CHAPTER - VII

SUMMARY OF MAJOR FINDINGS OF THE STUDY AND SUGGESTIONS

Evaluation of working and performance of Grameen Banks in Karnataka in general and in Mysore district in particular has been made at length with different angles in foregoing chapters. Contributions and overall progress made, and difficulties and problems faced by these banks have been discussed critically in relevant chapters. It is proposed here to summaries the main findings of the study and to put forth important policy implications to make these banks more effective for the cause of agricultural development in Mysore district. This chapter includes two parts. Part – I deals with major findings of the study and Part – II deals with the suggestions.

Rural development in India is getting recognition in the economic thinking for its economic potential. An overwhelming proportion of country's population still lives in the villages. A good quality land, mineral resources, forests, sub-soil and river water and other resources are adequately available. Manpower is underutilized. The areas which need attention are technological innovations suitable for our villages, infrastructural development, improvement in power generation and its adequate supply to rural areas. Industrial policy should aim at balanced development, giving due importance to rural industries which might check the migration of rural population to urban areas. Investment pattern should be rural oriented. Though so many agencies are engaged in dealing with rural finance still it is lacking in one or the other ways. The study reveals that economic development of rural areas is still not upto the mark and needs special attention.

To cater to the needs of rural population, cooperative credit societies were established in 1904, but this institution could not keep pace with growing demand for credit. Hence, the State Bank of India was established in 1955 and 20 commercial banks were nationalized upto the 1980. But high cost structure,

urban orientation and attitudinal character of commercial banks could not make these institutions effective for rural credit. In such conditions, Banking Commission 1972 recommended the establishment of a chain of rural banks in addition to rural branches of commercial banks.

In 1975, Government announced the economic programme for the rural development of our country. The aim of this programme was for "devising alternative agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers, in the context of steps being taken to liquidate rural indebtedness of those classes of people". Consequently, in July 1975, 'Working Group on Rural Banks' was appointed under the chairmanship of Mr.M.Narasimhan to examine in depth the setting up of new rural banks as subsidiaries of public sector banks to cater to the needs of rural people. The group suggested, "The establishment of government owned, regionally based and rurally oriented banks to supplement the existing institutional credit agencies and not to supplant them". These credit agencies were to be known as Regional Rural Banks. Since then Grameen Banks are catering the needs of the farming community. The study has been conducted to review the role of rural banks- Cauvery Grameena Bank in Mysore district of Karnataka. The study reveals that Cauvery Grameena Bank has played a significant role in the development of agriculture in Mysore district.

Part – I

7.1   Major Findings of the Study

Based on the analysis and discussion in the study the following findings have been drawn:

1. Out of the 350 respondents about 150 respondents are belongs to other castes and 100 respondents are from backward classes only. The branch-wise data reveals that, backward classes are more in Hosahalli branch, when compared to other branches. More respondents from other categories have got the loan from Hullahalli branch. Scheduled caste

(*SC*) and scheduled tribe (*ST*) respondents could not exceed 16.18 per cent and 4.48 per cent, respectively. It indicates that the bank usually concentrated more on other castes and backward caste. The reason is that, majority of the loans are crop loans and major portion of the lands are owned by the other communities and backward classes.

2. It is found from the study that out of the 350 sample respondents, 100 (51.19%) respondents are agriculturists whereas 70 respondents are agricultural labourers. Artisans and small business constitute only 113 and 25 respondents, respectively. In Beerihund*i,* Hosahalli and Hullahalli branch areas, the percentage of agriculturists and agricultural labour is more. But in the cases of Thippur and Doddakoppalu branches only 15 and 10 respondents from agriculturists have been provided the agriculture loans. The reason is that respondents depending on agricultural activities are less in number in Thippur and Doddakoppalu areas.

3. It is observed that according to the income criterion, out of 350 respondents, 42.85% of the respondents fall in the income group of below Rs.10,000 while 28.58 per cent of respondents under the income groups of Rs. 10,000-15,000. It can be understood that about 75 % of the total loans were received by the respondents whose income is not exceeding Rs. 15,000. It is inferred that the bank has concentrated more on poor only. It is further observed that only 22.85 % of the respondents fall under income group of Rs. 15,000 to 25.000 and above. But most of the respondents did not disclose their actual income due to fear.

4. It is observed from the study that out of the total respondents 47.33 % of the respondents have taken the loans under agri-cards and farm loans for their direct agricultural purposes. About 12.17 % and 10.53% of respondents have taken agriculture jewelry and general jewelry loans. This amount may be utilized for agricultural purposes also. About 2.37 % and 2.08 % of respondents have received the loans for small business and artisans, respectively. About 6.38 % of respondents have got the loan under

SHGs scheme.

5. The study indicates that out of the 350 respondents, 50 % of respondents have the knowledge and awareness on different kinds of loans issued by the bank. This trend can be observed in all the branches. About 35.71 % of respondents are partly aware of the types of loans. Only 14.29 per cent of households were not aware of different types of loans issued by the CGB. In the case of Doddakoppalu branch, no beneficiary was found unaware of different kinds of loans.

6. Out of 350 respondents, 28.57% of respondents have repaid their loan amount promptly within the due date. About 50 % of respondents were also repaying their due amounts, but they were irregular. About 21.43 % were very poor in repaying the dues and, if possible they were ready to escape from repaying the loans also.

7. It is clear from the study that average amount of post-loan income was substantially higher than pre-loan income for all the activities under study. In this sector, average pre-loan income was Rs.4,096.15, which has risen to Rs.6,144.23 in the post-loan period. There were 21 respondents with pre-loan income ranged between Rs.3,000 to Rs.5,000 who were not able to improve their income. There was one beneficiary in the income Rs.5,500, who is able to improve his income in post-loan period. The number of loaners in the income was ranged Rs.6,500 to Rs.9,000 was 30 in the post-loan period. There was increase in the number of respondents in the higher income levels in the post-loan period.

8. It is found during the course of the study that in cases of direct financing by banks for the purchase of two buffaloes giving a gap of six months of the respondents were able to get a continuous flow of income, resulting in repayment of loans and better income effect on the beneficiary.

9. Study indicates that the dairy loans sponsored by animal husbandry department were found to have impressive effect on the income level of the respondents. It is possible because of training imparted to the borrowers

before sponsoring their cases to banks for providing loans.

10. Before availing the KCC loan the selected farmers use to grow only low profile crops in the sense that they use to grow crops like paddy, cashew vegetables and other crops. Most of these crops were depended upon rainfall. After obtaining KCC most of them have utilized their credit amount to deepen/construct well around open well/install diesel motors/electricity connection etc. This has resulted in assured irrigation which prompted them to go in for diversified crops in their farms.

11. Out of 350 respondents, 49 per cent of the KCC borrowers have availed the credit limit of Rs.50,000 another 12 per cent are in the range of Rs.50 to 75 thousands and the remaining farmers are in the ranges of Rs.75,000 and above. It was found that in general there has been around 50 per cent increase in amount borrowed of the farm level after they were issued KCCs by all categories of farmer taken together. The extent of increase in amount borrowed at the farm level, after they were issued KCCs by all categories of farmers taken together. The extent of increase in amount borrowed by various categories of farmers varies from 46 per cent for small farmers, to 64 per cent in case of large farmers.

12. Study indicates that after availing KCC, most of the farmers saw improvements in their total income. It was made possible due to timely availability of credit. It is noteworthy that as many as 85 per cent of the respondents were good enough in repaying loan. It shows that farmers have realized the importance of repayment and its revolving process. Similarly, 47 per cent of the respondents have used their total income to clear the old debt since it was causing unnecessary hardship for the respondents.

Testing of Hypotheses

Hypothesis – I

H_0: Cauvery Grameena Bank credit has not made positive impact on agricultural income of farmers.

H_1: Cauvery Grameena Bank credit has made positive impact on agricultural income of farmers

Income of Farmers

Description	Mean	N	Std. Deviation	Std. Error Mean
Agriculture Income Before Credit	35037.1429	350	20719.47419	1107.50248
Agriculture Income After Credit	54760.0000	350	27309.42510	1459.75017

Paired Samples Test

Description	Paired Differences			t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean			
Agriculture Income Before Credit - Agriculture Income After Credit	-19722.85714	8739.48277	467.14500	-42.220	349	.000***

Source: Field survey data.

***Significant at one percent level.

The average agriculture income of respondents before availing the credit from Cauvery Grameena Bank was 35,037 rupees and after availing the loan the average income increased to rupees 54,760. The paired T-Test significantly identified the difference in the average agriculture income between before availing the credit and after availing the credit. Hence, the null hypothesis is rejected and alternative is accepted. Therefore, Cauvery Grameena Bank credit has made positive impact on agricultural income of farmers.

Hypothesis – II

H_0: Cauvery Bank loan has no positive impact on household expenditure of credit respondents.

H_1: Cauvery Bank loan has positive impact on household expenditure of credit respondents.

Household Expenditure of Respondents

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Household Expenditure Before Credit	29891.4286	350	10284.47439	549.72828
	Household Expenditure After Credit	48737.1429	350	14091.37365	753.21560

Paired Samples Test

Description	Paired Differences			t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean			
Pair 1 Household Expenditure Before Credit - Household Expenditure After Credit	-18845.71429	9505.49058	508.08984	-37.091	349	.000***

Source: Field survey data.

***Significant at one percent level.

The average household expenditure of respondents before availing the credit from Cauvery Grameena Bank was 29891 rupees and after availing the loan the average expenditure increased to rupees 48737. The paired T-Test significantly identified the difference in the average household expenditure between before availing the credit and after availing the credit. Hence, the null hypothesis is rejected and alternative is accepted. Therefore, Cauvery Bank loan has positive impact on household expenditure of credit respondents is proved.

Hypothesis – III

H₀: The repayment performance of non-farm borrowers is not better than farm borrowers.

H_0: The repayment performance of non-farm borrowers is not better than farm borrowers.

H_1: The repayment performance of non-farm borrowers is better than farm borrowers.

Cross-tabulation for Type of Borrower and Type of Loan Repayment

Loan Repayment		Type of Borrower		
		Farmer	Non-Farmer	Total
Timely	Count	110	135	245
	% within Type of Loanee	62.9%	77.1%	70.0%
	% of Total	31.4%	38.6%	70.0%
Irregular	Count	44	30	74
	% within Type of Loanee	25.1%	17.1%	21.1%
	% of Total	12.6%	8.6%	21.1%
Defaulter	Count	21	10	31
	% within Type of Loanee	12.0%	5.7%	8.9%
	% of Total	6.0%	2.9%	8.9%
Chi-Square Value: 9.103 Df: 2 Sig: 0.11**				

Source: Field survey data.

**Significant at five percent level.

The cross tabulation for type of borrowers and type of loan payment has been presented in the above table. It has been identified that relatively more number of non farmer borrowers timely repaid the loan compared to farm respondents. Non-farm borrowers are less irregular in repayment of loan. It has been also found from the test that defaulters are more among the farmers and less among the non-farmers. The Chi-squared test identified the association between the type of borrowers and type of loan repayment of farmers and non farmers. Hence, the null hypothesis is rejected and alternative is accepted. Therefore, the repayment performance of non-farm borrowers is better than farm respondents.

Part – II

7.2   Suggestions

On the basis of our study, the following suggestions are recorded to make lending advances under priority and non-priority sector by the CGB to the farmers to be more effective and purposeful:

1. Proper Policy should be made by government for opening more branches in weaker and remote areas of state.

2. The Grameen Banks have to be very careful and reduce the operating expenses, because it has been found from our study that these expenses have increased the total expenditure of the banks.

3. The Grameen Banks have to give due preference to the micro-credit scheme and encourage in the formation of self help group.

4. The Grameen Banks must strengthen effective credit administration by way of credit appraisal, monitoring the progress of loans and their efficient recovery.

5. It is important to note that most of the respondents are illiterate. Hence, the respondents need to be educated about the formalities to be fulfilled in obtaining the necessary finance. The bank staff should help of the uneducated farmers in getting their credit sanctioned from the banks. If the respondents are educated they can get loans easily from the banks.

6. To reduce the problem of over dues, banks should announce certain incentives in the form of cash discounts etc. The farmers who have cleared the loan may be given rebate on interest and priority in giving loans by the bank. This would result in decreasing the number of defaulters in future.

7. The branches should provide credit assistance not only to their existing borrowers but also to other eligible persons within their command area provided they are not covered by any other financial agency. Immediate assistance would be needed for protecting and regenerating standing crops, repairs and protection of livestock sheds, for implements and for storage structure etc.

8. In addition to the general schemes to be adopted by all the Grameen Banks specific area wise schemes should also be formulated to suit the socio-economic conditions prevalent in the area of the Regional Rural Bank.

9. To avoid under interference of local leaders it is suggested that the local should not be permitted to act as intermediaries for the identification of applicants or to pressurize the bank officials for sanctioning loans. They may be allowed to force the bank officials to permit loans to un-credit worthy applicants.

10. To reduce the time gap between the supply of credit and demand for credit, the credit should be given within short period. Apart from this, there is urgent need to streamline the procedures at branch-level and bank-level for the quick disposal of the loan applications.

11. The policy maker should aim at securing the economic and political health of the people through agricultural credit. They should regard the principles of finance and accounting, but they should not be overemphasized. Agricultural credit is a matter which affects millions of people and in democracy, it is important that the people should also try to understand the rights and wrongs of borrowing matters which affect them. Their participation and opinion will shape the government policy.

12. Most of the banks are issuing cards to only those farmers who own agricultural land. Further of the important Basle's that farmers still face in

borrowing from formal sources, the insistence on collateral seems to be the biggest one. The biggest challenge to the system, however is to reach those farmers who are not well off and cannot provide collateral security due to lack of assets.

13.

7.3   Conclusion

In the present study, the role of Grameen Banks in the rural credit structure has been deeply analyzed. The rural credit structure consists of priority sector and the non-priority sector. There has been tremendous achievement in disbursing loans to both the sectors. The priority sector loans constituted higher in percentage throughout the study. Grameen Banks have lent money to the agricultural sector through the short-term and term-loans for the development of the agriculture sectors in the economy. The disbursements of short-term loans for crops during the study period are encouraging and it constituted a higher rate than that of term-loans. Also the loans provide by the Grameen Banks to various groups in the priority sector shows an increasing trend.. The banks need to encourage the agricultural sector by providing larger amount of term loans. Generally, non-agricultural sector indirectly helps the rural economy in many ways. Keeping in view, the Grameen Banks may enhance the percentage of loan to this sector. This finding may be considerable use to rural banking institutions and policy makers in developing and shaping the appropriate credit structure as Grameen Banks are integral part of the rural credit structure in India. Some suggestions have been presented to overcome these problems and to improve the working of Grameen Banks. For overhauling the Grameen Banks, concerned authorities should formulate suitable policy after taking into consideration, different studies and reports of committees and suggestions presented here. If, these measures will be implemented, working of Grameen Banks will certainly improve, which will contribute to the agricultural development of Mysore district.