CHAPTER V

SUMMARY AND CONCLUSIONS
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In this final and concluding chapter, it is intended to present, in brief, the overall resume of the thesis along with the summary of findings of the study and conclusions. First, we present, in brief, summary and findings of the thesis. Second, we present the validity or otherwise of the hypotheses presented in the first chapter and tested in subsequent chapters.

First, an attempt is made to present a brief summary as well as the findings of the present study. Official Committees have outlined the view points on the performance of the multi-agency institutional credit system. These view points which are essentially macro in nature offer a backdrop for the present study of Commercial banks' and RRBs' role in the alleviation of rural poverty and promotion of rural development in Karnataka. The two objectives of the present research study are:

(i) to review the existing multi-agency rural credit system with particular emphasis on commercial banks and RRBs in Karnataka and its effectiveness in alleviating rural poverty and in promoting rural development in Karnataka.

(ii) to suggest the structural re-organisation of rural banking system in Karnataka, if necessary.
According to the provisional results of 1991 census out of 4.48 crores of population 3.10 crores live in 25119 village i.e. about 70 percent of the total population live in Rural Karnataka. Rural Karnataka is Real Karnataka. Agriculture is the prime activity of the rural economy of Karnataka. As per 1991 census, more than 57 lakh cultivators and 46 lakh agricultural labourers are dependent on agriculture. An increasing proportion of farmers has been compelled to supplement their income through wage labour. The economic condition of the agricultural labourers is not good. In Karnataka marginal and small land holdings which are termed as uneconomic land-holdings have increased in number year after year (Chapter-I).

The target group which includes marginal farmers, small farmers, landless agricultural labourers, scheduled caste and scheduled tribe and artisans has low income, low consumption, subsistence living, high unemployment or under employment, low saving and low capital. Marginal farmers, agricultural labourers and artisans - these three categories of rural households constitute the lowest asset group. Over 80 percent of agricultural labourers and rural artisans in Karnataka constitute destitute category. Prof. B.S. Minhas has observed that the poorest sections of the rural population belong to the families of small and marginal farmers, agricultural labourers, rural artisans SC and ST people
Poverty is more widespread in Rural Karnataka. The problem of poverty in Karnataka is essentially a problem of rural poverty. In 1960-61, 56 percent of the rural population in Karnataka was below the poverty line. In 1987-88, 36 percent of the rural population was below the poverty line (Chapter - I). Predominance of primary sector, traditional and primitive methods of production, illiteracy, ill-health, tradition-bound attitudes and behaviour, feudal structure and inequality: economic, social and political and food-based agricultural system - are important characteristic features of rural Karnataka (Chapter-I).

It is obvious that the widespread rural poverty must be eradicated. Eradication of rural poverty manifests itself in the form of rural development. Rural development is a process by which rural population attains efficiency with which it provides desired goods and services thereby increasing individual living levels and general well-being. Rural development requires a major transformation of the rural economy. This needs the increase in efficiency and productivity in rural sector: Primary, Secondary and tertiary sectors of the rural economy. In other words rural development aims at enhancing rural welfare (Chapter-I).

In rural areas of Karnataka, we find low capital formation and low productivity. So institutional credit
Institutions assume prime place in lifting the rural economy out of rural poverty. Particularly the Commercial banks and Regional Rural Banks in Karnataka under the multi-agency institutional rural credit system have to play a very important role as development bankers by supplying credit for investment for alleviating rural poverty and promoting rural development in Karnataka (Chapter-I).

Regarding the relationship between economic development and Commercial banks, economists do not have unanimous opinion. There are divergent views. J.A. Schumpeter, is the first modern economist who has established a relationship between economic development and banking. He is of the opinion that banking along with entrepreneurship promotes economic development. Adelman, Morris, Cameron, Gerschenkron, Goldsmith, McKinnan, Minsky, Patrick and Shaw have also observed that the development of the banking system acts as a prime mover in the promotion of economic development. But J.G. Gurley has observed that banks do not directly contribute to economic development. He contends that development of financial institutions, succeeds the growth process and does not itself initiate or promote economic growth. This is a moot point analogous to HEN or EGG issue i.e. whether development precedes banking or banking precedes development. Again in a country like India where the target group is illiterate and has poor assets whether "supply-leading" or "Demand-following" technique is to be followed
must be taken into account. In a poor country like India adoption of supply-leading technique is a right move. This in effect means, that banking institutions which possess the refined technical skills are to be established to take initiative for providing credit and other incentives for introducing technological changes in agriculture and promoting other rural development activities. The banking system will have to be fitted increasingly into the scheme of development visualised for the economy as a whole, for it is only then that the process of mobilising savings and utilising them to the best advantage becomes socially-purposive (Chapter-I).

Money lender has been responsible for increasing poverty in rural areas. Therefore efforts were made to build up the institutional financing system, with the adoption of the Cooperative Societies Act in 1905 in Karnataka. The uni-agency credit system i.e. co-operative credit system has been predominant in the rural areas. Government policy, expert committees and public opinion - all have been in favour of cooperative movement. Historically commercial banks have come upon traditional lines and are not attuned to rural lending. But Modernisation and Commercialisation of agriculture and the approach of direct attack on rural poverty entailing the introduction of diverse schemes for the rural development have increased the demand for credit. In this context co-operatives alone will not be able to meet
this demand. There is thus a credit gap which needs to be filled in jointly by the cooperatives, commercial banks and RRBs in financing the rural development has become inevitable (Chapter-II).

It was only after the Government's policy of social control in 1968 and the bank nationalisation in 1969 commercial banks as a class began to enter the rural sector in a big way. The commercial banks have endeavoured to increase their direct involvement in rural credit firstly by rapid expansion of branches in the rural areas and semi-urban areas and secondly through a number of operational innovations such as establishing specialised branches exclusively or mainly oriented to farm lending, intensifying their efforts in specific areas under the village adoption scheme, linking up their lending to schematic programmes under the Five Year Plans with assistance from NABARD, taking over PACs and organising FSS. Banks have been additionally assisted by the Lead Bank Scheme and now the Service Area Approach. The commercial banks have sponsored the setting up of RRBs in the state of Karnataka covering all the 20 districts with 13 RRBs. Thus the role played by the commercial banks under the multi-agency institutional credit system has been quite impressive (Chapter-II).

Though PACS have made substantial progress in the rural areas of Karnataka, they suffer from many defects. They have
a weak financial position. They have been facing the overdue syndrome. There has been much officialisation and politicisation in the functioning of the cooperatives. Cooperatives have been subject to undue governmental interference and the elected board has been suppressed frequently. They have thus been prevented from developing steadily as a self-reliant and resilient credit system.

During the sixties conceptual changes were introduced in socialising the banking sector. The net result of these changes has been the extension of the state control to the large segment of the banking sector. Very significant changes have taken place following the nationalisation of six more commercial banks in April, 1980. The scale and scope of banking operations have registered a very substantial increase. What is more, the changes have been multi-dimensional as well as multi-directional. The enormous increase in banking activities has brought about structural, physical, organisational, conceptual and qualitative changes of far reaching consequences.

Before the nationalisation of 14 major commercial banks in July 1969 we find the urban orientation of commercial banks. After nationalisation banks have leaned towards rural areas and have adopted a policy of opening more branches in villages and granting more advances to small farmers at cheaper rates and on easier conditions than before.
Nationalisation of banks in 1969 had a positive impact on the spread of bank branches in Karnataka. The number of branches grew at a higher rate after nationalisation than during the pre-nationalisation period, the growth rate being the highest immediately after nationalisation.

All districts of Karnataka State have fairly good presence of bank offices. But there are wide intra-state disparities. Although disparities continue to exist, there is a trend towards reduction in the intra-district disparities. The Karnataka-based banks have played a leading role in spreading banking facilities in Karnataka state after nationalisation. The population group-wise banking presence has shown a significant progress in Karnataka. In June 1969 the relative share of rural sector in bank/offices in Karnataka was better than all-India average. But it is not so in March 1992. There has been a phenomenal increase in the share of rural branches. It is observed that in spite of the best efforts made disparities among the districts continued. Five districts—Bangalore, Dakshina Kannada, Belgaum, Dharwad and Mysore could show better results in respect of deposit mobilisation credit deployment and branch expansion. Banking in Karnataka has expanded its net work considerably during the post-nationalisation period. As far as the growth rate is concerned it may be considered reasonably satisfactory. But the lacuna inherent in the
massive expansion speaks of the spirit with which it has been pursued. This has been a cause of major concern to the policy makers at the national level and that is the reason why in the latest branch licensing policy for the period 1985-90 stress has been laid on consolidation of the present position and improvement in the quality of service (Chapter-II).

All the 13 Regional Rural Banks which cover all the 20 districts have made an attempt to expand branches, since their inception. But the branch expansion by Malaprabha Gramina Bank, Tungabhadra Gramina Bank, Cauvery Gramina Bank and Krishna Gramina Bank has been quite appreciable. Many of the RRBs in Karnataka have opened the highest number of branches in 1984.

Deposits mobilised by the commercial banks in Karnataka state have grown significantly since nationalisation. The Karnataka-based commercial banks and 13 RRBs have played significant role in mobilising deposits particularly in rural areas. But the deposits mobilised by the commercial banks in semi-urban and urban areas have grown more appreciably.

The credit deployment has registered a significant growth both in Karnataka and India during post nationalisation period. The rise both in volume of credit and per capita credit has been quite significant since
nationalisation. The average growth rate is higher in Karnataka than it is in India as a whole. Advances per-capita were higher in Karnataka than in India in March 1992. There has been a substantial improvement in credit deployment in all categories of banks - i.e. nationalised group, SB Group, other scheduled commercial banks group and RRBs in Karnataka.

Credit-deposit ratio in Karnataka as well as in India has considerably improved. But the credit-deposit ratio in Karnataka has been higher both in 1969 and 1992 than the credit-deposit ratio in India. Credit-deposit ratio of all the 13 RRBs in Karnataka and of Karnataka as a whole during 1983-1991 period has been higher than 60 percent and in case of many RRBs in Karnataka it has been more than 100 percent (Chapter-III).

Service Area Approach will have to be developed as Development Area Approach under multi-agency credit system. Intensive credit delivery and the close supervision of the end-use of funds will hopefully bring about a distinct qualitative change in the role of banks for promoting rural development.

In consequence of all this institutional credit has been extended quantitatively to a very large number of borrowers. Millions of depositors and borrowers have been introduced to the banking system in Karnataka and have shifted their preferences from the non-institutional money lenders and pawn
brokers to banking institutions and co-operatives. These latter have competed away the exorbitant interest rates and usurious terms and conditions imposed by the money lenders and have considerably lowered the whole structure of rural interest rates.

There has been a clear shift from class banking to mass banking and it is held that there is no trade-off between them. Instead the two types of banking are indeed two dimensions of the commercial banking operations which together aim at promoting growth and social justice.

Consequent upon the incorporation of the aspect of social banking the direct and indirect advances of commercial banks have appreciably increased from Rs.21.79 crores in 1972 to Rs.1489.35 crores in 1991 and from Rs.8.47 crores in 1972 to Rs.245.61 crores in 1991 respectively. The share of direct agricultural advances in Karnataka to total bank credit increased from 8.85 percent in 1972 to 18.73 percent in 1991. The share of indirect agricultural advances increased from 2.27 percent in 1972 to 3.09 percent in 1991 in Karnataka (Chapter-III).

In 1980 the share of short-term loans borrowed both by marginal and small farmers in Karnataka to direct agricultural advances (marginal farmers 8.75 percent and small farmers 5.95 percent) was 14.70 percent. So the share
of short-term loans borrowed by semi-medium, medium and large farmers in Karnataka to direct agricultural advances was 85.30 percent. In 1980 the share of the short term advances borrowed by both marginal and small farmers in Karnataka was (marginal farmers 1.49 percent and small farmers 1.01 percent) 2.5 percent. In 1980 the share of term loans borrowed by both marginal farmers and small farmers in Karnataka to direct agricultural advances was (marginal farmers 2.82 percent and small farmers 4.54 percent) 7.36 percent. So the share of term loans borrowed by semi-medium, medium and large farmers in Karnataka to direct agricultural advances in 1980 was 92.64 percent. In 1980 the share of term loans borrowed both by marginal farmers and small farmers in Karnataka to total bank credit was (marginal farmers 0.48 percent and small farmers 0.77 percent) 1.25 percent. The similar position continued in 1990 also (Chapter-III).

Thus the marginal farmers and small farmers have not benefited much from the growth of commercial banks short-term and term loans during 1980-1990. It may be inferred that target group has not benefited and it could not improve its economic conditions with the help of the bank finance.

The volume of credit to small scale industries increased from Rs.42.40 crores in 1972 to Rs.980.52 crores in 1991 in Karnataka. The growth in the volume of advances to small scale industries during 1972-91 period in Karnataka was
widespread and wide disparities still existed. The amount of credit to artisans and rural industries in Karnataka increased from Rs.0.40 crores in 1972 to Rs.54.43 crores in 1991. Wide disparities existed in the distribution of credit to artisans and village industries in Karnataka during 1972-91 period.

The volume of credit to transport operators increased from Rs.7.73 crores in 1972 to Rs.190.48 crores in 1991. Share of advances to transport operators in total bank credit increased in Karnataka from 2.07 percent in 1972 to 2.40 percent in 1991. But this share has shown variation each year during 1971-91 period. The amount of credit to professionals and self-employed in Karnataka increased from Rs.2.66 crores in 1972 to Rs.113.82 crores in 1991. The share of advances to professionals and self-employed in total bank credit has increased from 0.88 percent in 1972 to 1.43 percent in 1991. The volume of credit to retail trade in Karnataka increased from Rs.17.17 crores in 1972 to Rs.491.92 crores in 1991. The share of advances to retail trade in total bank credit has increased from 4.61 percent in 1972 to 6.20 percent in 1991. This implies that the small business which includes transport operators, professionals and self-employed and retail traders is not much benefited from the volume of credit extended by commercial banks in Karnataka during 1972-91 period (Chapter-III).
Social lending to alleviate poverty in Karnataka is undertaken by the commercial banks. In 1988 and 1989 there was a net increase in the volume of credit to the weaker sections and SC/ST people under priority sector advances. But in 1990 and 1991 the position was reversed. Only in 1989 there was a net increase of Rs.0.31 crore under 20-point Economic Programme Advances. In Karnataka under IRDP the number of families assisted decreased from 108893 in 1980-81 to 108841 in 1991-92. The total subsidy to the beneficiaries increased from Rs.9.18 crores in 1980-81 to Rs.21.92 crores in 1991-92 and the bank loan amount to beneficiaries increased from Rs.22.87 crores to Rs.42.18 crores in 1991-92. However, social lending to alleviate poverty in Karnataka has not been impressive and successful because of the following reasons:

(a) A considerable proportion of households have diverted the funds given under poverty alleviation schemes to various non-productive purposes.

(b) In case of many households the assets given under poverty alleviation scheme have been merely replaced or substituted the original assets.

(c) Lack of adequate demand for the services and products has contributed for the low productivity of investments.
(d) The decapilatisation of the assets in the midway.

Thus the poverty alleviation programmes have failed to achieve the desired objectives. These programmes have failed to generate income and create more and more employment opportunities so that the target group can better their economic conditions (Chapter-III).

The concessionary credit to weaker sections has failed to improve the economic conditions of the poor people in the rural areas of Karnataka. Profitability of commercial banks and RRBs has declined because of the implementation of the directed credit programmes. Some of the factors responsible for poor profitability of rural lending are - i) lower rate of return available on agricultural lending due to administered interest rate policy ii) lending under IRDP alone is contributing to nearly about 40 per cent of the total losses of rural branches of commercial banks.

(iii) relatively poor deposit mobilisation by rural branches. Larger deposit mobilisation would increase the profitability of commercial banks.

(iv) average productivity of rural branches as measured by average rural business (deposits+advances) handled per employee is very low.
(v) many rural branches retain balances much in excess of cash return limit resulting in loss of revenue, due to locked up funds.

(vi) at present non-interest income of rural branches forms a very insignificant proportion of total income (Chapter-III).

The amount of overdues in the agricultural credit system has been increasing over the years and has been steadily eroding the financial soundness of the system. This, therefore, has been and continues to be the burning issue.

The large number of schemes for the specific target groups, the large volume of credit being extended to the priority sector over a wide geographical area in Karnataka, the considerable variety of activities being financed, the number of agencies involved in drawing up programmes to facilitate absorption of credit by priority sector, the enormous increase in the number of loan accounts - are notable features of priority sector lending which have made the Karnataka banking experience in this regard quite unique.

However, the shift towards social banking in catering to the rural credit requirements has resulted in some structural and operational weaknesses. Because of these weaknesses the credit is virtually in a battered shape on all three counts:
resource mobilisation, effective lending and recoveries (Chapter-III).

Historically, in Karnataka rural banking has not received the significant attention and care which it must deserve in a predominantly agrarian economy. In the post-nationalisation period, with the introduction of social banking commercial banks and RRBs in Karnataka have accomplished impressive progress quantitatively in respect of the size of credit deployed, of opening up of branches in rural areas and of their participation in diverse schemes of rural development. But the progress achieved by commercial banks and RRBs have been at higher cost and the benefits have not percolated into the members of the target group. Hence, the commercial banks and RRBs, with the new mantle of social banking have not made substantial impact on alleviation of rural poverty and on promoting rural development. In the process, commercial banks and RRBs have tended to be sick units in the multi-agency institutional credit system, exhibiting the weaknesses of poor recovery, low productivity as well as low profitability and non-viability. The populist lending policies, political intervention, excessive emphasis on supply of credit relative to non-credit inputs of schemes, lack of bank employees involvement in the programmes of rural development and seemingly inherent apathy to serve the folk in rural areas - all these have in varying degree weakened the viability of the rural banking system. Thus
institutional specific – i.e. specific to Commercial banks and RRBs structural changes have been suggested to enable them to serve the cause of rural development in Karnataka (Chapter-IV).

The proposed restructure of rural banking is modestly innovative in so far as it has woven various scattered ideas of the official committees and expert opinions. The suggested restructure of rural banking is a five-tier structure outlining the geographical coverage of each tier and functions of each unit. In the proposed structure Self-Help Group (SHG) constitutes the linch-pin which ensures the smooth functioning of the rural banking system for alleviation of poverty and promotion of rural development (Chapter-IV).

In the proposed restructuring exercise, we know that there is no inter-bank competition. But inter-agency competition still exists. In the proposed restructuring exercise there is altogether different type of rural banking function. The proposed banking restructure which virtually boils down to the segregation of rural banking from urban-cum-industrial banking can ensure impressive qualitative progress in terms of substantial impact on alleviation of rural poverty and promoting rural development. The RDBK can improve productivity, profitability, recovery and viability as well with a change of attitudes on the part of bank...
employees towards rural borrowers; change in lending and personnel policies to alleviate poverty and promote rural development, role of Self-Help Group (SHG) in identifying the needy farmers, mobilising resources and acting as intermediaries or liaison agency for improving profitability, productivity and recovery so that they can ensure the viability of present RDBK (Chapter-IV).

RDBK structure enjoins **Raiffeisen-like** value system - i.e. honesty, sincerity, integrity and discipline on the part of all participants at all levels - Head Office, Regional Office, DRDB, BRDB, and VDB. Honesty, sincerity, integrity and discipline - all required on the part of bank employees, NGOs, SHGs, borrowers, and all others concerned to make RDBK in Karnataka viable and successful rural development banking institution in order to alleviate rural poverty and promote rural development.

**Verification of hypotheses**

Three hypotheses have been formulated as a starting point for the present study on 'Commercial Banks and Rural Finance with Special Reference to Karnataka'. The first hypothesis is: the rural credit system in India in general and Karnataka in particular has changed overtime in structure from uni-agency institutional credit system to multi-agency institutional credit system. The second hypothesis is:
Karnataka is a pioneering state in the field of banking. In the context of evolving, Karnataka economy, there exists a need for trade-off between Traditional Banking and Social Banking for promoting Rural Development and the third hypothesis is: the existing rural credit system has not yielded desired results in alleviating rural poverty.

As regards the first hypothesis, it is observed that the uni-agency credit system i.e. co-operative credit system has been predominant in the rural areas. During 1947-68 period the cooperatives were recognised as an instrument of planned economic action and the co-operative system was considered more suitable than the departmental agencies for dispensation of farm credit. All India Rural credit survey committee has observed that the commercial banks are not suitable for inclusion in the integrated scheme of rural credit. Government Policy Export Committee and public opinion - all have been in favour of co-operatives to supply rural credit. They generally opposed to the entry of commercial banks into this sphere (Chapter-II).

But the traditional methods of farming are everywhere giving place to more scientific and modern methods like the use of hybrid seeds, fertilisers, pesticides and multiple cropping assisted by efforts to improve irrigation by sinking wells, installing pump sets etc. These changes imply that subsistence farming is being replaced by something which is
profitable and generate surpluses. This is fully in keeping with the accepted role of banking to try to attract the additional incomes which are generated and provide to credit needed to sustain and enhance the prosperity of the farmer. Commercial banks must be ready to perform the dual function of acting as repositories for savings for a new, prosperous and growing sector of the community and purveying credit for production and marketing requirements of agriculture. The All-India Rural Credit Review Committee has observed that the role played by commercial banks in the past for financing agriculture was negligible but the recent development including those associated with the social control of banks and the fast changing agricultural situation itself induce a more active participation by commercial banks. The committee recommended to this end a multi agency approach to rural credit system. Commercial banks, thus, entered the sphere of rural finance and on a massive scale after the nationalisation of 14 major commercial banks in July 1969 to be followed by the nationalisation of 6 more banks in April 1980. Further, with the establishment of the Regional Rural Banks in 1975 one more wing was added to the rural finance structure (Chapter-II).

Thus rural credit system in India in general and Karnataka in particular has changed over time in structure from uni-agency institutional credit system to multi agency institutional credit system. With this, there is an explicit
recognition of the fact, that banking is in the nature of a service or utility industry, that its main objective is to subserve the society rather than just seek private profit. Here the commercial banks have made a departure from Traditional Banking to Social Banking (Chapter-II).

Dealing with the second hypothesis it is stated that in the context of evolving Karnataka economy there exists a trade-off between Traditional Banking and Social Banking. While Traditional Banking stressed the security-based short term, profit-earning lending, Social Banking emphasised Promotional - Production-oriented - Purpose-oriented lending in rural areas for promoting rural development.

Before the nationalisation of 14 major commercial banks in July 1969 i.e. during the pre-nationalisation period the class-banking or traditional banking or real banking existed in India. There was no social banking or mass-banking or welfare-oriented banking. The traditional banking ignored financing of the target groups, agriculture, small scale industry and other important sectors of the Indian economy (Table-3.1). After nationalisation of 14 major commercial banks i.e. during the post-nationalisation period there has been a clear shift of traditional banking towards social banking (Table-3.2). During the post-nationalisation period there has been a clear shift from traditional banking towards social banking in Karnataka also (Table-3.3). The shift
towards social banking in catering to the rural credit requirements has resulted in some structural and operational weaknesses. But the moot point is whether the trade-off between traditional banking and social banking is needed.

The trade-off between traditional banking and social banking is not warranted. Social banking activity can not be and should not be treated as a deviation from normal commercial banking as it lays the foundation for eventual commercial banking (Chapter-III). It could be seen from the exposition of views presented earlier that social banking represents a clear deviation from the time-honoured traditional banking. However, it needs to be emphasised that the theory and practice of banking will have to undergo a change in consonance with the dynamics of development. This is particularly true of the Indian banking system. Moreover, the recent experience clearly brings out the fact that notwithstanding theoretical arguments to the contrary to the financial system in general and banking system in particular would play a pivotal role in the process of rural development. Also it is possible to operationalise the concept of social banking within the parameters of traditional banking, both in theory and practice. By implication this involves fusing the basic commercial principles of traditional banking with the social needs.
Social banking also implies modification of internal system of working of the bank so as to facilitate the extension of credit on intensive scale to the hither to neglected sections of the society. Keeping these perspectives in view concepts of commercial banking and social banking are complementary and supplementary to each other. They are not to be viewed as mutually competing and conflicting concepts. Social Banking constitutes bankers participation in schemes and programmes that have content dominantly social in relevance i.e. Future-oriented in context and Welfare-oriented in content. The banking activity of the national banks has to conform to the needs of the society to effectively contribute to the socio-economic developmental programmes of the country (Chapter-III).

Though some advocate that there need be a trade-off between Traditional Banking and Social Banking, this trade of between the two is not warranted. So the second hypothesis i.e. there exists a trade-off between Traditional Banking and Social Banking has been disapproved.

Third hypothesis is that the existing rural credit system has not yield desired results in alleviating rural poverty. It is revealed from the figures (Appendix-III to VIII, Appendix-XV, Table-7, Table-8 and Table-9) that marginal farmers, small farmers, rural artisans, small business which includes transport operators professionals and
self-employed and retail trade could not improve their economic condition with the availability of credit facilities from the Commercial banks in Karnataka.

Differential Rate of Interest (DRI) 20-Point Economic Programme (20-PEP) and Integrated Rural Development Programme (IRDP) all poverty alleviation programmes in Karnataka have failed to alleviate rural poverty. Majority of the poor households were not able to cross the poverty-line or raise their living standards on a lasting basis as the income generated from the schemes was neither substantial nor sustainable (Chapter-III, p. 149). The failure of schemes to alleviate poverty has been attributed to inadequacy of the assistance, poor quality of assets, misutilisation of the funds by the beneficiaries, lack of proper forward and backward linkages, lack of skill, ability and experience among poor households to take up self-employment and faulty administrative procedures like wrong selection of beneficiaries (Chapter-III, p. 149). Thus third hypothesis has been examined and proved that the existing rural credit system in Karnataka has not yielded desired results in alleviating rural poverty.