

Rural Credit and Weaker Sections: a study in Pavagada taluk

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Abstract: India lives in its villages, and while the cities have grown hugely over the last 20 years, rural areas have not seen that type of progress. For India's economy to be strong, the rural economy wants to develop. India's economy is primarily rural in character. Over the past few years rural India has witnessed arise in the buying power of consumers, accompanied by their need to improve their standard of living. Financial institutions failed to reach the poorer sections of the rural society due to informational asymmetry, moral hazard and enforcement problems. The necessity of having alternative rural credit systems which will solve the problems of rural credit institutions is clearly warranted. In these way regional rural banks plays a very important role in providing loans to the rural section people. The paper tries to focus and highlight how Regional Rural Banks can assist in restructuring the financial system in rural area. The study try to explore the possible impact of Bank in rural area and especially challenges and opportunities would be highlighted. This paper is based on secondary data as well as primary data.

Keywords: Credit, finance, weaker sections

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I. Introduction

Lending policies of the banks in India especially after nationalization of banks in 1969 focused on removal of poverty but without much success and financial exclusion in rural areas has widened especially after introduction of financial reforms in 1991. Network of branches and credit to rural and semi urban areas increased manifold after nationalization. However commercial banks are essentially urban in their orientation and have to cater to needs of large and medium commercial and industrial sector but credit gaps still exist in rural areas. It is therefore felt that commercial banks cannot improve credit delivery into far flung rural areas beyond a point, due to their inherent limitations. Cooperatives were having rural experience and very good network in rural areas and are also having rural orientation.

Therefore there are in better position to facilitate financial inclusion in the rural areas where exclusion in the rural areas where exclusion is widespread. However they lack professionalism in management. Although the rural cooperative credit societies form an integral part of the rural banking system in performing their activities on co-operative principles. Cooperative undertakings have long been accepted as an alternative to private and public sector enterprises in India in organizing key economic activities, especially where people of small means are involved. The primary agricultural credit societies form the basic edifice on which the entire short-term and medium term cooperative credit system is built. These societies have direct contact with the member agriculturists.

II. Objectives Of The Study

Based on the statement of the problem and the review of literature the following objectives are formulated for the present study.

1. To analyze the role of Rural Credit institutions in catering financial needs of the weaker sections.
2. To examine the impact of Rural Credit institutions specially Cauvery KalpatharuGrameena Bank on the development of weaker sections in Pavagada Taluk.
3. To suggest suitable measures for the further effective functioning of Rural Credit institutions in catering the financial needs of the weaker sections.

III. Methodology:

The present study is based on both primary and secondary sources of data. The secondary data has been collected from the journals, government reports, NABARD documents, Cauvery kalpatharuGrammena Annual reports. The primary data has been collected from 100 respondents in pavagada taluk. The data analysis has been carried out by using simple statistical methods like percentages and averages this will help us to understand

the gross root level realities. The primary information has been collected by standard questionnaire. The field survey was conducted mainly three hobaliesviz., namely Nagalamdike, Pavagada and C.K.Pura respectively.

IV. Results And Discussions

The primary objective of the bank is to uplift the weaker sections of the society in rural areas. Nearly 50 to 60 percent of the rural poor belong to weaker sections. Development of these classes would lead to the development of the rural areas. To know which class is given more importance by the bank while sanctioning the loans, the researcher has classified the total sample respondents based on their castes.

Table-1 category-wise classification of sample households.

Name of the Branch	SC's	ST's	OBC	Others	Total
Nagalamdike	10	15	20	5	50
Pavagada	12	11	15	12	50
C K Pura	8	10	24	8	50
Total	30	36	59	25	150

Sources: Field Survey

Note: Figures in the Parentheses represent percentage to total

Table-1 shows that out of 150 respondents about 59 respondents are backward castes, 36 respondents hail from Schedule tribes. The branch wise data reveals that, backward classes are more in CK Pura Branch when compared to other branches and also indicates that the banks usually concentrated more on Backward castes and schedule tribes in the study area. The reason that, majority of the loans are crops loans and majority of lands owned by Backward classes.

Table-2 Distribution of Sample Respondents by Occupation

Name of the Branch	Agriculturists	Agricultural labour	Small Business	Others	Total
Nagalamdike	22	11	8	9	50
Pavagada	16	9	17	8	50
C K Pura	22	10	8	10	50
Total	60(40)	30(20)	33(22)	27(18)	150(100)

Source: Field Survey

Note: Figures in the Parentheses represent percentage to total

Table-2 indicates that the distributions of the selected households according to their occupations. It is evident that out of 350 sample respondents 60 respondents are agriculturists, where as 33 are small business runners. Agricultural labour and others constitute 30 and 27 respondents respectively. In CK Pura and Nagalamadike branches areas the percentage of agriculturists is more but in the case of Pavagada branch only 16 respondents from agriculturists have been provided the agriculture loans. The reason is that respondents depending More on Business. In almost Branches all the branches small business occupied second place and Agriculture labourers in third place. On an average it is understood that bank has given more loans to agricultural dependents under crop loan scheme.

Awariness of respondents of Loan Portfolio

Table-3 reveals that the beneficiaries' awareness regarding the different types of loans in selected branches of CKGB. It reveals that out of 150 respondents, 54.66 percent of respondents have the knowledge and awareness on different kind of loans issued by the bank.

Table-3 Respondents Awareness regarding different types of Loans

Name of the Branch	Aware	Partly Aware	Not Aware	Total
Nagalamdike	27	15	8	50
Pavagada	30	14	6	50
C K Pura	25	16	9	50
Total	82(54.66)	45(30)	23(15.33)	150(100)

Source: Field Survey

Note: Figures in the Parentheses represent percentage to total

This trend can be observed in the all branches. About 30 percent respondents are partly aware of the types of loans and finally only 15.33 percent of respondents are not aware of different type's loans issued by the banks.

Utilization and Diversification of Loans:

Development of people is depending not only on sectioning of loans but also on the utilization of those loans in proper way. If people divert their loans towards the unproductive, the objective of the bank would not be achieved and development would not be seen.

Table-4: Utilization and Diversification of Loans

Name of the Branch	Diversified	Utilized	Total
Nagalandike	28	22	50
Pavagada	10	40	50
C K Pura	15	35	50
Total	53 (35.33)	97 (64.66)	150 (100)

Source: Field Survey

Note: Figures in the Parentheses represent percentage to total

Table-4 indicates that the utilization and diversification of loans by the respondents. It is observed that out of the total 150 respondents, 97(64.66%) respondents are utilized the loans properly remaining 53(35.33%) respondents were not utilized loans. In Pavagada Branch highest that is 40 respondents have been utilized the loans properly.

Impact of Loans on Weaker Sections:

The impact of loans has been assessed in terms of the average incomes. In other words, the average incomes of the beneficiaries from different sectors before and after taking the loans are measured.

Table-5: Average Annual Income Before and After Getting loan (Amount in Rs.)

Name of the Branch	Agriculturists		Agricultural labour		Small Business		Others	
	Before	After	Before	After	Before	After	Before	After
Nagalandike	40000	48000	20000	23000	65000	85000	21000	25000
Pavagada	38000	43000	25000	30000	71000	90000	23000	29000
C K Pura	39000	45000	21000	24000	60000	70000	22000	27000
Total	117000	136000	66000	77000	196000	245000	66000	81000
Average	39000	45333 (16.23)	22000	25666 (16.6)	65333	81666 (24.99)	22000	27000 (22.72)

Source: Field Survey

Note: Figures in the Parentheses represent percentage to total

As may be seen from the table-5 an increase in the average incomes of the respondents. But the increase in the average incomes is varied from sector to sector. More improvement in the income levels may be observed that in Small Business with 24.99 percent change in the average income. Followed by the others with 22.72 Percent, agriculturists with 16.23 percent and agricultural labour 16.6 percent. Though there has been increase in the income levels of agriculturists are low when compared to small business. The reason is that agriculturists and agricultural laborers are completely depending on agriculture.

V. Suggestions

In the light of our observations some suggestions are made about effective functioning of the banks in order to advance the weaker sections. The suggestions are as follows:

- a. Adequate credit shall be provided for small business particularly they have potential to generate employment opportunities.
- b. During the survey some of the beneficiaries expressed that, they are getting help from the bank officials in lending loans but not technical help in time.
- c. The elimination of multiple intermediaries will save a lot of time and effort for the poor. The saved time can be used productively for increasing his income.
- d. Credit is only one number of input that go to the activity raise the income of the poor and it has to be integrated with other inputs like training, marketing, counseling etc

VI. Conclusions

In developing countries “Rural Credit” has been coined as banking for poor people. In rural areas revolutionary step taken place by the government through introducing the credit facilities. Earlier to 1980’s credit was provided by the informal agencies like landlords, Money Lenders, Merchants and relatives etc., but credit provided by them was very costly that is borrowers had to pay high interest on credit. After nationalization banks, provided loans to farmers but did not became effective, but after introducing micro credit through the banks it has created tremendous changes in the rural area. This has created self-reliance, self respect, entrepreneurship among poor rural people in the study area. Hence there is a need of strengthening of rural credit system on top priority which will boost of the weaker sections as well as rural development.

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