

CHAPTER – I

INTRODUCTION

- 1.1 Introduction
- 1.2 Significance of the study
- 1.3 Statement of the problem
- 1.4 Objectives of the study
- 1.4 (a) Hypotheses
- 1.5 Scope and limitations of the study
- 1.6 Methodology
- 1.7 Sampling scheme
- 1.8 Framework of analysis
- 1.9 Chapter arrangements

CHAPTER - I
INTRODUCTION

1.1 INTRODUCTION:

Mankind is beset with many nagging problems, the major ones being poverty, unemployment, ill-health and disease. Poverty and unemployment are the two crucial problems which attract the attention of everyone. It is highly deplorable and distressing that millions of our people in rural and urban areas are poverty stricken without even a square meal a day, a little house to stay, adequate clothes to wear and other essential amenities. Mahatma Gandhi rightly said that the poor folks living in villages hardly get sufficient food to eat, clothes to wear and they struggle to have a roof to shelter themselves from the sun and rain. Basically, poverty is lack of means for bare existence caused by continuous unemployment or any other source of earning to eke out a livelihood.

The Father of our Nation Mahatma Gandhi said, "India lives in her villages and there will be no progress unless and until villages and villagers developed". In India it is estimated that 76.7% of the total population live in rural areas, and only 23.3% of population are living in urban areas. Even by 2000 A.D. over 70% of the expected population will continue to live in 5,75,000 villages¹.

Chronic and mass poverty has been embedded in India's recorded history. More than 330 millions of our country's

population live below the poverty line. The per capita income of Indian farmers is the third lowest in the world. The main causes for the perpetuation of poverty in India include skewed access to resources and inadequate generation of rural employment². It shows that nearly 40% of the population in India lives below the poverty line inspite of the Five Year Plans. This indicates the immensity of the problem. The deplorable living conditions in rural settlements call for immediate action to improve their conditions. In India, Five Year Plans were introduced as an instrument to reduce poverty and unemployment among the rural masses. While defining planning Jawaharlal Nehru opines that planning was to initiate forces which would work for the poor to become rich and to stop the forces which would make the rich become richer. Hence it is desired that planning should begin from the grass root level to guarantee the minimum comforts to the masses.

During the past, through the Five Year Plans considerable efforts had been made for rural development. To tackle poverty and unemployment effectively and to mitigate the sufferings of the rural people, the Government of India launched a number of poverty alleviation programmes in the seventies and large amount of money was spent on them. Alleviation of poverty and unemployment are the prime objectives of almost all the Five Year Plans. But still, the rural India that accounts for more than three-fourths of the country's population, has a much lower level of income and per capita consumption.

Finance is an instrument of progress and when it is not available, progress and development stagnate. There arises a need to mobilise the available scarce resources through organised financial institutions. Keeping this view in mind, a large number of banks were started by the Government and by the private sector. Banks play an important role in the economic development of the nation. The Indian banking system is at present undergoing a significant change from the traditional banking to a modern multi-faceted banking system in line with the need to achieve the rapid socio-economic progress. For this purpose it has changed its approach from 'Class banking' to 'Mass banking' and concentrates more on social lending operations.

Banking institutions today form the heart of the financial structure of any country, whether it is developed or developing. In a developing economy, the role of banks is more challenging than in a developed economy.

The policy of social control over banks was introduced in December 1967. In July 1969, fourteen major commercial banks were nationalised. Many other steps were taken for reorienting the banking system to suit the national priorities with deep concern to the weaker sections and backward areas.

After the Nationalisation the role played by the banks including Regional Rural Banks and Co-operative Banks in

financing weaker sections of the society to improve their socio-economic conditions is very significant. In the recent years, the banks have not only been enlarging the total volume of credit, but have also increased the proportion of finance to small and poor borrowers of the weaker sections of the society. Banks are making special efforts to assist the weaker sections to enable them to undertake self-employment venture or to acquire income generating capital assets to improve their standard of living.

Another measure of thrust of the bankers' lending efforts was in the form of credit to the identified weaker sections under the Integrated Rural Development Programme (IRDP). It is a special programme introduced by the Government of India in 1978-79 with a view to enabling the weaker sections living below the poverty line to undertake self-employment ventures and to acquiring income generating assets to come up at least above the poverty line. This programme envisages capital subsidy and credit assistance to the identified poor families for earning income through income generating capital assets. The programme seeks in particular to improve the lot of the poorest of the poor - small and marginal farmers, share croppers, agricultural labourers, rural artisans, scheduled castes, scheduled tribes and other weaker sections. About 4.22 crore families had been assisted until March 1990 with an investment of Rs. 18,728.3 crores under the programme³. During the Eighth Plan Period, it was proposed to assist 126 lakh families under IRDP. The plan provision (Central plus States) for this was approximately Rs. 6,650 crores⁴.

1.2 SIGNIFICANCE OF THE STUDY:

There are very few studies dealing with different practical aspects of bank finance. Micro-level indepth studies have not ^{been} conducted ~~in the past~~. This study aims at ~~clo~~osing up this gap.

In the present micro-level study, an attempt is made to examine the performance of commercial banks and primary co-operative banks in financing the beneficiary households of IRDP in Agriculture, Animal Husbandry and Industry, Service and Business (ISB) sectors. The main focus of the study is to make an indepth analysis of the impact of bank loans on income generation, employment creation and asset accumulation of the beneficiary households. Thus it is planned to study the performance of the lending agencies indirectly. ~~This~~ type of analytical studies are necessary to quantify the correlation between bank credit and income on one hand and bank credit and employment generation of beneficiary households on the other. It also aims at studying the productivity of this critical input credit which is given for improving the economic condition of weaker sections of the society. In this context the present study assumes greater significance.

1.3 STATEMENT OF THE PROBLEM:

The Government of India promoted a number of agencies to extend credit to the rural people not only to save them from the clutches of the private money lenders but also to raise the level of productivity and income of the rural people. But the expectations of the Government are yet to materialise. This is evidenced by the fact that ^{the} till today unorganised sector supplies nearly 65% of the rural credit in India, inspite of various agencies particularly co-operatives, operating in the territories for more than seven decades⁵. Moreover it was reported that the rural credit operations were highly concentrated among the advantaged rural people due to security-oriented loaning operations. Further, grass root level layers of different agencies face various administrative problems, which are deemed to be hurdles in the smooth functioning. On the other hand, it is also alleged that rural borrowers are facing various kinds of problems while dealing with the agencies involved in extending credit.

Of the many programmes aimed at eradicating poverty and providing productive employment opportunities, the IRDP is the most comprehensive programme in operation since 1978-79 and today it covers all the blocks in the country.

Finance is an essential and important input for breaking the vicious circle of poverty. The Commercial Banks, Co-operative Banks and Regional Rural Banks (RRB) came in a big way

to provide institutional credit to IRDP. But a research study carried out on "Farm level credit management in Thondamuthur Block of Coimbatore District, Tamil Nadu" by Dr.M.Arumugham had shown that inspite of the enlargement of the finance, it appears that the informal sector still continued to cater to the financial needs of the rural sector in a significant way⁶. A similar view was expressed by Dr.K.Kumarasamy in his research study on "Structure and flow of crop loan in Tamil Nadu - A case study of Natham Taluk of Dindigul Anna District"⁷.

In a country where nearly half the population lives below the poverty line, effectiveness of the development effort is to be judged in terms of benefits derived by the vast rural masses⁸. Studies made so far on the working of IRDP have given mixed results. The studies carried out by the government agencies show positive results, whereas, the studies of private individuals indicate different facts and explain that the very basic purpose of such programme is defeated. This controversy between the reports of the official institutions/officially sponsored institutions and the individual or private studies is the motivating factor behind this research work. The reality is to be understood for the successful implementation of the programme to achieve the original objectives. The present study has been undertaken to assess the impact of the bank credit on the weaker sections under Integrated Rural Development Programme (IRDP) in Pullambadi Block.

1.4 OBJECTIVES OF THE STUDY:

The study proposes to examine the impact of bank finance on the weaker sections with reference to IRDP and the issues connected with lending and borrowing of such loans under the programme. It also proposes to deal with the problems of lenders and borrowers. The broad objective of the study is to identify and analyse the issues involved in the administration of IRDP loan. In tune with this, the following specific objectives have been framed.

1. To study the role of banks in financing the weaker sections.

2. To examine the impact of bank finance on generation of income to the weaker sections.

3. To assess the role of bank finance on the employment generated to the weaker sections.

4. To study the importance of bank finance on strengthening the asset base of the weaker sections.

5. To identify the problems of beneficiary households and the bankers in financing weaker sections.

6. To suggest measures for better results.

1.4 (a) HYPOTHESES:

To carryout the above objectives the following hypotheses were framed and tested.

1. The average incomes generated by the group one beneficiaries from Agriculture and Animal Husbandry sector activities ~~are~~ equal.

2. There is no significant difference in additional income generated by group two beneficiaries from the I.S.B sector activities.

3. The average additional income generated by the respondents is equal in all the three different sectors.

4. The average additional employment generated to the male beneficiaries in all the three sectors of activities is equal.

5. There was no significant difference in average additional employment generated to the female beneficiaries in all the three sectors of activities.

6. The average additional employment generated to the respondents was equal in all the three different sectors.

7. The average additional employment generated as family labour in all the three sectors of activities is equal.

8. There is no significant difference in average additional employment generated to the hired labourers in three sectors of activities.

9. The average additional employment (hired and family) generated by the respondents is equal in all the three different sectors.

10. There is no significant difference in average value of assets owned by the two groups of beneficiaries.

1.5 SCOPE AND LIMITATIONS OF THE STUDY:

The Government has understood the gravity of the problems faced by the weaker sections who^{ich} constitute the bulk of the population and has taken steps to ensure access to financial assistance. Hence the commercial and co-operative banks were asked to lend^a certain fixed percentage of advances to the weaker sections of the community.

In this study an inquiry is made about the socio-economic characteristics of the beneficiary households. The study is extended further to ~~learn~~ the impact of these loans on creation of employment, generation of income and increase in asset position of the weaker sections of the community.

This study has a limited scope of evaluating the impact of bank finance on the beneficiary households of selected schemes of IRDP only. The scope is further limited both in terms of space and time to ^{the} Pullambadi block of Tiruchirappalli district. Only the beneficiaries identified and covered under IRDP during the year 1988-89 were taken for the study. Net income from all major sources such as agriculture proper, allied agricultural activities, IRDP activity and handicrafts were computed for the purpose of evaluation and comparison. The impact of bank finance under IRDP was worked out by comparing the total net return from all the above mentioned sources of income during the pre and post assistance period.

The block selected for the study is agro-based and is ranked first in the achievement of financial target for IRDP during the year 1988-89 in this district. Hence, it was expected that the study would bring out the real impact of the programme and of the bank loans on the eradication of poverty in ^{the} Pullambadi block of ^{the} Lalgudi Taluk in ^{the} Tiruchirappalli district.

The inferences drawn from the present study have a definite location/time and scheme bias. However, the overall scenario which has emerged in this study may be similar to the studies conducted in other areas. The findings could be safely generalised if the conditions prevailing are similar.

1.6 METHODOLOGY:

1.6.1 AREA OF STUDY:

The present micro-level study is an empirical research based on the survey method. The study was taken up in the Pullambadi Block of ^{the} Lalgudi Taluk in ^{the} Tiruchirappalli district, Tamil Nadu.

Poverty in its ugliest form is found in the rural areas. ^{The} Majority of the poorer sections of rural population belong to the families of small farmers, marginal farmers, agricultural labourers, landless labourers, share croppers, tenant cultivators and rural artisans. Accordingly, Pullambadi, an agriculture oriented development block has been selected for the study. It was ranked first in the financial achievement of IRDP during the year 1988-89 in Tiruchirappalli district.

1.6.2 SOURCES OF DATA:

Both the primary and secondary data have been used in the analysis. Primary data were collected from the beneficiary households and from banks (both commercial and primary co-operative) which are directly connected with Integrated Rural Development Programme (IRDP). The study covers all the banks extending loans to the beneficiary households of the block under the programme. The beneficiary households of IRDP loan during the period of study constituted the population for the study. A list of IRDP beneficiary households was obtained from the respective institutions.

The secondary data for the study were collected from the records of District Rural Development Agency (DRDA) office, Tiruchirappalli, Block Development Office - Pullambadi, Commercial and Co-operative banks, Department of Statistics, Department of Agriculture and Pullambadi panchayat office. The action plan prepared by the DRDA officials and also the credit plan prepared by the Lead Bank of the District, Annual Reports published by Tiruchirapalli District Central Co-operative Bank were also referred to for the collection of data. Personal interviews were conducted with the officials including the Block Development Officer, Assistant Project Officer of DRDA, Field Officers of the concerned banks, Village Level Workers (VLWs), Extension workers, Secretaries of Milk Producers' Co-operative society to elicit information about the IRDP beneficiary households in the selected block. Government of India publications on IRDP, the various reports on the evaluation of IRDP published by the State and Central Governments and the various private institutions and individuals were also referred to. Newspapers, magazines and books on this subject were also referred to wherever necessary.

1.6.3 PERIOD OF STUDY:

The present study covers a period of one year ie. 1988-89 and it is about the IDRDP beneficiaries who availed the loan in 1988-89 for whom the repayment period ended in 1991-92. The data were collected in the year 1992. It enabled the researcher to analyse the impact of the loan on the beneficiaries. It was also noted that proper records and details were available only from 1988-89 in the Block Development Office of the area of study.

1.7 SAMPLING SCHEME:

1.7.1 SELECTION OF THE DISTRICT:

Selection of the district constituted the first stage. For the purpose of the study, Tiruchirapalli district has been purposively chosen for the following reasons. Nearly 71% of the total population of the district was engaged in agricultural activities. It was the major occupation to earn livelihood for majority of people of the district. In the implementation of IRDP, 60% of the total beneficiary households must be from agricultural sector. The target group for IRDP consists of Small Farmers (SF), Marginal Farmers (MF), Agricultural Labourers (AL), Non-Agricultural Labourers (NAL), Rural Artisans (RA), members of Scheduled castes, Scheduled tribes etc. In this district about 77% of the total land holding belonged to the farmers owning two hectares or less. The marginal farms form the major chunk of the total number of land holdings of the district. The cultivators and agricultural labourers were more than the other types of workers and they constituted 70.36% of the total workers of the district. The rural workers accounted for 80.73% of the total workers and among them, above 90% were cultivators and agricultural labourers⁹. In short Tiruchirapalli district was selected for choosing the block for the study for two reasons i.e.

- (1) it was agricultural oriented; and
- (2) there was heavy concentration of marginal farmers.

1.7.2 SELECTION OF THE BLOCK:

The Pullambadi Block of Tiruchirapalli district was purposely selected for obvious reasons. This block ranked first in the financial achievement of IRDP during the year 1988-89 in Tiruchirapalli District. Since the study intended to assess the impact of bank finance on the weaker sections, the financial achievement under the programme was considered a suitable yardstick for the selection of the block. The familiarity of the researcher about the condition of the block was another reason for the selection of the Pullambadi Block for the micro level study.

1.7.3 SELECTION OF THE VILLAGES:

For the purpose of identifying villages from the block for the study, all the villages of the block covered under the programme were listed in the descending order based on the number of beneficiary families assisted during the year 1988-89. Out of 36 villages in the block, the top 18 villages (i.e. 50%) were selected. These villages formed the third stage of the sampling.

1.7.4 SELECTION OF THE SAMPLE BENEFICIARIES:

Totally 679 beneficiary households were assisted under IRDP in Pullambadi Block during the year 1988-89. A list of all beneficiary households assisted under the programme in the year 1988-89 in the 18 selected villages was prepared with the details obtained from the Pullambadi Block Development office. The total number of 503 households were assisted in the above 18 villages. Then 50% of the total number of beneficiary households was selected at random by drawing lots from the total number of beneficiaries of each identified sample village.

Due care was taken to cover sufficient number of beneficiary households from Agriculture, Animal Husbandry, Industry, Service and Business (ISB) i.e. tertiary sector including the beneficiary from spill over and old beneficiaries assisted with the second dose during the year 1988-89.

Ultimately, 255 beneficiary households (37.56% of the total beneficiaries of the block) were randomly selected which included seven beneficiaries from Agriculture, 177 from Animal Husbandry and 71 from ISB sector. They formed the fourth stage of the sample for the study.

TABLE NO.1.1

TABLE SHOWING SELECTION OF SAMPLE RESPONDENTS

(Figures in brackets are percentages)

Sl. No.	Sector	Commercial Banks		PCBs		Total	
		B.A	S.B	B.A	S.B	B.A	S.B
1.	Agriculture	22	4	12	3	34 (100.00)	7 (20.59)
2.	Animal Husbandry	278	111	165	66	443 (100.00)	177 (39.95)
3.	I.S.B	168	57	34	14	202 (100.00)	71 (35.15)
	Total	468	172	211	83	679 (100.00)	255 (37.56)

PCBs : Primary Co-operative Banks

B.A : Beneficiaries assisted

S.B : Sample beneficiaries

1.7.5 SELECTION OF BANKS:

Of the 255 sample beneficiary households, 172 beneficiaries were assisted by eight branches of five commercial banks. The present study covers all the eight branches of five commercial banks and 11 primary co-operative banks which provided IRDP loans during the year 1988-89 in the Pullambadi block.

Thus the study is confined to the Pullambadi block of Lalgudi Taluk in Tiruchirapalli district which is agriculture based. Necessary rapport with the officials was established by the researcher's familiarity of the area and also by scouting the area. The general economic background of the block was understood. There were three branches of Indian Overseas Bank, which is the lead bank of the district, two branches of Punjab National Bank and the rest three were the branches of three different banks viz., Bank of India, Union Bank of India and Indian Bank (formerly the Bank of Thanjavur Ltd.). In the case of co-operative sector 11 primary co-operative banks were in operation. All these banks were personally contacted for collection of necessary details for the study.

It was found that all the banks provided IRDP loans during the period of study except one primary co-operative bank which was not in operation due to the pending of case filed against the president of the co-operative bank in connection with some corruption charges. Hence the particular co-operative bank was eliminated from the purview of the study and thus this study is confined to ten primary co-operative banks of the block.

The branch managers of commercial banks and secretaries of primary co-operative banks were contacted and their responses were collected individually from them with the help of a structured interview schedule prepared for the purpose.

The data pertaining to IRDP loans were maintained by the banks beneficiary-wise, scheme-wise and sector-wise like Agriculture, Animal Husbandry and Industry, Service and Business (ISB). The same classification is followed throughout the study.

The lists of beneficiary households assisted under the programme through various branches of commercial banks and co-operative banks were consolidated and presented in table No.1.2.

TABLE NO.1.2

TABLE SHOWING BANK-WISE AND SECTOR-WISE
DETAILS OF IRDP LOANS DISBURSED IN
PULLAMBADI BLOCK IN THE YEAR 1988-89

Sl. No.	Banks	Sectors			Total
		Agriculture	Animal Husbandry	I.S.B	
A. Commercial Banks:					
1.	BOI - Pullambadi	5	59	31	95
2.	IOB - Peruvalapur	1	42	22	65
3.	PNB - Dalmiapuram	-	11	38	49
4.	PNB - Alundalaipur	7	39	13	59
5.	IB - Kallakudi	-	15	24	39
6.	UBI - Padalur	3	41	7	51
7.	IOB - Malvoi	6	46	16	68
8.	IOB - Siruganur	-	25	17	42
B. Primary co-operative Banks:					
9.	PCB - Pullambadi	-	19	9	28
10.	PCB - Venkatachalapuram	1	6	2	9
11.	PCB - Viragalur	1	8	2	11
12.	PCB - Peruvalapur	3	21	4	28
13.	PCB - Thatchankurichi	1	33	3	37
14.	PCB - Malvoi	3	13	4	20
15.	PCB - Kovandakurichi	1	25	1	27
16.	PCB - Thappai	1	16	3	20
17.	PCB - Kallakudi	-	16	5	21
18.	PCB - Kattur	1	8	1	10
Total		34	443	202	679

The researcher's purposive visits and interview with the officials concerned enabled the researcher to identify various problems at different levels. The project officer of Tiruchirapalli District Rural Development Agency, Block Development Officer of the Pullambadi Block, the field officers of the banks were also consulted to collect necessary information needed for framing the schedules.

Two sets of structured interview schedules were prepared for collecting necessary data from the beneficiaries and the banks. Both the interview schedules were administered on a sub-sample of respondents drawn out of the ultimate sample. *Seventy five* beneficiary households and four bank officials including the Secretaries of two Primary Co-operative Banks were contacted for the pre-test of the schedule. On the basis of the experience gained, the interview schedules were revised suitably and finalised after a careful scrutiny. The pre-test was carried out in December 1991 and the final field survey was conducted during the period between April 1992 and June 1992.

1.8 FRAMEWORK OF ANALYSIS:

Appropriate statistical tools have been used to analyse, classify and tabulate the collected data and information so as to draw valid inferences based on the objectives of the study.

The conventional tools like descriptive tables, percentage diagrams and graphs were used for analysis. Further the following specific tools were also used.

a) 't' tests for testing the significance of correlation coefficients.

b) Multiple linear regression to find out the functional relationship between the variables and its significance.

c) Analysis of variance (one way classification) to test the homogeneity of several means.

d) Cobb-Dugless type model of multiple regression to decide the degree of relationship existing between the variables of the study and its significance.

(All the above tests were carried out at 5 percent level of significance).

1.9 CHAPTER ARRANGEMENTS

The study is presented in seven chapters as detailed below:

Chapter I deals with introduction, significance of the study, statement of the problem, objectives, methodology, framework of analysis, limitations of the study and chapter arrangements.

Chapter II presents the description of the study area.

Chapter III ~~is devoted to~~ explain the basic concepts used in the study and to review the past work done in the related area.

Chapter IV presents the profile of the sample beneficiaries and the performance of banks in financing the weaker sections under IRDP in the study area.

Chapter V examines the impact of bank finance on income, employment and asset position of the weaker sections.

Chapter VI presents the summary of the findings.

Chapter VII ~~is devoted to~~ offer suggestions and conclusions.

REFERENCES

1. Editorial, "Rural Water Supply in India", Yojana, vol.34, No.22, December 1-5, 1990, pp.6-7.
2. Editorial, The Hindu, June 30, 1998, p.5.
3. Government of India, Annual Report 1989-90, Department of Rural Development, Ministry of Agriculture, New Delhi, p.29.
4. Editorial, "Subsidy under IRDP enhanced by Rs. 1,000", The Hindu, June 17, 1994.
5. Currency & Finance Report, RBI, 1990-91, p. 28.
6. Unpublished Doctoral thesis submitted to the University of Madras, Madras, 1983, pp.21-23.
7. Unpublished Doctoral thesis submitted to the Bharathiar University, Coimbatore, 1992, pp.229-231.
8. Editorial, The Economic Times, Bombay, October 7, 1980, p.3.
9. Indian Overseas Bank, Annual Credit Plan for Tiruchirappalli District - 1988-89, Lead Bank Section, Regional Office, Tiruchirappalli.