CHAPTER VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

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Benefit funds is no doubt facing several problems and challenges but at the same time they have opportunities for growth in a liberalised era. A large number of benefit funds are not found viable with huge accumulated losses. For rehabilitating and revitalising the sector the government initiative and support is a must. The study is confined to “A Study of Non-Banking Financial Intermediaries with Special Reference to Benefit Funds in Kanyakumari District”. A sample of 1000 beneficiaries were selected for the study. The necessary informations were collected with the help of pre-tested interview schedule. The important findings of the study are as follows.

Findings

The analysis of socio-economic background of the beneficiaries indicates that out of 1000 sample beneficiaries the majority of the
beneficiaries belong to the middle age group of 31 to 60 years. Majority of the beneficiaries are male who form a very high proportion enjoying the benefits from the benefit funds under study. In the study area majority of the population belongs to backward community. Among 1000 sample beneficiaries, 44.9 percent are Christians, 39.7 percent are Hindus, and 15.4 percent are Muslims. Thus it is clear that among the sample beneficiaries most of them are Christians. Regarding the marital status it is revealed that 89.4 percent of the beneficiaries are married. The survey reveals that 84.6 percent of beneficiaries are Tamilians. Majority of the beneficiaries’ families (59.5 percent) live in nuclear families and 40.5 percent of them live as joint families.

As regards to nature of housing 20 percent are reported to be having thatched, 37.4 percent pucca (concrete) house and 42.6 percent tiled house. The analysis regarding the ownership of housing shows that out of the sample beneficiaries 51.1 percent have their own houses and 48.9 percent live in rented house. Munchirai block has the highest percentage (85) of own houses and Agastheeswaram block has the highest percentage (73.91) of rented houses. The educational status of the sample beneficiaries indicates that, 18.21 percent of the beneficiaries have their education upto V standard, 38.97 percent of the beneficiaries are having education between VIth and XIIth standard, 17.49 percent of them are having education as technically qualified.
Those with educational at the collegiate level constitute 25.33 percent. Illiterate person among the beneficiaries constitute only a small percentage (1.7 percent). This reveals the high literacy percentage which is a noteworthy feature of the district.

The study of size of the family reveals that 44.20 percent of sample beneficiaries family have members between 3 to 6, 27.20 percent between 6 to 8, 19.90 percent above 8 and only 8.70 percent of the beneficiaries have a small family of two members. The profit percentage highly correlates with the pattern of distribution of the families with members 3 to 6 which is 0.5175 while the categories 6 to 8 has correlation co-efficient -0.238367253 and the category of above 8 has correlation co-efficient -0.295972695. There is no strong and significant correlation with any of the categories of the family size. Thus the correlation co-efficients for the family size categories namely ‘Below 3’, ‘3-6’, ‘6-8’, and ‘above 8’ have the correlation co-efficients -0.022237171, -0.219690412, -0.070361045 and 0.255890409. The study reveals that the dependency ratio is lowest in Rajakkamangalam block (4.15 dependent per earners) and it is highest in Thiruvattar block (7.25 dependents per earner). On the whole it is seen that the overall dependent ratios in the study area is 5.34 dependents per earner. The earner-dependent ratio is not a significant variant in affecting either recovery performance or profit structure. In both the cases the correlation
which weakly exists is negative. There is a 30 percent negative correlation between recovery performance and recovery percentage. This shows that the increase in the number of earner-dependent ratio affect negatively the recovery performance through not much.

Regarding the employment, majority of the sample beneficiaries (36.6 percent) were engaged in self employment, 32.9 percent in agriculture workers and coolies and 30.5 percent in Government Services. Annual income of the sample beneficiaries is such that 10.8 percent have earned an income below Rs.25,000 per annum, 22.4 percent between Rs.25,000 and Rs.30,000 per annum, 27.7 percent between Rs.30,001 and Rs.35,000 per annum and 39.1 percent Rs.35,001 and above per annum. It was found that the profit percentage relatively highly correlates with the increase in proportion of category of beneficiaries namely ‘35,000 and above’. The correlation of co-efficient is 0.8528. This shows that higher a block contains proportion of the members in the income group of ‘Rs.35000 and above’ more profit the benefit fund itself gets. So the profit can be said to come from the deposits of customers from the relatively high income group.

The study regarding the source of income shows that on the whole majority of income is in Agastheeswaram block (46.72 percent) comes from occupation, Killiyoor block 40.95 percent of income from investment, Thovalai block 49.90 percent of income from agriculture, and Munchirai
block 5.33 percent of income come from interest. As regards the analysis on expenditure pattern of the sample beneficiaries reveals that in Agasteeswaram block 56.12 percent spent on food, in Killiyoor 69.90, in Kurunthencode 63.95 percent, in Melpuram 67.89 percent in Munchirai 52.49 percent, in Rajakkamangalam 63.66 percent, in Thiruvattar 47.89 percent, in Thovalai 58.02 percent and in Thuckalay 66.06 percent respectively. In the study area major portion of their income is spent on food. The pattern of savings reveals that among the nine blocks the sample beneficiaries mainly save their income in benefit fund, the highest being Melpuram block that is 73.60 percent. The next sources of savings is post office and commercial bank, the highest being Killiyoor 13.01 percent and Thuckalay 12.57 percent and other sources of savings comes last.

The study regarding sources of borrowing reveals that majority of the sample beneficiaries are borrowing credit from the benefit funds, the highest being Rajakkamangalam block that is 91.73 percent. The next sources of borrowing is commercial bank, co-operative societies, money lenders and pawn brokers are comes in following order. The analysis of the purpose of borrowing of sample beneficiaries reveals that in Agasteeswaram block 53.89 percent of the beneficiaries are borrowing for consumption purpose, Thovalai block 53.47 percent of beneficiaries are borrowing loans for agriculture, in Killiyoor block 34.67 percent of the beneficiaries are borrowing loans for
small business and retail trade, in Melpuram block 14.55 percent of the beneficiaries are borrowing for redemption of the beneficiaries are borrowing for repair and maintenance of houses, Rajakkamangalam block 8.85 percent of beneficiaries are borrowing for marriage purposes and Thuckalay block 20.58 percentage of beneficiaries borrowing for other purposes.

As regards the analysis of credit utilisation the study reveal that in Agastheeswaram block 45 percent of the credit is utilised for consumption purpose. In Thovalai block 45.77 percent of credit borrowed utilised for agricultural purpose. In Killiyoor block 33.28 percent of credit borrowed is utilised for the investment. In Rajakkamangalam 38.99 percent of credit utilised for the repayment of the loan 23.13 percent of the credit is utilised for the other purposes like marriage, education, religious and social ceremonies in the Thiruvattar block. The study regarding majority of the beneficiaries 42.8 percent are satisfied, 11.2 percent beneficiaries are highly dissatisfied, 9.3 percent beneficiaries are dissatisfied and 5.8 percent beneficiaries are undecided about the benefit fund services.

The study regarding growth of membership reveals that the membership has increased from 10,059 in the financial year of 1994-'95 to 30,433 in 1995-'96 and it further increased to 2,39,478 in 2003-2004. The study reveals that the membership of the nine blocks gradually increased in trend in all the ten financial year. As regards the share capital analysis reveals
that the total share capital of the benefit fund for the period of 10 years commencing from 1994-95 to 2003-04 has shown an upward trends. During the year 1995-96 and thereafter there was a spectacular increase in the share capital of these benefit fund that is Rs.20,63,079 in 1994-95 to Rs.12,98,95,067 in 2003-2004. The total reserve and surplus benefit fund stood at Rs.17,816 in 1994-95 and same has been finally reached the level of Rs.64,77,662 in 2003-04. The total fixed assets of the benefit fund for the period of 10 year commencing from 1994-95 to 2003-04 has shown an upward trends. Current assets of the benefit fund stood at Rs.46,28,492 in 1994-95 and same has been finally reached the level of 11,15,30,993 in 2003-04.

The analysis of working capital of the benefit funds reveals that the total amount of capital have increased from Rs.29,12,905 in 1994-95 to Rs.3,41,16,305 in 2003-04. The analysis regarding reserve funds, the study reveals that total reserve of the benefit fund at Rs.12,297 in 1994-95 and same has been finally reached the level of Rs.15,18,788 in 2003-2004. The deposits received by the benefit funds shows that in 1994-95 the deposit was Rs.2,92,95,410 and in 1995-96 it was 6,25,57,781. In the year 2003-2004 the deposits made by the beneficiaries have reached the level of Rs.36,18,55,557. The purpose wise distribution of credit shows that the large part of credit is given for agricultural purpose. 63.33 percentage in Thovalai block and the least amount of credit (8.40 percent) for this purpose in Thuckalay block,
52.29 percent of loan is given for investment purpose in Killiyoor block, 39.54 percent of loan is given for consumption purpose in Agastheeswaram block, 35.06 percent for repair and maintenance in Melpuram block, 39.39 percentage of credit is given for social purpose in Thiruvattar block and 24.41 percentage for other purposes in Munchirai block.

The study regarding jewel loan shows that Agastheeswaram has recorded the highest, total amount distributed of Rs.71,33,81,625 (54.58 percent) and lowest amount is distributed in Thiruvattar block, the total amount is Rs.2,82,06,661 (2.16 percent). The study reveals that the deposit loans has been increasing steadily past ten years (1994-95 to 2003-04). However, Agastheeswaram has recorded the highest growth rate of 60.16 percent and the least in Thiruvattar (2.48 percent) block. The study shows that the total amount of property loans increased from Rs.79,54,754 in the year 1994-95 to Rs.6,37,69,342 in 2003-2004, except in the year 1997 to 1999. It clearly shows that the mortage loan amount is increasing trend during the study period.

The analysis regarding the disbursement of loans, reveals that the total amount of loans increased from Rs.3,17,82,083 in 1994-95 to Rs.43,49,00,167 in 2003-2004. The distribution of loans is highest 56.80 percent in Agastheeswaram and least 2.31 percent in Thiruvattar block (Rs.3,91,02,563). The overall analysis of the repayment of loans in the study
area is not sound. The difficulties in the repayment of loans shows that is Thovalai block (48.75 percent) most of the beneficiaries are suffered by low yield return. In Killiyoor block 50 percentage of the beneficiaries are facing the difficulties in the repayment of loans due to the diversion of funds for other investment purposes. In Thuckalay block 45 percent of the beneficiaries reported that the non-payment of loans is due to the poor economic condition. In Agastheeswaram block 39.13 percent of the beneficiaries are facing the repayment problem due to the settling of other debts. In Kurunthencode 31.67 percent of the beneficiaries reported that the absence of other sources of income is the reason for the non-repayment of loans. In Melpuram block 30 percent of the beneficiaries revealed that various family commitments are the reasons for the non-repayment of loans.

The study regarding the recovering performance of benefit fund shows that the overdue performance of the company is Rs.1,34,71,491 in 1994-95 and it increased to Rs.7,80,16,379 in 2003-2004. On the whole the overdue performance of these benefit funds have increased to a greater level. Overdues is highest in Agastheeswaram block (53.19 percent) followed by 12.22 percent in Thuckalay and the least is 2.17 percent in Thiruvattar. The reasons for overdues are concerned in the study area there is perfect agreement between blocks. The study shows that the maximum number of persons have expressed crop failures as a primary reason and among the blocks in Thovalai
(32.50 percent) Killiyoor (18.33 percent) and Agastheeswaram (16.30 percent). Lack of technical guidance for overdues in Killiyoor block (23.33 percent). The study shows that the maximum number of persons have expressed low non-farm income as a one of reason for overdues and among the block in Rajakkamangalam 31.67 percent, in Kurunthencode 30 percent low net farm income is the main reason for overdues. The study reveals that in Agastheeswaram 29.57 percent the repayment of old debts is the another reason for overdues. Diversion of loan is one of the reason for overdues in Thiruvattar block (25 percent) and low marketable surplus in Munchirai (40 percent). Finally in Thuckalay block (25 percent) increase in cost of production is the major reason for overdues.

The recovery performance of the benefit funds reveals that the share of recovery increased from Rs.1,29,32,631 in 1994-95 to Rs.7,39,35,722 in 2003-2004 with relative fluctuation. On the whole recovery performance of the benefit fund was good. The problems encountered by the beneficiaries reveals that high rate of interest is a major problem in the study area. In Agastheeswaram 47.39 percent, in Killiyoor 16.67 percent, in Kurunthencode 15 percent, in Melpuram 21 percent, in Munchirai 22.50 percent, in Rajakkamangalam 10 percent, in Thiruvattar 40 percent, in Thovalai 11.25 percent, and in Thuckalay 33.33 percent. The lack of knowledge regarding loan facilities is yet another problem of the beneficiaries 53.33 percent in
Killiyoor block. The majority beneficiaries of Melpuram 40 percent have faced the problem of legal proceeding to get a loan. In Kurunthencode block 46.67 percent of the beneficiaries have reported that the benefit funds are far away from the village.

The study regarding problems encountered by the benefit funds reveals that lack of co-operation between directors and Chairman in Thovalai 33.33 percent. Most of the benefit funds in the nine blocks, there is a strict and stringent RBI rules and depth inspection made by RBI. In Melpuram (46.34 percent) and Killiyoor (21.88 percent) the major problem encountered by the benefit funds are recovery. In Kurunthencode 52 percent feel that the difficulty to deploy their credit in the society. Low capital base is yet another problem in the study area 28.13 percent in Killiyoor and 20 percent in Thiruvattar block. Inefficient management is the another importance problems in this area 20 percent in Rajakkamangalam and 12 percent in Munchirai.

An analysis of the total balance sheet of the benefit funds for the period of ten years commencing from 1994-95 (Rs.33.12 crores) to 2003-2004 (Rs.579.62 crores). The growth rate for assets and liabilities highly significant in all the nine blocks. Agastheeswaram has the greatest rate (55.46 percent) and the minimum is (2.18 percent) in Thiruvattar.
The total income of the benefit funds for the period of ten years commencing from 1994-95 to 2003-2004 shows an upward trend. In 1994-95 the total income of nine blocks of the study area is Rs.33,20,874 and 2003-2004 it rose to Rs.10,23,41,874. The study regarding the amount of income is the highest in Agastheeswaram and very poor in Thiruvattar block. The total expenditure of the benefit funds for the period of ten years commencing from 1994-95 to 2003-2004 shows an upward trend. In 1994-95 the total expenditure of nine blocks of the study area is Rs.32,83,151 and 2003-2004 it rose to Rs.9,42,94,672. The study regarding the amount of expenditure is highest in Agastheeswaram Rs.14,92,06,052 (37.47 percent) and least is Rs.51,80,235 (1.30 percent) in Thiruvattar.

The study regarding profit loss structure of the benefit funds reveals that four blocks area earning profit during the study period. The benefit funds in other 5 blocks are first running at a loss. After that they are earning profit from the year 1997-98 onwards. It is observed that the profit is due to the success of beneficiaries in repaying their debts. Benefit funds earn 9.34 percent of profit per year. This profit is not too high and not too low.

An analysis of the total dividend of the benefit funds for the period of ten years commencing from 1994-95 to 2003-2004 shows an upward trend. In 1994-95 the total dividend of nine blocks of the study area is Rs.2,459 and in 2003-2004 it rose to Rs.3,25,488.
Suggestions

The following are some of the suggestions offered by the investigator to overcome the problem in benefit funds working in the study area.

1. Adequate training should be given by the authorities concerned to improve knowledge of members regarding benefit fund and principals.
2. The benefit fund must offer a variety of attractive loan schemes, which are easily sanctioned.
3. The service fee is charged by the benefit fund. It should be quite nominal relative to other similar financial institutions.
4. The interest paid on saving and deposits should be attractive enough to retain customer’s loyalty.
5. The benefit funds and their branches should have adequate provision of locker facilities.
6. It should have the publication and advertisement about the benefit funds and its credit facilities.
7. The beneficiaries’ services should be more effective and efficient.
8. Beneficiaries’ grievances should be solved within short time.
9. The benefit fund staff should be highly knowledgeable regarding companies services and they should always be ready to extend a helping hand to their customers.
10. The benefit fund branches must be situated at prime locations.

11. The benefit funds should take steps to computerize their office.

12. The inside ambience and the layout of the benefit fund office should be eye-catching with adequate sitting facilities.

13. The number of transaction processing terminals should be more which reduces waiting time.

14. Credit facilities should be expanded liberally to the members of undertaking both agriculture and non-agriculture activities at lower rate of interest with longer repayment schedules.

15. The Reserve Bank of India should be regulated marketing function and rectified the unscrupulous middlemen.

16. The Reserve Bank of India should reduce the strict and stringent rules about benefit funds.

17. The Department of Company Affairs (DCA) should be concentrated on the recovery of loans. If the recovery performance of the benefit funds is prior than the loan outstanding will be higher. This will badly affect the profit as well as the performance of the benefit funds.

18. The Reserve Bank of India should reduce the margin.

19. Benefit funds are remarkably mobilising funds from the local people in and around the area. But in order to mobilise more deposits, the benefit funds should come forward to open one deposit account for one home.
20. The expenditure of Benefit Funds is very high. It should be reduced to bring in more profit.

21. Already the mobilisation of savings in Benefit Fund is very weak, so the concerned authorities should take appropriate steps to improve the savings and make legal enactments to give deposit insurance coverage of benefit fund depositors.

22. The Benefit Fund should send proper “Reminder Notice” to the borrowers regarding repayment period and due date to avoid the default by the borrowers on loans and advance.

23. In case of fixed deposit scheme, the interest payment is made once in three months only. Measures should be taken to pay the interest amount monthly so that the old age person depending on interest as their monthly income will be benefited.

24. RBI should reduce the reserve of cash reserve ratio. When it reduces the level of cash reserve they could lend money to their customers. RBI should announce the choice of Benefit Funds.

25. Too much of interference of RBI affects autonomy of the benefit funds institutions. Hence RBI should not have thumb rule of the part of benefit funds operations.
Conclusion

The benefit funds play an important role in providing finance to the needy people. Benefit Funds is one of the non-banking financial intermediaries giving financial assistance to expand business activities, development of agriculture, consumption purpose, redemption of old debt, repair and maintenance of houses and marriage purpose and as a result include prompted the overall development of the region. From the above brief account of benefit funds it may legitimately be concluded that post-independence year has witnessed a demonstrate growth of diverse nature.