efficient of correlation, Yule's co-efficient of association, etc., were used for the analysis.
This chapter is divided into three sections. Section A contains the summary and findings of the study. Section B contains the conclusion of the study and Section C contains the recommendations from the study.

Summary Of Chapters

The Introductory chapter deals with the nature and importance of the study. The objectives of the study, the methodology adopted and the survey design are mentioned in the chapter. The concepts and definitions used in the study and the limitations of the study are also given in the chapter.

The Second chapter gives a brief review of the earlier studies on the related topic. Available literature on PMRY, Self-employment schemes, Lending of commercial banks to priority sectors and weaker sections are reviewed in the chapter.

The Third chapter gives a brief explanation of the PMRY Scheme. The objectives of the scheme, the eligibility for applying under the scheme, implementation of the scheme, eligible activities, training procedure, subsidy, project cost, loan amount, repayment schedule, margin requirement, evaluation of the scheme by the PMRY Committee, reservation under the scheme for scheduled caste and scheduled tribe etc. are given in the chapter.
The Fourth Chapter gives a picture of the socio-banking profile of the State of Kerala. The location of the State, population, literacy, Economy of the State, Employment and unemployment in the State, Banking systems in the State, Commercial banks and their branch expansion in the State, etc. are stated in the chapter. The growth of commercial banks in the State is analysed with the help of secondary data.

The performance of the PMRY scheme in the State for the last ten years from 1993-94 to 2002-03 is analysed with the help of secondary data and stated in Chapter Five. The PMRY advances granted by different bank groups in the State, average advance per borrower and bank group-wise and district-wise achievements and targets are stated in the chapter.

The analysis of primary data relating to the performance of banks and PMRY beneficiaries are stated in the Sixth chapter. The profile of the beneficiaries and their problems in obtaining loan and starting the units are stated in the chapter. Awareness of the beneficiaries about the scheme, the nature of their activities, amount of loan applied and amount of loan received, dependence on intermediaries and other lending agencies are given in the chapter. Rejection of application by banks, the reasons for not achieving the target and the reasons for delay in disbursement of loans are also given in the chapter.
Analysis of primary data relating to the utilization of loan amount, their impact on employment and income are stated in the Seventh chapter. Assets purchased by the borrowers with the loan amount, mis-utilisation of fund, nature of sales effected and the sources of income for repayment of loans are given in the chapter. Employment generated by the units, default in repayment and recovery are presented in the chapter. Appropriate statistical tools were applied to analyse the data. Hypotheses were tested with suitable statistical tests.

The Eighth chapter gives a summary of the findings of the study and makes some practical recommendations.

This final chapter—"Findings. Conclusions and Recommendations" is divided into three sections. Section A contains the summary and findings of the study. Section B contains the conclusion of the study and Section C contains the recommendations from the study.
SECTION A - FINDINGS

The major findings of the study are summarized below:

I. General:

A. Unemployment in Kerala:

1. Unemployment is still a serious problem of the State. The total number of non-workers in the State is 67.7 per cent of the State population.

2. Unemployment among women is more severe. The number of unemployed women in the State is 84.72 per cent of the total female population in the State while the rate of unemployment among men is 49.6 per cent of the male population.

3. The rate of unemployment at the national level is 48.1 per cent among men and 74.3 per cent among women.

B. Literacy in Kerala:

1. Kerala is the highest literate state in the country. The rate of literacy in the state is 90.9 per cent, which is above the national rate of 65.38 per cent. Though women in the State outnumber men, they are less literate in the state. The rate of literacy among men in the State is 94.2 per cent while among women it is 87.9 per cent.

2. The literacy in urban area is more than that of rural areas. In urban areas the literacy rate is 93.4 per cent while in rural areas it is 90.1 per cent.
3. Kottayam district has achieved cent per cent literacy in the country.

II. Progress Of Commercial Banks In Kerala:

1. Since nationalization the growth in deposit mobilization in the State of Kerala has taken momentum. Since it is a better banked state in India, one may witness a better banking mind among the people of Kerala. Deposit mobilization in India has increased from Rs. 4655 crores in 1969 to Rs. 1271597 crores in 2003. In Kerala the growth is from Rs. 152 crores to Rs. 59.399 crores during the corresponding period.

2. The per branch deposits of all scheduled commercial banks in the country has registered a compound growth rate of 10.96. In the State of Kerala the compound growth rate is 12.99.

3. After nationalization the banking industry has achieved remarkable progress at the national and state level. Branch expansion in the country has recorded an eight-fold increase. The number of bank branches in the country has increased from 8262 in 1969 to 66179 in 2003. Branch expansion in the State has recorded a six-fold increase. In Kerala it has increased from 548 in 1969 to 3341 in 2003.

4. Branch expansion reduced the average population served by a bank branch at the national and at the State level. The average population served by a bank branch at the All India level decreased from 64,000 in
1969 to 15,000 in 2003. In Kerala this has come down from 37,000 in 1969 to 9500 in 2003.

5. Per capita deposits and advances indicate the growth of banking development in the State. In India, the per capita deposit has increased from Rs. 95 in 1969 to Rs.10940 in 2003. In Kerala the per capita deposits has increased from Rs.73 in 1969 to Rs.18316 in 2003. The per capita advances at all India level have increased from Rs. 69 in 1969 to Rs.5934 in 2003. In Kerala this has increased from Rs.51 in 1969 to Rs.7876 in 2003.

6. There is considerable growth in the rural branch expansion in the country. The growth of rural branch in the country has increased from 22 per cent in 1969 to 48 per cent in 2003.

7. The rural branch expansion in Kerala has not achieved remarkable progress. The growth of rural branches in the State has declined from 22 per cent in 1969 to 11 per cent in 2003. This is mainly due to the transformation of rural areas in urban areas.

8. There are 55 commercial banks in Kerala. This includes 6 State Bank Group banks, 19 nationalised banks and 30 other scheduled commercial banks. These banks have a network of 3341 branches in the State. In the matter of bank branches, Kerala ranks 10th in the country.

9. Among the 14 districts in the State, Ernakulam is the better banked District. It has 492 branches out of the total 3341 branches in the State.
The average population served by a bank branch in Ernakulam district is 6298.

10. Wayanad is the less banked district in the State. It has only 75 branches. The average population served by a bank branch in Wayanad is 10,488. Pathanamthitta is the better-banked district in the State. Population served per branch in Pathanamthitta is 5599, which is the lowest per branch population in the State. Population served per branch in Malapuram is 17041, which is the maximum in the State.

11. The share of Kerala to total deposit mobilized by commercial banks in the country was 3.3 per cent in 1969. This has increased to 4.67 per cent in 2003.

12. Deposits per branch indicate the better banking habits of the people. The growth rate in per branch deposit in the country has recorded 10.96 per cent. In Kerala it has recorded a compound growth rate of 12.99 per cent.

13. The share of deposits per branch in Kerala has increased from 50 per cent in 1969 to 92.71 per cent in 2003.

14. Extension of banking facilities to rural areas improved the saving habit of rural people. The rural deposit of all scheduled commercial banks at the national level has increased from Rs. 145 crores in 1969 to Rs. 188832 crores in 2003. In Kerala it has increased from Rs. 13 crores in 1969 to Rs. 2993 crores in 2003.
15. The share of rural deposit to total deposits at the all India level has increased from 3.12 per cent in 1969 to 14.85 per cent in 2003. In Kerala it has increased from 8.55 per cent in 1969 to 16.9 per cent 1979 and it declined to 5.04 per cent in 2003.

16. The rural deposit mobilization of commercial banks in Kerala is lower than the national level. The rural deposit recorded a compound growth rate of 23.47 per cent at the All India level. In the state of Kerala the growth rate of rural deposit is only 17.35 per cent.

17. The share of rural deposit in Kerala to total rural deposits in the country has declined from 8.97 per cent in 1969 to 1.59 in 2003. Fast urbanisation of rural areas in the last few decades might have affected the rural deposit mobilization of commercial banks in Kerala.

18. Ernakulam is the most highly advanced banking district in the State. It has mobilized Rs. 10572 crores, which is the maximum amount of deposit in the State. It accounts for 17.74 per cent of the total deposit in the State.

19. Wayanad is the least developed banking district in the State. The deposit mobilized by it is Rs. 340 crores, which is only 0.54 per cent of the total deposit in the State.

20. Though Ernakulam is the most highly advanced banking district in the State, its compound growth rate is only 17.67 per cent, which is lower than the State average of 19.19 per cent.
21. Malapuram district recorded the highest compound growth rate in deposit. Its growth rate is 23.23 per cent, which is higher than the State average.

22. The compound growth rate of deposits of Wayanad district is only 16.75 per cent, which is the lowest in the State.

23. Pathanamthitta district has registered the highest per branch deposits in the State, which is Rs. 29.89 crores in 2003.

24. The deposit per branch of Wayanad district is Rs. 4.27 crores, which is the lowest in the State in 2003.

25. Credit deployment in the country has increased tremendously after nationalization. Credit deployment of all scheduled commercial banks in the country has increased from Rs. 3599 crores in 1969 to Rs. 689716 crores in 2003. In Kerala also the credit deployment has increased from Rs. 99 crores in 1969 to Rs. 24542 crores in 2003.

26. The performance of commercial banks in the State in credit deployment is above the national level. The growth rate of credit deployment in the State recorded a compound growth rate of 17.73 while at national level the growth rate is 16.71.

27. While the growth rate shows an increasing trend, the credit deposit ratio shows a declining trend both at the national and state level. The credit deposit ratio at the national level decreased from 77.50 per cent in 1969
to 54 per cent in 2003. In Kerala it decreased from 64.70 per cent in 1969 to 43 per cent in 2003.

28. The share of credit deployment of the State has increased from 2.75 per cent in 1969 to 3.70 per cent in 2003.

29. The rural credit deployment has increased both at the national and at the State level. It has increased from Rs. 54 crores in 1969 to Rs. 68235 crores in 2003. In Kerala it has increased from Rs. 4 crores in 1969 to Rs. 1597 crores in 2003.

30. The performance of commercial banks in rural credit deployment at national level is remarkable. The share of rural lending to total lending increased from 1.5 per cent in 1969 to 9.89 per cent in 2003.

31. The rural credit deployment of commercial banks in Kerala is below the national level. The share of rural lending to total lending in Kerala has increased from 4.04 per cent in 1969 to 14.95 per cent in 1980 and thereafter it gradually declined to 6.25 per cent in 2003.

32. The compound growth rate of rural lending in Kerala recorded 19.25 per cent as against 23.32 per cent at national level over the 35 years period from 1969 to 2003.

33. In credit deployment at district level, Ernakulam district achieved remarkable progress. The highest bank credit in the State is in Ernakulam district with 26.44 per cent of the total bank credit in the State in 2003.
34. The performance of banks in credit deployment in Ernakulam district is above the State level. The bank credit per branch in Ernakulam district is Rs. 13.73 crores, which is above the State average of Rs.7.65 crores in 2003. But the compound growth rate of credit deployment in the district is only 16.52 per cent, which is less than the State average.

35. The credit deployment recorded a compound growth rate of 23.13 per cent in Idukki district, which is the highest in the State.

36. The credit deployment growth is less in Kasargod district. The compound growth rate of bank credit in Kasargod district was 14.55 in 2003, which was the lowest in the State.

37. The lowest bank credit in the State is in Wayanad district, which is only 2 per cent of the total bank credit in the State.

38. The lowest per branch bank credit in the State is Rs.3.70 crores, which is in Pathanamthitta district. Here, it is worth noting that the deposit per branch is the highest in the district.

III. PMRY Lending:

1. The average number of PMRY loans sanctioned by a bank branch is less than ten and in certain districts it is as low as three.

2. The State Bank groups and nationalized banks are actively financing the PMRY scheme in Kerala.
3. Private sector banks in Kerala are reluctant in financing self-employment schemes due to their non-feasibility and low profitability.

4. The share of private sector banks to the total PMRY lending is at a low profile. They participate in this lending scheme due to the compulsion from the RBI.

5. Public sector banks participated in financing of the scheme due to their social responsibility and commitment.

6. Banks do not generally finance the proposals recommended by the Task Force Committee. Banks make their evaluation and grant loans only for viable schemes.

7. On an average three additional persons are directly employed in each of the PMRY units in the State, apart from the borrower.

8. Total amount invested by different bank groups in Kerala under the PMRY scheme over a period of 10 years is Rs. 48,878 Lakhs.

9. Total employment generated in Kerala under the PMRY scheme is 2,70,525. This includes direct employment in the form of borrowers and indirect employment in the form of workers of the borrowers.

10. The average investment for generation of one employment in Kerala under the PMRY scheme is Rs. 0.18 Lakhs.

11. Amount of loan sanctioned under the PMRY scheme in Kerala has increased from Rs.821.25 Lakhs in 1993-1994 to Rs. 8886.86 Lakhs in 2002-2003.

13. The compound growth rate of the PMRY loan sanctioned in the State is 26.89 per cent while the growth rate of amount disbursed is 19.92 per cent.

14. Karl Pearsons co-efficient co-relation revealed that there exists a positive co-relation between amount sanctioned and amount disbursed.

15. Z test revealed that there is no significant relationship between amount sanctioned and amount disbursed.

16. Achievement to sanction and achievement to target, both declined throughout the period from 1993-1994 to 2002-2003. Achievement to sanction declined from 92 per cent in 1993-1994 to 53 per cent in 2002-2003 while achievement to target declined from 53 per cent to 44 per cent during the same period.

17. $\chi^2$ (Chi-square) test revealed that percentage of disbursement to sanction does not differ significantly from the percentage of disbursement to target.

18. The average loan amount per borrower has increased from Rs.0.52 lakhs in 1993-1994 to Rs.0.55 lakhs in 2002-2003.

19. Bank group-wise analysis reveals that the State Bank group could achieve target in sanction only for two years while nationalised banks
achieved target for four years. Other commercial banks have not achieved their target since inception.

IV. Implementation of PMRY:

1. 80 per cent of the PMRY beneficiaries in the State are less than 30 years of age and the majority of them are males. 30 per cent of the beneficiaries belong to SC/ST group.

2. It is surprising to note that 50 per cent of the beneficiaries are graduates and 20 per cent are post graduates while the minimum qualification to avail the loan is a pass in VIIIth Standard.

3. 70 per cent of the beneficiaries are having an annual income of less than Rs.18,000, while merely 10 per cent are earning more than Rs. 24,000 a year.

4. 60 per cent of the beneficiaries have attained experience in their respective fields, while the rest are fresh or beginners.

5. 40 per cent of the beneficiaries are technically qualified while the rest are not.

6. The majority of the borrowers preferred bank loan because of the reasonable rate of interest and easy repayment facility.

7. The major attraction for the PMRY loan in Kerala is that there is no need to give collateral security. Ninety per cent of the borrowers are attracted by this factor.
8. Reasonable rate of interest and subsidy also attracted borrowers under the PMRY scheme in the State.

9. Eighty per cent of the borrowers availed the PMRY loan because of their low family income.

10. 70 per cent of the beneficiaries received information about the PMRY scheme from newspapers while 30 per cent received information from friends and relatives.

11. Twenty-eight per cent of the borrowers were not aware of the availability of the loan without collateral security and sixty per cent were not aware of the subsidy.

12. Thirty per cent of the borrowers were not aware of the rate of interest while, twenty per cent were not aware of the full details of the scheme.

13. The PMRY scheme is not free from political strings. Twenty two per cent of the borrowers applied undue political pressure for obtaining loan under PMRY scheme.

14. The decision of 40 per cent bank managers in sanctioning and disbursement of PMRY loan was influenced by political leaders and other high officials.

15. Successful implementation of the PMRY scheme could reduce unemployment in Kerala. 40 per cent of the respondents provided employment to more than 3 persons. While the rest provided employment to 2 to 3 persons.
16. Though the PMRY guidelines specify training for the beneficiaries for the successful implementation of the scheme, only 70 per cent of the beneficiaries attended training programmes under the scheme while the rest have not attended any training.

17. Sixteen per cent of the borrowers directly approached the bank for loan while 8 per cent applied through intermediaries.

18. Sixty per cent of the respondents started industrial activities leading to production and 20 per cent invested in trading activities.

19. Twenty per cent of the respondents started service activities.

20. Self-employed units started under the PMRY scheme are very small in size. 60 per cent of the beneficiaries wished to start business units requiring capital investments between Rs.25,000 and Rs. 50,000, while 30 per cent required capital investment between Rs. 50,000 and Rs. 75,000. Merely 10 per cent of the above required capital investment above Rs.75,000.

21. Loan sanctioned by the banks under the PMRY scheme is less than the actual requirement of the beneficiaries. Cent per cent of the beneficiaries received loan less than what they had requested or applied for.

22. The amount of loan received under the PMRY scheme was insufficient for 68 per cent of the respondents for the successful implementation of their activities.
23. Working capital is rarely granted under the PMRY scheme. 88 per cent of the beneficiaries received only fixed capital while only 12 per cent was granted working capital.

24. The PMRY beneficiaries in Kerala experienced difficulty in getting loan under the PMRY scheme. Seventy per cent of them faced the problem of unnecessary procedures, while preparation of the project report was difficult for 20 per cent of them. Ten per cent of the respondents experienced non-co-operation of the bank officials.

25. All the selected respondents experienced difficulty in starting their units under the PMRY scheme. Delay in obtaining loans and shortage of funds were the major twin obstacles of the PMRY Scheme in Kerala.

26. Forty percent of the borrowers could not start their activity in time due to delay in getting machinery and auto rickshaws in the case of service sector and 42 per cent due to delay in getting power connection. Delay in getting required licence was the difficulty experienced by 42 per cent of the borrowers.

27. Fifty two per cent of the respondents experienced difficulty in running the unit due to power failure. While, 42 per cent due to high cost of operation.
V. Target and Achievement:

1. The PMRY target at the national level has increased continuously throughout the reference period while the target at the State level shows a declining trend.

2. The compound growth rate of the PMRY target is 24.26 per cent at national level while at State level the growth rate is 24.11 per cent.

3. The share of the PMRY target in Kerala has declined from 6.89 per cent in 1993-1994 to 5.47 per cent in 2002-2003.

4. The PMRY target at State level has never been achieved during the reference period.

5. The growth rate in achievement under PMRY is 21.57 per cent.

6. Mann-whitney U test revealed that the growth rate in target and growth rate in achievement does not differ significantly.

7. Separate targets are fixed for the banks under the PMRY scheme after considering the bank credit plan and potential of the branches.

8. Banks have not achieved their targets in disbursement of loans under the PMRY scheme.

9. The maximum time taken for disbursal of loan is more than one year. 20 per cent of the banks took more than one year to disburse the loans after the recommendation by the Task Force Committee.
10.80 per cent of the banks selected for study could not achieve their targets due to similarity of the proposals recommended by the PMRY Committee and on rejection of applications on various grounds.

11.40 per cent of the banks could not achieve their target because the number of applications received by them is less than their target.

12. Sixty per cent of the banks could not achieve their targets due to non-viable proposals recommended by the PMRY Committee.

VI. Rejection of proposal under PMRY:

1. Commercial banks in Kerala rejected many projects on the ground of non-viability though recommended viable by the Task Force Committee.

2. 40 per cent of the banks rejected the proposals recommended by the Task Force Committee on the ground that they are outside the scope of the PMRY scheme.

3. 20 per cent of the banks rejected the proposals recommended by the task force committee on the ground that the applicants are running similar business.

4. Difference of opinion among members in group activities forced 40 per cent of the banks to reject their proposals though recommended by the Task Force Committee.
5. 40 per cent of the banks did not grant loans for the proposals recommended by the Task Force Committee because the applicants themselves withdrew their applications.

6. Since the applicants already availed loans from the banks, the PMRY loans are refused to them. 40 per cent of banks rejected applications on this ground.

7. Another 20 per cent refused to grant PMRY loans on the ground of technical difficulty in starting the venture.

VII. Time Limit:

1. The minimum time taken for disbursal of loans by the banks is less than three months; 20 per cent of the banks disbursed loans within this time limit.

2. The maximum time taken for disbursal of loan is more than one year. 20 per cent of the banks took more than one year to disburse the loans after the recommendation by the Task Force Committee.

3. Average time taken by the bank for disbursal of loans under the PMRY scheme is three to six months. 50 per cent of the banks disbursed loans within this time limit.

4. Ten per cent of the banks took 6 to 12 months in disbursement of loans.
VIII. Delay in Disbursement of Loans:

1. Since loans under the PMRY scheme are not secured by collateral security, banks are much cautious in disbursing such loans. Non-fulfillment of banking norms by the beneficiaries cause unnecessary delay in disbursement of loans under the PMRY scheme.

2. 60 per cent of the banks disbursed loans in time while 40 per cent took more than usual time for disbursing loans under the PMRY scheme.

3. Beneficiary's failure to submit necessary documents also caused delay in disbursement of loans.

4. Delay in getting power connection and delay in locating suitable premises are the major causes for delayed disbursal of loans by the banks. 60 per cent of the banks took unnecessary time in disbursing loans due to these reasons.

5. 40 per cent of the banks could not disburse loans in time due to similar projects or non-viable schemes recommended by the Task Force Committee and 40 per cent due to change of projects by the beneficiaries after sanction of loans.

6. Change of quotation, delay in providing necessary documents and misuse of loans already disbursed are less important reasons for delay in disbursement of loans. 20 per cent of the banks could not disburse loans in time due to these reasons.
IX. Utilisation:

1. Seventy-eight per cent of the respondents utilized the loan amount for productive purpose while 22 per cent diverted the amount for unproductive purpose.

2. The majority of the banks had information about the misuse of fund and they refused to disburse the balance and called back the amount already disbursed.

3. 60 per cent of the beneficiaries utilized their loan amount for purchasing machinery. While 30 per cent purchased tools and equipment, 10 per cent purchased materials.

4. Due to non-availability of loan in time, 20 per cent of the beneficiaries purchased assets required for commencement of their business even before sanction of the loan. While 80 per cent were waiting for the loan amount to purchase the required assets.

5. Due to insufficiency of loan sanctioned under the PMRY scheme, the beneficiaries resorted to other financing agencies.

6. Assets purchased by the beneficiaries are still in use in their business. They have not disposed of the assets purchased with PMRY loan.

7. The PMRY units in Kerala are not working at their full capacity. 30 per cent of the units could not function at full capacity due to power failure while 10 per cent could not achieve full capacity due to lack of demand.
However 60 per cent could not achieve full capacity due to shortage of funds.

8. The beneficiaries who sell their products on credit are not able to operate their units at full capacity due to lack of funds.

9. Seventy per cent of the borrowers are unable to collect credit in time.

10. All the respondent beneficiaries face competition from existing units. Competition from existing units affected the working of all the PMRY units in Kerala.

X. Impact:

1. Forty per cent of the PMRY units provided employment to two persons each, while twenty per cent to three persons each. Another forty per cent provided employment opportunities to four persons each and above.

2. 20 per cent of the PMRY units in Kerala operate with excess workers while 80 per cent operate with required workers.

3. 20 per cent of the PMRY units in Kerala are working with family members of the beneficiaries.

4. Fifty-two per cent of the PMRY units in Kerala do not generate adequate income.

5. 40 per cent of the beneficiaries supported their families with the income from the business started under the PMRY units. While 60 per cent could not support their families with the income from the PMRY units.
6. 20 per cent of the beneficiaries received income from other sources and this income is used for repayment of the loan or for business expenses. While 80 per cent of the beneficiaries manage with income from the business.

7. Some of the beneficiaries run their business in rented premises while majority run in adjacent rooms of residential houses.

8. 60 per cent of the beneficiaries were previously employed and hence they are experienced while 40 per cent were not previously employed and are inexperienced.

XI. Repayment And Default:

1. 70 per cent of the beneficiaries are satisfied with the amount fixed by the bank for repayment of the loan. While the rest cannot afford the installment fixed for repayment of the loan.

2. Banks allow a period of 3 ½ years to 5 years for repayment of the loan, while the period allowed for repayment of loan under the PMRY scheme is 7 years.

3. 52 per cent of the beneficiaries depend on other sources of income for repayment of the PMRY loan. Only 48 per cent of the beneficiaries repay loan out the income from PMRY units.

4. Commercial banks in Kerala are very cautious about the realization of loans disbursed by them under the PMRY scheme. Yet in 60 per cent of
the banks the majority of the PMRY borrowers are irregular in repayment of loans. While 40 per cent banks have only a few defaulters.

5. Some of the units under the PMRY scheme do not generate adequate income. 40 per cent of the bank personnel revealed that the default is due to inadequate income generation.

6. Lack of experience of the beneficiaries in credit collection reduces their cash inflow and thus they make default in repayment of loans. In 40 per cent of the banks the default is due to poor credit collection.

7. Some of the beneficiaries willfully make default in repayment of the PMRY loans even though they have adequate income to repay it.

8. There are cases of willful neglect in repayment of loans under the PMRY scheme in Kerala. In 20 per cent banks the default is due to willful neglect of the borrowers and hence they are willful defaulters.

9. Most of the women borrowers under PMRY are irregular in repayment of loans after their marriage. 40 per cent of the banks have accounts of women borrowers who are irregular in repayment of loans due to discontinuance of business after their marriage.

10. Diversion of funds by the beneficiaries for non-productive purposes is the major cause for irregular repayment of loans under the PMRY schemes. 60 per cent of the banks have accounts of borrowers who are irregular in repayment of loans due to diversion of funds.
11. Competition from existing units affected the operation of newly started PMRY units and reduced their income. In 20 per cent of the banks the default is due to competition from existing units.

12. Power failures, shortage of materials, breakdown of machineries, etc. affected the operation of the PMRY units considerably. In 20 per cent of the banks, the default is due to interruption in production process due to power failure, shortage of materials, etc.

13. Two or more loans taken by the borrowers for the operation of the business affected the repayment of PMRY loans. In 20 per cent of the banks default is due to more than one loan taken by the beneficiary for the operation of the business.

14. The cost of operation of the newly started PMRY unit is comparatively high.

15. Forty-two per cent of the PMRY borrowers are defaulters in the State.

16. Defaulters are more in low income group. Fifty two per cent of the defaulters are getting income of less than Rs.2500/- per month.

17. Fifty-two per cent of the defaulters belong to low educated category.

18. The majority of the defaulters belong to the reservation class. Twenty-eight per cent of the defaulters belong to SC reservation class while 10 per cent belong to the ST and 32 per cent belong to OBC.

19. Karl Pearson's co-efficient of co-relation revealed a high degree of positive co-relation between utilization and repayment.
20. Yule’s co-efficient of Association revealed that sufficiency and repayment are positively associated.

XII. Recovery:

1. Forty per cent of the banks issued notice to the borrowers when three installments became due for payment while 60 per cent, when more than three installments were due.

2. Separate recovery cells as directed by the Reserve Bank of India have not been formed in Banks.

3. Sixty-seven per cent of the banks recommend the defaulted cases for legal action under Revenue Recovery Act.

4. Distance of the borrowers activity from the branch and absence of the borrower at the time of inspection are the major hurdles in recovery.

5. Banks are also subject to mental and physical assault in the recovery of PMRY loan.

6. Among government sponsored schemes the non-performing assets are more under the PMRY scheme.

XIII. Weakness:

1. Unscientific selection of the borrowers, insufficiency of loan amount and lack of working capital loan are the major reasons for the failure of the scheme.
2. Lack of supervision and monitoring resulted in the diversion of fund by the PMRY borrowers for unproductive purpose.

3. Insufficiency of funds made the borrowers depend on other sources of finance, and this increased the financial burden of the PMRY borrowers.

4. Poor credit management and excess workers in PMRY units increased their cost of operation and reduced their earnings.

5. Willful default by the PMRY borrowers is a serious weakness of the PMRY scheme.

6. Recommendation of a number of similar activities affected the working of the new and existing units and reduced the earnings of all such units.

7. Unreasonable amount for repayment increased the number of irregular repayment and default.

XIV. Opinion About The Scheme:

1. Seventy per cent of the borrowers are not satisfied with their present activity due to lower income from the activity, tension and over financial burden.

2. Ten per cent of the borrowers are satisfied with their previous employment due to regular income from previous employment and no financial burden.

3. Eighty-seven per cent of the beneficiaries are satisfied with the behaviour of the bank officials while 13 per cent are dis-satisfied.
4. Sixty per cent of the beneficiaries recommended others to find employment by starting business units under the PMRY scheme. This indicates the success of the scheme to generate employment opportunities.

5. Thirty-three per cent of the borrowers requested to reduce the rate of interest to half of the interest charged on other loans.

6. Seventeen per cent of the borrowers made a request to provide temporary financial assistance to meet emergency while 73 per cent demanded working capital.

7. Seventy-five per cent of the borrowers requested the banks to fix the amount of repayment according to the terms of the scheme while 25 per cent opined that it should be according to the earnings of the borrowers.

8. Seventy-five per cent of the borrowers requested the government to make arrangements to issue required documents or certificates by the concerned departments without delay.

9. Sixty-five per cent of the borrowers asked for an increase in the subsidy.

10. Sixty per cent of the banks demanded a reduction in the target fixed for them under the PMRY scheme.

11. Sixty-seven per cent of the banks are against providing loan in cash to meet working capital requirements due to the chances of misuse of fund by the borrowers.
12. Eighty per cent of the banks opined that they should have complete freedom to select the borrowers while 20 per cent insisted that the Task Force Committee should consult the banks in selection of the borrowers.

13. Thirteen per cent of the banks agreed that the loan can be sanctioned within eight weeks time while others require only four to six weeks to disburse the loan under PMRY.

14. Twenty per cent of the banks consider the scheme a waste while others are of the opinion that the scheme is comparatively good for solving the unemployment problem in the State.

15. Sixty per cent of the banks opined that collateral security should be insisted under PMRY scheme at minimum rate.

16. Cent per cent of the borrowers requested the government authorities to avoid loan write offs as it is against loan ethics.

17. Eighty-seven per cent of the banks insisted monthly monitoring and supervision by the Task Force Committee.

**SECTION B - CONCLUSIONS**

I. Banking in Kerala

1. The branch expansion of commercial banks in the State is lower than the national level, yet the population served by a bank branch reveals that
Kerala is a better-banked State and Pathanamthitta is a better-banked district.

2. The commercial banks in the State achieved remarkable progress in deposit mobilization and credit deployment. Their performance is above the national level. District wise analysis shows that the banks in Ernakulam district mobilized the maximum amount of deposit. But the deposit per branch is the highest in Pathanamthitta district and the credit per branch is the highest in Ernakulam district.

3. There is a wide disparity in banking development in the State in rural and urban areas. The number of branches, deposit mobilization and credit deployment in rural areas are lower than that in the urban areas.

4. Inspite of the higher growth rate in deposits and advances in the State the credit deposit ratio is lower than the national level.

5. Though credit deployment in the State has recorded a high growth rate, the credit deployment under the PMRY scheme is at a low pace.

6. Analysis of the PMRY target reveals that the State has not achieved the target throughout the reference period.

7. There are significant differences between the growth rates of advances and PMRY advances in the State.
II. PMRY Lending

1. District-wise achievement reveals that Wayanad district is the better-performed district under the PMRY scheme and Trivandrum district is the poorly performed district.

2. Kottayam, Kozhikode, Kannur and Kasargod districts have never achieved their target during the reference period. Other districts have achieved their target at least once.

3. The performance of different bank groups differs significantly in lending under the PMRY scheme.

4. Neither bank groups in the State has achieved the target under the PMRY scheme, but the performance of nationalized bank is better than the State bank group and other scheduled commercial banks.

5. The performance of other commercial banks in the State under the PMRY scheme is too desparative.

6. The importance given by district banks to the PMRY is declining year after year.

7. The performance of different bank groups in Kerala does not differ significantly under the PMRY scheme.

8. The performance of Wayanad district is highly appreciated. It has achieved the target for four years.

9. The performance of Kozhikode district is the lowest in the State throughout the reference period.
10. In generation of employment under the PMRY scheme, the performance of Palakkad district is appreciated. It generated maximum employment opportunities in the State during the reference period. The employment generated in Wayanad district is the lowest in the State.

11. Among different government sponsored schemes the recovery of loan is the lowest under PMRY and highest under the SJSRY scheme.

III. PMRY Borrowers and their Problems

1. Even though the minimum qualification to avail PMRY loan is a pass in VIII standard, majority of the borrowers are graduates. Marital status is not a bar in availing PMRY loan.

2. Though preference is given to women and under privileged sectors, majority of the borrowers under the PMRY scheme in Kerala are men. The scheme is dominated by upper class.

3. The scheme is attracted by people irrespective of their age. The majority of the borrowers are youngsters.

4. The majority of the PMRY borrowers are from the low income group.

5. Some of the beneficiaries are technically qualified and are having previous experience.

6. The major attraction of the PMRY scheme is absence of collateral security. Government subsidy, reasonable rate of interest, etc. also attracted borrowers to avail loan under the scheme.
7. Borrowers prefer bank loans due to reasonable rate of interest and easy repayment facility.

8. For creating awareness about the scheme, the news media is very effective and cheap.

9. Unnecessary interference of political leaders and other middlemen was there in selection of the PMRY borrowers in Kerala.

10. The majority of the borrowers availed the PMRY loan for starting industrial activity. Banks also give preference to industrial activity because of the creation of charge on the assets purchased with the loan. Business and service activities are not attractive to the banks due to lack of assets in such activities. Hence very few borrowers started business and service activities.

11. The loan amount received by all the borrowers is less than what they applied for.

12. Loan sanctioned under PMRY scheme was insufficient to carry out the activities successfully. Due to insufficiency of loan the PMRY borrowers had to depend on other funding agencies for meeting financial requirements.

13. The majority of the borrowers have not received working capital. They have to start their activity with fixed capital loan sanctioned by the banks.

14. Banks generally hesitated to give working capital and only a few beneficiaries received working capital. The majority of the borrowers
have to depend on other agencies for meeting working capital requirements.

15. The majority of the banks are of the view that loans sanctioned by them are sufficient to carry out the respective activities.

16. Inspite of the PMRY guideline for training for the beneficiaries, some of the beneficiaries received loans without undergoing the training programme under the scheme.

17. Banks exempted some of the beneficiaries from undergoing training programme under the scheme on the assumption that the exempted possess adequate skill and knowledge.

18. Undue delay was involved in sanctioning and disbursement of PMRY loans in Kerala. Some banks took more than one year. The average time for disbursement was three to six months.

19. The unnecessary delay in sanctioning and disbursement of the PMRY loan in Kerala is due to the procedural formalities associated with the bank and also on account of delay in producing required documents by the borrowers and change of quotation by them.

20. Due to undue delay in getting loans some of the beneficiaries purchased required assets even before getting loan.

21. The majority of the respondents could not start their activities in time due to delay in disbursement of loans, delay in getting power connection, delay in getting machinery and equipment from the suppliers, etc.
IV. Difficulties

1. It is not easy and simple to get PMRY loan in Kerala. Survey reveals that majority of the borrowers experienced difficulty in getting loan due to procedural delay of banks, frequent visits of bank branch, frequent visits of government officers for getting required certificates, etc.

2. In the selection and identification process, the borrowers are screened at two stages. First the Task Force Committee selects the borrowers and recommends them to the banks for sanctioning loans, later the banks do not simply grant loans to the borrowers recommended by the Task Force Committee. Banks make their own way of selection and they reject some of the applicants. This type of selection of the borrowers is the main reason for the delay in disbursement of loans.

3. Bank group-wise analysis reveals that all the scheduled commercial banks in Kerala failed in achieving their target under the PMRY scheme.

4. Banks have not achieved their target due to the recommendation of either similar or non-viable projects by the Task Force Committee, technical difficulties, less number of applications, etc.

5. Selection and identification of proposal is a difficult task under the PMRY scheme, which requires skill and experience. Though banks are supposed to provide loans to borrowers recommended by the Task
Force Committee banks generally make their own selection and reject some applications and refuse to provide loans to some other applicants.

6. Commercial banks rejected many proposals even after the recommendation by the Task Force Committee on the ground of non-viability of the proposals, technical difficulty and some were out of the scope of the scheme, some were similar projects etc. Hence the banks could not achieve their targets under the scheme.

7. Borrowers in the State are dis-satisfied with the attitude, assimilation and behaviour of the bank staff. Delay in getting loan and rigid procedural formalities have created demoralizing effect on the borrowers.

8. Borrowers were compelled to purchase assets from particular dealers and such dealers took much time for delivery of assets. The borrowers could not start their activity in time due to such delay.

9. Supervision and inspection after disbursement of loan is inadequate and it resulted in diversion of fund by the borrowers for non-productive purpose.

10. The majority of the banks suffered shortage of staff for supervision and inspection after disbursement of the loan amount.
V. Utilisation and Impact

1. The majority of the borrowers utilized the amount for the purpose for which they availed the loan. Yet some beneficiaries diverted the loan amount for unproductive purpose.

2. The misuse of fund for unproductive purpose was mainly due to lack of supervision and weak financial position of the borrowers.

3. The important assets purchased with the loan amount are machinery, tools and equipment. These assets are still in use in the units. Some of these assets are purchased even before sanction of the loan.

4. The majority of the PMRY units in the State are not working at full capacity due to shortage of fund and poor credit management of the borrowers.

5. The majority of the borrowers are selling their products on credit and their inability to collect credit in time affected the successful operation of the units.

6. Competition from existing units affected the working of the units.

7. The PMRY scheme is very effective in generating employment opportunities in Kerala due to high literacy rate and better banking development. The scheme could reduce unemployment in the State to a certain extent through the establishment of micro enterprises.

8. The PMRY loan generated direct and indirect employment through the establishment of enterprises and employment of workers in such units.
9. Some of the PMRY units are working with family members of the borrowers and in some other units there are excess workers.

10. Income generated by the majority of the PMRY units in Kerala was not adequate to repay the loan even though some of them generate adequate income to support their families and repay the loan. Some of the beneficiaries have income from other sources and they repay the loan with their income from other sources.

11. Competition from existing units, increase in cost of operation etc. caused low-income generation of the PMRY units.

VI. Repayment and Default

1. Time allowed by the banks for repayment of loan is less than the time allowed under the scheme: most of the beneficiaries were dissatisfied with the amount fixed for repayment of the loan.

2. Banks were much cautious about the repayment of the loan due to non-availability of collateral security. Hence much delay was involved in disbursement of the PMRY loan. Change of quotation by the applicants, delay in producing necessary documents etc. also caused delay in disbursement of loans.

3. The majority of the borrowers are defaulters under the scheme. Low income generation, poor credit collection, mis-use of funds, etc. are the
main reasons for default. There are cases of willful neglect in repayment of the PMRY loans.

4. Power failure, shortage of materials, breakdown of machinery, shortage of fund, etc. affected the successful operation of the PMRY units and caused default.

5. Over financial burden of the borrowers also caused default of PMRY loans. Due to shortage of funds, the PMRY borrowers took loans from other banks and money lenders and their income was not sufficient to repay more than one loan. Since the PMRY loans are without collateral security, the borrowers showed less interest towards the repayment of PMRY loans.

6. The income of the borrowers from other sources is also used for repayment of the loan due to inadequate income from the activity.

7. Defaulters are more in the business sector and less in service sector.

8. The majority of the borrowers are not satisfied in their present activity due to inadequate income, over financial burden and stress and strain in running the activity.

9. Borrowers who were previously employed are dissatisfied with their present activity.

10. The majority of the defaulters belong to low-income group and their qualification is below higher secondary and that they belong to other backward classes.
11. Utilisation and repayment are positively correlated.

12. Sufficiency and repayment are positively associated.

13. Separate recovery cells were not formed in majority of the banks for the recovery of the loan despite instruction from the Reserve Bank of India.

14. Despite the instruction of the Reserve Bank of India to issue advance notice to the borrowers before the due date, banks issued notice to the borrowers when three installments were in arrear and some banks when more than three installments were in arrear.

15. Measures taken by the banks for recovery of the PMRY loan include personal visit of the borrower, follow up, compromise and legal action were taken against certain borrowers.

16. Banks experienced many difficulties in recovery of loans. Inadequate staff for visit and follow up, absence of borrowers at the time of inspection, distance of borrowers from the branch and shifting of place of activity after some time are the important difficulties experienced by the banks in recovery of loan.

17. Legal proceedings for recovery of loan are time consuming and costly affair.

18. Bank personnel are also subjected to physical and mental assault in recovery of loan.

19. Lack of government support made the recovery processes more difficult for the banks.
20. The majority of the bank managers are of the view that non-performing assets are more in PMRY loans compared to loans in other government sponsored schemes.

21. Lack of necessary follow up, diversion of fund for unproductive purposes and willful neglect by the borrower are the important reasons for increased non-performing assets in PMRY loans.

VII. Opinion About the Scheme

1. The majority of the borrowers demanded a reduction in rate of interest charged by the bank on PMRY loans even though the rate of interest is reasonable as per some borrowers. They also demanded an increase in the subsidy amount under the scheme.

2. All the borrowers demanded an increase in the amount of loan sanctioned by the bank and to provide loan for meeting working capital requirements. Some borrowers requested for temporary arrangements for meeting emergency requirements.

3. The majority of the borrowers requested to avoid unnecessary formalities and to disburse loan within two weeks' time.

4. The amount fixed for repayment of the loan was inconvenient for the majority of the borrowers and they requested to fix the repayment amount according to the time limit allowed under the scheme and within their income limit.
5. The borrowers requested the government to take necessary steps to enable the borrowers to start their activities without delay. This required the issue of necessary documents without delay, speedy processing of application by the Task Force Committee and granting of power connection without delay.

6. The majority of the borrowers are of the view that the scheme is good for generating employment opportunities and they recommended others to start self-employed units under the scheme.

7. The scheme is good for generating employment opportunities in the opinion of 60 per cent of the bank managers while 40 per cent of the view that the scheme is a waste.

8. The majority of the bank managers were dissatisfied with the scheme and they requested the reduction of their target.

9. Sixty-seven per cent of the bank managers are against giving loan in cash to the borrowers for meeting working capital requirements.

10. The identification and selection of the borrowers is a difficult task and the banks with their experience can select efficient and dedicated borrowers to make the scheme a success and it will reduce the time of sanction and disbursement of loan.

11. Banks are of the view that the PMRY loans can be disbursed within a period of six weeks and a minimum of one month's time is required.
12. Proper identification and selection of borrowers and insisting of collateral security even at low rate can improve the performance of the scheme.

13. Proper monitoring and post disbursement supervision will ensure better utilization of the loan amount and increase in the income of units. The Government should abstain from writing off of PMRY loan to ensure proper repayment of loan.

SECTION C - Recommendation

Based on the findings and conclusions drawn from the study, the following suggestions are made for making the PMRY scheme more effective and successful.

These findings and suggestions are highly useful to the Government and the banking authorities to identify and rectify the defects of the scheme. With the implementation of these suggestions, the Task Force Committee, Government Departments and Commercial banks should be able to play a more effective role, which is expected from them.

1. At present the growth rate of deposits and advances of commercial banks in the State which is above the national level, should be continued in future too.
2. It is seen that the number of branch, deposit mobilization and advances in rural areas have drastically declined in the State compared to the same at the national level. Effective steps are necessary to improve the rural banking at par with urban banking and to bring a balanced development of the State.

3. The credit deployment ratio of commercial banks in the State is lower than the national level.

4. The State has not achieved the PMRY target since inception of the scheme in the State. This is mainly because of the conservative lending policies of the commercial banks in the State. The commercial banks should be advised to review their policies while granting loans under the PMRY scheme and the Reserve Bank of India should insist on the compulsory achievement of target by the commercial banks. The Task Force Committee should also speed up its selection process and full freedom should be given to the banks to receive application for loan under PMRY.

5. The target fixed under the PMRY scheme should be attainable by bank the group-wise, district-wise and activity-wise. The target should be fixed on the basis of a critical appraisal of past performance. The study reveals that no such steps have been taken in fixing targets. The target allocation must be made scientifically and it must be linked with previous years performances. This will help the banks to achieve their targets.
6. The other commercial banks in the State are very reluctant in financing the PMRY scheme. These banks should expand its lending operation and a systematic planning should be devised for sanctioning of the loan under the scheme. The Reserve Bank of India should give due attention to this matter.

7. It is seen that the PMRY scheme is dominated by male borrowers. Women must be encouraged by giving credit support in their self-employment activities to enable them to participate in the socio-economic development.

8. Only the newspapers popularize the scheme. Other media like television, seminars, loan melas, etc. at block, taluk and district level should also be used to popularize the scheme and to create awareness among the public so as to reach the benefit of the scheme to the socially and economically weaker sections.

9. Interference of political leaders is seen in the identification and selection of PMRY borrowers in the State. The scheme should be made completely free from political interference. The Task Force Committee and banks should have discretionary power to select the borrowers or reject applications depending on the merit of each case.

10. Some bank personnel were not co-operative with borrowers. A good inter-personal relationship between bank and borrower and the government officials should be developed.
11. It has been observed that the PMRY loan is suffering from lack of supervision and follow-up. The most important element of lending under the government sponsored scheme is supervision, feedback and follow up. These variables constitute the core of any lending system. Post disbursement supervision is essential to ensure the end use of loans. The Reserve Bank of India should give attention to this matter and insist on compulsory supervision, feedback and follow up.

12. Due to procedural delay the PMRY loans in Kerala are not sanctioned and disbursed in time. Lending procedures should be simplified and unnecessary formalities should be avoided. Multiplicity of scrutinizing should be avoided by conferring more power to the banks.

13. It is seen that most of the bank branches suffer from adequate staff for inspection and follow-up. Bank branches should be provided with adequate staff to function properly and to carry out the activities like visits, supervision, etc. in time.

14. Diversion of loan amount for unproductive purpose caused low-income and non-repayment of loans. The borrowers should be motivated to use the credit properly through training, supervision and follow-up. Frequent visit by bank personnel and members of the Task Force Committee can ensure end use of credit.

15. Without adequate financial assistance, the borrowers cannot successfully run their activities. The banks should scientifically appraise
the projects and properly estimate the financial needs. The amount of loan provided should be sufficient enough to implement the projects. Necessary steps should be taken to see that the borrowers are not approaching the moneylenders and other financial agencies for their requirements.

16. Working capital requirements of the borrowers should be carefully considered and adequate provision be made for financing the working capital requirements. The amount of loan sanctioned should cover both fixed and working capital requirements.

17. Quick disposal of loan application is essential to save time and money. The study concluded that there is unnecessary delay in disbursement of loan to PMRY borrowers. The members of the Task Force Committee and bank personnel should take necessary steps to dispose off the proposal within the stipulated time.

18. Competition is an important problem faced by the borrowers and it affected their income generation. Marketing support should be provided to the borrowers to ensure better prices and to get rid of the bad effect of competition.

19. Poor credit management adversely affected the working of PMRY units. Banks should provide temporary financial accommodation to meet emergency requirements which will help the borrowers to manage credit properly and continue their activities without interruption.
20. Willful default is mainly due to an expected loan write-off. Loan write-offs are against the productivity ethics of credit. The government should not adopt it as a state policy. In genuine cases concession may be allowed. Flexibility in deserving cases and strict enforcement of law on willful default can be a good policy.

21. Most of the proposals recommended by the Task Force Committee are non-viable for the banks. Hence they refuse to provide loans against such proposals. The Task Force Committee should be advised that only viable proposals are to be recommended for loan. The Task Force Committee should select the borrowers in consultation with the banks which will facilitate speedy disbursement of loans.

22. Elimination of political interference will help to identify potentially viable proposals and it will help to minimize over dues.

23. It has been observed that the government agencies are not providing adequate support in recovery of loans. Government support in the form of legislative measures is needed to make recovery processes smoother and quicker. Banks should be given adequate power to seize the assets in case of default and they may also be given power to collect the arrears as revenue arrears.

24. Recovery camps should be organized with the active assistance and cooperation to recover the dues from the borrowers and to create awareness among them about the importance of prompt repayment.
25. 'Collection of loan installments directly from the place of activity of the borrowers may be encouraged to avoid over dues.

26. To improve the recovery of loans, targets for recovery should be fixed and separate plans be prepared, for this purpose. Publication of defaulters list will also help recovery process.

27. To make the scheme a success, a high degree of co-ordination is required between various implementing agencies. A sense of responsibility in their respective areas is to be created.

28. A technical cell at the bank level may be set up to provide necessary technical consultancy to the borrowers to facilitate successful operation of the activity even at a later stage.

Scope for further research

This study is conducted to probe into the effectiveness and efficiency in the implementation of the PMRY in the State of Kerala. A study of this nature must be conducted atleast once in five years so that the pitfalls in the poverty alleviation programmes initiated by the Government may be analysed.

The academicians can, also study the role of co-operative banks in the successful implementation of PMRY in the State. The impact of PMRY on different sectors like Agriculture, SSIs, Service Sector, etc. can be analysed by further research at the grass root level.