A STUDY ON THE EVALUATION OF THE SERVICE OF SOUTH MALABAR GRAMIN BANK FOR THE SOCIO-ECONOMIC UPLIFTMENT WITH SPECIAL REFERENCE TO SMALL SCALE AND COTTAGE INDUSTRIES

Thesis
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Doctor of Philosophy
in the Faculty of Commerce

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CERTIFICATE

Certified that the thesis entitled **A Study on the Evaluation of the Service of South Malabar Gramin Bank for the Socio-Economic Upliftment with special reference to Small Scale and Cottage Industries**, which is being submitted for the award of the Degree of Doctor of Philosophy in Commerce is an authentic record of the work carried out by **Mr. P. Abdul Azeez**, under my supervision and guidance.

He is allowed to submit this thesis.

14/10/03

Dr. E.P. SAINUL ABIDEEN

DECLARATION

I do hereby declare that this thesis entitled **A Study on the Evaluation of the Service of South Malabar Gramin Bank for the Socio-Economic Upliftment with special reference to Small Scale and Cottage Industries** is a bonafide record of the research work done by me and that no part of this thesis has been presented earlier by me for the award of any degree, diploma, associateship, fellowship or other similar title of any other institution.

C.U. Campus,
Date: 10th October, 2003

P. ABDUL AZEEZ

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LIST OF ABBREVIATIONS USED

A/c	:	Account
AFC	:	Agricultural Finance Corporation
AGL	:	Agricultural Gold Loan
AL	:	Agricultural Loan
ARC	:	Agricultural Refinance Corporation
ATM	:	Automatic Teller Machine
BL	:	Business Loan
CD	:	Credit Deposit
CLT	:	Calicut
D/D	:	Demand Draft
DRI	:	Differential Rate of Interest
FD	:	Fixed Deposit
GL	:	Gold Loan
HL	:	Housing Loan
HRD	:	Human Resource Development
IRDP	:	Integrated Rural Development Programme
KCC	:	Kisan Credit Card
MPM	:	Malappuram
NABARD	:	National Bank for Agriculture And Rural Development
NCA	:	National Commission on Agriculture
NFS	:	Non-Farm Sector
NMGB	:	North Malabar Gramin Bank
NND	:	Nithya Nidhi Deposit
NPA	:	Non-Performing Asset
NRE	:	Non-Resident External
NRO	:	Non-Resident Others
PL	:	Personal Loan
RBI	:	Reserve Bank of India
RD	:	Recurring Deposit

SGSY	:	Swaranjayanti Gram Swarozgar Yojana
SHG	:	Self Help Group
SMGB	:	South Malabar Gramin Bank
SSB	:	Specialised Savings Branch
SSI	:	Small Scale Industries
VL	:	Vehicle Loan
VVV	:	Vikas Volunteer Vahini

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CHAPTER I

INTRODUCTION AND METHODOLOGY

Considering the predominance of Agriculture in the economy on the one hand and the pitiable condition of agricultural population on the other, both central and state governments have formulated a lot of poverty alleviation and rural development programmes. The major chunk of the financial budget is allotted to these development programmes even now. Banks have been assigned a major role in our country in the process of economic development. Banks mobilise the savings of the society in the form of deposits and divert them not only in 'profitable channels' but also in 'productive out lets.

Government of India had initiated various measures to enhance the viability of banking sector since independence. Control measures introduced in 1968, nationalisation of 14 banks in 1969, formation of credit guarantee corporation in 1971, the formation of Regional Rural Banks in 1975 are some of them.

Disinterest of Nationalised banks to open branches in rural areas, inefficiency of Co-operative banks to perform to the desired level etc made it necessary to establish a new system of institution on the basis of attitudinal and operational ethos.

The recommendations of Shri. M. Narasimham committee appointed for this purpose was accepted by the Government which paved the way to establish Regional Rural Banks as per the Regional Rural Banks Act of 1976. In 1975, 5 Regional Rural Banks were established (The Regional Rural Banks Ordinance was passed in 1975).

Regional Rural Banks in Kerala

There are two Regional Rural Banks in Kerala namely South Malabar Gramin Bank sponsored by Canara Bank and North Malabar Gramin Bank sponsored by Syndicate bank. SMG Bank was established in 1976 with its Head Office at Malappuram with an authorised capital of rupees 1 crore, and paid up capital of rupees 25 lakhs contributed 50 per cent by Central Government, 35 per cent by sponsor bank and 15 per cent by State Government. Its areas of operation include Malappuram, Calicut, Wynad (2 Taluks only), Trichur and Palghat districts. Most of the service areas of the bank are situated in socially and economically backward places. SMG Bank was started with 5 branches and 20 employees (all deputed from sponsor bank). During the last two and a half decades they have been providing assistance to a variety of schemes for the intensive development of Malabar areas.

Scope and significance of the study

Sharp incidence of poverty in the country promulgated the need for an accelerated village development. As per the official estimate, more than 40 per cent of village population live below poverty line as against 28 per cent on urban areas.

The importance of village credit is not debatable. Lack of finance is the main problem of villages and it is a stumbling block on their economic activities. So an efficient system of village credit is inevitable to sustain, stimulate and strengthen these sector. To fulfill the purpose, more and more Regional Rural Banks are being set up. The number of these banks rose from 6 in 1975 to 196 in 2002.

The credit programmes of Regional Rural Banks are mainly intended to the 'Target Group' consisting of small and marginal farmers, agricultural labourers, small entrepreneurs, artisans, retail traders and also self employed persons. They combine the local preference of co-operative Banks and Management skills of commercial Banks and thus act as an effective agent of village development. As the actual development of a country depends on the development of village people, this study assumes particular significance.

The two RRBs are functioning in Kerala during the last two and half decades. They are providing assistance to a variety of schemes for the intensive development of Malabar area. In this connection a study evaluating the service of South Malabar Gramin Bank especially for the upliftment of the poor and small scale and cottage industries in the service area of the bank merits consideration. It may also be borne in mind that though so many studies were carried on RRBs, only a few studies were carried on South Malabar Gramin Bank. No previous study on the service of SMG Bank for Socio-economic upliftment with special reference to small scale and cottage industries was made.

SURVEY OF LITERATURE

A large volume of literature is available on various aspects related to banks, small scale and cottage Industries. Some of these studies are conducted in India, while others are done abroad. The method used in collecting and analysing the data have been different in each case which make it difficult to compare these studies on the basis of some common criteria. However, authentic and systematic studies carried out in Kerala on the service of South Malabar Gramin Bank, RRBs, other banks, small scale and cottage industries are scanty. An attempt is made here to review some of the studies done earlier.

Alexander (1963) examined the problems of small scale industries in a wider perspective. Shortage of capital according to him was a major problem which led to less margin for further investment.

Kalyani Bandopathyaya (1969) in his study 'Industrialisation through Industrial Estate' made an endeavour to compare the efficiency of small scale industries, which were in the Industrial Estate, with that of Industries situated outside Industrial Estate in W. Bengal.

A case study of Prakash regarding mini-industrial Estate Programme in Trichur district of Kerala found that, of the 28 units covered, 11 units were earning profits, 16 units were incurring losses and one unit was not functioning. The study reveals that those entrepreneurs who have previous experience and running units are in profit.

Another study, which attempted to examine the mini-Industrial Estate Programme is a case study by Ammukutty of mini Industrial Estate at Pattambi in Palghat district of Kerala.

Balakrishnan made an attempt to study the financial position of 270 units producing various goods. He came to the conclusion that the small industries were not financially in favourable condition as big Industries were.

Ramakrishna, in his study 'Financing of small scale industry in India', analysed the financial need of small industry and described the functioning of various institutions which existed to meet them – Lending Agencies, State Corporations, Banks etc..

The report of the Economists Advisory Board examined the problems confronted by small firms particularly in view of the rising finance in capital markets. This study made an attempt to find out whether the small firms were at a disadvantage compared to large firms. The major conclusion of the study is that there is no single major defect in financial facilities for small firms that calls for radical action.

Mukerji gave a brief account of the various types of financial assistance available to entrepreneurs. According to him the state corporation which extended financial assistance should take over the duties of the State Government under the State Aid to Industries Act so that duplications of functions can be avoided.

Reddy's article dealt with the importance of institutional finance in the development of small scale Industries. He argued that the financial assistance made available to this sector through the Banking institutions was not reaching to the extent as it was expected. Further he recommended for a separate bank for village and small scale industries development on the mode of National Bank for Agricultural and Rural Development.

Oommen (1972) in his study modernisation of traditional industries; concluded that a labour intensive technique that would generate a high investible surplus per unit of capital seems to be a desirable technique in any programme of modernisation of traditional techniques.

Arunkumar Gangele (1974) in his study of state aid to small scale and cottage industries in Madhya Pradesh, pointed out that the assistance granted by the state government was not sufficient to solve the problem of SSI and cottage industries in the field of finance and marketing.

A survey conducted by Reserve Bank of India in 1975 revealed that sickness among small scale units was due to lack of managerial experience, technical incompetence and decline in demand for their products.

The State Bank of India (1975) constituted a study team under Varshneya to study the problems of sickness in small scale Industries. The study reveals that most of the small scale units are prone to sickness owing to limited financial resources, weak equity base, lack of financial management, lack of planned and organised approach and ignorance on the part of small entrepreneurs regarding the approach that would safeguard them from difficulties.

Nasir Ahmed (1976) in his study on sickness in small scale industries pointed out that majority of small Industrial units are prone to sickness and are bankrupt due to the problems of finance and marketing.

Anilkumar Sharma (1977) in his study 'Management Problems of small scale industrial entreprises in Assam pointed out that small scale industrial units were prone to sickness and bankruptcy due to the problems of finance and marketing.

The Reserve Bank of India (1978) constituted an inter-institutional group under the chairmanship of A.K. Bhuchar to elucidate and review matters relating to the co-ordination of the lending operations of term-lending institutions and Banks. The group also examined the issue of nursing the sick units, in particular, financing cash losses and has observed that rehabilitation of sick units require close co-ordination and concentrated action by banks and term lending institutions.

The Reserve Bank of India examined the growing involvement of banks in the financing of small scale industries. The study was organised by the R.B.I. in collaboration with commercial Bank in 1977-78. The study dealt with mainly the sources of finance for small scale industries.

Sandarasara conducted an evaluation study of small scale industries with special reference to the State financial corporations. The evaluation was made in terms of its impact on the assisted units. This study concluded that small industries sector suffer from many and varied handicaps.

Baker's study (1979) is also worth mentioning in the case of role of small scale industries in the development of the regional economy. He used 'worker criterion in his analysis to identify small, medium and large scale industries.

Rustogi K.P.S. (1979) in his study 'Problems and prospects of SSIs in Rajasthan, mentioned that the major reasons for the sickness of SSI and cottage industries were problems of finance and marketing.

The Government of Philippines, having realised the importance of small scale sector, gave much importance to SS sector by way of various promotional methods. The author in his study (1981) attempted to evaluate one of the Government programmes MASICAP – Medium and Small Scale Industries Co-ordinated Action Programme.

Subbarao made an evaluation study in 1982 regarding the profitability and size of the small scale units.

A national level diagnostic survey conducted during 1982-83, by the Development commissioner, small scale industries on sickness in small scale industries sector revealed that the sickness was concentrated in four industry groups viz., Rubber and Plastic, Chemical Products, metallic and non-metallic products and that the reasons for sickness were non-availability of scarce raw-materials, shortage of working capital, lack of demand for the finished product and labour problems.

The Tiwari Committee (1984) reported that the sickness in small scale industries was due to deficiencies in management, recession in demand for the products, faulty planning, power cuts and labour troubles.

Planning commission (1984) has opined that the sickness in the small scale sector is due to wrong policies of management.

The Ministry of Industry, Government of India (1985) conducted a diagnostic survey of small scale industries on an all India level in order to assess the incidence of sickness and to identify the causes of sickness in the small scale sector. The study reveals that non-availability of raw-materials, marketing problems and inadequacy of working capital are the major problems of the units actually sick and units suffering from incipient sickness, eventhough the basic causes of sickness is the imbalance in the investment and financial structure of the unit.

Kuttykrishnan (1985) explored the reasons for the inability of small scale units in attracting institutional finance. He pointed out that the un-economic size of the handloom units failed to woo the external sources of finance. He came to the conclusion that independent units are better off financially.

Sidhardhan (1987) examined the efficiency of entrepreneurship in small scale industries. He made a detailed discussion of the problems faced by small scale industries in Kanyakumari district of Tamil Nadu.

John Horris, conducted a study on 'Dynamic of the informal sector in Tamil Nadu'. The study was based on a field survey in Coimbatore. He made a distinction between small capitalist unit of Production and petty commodity producer units. The study showed that small scale production was subordinated, in various ways, to big capital production.

Pandiyan (1989) made a detailed study of small scale industries in Madhurai District of Tamil Nadu. He proved that Madhurai has been transformed into an industrial belt due to the strenuous efforts of the entrepreneurs of the locality. The empirical approach used in the study covers a cross section of the entrepreneurs of this region and reveals the pattern of growth of entrepreneurship in this region.

The survey conducted by Vidharbha Industrial Association indicates that the non-availability of raw-materials and marketing problems are the main reasons for sickness in small scale sector.

Jyothi Rani (1985) conducted a study on sickness in the small scale sector in Andhra Pradesh with the objective of diagnosing sickness in the small scale units and identifying the internal and external causes responsible for sickness in this sector. The study reveals that short supply of raw-materials, difficulties in marketing the products, Government policies, attitude of public enterprises and management deficiencies are the major problem areas creating sickness in the small scale units.

A regional study conducted by P.D. Mayee on small ceramic units in Gujarath explains that market uncertainties, inadequacy of working capital and power shortage were creating problems in the working of small scale industrial units. He further explains that mis-management is the major reason for sickness in small units.

Majundra and Nag conducted a survey to ascertain the factors behind the mortality of units in small scale sector in South India. The survey reveals that mortality is not peculiar to any particular industry or group of industries and that product diversification is absent among the dead units. The reasons for this are the lack of adequate finance, poor preparation of project, defective management, marketing constraints and difficulties in acquiring raw-materials.

An empirical study conducted by Mithilesh Kumar Mishra and Anup K. Karan revealed that scarcity of raw-materials, lack of finance, power problem and competition were the reason for the sickness in small scale sector. Further, they have suggested that the development of entrepreneurship may be the effective solution to avoid sickness in small scale sector.

An empirical study conducted by Kailash Prasad Meena revealed that industrial sickness is caused by scarcity of qualitaty raw materials and lack of industrial expertise. The findings of the study indicate that the incidence of sickness was more in the case of textile mills due to obsolete technology.

The study conducted by Naidu and Padmavathi in Chittoor District of Andhra Pradesh reveals that the sickness in small scale sector is due to the lack of timely and adequate finance and marketing problems. As a suggestion, they pointed out that the Government should strengthen agencies like District industries centres, marketing societies and management training centres to combat sickness.

The studies carried out by Udaya Kumar and G.U.K. Rao in Orissa and Andhra Pradesh revealed that the small scale units were sick at the incipient stage due to lack of adequate working capital and non-availability of raw materials.

Studies on Banks

One of the early authoritative documents on the banking activities in Kerala State was the Travancore Banking Enquiry committee Report in 1930. The report was a 'Review of the Banking system prevalent during the period upto 1930 in the Thiruvithamcore – Kochi State'.

Hand book by Tracy G. Herrick (1933) was designed to be practical and for use by persons who have business needs to understand banks. It is intended to be used as a reference on a wide range of issue that affect a bank. This gives an understanding about the practical approach, method and techniques of the evaluation of banks.

Allison (1971) in his study "A Comparative Study of Bank performance under Financial and unit-system" has found the impact of market structure on Bank performance.

Bire (1977) studied about 'customer service and systems and procedures of Banks'. The study reveals several causes for the slump in the quality of customer service of the banks which has been taking place in recent years. He stated that specialist departments with utmost care and new ideas and methods have to be introduced for the maximisation of customer satisfaction.

The book 'Reminiscences' written by Sri. K.C. Mammen Mappila in 1980 throws some light on the banking development that took place in Kerala prior to independence and also the role played by the Christian community in developing the banking system in the state. It also contains the history of the National Quilon Bank which was the Premier Bank at that time and explains the reason for its failure.

Dr. M.A. Oommen had made an analysis of the banking in Kerala, through his Article 'Rise and Growth of Banking in Kerala'. The article contained an account of the banking development that had taken place in the Kerala State prior to the introduction of Planning in the state. Dr. Oomen in his paper had observed that the modern banking in Kerala might have emerged out of the capitalist form of business organisations and production. He also brought out the basis of chit funds in the state which had played an important role in mobilising the rural savings and also in the formation of commercial banks in the state. Many of these banks had been conducting chitty business also along with the banking operations. The Articles pointed out the communal and family nature of the banking system prevalent in the state during the earlier days. It also gave an overview of the banking developments that had taken place prior to 1956.

The Kerala State Planning Board had published a book in 1982 on the 'Development of Banking in Kerala' which contained the information relating to banking during the period from 1969 to 1979. It contained an evaluation of the performance of the commercial banks in Kerala in the area of business growth during the first decade (1969 to 1979) after the first nationalisation.

Another book by Sri. A.K. Seshadri on 'A swadeshi bank from South India' published by the Indian Bank, Madras gave an account of the banking crisis that occurred in the state in 1930 due to the failure of the National Quilon Bank and that in 1960 consequent upon the liquidation of the Palai Central Bank, Palai.

During the early Eighties M/s National Publishers, Kottayam had published 'The Industrial and Business Directory of Kerala' which contained the history of the indigenous banks in Kerala and also the history of some of the earlier banks like Nedungadi Bank, South Indian Bank, etc.

Subsequently in 1987 the Indian Banks Association Bombay published a book on 'Kerala Banking Profile'. This book contained a quick review on the banking and the economic scenario in Kerala since 1969 to 1987 and also has dealt with the impact of the non-banking private financial institutions on the banking system in the state. It also contained a quick analysis of the commercial banks in Kerala. Though the book contained information regarding deposits, advances, number of branches, Net State Domestic product, per capita income, per capita deposits etc, it did not make any attempt to analyse these factors and to find out whether any relationship exists between these factors. It also did not contain any historical data on the banking in Kerala.

Balakrishnan and Sharada (1985) in their article on 'Performance Evaluation of Nationalised Banks in India' made an attempt to study the performance of nationalised banks in discharging the socio-economic objective, by analysing the number of branches, deposits, advances, profits etc.

Nayar Malal (1985) in his book 'Commerical Banks in India' has made an attempt to build up an evaluation model for performance evaluation of commercial banks. He laid emphasis on the aspect of management control in the Nationalised sector of commercial banks.

Kanaga Sebai (1985) conducted a study on 'Determinants of Profitability of state co-operative Banks and revealed that profitability depends on the ratio of short term loans to total loans borrowings to owned funds and the deposits to total deposits.

Batra (1986) in his book 'Development Banking in India' made a comparative study of state financial corporation in Maharashtra and Rajasthan. Performance Evaluation of these corporation has been attempted in this book.

Reddy and Sreenivasalu (1986) in their articles stated that for any financial institution it is the imperative need to have sufficient funds to meet its primary aim of improving socio-economic life of the members and to strengthen itself financially, then only it works efficiently.

Narayana Swami and Ramachandran (1987) have conducted a case study on 'Profitability performances of District central co-operative Bank'. In their study they revealed that the profit of a bank depends on the reduction in the man power, operating expenses and on proper care in the working on key areas.

Vipin Shah (1987) in his book 'cost and Efficiency in Banking analysed the performance of 221 branches of Bank of Baroda with reference to deposits, advances, number of branches, priority sector advance, etc.

In 1992 Canara Bank who are the conveners of state level Bankers committee, Kerala, had brought out a brochure on Kerala's banking profile. This book contains a review of the performance of the commercial banks district wise and state wise during the 3 years period from 1989 to 1992.

In 1991, the Indian Banks Association had brought out a 'Report on the customer service in Banks' by the committee headed by Sri. M.N. Goiporia. Though the committee had conducted a survey among the bank customers and had collected their opinion about the services rendered by the banks and also the deficiencies observed by them in the level of services as also the employee behaviour, it did not show state wise position of the survey findings. Therefore, the opinion of the customers in the Kerala state could not be found out from the Report.

Sayulu (1995) in his case study on 'co-operative credit and upliftment of weaker section states that the loans sanctioned by co-operative Banks are not enough to meet the purpose for which they are applied, consequently the customers of co-operative Banks are forced to approach the money lenders for the deficit amount.

Govindarajalu (1996) the Head of the Department of Commerce Islamic college, Vaniyambadi in his research article 'Satisfaction and dissatisfaction with Bank service' states that quality of customer service in Indian Banks is deteriorating and as a result customer dissatisfaction with bank service has become a matter of serious concern for the customers, bank management and the Government alike.

Jagannatha Mishra (1996), Union minister for Agriculture in his presidential address of the 42nd General council meeting of the National co-operative Development corporation, held on March 25th 1996, complimented the role played by the NCDC in supporting and financing co-operative Deposit programme. He was of the firm view that the economic interest of the small and marginal farmers and weaker section of the community could be protected only through co-operatives.

Rangarajan (1996) Governor, Reserve Bank of India, said in his inaugural address at the national conference on co-operative Rural credit Institutions Banglore on 10th February 1996 that co-operative credit structure required reforms based on the legal frame work of Banking Regulation Act.

Sudhakaran (1996) in his study 'Performance Evaluation of Urban co-operative Banks in Kerala' found that the performance of these banks should be qualitatively and quantitatively improved and they should resort to modern technology in their operations which will enable them to come to the line of commercial bank.

A review of the report on currency and finance from 1947 to 2001, did not show a separate review for a specific state, bank or region. The R.B.I. publishes its Annual Reports every year. It also contain only on overview of the Banking Development in India during the past one year. But it did not show separate position of banks in the state.

Studies on Regional Rural Banks:

International Studies

Hossian (1984) conducted a study of Gramin Bank in Bangladesh, which was started in 1976 as a pilot experiment development project for the landless in an area near Chittagong University. The study concentrated on the socio-economic conditions of borrowers, use of loan and recovery performance. The findings show that the Gramin Bank has made a positive contribution to the removal of poverty in the area of its operation.

Rahman (1987) highlights the factors which lead to the success of Gramin Bank, Bangladesh in reaching the poor through an innovative credit programme. The design of the programme targeting the rural poor women as clients, excellent implementation system, decentralised and participative management style and various other policies were cited as the factors responsible for its success.

Rahman (1987) in a paper assessed the impact of Gramin Bank on the existing rural power structure of Bangladesh. The findings show that Gramin Bank members, being conscious of their status, developed a counterveiling force to ensure their participation in the development process.

Hossain (1988) conducted a study about Gramin Bank in Bangladesh in certain Villages and highlights that Gramin Bank members of that villages had an income about 43 percent higher than non-members and attained the progress from processing, manufacturing, trading, transporting and other sources financed by Gramin Bank. Thus the Gramin bank has made a very positive contribution to the alleviation of poverty in its area of operation.

All India studies:

The studies by Sharada (1980) Patel and Shete (1980) Norbasha and Dakshina Murthy (1984) found that RRBs have shown a tendency to grow and cater to the needs of weaker sections. The studies argue that RRBs identified themselves as perfect and matching credit Agents of the rural sector over the commercial banks. These studies were based on secondary data.

Ramakrishnan (1988) in a study revealed that the support from the state government was not forthcoming to the extent it was envisaged by the working group on RRBs.

Angadi (1987) Basu (1988) and Devendra Babu (1988) in their studies revealed that RRBs have not deviated from serving the target group of small and marginal farmers, rural artisans, etc.

In an article, Sabana Ghosh (1988) found that the primary objective of giving banking services to unbanked areas have been fulfilled by RRBs. The study made it clear that, since the objective of the RRBs has been the extension of credit to the rural poor and not based on profit motive, it is not justifiable to argue that the concept of RRBs should be done away with just because they are proved to be unprofitable.

Hebbar (1989) argued that viability is not a criterion to judge the performance of RRBs. He suggested the merging of RRBs in the State to have one RRB for the state.

Basu (1988) Kuchaditya and Shiyani (1988) and Dhabal and Bhattacharya (1989) examined the overdue and recovery aspects of RRBs credit. All these studies were concerned about the mounting overdues of RRBs. Their suggestions to improve recovery were effective supervision by the bank officials, organising recovery camps, promoting the intention to repay among farmers, resorting to legal action against selected affluent willful defaulters etc.

Rao (1988) in an article examines the inherent problem of RRBs. Since there are different agencies like RBI, NABARD, sponsor bank, Government of India etc. to control the RRBs several decisions are delayed for want of clearance by one of the agencies concerned. Hence the study suggests to amalgamate all the existing RRBs to form a single National Rural Bank under the single agency – NABARD.

A comprehensive study on RRBs was conducted by Shete and Karkal (1989). One of the important findings of the study was that the RRBs had not neglected the backward states and regions in providing banking services and serving rural tribal population.

Moin Quasi (1989) in a study found that RRB's had given great support to self employment in rural areas. They play a very important role in the implementation of Government Schemes.

Krishnan (1990) in a study revealed that though there had been great development in the field of branch expansion, deposits and advances by RRBs, the problem of overdue was very serious.

Shete (1990) commented on the overdue problem of RRBs and suggested consolidating the RRBs and its branches rather than expanding it further.

Velayudhan and Sankaranarayanan (1990) examined the various aspects of RRBs like growth performance, problems of recovery, mounting losses, viability, management problem, industrial relations etc. After examining these aspects in the light of Khusro Committee Report, it concluded that RRBs had an important role in rural development.

The working group on Multi Agency Approach in Agricultural Finance (1976) recommended that RRBs are to be preferred because they are better suited to direct financing of farmers.

The committee set up by the RBI in June 1977 to review the working of RRBs came to the conclusion that within a short span of two years they had showed their capability to serve the purpose for which they were established. Hence the programme for the establishment of more RRBs deserve to be accelerated.

The steering Committee on RRBs constituted in the RBI conducted a study on the viability of RRBs (1979). It revealed that it was not possible for all branches to become viable because some branches were located at centres where the potential was limited. Some branches cannot expand because of keen competition from branches of commercial banks and co-operative banks.

The committee to Review Arrangements for Institutional credit for Agricultural and Rural Development (CRAFICARD) (1981) examined the role of RRBs in the rural credit system and recommended that RRBs were more suited for rural development and licence should be given to RRBs to open more branches in rural areas. The committee also recommended that RRBs should continue to confine their operations to the weaker sections.

With a view to making a qualitative assessment of the performance of RRBs, the RBI (1982) conducted a study in respect of eleven banks. The study report revealed that RRBs had merited their image as a poor man's bank by confining their credit to the weaker section of the society.

The NABARD had commissioned a study on the viability of RRBs and entrusted the same to the Agricultural Finance Corporation (1983-84). The report of the corporation did not offer any immediate solution to the viability problems of these institutions.

The working group under the chairmanship of Sri. S.M. Kelkar was constituted to review various aspects of the working of RRBs for the past few years so as to identify appropriate measures for strengthening their organisational structure and improving their overall capabilities. They submitted their report in June 1986 and recommended the continuance of RRBs and greater involvement of sponsor bank in their functioning.

The Agricultural credit Review Committee headed by A.M. Khusro was very critical of the performance of RRBs (1990). The committee made it clear that the logic and rationale which justified the setting up of RRBs in the mid-seventies do not any longer exist and it recommended to merge RRBs with the commercial banks which originally sponsored them.

Studies Conducted in States

Saudamini Nagar (1979) in a study of RRBs in Rajasthan found that the RRBs had made creditable progress in deposit mobilisation and credit distribution.

Mohana Rao (1980) in his study of RRB in Andhra Pradesh concluded that given the coverage, the bank is functioning well in meeting the credit requirements of the target group.

C.D. Wadhva (1980) conducted a case study of two RRBs working in Haryana and Rajasthan. It found that RRBs inherited complicated procedural formalities from their sponsor banks and also the RRBs were not able to meet the targeted disbursement of credit set by the Government of India. The study attributed limited scope for direct lending by RRBs in the area of operation, absence of effective links with primary co-operative societies, and farmers service societies and lack of adequate support from Government for expanding business as the reasons for their poor performance. The main limitation of the study was that it came immediately after the setting up of RRBs.

Inu Jain (1981) and Reddy and Sureshkumar (1982) in their studies came to the conclusion that, weaker sections like small and marginal farmers and agricultural labourers had got the major share of credit from the bank.

Lakshmi Narayana (1984) in a study on RRBs in West Bengal found that the recovery work of overdue loans together with the normal work of processing new credit proposals and enlisting new borrowers hardly allowed the bank officials any time for guiding the borrowers in adopting improved farming techniques and making better use of credit.

Singh and Upadhya (1984) conducted a study on the loan recovery aspect of RRBs in Bihar. Crop failures, expenditure on marriage and other social functions on the family were considered as the important factors for non-repayment of Loan. Inadequate follow-up measures and lack of serious attitude of borrowers towards repayment were also explained as reasons.

Jagadish Prasad and Sunil Kumar (1985) in a study about RRBs in Bihar found that, the loan given to the poor were generally accepted as a 'dole' on relief programme which was pointed out as the main reason for poor repayment.

Nagi Reddy and Rathna Kumari (1986) in a study found that low yield, low market price for the produce, repayment of other debts and other domestic consumption as the main reasons for non-repayment of loan. Better yields, desire to get future loans, persuasion by bank officials etc are the main reason for prompt repayment.

Prasad (1985) in a study about Sri. Visaka Grameena Bank in Andhra Pradesh revealed that RRBs were not only catering to the needs of rural society, creating banking consciousness but also serving as cornerstones to the building of rural development.

Balishter *et al.* (1986) have undertaken a study to evaluate the performance of the Jamuna Gramin Bank on the basis of the working results of the Bank, it was concluded that greater importance should be given for the extension and strengthening of the network of regional rural banks than the expansion of the branches of commercial banks.

Parmar *et al.* (1988) conducted a study on RRBs in Gujarat State. The study found that about two-third of the total deposits were shared by demand deposits. The branch expansion programme and credit deployment were also commendable.

Naidu and Naidu (1988) in a case study of 48 borrower households of rural artisans financed by Rayalaseema Gramin Bank showed that RRBs could play a major role, but that its credit operations are impaired by the limited knowledge on the rural artisan sector.

Abdul Noorbasha and Jyothi (1989) conducted a study pertaining to the financial management pattern of Chaitanya Gramina Bank, Tenali, Andhra Pradesh. The study showed that most of the RRBs were non-viable. To improve the viability, the RRBs to lend to public bodies like SC/ST corporations, Housing Boards, Village Panchayats etc. and thus increase their earnings.

Bapna (1989) studied the organisation and working of four RRBs in Rajasthan. The study came to the conclusion that, there was spectacular increase in branch expansion, deposits and advances. The credit deposit ratio of RRBs was higher than that of commercial banks. The recovery performance was better in non-agricultural sector as compared to agricultural sector.

Singh (1988) and Kalkundrikar (1990) in their respective studies have come to the conclusion that RRBs had exclusively financed the weaker sections, showing the image of a small man's bank.

A study by Balishter *et al.* (1990) found that there had been a shift in cropping pattern from low income crops to high income crops. It also revealed that, there had been perceptible increase in the income and employment of the borrowers due to the activities of the bank.

In a study by Chuhan *et al.* (1991) found that the demand for loans exceeded the supply. About 35 percent of the total loans were put to unproductive use due to urgent consumption needs. It was also revealed that only very little surplus income existed within the sample, ranging from 7 percent to 16 percent for the average household.

Kallu Rao and Shaji Thomas (1992) in a study about Manipur Rural Bank revealed that the percentage growth of deposit was not satisfactory. Among the various types of deposits, savings bank account depositshave increased considerably followed by current account deposit and time deposits. The recovery percentage was unsatisfactory and it was below 50 percent in all the years. However, the bank had managed to maintain more than 100 percent credit deposit ratio throughout the study period (1985-90).

Mangalore University, Department of Economics, conducted a National Seminar on problems and prospects of Rural Banking in India a long term perspective on 28th February and March 1, 1994 which discussed various long term perspectives of Regional Rural Bank. 25 papers were presented in the seminar about various aspects of RRBs. The seminar concluded that Target-oriented approach has to be replaced by a more humane, purpose-oriented approach. RRB's should be restructured in 3 ways.

(1) Merging all of them into a monolithic organisation called National Rural Bank of India.

(2) Merge them in sponsor bank.

(3) Merging them at the regional level.

Studies in Kerala

An impact study on SMGB was conducted by Dr. Purushothaman Nair and Dr. Govindankutty (1981). The study says that 'The Bank has stood the test of time and proved to be successful as rural savings mobiliser. The Bank accounts grew by 10 percent of the aggregate deposit accretion in the rural and semi-urban centres of Banking industry in its area. It has been possible for the bank to canvass a good part of its deposit through linking borrowing with deposit which form nearly 45 percent of the loan outstanding as at the end of December 1980. Regarding the deposit marketing the study says that 'whatever amount of deposits is moblised by the bank is without campaigning for it. Many people in the rural areas seem to have no knowledge of deposit insurance facilities and higher rate of interest available from the bank for such deposits. The authors feel that with a little more planned effort and publicity the bank would be able to do much more in tapping savings from the public.

Mir Amjad Ali and Deendayalan in their studies on 'social responsibilities as against commercial viability said that "there has been a definite and positive fulfilment in the achievement of social responsibilities. The question now is to maintain equilibrium between commercial viability and social responsibility. Any tinkering in the existing structure on policies will be futile. The whole system has to be totally revamped considering the changed political environment, dynamic economic scenario and high aspiration of the people.

In a study Kamath (1984) found that RRBs have succeeded in speedy branch expansion, deposit mobilisation and credit deployment. The working of the two RRBs in Kerala has been better than most of the others. It concluded that, though co-operative sector is strong in Kerala, there is a good case for extending the benefits of RRBs at least to the relatively backward districts of the state.

Ravindran (1986) analysed the problem of agricultural credit and recovery of NMGB. It was found that the quantum of financial assistance for agricultural and allied activities had steadily increased over the years. It was also revealed that the bank was taking ample interest in the uplift of scheduled caste and tribes and the bank finance has reduced the dependence on money-lenders. On the recovery front, the bank provides a dismal picture.

James (1986) conducted a study about the rural development activities of NMBG. The study found that 62 percent of the borrowers did make proper use of loan. The repayment performance of the loanees show that majority of the defaulters belonged to the diary scheme followed by self employment and business scheme. However, as he followed a defective sampling procedure the study is not a dependable one.

Krishnan (1988) found that there has been tremendous increase in the advances of agricultural and non-agricultural loans by RRBs. The structure of agricultural credit showed a bias towards short term credit. The study also noted gross misutilisation of agricultural gold loan. It concluded with some suggestions like end utilisation visit to agricultural gold loan, linking of repayment with income generation, increasing the amount of loan for purchasing milk animals, etc.

Kumari Padmaja (1989) in a study found that small traders, small businessmen, self employment persons and small transport operators constitute the major borrowers of the bank. Among the non-agricultural sector, the tertiary sector received the highest share. The study concluded with the suggestions that RRBs should be made a full fledged bank for rural India and all the business of rural branches of commercial bank should be handed over to RRBs.

Krishnan and Balakrishnan (1989) in a study found that there has been tremendous increase in the disbursement of loan to agricultural and allied activities in general and to dairy in particular by RRBs. It concluded with the suggestion that the bank should increase the quantum of financial assistance to dairy activity and try to provide marketing facilities to the milk producers by linking with co-operative agencies.

Krishnan (1992) in his study found that the existence of RRBs is inevitable to meet the financial requirement of the rural down trodden. The performance of an institution like RRB which is invested with the larger socio-economic goal should not be judged in terms of the conventional financial yardstick, but more correctly in terms of the socio-economic obligation which they are deemed to achieve. The study also noted gross misutilisation of agricultural gold loan. The study found that the crucial problem is the mounting overdues. It concluded with the suggestion that the borrower education regarding various schemes and instead of drastic measures as total waiving of or writing off of the loans rescheduling or rephasing may preferably be resorted to. The banker may have to design case by case methods of recovering loans.

A study of Krishnan Jindal (1998) on 'Successful efforts on micro finance. A case study on SMGB said 'The Bank is able to mobilise deposits through NND at much lower rate (say 7.61%) NND scheme has also been quite helpful in improving the recoveries of the bank. Majority of the borrowers who have availed of the loan in retail trade, small business and service repay loan through Nithya Nidhi Deposits (NND). Recoveries under NND linked loan accounts appear to be better as compared to non-NND linked accounts.

Bharat Das (1999) in his case study 'Marketing of Financial, services of a Regional Rural Bank' States that South Malabar Gramin Bank has a great role in marketing financial services in Malappuram district.

The foregoing overview of the literature reveals that though various studies were done on small scale and cottage Industries, Banks and Regional Rural Banks, the studies on South Malabar Gramin Bank is scanty. No more studies were conduced regarding the service of South Malabar Gramin Bank for socio-economic upliftment especially in the field of their service to small sale and cottage industries. Hence the relevance of the proposed study.

Statement of the problem

The performance of any service institution is measured on the basis of the impact of its service to the intended beneficiaries. In this respect the SMG Bank could not deliver the expected benefits to the various intended sections of the society due to varied reasons such as the situational peculiarities and operational inefficiencies. In rural areas due to illiteracy, many rural people are unaware of the facilities extended to them by the bank and various intermediaries make use of their ignorance.

Objective of the study

On the basis of the problems stated above, the following objectives have been set for the study.

1. To analyse the function and structure of SMG Bank,

2. To expose the socio-economic condition of the people of the service area of the bank,

3. To know whether the bank is succeeded in granting loans to small scale and cottage industries and to know the present position of SSI and cottage industries,

4. To analyse the problems of RRB's and SMG Bank,

5. To ascertain whether the loans availed by the customers are mis-used, and

6. To suggest appropriate measures for the improvement of services of the bank.

Hypothesis

Also the study is based on some hypotheses which are given below.

1. South Malabar Gramin Bank has significant role in socio-economic upliftment.

2. The SMG Bank's credits are mainly availed by the 'Target Group'.

3. The small scale and cottage industry loans provided by the bank improved the industries significantly.

4. The bank finance reduces the dependence of people on money lenders.

Methodology

The present study has been designed as a descriptive one based on both primary and secondary data.

Primary data

Since most of the information necessary to fulfill the objective of the study are not available from secondary source, the researcher mainly based his study on relevant primary data collected by visiting various branches of the bank and interviewing customers and bank officials with a structured interview schedule.

SAMPLE DESIGN

For the purpose of studying customers including small scale and cottage industrialists, representative samples were drawn by employing appropriative sampling techniques such as simple random sampling, stratified sampling and purposive sampling techniques.

The study area is spread over 5 districts. In this Five districts there are two corporations, 16 Municipalities and 695 villages. At the first stage, nine Taluks were selected on random basis from the districts – 2 from Malappuram, 2 from Palghat, 2 from Calicut, 2 from Trichur and one from Wynad district as in Wynad district the bank has service area in 2 Taluks only.

Selection of sample branches

At the second stage, 20 per cent of the branches are selected at random from the selected Taluks, by using simple random method. In addition to this, one branch each from Corporation/Municipality area is selected by purposive sampling method in view of accommodating branches from Municipality and corporation areas.

The following table shows the Districts, Taluks, Number of banks selected as sample.

Districts	Name of Taluks	Total No. of branches	No. of branches sampled
Malappuram	Perintalmanna Tirurangadi	79	16
Calicut	Calicut Quilandi	69	12
Wynad	Vythiri	19	4
Trichur	Trichur Irinjalakuda	19	4
Palghat	Palghat Ottappalam	14	4
Total	9	200	40

Selection of customers

From the selected branches, a sample of 1592 customers from a total of 10613 regular customers (from each selected branch simple random samples of sizes 15 per cent of the customer) were selected for the study. All types of customers were classified as Businessmen, Agriculturists, Artisans, Private employees, Government employees, Self employed persons and Small Scale and Cottage Industrialists.

Method of Data Collection

To collect the required information from the respondents, undisguised personal interview method was followed. A structured interview schedule was administered for 3 types of respondents – individual customers, small scale and cottage industrialists and managers of SMG Bank branches. The customers were asked questions regarding their education, income, education of family member, nature of house, household appliances, household asset structure, possession of vehicles, etc. in order to evaluate their economic condition. So also their association and contacts with various social organisations were collected to assess their social status. Similarly the managers of branches were asked questions about the functions and services of the bank for the socio-economic upliftment of individual and small scale and cottage industries.

Secondary data

The secondary data necessary for the study has been collected from the following sources:

1. Annual Reports and Published accounts of South Malabar Gramin Bank.
2. Economic Review's Published by State Planning Board, Kerala.
3. Statistics for planning published by Government of Kerala.
4. Survey of Indian Industry published by the Hindu.
5. Hand book on schemes offered by Government and other Agencies to Small Scale Industries published by the Kerala Industries Department.
6. Published statements of Khadi and Villages Industries Board, Trivandrum- Kerala.

7. News papers and periodicals.

8. Regional Rural Banks, Key statistics Published by NABARD.

9. Text books on the subject.

10. Papers submitted in seminars and conferences.

Analysis of Data

The focus of analysis of data has been on the service of South Malabar Gramin Bank for socio-economic upliftment with special reference to small scale and cottage industries. For this, the data collected were analysed seperately to ascertain the role of the bank for socio-economic upliftment of individuals and also socio-economic upliftment of small scale and cottage industrialists.

Analysis of socio-economic upliftment of individuals

In order to verify the service of South Malabar Gramin Bank for socio-economic upliftment, the incomes of respondents before and after availing the service of the bank are analysed. Their social status of becoming a customer is also analysed. The interview schedule was designed in such a manner to know their economic upliftment and overall improvement after becoming a customer of South Malabar Gramin Bank. The following indicators are used to measure the economic progress of individuals.

No.	Indicator	No.	Variable
1.	Economic	1-1	Annual Income
		1-2	Education
		1-3	Education of family members
		1-4	Nature of house
		1-5	Electrified
		1-6	Ownership of house
		1-7	Land area – Purchased/Inherited
		1-8	Home appliances – T.V. Fridge, Washing machine, Cooking gas, Water connection, Borewell etc.
		1-9	Motor vehicle
		1-10	Telephone
2	Social	1-1	Association with local body Co-operative sector Lions club/Rotary club Religious Institution Other Associations
		1-2	Contact with: People's plan Literacy programme P.T.A of Educational Institutions Kudumbasree Projects Medical camps Political activities Consumer protection/awareness

Analysis of socio-economic upliftment of small scale and cottage industries

In order to verify the service of South Malabar Gramin Bank for the socio-economic upliftment of Small Scale and Cottage Industrialists, the monthly income of the respondents before and after availing the service of

SMG Bank is analysed. The number of labourers employed by each unit is also observed. The following indicators are used for this purpose.

No.	Indicator	No.	Variable
1.	Economic	1-1	Income
		1-2	No. of labour
2.	Social	1-1	Association with Trade Association, Chamber of Commission, Recreation club of SSI/Cottage Industries. Kerala Small Scale Industries Association. Any other.

Tools used for Data Analysis

Both mathematical and statistical techniques are used to analyse the data which are given below.

1. Simple arithmetical averages

2. Ratios and percentages

3. Chi-square test for independence of attributes is used for studying homogeneity of different groups with respect to various socio-economic variables such as Education of respondents, family education, Nature of house household asset-structure, properties owned, social association, number of labour employed, etc.

$$\sum_{i} \sum_{j} \frac{(oij - Eij)^2}{Eij} \sim \chi^{2(m-1)(n-1)}$$

oij = Observed frequency

Eij = Expected frequency

4. ANOVA Test is used to study the effect of service of SMG Bank for upliftment of income of individual and small scale and cottage industrialists.

Limitations of the study

As in the case of almost all social science researches, this study also is not free from inherent limitations, as stated below:

1. Being a backward area, the inhabitants may not come forward with timely and prompt responses.

2. The study is highly relied on sampling techniques, so sampling errors are bound to occur.

3. Some of the individual customers and small scale and cottage industrialists were reluctant to reveal all the necessary informations, inspite of assurance that the data would be used only for research purpose. But this was overcome through open discussions.

However, earnest attempts have been made to overcome the above mentioned limitations and to reach at meaningful inferences. It is attempted to present an impartial and true report.

PRESENTATION OF THE REPORT

The study Report has been presented in 6 chapters as below.

Chapter 1	gives the introduction to the topic of study and explains the scope, significance, objectives, hypothesis, methodology, sample design, limitations of the study etc. This chapter also contains a brief review of literature.
Chapter II	describes the Small Scale and Cottage Industries, its growth over years and present position.
Chapter III	discusses the origin of banks, evolution of Regional Rural Banks and also delineates the problems and prospects of Regional Rural Banks.
Chapter IV	explains the functions and services of South Malabar Gramin Bank and its problems.
Chapter V	analyses the services of South Malabar Gramin Bank for the socio-economic upliftment of individual and Small Scale and Cottage Industries.
Chapter VI	the last chapter, summarises the whole study, lists the findings and offers a few suggestions.

SMALL SCALE AND COTTAGE INDUSTRIES - A PROFILE

P. Abdul Azeez "A study on the evaluation of the service of south malabar gramin bank for the socio-economic upliftment with special reference to small scale and cottage industries " Thesis. Department of Commerce and Management Studies, University of Calicut, 2003

CHAPTER II

SMALL SCALE AND COTTAGE INDUSTRIES – A PROFILE

Small Scale Industries have become an indispensable tool in bringing about a balanced, integrated socio economic order in the country. In a developing economy, they occupy a prominent position as they are capital scarce and labour intensive in nature. They have been assigned a significant role in the industrialisation and economic development of India as an effective tool in subserving the national objective of growth with social justice. Its importance has been increasingly recognised in India as a solution for the problem of scarcity of capital and widespread unemployment and underemployment. The small scale industries are considered as harbingers of economic progress and responsible for transformation of the traditional economy into an industrial one.[1] The large scale units fail to develop local resources and entrepreneurship. Further, they are structured in a highly centralised manner and this doesn't give scope for decentralisation. The small and tiny sector has emerged as a dynamic and vibrant sector of the Indian economy. They act as a quick and convenient tool of carrying industrialization to the rural areas, potential to generate employment opportunities, less capital requirements, balanced industrial development,

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[1] Birendra Kumar Dixit, 'Small Scale Industries, ills and remedies', Yojana 1-15, 1988, p.16.

diffused ownership of industries, helping equitable distribution of income and wealth and contribution towards entrepreneurial promotion in the country. They have contributed substantially towards industrial growth in recent years. Infact, small scale sector in the country now accounts for over 55 percent of the total value of industrial production and contributes over 40 percent of the country's exports. In terms of employment, this sector provides self employment and wage employment to over 175 lakh people in 31.75 lakh units. The small scale industries have contributed over 100 lakh entrepreneurs.[2]

The employment generating capacity of small scale industries could be noted from the fact that in India, rupees one lakh of investment in plant and machinery in this sector provides employment to 21-25 persons, while in large scale units, the same amount of investment provides employment to only 4 persons.

India has a rich and glorious tradition in small industries. The fine textile fabrics of India like Dacca Muslin and Kashmir Shawle, were known to the outside world as far back as 2000 B.C. There was also a well known non-textile group consisting of handicrafts of all sorts such as metal working, arms and shields manufacture, enameled jewellery, stone carrying gold and

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[2] Desai Vasant, 'Small Scale Industries and Entrepreneurship', Himalaya Publishing House, Bombay, 2002, p.9.

silver thread work etc. In regard not only to cotton textiles and light metals but also to iron manufacturing, India had attained world fame.

With the introduction of the Five year plans, attempts were made to study and remove the difficulties confronting small industries, and to plan them systematically as an integral part of the industrialisation of the Country.[3]

Much importance was given to the development of small scale industries in many countries of Asia, Africa and Latin America, because of the labour intensive techniques and use of surplus manpower. In many developing and developed countries like Japan, U.S.A, Italy, Canada, United Kingdom and Korea also the small and tiny sector holds the key to industrial development. Each country has given emphasis to the development of SSI as an effective tool for social transformation. Thus it is remarked that the small scale sector is an important component of national industrial base and the driving force of developmental effort.[4]

There are wide variations in the definition of small scale industries in different countries based on the criteria of investment and employment. In India the definition has moved from investment in fixed assets cum level of

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[3] Bharati, R.K, 'Industrial Estates in Developing Economies', National Publishing House, New Delhi, 1978, p.5.

[4] Dr. Shanker Dayal Sharma, 'Special Report on National award to Small Entrepreneurs', Laghu Udyog, November 1994.

employment to exclusively an investment in Plant and machinery. The definition of small scale industries has been undergoing changes from time to time since 1954. There are 50 different definitions of small scale industries in 75 countries of the world.[5]

For developing economics "Small firms will generally mean those with fewer than 50 workers and the very small those with fewer than 10 workers. the term 'Cottage shop' will be used for enterprise with fewer than 5 workers which manufacture at home or in small workshop.[6]

The working group of the Economic Commission for Asia and Far East (ECAFE) had defined SSI as establishment employing not more than 20 persons when using power or 50 persons when not using power.[7]

In India, the definition of SSI poses many problems for researchers because of its frequent alteration. Even the official definition underwent a lot of changes during the preceding years because the development might not be retarded on account of purely legalistic interpretation. The SSI Board stressed the flexibility in interpreting the definitions.

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[5] J.H. Taleyarkhan, 'Focus on SSI', Eastern Economist, Vol. 71, No.8, Aug. 25, 1978, p. 373.

[6] Little Lan, M.D Mazumdar, Dipak, 'Small Manufacturing Enterprise', A World Bank Research Publication, Oxford University Press, 1987, p.8.

[7] Desai Vasant, 'Organisation & Management of SSI', Himalaya Publishing House, Mumbai, 1983, p.17-18.

In 2001, the Industrial policy planners in the small scale industries Board defined SSI on the basis of investment in plant and machinery and specified that an industry whose investment in plant and machinery is not exceeding rupees 1 crore come under SSI and an industry whose investment in plant and machinery is not exceeding rupees 25 lakhs come under tiny sector.[8]

Previously, the various state directorate of Industries restricted the term 'Small scale to such industrial establishment which employ less than 20 workers without the use of power and less than ten workers using power.[9]

In 1955, the Development Commissioner for SSI, ministry of commerce and industry defined a SSI unit as a unit employing less than 50 persons using power and less than 100 persons without the use of power with capital assets, not exceeding rupees 5 lakhs. The term 'capital assets' used in the government definition was vague. The government did not adopt any definite views on this matter namely, did it signify investment in fixed assets, like plant and machinery or investment in Land and Building or both.

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[8] Govt. of Kerala, 'Directorate of Industries & Commerce', Trivandrum.

[9] M.C. Shetty, "Small Scale and Household Industries in a Developing Economy', Asia Publishing House, 1963, p. 7.

However, the SSI Board defined the capital assets to include Land, Buildings and equipment.[10]

In 1960, the limit in terms of number of persons was deleted. Accordingly SSI, were those industrial units whose capital assets were not exceeding rupees 5 lakhs irrespective of the number of persons employed. In the case of ancillary industries which produced and supplied spare parts to the large scale industries, the ceiling on investment in capital asset was raised to rupees 10 lakhs.[11]

In 1966, due to the devaluation of rupees (and this increased the cost of imported machines), the SSI Board, Government of India recommended a revision in the definition of small scale industries. The Government accepted the recommendation in June 1966 and accordingly the investment limit of SSI was raised to rupees 7.5 lakhs.[12]

In 1975 there was an increase in the price of capital assets and hence the definition of small scale and ancillary industries was revised. According to the revised definition, an SSI is an undertaking having investment in fixed

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[10] M.C. Shetty, 'Small Scale and Household Industries in a Developing Economy', Asia Publishing House, 1963 p. 7-8.

[11] Dr. Sivayya and Das, 'Indian Industrial Economy', S. Chand & Co. Ltd., 1978, p.99.

[12] Dr. M.G. Lakshmi, 'Problems of Economic Development of India 1974-75', New Literature and Publishing Co., 1974, p. 194-195.

asset not exceeding rupees 10 lakhs and in the case of ancillary Industries the investment in fixed assets was not to exceed rupees 15 lakhs.[13]

In 1980 the central government revised the definition of SSI. Accordingly the investment limit was raised to rupees 20 lakhs and for tiny units the limit was raised to rupees 2 lakhs. In 1985 and 1991 the investment limits were again enhanced to rupees 35 lakhs and 60 lakhs respectively in respect of SSI.

SMALL SCALE INDUSTRIAL SECTOR

It's seen that India's interest in modern SSI began only after the experts from foreign countries – Ford Foundation Team (America) and the team of Japanese Experts – visited this country in the early fifties. They recommended the setting up of modern small scale units. They opined that SS units were ideally suited for a densely populated economy like that of India with a serious dearth of financial and technical resources.

It is said in the report of the Development Commissioner on small industries, Government of India, that SSI had carried the message of industrialisation to the nooks and corners of the country. It is recognised that this sector has been making its due contribution to the economic growth in terms of contribution to national income, industrial production, employment

[13] Report 1975-76 of Govt. of India, Ministry of Industry and Civil Supplies, p.88.

and such other factors. The number of small scale units, production, Employment, Exports, and percentage share of total export over various years are shown in Table 2.1.

TABLE 2.1

Over all growth of SSI sector since 1951-52

Year	No. of units (lakhs)	Production at current price (Rupees crores)	Employ-ment (Lakhs)	Export (Rupees crores)	Percentage share of Total Export
1951-52	0.16	615	7.00	40	5.2
1960-61	0.37	1280	14.00	15	6.5
1965-66	1.31	2850	30.00	210	8.4
1974-75	4.98	9200	40.40	541	16.3
1980-81	8.74	28060	71.00	1643	24.5
1984-85	12.42	50520	90.00	2553	21.7
1991-92	20.82	178699	124.80	13883	31.5
1995-96	27.29	356213	152.61	36470	34.2
1996-97	28.57	412636	160.00	39249	33.4
1997-98	30.14	465171	167.20	44442	35.2
1998-99	31.21	538357	171.58	49481	34.9
1999-00	33.50	587225	182.00	48500	34.5
2000-01	35.00	625000	190.00	54800	35.00[14]

[14] Laghu Udyog, Vol. XXIII & XXIV, No. 12 to 2 July – Sept. 1999 and Laghu Udyog, 2001.

In 1951-52 the number of SSI units was only 16000 and its production worth rupees 615 crores. The number of employment was 7 lakhs and its export accounted for rupees 40 crores. The percentage share of total exports was 5.2 per cent. In 1960-61 total number of units was increased to 37000 with an annual production worth 1280 crores and export of rupees 15 crores. The number employed were 14 lakh persons. The percentage share of total export was 6.5 per cent.

In 1974-75, there were 4.98 lakh SSI units in India which gave employment to 40.40 lakh persons, with a total production of rupees 9200 crores and rupees 541 crores exports. The share of SSI to total export was 16.3 per cent.

In 1980-81 the number of units was increased to 8.74 lakhs. The total production amounted to rupees 28060 crores and the number employed was 71 lakhs. Its share of export accounted 24.5 per cent.

In 1984-85 the number of units was again increased to 12.42 lakhs. The total accounted production was rupees 50520 crores. The percentage share of export declined to 21.7 per cent in that year.

In 1991-92 the number of units was increased to 20.82 lakhs. The decade growth of SSI in number was 3 times that in 1980-81.

In 1995-96 there were 27.29 lakh SSI units working in India with an annual production of rupees 3.56213 crores. It employed 152.61 lakh persons. The total export of this sector during this year was 36470 crores which was 34.2 per cent of the total exports of India.

In 1998-99 there were 31.21 lakhs SSI units working in India with an annual production of 5,38,357 crores. It employed 171.58 lakh persons. The total export of this sector was Rs.49,481 crores which was 34.9 per cent of the total exports of India.

In 2000-01 there were 35 lakh SSI units working in India. It employed 190 lakh persons. The annual production was worth rupees 625000 crores and exports accounted for rupees 54800 crores which was 35 per cent of the total export of the country. It is observed that the growth rate of SSI since 1951-52, in number of units is 218.75 times. The increase in production is 1016 times and increase in percentage share of export 6.73 times that of 1951-52. The increase in number of employment is 27 times of that in 1951-52. Thus the table shows how big the small scale sector in our country is. There are 798 items, which are reserved to be produced as leading products by small scale units in India.[15]

[15] Govt. of Kerala, District Industries Centre, Malappuram.

Village/Cottage Industries

In India cottage industries come under village industries.

The vast resources possessed by India couldn't be exploited to the fullest extent due to the lack of proper industrial orientation.

According to Mahatma Gandhi, there was no other country in the world where so many millions of people have only partial employment and where inspite of civilization being predominantly rural the holdings are barely one acre per head.[16] Gandhi argued that large corporations only concentrate wealth and power in the hands of a few. Poverty of India can be eradicated only with the prosperity of villages. In India, full time employment is almost unknown. Only 1.7 per cent of the work force have full employment. The special nature of poverty in India is that the poor are at work, but are not able to earn enough for them and their families. Hence village and cottage industries play a great role in the development of our country. If villages develop, it would lead to reciprocal prosperity of the village and the city. In our country, where large number of people are unemployed, production by the masses rather than mass production should be our ideal.[17] Gandhiji saw both economic and human values in the revival of village and cottage industries.

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[16] Adiseshai, Malcolm, S. 'The Triple Action Alone could Remove Poverty', Yojana, New Delhi, Feb., 16-28, 1982.

[17] Prasad Jagadhish, 'Gandhiji's Views on Village Industries', Gandhi Marg, Hyderabad, Vol. 10, No.4, July 1988.

Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.[18] The capital labour ratio of village and cottage industry is very small. The Indian traditional labour which is evicted from the traditional industries, due to severe competition from large scale industries, cannot find a remunerative employment in the agricultural sector as it is already overcrowded. Large scale industries and the organised sector make only a very poor show with regard to absorption of Labour.

Village and cottage industries can be distributed in different areas easily. It can be introduced in backward areas. For many village and cottage industries, electric power is not required. It helps to identify and inspire confidence in small entrepreneurs who would otherwise remain unemployed or underemployed.

Village and cottage industry is a blessing to Indian economy which is always under the threat of inflation. As the installation and running of village and cottage industries, do not require much time, it can help to increase in production within a short time. Village and cottage industries require only rupees 13000 to 15,000 for providing employment to one person.[19]

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[18] Govt. of India, 'National Planning Commission Second Five Year Plan', 1956, p.47.

[19] Mishra S.N. and Shoma Kushal, 'Organisational Requirement of Village and Small Scale Industries', Mittal Publication, New Delhi, p.4.

As the number of employee is not big, village and cottage industry is not prone to labour problems and consequent stoppage. Even a unit facing temporary closure will not affect the economy very much as its individual share in the economy is quite insignificant.

The production of the village industries can be in tune with the changes in the taste and fashions of the individuals. Some of the village and cottage industries like bee-keeping can adjust with the changing situations by changing their location itself. This is possible because the production units are rather small. They mainly produce consumer goods which meet the ever-growing demand for consumer goods. Similarly local processing of raw material by using simple technology would not create any environmental pollution problem. Thus the development of villages will help to reduce the influx of rural folk to the townships.

Small Scale and Cottage Industries under Five Year Plans

Small scale and cottage industries have been assigned an important role in the five year plans. During the plan period, the government of India has initiated several programmes and policies for the promotion of small scale and cottage industries sector. The progressive allocations made in the five year plans, the creation of promoting and supporting organisations and the nationalisation of commercial banks reflect the spirit and effort of government towards the creation of a favorable climate for the growth of small scale and cottage, industrial sector. The total outlay on small scale and cottage industries in successive five year plans can be seen in Table 2.2 following.

TABLE 2.2

Outlay on SSI and Village Cottage Industries in Successive Five year Plans

Plan	Outlay on SSI & cottage industries (Rupees in crores)	SSI including industrial Estate (Rupees in crores)	Percentage share of outlay on SSI to total outlay of SSI & Cottage industries
I (1951-56)	42	5	11.9
II (1956-61)	187	56	29.9
III (1961-66)	241	113	46.9
Annual (1966-69)	126	54	42.9
IV (1969-74)	243	96	39.5
V (1974-79)	611	222	36.3
Annual (1979-80)	290	105	36.2
VI (1980-85)	1780	616	34.2
VII (1985-90)	2753	1121	40.7
Annual (1990-91)	N.A	329.13	N.A
Annual (1991-92)	N.A	482.86	N.A
VIII (1992-97)	6334.20	2862.14	45.19
IX (1997-02)	4508	2036.96	45.0[20]

During I st and II plan period, the Government spent rupees 229 crores for the development of village, cottage and small scale industries. All India

[20]Govt. of India VIIIth Five Year Plan, Planning Commission, New Delhi, Volume II, Page 151 & Agarwal A.N. 'Indian Economy – Problems of Development and Planning', Vishwa Prakashan, New Delhi, 2001, p.397.

Boards, were set up with a view to formulating, guiding and to an extent, implementing co-ordinated programme for the development of SSI, handloom, khadi and village industries, handicrafts, coir and sericulture. An industrial extension service was developed and small industries service institute was set up in every state and 53 extension centres were also established. During the second plan period, a number of SSI especially machine tools, sewing machines, electric motors and fans, bicycles, builders, hardware and hand tools showed an increase in production varying from 25 per cent to 50 per cent. At the end of the second plan, steps were taken for the co-ordination of programmes by setting up committees for small industries consisting of the representatives of the ministers concerned and chairman of the all India Board and Khadi and Village Industries Commission.

During the first 2 years of the third plan, the progress, of the SSI sector was encouraging, then it slowed down for various reasons including the shortage of raw-materials following the Indo-China and Indo-Pak hostilities of 1962 and 1965 respectively. The outlay of this plan was rupees 241 crores.

The 4th plan envisaged a total outlay of about rupees 243 crores in the public sector for the development of cottage and small scale industries. The fuller utilisation of the capacity was the main aim of this plan. During this plan there was a good progress in the SSI sector in terms of the creation of larger opportunities for fuller and additional part time and full time employment and also in the increase in the number of units, range of production and value of exports. The important problems for the achievement of the target fixed in the 4th five year plan were shortage of certain raw-material and inadequacy of statistical data, credit facilities, industrial extension services and marketing facilities. To overcome these problems, the government had undertaken necessary steps like supply of imported raw-material, providing financial assistance at concessional rates etc.

Of the total outlay of rupees 611.12 crores in the 5th five year plan for village, cottage and SSI, about 216.31 crores was for the small scale units in the public sector.

In the 6th plan the total outlay on SSI and cottage was 1780 crores. The estimated value of production registered a growth rate of 6.8 per cent per annum. In the year 1979-80, the contribution of village cottage and SSI was 49 per cent in terms of gross value of output. The growth rate of this plan was 9.5 per cent per annum. It was during this plan that 'nucleus' plants were established in industrially backward districts to generate a spread out network of small scale units. It was also planned to set up a steering committee on export promotion for recommending measures to boost exports. SSIs have registered an impressive performance during this plan. This was possible by the establishment of small industries service institute (S.I.S.), The district industries centres (DIC), Central Institute of Tool Design (C.I.T.D.), Institute for design of electrical measuring instruments, the National Institute of small industry extension training, the National Institute for Entrepreneurship and small Business development (NIESBD), etc.[21]

During the 7^{th} plan, the production is targeted to increase from rupees 50,520 crores to rupees 80220 crores. Exports from rupees 2350 crores to rupees 4140 crores and employment from 90 lakh to 119 lakh persons. Of the total public sector outlay of rupees 2 752.74 crores, rupees 1120.51 crores was allotted for SSI.

In the 8^{th} Five year plan the total outlay for SSI and village cottage industries was rupees 6334 crores. The growth rates in respect of production, employment and exports of SSI envisaged are lower than those achieved during the 7^{th} Five year plan. The 8^{th} plan advised the industrial association to come forward and evolve a suitable distribution mechanism so that the interest of the sector is protected. Greater emphasis was laid on the establishment of tool rooms and provisions of training facilities to upgrade technology. During this plan period a need was felt for an agency which could take up the functions of collection, documentation and the storing of

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[21] Govt. of India, 'Five Year Plans', New Delhi, Planning Commission, p. 325.

information on technology, conducting studies and the preparation of technology guidelines, assessing the need for establishment of tool rooms, testing centres, etc. The establishment of 70 growth centres also has been envisaged in this plan. The plan proposed to earmark a certain percentage of developed industrial area for small industries [22]

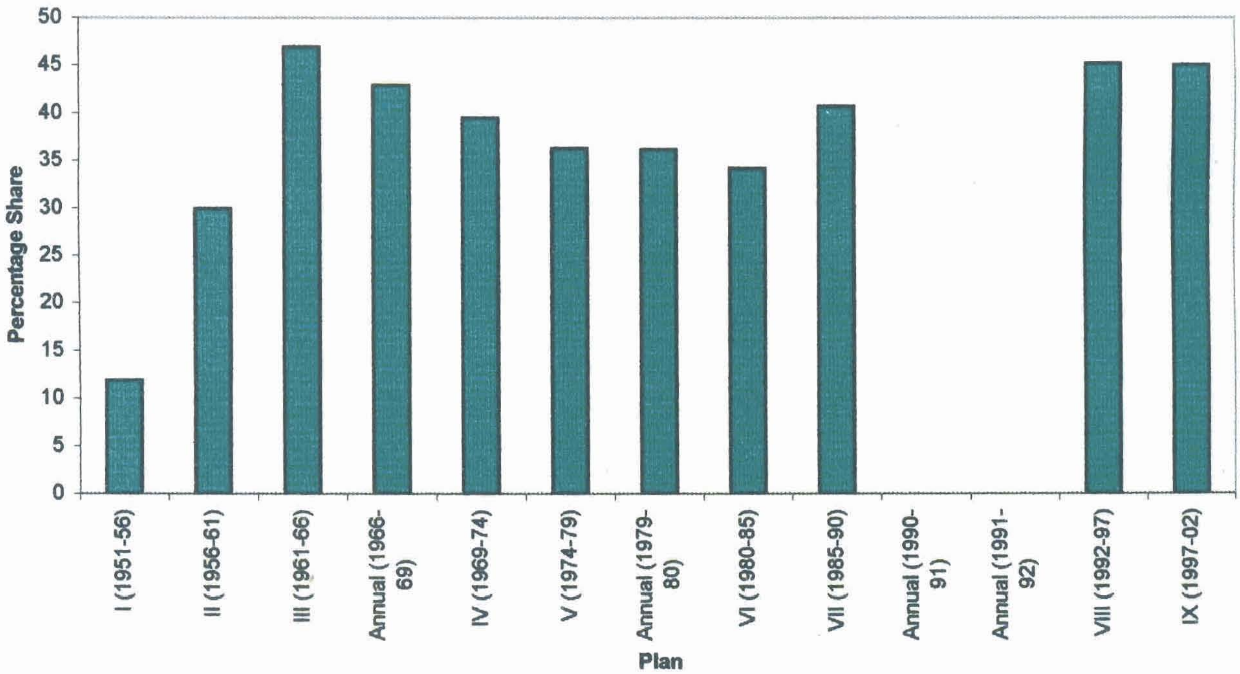
During the 9th Five year plan, the total outlay on village cottage and SSI was worth rupees 4508 crores and the outlay on SSI including industrial estates was rupees 2036.96 crores which is 45 per cent of the total out lay on village and SSI.[23] The main highlight of the 9th Five year plan strategy for the SSI and village cottage industries sector was the incentive and support to facilitate their growth and employment. It was ensured that foreign investment doesn't displace such industries. The investment limits for SSI sector were revised to take account of inflation and to enable the achievement of minimum economics of scale and upgradation of technology so as to withstand emerging competition. The list of items reserved for SSI reviewed credit flow to SSI also augmented. The financial institutions were motivated to offer factoring services. The coverage of programme such as Prime Ministers Rozgar Yojana (PMRY) enlarged to create new self employment opportunities for the educated unemployed. The Khadi and Village

[22] Govt. of India, Eighth Five Year Plan, Planning Commission, 1992. p.133-134.

[23] A.N. Agarwal, 'Indian Economy Problems of Development and Planning', Vishwa Prakashan, New Delhi, 2001. p.397 & IXth Five Year Plan. Internet.

Industries centres were organizationally and financially strengthened to be able to generate more job opportunities under the 2 million Job programmes in khadi and village industries. Technology development and upgradation in the village small industries sector especially in the case of SSI, handlooms powerlooms, [24] handicraft, wool etc. received special attention.

Figure No. 2.1. Diagram showing the Percentage Share of Outlay on SSI to Total Outlay of SSI and Cottage Industries (Plan wise)



[24] Govt. of India, Approach Paper to IX the Five Year Plan, Planning Commission, page 69-70.

Proposals of the 10th Five Year Plan (2002-07)

The 10th Five year plan realises the importance of village cottage and small scale industries. Various steps are proposed for its uplifitment. Liberalisation of control at the state level is one of the steps. Equally important is the need to ensure adequate credit available to SSI units. A proactive policy for encouraging banks to meet the needs of SSI while maintaining all necessary banking diligence in credit appraisal is necessary. Procedures for credit and disbursement in the public sector banking need to be modernized to ensure quick response. The reservation of certain items for SSI also needs to be considered. There is also a need for preferential opportunity to extend investment limits for SSI units with immediate effect, while restricting entry of new large units for the time being. These issues should be examined and a clear policy laid down at the start of the 10th five year plan period.[25] The outlay of this plan for khadi and village industries sector is rupees 1850 crores and the expected employment opportunity is 20 lakh persons.

Table 2.3 shows the performance of village cottage industries in various Five year plans.

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[25] Govt. of India, '10th Five Year Plan', Planning Commission, New Delhi, 2002-7, p.34.

TABLE 2.3

Village cottage industries in the Five Year Plans

Plan	Villages covered (in Lakhs)	State KVIB (Nos.)	Production (Rupees crores)	Sales (Rupees crore)	Employ-ment (Nos. in lakhs)
I	N.A	2	10.93	0.90	3.87
II	N.A	14	33.16	28.36	6.81
III	N.A	15	55.87	49.73	8.77
Annual Plans	N.A	15	75.12	63.98	7.72
IV	N.A	20	122.40	115.64	9.28
V	1.25	24	243.97	242.01	14.96
Annual Plan	1.30	24	347.98	358.97	16.13
VI	1.50	27	807.06	880.45	24.84
VII	2.00	28	1700	1785	30.00
VIII	2.25	28	3250	3450	44.00
IX	2.25	28	8000	N.A	N.A[26]

From the available information, it is seen that village and cottage industries are providing employment to more than 50 lakhs of people in India. The sales of village and cottage industries in the 1st plan was only rupees 90 lakhs, but in the second plan it was increased to rupees 28.36 crores. During the third plan period, the production was 55.87 crores and number of persons employed was 8.77 lakhs. During the 4th plan period, the production was increased to 122.40 crores and it employed 9.28 lakh persons. The production of the 5th plan was 243.97 crores and employment provided accounted for 14.96 lakhs persons. In the 6th plan and 7th plan the

[26] Govt. of India, KAVIRC Reports.

productions in this sector was 807.06 crores and 1700 crores respectively. The employment generation of the plans was 24.84 and 30 lakhs respectively. During the 8th plan the production was 3250 crores and the employment 44 lakh persons. During the ninth plan this sector provided employment to more than 50 lakh persons and the expected production was above rupees 8000 crores.

Realising the importance of SSI and village and cottage industries in the economic development of the country, the Government had taken measures to encourage them through the various industrial policy resolutions which are discussed in the following paragraphs.

The Industrial policy 1948 was the first attempt to promote industrial development. This policy stated that cottage and SSI were particularly suited for better utilisation of local resources and for the achievement of local self sufficiency in respect of certain type of essential consumer goods. It was also mentioned that the healthy expansion of cottage and SSI depended upon a number of factors like the provision for raw-material, Cheap power, technical advice, organised marketing of their products education of worker in the area of best available techniques etc.[27]

The Industrial policy 1956 also stressed the role of cottage and SSIs in the development of the economy. This policy specified that the states should

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[27] Govt. of India, Ministry of Industry, 1948.

follow a policy which should support this sector. The aim of this policy was to improve the competitive strength of the SS producers by upgradation and modernisation of the techniques of production without causing the technological unemployment. During the period of 1948 and 1956 an international team of experts on SSI namely, the international prospective planning team was invited by the Govt. of India through the courtesy of the Ford Foundation to make a study of the problems of SSI. This team recommended the setting up of Regional Extension Institutes to provide services in areas of technology, marketing and finance. Considering the recommendations of the Team, the Govt. in 1955 appointed the village and SSI Committee known as the Karvey Committee to consider the draft of the 2nd Five Year Plan for the development of SSIs. The committee recommended that any development programme for SSI should be decentralised, aim at gradual improvement in technique without reducing job opportunities, assure marketing through co-operatives and lend positive promotional support rather than enforce protection or reservation. These two committees have given a boost for the development of SSI.[28]

The Industrial Licensing Policy 1970 reiterated the importance of the development of cottage and SSI as an essential step towards economic self reliance.

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[28] Pattanaik, S.M., 'Development Strategy of Small Industries', Himalaya Publishing House, Bombay, 1988.

The Industrial Policy 1973 also decided to follow programmes for achieving the objective of growth, social justice and self reliance in the industrial sphere.

The Industrial Policy 1977 laid stress for the effective promotion of cottage and small scale industries widely dispersed in rural areas and small towns. It was during this period the concept of district industries centre was introduced with the objective of providing single window facility to entrepreneurs.

The industrial policy statement of 1980 marked a significant milestone in the development of SSI in India. The policy emphasized on harmonious growth of SS sector with that of large and medium scale sector.

The Industrial Policy 1985 specified the list of industries reserved for exclusive development and the items reserved for government store purchase were increased.

The Industrial Policy Resolution 1990, aimed at facilitating modernisation and induction of new technology, expansion of items to be reserved for small scale sector and flow of credit to small and tiny industries.

The industrial policy tabled by the central government in Parliament on 24th July 1991, aimed at bringing radical changes in the development of SSI in the Indian economy. The main objective of this policy was to provide all possible assistance to the SS sector so as to enable it to contribute substantially in the field of output, employment and exports. Therefore this sector has been delicensed. Further, it has been decided to allow equity participation by other industrial undertaking in the SSI, not exceeding 24 percent of the total shareholdings.

This policy gave considerable focus on and attention to modernisation, technology upgradation, quality and human resources development. The National Equity Fund and single window scheme have been enlarged. Allocation of large amounts during plan period, cheap credit facilities, tax benefits, subsidies, concessions in importing raw-materials and machinery, reservation of items for production, etc. reflect promotional policies adopted by the Government towards the development of small scale sector.[29]

A comprehensive policy package for the small scale sector was announced by the Prime Minister on Aug. 30, 2000. This policy raised excise duty exemption limit from rupees 50 lakhs to rupees 1 crore. For technology upgradation 12 per cent capital subsidy scheme was introduced. The investment in industry-related service raised from rupees 5 lakh to 10 lakh, granted rupees 75000 to each small scale enterprises for obtaining ISO 9000 certification till the end of the 10th plan. The limit of composite loans was

[29] Rohini Prasad, 'Role of Financial Institutions in the development of SSI. R.S. Jalal Industrial Entrepreneurship and SSI, Anmol Publications, New Delhi-1991.

raised from rupees 10 lakhs to rupees 25 lakhs. A group was formed under the cabinet secretary to suggest and recommend streamlining of inspection and repeal of redundant laws and regulations applicable to the sector.

It also raised the income limit for the PMRY scheme from rupees 24,000 to rupees 40,000. It also proposed to conduct the third census of small scale industry.[30]

Industrial Estates in India

Industrial Estates Programme in India is perhaps the biggest undertaking by any developing country. This programme for the development of SSI was lauched by the SSI Board in January, 1955. The main objective of the Industrial Estate Programme is to encourage and support the creation, expansion and modernisation of SSI through the provision of factory accommodation, common service facilities and assistance and servicing throughout all stages of establishment and operation and to develop sub contracting relationship between the small and large scale industries and specialised manufacturing activities. It also aims at regional development, growth of ancillary industries. There are 705 Industrial Estates completed in India of which 210 are in rural areas, 179 in semi-urban and 316 in urban areas.

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[30] Govt. of India, 'Economic Survey 2000-01' (Delhi, 2001), p.145.

The small scale and cottage Industries Development and present position in Kerala is briefly explained in the following paragraphs.

Small Scales and Cottage Industries Development and Present Position in Kerala

The industrial sector of Kerala consists of a few large and medium Industries mainly in the Public sector, and small scale village and Cottage Industries. The small scale Village and Cottage Industries sector consists of traditional Industries and small scale Industries like coir, cashew and handlooms.

It is seen that in 1980-81, the number of small scale Industries registered in Kerala was 3030. But in 2001, it was increased to 21200. The growth rate was seven times that of 1980-81. The total number of registered small scale Industries in Kerala as on 31st March 2001 comes to 239896 units. The total value of goods and services produced by these units is worth rupees 1099825.3 lakhs. The number of persons employed in this sector comes to 1114495 persons. The total investment comes to rupees 347061.48 lakhs.[31] The total number of village and cottage Industries in Kerala as on 31st March 2001 was 17581 units with an annual production of rupees 16228.85 lakhs. It provided employment to 161864 persons.[32] It is also seen that the highest

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[31] Govt. of Kerala, Directorate of Industries and Commerce, Trivandrum.

[32] Govt. of Kerala, Khadi & Village Industries Board, Trivandurm.

number of registered SSI units are in Trivandrum district ie., 25655 units and lowest number 4138 units in Wynad District. In 1988-89, the value of goods and services produced in this sector were estimated to be rupees 1723.78 crores and it provided employment to 3.66 lakh persons. [33] In 1994 its production increased to rupees 3607.94 crores and provided employment to 6.30 lakh persons.[34] In 1997 the production of small scale and village cottage Industries sector was rupees 294775 crores. The employment generation of the sector in this period was 553.74 lakh persons and its exports worth rupees 50215 crores.[35]

Small Scale and cottage Industries in Kerala Under Five Year Plans

Efforts in the past show that no significant attempts were made by way of developing or exploiting human and material resources in the initial years of the Five Year Plan in the State. The out lay for development of small scale, village and cottage industries in Kerala during various Five Year Plans are shown in Table 2.4 following.

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[33] Govt. of Kerala, 'State Planning Board', 1989, p.61-62.

[34] Govt. of Kerala, 'State Planning Board', 1994, p.101.

[35] Govt. of India, 'Planning Commission', New Delhi, VIII Five Year Plan (1992-97) Vol. II. p.151.

TABLE 2.4

The Outlay for development of small scale, Village and Cottage Industries in Kerala under Five year plans

Five Year Plan	Out lay for SSI (Rupees in crores)	Outlay for Village and Cottage Industries (Rupees in lakhs)
I	Nil	112
II	2.81	301
III	3.80	420
Annual	5.12	N.A
IV	4.26	5.96
V	8.49	7.55
Annual	3.51	5.40
VI	25.00	24.80
VIII	44.00	76.00
VIII	86.60	133.40
IX	25.90	23.60[36]

It is observed that the outlay for SSI in the Ist Five Year Plan was nothing. But expended rupees 112 lakhs for the development of village and cottage Industries. Industrial development was actually neglected during this plan. The state couldn't appreciate the importance of promoting modern SSI. There was no organised activity in this field in this period.

[36] Govt. of Kerala, Fiver Year Plans, State Planning Board, Vol. 1, p.2-3 and Vol. II, p.3, Govt. of Kerala, 'Economics Review', State Planning Board, Trivandrum.

Despite the substantially increased outlay of rupees 87 crores, the crucial sectors of the economy like agriculture and industry limped through a state of arrested development during the Second plan. The regional pattern of central investment in Industries was not designed to strengthen the slender industrial base of Kerala. During this plan the amount invested in the small scale, village and cottage industries sector was only 5.82 crores out of the total outlay of rupees 653 crores which was only 0.89 per cent of the total outlay.[37] The third Five year Plan was substantially an improved exercise. The financial targets was more than rupees 8 crores.

In the 4th plan, out of the total outlay of rupees 258.40 crores, rupees 10.22 crores was allocated to small scale, village cottage industries sector.[38]

During the 5th plan, the outlay on SSI village and cottage industries sector was rupees 16.04 crores and during the 6th plan it was rupees 49.8 crores. In the 7th plan, the outlay in these sectors were rupees 120 crores.

During the 8th Plan period, the outlay on this sector was rupees 220 crores. Considering the other plans, the outlay in this plan was a considerable amount. During the 9th plan, the state government outlay on SSI, Village and

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37 Govt. of Kerala, First and Second Five Year Plans, State Planning Board, Trivandrum, p.2.

38 Govt. of Kerala, Third and Fourth Five Year Plans, Planning Board, p.52 and p.127.

Cottage Industries was only rupees 49.5 crores. The state outlay in this plan was only 22.5 per cent of that of the previous plan.[39]

It is seen that when comparing to SSI sector, the outlay for village and cottage Industries sector was more in Kerala under Five Year Plans. This was because of more employment orientation of this sector.

It is also seen that the formation of the Kerala state small Industries corporation was an important development during the third plan period. The corporation was entrusted with the responsibility of construction and management of Industrial Estates, managing of raw material depots, common facility centres, sales emporia etc., and management of the production units run by the Department. The scheme for the supply of machinery to SSI also was undertaken by the corporation. Implementation of rural Industrial programme was another noted event. The 4th Five Year Plan witnessed emergence of functional and ancillary Industrial Estates in the state. The Government also offered subsidy for Loans taken from the Kerala Financial corporation. During the 5th Five Year Plan, the Government of Kerala created a post of Development Commissioner for SSI, so as to provide a package of services. This was envisaged as a separate set up exclusively to cater to the needs of small scale sector.

[39] Got. of Kerala, 'Economic Review', State Planning Board, Trivandrum, 2001.

At the District level, a Deputy Commissioner was appointed and in every Taluk Industrial Extension officers were posted with a view to providing a new thrust for the development of SSI. The Kerala State Industries Development and Employment Corporation and the Kerala Employment Promotion corporation were also set up. In addition to these, there was a proposal to establish nucleus Industrial complexes one at Alleppy and another at Malappuram in order to foster to growth of ancillary units or downstream units, during the 6th Plan Period. Though some initial steps had been taken, the complexes couldn't be set up.

Comprehensive targets and programmes have been made in the 7th Plan to improve the field of small scale, village and Cottage Industries in Kerala. It was during the 8th Plan period that the new economic policy 1991 was launched and some more measures have been declared with the primary objective of imparting more vitality and growth impetus in the field of small scale, village and cottage industries sector. These measures are related to supply of raw materials, sale of products, upgradation of production method and improvement in the quality of products, expansion of training facilities, strengthening of the existing organisation and more liberalisation of National Equity Fund (N.E.F.) and Single Window Scheme (S.W.S.).

During the 9th Plan period also, the State Government Strengthened the Government machinery for promoting the rural industrialisation and thus more employment.

The policy here seems to be more 'welfare oriented' than efficiency oriented.[40]

Industrial Estate Programme in Kerala

Though the Kerala State adopted this programme in the initial state, the working of this is not upto the expectation. It was pointed out by the High Level Committee on Industry, Trade and power that, compared to neighbouring states, Kerala's performance in the matter of promoting Industrial Estate had been poor. Yet it is one of the constraints for the development of small scale industries in Kerala.

District Industries centres (DICS)

In Pursuance of the Industrial Policy Resolution of 1977, a programme of District Industries centres was launched in 1978 with the object of removing obstacles by way of procedural formalities in the establishment of SSI and providing all services and support facilities to small scale entrepreneurs under a single roof. The main function of DIC comprises the

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[40]Sandesara, J.C. 'New Small Enterprises policy Implications and Prospects, Economic and Political Weekly, October 19, 1996.

economic investigation of the potential for the development of the district. It includes its raw material and other resources. Supply of machinery and equipment, provision of raw-material, effective arrangement of credit facilities, marketing assistance, quality control etc. It also conducts research extension and entrepreneurial Training programmes. The various Government incentives such as seed capital or margin money scheme, investment subsidy, margin money Loan to SSI units promoted by Non-Resident Keralities, Prime Minister's Rosgar Yojana to educated un-employed youth, generator subsidy, pollution control equipment subsidy, subsidy for purcahse of know-how, Tax exemption/concession etc are implemented and granted through DICs. The DICs were also expected to be the operational mechanism for according sanction to new units and ensuring their continued viable operation.

Now in each District Industries centre, there are 4 functional managers and one General Manager. To effect Co-ordination, a Co-ordination Committee at the state Level and District Level were also constituted. Thus the main objective of DIC is 'one window clearance' and thus freeing the entrepreneur from running from Pillar to Post for everything. There are 14 District Industries Centres functioning in Kerala to assist small scale industrialist and new entrepreneurs.

Kerala Khadi and Village Industries Board

The Kerala Khadi and Village Industries Board was constituted on 1st August, 1957, as per the provision of the Kerala Khadi and Village Industries Act 1957. It promotes and assists village and Cottage Industries in Kerala. The KVIB is assisting village and cottage Industries like Khadi and Ambar, Bee keeping, Cottage Match, Gur and Khandasari, Hand pounding of paddy, Hand made paper, palmgur,. Non-edible oil and soap, village oil, village leather, village pottery and such other 27 village and Cottage Industries.[41]

Thus, it is seen that small scale and cottage industries constitute the backbone of a developing country. The real prosperity of the nation can be possible with the development of villages and this can be possible with the development of small scale and cottage Industries. The present scenario of small scale and cottage Industries is not so good, but hopeful. The central and state Governments should give more attention to this sector and thus their development can be possible and the view of Mahatma Gandhiji on Indian villages can be realized.

The origin of Banks and Evolution of Regional Rural Banks are shown in the following chapter.

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[41] Govt. of Kerala, KVIB, Trivandrum.

BANKING INDUSTRY - A PROFILE

P. Abdul Azeez “A study on the evaluation of the service of south malabar gramin bank for the socio-economic upliftment with special reference to small scale and cottage industries ” Thesis. Department of Commerce and Management Studies, University of Calicut, 2003

CHAPTER III

BANKING INDUSTRY – A PROFILE

Banks and financial institutions are inevitable for the rapid and balanced economic development of the country. They constitute an integral part of money and capital market which is sine qua non for economic development. Banking institution are inevitable for agricultural development. They can liberate the farmers from the octopus hold of money lenders. It is the lubricating oil for industry and commerce. It provides facility for the business community to invest their surplus. Banks accelerate capital formation of the country. They promote national and international Trade (EXIM Banks is the right step in this direction). Banks provide convenient and economical means of payment. It helps industrious, prudent, punctual and honest persons and provide employment opportunities. They also create credit and control and issue currencies.

ORIGIN OF BANKING

The Banking activities were started in different periods in different countries. Hence Economists in general have expressed difference of opinion regarding the origin and development of the word 'Bank' and Banking Institutions. According to a group of Economists, the word bank has been derived from the German word "BANC' which means a Joint stock firm.

Another group argues that it originates from the Italian word 'BANCO' which means a 'heap'. Another school of thought believes that the word bank has been derived from the Greek word 'BANQUE' which mean a bench. They have the argument that the word 'Banque and bankrupt' had the same origin from the word 'Banque'. According to them in ancient periods Jews in Lombardly entered money transactions and they transacted their business by sitting on benches in a market place. When a banker was not in a position to meet his obligation the bench on which he was carrying on the money business was broken into pieces and he was taken as bankrupt. According to Macleod the money changers were never called 'Benchieri' in the middle age.[1] Many of the Economists have the view that the word 'bank' might have originated from the German word 'Baek' which means a 'Joint stock fund'. Of course, a bank essentially deals with funds. In due course it was Italianised, into Banco', Frenchnised into 'bank' and finally 'Anglicised into bank. This view is most prevalent even today.

Banking is as old as authentic history and the origin of modern banking is traceable to ancient times. The New Testament mentions about the activities of money changers in the temple of Jerusalem. In ancient Greece, around 2000 B.C. the famous temple of Ephesus, Delphi and Olympia were used as depositors for peoples' surplus and these were the centres of money

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[1] Prof. E. Gordon & Dr. K. Natarajan 'Banking theory Law and Practice Himalaya Publishing house, Bombay, 1992, p.1-2.

lending transactions. The priests of these great temples acted as financial agents until public confidence was destroyed by the spread of disbelief in religion. In Babylonia also as early as 2000 B.C, people used their temples for lending at high rates of interest against gold and silver which had been left with them for safe custody. In ancient Rome the practice of granting credit was widely prevalent. Traces of credit by compensation and by transfer orders were found in Assyria, Phonecia and Egypt before the system attained full development in Greece and Rome.

In Rome, the bankers were called 'Argentari', 'Mensari' on 'Collybistoe' and the banks were called 'Tabernoe Argentario'. Even though these were established for carrying out their own business, the government utilised these banks as centres of collecting taxes. People used to settle their accounts with their creditors by giving a cheque or draft on the banks and also transferred money from one name to another. The system of making payment by draft is known as 'prescribere' and 'rescribere' and the draft was known as 'attribution'. Loan banks were also popular in Rome and they lent money for a period of 3 or 4 years on the security of land.

In olden days, banking largely meant money lending and it was restricted to selected number of families working as sole proprietary firms. The Bank of Venice established in Italy in 1157 was the first Public banking institution. In 1401 another Public bank was established in Barcelona followed by bank of Geneva in 1407 and Bank of Amsterdam in 1609. All these banks accepted deposits which could be withdrawn on demand and transferred from one account to another. It is worth mentioning that most of the European banks now on track were formed on the model of Bank of Amsterdam.

The origin of English banking may be correctly attributed to the London goldsmiths during the reign of Queen Elizabeth. They used to accept their customers' valuables and funds for safe custody and issue receipt acknowledging the same. These receipts in course of time became payable to bearer on demand and hence enjoyed considerable circulation. This Goldsmith's note may be treated as the precursor of the bank note. Goldsmiths – they are the men of honesty, integrity, reliability and possessed facilities for safe-keeping of valuables and money. They used to issue receipts for money accepted as deposit. Whenever these deposit receipts were presented, money was paid.

The Goldsmiths in course of time realised that only a small portion of the deposit were withdrawn by the depositors, and a major part remained with them. Hence they began to lend a part of the deposit left with them. While lending, they gave only deposit receipt and not cash. Afterwards they discovered that they could lend by issuing deposit receipt far in excess of deposit lying with them as only a small portion of the deposits were actually withdrawn from them. Thus the process of creation of money was initiated by the London goldsmiths. The deposit receipts issued by the goldsmith laid the real foundation of the bank notes issued by the joint stock banks today. Further the Goldsmiths were the inventors of modern cheque system and they can be rightly called as the fore runners of modern banking institutions.

The business of these goldsmith suffered a rude set back as a result of the ill treatment of the Government of Charles II in 1640. The goldsmiths used to deposit their funds or reserves in the exchequer with the sanction and under the care of the Government. The direction of the King Charles II to stop all payment to goldsmiths led to their role being pitiable and ultimately ruined them. Their ruin proved a hall mark in the history of English banking and led to the growth of Private banking and later on to the formation of Bank of England in 1694.[2]

According to Geofry Gowther there are three ancestors to modern banks – Merchant Bankers, Moneylenders and Goldsmiths. Merchant Bankers were originally traders engaged in national or international trade. Later they began to finance foreign trade. Moneylenders were men of means and reputation. They borrowed money at lower rate of interest and lent it to the needy people at high rate of interest.

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[2] R. Parameswaran & S. Natarajan 'Indian Banking'; Himalaya Publishing house, Bombay 1996, p.3.

Yet, banking in its present form is of very recent origin. After the establishment of the Bank of England in 1694, the development of modern commercial banking institutions had to wait even in England for nearly another one and a half century till the passing of Banking Act of 1883. However, it was only in the 19^{th} century that modern Joint stock commercial banking system developed in most of the leading countries of the world.[3]

Banking Development in India

In India, the ancient Hindu scriptures refer to the money lending activities in the Vedic period. During Ramayana and Mahabharata eras, banking had become full fledged business activity and during Smriti period which followed the vedic period and the Epic age, the business of banking was carried on by the members of the 'Vaish community'. The books of Manu, the great Law giver of the time, contains references to deposits, pledge, policy of Loans and rate of interest of vaishyas. The banker in the Smriti period performed most of those functions which banks perform in modern times, such as accepting deposits, granting secured and unsecured loans, acting as their customer's bailee, granting loans to kings in times of crisis, acting as the treasurer and banker to the state and issuing and managing the currency of the country.

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[3] Prof. E. Gordon & Dr. K. Natarajan, 'Banking theory, Law & Practice', Himalaya Publishing house, Bombay, 1999, p.3.

The early Indian Bankers were the Village Moneylenders who were known as 'Shroffs', Seths, etc. They were doing roaring business in the rural areas. The Famous French Traveller Mr. J.B. Travernier has made references to the existence of money changers in every village as bankers, making remittance of money and issuing letters of exchange. Eventhough the banking flourished during the reign of the Mughals, it received a setback during the period of Aurangazeeb due to the religious restriction imposed on Mohammedans from accepting and paying interest.

The indigenous bankers dominated the banking field till the Joint stock banks were started. The concept of Joint stock bank was introduced by the Agency Houses whose primary function was trading activity. Most of these agency houses were organised by the foreigners employed in the civil or military services in India and retired or resigned from their official position. Initially the agency houses were accepting savings of other employees in the company and lending to needy employees of the company.

As time passed the business of these agencies also had grown tremendously. They also started discounting bills, financing of movement of crops like Indigo, silk and to some extent cotton. Later, the banking business of East India company was also entrusted to some of these agencies.

With the increase in the banking business the agency houses started Commercial Banking. The Bank of Hindustan founded by M/s Alexander and

Company, an agency house in Calcutta in 1770 is considered to be the first Joint stock Bank in India. Simultaneously the Bengal Bank and General Bank were also started which failed in 1771 and 1791 respectively. The Hindustan Bank also went into liquidation, consequent upon the failure of the founders M/s Alexander and Company on account of the severe crisis in 1829 to 1833.

In 1806 the Bengal Bank was established as a rival Bank to the Hindustan Bank. Later on some other banks like the Bengal Bank, the Calcutta Bank, Union Bank of Calcutta, Bank of Baroda, etc. were established. All of them had failed owing to the liquidation of the founders, mis-management of affairs etc.

The consecutive failure of many banks brought in the system of Joint Stock Banks as the second phase of the banking development in India in 1860. The principle of Limited Liability and formation of Joint stock company on this principle was originally started in England in the year 1858. During this period many new financial institutions were started, the banks had sponsored financial institutions and both these institutions together sponsored certain reclamation companies who were reclaiming vast area of land from the ocean.

The beginning of Swedeshi movement brought about certain changes in the banking industry. The agitation connected with the partition of Bengal has resulted in the starting of Indigenous Banks. In 1904 the Bank of Burma was started, which failed in 1913. In 1906 3 more Banks, namely, Bank of India, Bank of Rangoon and the Indian specific Bank were started.

The system of Presidency Banks came into existence with the establishment of the Bank of Bengal in 1806 in Calcutta, Bank of Bombay in 1823 and Bank of Madras in 1840. The objective of starting the Presidency Bank was to render adequate services to the public without incurring risk and also to help the government of the East India Company to formulate its financial policies. Later on the Presidency banks were allowed to issue notes in their jurisdiction and to finance internal trade. The right of note issue was taken over by the Government in 1861 and in lieu of it they were allowed to manage the Government balance in the presidency towns free of charge.

The freedom enjoyed by these Presidency Banks ultimately resulted in their engaging in speculative activities. This coupled with the American civil war started during the period 1863 to 1865 ended up with the voluntary liquidation of the Bank of Bombay in 1860. But another Bank of the same name with a capital of Rs.1 crore was established immediately. The government appointed a commission to study the reasons for the failure of the bank and the report was submitted in 1809. The commission observed that –

(i) Due to the unnecessary restriction contained in the old Act, banks couldn't undertake foreign exchange business.

(ii) They were prohibited from borrowing or receiving deposit payable outside India.

(iii) They couldn't lend for period longer than 12 months.

(iv) They were forbidden to lend on mortgage or on the security of immovable property as on promissory notes bearing less than 2 independent names or on goods unless the goods or titles to them were deposited with the bank as security.[4]

The frequent bank failures weakened public confidence in the banking system. The uncontrolled growth of Joint stock banks and the resultant massive bank failure were behind the thought of constituting a central Banking Institution to control the Banking activities in the country. As the first step in the reconstruction of the banking structure in the country, The Imperial Bank of India Act was passed in 1920 and the three Presidency Banks were amalgamated with the Imperial Bank of India, constituted under the Act. It was intended that gradually the Imperial Bank of India would be developed as a full fledged Central Bank. But the Hilton Young Currency Commission appointed in 1920 observed that the Imperial Bank of India was not fit to function as the Central Bank owing to its numerous branches and Commercial Character. The attempt to create a bank couldn't succeed owing

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[4] Chipa, M.L. 'Commercial Banking Development in India' Print well Publishers, Jaipur 1987.

to the difference between the government and the Assembly regarding the Directors of the Bank. In 1927, a resolution was passed by the Indian Legislative Assembly expressing its extreme dissatisfaction with the progress of banking in India and demanding a comprehensive enquiry in to the Indian Banking. This demand was supported by the Indian Economic Conference, the F.I.C.C.I and Associates chambers of India.

As many as 10 provincial committees, 19 committees of the Indian states and the All India central committee surveyed the entire banking field. Though these committees had a number of suggestions to improve the Indian Banking system, only two suggestions were accepted by the Government. They were the establishment of Land mortgage bank and the Reserve Bank of India. The Reserve Bank of India came into existence under the Reserve Bank of India Act 1935 to control and supervise the banking operations in India and also to act as banker to the Government. In view of the increasing incidence of bank failure and with a view to evolving the measures to protect the interests of the depositors, the central Banking Enquiry Committee was appointed in 1929. The term of the committee was from 1929-1931. The committee after enquiries came to the conclusion that the provisions of the companies Act 1850 was quite inadequate and recommended for a separate enactment for banking companies. In order to detect errors, frauds and other weaknesses of individual banking units and to introduce a proper discipline in their working, the R.B.I. introduced the system of periodical inspection of accounts of the banks.

Over a period of 77 years (1870-1947), the number of banks had grown by 48 times, the growth of deposit was by 7517 times. The paidup capital and reserves also showed a growth by 605 times.

Thus, though the practice of banking was here even in the ancient period, the modern banking is of recent origin. It came into existence only after the Industrial Revolution. At the beginning of the 19th century, the modern banking that is banking on Western line was started.

The Joint Stock Companies Act 1850 was the first legislative enactment in the country which permitted the corporate sector to come in to the banking business as per the provisions of this Act. The first bank established under the Act was the Oudh Commercial Bank in 1881, followed by Punjab National Bank in 1895 and Peoples Bank in 1901. After independence in order to co-ordinate and regulate the growing banking business, a separate Act called 'Banking Regulations Act 1949' was passed. After independence, the Indian Banking system attained a steady and rapid progress.[5]

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[5] Chipa M.L. 'Commercial Banking Development in India 'Print well Publishers, Jaipur 1987.

Partition and Banking

The partition of India affected the economic and banking system also. The Reserve Bank of India, which was controlling and monitoring the affairs of the Banks in India had to take care of Banking system in Pakistan also, until an alternative arrangement was made under the provisions of the Pakistan Monitory System and Reserve Bank order 1947 as amended in March 1948. The R.B.I. was required to arrange the currency of Pakistan, act as banker to central and Provincial Governments of Pakistan. It was also required to manage public debts including issue of new loans, issue of currency notes in Pakistan, buying and selling foreign exchange on conditions fixed by the Government of Pakistan in Consultation with the Government of India. The R.B.I. also exercised control over Scheduled Banks in Pakistan. All these activities continued till June 30th 1948. It is seen that these accounts are not settled so far.

Banking Scene since Nationalisation

The nationalisation of the banks was a bold step and proved to be the most important landmark in the history of the Indian Banking. In 1955, the 'State of Bank of India Act' was passed; accordingly the 'Imperial Bank' was nationalised and 'State Bank of India' emerged with the objective of extension of banking facilities on a large scale, specifically in the rural and semi-urban areas and for various other public purposes. In 1959, the 'State Bank of India' (subsidiary Banks) Act was passed by which the public sector banking was further extended. Eight more banks were made the subsidiaries of State Bank of India' including State Bank of Travancore. In 1969, fourteen major Indian Commercial banks were nationalised. In 1980 six more banks were nationalised. By this nationalisation the public sector took over the traditional private sector by which process the control of over 80 percent of the commercial bank offices, 85 percent of the deposits and 84 percent of the advances were transferred to the public sector.[6]

The number of banks, their deposits, advances and advances to priority sector over the years are shown in Table 3.1 following.

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[6] Deb. K. 'Indian Banking since Independence' Ashish Publishing House, New Delhi 1988.

TABLE 3.1

Number of banks, deposits, advances, priority sector advances over years[7]

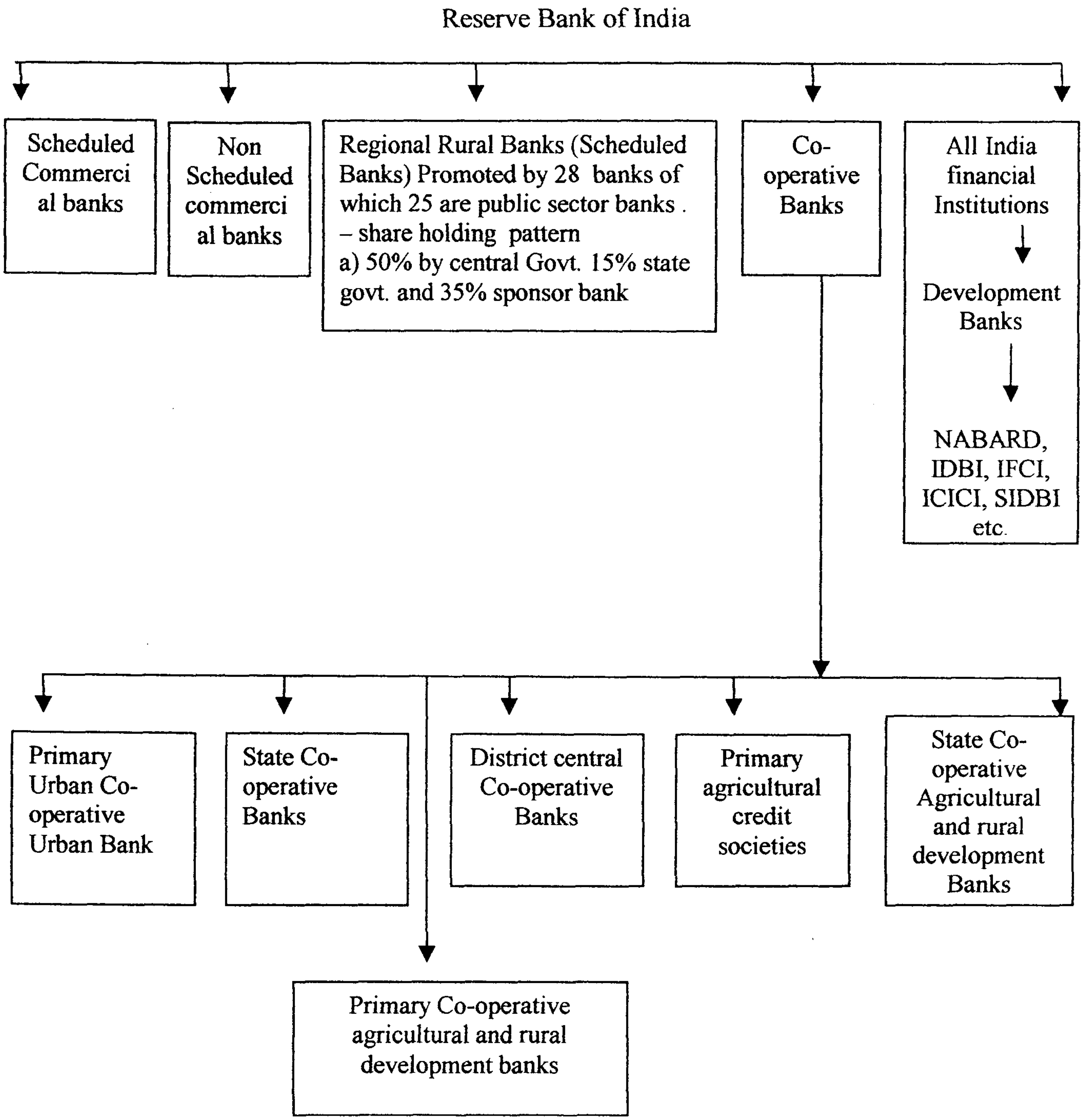
Indicator	June 1969	March 1994	March 1998	March 2000	March 2001
Number of commercial banks	89	276	300	297	296
(a) Scheduled commercial banks	73	272	299	297	296
(b) Non-scheduled commercial banks	16	4	1	-	-
Number of bank officers in India	8262	63755	66408	67532	67821
(a) Rural	1833	33126	32864	32691	32654
(b) Semi-urban	3342	13374	14266	14666	14754
(c) Urban	1584	9533	10593	10994	11113
(d) Metropolitan	1503	7722	8685	9181	9300
Population per office (in thousands)	64	15	14	15	15
Aggregate deposits of Scheduled commercial banks (Rs.crore)	4646	323632	605410	851593	989141
(a) Demand deposits	2104	60700	102513	145283	159407
(b) Time deposits	2542	262932	502897	706310	829734
Credit of Scheduled Commercial banks (Rs.Crores)	3599	166844	324079	454069	529271
Investment of scheduled commercial banks (Rs. Crores)	1361	133314	218705	311697	367184
Deposits of Scheduled commercial banks as percentage to National Income (at current prices)	15.5	47.2	49.6	53.5	55.7
Scheduled commercial Banks' Advance to priority sector (Rs. Crore)	504	59097	108905	155779	-

[7] Internet http:www.rbi.org.in/index d11/26173/open story.

It is seen that the number of commercial banks in 1969 was 89. It increased to 276 in 1994, 300 in 1998 and 296 in 2001. The increase in 2001 is 3.33 times that of 1969. The number of bank offices in 1969 was 8262 of which the number of rural branches was 1833. In 2001 the number of bank offices increased to 67821 and rural bank offices 32654. The increase is 8.20 times of that of 1969 with respect to bank offices and 17.81 times with respect to rural offices. The aggregate deposit of scheduled commercial banks in 1969 was rupees 4646 crores. It increased to rupees 989141 crores in 2001. Similarly the advance of banks in 1969 was rupees 3599 crores, but in 2001 it increased to rupees 529271 crores. The increase in deposit and advance of this periods are 212.90 and 147.06 times respectively. The advance to priority sector shows that in 1969 it was only rupees 504 crores, but in 2001, it increased to 155779 crores. The increase is 309.08 times that of 1969. It shows that the banks had recognised the importance of priority sector Advance. It is also seen that the percentage deposits of banks to national income was only 15.5 percent in 1969, but it increased to 55.7 percent in 2001. The increase is 3.59 times that of 1969.

The structure of Banking Industry in India is shown in the following chart.

Chart showing structure of Banking Industry in India.[8]



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[8] R. Parameswaran & S. Natarajan, 'Indian Banking, Himalaya Publishing House, Bombay1992 p.20

Banking system in India

Reserve Bank of India as the central Bank of the country is at the apex of the banking structure.

Indigenous Bankers

They occupy an important place in the Indian Financial system. According to the Reserve Bank of India, about 5o percent of internal trade is financed by them. Flexibility, absence of formality and promptness lead them to success.

Commercial banks

They are the oldest banking institution in the organised sector. They constitute the predominant segment of the banking system and command a major share in the total banking operations. They cater to the needs of trade, commerce, industries, agriculture, small business, transport and other activities with a wide network of branches through out the country.

Scheduled Banks

Registered Banks in the second schedule of the R.B.I.

Non-Scheduled Banks

Those banks not included in the second schedule of the R.B.I.

Co-operative Banks

Another component of the Indian Banking system formed is the co-operative credit societies Act of 1904. It includes co-operative credit societies and co-operative Banks.

Land Development Banks

They are formed to meet long term credit requirements of agriculturists.

Important Banking Legislations:

1. The Imperial Bank of India Act 1921 (The First Banking Act)
2. Reserve Bank of India Act 1935.
3. Banking companies (Amendment) Act 1950.
4. R.B.I. Act (Amendment) 1950.
5. Banking Regulations Act 1949.
6. State Bank of India Act 1955
7. State Bank of India (Amendment) Act 1959.
8. Banking companies Act 1957.
9. R.B.I. Act (Amendment) 1960

Evolution of Banking in South India

The earlier system of banking in South India was developed in the three districts of Ramnad, Madras and Tinnavelly, where agriculture was the main activity. The principal banking community was the Brahmins of Kallidaikurichi and Nattukottai Chettiars of Ramnad. People used to save and lend it to the neighbours.

The indigenous bankers are handling almost all types of banking activities now a days. Their interest was known as 'Vatti'. Hundis were prevalent at that time. Chettiars were also active in this field.[9]

Banking in Kerala

Banking in Kerala also started simultaneously and flourished very well on account of the good patronage it received from certain communities. The system of Joint families prevailing in the state had helped many families in establishing their own banking units.

According to the Travancore Banking Enquiry Committee Report 1930, there were 2 types of indigenous bankers in Kerala, one the Hundi merchants who accepted deposits and lent money and the other the money lenders who lent money to needy people. The bulk of the banking business was done as family concerns, the eldest members of the family being in the management.

As back as 1835, the Travancore state had 2 laws viz., Regulation I and IV of 1010 Kollam Era (1835 A.D.) restricting rate of interest and amount of

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[9] Deb. K. 'Indian Banking since Independence', Ashish Publishing House, New Delhi, 1988.

interest. In the Cochin Usurious Loan Regulation June 1936, the interest above 12 percent was defined as excessive. The provisions of the Madras Agricultural Relief Act stipulating interest 5 ½ percent was made applicable in Malabar region also.

Long before independence itself, banking in Kerala was unique in several aspects. The early banks had communal relationship. Most of the banks were stated by Christians. The banking activities were concentrated in specific centres especially in Tiruvella in Travancore and Trichur in Cochin. The early banks were unit type. They conducted chittees/kuri.

The first bank started in Kerala is said to be the Travancore National Bank established in 1900 at Tiruvella. At the time of passing companies Regulations in 1917, there were 6 banks in existence including the Travancore National Bank.

The number of banks declined to 5 from 6 in 1917-18. During the next two years (1919-20 to 1920-21), there was a sudden spurt of banking companies.

Number of banks working in Kerala prior to independence is shown in Table 3.2 following.

TABLE 3.2

Number of Banks working in Kerala Prior to Independence[10]

Year	Travancore	Cochin
1916-17	6	-
1919-20	35	-
1922-23	38	-
1930-31	257	-
1935-36	244	-
1945-46	105	82
1946-47	105	82

The total number of banks in Kerala at the end of 1947 was 187 (Travancore and cochin). In 1947, 7 banks were established. Banks established during 1947 to 55 were 19. At the end of 1955, after liquidation and merger it was 22 numbers. Subsequent to the reorganisation of the state in 1956, the administration moved on a more political basis and the banking and economic scenario also experienced a thorough change. The process of consolidation and amalgamations, absorptions and takeovers brought down the number of banks. Nationalisation brought the people more closer to the banking system. As a result the banking activities spread to every nook and corner of the state. The growth in the number of branches increased the

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[10] Savakar, D.S., 'Joint Stock Banking in India', Popular Book Depot, Bombay 1938.

population coverage per branch and resulted in higher savings mobilisation through the banking system. At the end of March 1990 the number of banks including that of foreign banks and Gramin Banks went upto 43.

The migration of Keralites to the Gulf and other foreign countries gave a sudden spurt to the state's economic scenario which had its impact on the banking system as well.[11] The result was that the deposit growth as also the credit expansion was higher than at the All India Level.

The number of banks in Kerala, the amount of deposit, advance, C.D. ratio as on 31st March 2001 are shown in Table 3.3. following.

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[11] 'Indian Banks Association;, Kerala 'A Banking Profile', IBA, Bombay, 1988.

TABLE 3.3

Number of banks, branches, deposit, advance and C.D. ratio of banks in Kerala as on 31st March 2001[12]

Particulars	Commer-cial Banks	RRBs	State Co-operative bank	Primary Agricul-tural Credit Societies	District co-operative Banks	Primary co-operative Agricult-ural Rural Develop ment Banks
No. of Banks	42	2	1	1592	14	44
No. of Branches	2956	325	20	-	436	76
Total deposit (Rs. in lakhs)	4405331	796685	154179	534181	397653	-
Total advance (Rs. in lakhs)	1821311	96716	101906	440191	232502	108436
C.D. Ratio (Percentag e)	41.34	121.37	66.09	82.05	58.47	-

It is seen that the total number of commercial banks in Kerala as on 31st March 2001 comes to 42 numbers. There are 2 Regional Rural Banks, 14 District cooperative banks, 44 primary co-operative Agricultural and Rural Development Banks and 1593 primary agricultural credit societies. The total deposit of all these institutions as on 31st March 2001 comes to rupees 55710

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[12] Govt. of Kerala, 'Economic Review 2001. State Planning Board, Trivandrum.

crores and total advance comes to rupees 28011 crores. It is estimated that about 5 percent of the total deposits in the country are mobilized by the commercial banks of Kerala. However, the credit Deposit Ratio of the commercial banks is only around 41. The reason for this is to be analysed and studied.

Evolution of Regional Rural Banks is given in the following paper.

Evolution of Regional Rural Banks

In rural areas indigenous Money Lenders continued to be the banker in need. Moneylenders enjoyed the monopoly of supplying credit to rural areas. They used to exploit the rural poor. They had resorted to various practices like charging high rate of interest, demanding gift or contribution to temple funds out of the amount of credit, demanding advance interest etc. Moreover, they have the practice of accepting thumb impression on blank paper for inserting any arbitrary amount, manipulate the account, inflate the balance, taking conditional sale deed etc.

In order to mitigate the sufferings of these rural poor, the infrastructure of co-operative credit was brought into being. But the co-operatives couldn't succeed in extending their assistance to the rural poor. In spite of the tremendous growth of co-operatives and commercial banks as purveyors of rural credit, the All India Rural Review Committee (headed by Venkatappiah) in 1969 pointed out that the co-operative and other competing and supplementary agencies should co-exist for rural development.[13]

The requirements of the agricultural sector are so large and diverse that both the commercial banks and co-operative banks can play a complementary role without getting into conflict with each other. It is with their recommendation the Government adopted the 'Multi-Agency Approach. It also recommended the establishment of small Farmers Development Agency (SFDA). The acceptance of 'Multi Agency Approach' also led the commercial banks to undertake agricultural financing as one of their activities.

But later it was observed that commercial banks were facing difficulties in two directions. Firstly the cost structure of their branches operating in rural areas was rather high. Secondly the banks suffered from paucity of requisite staff who could deal properly with the rural clientale and the problem of rural credit.

In 1971, the National Commission on Agriculture (in its interim report on credit service for small and Marginal Farmers and Agricultural labourers) expressed the view that it might be ultimately necessary to set up an Agricultural Development bank of India on the lines of the IDBI. The idea was to consolidate the expertise and experience of various agencies such as

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[13] Report of All India Rural Review Committee (Chairman Venketappiah), 1969.

Agricultural credit Department of the Reserve Bank of India, the Agricultural Refinance Corporation etc., into a single national organisation in order to direct the flow of agricultural credit according to priorities for a fuller utilisation of land and manpower. The Agricultural Development Bank of India could provide the initiative and expertise for project-oriented lending after special studies and surveys on regional and commodity basis. The NCA's suggestion were based on the report.

The Banking Commission did not favour the setting up of an Agricultural Development Bank. It said that the purpose would be served by merging the Agricultural Refinance Corporation, a subsidiary of the Reserve Bank, and the Agricultural Finance Corporation which was set up by commercial Banks. The Banking commission favoured this merger as the ARC had already developed considerable expertise in project-oriented Loaning and the AFC had developed its own expertise for identifying potential agricultural projects. With this merger resources of both could be put in to effective use.

The Central Government also realised that the 'Multi Agency Scheme' which was put into operation during 1970-71 didn't prove quite successful. Apart from the fact that the small and marginal farmers have to contact different agencies for different purposes, their credit needs are not being adequately met.

The suggestion of starting a chain of Rural Banks was made in 1972 by the Banking Commission which recommended such banks for compact groups of villages, mostly autonomous in character and managed by the local leadership to ensure local response and participation. According to the commission the Rural Banks could be established in one of these three ways. Firstly, conversion of primary co-operative societies providing all the banking services. Secondly, establishing subsidiaries of commercial banks. Thirdly, establishment of special type of Rural Banks sponsored by commercial Banks, but supported by local participation.

The commission also observed that in a country like India where diversities abound, any single type of financial institution to meet the financial needs of people in rural areas wouldn't be an appropriate method with the problem of rural credit. Hence the commission recommended a "Multi-pronged Programme, where co-operative societies, branches of commercial bank and specially, sponsored Rural Banks were to play their role".

In 1975, the committee on Rural Banks constituted by the Government of India reported that non-institutional credit in rural areas still amount to 2/3 of the total credit. There were still many unbanked areas also.

No action was taken by the government of India on the Banking Commissions proposal for establishing a chain of 'rural Banks'. It was only after the middle of June 1975, the policy makers in the Government of India felt the need for setting up of the new institution of 'rural banks' for rural credit. The opportunity for such re-thinking was provided by the so-called 'Twenty Point Programme' of the Government of India. The so called Twenty point programme also called Twenty point Economic Programme was announced by the then Prime Minister. It was on 1st July 1975. Some points of this programme were the upliftment of weaker section of the rural society. It included a 'plan' for liquidation of rural indebtedness, legislation for morotorium on recovery of debts from landless laboureres, small farmers and rural artisans.

In accordance with the guidelines from the Government of India, several state Governments enacted legislation for morotorium, discharge of debts and seating down of debt of the small and marginal farmers, landless labourers, rural artisans and other weaker sections of the society from the non-institutional sources. This led to creating a vacuum in meeting the credit requirement of the rural poor, since indigenous money lenders now felt skeptical of recovery of these loans. Thus the Government of India seriously considered devising new alternative sources of credit to meet the requirements of the weaker sections of the society. In view of this, the Government of India appointed a working Group on Rural Banks under the chairmanship of Sri. M. Narasimham to examine in depth the setting up of new rural banks as subsidiaries of Public sector Banks to cater to the credit needs of the rural poor. This working group was appointed on 1st July 1975 and was asked to submit its report within one month. The report was submitted on 30th July 1975. The working Group recommended the setting up of the state sponsored, regionally based and rural oriented banks, to be known as 'Regional Rural Banks'. They were set up under the Regional Rural Banks Ordinance 1975, (26th September 1975) later replaced by the Regional Rural Banks Act 1976.[14] Regional Rural Banks established in the initial stage are shown in the following table.

TABLE 3.4

RRBs in the initial stage and their Sponsor Banks[15]

	Name of RRB	Sponsor Bank	State
1.	Prathama RRB Moradabad	Syndicate Bank	Uttar Pradesh
2.	Korakpur Kshatriya Gramin Bank	State Bank of India	Uttar Pradesh
3.	Bhiwani Kshetriya Gramin Bank	Punjab National Bank	Haryana
4.	Jaipur Anchalik Bank	United Commercial Bank	Rajasthan
5.	Malda Gaur Gramin Bank	Union Bank of India	West Bengal

Initially 5 RRBS were established in October 1975 at Moradabad, Korakpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajasthan and Malda in West Bengal.

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[14] Report of the Narasimham committee 1st July 1975. (Chariman R. Narasimham).

[15] Reserve Bank of India 'Report of the Review Committee' 1977 – p. 97.

The jurisdiction of each RRB was to be within specified districts in a state and that of the branches within the limits specified in the district. Generally an RRB was to have its area of operation, one of 5 adjoining district. A branch was to cover generally one to three blocks and to be in a position to finance 5-10 Farmers service societies.

Generally an RRB was to be sponsored by a scheduled commercial Bank in the Public sector. In most of the cases, the lead bank of the District is the sponsoring Bank. But in some cases private sector commercial Banks also have sponsored RRBs. The sponsor Bank is to provide assistance to the RRBs in several ways such as subscription to its share capital and provision of managerial and staff assistance to be mutually agreed upon for the period of the first 5 years of its existence.

The Authorised capital of each RRB was fixed at rupees 1 crore and issued capital at rupees 25 lakhs. But in December, 1989, the paid-up capital of 194 RRBS increased to rupees 50 lakhs.

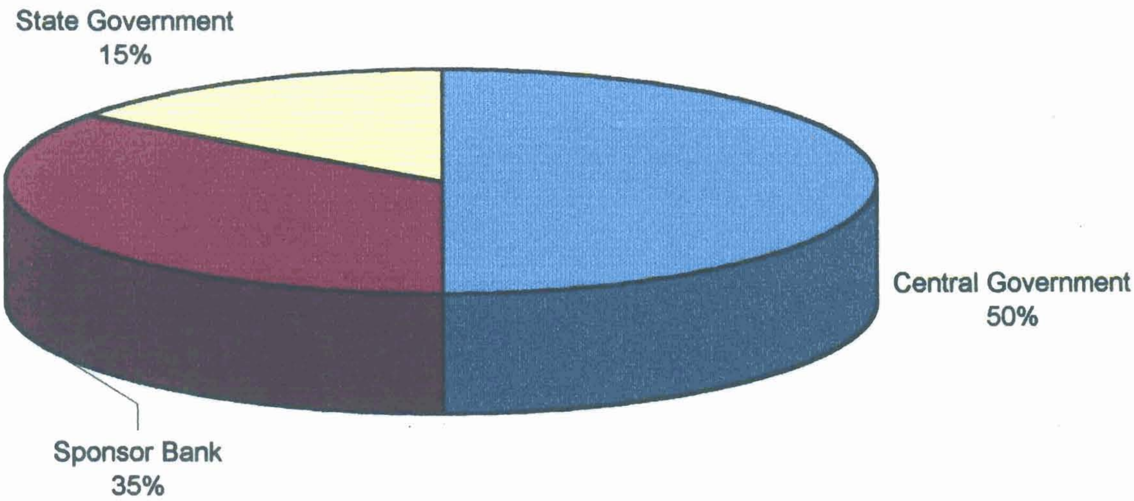
The Issued Capital was subscribed by central Government, sponsor Bank and state Government in the ratio of 50:35:15. The capital subscription of RRBs is shown in the following table.

TABLE 3.5

Capital subscription of RRBs[16]

Name of Subscriber	Percentage holding
Central Government	50%
Sponsor Bank	35%
State Government	15%

Figure No. 3.1. Pie diagram showing Capital Subscription of RRBs



Every RRB has the status of a scheduled commercial bank and is empowered to mobilise deposits and to grant short and long term loans to small and marginal farmers, rural artisans etc.

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[16] R. Parameswaran & S. Natarajan, 'Indian Banking' HImalaya Publishing House, Bombay 1992 p.111.

RRBs are low-cost banks compared to commercial banks. An RRB branch is supposed to incur only 40 per cent of the expenses of the commercial Bank branch. As RRBs are the most suitable institution to take banking closer to the rural households, preference is given to them in regard to issue of licenses for opening branches in rural areas. Commercial Banks desirous of opening branches in rural areas should seek 'no objection' from the RRB operating in that area. So also the RRBs are not allowed to open branches in town and urban areas; but can open administrative offices in these areas. Similarly in the case of lending, RRBs were not to give loans and advance to persons whose annual income was above Rs.6500/-. This was so when the RRBs were lending 100 per cent to priority sector. But now their proportion of lending prescribed by RBI is 40 per cent to priority sector and 60 per cent to non-priority sector.

Objectives

The main objectives of the RRB were to provide credit and other facilities mainly to the small and marginal farmers, agricultural labourers and artisans, who had by and large, not been adequately served by the existing credit institutions.

Organisation

The RRBs are established by 'Sponsor Banks', usually a public sector bank. The steering Committee on RRBs identifies the districts requiring

RRBs. Later the central government after the consultation with the State Government and the sponsor bank sets up RRBs. Each RRB is a separate body corporate with perpetual succession and common seal. But it is closely linked with the sponsor bank. Each RRB operates with a local limit within such name as may be specified by the central government. The head office of the RRB will be within the local limit as specified by the Central government. The rural bank may establish its branches or agencies at any place within the notified area.

Management

The general superintendence, direction and management of the affairs and business of RRBs vests with the nine member Board of Directors. The central government nominates 3 directors, the state government has 2 directors and the sponsor bank nominates 3 directors. The chairman is usually officer of the sponsor bank but appointed by the Central Government. The Board of Directors is required to act on business principles and in accordance with the directives and guidelines issued by the Reserve Bank. At the State level, State level co-ordination committees have also been formed to have uniformity of approach of different RRBs.

Resources of RRBS

The resources of RRBs consist of

(i) Share capital

(ii) Deposit from public

(iii) Borrowing from sponsor bank

(iv) Refinance from NABARD

The R.B.I. has put RRBs on a par with co-operative banks for refinance facilities that is 2 per cent below the bank rate. Like Commercial banks, the RRBs have been made eligible for accommodation against a mere declaration of eligible loans and advances by them.

The RRBs are allowed to offer 1½ per cent additional rate on their deposits over the rate offered by commercial banks. The facilities provided by the Deposit Insurance and credit guarantee Corporation of India have been extended to RRBs to protect the interest of depositors.

Functions

As per section 18 of the RRB Act, every RRB shall carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act 1949 and may engage in one or more forms of business specified in sub-section (1) of section 6 of that Act. The RRB may in particular, undertake the following type of business

a) Granting of loans and Advances, particularly to small and marginal farmers, Agricultural Labourers whether individual or in groups and to co-operative societies, co-operative farming societies and primary agricultural credit societies for agricultural purposes or for other operations concerned.

b) The granting of Loans and Advances to artisans, small entrepreneurs and persons of small means engaged in trade, commerce, industry or other productive activities within the notified area.

Growth

The number of RRBs rose, to 30 by the end of October 1976, 40 by the end of December 1976 and 48 by June 1977. Bankwise SBI, syndicate Bank, Punjab National Bank have the lead in sponsoring RRBs. These 48 banks had opened 1172 branches by the end of December, 1977.[17]

The R.B.I. appointed on 23 June 1977, a committee headed by M.L. Dantwala to review the working of RRB set up under the RRB Act of 1976, with the following terms of references –

- To evaluate the performance of the RRB in the light of the objective for which they are set up.
- To indicate their precise role in the rural credit structure and

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[17] Reserve Bank of India, 'Report on currency and Finance Bombay 1987-88', p.175.

- To make recommendations with regard to the scope, methods and procedures of their functioning and other matters to the enquiry committee.

Having viewed the various issues connected with the problem of rural credit, the committee took the view that "the role of the new institution would be to supplement and not supplant the other credit institution in the field".

The committee was of the opinion that RRB with some modification in their organisation and function could become a very useful component in the totality of rural credit structure.

The RRB continued to show a significant progress and the number of RRBs increased to 159 at the end of March 1984 as against 142 a year before. So also the number of branches and districts covered by RRB increased from 6416 to 8213 and 247 to 281 respectively at the end of March 1984. As on 30th June 1988, 196 RRBs were set up covering 363 districts with a net work of 13353 branches. Upto the end of December 1994, there were 196 RRBs covering 405 districts. At the end of Mach 1994, RRB had, 14, 546 branches. Uttar Pradesh had the largest number of branches (3055). The aggregate deposit of 196 RRBs was Rs.16,971 crores at the end of March 1997. Aggregate outstanding advances stood at Rs.4682 crores.[18]

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[18] NABARD, 'Regional Rural Banks – Key Statistics', Mumbai, March, 1997, p.3.

As at the end of March 1998, 196 RRBs covered 451 districts with 14475 branches. Their total deposit came to Rs.22189 crores and total Advance amounted to Rs.9861 crores. Their C.D. ratio was 44 per cent.[19]

As at the end of March 2001, 196 RRBs covered 453 districts with 14311 branches. The total number of staff is 70138. Their total deposit is rupees 38278 crores. The total loan issued came to rupees 8797 crores and outstanding advances amounted to rupees 15815 crores. The C.D. ratio as on 31st March 2001 is 41 and NPA percentage is 18 at an average. The recovery percentage of RRBs comes to 69. The combined Net profit of all RRBS comes to rupees 609.06 crores. Out of the total 196 RRBs, 172 RRBs are in profit Gorakhpur (U.P.) and Prathama Gramin Bank (U.P.) continued to record the highest profit at rupees 28.60 crores and 26.17 crores respectively. Balasore (Orissa), Tripura (Tripura) and Bolangir (Orissa) are the RRBs which continued to incur maximum losses. The aggregate losses of this banks represent 34 percent of the total losses incurred by all 24 RRBs. The aggregate losses of RRBs as on 31st march 2001 comes to rupees 2803.03 crores. The causes of loss of these banks especially the above mentioned banks should be studied and analysed. The South Malabar Gramin Bank (Kerala) had the highest outstanding of rupees 532 crores. Pithorogarh Gramin Bank (U.P.) recorded the highest recovery of 97 per cent followed by

[19] Ibid., 1998, p.4.

SMG Bank (Kerala) 92 per cent. The C.D. ratio of South Malabar Gramin Bank (Kerala), North Malabar Gramin Bank (Kerala) Varada (Karnataka) and Arunchal (Arunchal Pradesh) Gramin Banks are above 100 per cent.[20]

Out of the total 28 sponsor Banks, 18 sponsor banks' RRBs are running at profit and 10 sponsor banks' RRBs are functioning at losses.

The present Branch net work of RRBs comprises 6 metropolitan cities, 348 urban areas, 1875 semi-urban areas and 12072 rural branches in 484 districts.[21]

It is seen that RRBs have become an integral part of the Indian rural banking system. The Kelkar working Group in its report in 1986 pointed out that RRBs are eminently suited for the job envisaged for them. Yet, as certain banks are running at a loss, there is an urgent need to revitalise them by augmenting their resources, rationalising their lending procedure, imparting training to the staff and getting co-operation of the state governments.

Now the Government, in order to reduce the losses of RRBs, intends to take certain steps without deviating much from their original goal of formation. What is now being cooked up is the intense merger of the RRBs to downsize their number to one third of the present number of 196. Whether

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[20] Ibid., 2001. p.4.

[21] Ibid., 2001. p.3.

this will give the desired benefit will depend on what actually is being desired by the Central Government.

The Government intends to make them Commercially viable units. Their rate of interest on advance is less and rate of interest on deposit is high. This may be changed. Their operation cost can also be reduced with the amalgamation of 196 RRBs into a single National Rural Bank without deviating from their basic objective of installation.

With their improvement in view, and also to make them an effective instrument for development and growth of the rural economy, the Government of India, appointed a working group under the chairmanship of Sri. M.V.S. Chalapathi Rao on 12th July 2001. The working Group submitted its report to the Government in June 2002.

Though certain RRBs are incurring Losses, the Government can consider their losses as the cost of the upliftment of the weaker section of the society.

The problems and prospects of Regional Rural Banks are revealed in the following pages.

Problems and prospects of RRBs

Although the RRBs have been playing a vital role in assisting marginal farmers, small Traders, artisans and other poor people and have shown satisfactory performance in the area of branch expansion, they have displayed a very poor performance in the area of deposit mobilisation, recovery and viability. They have been functioning just as centres for distributing IRDP, SGSY loans and other credit facilities under Government sponsored schemes. Out of the total 196 RRBs functioning in India only 172 banks earned profit during the yeas 2000-01. The accumulated losses of RRBs were worth Rs.2803.03 crores as on 31-3-2001. The recovery percentage of the RRBs, at an average is 69 per cent as on 31-3-2001. Their NPA is 18 per cent and C.D ratio 41 per cent. Their per employee productivity is Rs. 77 lakhs and per branch productivity is 378 lakh.[22]

Difficulties Faced by Regional Rural Banks

The mounting overdues of these institutions is the main problem. The aggregate overdues of the banks are worth Rs.2803.03 crores.

Show progress – The progress of RRBs are not up to the expectation and is slow when comparing with other types of Banks because of many restriction on their operation. For example till 1996, RRBs were permitted to lend only under priority schemes.

Limited scope of investment – The basic objective of RRBs was to provide credit facilities to poor and weaker sections of the society that is to

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[22] Source: NABARD, 'Regional Rural Banks - Key Statistics', 31st March 2001, Page 4-5.

small and marginal farmers and other weaker sections. They were originally having limited scope to invest their surplus funds freely.

Delay in decision making – the RRBs are controlled directly and indirectly by various agencies that is the sponsor Bank, NABARD, RBI, besides central Government. Thus it takes a long time to take decision on some important issues. This in turn affects the progress of RRBs. However, since 1997, the operational responsibility of RRBs has been passed on to Sponsor Bank.

Lack of co-ordination – Lack of Co-ordination between the RRBs and Sponsor Banks regarding branch expansion, policy making etc are also the important causes for the slow progress of RRBs.

Difficulties in deposit mobilisation – The RRBs are aiming at catering to the needs of poor and are not serving the needs of the rich. So, the RRBs are not able to attract the deposit from that potential sector.

Lack of Training facilities – Generally the staff of RRBs are urban oriented and they may not be knowing the problems and conditions of rural areas. Lack of training facility concerning these areas also affect the growth of RRBs.

Poor Recovery rate – The recovery performance of the RRBs is not up to the mark. It is only 69 per cent at an average.

Capital inadequacy – The capital adequacy is the very basis to financial soundness. There is capital inadequacy in RRBs as most of the RRBs have huge losses in their Balance Sheet eating away all the capital of RRBs.

Increase in overhead expenses consequent upon the revision of staff salaries and parity of salary, reduction in margin available to the RRBs on account of upward revision in interest rates on deposits and reduction in lending rates, modification of the Deposit Insurance and Credit Guarantee corporation scheme requiring the RRBs to pay usual guarantee fee.

The quality of staff support provided by the Sponsor Bank is inadequate, particularly in the initial stages. Officers deputed by the Sponsor Bank are not always best available to hold the administrative position in the RRBs. The staff recruited by the RRBs are generally inexperienced and the training imparted to them is not sufficient to prepare them to shoulder managerial responsibilities independently. Many chairmen of the banks belonging to middle management grade are not capable of shouldering the responsibility cast on them. They lack in experience and maturity required for heading the RRB. Hence it is necessary that RRBs are headed by senior and competent officials to properly manage their affairs.

Establishment of a large number of Branches by the RRBs, make it difficult to control all the branches properly. The organisational set up of RRBs requires to be examined and suitably strengthened so as to ensure effective control and supervision.

Inadequate support given by the state Government to the RRBs is also another problem. When it is envisaged that the RRBs should be an important agency at the grass-root level for dispensation of credit in the rural areas, they should be allotted the required assistance and concessions by the concerned State Government.

Limited Banking facilities offered by these banks do not attract the non target groups to deposit their savings with them. The sponsoring banks also find it difficult to finance the growing needs of these banks as these advances would result in revenue losses to them because of the concessional rate of interest charged. NABRAD is the other source of finance which regulates the credit facilities linked to the recovery performance. As overdues tend to mount, refinance facilities become slowly scarce. The direct and indirect subsidisation by the sponsoring banks was keeping them afloat in most of the cases.

The Khusro committee has passed a harsh judgement on their performance stating that they have become anaemic and debilitated structurally with very little possibility of rehabilitation and resurgence.[23]

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[23] Source: Report of the Agricultural credit Review Committees, Chairman Prof. A.M. Khusro.

Measures suggested from various Quarters for improvement of RRBs

The following are some of the measures suggested by RRBs and others to improve the performance of RRBs and to cut down their losses.

1. Increased training facility should be provided for RRB staff.

2. Customer orientation - Considering the vastness and diverse nature of operations of the rural financing, the RRBs need to evolve more customer oriented practices and products suitable for rural clientele whose requirements are in small units.

(a) Participation in Government Sponsored progremme – The distribution of targets for the poverty alleviation programmes has been disproportionately high for RRBs as compared to their capacity. Also, the recovery performance under Government sponsored programmes is low. Hence, the target should be lowered for RRBs.

b) Deposit mobilisation - States like Kerala, Gujarat, certain parts of Uttar Pradesh, Andrha Pradesh etc. have good potentials for RRBs to mobilise deposits from NRIs. All RRBs could be permitted to accept such deposits.

c) Priority sector Advance - The security norms for advances are prescribed by RBI. The norms may be left to the judgment of the banks so that the same may be considered by them flexibly while assessing the project feasibility and realiability of the Loans. The RBI have given freedom to them to retain their priority advance not less than 40 per cent. Previously it was 100 per cent and 80 per cent.

d) Business - There is a need to evolve a policy permitting RRBs to undertake all types of credit activities in rural areas subject to their own security and safety norms under prudent supervisory arrangement.

e) Cover against natural calamities and credit risk - Loans issued for agricultural crop production bear high risk. At the same time insurance cover for crops is inadequate and settlement of claims take long time. A system of comprehensive crop Insurance covering all crops is essential to safeguard the interest of RRBs.

f) The exposure norm – The exposure norm for investment by RRB is prescribed at a maximum of 25 per cent of the capital funds of the RRB or 25 per cent of paid up share capital of the company whichever is less. In view of the limited avenues open for investments vis–a-vis large investible resources available with RRBs, particularly after infusion of recapitalisation funds, there is need to allow them to invest in diverse types of securities and institutions. Until the RRBs develop their capacity to monitor multiple investment portfolios their investment in the schemes of institutions such as UTI, IDBI, SIDBI, SBI, which carry less or no risk may have to be excluded from the exposure limit.

3. Restructuring of RRBs/Branches –

(a) The RRB, whose area of operation doesn't offer adequate potential to generate required business for turning around, may be permitted to extend the area of operation to one or more districts provided there is no RRB already functioning in the district.

b) RRBs should be free to relocate their loss-making branches to more potential centres beyond their service areas.

c) The issued capital of RRBs may be enhanced and brought at par with local area banks at Rs. 5 crores.

4. Prudential Regulation –

(a) Capital adequacy - Capital adequacy is very basic to financial soundness of institutions. A capital adequacy of 8 per cent may be prescribed even in the case of RRBs. However, the same may be achieved only in stages.

(b) Write off of loss assets - Presently, the balance sheet of RRBs are contaminated with non-recoverable Loans to the varying extent. There may be a system of periodical write off of loss assets.

(c) Compliance – A stricter compliance by RRBs on the importance of disciplinary measures may be ensured by introducing a suitable monitoring mechanism.

5. Recapitalisaiton of RRBs – As in March 1998, 168 RRBs are having accumulated losses aggregating to Rs. 3116 crores in their Balance sheet. The three shareholders of RRBs – Central Government, Sponsor Bank and State Government agreed to provide additional capital to write off these losses. This infusion of additional capital to write-off past losses is known as "Recapitalisation". This process has started since 1994-95. Up to end of March, 1999, the three share holders together alloted Rs.1852 crores as additional capital to 175 RRBs. The Government of India further allocated 168 crores towards this purpose in the Union budget 1999-2000. The capital was provided in the 50:35:15 ratio.

6. Legal and operational issues

a) Legal arrangement for recovery – The loan dues from borrowers of RRBs being small, the recovery tribunals established under the financial sector reform cannot cater to the needs of the RRBs. State Government may make suitable machinery available to RRBs in line with co-operatives.

b) Income Tax – The RRBs are exempted from payment of any tax as they are treated at par with co-operative societies. However some of the Income Tax authorities have interpreted the provision to the disadvantage of the RRBs. Hence there is a need to suitably amend section 23 of RRBs Act in line with the provision of Se. 22 there of.

Business approach - The procedures for availment of loans needs further simplification for extending timely credit. The procedural requirements may be curtailed in case of regular depositors and credit-worthy borrowers. The saving linked credit approach may be practised even in the case of individuals by the branches of RRBs.

The Authorities also thought of 3 other alternatives to revitalise the functioning of RRBs. Firstly merging of all of them into a monolithic organisation called National Rural Bank of India. Secondly merge them with the Sponsor Bank. Thirdly merging them at the Regional Level.

Inspite of all these keen observers of the RRBs – of their birth and growth – do not consider the loss of RRBs as a loss. They take it to be a social cost of helping 125 lakh people in the rural sector. This loss is the cost of providing banking services in the far flung areas of the country for the last 25 years. Also it was not an unintended eventuality. The very committee which recommended for the establishment of the RRBs (The Narasimham committee of 1975), for the benefit of the weaker section foresaw the losses by the RRBs during their initial years which in its words were to be taken as the essential social cost for the social benefit of achieving the goals set for them.

These goals were subsequently forgotten. Rather for economic reforms of 1990s changed the Government's mind to judge the RRBs efficiency from the yardstick of pure commercial profitability while their very purpose of birth was the pure social benefit.

Still, the changed mind set argues, the banks (after all, all the RRBs are the scheduled commercial banks) cannot eternally survive, on the external support necessitated on account of their continued losses. In order to make the RRBs profit making units from Loss makers, what is required is that the interest of the RRBs must be raised to cover their cost, the weaker section's share in the RRBs lending has been brought down to 10 per cent instead of 100 per cent earlier. They are also permitted to invest their surplus funds in the shares and securities instead of ploughing back entire resources in the rural areas themselves. Thus now the CD ratio is reduced to less than 50 per cent.

Here by all these rennovation portfolios what is actually happened. At what cost RRB started earning profits? It is by distancing the poor from the ambit of the RRBs' assistance and by increasing the cost of what little service that is rendered to them. It is original to do so when the number of the people below poverty line is on the rise and consequently the need to have an exclusive lending institute has become more necessary than ever before.

This is not to say that the RRB, do not need any restructuring. They do need thorough revamping and strengthening. But this strengthening should be for the purpose of strengthening the weaker sections assistance but not to weaken it. This can be achieved with the amalgamation of all the 196 RRBs to form into a single National Rural Bank as suggested by a committee appointed by the R.B.I. The bank so formed should take care of the comprehensive banking needs of the rural areas. It will take on itself the responsibility of giving loans to the weaker sections on a concessional rate of interest and on the scale commensurate with the needs of the rural poor. Although it will have some scope for cross subsidisation, it may continue to need some external subvention which the Government should not shy away from providing since income and employment generated with the help of this bank's finance should be treated as the real benefit to the society by the government which loves to call itself a welfare state. Instead of this, if the present mode of restructure continues with pure commercialisation of the RRBs and interse mergers keeping the Sponsor Commercial bank and other multi agency control on RRBs in tact it will only lead to a further experiment and with a great damage to the cause of the weaker section in the country.[24]

The rural population is around 680 million. The rural work force is around 240 millions. An addition of 28 million people to the rural work force is expected during the decade. Generation of employment opportunities on a massive scale is required to absorb this increase in labour forces. Self employment ventures may have to be encouraged through state-sponsored programmes with credit support from banks. To make such programmes a

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[24] Source: The Indian, Institute of Public opinion, Monthly public Opinion Surveys, May-June 2000, Page 39-41.

successful, different approach is necessary. The target-oriented approach has to be replaced by a more humane, purpose oriented approach. In this context the dictum of Mahadev Ranade, the father of Indian economic philosophy – "Humanise equalise and spiritualise is very relevant".

In Kerala, there are two RRBs functioning with 331 branches scattered in 10 districts of Kerala. They are North Malabar Gramin Bank sponsored by Syndicate Bank and South Malabar Gramin Bank sponsored by Canara Bank. Both are running at profits and have good performance. The profile of South Malabar Gramin Bank and its problems are delineated in the following chapter.

BANKING INDUSTRY - A PROFILE

P. Abdul Azeez “A study on the evaluation of the service of south malabar gramin bank for the socio-economic upliftment with special reference to small scale and cottage industries ” Thesis. Department of Commerce and Management Studies, University of Calicut, 2003

CHAPTER IV

PROFILE OF SOUTH MALABAR GRAMIN BANK

Accepting the Narasimham (1975) report, the President of India promulgated Regional Rural Bank ordinance of 1975. This was subsequently replaced by the Regional Rural Banks Act 1976. (9^{th} February 1976). The first 5 Regional Rural Banks were born on 2^{nd} October 1975. Later on 191 RRBs were established in 23 states of the country. In Kerala, there are 2 RRBs, one North Malabar Gramin Bank sponsored by Syndicate Bank functioning in the North Malabar of Kerala State and the other, the South Malabar Gramin Bank, sponsored by Canara Bank. Both these banks are functioning at profit, though, 24 RRBs are functioning at losses, in other states. These two RRBs are exemplary to other RRBs in India in various aspects like Advance, deposit CD ratio, recovery, NPA, profit, etc.

SOUTH MALABAR GRAMIN BANK is one of Pioneer Regional Rural Banks established under the Regional Rural Banks Scheme in order to cater to the needs of the backward SOUTH MALABAR OF KERALA state. It was established in the year 1976 (11.12.1976) with its Head Office at MALAPPURAM, a backward region of South Malabar. It is sponsored by CANARA BANK, the lead Bank of the district. The Authorised capital of the bank was rupees 1 crore and paid up capital rupees 25 lakhs, contributed by central Government (50 per cent), Sponsor Bank (35 per cent) and State Government (15 per cent). It's area of operation was MALAPPURAM, CALICUT and WYNAD districts except Mananthavadi Taluk of Wyand district. It opened 5 branches in the initial year with 20 employees, all of them deputed from the sponsor Bank. There was no profit in that year, but loss of rupees 8 lakhs. The business was only rupees 3 lakhs. Tirunavaya, Karuvarakundu, Pulamanthole in Malappuram district and Atholi, Calicut city in Calicut districts were the initial branches of the bank. In the second year, the bank appointed 65 employees including 25 managers and opened two more branches at Kurachod and Ambalavayal in Wynad district.

In 1980, the number of branches increased to 94. It employed 605 employees. The total deposit of the bank during that period was rupees 6.68 cores and total advances amounted to rupees 15.44 crores. It made a profit of rupees 10.60 lakhs during that year.

In 1984, the number of branches increased to 134 and number of staff to 1033. The total deposit of that year was rupees 21.61 crores and advance amounted to rupees 28.95 crores. It made a profit of rupees 9.5 lakhs during that year.

In 1990 it had 147 branches with 1579 employees. The total deposit of that year was rupees 55.23 crores and it advanced rupees 69.46 crores. The net profit of that year was rupees 51 lakh rupees.

In 1995, the bank had 147 branches. The total deposit of the bank during the period was rupees 161.99 croes and total advance amounted to rupees 181.82 crores.[1]

In 1998, it had 150 branches with 1605 employees. The Bank's authorised capital was raised to rupees 5 crores and paid up capital to rupees 1 crore. At the end of 31st March, 1998, the Bank's total deposit was rupees 229.24 crores, loans outstanding to the extend of rupees 283.88 crores and it made a profit of rupees 8.88 crores in that year.[2]

During the year 1997-98, the Bank's disbursement was rupees 294 crores and of this, rupees 242.22 crores to the priority sector. The bank gave advances to the rural people on various Government schemes like IRDP, DRI, OPEC Scheme, CCDP etc. Out of their total advance, 20 to 25 per cent was to small scale and cottage industries. A major share of their advance was to rural and semi urban individuals and only a small percentage to institutions.

In 1999, Reserve bank of India gave it permission to extend its area of operation to two more neighbouring districts – Palghat and Trichur and in October 1999, the bank opened branches in these districts. Five Branches were opened in Trichur district and Four branches in Palghat district. As on 11-12-2001 it has completed 25 years of fruitful service.

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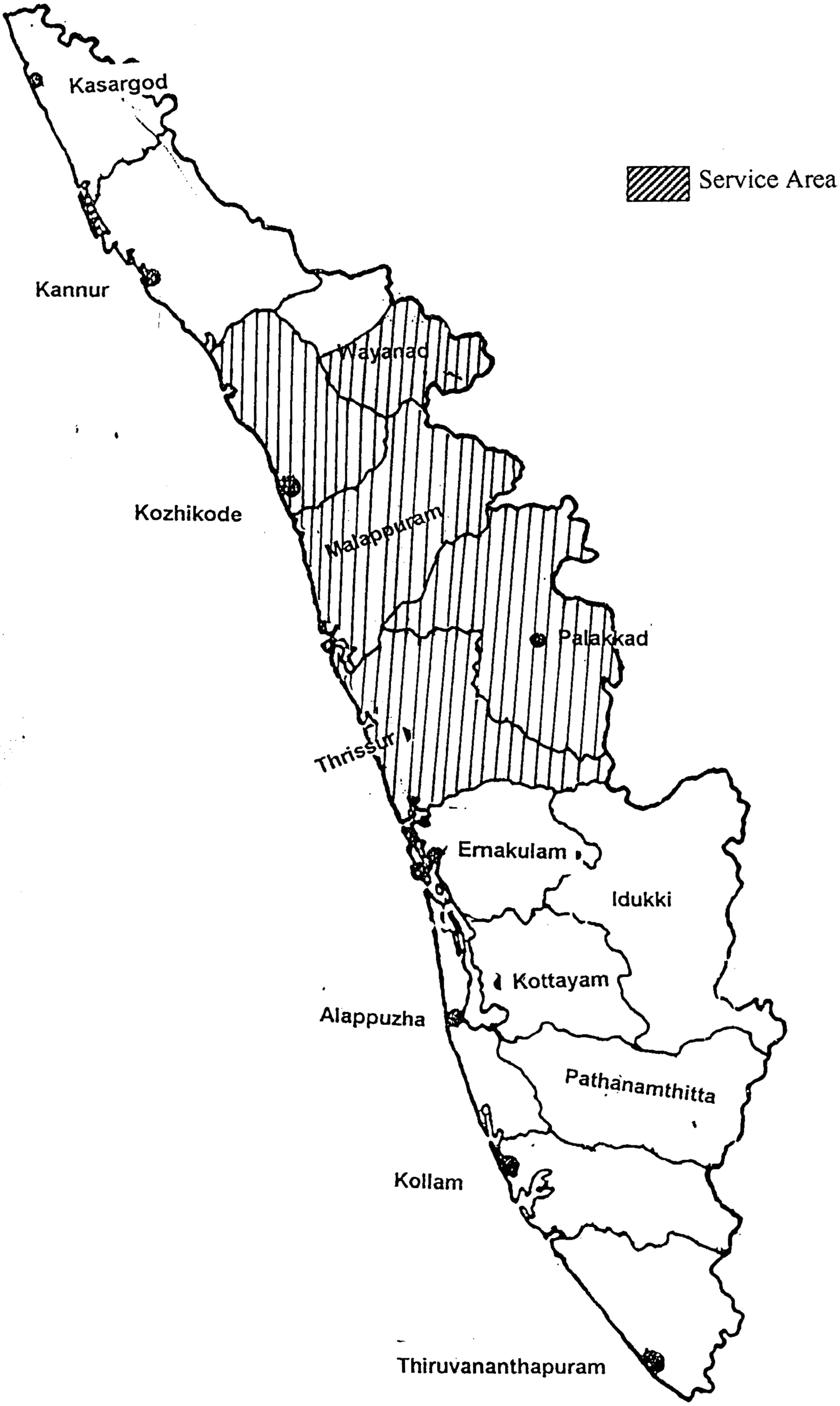
[1] Source: Annual reports 1980-95 SMG Bank Head Office, Malappuram, Kerala.

[2] Annual Reports of SMG Bankm1998.

Figure No. 4. Kerala Map showing Service Area of South Malabar Gramin Bank



In 2002, the South Malabar Gramin Bank has 200 branches in the Five districts of South Malabar and have 1585 employees. Its total business, is Rs.1226 crores. The total deposit comes to Rs.586 crores and advance Rs.640 crores. The bank has achieved a net profit of Rs.11.93 crores for the financial year ended 31st March 2002 after distribution of arrear salary to staff worth Rs.2.5 crores. Its growth rate is 24.7 per cent and C.D. ratio 109 per cent Recovery rate of the bank is 89.95 per cent. It has a reserve profit of Rs.60 cores.[3] South Malabar Gramin Bank ranked first among all other RRBs in India in respect of advance and rank second in overall performance. The bank has obtained permission from the Reserve Bank in 2000 to open NRI Accounts and only North Malabar Gramin Bank is the other bank which has this facility among all other 196 Regional Rural Banks in India. Now it has accepted Rs.45 crores through 14,000 accounts in this sector. Another new venture advance of the bank is Self Help Group Advance. In this, the bank has advanced Rs.4.2 crores to 38,817 beneficiaries. Out of these 92 per cent beneficiaries are ladies. The major advance of the bank is through Kisan Credit Card. By this, the bank has advanced Rs.165 crores at the end of March 2002.[4]

During the last 25 years of its working, the bank incurred losses in 2 years only that is in 1992-93 and 1996-97. In 1992-93, it made a loss of Rs. 201 lakhs because of hike in interest rate on refinance and upward revision of

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[3] Source: P&D Section SMG Bank, Head Office: Malappuram.

[4] Source: Credit Wing, SMG Bank, Head Office, Malappuram.

interest rate on term deposits. In 1996-97 also, it made a loss of Rs. 220 lakhs due to the implementation of Income Recognition and Assets classification Norms and provisioning of Rs.611 lakhs for Non performing Assets. Actually in this year the bank made a working profit of Rs. 391 lakhs. This year was also a year of strike for 23 days and of one year no co-operation by bank staff on an all India basis.

Administrative set up of SMG Bank

The general superintendence, direction and management of the affairs of the bank is vested with 9 Board of Directors consisting of 2 Persons nominated by the Central Government, 2 state Government nominees, 2 Sponsor Bank nominees, one Chairman deputed from Sponsor Bank, one RBI nominee and one from NABARD. The Directors should act as per the guidelines of the R.B.I. At the state level, there is a Co-ordination Committee to ensure uniformity of approach of different RRBs. The chairman is the full time officer of the bank. He is usually deputed for 3 years. Under the Chairman, there is a General Manager, who is also an officer of the sponsor bank deputed to SMG Bank. The Chairman's and General Manager's office is in the Head Office, which is the Head quarters of all branches.

For administrative purpose, seven sections are established. They are:-

1. Accounts wing

2. Personnel wing
3. Credit wing
4. Planning & Development wing (P&D)
5. Premises & Printing wing
6. Inspection wing
7. Remittance & Legal wing (R&L)

1. Accounts wing:

This wing maintain all accounts of all branches. The overall cash Receipts, cash payment, transaction with Reserve Bank of India, Sponsor Bank, NABARD, Government are kept under this section.

2. Personnel wing. (PAD)

The Personnel Administration Department is concerned with all staff matters. This department is the authority to recruit staff, for their training matters, appointment, salary, Leave, Transfer, employees benefits, pension and all other matters associated with employees.

3. Credit-wing

This is the Advance section of the bank. This section is concerned with Advance of the bank over and above the power of Branch Managers and Area Managers. For granting Loan above Rs.4 lakhs, permission of Head office through credit wing is required.

4. Planning & Development wing

This wing is associated with all planning and Development activities of the Bank. All development process, appreciation of branches which shows better performance, opening of new branches, deposit mobilisation campaign, and all other future course of actions are planned and undertaken through this wing. This is one of the main sections of the bank which is concerned with the development of the bank.

5. Premises and Printing wing

This section is concerned with finding suitable premises at the time of starting new branches, shifting of branches to more suitable place; maintenance of building, furnishing of Branches, supply of books, ledgers and other stationery to branches. Daily necessities of branches in this respect are directly sent to the branch and permanent amendments and furniture required to branches are allotted through Area Offices.

6. Remittance and Legal wing

This section is concerned with Recovery of overdues after final notice. Legal action against defaulters is taken through this section of the bank. The bank has appointed three Advocates in this department.

7. Inspection wing

This wing is in charge of inspection of branches. There are seven Inspection Teams in the bank. The Inspection Team visits the concerned area office branches. Each Inspection team is in charge of one area office. They verify the accounts of each branch and check whether legalities are followed while giving loans. They conduct internal audit. They also conduct field survey to verify the reality of the Loan sanctioned and to make sure that loans are utilised for the purpose for which it is sanctioned. If any default is noticed on the part of the branch, the matter is informed and action to be taken recommended.

All the above seven wings are under the charge of Senior Managers of the wings. In addition to the Senior Manager, there are one manager, officers and clerks in each wing/section.

Area offices

There are seven area offices under the Head Office. In Malappuram, there are three area offices, in Calicut – two, in Wynad – one and in Trichur and Palghat (for both) one. For every 25 branches, there is one area office. But as the Palghat and Trichur Branches are new, for both the districts, there is only one area office. The area office is under the charge of an Area Manager, he is usually a scale II manager proposed scale three. In every area office, in addition to area manager, there is one manager, one officer and two clerks.

Functions of Area Manager

1. **Punctuality visit-** For monitoring the punctuality of the branches – staff and other working of the branch, the area manager conducts punctuality visit to branches under his area once in every month (at least).

2. **Regular visit-** This is done for verifying overall functions of the branches under his supervision. In this visit, he verifies target achievement such as advances, deposit etc for a specified period. He also verifies whether the necessary statements regarding the performance are submitted properly.

The Area Manager fixes branch Targets for Deposits, Advance, NPA, disbursement, Recovery, per employee business,profit,etc.

3. **Laison officer between Head office and Branches** - In all matters, he acts as a Laison officer of the Head office and branches under him.

4. **Attending meetings on behalf of Head office and Branches**. He is the officer who attends the sittings (meetings in respect of Revenue Recovery, District Level Review Committee (DLRC) and other branch Image building functions).

5. **Finding new premises for new branches -** When there is a proposal to start a new branch in a particular place as per the permission of the

R.B.I., it is the duty of the area manager to find out suitable premise for the branch.

General Functions of the area office

The Area offices of SMG Bank have the following functions:

(i) Monitoring of Branches, submission of consolidation statement to Head Office.

(ii) Issuing development circulars of the branches regarding target achievement in respect of deposit, advance etc.

(iii) Approval of branch expenditure such as Travelling Allowance to branch staff, minor repairs to branch furniture, monthly conveyance expenditure etc.

(iv) Branch visits for verifying loan documents and NPA.

The Area Manager's limit of sanctioning loan to individual is Rs.4 lakhs.

Under the Area Offices there are 200 branches in 5 districts of South Malabar. Each branch is under the charge of a Branch Manager. In every branch in addition to Manager, there are two officers, three to five clerks and one peon. In busy branches, the number of clerks is varied. The Branch Manager has power to disburse loan for an amount not exceeding 2 lakh rupees. Three years back this limit was only Rs. 15,000/- in respect of Business Loan and Rs. 25,000/- for agricultural loan.

Role of Sponsor Bank

Canara Bank, the Lead Bank of Malappuram district, is the sponsor Bank of SMG bank. The Head office of SMG bank is situated at Malapppuram. The sponsor bank deputes the Chairman and the General Manager to SMG Bank. It also conducts employee training programmes. Re-finance is the main function of the sponsor bank. It holds 35 per cent of the paid up capital of the bank. It acts as an agent of SMG Bank in matters of Demand Draft arrangement and clearing outside Kerala. It is through the sponsor bank that SMG bank is doing NRI business. The sponsor Bank also inspects the South Malabar Gramin Bank, and conducts Internal Audit and Management Audit. They are acting as a custodian of cash reserves of the bank. They also publicize the bank. It is the sponsor Bank which acts as a financial advisor of the bank.

Various Institutions financing South Malabar Gramin Bank: It is seen that the C.D. ratio of the bank in 1992 was 138 and 109 in 2002.

This shows that their advance is more than their deposit. For more advance, they are utilising the refinance of other institutions like NABARD, Sponsor Bank, Central and State government for various schemes like IRDP, SGSY, etc., and SIDBI:. During the year ended 31st March 2002, they have obtained assistance from NABARD, sponsor bank and SIDBI. The Table 4.1. shows the assistance received from other agencies during the year ended 31st March 1992 and 31st March 2002.

TABLE 4.1

Refinance obtained from other agencies to SMG Bank[5]

Agency	31-3-2002	31-3-92
	Amount (Rupees in lakhs)	Amount (Rs. in lakhs)
1. NABARD	14592.10	4708
2. Sponsor Bank	6095.39	2128
3. SIDBI	3.50	30
Total	20690.99	6866

The table shows that, in 1992 the bank had received 6866 lakhs rupees from other agencies as refinance and in 2002, it received rupees 20690.99 lakhs, so as to Advance more than its deposit. The decadal increase in advance of other agencies comes to 3 times that of 1992.

Share capital

The share capital of the bank is rupees 100 lakhs. The bank has a share capital deposit of rupees 641 lakhs. The share capital contribution of various groups can be seen in Table 4.2 following.

[5] Source: Credit wing, SMG bank, Head Office, Malappuram.

TABLE 4.2

Share Capital (Rupees in thousands)

Item	Central Government	Sponsor Bank	State Government	Total
Share Capital	5000	3500	1500	10000
Share Capital deposit	32072	22450	9621	64143

Source: Annual Reports, SMG bank Head office, Malappuram, Kerala.

Branch Expansion

Since its starting, the bank is in progress line so far as the number branches is concerned. The number of branches increased from 5 in 1976 to 200 in 2002. The year wise changes in the number of branches are shown in Appendix.

The branch expansion was brisk during the initial stage (i.e. from 1976 to 1980), but slowed down the pace and fully stopped expansion from 1986 onwards. During 1999-2000, the bank extended its area of operation to Palghat and Trichur districts and opened new branches there. During the year 2001 itself, the bank opened 30 branches in various districts especially in the new districts of its area of operation. In the year 2002, the bank has applied to the Reserve Bank of India to allow them to extend their area of operation to the Southern districts of Kerala – Trivandrum, Pathanamthitta and Idukki. The bank also intends to open two more branches in the existing area of operation. The district wise break up of present number of branches are shown in Table 4.3 following.

TABLE 4.3

District wise break up of Branches

Status	Total	MPM	CLT	Wynad	Trissur	Palghat
Rural	2	-	-	2	-	-
Semi Urban	189	79	61	17	17	14
Urban	9	-	8	-	2	-
Total	200	79	69	19	19	14

Source: P&D SMG bank and annual report 2002.

The services of Nithya Nidhi Deposit agents are available in 108 branches of the bank. One hundred and forty six persons are working as deposit agents in the bank purely on commission basis. The depositors and borrowers can avail their service. Similarly 200 Appraisers are also working in 200 branches as appraisers of Gold, purely on contract basis.

Functions of South Malabar Gramin Bank

The SMG Bank is rendering the following functions-

(i) Primary Functions: It includes the usual functions of commercial bank that is

(a) Receiving of Deposit

(b) Lending of money

(ii) Secondary functions: It includes

(a) Agency Services

(b) General utility service

Various deposit schemes of the bank

The bank accepts the following types of deposits

(i) Fixed deposit
(ii) Saving deposit
(iii) Current deposit
(iv) Nithya Nidhi deposit
(v) Recurring deposit
(vi) Sahasra deposit
(vii) Fixed deposit Kalpavriksha (FDKVD)
(viii) NRE SB deposit
(ix) NRE, NRO, NRNR – FD, KVD
(x) NRE Recurring deposit

Interest rate

The interest rate of the bank on advance as on 31st March 2002, varies from 4 per cent to 16 per cent according to the nature of loan and scheme. It is seen that the rate of interest of the bank is slightly high when compared to other commercial bank. The reason for this increase in percentage is to be studied and analysed.

Interest rate of various deposits as on 31-3-2002

Sl.No.	Type of Deposit	Rate of Interest
1.	Savings Bank Account	4%
2.	Current Account	No interest
3.	Nithya Nidhi Deposit	5%
4.	Recurring Deposit	5% (Quarterly compound)
5.	KVD	5% (Quarterly compound)
6.	Fixed deposit	
	15 days – 45 days	5%
	46 „ 90 „	6½%
	91 „ 179 „	7½%
	180 „ 364 „	8%
	1 year – 2 year	8.5%
	2 year and above	9%
7	NRE	
	6 month to < 1 year	8%
	1 year > < 2	9%
	2 year > < 3	9.5%
	3 year Above	10%
8	NRO (Non Resident others)	Domestic rates
9	Deposit over Rs.15 lakhs	Ordinary rate and 0.25 extra
10.	Deposit of Senior citizen (60 years and above)	Ordinary rate and 0.50 extra

Source: Credit Wing, SMG Bank, Head Office, Malappuram.

Various lending schemes of the Bank

The bank has 56 loan schemes to meet the various requirements of its customers. The details of important schemes are shown below.

Farm Sector

Short Term Loans

1. Kisan credit card (KCC), period of Loan 3 years.

2. Agricultural Produce Loan (ALPL) – for warehouse/godown – period of loan 6 months.
3. Seasonal Agricultural Loan (SAL) – Not common now.
4. Agricultural Gold loan (AGL) – Period one year.

Term Loans

1. Minor Irrigation and Micro Irrigation – Period of Loan 9-15 years.
2. Land Development and Water Conservation – Period of Loan 9-15 years.
3. Plantation and Horticulture Development – Period 5-15 years.

    (i) Plantations
    (ii) Floriculture
    (iii) Mush room
    (iv) Nurseries
    (v) Sericulture
    (vi) Bee-keeping (Agriculture)
    (vii) Rubber, Roller, Smoke house & Sheet driers.

4. SAMAGRA (Flexi-credit scheme) Period of Loan 5-10 years – It is provided to small farmers.
5. Animal Husbandry

    (i) Dairy – Period 5 years
    (ii) Poultry - Period 6 years
    (iii) Goatery - Period 5 years
    (iv) Piggery - Period 5 years
    (v) Calf & Heifer Roaring - 5 years.

6. Fisheries

   (i) Marine fishery - 5 years (ii) Inland fishery - 5 years

7. Farm Mechanisation and Agro Service Unit – Period of loan – 5 to 7 years.

The above mentioned scheme loans are Re-financed by NABARD (35%) - The National Bank for Agricultural and Rural Development.

8. Agricultural Loan on Hypothecation of vehicle (ALLHV) – Period of Loan 5-7 years.

9. Agricultural LHV – Two Wheeler – 3 years.

10. Biogas - 5 years.

11. Farm House – 10 years.

The preceeding 4 types of loans are provided by the bank with own fund.

Non Farm Sector

Short term loans

1. DPN (Demand Promissory Note) (ST) Period 18 months, DPN (Own fund) – 30 months – advance upto Rs. 1,00,000/-

2. DPN NFS (Non-farm sector) 18 months

3. Open cash credit (OCC) and Over Draft Period one year

4. Other Gold Loan (OGL)

Term Loans

1. Composite Loan Scheme (CLS) – Rs.5 lakh advance – Period 3-10 yeas.

2. Integrated Loan Scheme (ILS) – Rs.15 lakh advance – Period 3-10 years Both the scheme are refinanced by Khadi and Village Industries Commission.

3. Small Road and Water Transport operators (SRWTO) – 5 years.

4. Rural Market outlet (RMO) and Godown Period 3-10 years.

   The above loans are re-financed 35% NABARD, 20% sponsor Bank.

5. Small Business Term Loan (SBTL & SBTL – com.) – 5 years. (Own fund is used for this).

6. Internet café and Mobile Telephone Booth (LINC & MTBL) – 5 years. (Re-finance available for this)

7. Mobile fish vending – 3-5 years.

8. Gramin Housing Loan (G.H.L.) – 15 years.

9. Vidya Bharathi – Educational Loan scheme (VBS) – up to 10 years.

   For the above advances own funds are used by the bank. There is no refinance for this.

10. Self Help Group (SHG). Finance 3 years period (Re-finance available)

Non Priority

Short Term Loans

1. Stand-by credit (DPN (NP) – Rs.10,000/- period one year.
2. Overdraft to contractors – 1 year
3. Securities Loan (NPSL) – 1 year
4. Non-priority Gold Loan (NPGL) – 6 months – 1 year.
5. Trimonth Gold Loan (TMGL) Period – 3 months – 1 year.
6. Gold cash credit (G.C.C) – Period 1 year.

   (This facility is available only in SMG Bank. Loan on Locker Gold)

Term Loans

1. Personal Consumption Loan (P.C.L) – 3 years
2. Mortgage Loan/Mortgage overdraft (ML/MOD) – Period 5 years
3. Commercial shopping complex (CSC(NP)) – period 8 years.
4. Consumer Durable Loan (CDL) & Computer Loan (CDL. Com) – Period 3-5 years.
5. Loan for Educational Infrastructural Development (LEID) – period - 10 years.

Retail Credit Card - New loan scheme implemented on 19.7.2002 for the benefit of small traders and self employed persons on simple terms. This is an overdraft model loan account.

This loan facility is available only in SMG bank. The above advances are given by the bank using own fund.

In addition to the above loan schemes, the banks is also advancing money on different Schemes such as IRDP and SGSY and individuals can avail of Government subsidy on such Loan schemes to a maximum of Rs.6,000/-.

Thus, though the banks have different loan schemes, their main advances are in the form of –

(i)	Kisan credit card	(ii)	Small Trade Loans (Business Loan)
(iii)	Business Loan (others)	(iv)	Agricultural Gold Loan (AGL)
(v)	Other Gold Loan (OGL)	(vi)	Open cash credit (OCC)
(vii)	Overdraft (OD)	(viii)	Personal consumption Loan (PCL)
(ix)	Gramin Housing Loan (GHL)	(x)	Vehicle Loan
(xi)	Non-farm section loans	(xii)	Staff Loan (HL & VL)
(xiii)	Fisherman Loan	(xv)	Small Industries Loan
(xvi)	Self Employment Loan		

Source: Credit Wing, SMG bank.

Loan procedures and security norms of the Bank

For canvassing big loans, the bank officials visit the beneficiaries and explain to them the availability of various loan schemes of the bank. For small loans, the beneficiaries can approach the nearest bank branches and can fulfill the requirements of loan. For all loans security norms are strictly followed unless otherwise specified. Before granting every loan, the requirements of the parties are considered. The purpose of availing of loan is verified as far as possible. The bank officials recommend loans considering the real need of availees.

Security norms of important loans

1. **Agricultural loan**:- For agricultural loan up to Rs.25,000/- hypothecation of crops/animal is required. For loan of over Rs.25,000/-, mortgage of land is required, considering the market value of the land. For Kisan credit card, upto Rs.50,000/- only hypothecation is required.

2. **Gold Loan:-** Gold is accepted as security and Rs. 300/- per gram is granted. This will change when the market value changes.

3. **Industrial Loan:-** For industrial loan upto Rs.5lakhs, hypothecation of machinery and stock and if loan on Building, hypothecation of building is required. Over Rs.5 lakhs, collateral securities are required.

4. **Business Loans:-** For Loan up to Rs.30,000/- stock hypothecation is necessary. For good customers it is Rs.50,000/-. Business Loan over Rs.50,000/- require land security. In addition to this, for all business

loan, personal security is accepted. (Those who have land and are familiar to the bank).

5. **P.C.L.**:- For obtaining any amount of loan, one salaried persons' personal security is required. The amount sanctioned under this scheme is limited to Rs.25,000/-. Over Rs.25,000/- land mortgage is required.

6. **G.H.L.**:- For Gramin Housing Loans, Land on which the house is going to be constructed should be mortgaged to the bank. The loan amount sanctioned is 2½ times of yearly income of the borrower. Farmers, salaried persons, professionals, businessman, industrialists, self employed group can avail of this loan.

7. **Education loan**:- Upto Rs. 25,000/-, a course certificate from the Head of the institution is only required. For over Rs.25,000/- land mortgage is required. Maximum amount is limited to Rs.3 lakhs. 75 per cent of the expenditure of the course is given as loan.

The margin requirement is 5 to 15 per cent for agricultural loan and 20 to 25 per cent for other loans. For all other loans security norms are strictly followed except DRI loan for which no security is required.

Growth of SMG Bank

SMG bank has recorded a steady growth in the field of deposits, advances and profits. SMG bank is one of the few RRBs in the country which have made profits from its inception and continue to make profit inspite of its strain on expenditure due to various pay revisions. The bank recorded a loss during 1993 (1992-93) and in 1997 (1996-97). The growth of the bank over the years are shown in Table 4.4 following.

TABLE 4.4

Deposit, Advance and Profit of the Bank over years

Fig. in Lakhs

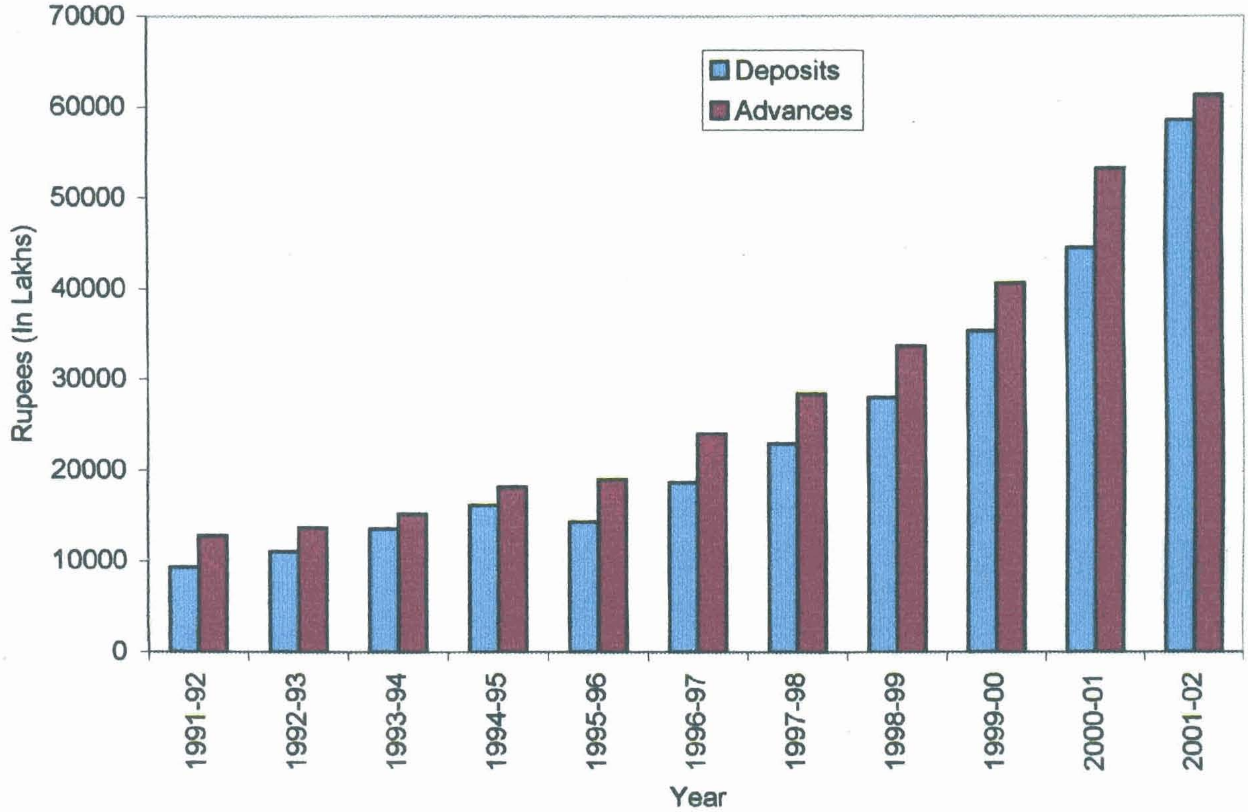
Year	Number of branches	Deposits	Advances	Profit
1	2	3	4	5
1982-83	118	1425	2464	5.78
1983-84	123	1394	3102	13.22
1984-85	134	2161	4052	9.50
1985-86	144	2677	4967	17.78
1986-87	144	3245	6146	22.97
1987-88	144	3612	7201	37.43
1988-89	147	4202	8785	76.00
1989-90	147	5418	10344	51.00
1990-91	147	6826	11577	17.00
1991-92	147	9311	12825	22.00
1992-93	147	11098	13719	(-201)

1	2	3	4	5
1993-94	147	13580	15185	125.00
1994-95	147	16199	18182	211.00
1995-96	147	14348	18998	52.00
1996-97	150	18627	24029	(-220)
1997-98	150	22924	28388	888.00
1998-99	154	28007	33652	910.00
1999-00	170	35353	40649	1278.47
2000-01	200	44562	53213	1474.58
2001-02	200	58556	61313	1193.00

Source: Annual Reports, SMG Bank Head Office, Malappuram.

It is seen that in 1982-83 the bank had a deposit of Rs.1425 lakhs and it advanced 2464 lakhs. The profit of that year was 5.78 lakh rupees. In 1984-85, it advanced rupees 4052 lakhs while its deposit was rupees 2161 lakh rupees showing an increase of 1.52 times in deposit and 1.64 times with respect to advance over the year 1982-83. In 1989-90 the advance was rupees 10344 lakhs and its deposit amounted to rupees 5418 lakhs recording an increase of 2.55 times that of 1984-85 with regard to advance and 2.51 times as to deposit. So far the profit earned is concerned, it is 5.37 times that of 1984-85. During the years 1991-92 the bank's Advance comes to 12825 lakh rupees recording an increase of 1.24 times of that of 1989-90. Its deposit during this period was 9311 lakh rupees recording an increase of 1.72 times that of 1989-90. The profit of the period was rupees 29 lakh less than that of the year 1989-90. During the year 1996-97 the banks advance comes to rupees 24029 lakhs and deposit to rupees 18627 lakhs. But it incurred a loss of rupees 220 lakhs. In the year 200-01, its total advance amounted to rupees 53213 lakhs and deposit rupees 44562 lakhs. It earned a profit of rupees 1474.58 lakhs. In the year, 2001-02 its total advance amounted to rupees 61313 lakhs and deposit rupees 58556 lakhs. During this year, it made a profit of rupees 1193 lakh rupees. It is also seen that the decedal (1992-2002) growth in deposit is 6.29 times of that of 1992 and growth in advance is 4.78 times. The growth in profit is 54.23 times that of 1991-92. The decade growth in deposit shows the importance of the bank in resource mobilisation in the area where it is situated. The role of the bank in resource mobilisation of the service area is to be studied and analysed separately. In regard to advance distribution, the advance in 2002 is 6.29 times that of 1991-92. Out of the total advance 80 per cent is to the priority sector. This shows the importance of the existence of the bank for priority sector development that is the upliftment of poor and low income people like small traders, small and cottage Industrialist, artisans, self employed and others.

Figure No. 4.2. Bar Diagram showing Advances and Deposits over the years (1991-92 to 2001-02)



The advances of the bank to small scale and cottage industries over various years is shown in Table 4.5 following.

TABLE 4.5

Advance of the bank to Small Scale and Cottage Industries and the percentage of it to total advance

Year	Advance to small scale & Cottage Industries (Rs. in lakhs)	Total Advance (Rupees in lakhs)	Percentage of SSI & Cottage Advance to total advance
1983-86	50.99	2895.02	1.76
1985-86	99-00	4842.00	2.04
1988-89	206.00	7808.00	2.63
1989-90	25.68	7774.00	0.33
1991-92	172.00	9544	1.80
1992-93	187.00	10200	1.83
1993-94	271.00	13247	2.05
1994-95	429.00	18236	2.35
1995-96	387.00	17467	2.22
1996-97	1082	24731	4.38
1997-98	701	29434	2.38
1998-99	754.11	32499.68	2.32
1999-00	946.21	42545.64	2.22
2000-01	1171.26	54578.19	2.15
2001-02	1209.17	62852.57	2.05

Source: Annual Reports, SMG Bank, Head Office, Malappuram, Kerala.

It is seen that in 1983-84 the total advance to small scale and cottage industries was rupees 50.99 lakh representing 1.76 per cent of the total advance of the bank. In 1989-90 it was reduced to rupees 25.68 lakhs representing only 0.33 per cent of the total advance of the bank. In 1991-92 the advance to this sector increased to rupees 172 lakhs representing 1.80 per cent of the total advance of the bank. In 1994-95 it increased to rupees 429 lakhs and in 1996-97 rupees 1082 lakhs recording 4.38 per cent of the total advances. The highest percentage of advance to this sector was recorded in this year. In 2001-02 the bank's advance to small scale and cottage industries sector was rupees 1290.17 crores respresenting 2.05 per cent of the total advance. It is also seen that in 1992-93 the bank's advance was only rupees 187 lakhs but in 2001-02 it increased to rupees 1290.17 crores. The decadal growth in amount is 6.90 times. It shows that the advance to this sector is in progress line. But when compared to the total advance it is very scanty. The reason for this, whether lack of enough loan needy small scale and cottage industrialists or the reluctance of the bank in advancing to this sector is to be studied.

Priority Sector Advance

The priority sector advance of the bank over years is shown in Table 4.6 following.

TABLE 4.6

Priority Sector Advance of the Bank over years

Year	Priority sector Advance (Rs. in lakhs)	Total Advance (Rupees in lakhs)	Percentage of Priority sector to total Advance
1991-92	8577.00	9544	89.87
1992-93	8561.00	10200	83.93
1993-94	10365.00	13247	78.24
1994-95	13484.00	18236	73.94
1995-96	12805.00	17467	73.30
1996-97	17748.00	24731	71.76
1997-98	22640.47	29434	76.92
1998-99	25999.98	32499.68	80.00
1999-00	32760.14	42545.64	77.00
2000-01	43907.55	54578.19	80.45
2001-02	48144.09	62852.57	76.60

Source: Annual Reports, SMG Bank, Head Office, Malappuram, Kerala.

It is seen that till 1989-90 all advance of the bank was to the priority sector which include the target group. But from 1990-91 onwards the bank used to advance to non-priority sector also. In 1990-91 it advanced rupees 723 lakhs to non-priority sector from the total advance of rupees 7188 lakhs representing 10.06 per cent. In 1991-92 the advance to priority sector was 89.87 per cent. In the later years, it was again reduced and reached 71.76 per cent in 1996-97. But in 1997-98 the advance to priority sector was increased and reached 76.92 per cent of total advance. In 2000-01 it reached 80.45 per cent and in 2001-02, it was slashed to 76.60 per cent of the total advance. In 2001-2002 the Reserve Bank of India had stipulated the RRBs to maintain the advance proportion as 40 per cent to priority sector and 60 per cent to non-priority sector. But the SMG bank is keeping this as around 80:20. It is also seen that the bank is not so interested in keeping this ratio as 80:20. The bank is thinking of giving more advance to non-priority sector and thus reducing the number of accounts and increasing profit. The number of priority accounts is large, the amount is small and incur high costs of operation. This is the cause of their opinion for changing their lending proportion.

The various central Government and State Government schemes like Integrated Rural Development Programme (IRDP), Sampurna Gramin Rosgar Yojana (SGSY), Differential Rate of Interest (DRI) scheme to the poorest of the poor people, schemes to socially and economically backward Group (Scheduled Caste and Scheduled Tribe), Loans to women beneficiaries, special minor irrigation programme of the central Government, Twenty point programme etc. are financed by south Malabar Gramin Bank.

It is seen that in 1984-85 the bank advanced rupees 382 lakhs under Twenty point programme, rupees 25 lakhs to DRI scheme, rupees 80.56 lakhs to SC/ST beneficiaries and 35 lakh for minor irrigation. In 1988-89 the banks advance to twenty point programme was 3499 lakh rupees, 47 lakhs to

DRI scheme, rupees 191 lakhs to SC/ST scheme and rupees 8 lakhs to minor irrigation.

In the year 1993-94 its advance to IRDP scheme was rupees 213 lakhs, and advance to DRI scheme rupees 126 lakhs and rupees 226 lakhs to SC/ST beneficiaries. In 1996-97 the bank advanced rupees 544 lakhs under IRDP scheme, rupees 73 lakh under DRI scheme, rupees 782 lakhs to SC/ST beneficiaries and rupees 5394 lakhs to women beneficiaries.

In the year 1999-2000, the banks advance to IRDP/SGSY scheme was rupees 428.83 lakhs, rupees 56.18 lakhs to DRI scheme, rupees 1292.44 lakhs to SC/ST beneficiaries, rupees 8475.37 lakhs to women beneficiaries.

In 2001-02 also the bank advanced considerable amounts through various schemes. The advance to IRDP/SGSY scheme was rupees 225.93 lakhs, rupees 19.87 lakhs to DRI scheme, rupees 1649.88 lakhs to SC/ST beneficiaries and rupees 12716 lakhs to women beneficiaries.

Thus it is seen that the bank is actively participating in various Government schemes under re-finance of various agencies like central Government, NABARD, Kerala state Development corporation etc. It also shows the significant role of the bank in the economic upliftment of the weaker section of the society.

Other Schemes of the bank

The bank has introduced a new 'Pravasi Suraksha and Kudumba Arogya' for the benefit of Pravasi depositors and their family members in association with New India Assurance company. Through this scheme, the bank will financially assist pravasis and their family members on occasion of illness, injury on accidental death any were in the world by accepting an easily affordable one time premium guarantee.

Self Help Group Loan

It is a new venture Loan Scheme of the bank. In this, twenty women belonging to homogenous socio-economic background of a locality under the area of the bank, join together and form a Self Help Group. The group has a secretary and president. They meet once in every week or fortnight. A small saving per member per week/peroid is fixed and that is invested in the bank. When an amount is accumulated, the group begins to lend money by taking Loans from the bank and it is utilised by the members for income generation activities like Dairying, Goat rearing, Poultry, Garment making etc and for consumption purposes. Thus it will help to inculcate saving habit, provide self employment and there by earn an income of their own. The members become aware of the importance of education of children, particularly girls and there are no cases of drop outs. There is also an increase in awareness about the health needs, food and nutrition intake. The members strive for provision of drinking water facilities, sanitary conditions and modernisation of the house. This has helped them to enhance the self confidence and changed the perception about themselves. Each and every member feels that they are active economic agents and this makes them socially important. Their status within the family and outside has gone up considerably. Considering its success, more and more women are coming forrward to form Self Help Group.

The bank is not accepting any other security for the Group Loan. The bank has now 38817 beneficiaries, 92 per cent being woman and advanced Rs.4.2 crores. This alone shows how big the role of the bank in socio-economic upliftment of the people of the area where the bank is situated.

Women Development Cell

Self Help Group Linkage

527 new group covering 9706 members were newly associated with the bank. Rupees 141.36 lakhs were advanced to this new group during 2001-02. Thus as on 31-3-02, the total number of groups linked was 2328 covering 38817 members with a credit linkage of rupees 417.62 lakhs.

Clearance given to sanction 188 SGSY, revolving fund loans for rupees 47 lakhs. The bank also undertakes the following:

1. Conducted monitoring studies on SGSY group loans and on SHG financing of Voluntary agencies.

2. Celebrated 'Women's Day' on 8th March 2002 at Peruvayal branch in Calicut District. The debate was 'Empowerment of Women'. Over 1500 women participated in the function.

3. Attended the 'Project implementation and monitoring committee' meetings of centre for overall Development (COD), Thamarasseri and Kerala Grama Nirmana Samithi (KGNS) at quarterly intervals.

4. Conducted Gender Sanitisation Programme for managers and clerks on 12th November 2001.

5. Bagged the state level Awards for Best Performance in SHG linkage for the year 2001 for RRB's and three branches also won the awards at state level. All these activities were done by the bank so as to uplift the poor people socially and economically.

Credit Deposit Ratio of the bank

The bank has a good track record of keeping a high credit deposit ratio. The C.D. ratio of all RRBs in the nation as a whole is only 41 per cent, but the C.D ratio of the bank at present (31st March 2002) is 109. It ranks first among all RRBs in respect of advance. The C.D. ratio of the bank over the years is shown in Table 4.7 following.

TABLE 4.7

Credit-deposit ratio of the bank over years

Year	C.D. ratio
1990-91	170
1991-92	138
1992-93	124
1993-94	112
1994-95	132
1995-96	129
1996-97	129
1997-98	124
1998-99	120
1999-00	115
2000-01	119
2001-02	109

Source: Annual Reports, SMG bank Head office, Malappuram, Kerala.

It is seen that the C.D. ratio in 1990-91 was 170. But it was gradually diminishing and reached 109 in 2002. The reason for this decline – whether non-demand for loan or not is to be studied and analysed.

Recovery Percentage of the bank over years

It is seen that the recovery percentage of the bank in 1983-84 was 72 per cent. But in 1984-85 it increased to 77 per cent. In 1988-89 it increased to 79 per cent. But in 1990-91 it was reduced to 72 per cent. In 1991-92 it increased to 78 per cent and in 1996-97 it reached 89.36 per cent. In the year 1990-2000 the recovery percentage of the bank was 91.3 per cent. In the year 2000-01, it was 92.4 per cent, but in 2001-02 it slightly decreased and reached 89.95 per cent.

It is also seen that the NPA of the bank is showing an increasing trend. In 2001-02 it is 5.99 per cent corresponding to 4.63 per cent in 2000-01. In the year 2001-02, the NPA of the bank is rupees 38.38 crores corresponding to rupees 24.63 crores in the year 2000-01. It shows an increase of 56 per cent. The reason for this increase in NPA should be studied and analysed. It is seen that NPAs are more in big loan rather than in small loans.

Human Resources Development

The Bank is strictly following the Government of India guidelines for promotion and is handicapped in making their own decisions. South Malabar Gramin Bank is the largest employer in the RRBs of India. The staff members are all highly qualified. The bank had a total of 1581 staff members. The category-wise position of staff is shown in Table 4.8 following.

TABLE 4.8

Category wise position of staff

Category	Numbers
Officers	589
Clerks	851
Messengers/Drivers	141
Total	1581

Source: Planning & development SMG bank Head office, Malappuram

The bank experienced two prolonged strikes lasting 23 days and 34 days when all the branches were completely closed down during the last 25 years of its existence. The bank provides training regularly to its staff. The Canara Bank - Sponsor Bank conducts the majority of training. Training is also given in BIRD, NABARD Training Institute, CAB Puna, etc.

The HRD training programmes of the bank over the years is shown in Table 4.9 following.

TABLE 4.9

Training to staff over years

Year	No. of staff	Training to staff (Nos.)
1991	1594	374
1992	1611	190
1993	1617	-
1994	1619	218
1995	1617	97
1996	1622	91
1997	1614	582
1998	1605	341
1999	1601	562
2000	1596	564
2001	1589	716
2002	1581	531

Source: Annual reports, SMG Bank Head Office, Malappuram.

In 1991, the bank had given HRD training to 374 employees. In the year 1995, the number of staff was 1617. It gave training to 97 person in this year. In the year 2002, the number of staff was 1581 and training was given to 531 persons.

In addition, Canara Bank gave education to 45 staff members in the year 2002. The bank has implemented open performance Appraisal system with key responsibility areas to all the officers. Staff meeting and Job rotation are the other measures for job enrichment. Yet Human relation training is insufficient in the bank. In certain branches the human relation of the staff is not satisfactory.

Technical Monitoring and Evaluation Cell (TME Cell)

There is a Technical monitoring and Evaluation cell in the bank. During the year 2001-02.

1. It promoted KVIC Margin Money Scheme. As on 31-3-2002, the bank financed 200 projects with an outlay of rupees 500 lakhs under the scheme, thereby emerging as the premier implementing Bank in the state.

2. Continued to promote Kisan credit card scheme. It issued 2100 fresh Kisan credit cards during the year ending 31^{st} March 2002. It has 85162 Kisan credit cards as at the end of March 2002.

3. It Implemented personal Accident Insurance Scheme for Kisan Credit card holders.

4. Organised 37 Farmers meetings to promote Kisan credit card.

5. Sponsored farmers for training programmes at Krishi Vigyan Kendra Peruvannamuzhi.

Secondary Functions of the bank

The secondary functions of the bank include Agency services and General utility services. It is seen that the Agency services of the bank is very scarce. It includes payment of Life Insurance premium of customers (as per standing instruction) and payment of Telephone bill of customers. The bank is discounting commercial bills of exchange of customers. The General utility service of the bank is also not praisable. The only general utility service of the bank is issue of demand draft. As the commission on demand draft is high, most of the public are not utilising this facility. Locker facility is available in 39 branches of the bank (Malppauram – 13 branches, Calicut – 18 branches, Trichur – 7 and Palghat – 2 branches). This facility is not available in Wynad district. It is seen that the bank is not interested in providing locker facility in all branches as the benefit of locker is less and majority premises of the branch are not so safe. The locker rent charged on customers are in slabs. For small-size rupees 300 per annum is collected, for medium size, rupees 600 per annum and for big size rupees 1200 per annum. Three years rent is accepted in advance and the beneficiary is wanted to deposit rupees one thousand with the bank in order to avail locker facility.

The Agency services and General utility services of the bank are scanty and not upto the services of other banks and hence the reason for its insufficiency should be studied and analysed.

Social Activities of the Bank

The South Malabar Gramin Bank is actively participating in image building activities. In the decennial year of its service, the bank has introduced the Harijan colony adoption programme. The motive behind the programme is the socio-economic development of the Harijan colonies. By acting hand in hand with other like-minded voluntary organisations functioning in the field of Harijan/Girijan Development, the bank played a leadership role in the socio-economic transformation of the colony. Up to December 1987, the Bank adopted 33 colonies from its command area.

In the year 1987, the bank introduced another novel scheme called Yuvakshema to help the unemployed youth to find profitable employment by extending timely financial assistance and proper guidance. During the year 1987, the bank assisted 329 youths to start self-employment ventures.

Another image-building activity launched by the bank was the Bank's unique family adoption scheme introduced in August 1987. The bank gave financial and non-financial assistance to over 76 families.

The other social activities of the bank range from Farmers meet, VIKAS VOLUNTEER VAHINI (VVV) a Farmers club in association with NABARD, credit camps, recovery camps, medical camps and various development activities. From 1996, the bank introduced a novel scholarship scheme for the children of banks' customers scoring highest marks in SSLC

Examinations. The scholarship is distributed taluk wise. From 1991 to 1993 these kind of activities kept a low profile. In 1994, the bank organised 621 public functions, in 1995, 585 functions, 229 functions in 1996, 596 functions in 1997. In 1998 the bank arranged 995 functions and in 1999, 308 functions. The image-buildings functions of 2000 was reduced to 307, in 2001 - 292 functions and in 2002, 249 functions. This shows that the banks interest in such functions is in a decreasing trend. The bank distributed 42 scholarships in 1996. Fifty each till 2001 and 54 scholarships in 2002. The image building activities of the bank in 2002 is shown in Table 4.10 following:

TABLE 4.10

Image building activities of the bank in 2002

Activity	No. of programmes
1. Customers meet	112
2. Farmers meets	37
3. Scholarship distribution	54
4. SAG/VVV	22
5. Recovery/Awards camps	24
Total	249

Thus it is seen that South Malabar Gramin Bank has the second place in over all performance among all the RRBs functioning in India and has first place in Loan disbursement. It also ranks first among all Canara Bank sponsored, Regional Rural Banks. The C.D ratio of the bank is 109 per cent as against 44 per cent for the state. The total business of the bank is rupees 1226 crores. The NRI accounts numbered to 14,000 with a business of 45 crores. It issued 85162 Kisan Credit cards involving a credit linkage of rupees 165 crores. The bank introduced Personal accident Insurance scheme for the Kisan credit card beneficiaries. Its advance to the women beneficiaries amounted to rupees 194 crores accounting 30 per cent of the total credit. Its advance to minority communities amounted to rupees 392 crores recording 61 per cent of total credit. It advanced rupees 32 crores of SC/ST beneficiaries and linked 2328 self Help Groups and assisted 38817 beneficiaries, 92 per cent being women, with rupees 4.2 crores lending. The SMG bank has obtained special award from NABARD for self Help Group Lending. Though the average working fund of the bank exceeds rupees 52 Billion and total assets exceeds rupees 74.7, Billion, and the bank is still 'Lighting the Lamp of Rural Development, it is not free from problems. The problems of South Malabar Gramin Bank along with future plan of action of the bank is shown in the following paper.

Problems of South Malabar Gramin Bank

SOUTH MALABAR GRAMIN BANK a Regional Rural Bank, lighting the lamp of Rural Development, sponsored by Canara Bank operating in the Five districts of South Malabar, is playing a very useful role in assisting marginal farmers, small traders, small industrialists and artisans of these districts. It ranks first in advance among all RRBs functioning in India and ranks second in overall performance. Yet it is not free from problems. The important problems faced by the bank are explained here in a nut shell.

Lack of unity of command is one problem facing by the bank. There are various authorities concerned with the bank – Government of India, Reserve Bank of India, NABARD and Sponsor Bank are the commanding offices of the bank. Hence decision making is very difficult. Therefore the decision making power should be handed over to the Board of the Bank.

Lack of National structure for RRBs is another problem. In a country like, India, having wide rural areas a national structure for RRBs in the form of National Rural Bank of India will enable to avoid intermediary like NABARD. This will help to reduce cost also.

Staff shortage is a stumbling block in its performance. Staff number is not increased in proportion to its business. Computerisation of branches is not a remedy as it is not practicable in rural places where human touch is vital for better performance. Lack of skilled managers, lack of provision for appointment of chairman and General Manager internally are also affecting its working. Lack of awareness of gramin culture and gramin interest to senior official is affecting its smooth performance.

Government's present policy of reducing subsidy is affecting the Lending operations of the bank as they are the main server of middle class and lower class.

Present crisis of the economy is seriously affecting the performance of the bank. It has a serious effect in the reduction of recovery rate of the bank.

Lack of more ancillary services. It will reduce the other income of the bank and it is having the sole income of interest.

Lack of Negotiation forum for employees. Most of the employees are restless in various matters of their service. Till its inception the bank has NND Agents, but they are not considered as regular staff and have no emoluments as that of permanent staff. There is no parity to staff in all matters as that of commercial bank staff. Many of the staff members are remaining in the same job without promotion for 10 to 15 years and are suffering from stagnation. Because of various such reasons morale of the staff members is low. This result in frequent industrial unrest.

Lack of computerisation of Head office and branches is another major problem of the bank. As all the other commercial banks and major co-operative Banks are computerised and have quick and easy transaction with customers, they will prefer such banks. It is also affecting the banks' performance.

Lack of co-operation from government is another problem. The government wants to change its policies in various matters of Recovery and Collection of overdues. Many recovery cases are pending because of lack of sufficient provisions. Even in personal consumption loan there is the absence of sufficient provision to collect overdues from the salary of defaulted loanees if they are government servants also.

Absence of Recovery Tribunal or like machinery is another difficulty facing the bank.

Lack of freedom of functioning. The bank is now in good position and having 200 branches with 5 districts to operate. It should be given freedom to open branches and appoint chairman, General manager and other staff. Freedom to regularise NND Agents and Appraisers are required.

Problem of high rate of interest when compared to other commercial banks. Deposit interest rate is also a bit high. Both should be made competitive rates.

Lack of Agency work provision is another major problem faced by the bank. Big loans are usually canvassed by other banks through Agents. There is no such provision in the Bank.

Lack of ATM system, lack of direct handling facility in the case of D/D and NRI are also the other difficulties of the bank.

There is no provision to sanction Loan on the basis of need. Provision for Education loan for professional course is required. Loan for employment abroad is also not available from the bank.

Another important major problem of the bank is that the sponsor Bank has stopped the payment of remuneration to chairman and General Manager from 1.4.02 onwards. This will create an additional burden of Rs.5.50 crores every year including the service charges charged by the sponsor Bank for various services provided previously free of cost. Other banks like SBI is ready to give free service but it cannot be accepted because of sponsorship problems.

Absence of provision to reward the officials of branches which show appreciable performance. Reward should be given to the staff who show best performance. Lack of sufficient training programmes to staff to improve their humanitarian concept in dealing with customers is another handicap.

Inadequate advertising about the existence of various schemes of the bank is also another problem. Mass media advertising is lacking in the bank.

Lack of sufficient General utility services such as payment of Telephone bill, various Taxes, Insurance premium, and other public utility services. This will extend the gap between the public and the bank.

Though south Malabar Gramin Bank has so many problems, it has great prospects in future. The future plan of action of the bank is showing in the following paper.

Future Plan of Action of the SMG Bank

SMG bank has the following plans of action for the years to come.

1. Complete the construction of the Head Office own building by an expenditure of Rs.3.5 crores and thereby giving improved service. to its customers.

2. Computerisation of all branches of the bank and thus speed up their procedures.

3. Opening of new branches in the service area already obtained and in the southern districts of Kerala where Regional Rural Banks are lacking, if permitted by the Reserve Bank of India. Thus the bank can give service to more poor people.

4. To reach No.1 RRB among all the other 195 RRBs functioning in India in overall performance.

5. To reach 200 crores business within 3 years.

6. To achieve 730 crores deposit during 2002-03.

7. To Advance 770 crores during the years 2002-03.

The role of South Malabar Gramin Bank for the socio-economic upliftment of individuals and small scale and cottage industrialists is delineated in the following chapter.

SOCIO-ECONOMIC UPLIFTMENT - THE ROLE OF SOUTH MALABAR GRAMIN BANK

P. Abdul Azeez "A study on the evaluation of the service of south malabar gramin bank for the socio-economic upliftment with special reference to small scale and cottage industries " Thesis. Department of Commerce and Management Studies, University of Calicut, 2003

CHAPTER V

SOCIO-ECONOMIC UPLIFTMENT - THE ROLE OF SOUTH MALABAR GRAMIN BANK

A thorough discussion on the profile of South Malabar Gramin Bank, was made in the earlier chapter. The sole intention of establishing a Regional Rural bank is to assist the poor and middle income groups. This chapter is devoted to assess the various dimensions of the impact of South Malabar Gramin Bank for the socio-economic upliftment of both individuals and small scale and cottage industries. It is divided in to two sections. Section A – The impact of South Malabar Gramin Bank on Socio-economic upliftment of individuals and section B is devoted to analyse the role of the bank in the upliftment of small scale and cottage industries.

SECTION – A

THE IMPACT OF SOUTH MALABAR GRAMIN BANK ON SOCIO-ECONOMIC UPLIFTMENT OF INDIVIDUALS

The Service of any financial institution is influenced by the demographic feature of the beneficiaries. Hence before analysing the impact of the services of the bank on the intented beneficiaries a brief description of the important demographic variables of sample respondents is given in the following pages.

Educational Qualification

Educational qualification is a crucial factor of socio-economic upliftment.

The following Table No.5.1. gives the educational profile of customers.

TABLE 5.1

Educational Qualification of Customers (In percentage)

Locality	Illiterate	Below X std	X std	PDC	Degree	P.G.	Techni-cal	Profe-ssional	Total
Village	1.65	51.76	30.59	9.65	4.24	1.18	0.71	0.24	70.83
Munici pality	0.00	21.67	47.50	14.17	8.33	2.50	3.33	2.50	20.00
Corpor ation	0.00	16.36	27.27	18.18	23.64	3.64	3.64	7.27	9.17
All Groups	1.17	42.50	33.67	11.33	6.83	1.67	1.50	1.33	

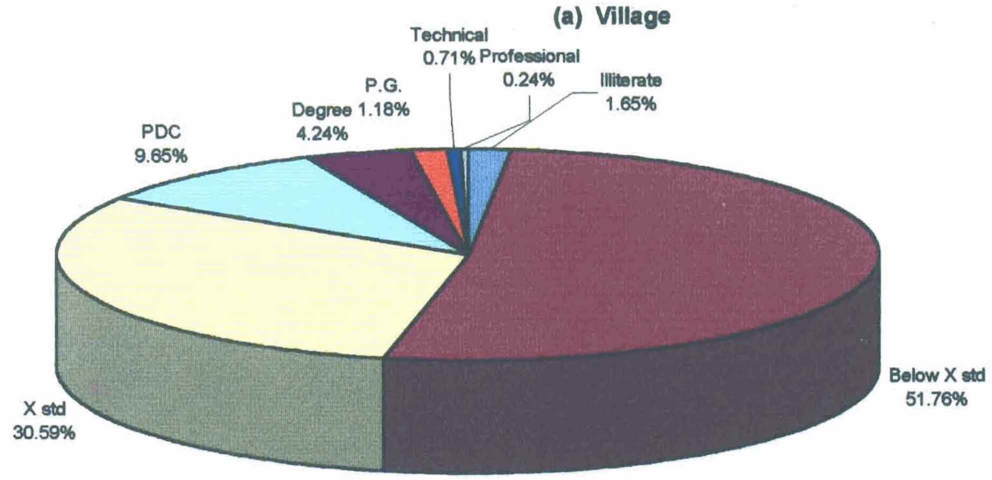
Pearson Chi-square = 100.918, df = 14, P = 000000
Source = Survey data

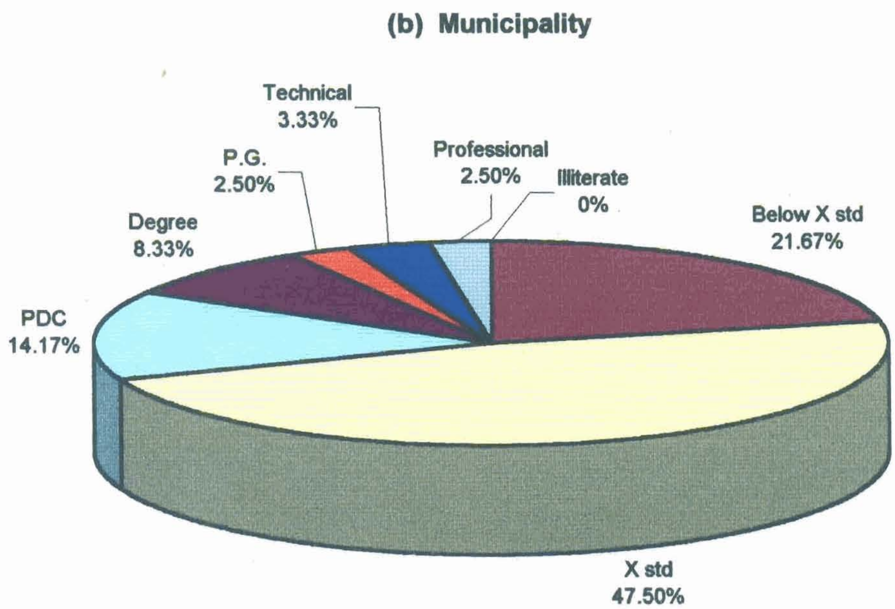
The Educational qualification of customers presented in the Table No.5.1 reveals that in villages, illiterate customers are 1.65 per cent but in Municipal and Corporations none of the illiterate respondents availed of any type of service from the bank. The survey reveals that in villages, 51.76 per cent are below SSLC, but in Municipal and Corporation areas, the corresponding percentage is 21.67 and 16.36 per cent respectively. Respondents having SSLC Qualification are lowest in corporations with 27.27 per cent and highest in Municipalities with 47.50 per cent. In villages SSLC qualified respondents are more than in corporation areas. Pre-degree qualified customers are lowest in Villages with 9.65 per cent and highest in corporation areas with 18.18 per cent. In the case of graduate respondents, 4.24 per cent are in Villages, 8.33 per cent in Municipalities and highest 23.64 per cent in corporations. With respect to post graduates respondents, only 1.18 per cent are from villages, 2.50 per cent from Municipalities. But the highest number of post-graduates who turned up to avail service is from corporations with 3.64 per cent. In the case of professional respondents, only 0.24 per cent turned out to be from villages; while in corporation they are the highest with 7.27 per cent followed by Municipalities with 2.50 per cent.

Here as the observed value of Chi-square = 100.918, df = 14, P = 0.000000, since P < 0.01, the association between locality and Education levels of respondents is highly significant. When locality changes, Education levels of respondents also changes.

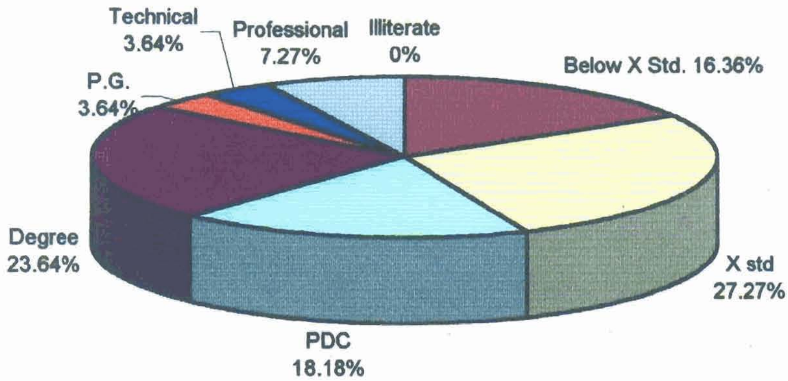
The districtwise analysis of the Educational qualification of customers reveals that the maximum number of illiterate respondents belong to Malappuram district with 1-88 per cent. The highest number of below X std respondents belong to Wynad district with 56.36 per cent and the lowest number belong to Trichur district with 8.89 per cent. The number of respondents with SSLC qualification is highest in Palghat district with 54.55 per cent and lowest in Trichur district with 22.22 per cent. The lowest number of pre-degree holders belong to Wynad district with 9.09 per cent and the highest pre-degree respondents belong to Trichur district with 24.44 per cent. With regard to Degree, Postgraduate and Professional qualification of respondents, Malappuram district has the least and Trichur district fares the highest. But with respect to technically qualified customers, Calicut district has the lowest number and Palghat the highest.

Figure 5.1. Pie-diagram showing Education of Respondents





(c) Corporation



Occupation of Customers

Occupation is an economic indicator of Socio-economic upliftment. The Occupation/Employment status of customers is shown in the following table.

TABLE 5.2

Occupation/Employment (In percentage)

Locality	Agriculture self	Artisan	Business	Govt. employee	Private employee	Professional	self employee	Any other	Total
Village	15.29	0.71	45.18	1.88	3.06	0.00	13.65	20.24	70.83
Municipality	5.83	0.83	66.67	11.67	3.33	0.83	3.33	7.50	20.00
Corporation	0.00	0.00	29.09	21.82	0.09	0.00	23.64	16.36	9.17
All Groups	12.00	0.67	48.00	5.67	3.67	0.17	12.50	17.33	

Pearson Chi-square: 103.508, df=14, P = .000000
Source: Survey data

Among customers, agriculturists consist of 15.29 per cent in villages, while in municipalities, it is 5.83 per cent and in corporations none. With respect to businessmen, the highest percentage are in Municipal areas with 66.67 per cent and lowest in Corporation areas with 29.09 per cent.

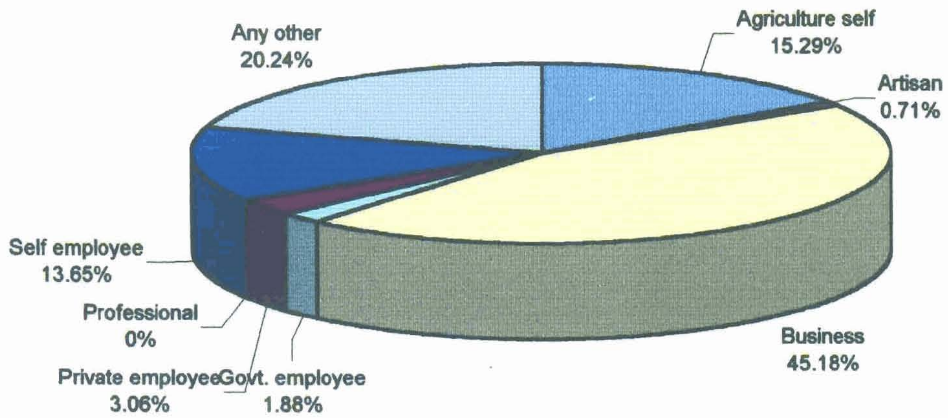
With respect to Govt. employees, Loan availies are maximum in Corporation areas and minimum in village areas. Self employed persons are also maximum in corporation areas with 23.54 per cent and least in Municipal areas with 3.3 per cent.

It is also observed that the maximum number of beneficiaries is from business people with 48 per cent followed by self employed persons with 12.5 per cent and minimum from professionals – only 0.17 per cent. The district wise analysis of the occupation of the respondents reveals that among the agricultural sections, the highest portion of the beneficiaries belongs to Malappuram district with 16.25 per cent and least turned out from Palghat districts with 1.82 per cent. In Palghat and Trichur districts the majority of beneficiaries are businessmen (Palghat 69.09 per cent and Trichur 60 per cent). The number of beneficiaries among government employees is highest in Trichur district with 24.44 per cent and lowest in Malappuram district. with 1.56 per cent. Beneficiaries from self employed category are highest in Calicut district with 19.20 per cent and lowest in Palghat district with only 0.01 per cent.

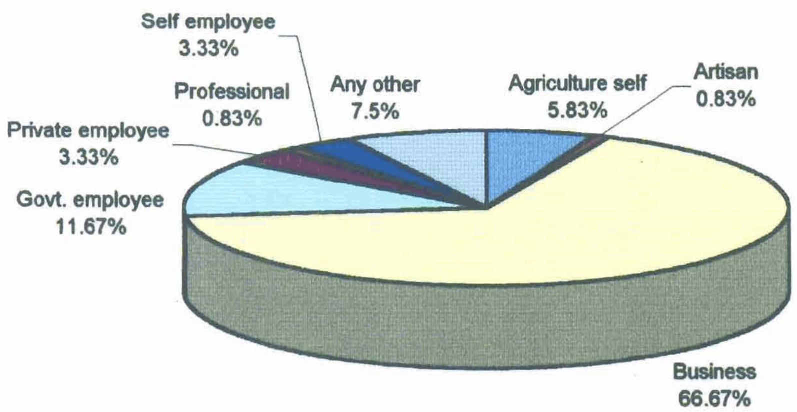
It is further observed that as the calculated value of chi-square = 103.508, df = 14, P = 00000, since P< 0.01, the association between employment status of borrower and locality of their residence (Village, Municipality and Corporation) is highly significant. When locality changes, the employment status of beneficiaries also changes.

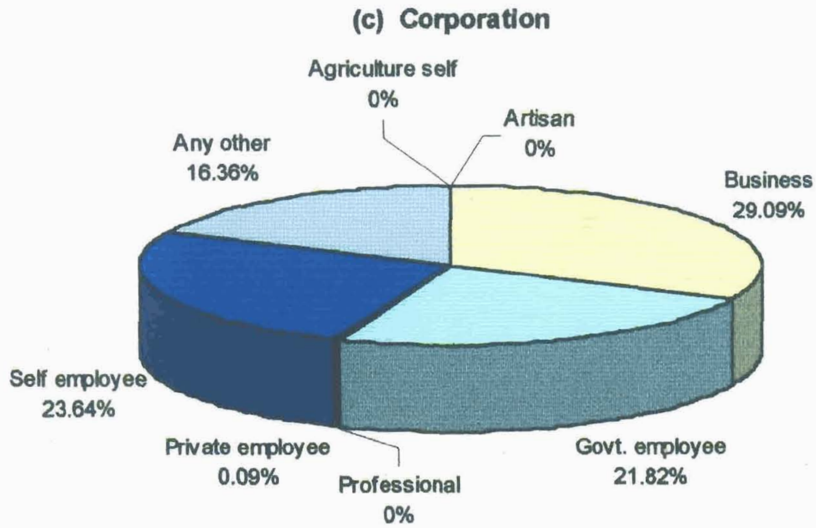
5.2. Pie-diagram showing employment of customers

(a) Village



(b) Municipality





Annual Income

Income has been considered as one of the main indicators determining the standard of living of the people and also socio-economic upliftement. The following table compile the annual income of customers.

TABLE 5.3

Annual Income (In percentage)

Locality	1 Below Rs. 5000	2 5000-10000	3 10,000-15,000	4 15,000-20,000	5 20,000-25,000	6 25,000-30,000	7 30,000-35,000	8 35,000-40,000	9 40,000-50,000	10 50000 Above	Total
Village	28.00	33.18	1.41	20.00	1.65	1.88	0.24	0.47	3.06	10.12	70.83
Municipality	6.67	18.33	1.67	27.50	10.83	4.17	2.50	1.67	8.33	18.33	20.00
Corporation	7.27	21.82	0.00	23.64	1.82	1.82	3.64	0.00	9.09	30.91	9.17
All Groups	21.83	29.17	1.33	21.83	3.50	2.33	1.00	0.67	4.67	13.67	

Pearson Chi-square = 99.47474, df = 18, P = .000000
Source : Survey data

From the table above it is seen that in villages, 28 per cent of the respondents are having an annual income below Rs.5000/-, while in Municipal and Corporation areas the corresponding percentages are 6.67 per cent and 7.27 per cent respectively. This shows that poor income group beneficiaries are more in villages and less in corporations. In the second category 33.13 per cent hail from villages and 18.33 per cent and 21.8 per cent respectively from Municipal and Corporation areas. The third categories are highest in Municipalities with 1.67 per cent followed by villages with 1.41 per cent and lowest in Corporation only 0 per cent. The fourth category is highest in Municipalities and lowest in village with 20 per cent. The fifth and sixth categories are highest in Municipality and lowest in villages. Seventh and Eighth categories are highest in corporation and Municipal areas respectively and lowest in villages. The last category is highest in corporation areas with 30.91 per cent and lowest in village areas with 10.12 per cent.

This shows that the annual income of the villagers is far below than that of the Corporation people. It is seen that as the observed value of chi-square = 99.4747, df =18, P = .00000, since $P < 0.01$, the association between income level and locality of residence is highly significant. When locality changes, the income levels of respondents also changes.

The district wise analysis of the income of the respondents reveals that, respondents having an annual income below Rs.5000/- are highest in Wynad district with 38.18 per cent and none in Palghat and Trichur districts. Income group between Rs.5000 – 10,000 are highest in Malappuram district with 35.31 per cent and lowest in Palghat district only 3.64 per cent. Income ranging between Rs.10,000 – 15,000 is highest in Trichur district with 2.22 per cent and none in Wynad district. The income of the respondents above Rs.50,000 is highest in Trichur district with 33.33 per cent and lowest in Wynad district only 1.82 per cent.

It is further observed that the major part of the customers of South Malabar Gramin Bank turn out from low class and middle class and only a small percentage comparatively high income group because of the present change in Lending proportion of the bank as 80:20 (80 per cent to Priority sector and 20 per cent to non-priority sector). This also shows that the SMG Bank's credit schemes are mainly availed by the Target Group ie. low income group.

Nature of family of Respondents

The Nature of Family of respondent is also another economic indicator of socio-economic upliftment. The researcher observed whether the family is Joint or Nuclear.

It is seen that out of the total respondents, 72.17 per cent are nuclear families and only 27.83 per cent are joint families in the bank area. Out of the total respondents, the highest nuclear families belong to Trichur district with 82.22 per cent and lowest from Palghat district with 50.91 per cent. The joint family set up is highest in Palghat with 49.09 per cent and lowest in Trichur district only 17.33 per cent.

Male – Female Classification of Respondents

The researcher observed the male-female proportion of the respondents. It is seen that out of the beneficiaries, only 18.17 per cent are females and 81.83 per cent are males. The female beneficiaries are highest in Calicut district (31.2 per cent) and lowest in Palghat district (only 9 per cent).

With respect to educational standards of family members, it is seen that 0.17 per cent are illiterate, 29 per cent below SSLC, 32.67 per cent are having SSLC qualification, 17.83 per cent PDC; 12.33 per cent degree holders, 1.00 per cent Post Graduates, 3.33 per cent technically qualified, 3.50 per cent Professionals and 0.17 per cent with other qualifications like religious education only

With respect to the family education of the Respondents, it is observed that, though majority of the family members are having an education of SSLC and above, the percentage of technical and professionally qualified ones is less.

Profile of the Houses and their premises owned by of the Respondents

House is a strong economic indicator of socio-economic upliftment. The Researcher observed the following features about the house of the respondents . It is shown in the following table.

TABLE 5.4

Housing Particulars (In percentage)

Locality	Owned Electrified concrete	Owned electrified Tiled	Owned electrified thatched	Owned non-electrified concrete	Owned non-electrified tiled	Owned non-electrified thatched	Rented electrified concrete	Rented electrified tiled	Rented non-electrified tiled	Total
Village	34.59	48.01	0.24	1.65	12.47	0.94	0.71	0.47	0.00	70.83
Municipality	54.17	40.00	0.00	0.00	3.33	0.00	0.00	1.67	0.83	20.00
Corporation	67.27	21.32	0.00	0.00	1.82	0.00	3.64	5.45	0.00	9.17
All Groups	41.50	44.67	1.17	1.17	9.67	0.67	0.83	1.17	0.17	

Source : Survey date

Owned, Electrified, Concrete houses are highest in Corporation areas with 67.27 per cent and lowest in villages with 34.59 per cent. Owned, Electrified tiled houses are more in villages and lowest in corporations. Owned, electrified thatched houses are in villages and none in Municipal and Corporation areas, owned, non-electrified concrete houses are also in villages with 1.85 per cent and none in Municipal and Corporation areas. Owned, non-electrified tiled houses are the largest in number in villages and smallest in Corporations, while owned, non-electrified thatched ones are in villages and none in Municipal and Corporation areas. Rented, electrified concrete houses are highest in Corporations and lowest in Municipalities; Rented, electrified tiled houses are largest number in Corporations and smallest in villages and rented, non-electrified tiled houses highest in Municipal area and lowest in Corporations and villages. It is found that respondents living in rented houses are more in corporations and Municipal areas and lowest in villages.

Household Asset Structure

An examination of the asset structure of the respondents is inevitable for determining socio-economic upliftment. With regard to land, the researcher observed that in village locale, respondents having less than 10 cents of land constitute 12.23 per cent; 10 cents to 50 cents, 48.47 per cent; 50 cents to 1 acre, 15.76 per cent; 1 acre to 2 acre, 9.4 per cent; 2 acre to 5 acre, 12.7 per cent and more than 5 acres 1.41 per cent.

In Municipalities, respondents having less than 10 cent constitute 16.7 per cent; 56.67 per cent are having 10 to 50 cents; 7.5 per cent possessing 50 cents to 1 acre, 9.17 per cent own 1 acre to 2 acres of land; 6.67 per cent owned 2 acres to 5 acres and 3.33 per cent own more than 5 acre of Land. In Corporation, on the other hand, land owners less than 10 cent constitute 36.36 per cent, and 39 per cent have

10 cent to 50 cents of land. It is also observed that no respondents are possessing more than 5 acre of land in this area.

The researcher, in order to analyse the economic position of the beneficiaries, observed whether the land possessed by them was purchased or inherited.

It is seen that in villages, 68.24 per cent respondents have inherited properties, and 27.07 per cent have purchased properties. In Municipalities, 59.17 per cent have inherited properties and 36.67 per cent purchased land, while in Corporation inherited property in the form of Land constitute 49 per cent and purchased property 27.27 per cent. It is also seen that purchased properties are much than inherited properties. The respondents opined that the service of the bank also helped them to purchase land properties.

Household appliances

Possession of various Household appliances such as T.V., Fridge, Washing Machine, Cooking gas, Water connections, Borewell, Telephone and Motor vehicle etc. are also strong indicators of socio-economic upliftment. The researcher observed the possession of Household appliances and it is shown in the following Table.

TABLE 5.5

Possession of Household Appliances

(In percentage)

Locality	T.V	Refrigerater	Washing Machine	Cooking Gas	Water connection	Borewell	Motor Vehicle	Telephone
Village	47.29	32.24	10.35	43.53	1.41	1.41	23.29	34.12
Municipal	81.67	76.67	32.50	80.83	13.33	13.33	51.67	65.83
Corporation	90.91	72.73	45.45	72.73	1.82	1.82	56.36	69.09

Source: Survey Data.

With respect to possession of T.V. it is seen that 47.29 per cent villagers, 81.67 per cent Municipal and 90.91 per cent Corporation respondents possess T.V sets after availing the service of the bank.

With regard to possession of Refrigerators, the study reveals that only 32.24 per cent villagers possess one while 76.67 per cent Municipal residents and 72.73 per cent Corporation residents possess it.

It is further observed that only 10.35 per cent villagers possess a washing machine while 32.50 per cent Municipal and 45.45 per cent Corporation dwellers have it.

With respect to cooking gas connection it is seen that in villages 43.53 per cent respondents one having cooking gas, while in Municipal area 80.83 per cent and in Corporation 72.72 per cent have taken the gas connection.

The study reveals that only 1.41 per cent villagers, 13.33 per cent Municipal and 1.82 per cent Corporation respondents are having a government supplied water connection.

With respect to possession of borewells, it is observed that only 1.41 per cent village, 13.33 per cent Municipal, and 182 per cent Corporation beneficiaries are having the facility.

With regard to possession of Motor Vehicle, it is observed that 23.29 per cent Village, 51.67 per cent Municipal and 56.36 per cent Corporation respondents are having Motor Vehicles of some kind.

The study further reveals that 34.12 per cent villagers, 65.83 per cent Municipal and 69.09 per cent Corporation respondents are enjoying the Telephone facility.

Duration of the customership in the bank

Duration of customership in the bank is also an indicator of development. The researcher observed the duration of customership of respondents. It is shown in the following Table.

TABLE 5.6

Duration of the Customership in the bank (In percentage)

Locality	1-5 years	5-10 years	10- 20 years	20 years & above
Village	30.82	19.76	40.24	9.18
Municipal	67.50	11.67	20.83	0
Corporation	61.82	23.64	14.54	0

Source: Survey of data

The table shows that in villages, 30.82 per cent are account holder for a period of less than 5 years; 19.76 per cent are account holders for a period of 5 to 10 years; 40.24 per cent, 10 to 20 years and 9.18 per cent are customers for over 20 years.

In Municipality, 67.50 per cent respondents have been account holders for a period of less than 5 years; 11.67 per cent for a period of 5 to 10 years; 20.83 per cent, for 10 to 20 years and none over 20 years.

In Corporations on the otherhand, 61.82 per cent are account holders for a period less than 5 years; 23-64 per cent, for 5 to 10 years; 14.15 per cent are account holders for a period of 10 to 20 years and none above 20 years.

It is observed that in villages alone, respondents have been customers of the bank for a period of over 20 years.

Types of customers

The types of customership of the respondents were also observed.

It is seen that in villages, 22.12 per cent of the respondents are both depositors and borrowers; 64.47 per cent have only loans and 13.41 per cent only deposit. In Municipal area 25.83 per cent are both depositor and borrower; 54.17 per cent borrowers alone and 20 per cent are having deposits. But in Corporations, 30.91 per cent are both depositor cum-borrowers, 47.27 per cent borrowers and 21.82 per cent are depositors only.

It is further observed that in villages, only 1.41 per cent respondents are having fixed deposit with the Bank, while in municipality it is 6.67 per cent and in corporation area it is 18.18 per cent.

It is also observed that 33.88 per cent villagers, 40.83 per cent Municipal respondents and 34.55 per cent Corporation customers are having savings deposit with SMG Bank.

With respect to current deposit it is observed that while 0.24 village respondents have current accounts, 0.83 per cent Municipal respondents are having the same with the bank.

The researcher observed the NRE deposit of the respondents and found that only 0.47 villagers and 1.82 per cent corporation respondents are having NRE deposit with the bank.

Type of Loan availed by the respondents

The types of loan availed by the beneficiaries vary in accordance with the purposes and needs. The various loans availed are shown in the following Table.

Table 5.7

Type of Loan availed by customers (In percentage)

Locality	(Agricultural Loan	Gold Loan	Gold Loan & H.P. Loan (Vehicle etc.)	Business Loan	Business Loan & Gold Loan	Business Loan & Gold Loan Kisan card	Personal Loan	Business Loan & Personal Loan	Housing Loan	Gold Loan, Personal Loan	Hire purchase Loan	Over draft	Business Loan, Housing Loan	Personal Loan, H.L	BL, GL, HL, self employed
Village	15.76	11.53	0.24	36.94	3.06	0.24	3.06	0.00	3.06	0.24	0.00	0.2	0.47	0.24	0.24
Municipal	6.67	4.17	0.00	50.0	0.83	0.00	8.33	0.83	4.17	0.00	0.83	0	0.83	0	0
Corporation	0.0	36.36	0.0	18.18	0.0	0.0	16.36	0	5.45	0	0	0	0	0	0
All groups	12.50	1.33	0.17	37.83	2.33	0.17	5.33	0.17	3.50	0.17	0.17	0.1	0.50	0.17	0.17

Source: Survey Data

Pearson Chi-square: 98.2122, df=36, p=.000000

From the table it is seen that 15.76 per cent village respondents and 6.67 per cent Municipal respondents availed Agricultural loan from the bank. With regard to Gold loan it is observed that the highest loan availees are from Corporation with 36.36 per cent and lowest from Municipal area only 4.17 per cent.

So far as Business Loans, are concerned, it is seen that 36.94 per cent villagers, 50 per cent Municipal and 18.18 per cent Corporation dwellers availed it from the bank.

With regard to personal loans, it is observed that 16.36 per cent Corporation, 8.33 per cent Municipal and 3.06 per cent village respondents are the beneficiaries of this loan.

It is also seen that 5.45 per cent Corporation, 4.17 per cent Municipal and 3.06 per cent village respondents availed it from the bank.

It is further observed that among the respondents, the highest number of availed business loan followed by Agricultural loan. Overdraft availees are the lowest in number.

It is also seen that all respondents availed loans which belong to priority sector Advance of the bank. It is further observed that all the responding loan beneficiaries hail from low in come groups.

Thus, as the observed value of chi-square = 98.2122, df = 36, P = 000000, since P <0.01, the association between types of loans availed and locality of residence is highly significant. When locality changes, the types of loans availed also change.

Testing of Hypothesis

Though the Reserve Bank of India direction to RRBs is to disburse 40 per cent advances to priority sector which include the 'Target Group' consisting of small and marginal farmers, land less labourers, artisans and other weaker sections of the society, the South Malabar Gramin Bank has disbursed in between 75 per cent to 80 per cent to this sector. The study also reveals that all respondents belong to the target Group and availed the loans which are included in the priority sector advances of the bank. From these, findings, the hypothesis that SMG Bank's credits are mainly availed by the Target Group is proved true. (At present the advances to target group is included in advance to priority sector).

Mis-utilisation of loan by beneficiaries

The mis-utilisation of loan by beneficiaries is observed and the following results are obtained from the branch managers.

TABLE 5.8

Mis-utilisation of loan by beneficiary (In percentage)

Locality	Instance of misutilization	No instance of misutilization	Total
Village	7.5	25.0	32.5
Municipality	15.0	35.0	50.0
Corporation	2.5	15.0	17.5
All Groups	25.0	75.0	100

Pearson chisquare : 720879, df = 2, p = .697373
Source: Survey Data.

The observed value of chi-square = 0.720879, df = 2, p = 0.697373, since P > 0.01, there is no association between the locality and the instance of misutilisation of loan by the beneficiary. It is observed that 25 per cent managers have the opinion that certain loans are mis-utilized by the beneficiaries. However, the study reveals that all loans are utilised by the beneficiaries themselves and for the purpose for which they were sanctioned by the bank especially in the case of agricultural gold loans.

Family members customership of the bank

The other members customership also adds to their income. The other members customership in the bank is observed and it is seen that 62.33 per cent of the respondents have no other member account holder of the bank; 5.83 per cent - 2 family member account holder of the Bank; 1.67 per cent 3 persons account holders other than respondent and 0.83 per cent - 4 Persons account holders in addition to the respondent.

Debt Service-Reason for Preferring SMG Bank

The various reasons for preferring SMG Bank for services are observed. All respondents were asked about their reasons for preferring the SMG bank. All reasons are categorised according to locality and Tabulated in percentage. It is shown in Table 5.9 following.

TABLE 5.9

Main reason for preferring SMG Bank (In percentage)

Locality	To take particular loan, nearness of bank branch	Personal relation with bank staff nearness of bank branch, 1	Neaness of bank branch, to deposit saving	Nearness of bank branch, to take particular loan, to deposit saving	Nearness of bank branch, relation with staff, know about banks, symbol of status, to take particular loans, to deposit saving	Nearness of bank branch Low interest, to take particular loan	Nearness of bank branch, personal relation, to take particular loan, low interest	Nearness of bank branch personal relation, to take particular loans	Low interest	Nearness of bank branch, low interest	Nearness of bank branch, personal relation , to take particular loan, deposit saving	Low interest, personal relation, to take particular loan	Low interest to take particular loan to deposit saving	Low interest, personalrelation , deposit saving
Village	42.35	0.71	8.47	11.29	0.71	4.94	16.47	4.94	0.47	0.00	2.12	0.47	0.24	0.00
Municipal	25.00	0.00	18.33	11.67	0.00	3.33	21.67	2.50	0.83	2.50	4.17	3.33	1.67	0.8
Corporatio n	21.82	0.00	14.55	10.91	0.00	0.00	23.64	7.27	0	1.82	7.27	0.00	0.00	0.00
All groups	37.00	0.50	10.00	11.33	0.50	1.33	18.17	4.67	0.50	0.87	3.00	1.00	0.50	0.1

Source: Survey Data

It is clear from the table that 42.35 per cent villagers, 25 per cent Municipal and 21.82 per cent Corporation respondents are of the opinion that their reason for preferring the bank is to take the particular loans of the bank and Nearness of the Bank branch.

0.71 per cent villagers, opined that their reason for preferring the bank is nearness of bank branch, and personal relation with bank officials.

8.47 per cent villagers, 18.33 per cent Municipal and 14.55 per cent corporation respondents, informed that their reason for preferring the bank is nearness of bank branch and to deposit their savings at their convenience.

11.29 per cent villagers, 11.67 per cent Municipal, and 10.91 per cent Corporation respondents, opined that their reason for preferring the bank is nearness of bank branch, particular loan facility in the bank and convenience to deposit their saving.

4.94 per cent villagers, 2.5 per cent Municipal and 7,27 per cent Corporation respondents are of the opinion that their reason for preferring the bank is nearness of bank branch, personal relation with bank staff and availability of particular loan in the bank.

It is also observed that 16.47 per cent villagers, 21.67 per cent Municipal and 23.64 per cent Corporation respondents have revealed that their reason for preferring the bank is personal relation with the bank official, the nearness of bank branch and availability of particular loan schemes.

Thus it is seen that majority of the respondents preferred the bank because of personal relation with the bank official, low interest, particular loan facility, nearness of bank branches and convenience to deposit their savings.

The customers were asked whether they faced any difficulty in receiving the loan amount and the following result is observed.

None of the respondents have the opinion that they have experienced any kind of difficulty in receiving the loan from South Malabar Gramin Bank.

But they have the opinion that the some senior officials of the bank especially managers should have a little more humanity and more cooperation with the poor rural people.

Sufficiency of Loan sanctioned

All the respondents hold the view that the loan sanctioned is sufficient for their purpose as they demanded only the required amount. The study reveals that the existence of SMG Bank has eliminated the respondents' dependence on Money Lenders. The hypothesis that the bank's finance reduces the dependence of people on Money Lenders is proved true by these findings.

Security given to the Bank

Securities are required for all loans. For some loans collateral securities are required and for others, personal securities are required. The various securities given by the customers to the bank were observed and are shown in the following Table.

TABLE 5.10

Nature of security given to bank for obtaining loan (In percentage)

Locality	Deposits of title deeds	Personal security, hypothecation of goods	Deposits of title deeds, hypothecation of goods	Hypothecation of goods	No security	Deposits of title deeds, land receipt	Deposit of title deeds, hypothecation of goods, land receipt	Personal security, land receipt	Personal security, deposit of title deeds, land receipt	Personal security, deposits of the deeds, hypothecation, land receipt	Personal security deposit of title deeds	Land receipt	Personal security	Personal security, third party guarantee, deposits of title deeds
Village	15.66	3.02	2.47	15.66	0.27	15.38	1.10	14.01	0.82	3.85	0.82	5.77	3.57	0.0
Municipal	10.31	0.00	1.03	5.15	0.00	13.40	1.03	26.80	0.00	0.00	0.00	10.31	9.28	0.0
Corporation	30.23	0.00	0.00	46.51	0.00	4.65	0.00	0.00	0.00	2.83	0.00	13.95	0.00	2.3
All groups	15.87	2.18	1.98	16.27	0.20	14.09	0.99	15.28	0.60	2.98	0.60	7.34	4.37	0.2

Source: Survey Data

It's seen that 15.87 per cent respondents have given their title deeds as security for obtaining loan; 2.18 per cent taken loan on personal security and hypothecation of goods. 16.27 per cent hypothecated their goods only for obtaining loan. 14.09 per cent deposited both their title deeds and land receipt. 15.28 per cent have given personal security and land receipt as security for loan. 2.98 per cent accepted loan by giving personal security, deposit of title deeds, and land receipt. 7.34 per cent gave only land receipt as security. Loans based on personal security alone are only 4.37 per cent.

It is also seen that personal security, third party guarantee, deposits of title deeds given as security are only 0.2 per cent. it is further observed that the bank is granting loans only on sufficient securities except in the case of govt. scheme loans, self help group loans, and other special scheme loans.

Repayment of Instalment

Proper and timely repayment of Loan is inevitable for fruitful service.

The repayment of instalment by the customers was observed and is shown in Table 5.11 following.

TABLE 5.11

Repayment of Instalment (In percentage)

Locality	Not Repaying Instalment Regularly	Repaying Instalment regularly	Total
Village	15.53	84.47	70.83
Municipality	20.83	79.17	70.00
Corporation	21.82	78.18	9.17
All Groups	17.17	82.83	

Source: Suvery data

The table shows that in villages, 84.47 per cent used to repay loan regularly and in Municipal and Corporation areas the regularity of repayment is 79.17 per cent and 78.18 per cent respectively.

The borrowers were asked whether the bank officials used to visit their house/farm/place of business after sanctioning loan and it is observed that the bank officials used to visit the customers' house/farm/place of business after sanctioning loan and before sanctioning loan at least once or twice. All Respondents were also asked about the service facility of the bank - Location of the Bank, Procedures of the Bank, Employees of the Bank, facilities to customers, repayment period of loans and it is observed that all of them feel that location of the banks is convenient, procedures of the bank are rather simple, Employees of the bank are more or less cordial and co-operative, facilities to customers are good, Repayment period of the loan is some what convenient.

Interest rate charged by the Bank

Interest rate changed by the bank is one criterion for availing loans. The opinion of the customers regarding interest rate was observed and is shown in the Table following.

TABLE 5.12

Interest rate charged by the bank (In percentage)

Locality	Very high interest	High interest	Average interest	Low interest	Total
Village	0.17	33.00	31.50	6.17	70.83
Municipal	0.00	11.17	7.50	1.33	20.00
Corporation	0.00	3.83	3.17	2.17	9.17
All groups	0.17	48.00	42.17	9.67	100.00

Source: Survey Data.

The table shows that 0.167 per cent respondents are of the opinion that the interest rate charged by the bank is very high. 43 per cent customers are of the opinion that, the interest rate charged by the bank is high, 42.167 per cent customers hold that it is average and 9.67 per cent responded that it is low.

It is seen that the rate of interest charged by the bank, when compared to commercial banks, is a bit high, but when compared to co-operative banks it is low.

Effectiveness of Priority Advance

The researcher observed the effectiveness of priority sector Advance. The collected data are classified and the percentage is tabulated. It is given in the following table.

TABLE 5.13

Effectiveness of Priority Sector Advance (In Percentage)

Locality	Very effective	Effective	Total
Village	17.5	15.0	32.5
Municipality	27.5	22.5	50.0
Corporation	7.5	10.0	17.5
All Groups	52.5	47.5	100.0

Source: Survey Data

From the table it is noticed that 52.5 per cent managers have the opinion that their priority sector advance is very effective. 31.5 per cent opined that it is effective, 12.5 per cent that it is fairly effective, but 2.5 per cent have of the opinion that it is in effective.

With respect to recovery of overdues, it is observed that in view of managers, lack of co-operation from Government side, inadequate existing law, political leaders advice and business failure due to unexpected reasons are the various difficulties experienced in recovery of overdues. Of this, all other reasons except the last should be studied and analysed.

Awareness of people about different loan programmes

The Branch Manager's sampled were asked their opinion about the awareness of people about different loan programme whether poor, Fair Good or very good. The collected data are classified and tabulated into percentage. It is shown in Table 5.14 following.

TABLE 5.14

Awareness of rural people about different Loan programmes (In percentage)

Locality	Poor	Fair	Good	Very good	Total
Village	7-5	10	15-0	0	32.5
Municipality	7-5	17-5	25-0	0	50-0
Urban	0	0	15-0	2.5	17-5
All Groups	15-0	27-5	55	2.5	1

Source: Survey Data.

15 per cent managers have the opinion that awareness of people about different loan programme is poor, 27.5 per cent opined it to be fair; 55 per cent, good, and 2.5 per cent have a very good opinion about people's awareness of various loans.

Opinion of Managers about financing non-target group by RRBs

At present the RRBs are financing non-target group also. Opinion of Branch Managers about financing of Non-Target Group by RRBs are given in the following table.

TABLE 5.15

Financing non-target groups by RRB's (In percentage)

Locality	Strongly agree	Agree	Total
Village	20.0	12.5	32.5
Municipality	32.5	17.5	50.0
Corporation	7.5	10.0	17.5
All Groups	60.0	40.0	100

Source: Survey Data.

With respect to the RRBs' financing non-target group, it is seen that 60 per cent managers strongly agree and 50 per cent only agree with this policy. This reveals that the official are against the main objective of the RRBS that is the financing of target groups with which intention they were set up in 1975.

Loan Melas

Mounting up of deposits can be seen in all banks. Here lies the importance of loan melas. The opinion of Managers about loan melas were sought and the collected data are tabulated in to percentages. It is shown in table 5.16 following.

TABLE 5.16

Opinion about Loan Mela (In percentage)

Locality	Necessary	Not necessary	Not at all necessary	No comments	Total
Village	5.0	17.5	7.5	2.5	32.5
Municipality	2.5	2.5	17.5	5.0	50.0
Corporation	0.0	7.5	5.0	5.0	17.5
All Groups	7.5	50.0	30.0	12.5	100

Source: Survey Data

7.5 per cent opined that Loan Melas are necessary; 50 per cent that they are not necessary; 30 per cent not at all necessary, but 12.5 per cent kept mum. It is seen that for introducing different loan programmes, loan melas are necessary.

General utility services

All individuals were asked whether they are utilising any General utility service of the bank. The collected data is categorised and Tabulated in percentage. It is shown in the table number 5.17.

TABLE 5.17

Availing of general utility services (In percentage)

Locality	Not availing any general utility service	Availing general utility service	Total
Village	96.71	3.29	70.83
Municipal	95.00	5.00	20.00
Corporation	96.36	3.64	9.17
All groups	96.33	3.67	

Pearson Chi-square: .771103, df=2, p=.680079
Source: Survey Data

As the observed value of chi-square = .771103, df = 2, p = 0.680079, Since P > 0.01, the association between availing General utility service of the bank and locality of residence is not significant. It is observed that only 3.67 per cent of the respondents are availing General Utility services of the bank.

In Villages, only 3.29 per cent are availing general utility services, but in Corporation and Municipal areas 3.64 per cent 5 per cent respectively are availing of the service. From this it is seen that general utility services are scarce in SMG Bank. More over the available services are not cheap when compared to other banks. Facility of payment of telephone bills is provided only to customers. Demand Draft Commission, when compared to that of other commercial banks, is high.

When asked about the various social assets possessed by the bank, the managers responded to the effect that though SMG Bank is the number two bank in over all performance among all other 195 RRBS in India, it has created no social assets such as bus waiting sheds, public wells, community hall, adoption of villages etc.

Association of Respondents in any Local bodies

The association of respondents in any local bodies is observed and it is shown in the following table.

TABLE 5.18

Social Conditions (In percentage)

Locality	No Contact with any type of association	Member ship in lions club rotary club Vypari etc	Association with local bodies co-operative membership, lions club	Corporative membership	Local body lions club	Local body, co-operative membership	Local body	Total
Village	60.94	36.47	0.00	1.18	0.24	0.71	0.47	70.83
Municipal	30.00	67.50	2.50	0.00	0.00	0.00	0.00	20.00
Corporation	69.09	30.91	0.00	0.00	0.00	0.00	0.00	9.17
All groups	55.50	42.17	0.50	0.83	0.17	0.50	0.33	

Source: Survey Data.

It is seen that out of the total respondents, 44.50 per cent have association with local bodies. 36.47 per cent villagers, 67.50 per cent Municipal, 30.91 per cent Corporation respondents are associated with Lions club, rotary club and

Vyapari Vyavasayi Organisations. 1.18 per cent villagers are associated with co-operative societies. Majority of the customers in Village, Municipal and Corporation areas are associated with Religions institutions. It is also seen that majority of respondents are mere members of these institutions and only a few are office-bearers.

Association with social organisation

All individuals were asked about their contact with various social activities. The date collected are classified according to locality. It is shown in table 5.19 following.

It is observed that in Villages 4.71 per cent, Municipal 5.00 per cent and in Corporations none are associated with Peoples' Plan, literacy programmes, Parent Teacher Association of Educational Institutions, and Political activities.

TABLE 5.19

Social conditions – contact with various activities (In percentage)

Locality	People's plan, literary programme PTA, political activities	People's plan, literacy programme, road safety council medical camp, awareness camp, political activities	People's plan, literacy programme PTA	No contact with any	People's plan literary, PTA, road safety, medical camp, awareness consumer	People's plan medical camp.	People's plan, literary, kudumbasree political activity	People plan lieterary, road safety medical camp. Awareness political consumer	People's plan literary, medical awareness political consumers	Kudumbasree, political	People's plan, litarary, political activities	People's plan, kudumbasree, political activities	People's plan, PTA, kudimbasree, political activities	Literary, PTA, medical awareness, consumer
Village	4.71	0.94	0.94	9.65	13.4	16.71	0.24	12.94	0.94	0.27	3.53	0.00	0.00	0.00
Municipal	5.00	0.83	1.67	25.00	9.17	8.33	0.00	4.17	0.83	0.00	1.67	0.83	0.83	0.83
Corporation	0.00	1.82	0.00	12.73	7.27	14.55	1.82	7.27	0.00	0.00	12.73	1.87	0.00	0.00
All groups														

Source: Survey Data.

It is seen from the table that 0.94 per cent villagers, 0.83 per cent Municipal and 1.82 per cent Corporation respondents are associated with People's Plan, Literacy programme, Road safety council, Medical camps, Awareness camps and Political activities.

It is observed that 0.94 per cent villagers, 1.67 per cent Municipal residents are associated with Peoples' Plan, Literacy programme and P.T.A of Educational Institutions.

At the same time 13.4 per cent villagers, 9.17 per cent Municipal residents and 7.27 per cent corporation respondents are connected with Peoples plan, Literacy Programme, PTA of Educational Institutions, Road safety council, Medical camps, awareness camps, political activities and consumer protection/awareness programmes.

It is further observed that 16.71 per cent villagers, 8.33 per cent Municipal and 14.55 per cent Corporation people are associated with People's plan and Medical camps while 0.24 per cent villagers. 1.62 per cent Corporation people are associated with people's plan, Literacy programme, Kudumbasree projects and Political activities.

It is also seen that 12.94 per cent village respondents, 4.17 per cent Municipal and 7.27 per cent Corporation respondents are associated with People's plan, Literacy programme, Road safety council, Medical camps, Awareness camps, political activities and consumer protection programmes.

It is further seen that 0.94 per cent villagers, 0.83 per cent Municipal customer are connected with Peoples plan, Literary programme, medical camps awareness camps, Political activities and Consumer protection/awareness programme.

It is interesting to note that 3.53 per cent villagers, 1.67 per cent municipal and 12.73 per cent corporation people are associated with Peoples' plan, PTA of Educational Institution and Political activities.

It is noticed that 0.83 per cent Municipal, 1.82 per cent Corporation, respondents are associated with Peoples plan, Kudumbasree projects and political activities.

Thus, from the study carried out, it is observed that most of the customers, irrespective of their locality are associated with some kind of social activity and that they have utilised the facility to participate in the Traders meet, Farmers meet, VVV clubs arranged by South Malabar Gramin Bank.

It is also observed that the respondents are of the opinion that the service of SMG Bank for their economic upliftment also leads to their association with various social organisations.

SECTION B

ROLE OF THE BANK IN THE UPLIFTMENT OF SMALL SCALE AND COTTAGE INDUSTRIES

Socio-Economic Status of Small Scale and Cottage Industries

Industry Status

The researcher observed the type of industry in which the respondents were involved. The observed data is given below:

TABLE 5.20

Nature of Industry

(in percentage)

District	Furniture	Readymade dresses	Hollow bricks	Jewellery works	Oil Mills	Bakery	Soap	Heriditary	Workshop	Others	Total
Wynad	35.71	21.43	0.00	0.00	35.71	0.00	0.00	0.00	0.00	7.14	7
Palakkad	11.11	0.00	0.00	22.22	0.00	33.33	0.00	0.00	0.00	33.33	4.5
Thrissur	10.00	10.00	10.00	0.00	0.00	0.00	10.00	0.00	10.00	50.00	5
Calicut	16.98	15.09	5.66	0.00	3.77	3.77	3.77	16.98	3.77	30.19	26.5
Malappuram	22.81	14.04	9.65	7.89	5.26	0.88	1.75	17.54	11.40	8.77	57
All groups	21	14	7.5	5.5	6.50	3	2.5	14.5	8	17.5	

Source: Survey data.

The researcher observed that in Wynad district. 35.71 per cent of the respondents are engaged in furniture industry and oil mills, and 21.43 per cent in readymade dresses.

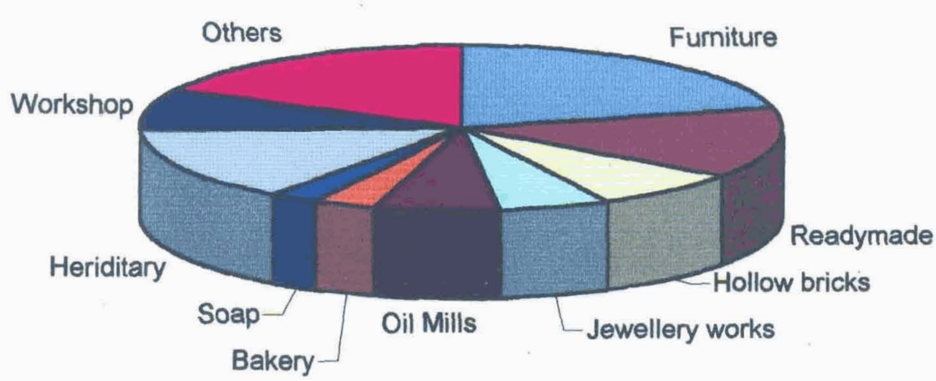
In Palghat district 33.33 per cent respondents are engaged in Bakery; 22.22 per cent in Jewellery and 11.11 per cent in Furniture making.

In Trichur district, on the other hand, 50 per cent respondents are in different industries and 10 per cent in the manufacture of furniture, soap, Readymade, Hollow bricks etc.

In Calicut district on the other hand, 16.98 per cent respondents are engaged in Furniture industry and traditional Industries and 30.19 per cent in other industries.

In the case of Malappuram district, 22.81 per cent respondents are engaged in furniture industry, 1754 per cent in traditional, and 14.04 per cent in Ready made dresses.

Figure No. 5.3. Pie Diagram Showing Nature of Industries (by type)



Loan availed

Small scale and cottage industry Respondents were asked whether they used the loan amount as working capital or for acquisition of movable and immovable properties. It is observed that Loans are mainly availed as working capital and for acquisition of movable properties. Most of the industries and manufacturing process are going on in owned sheds or in rented sheds.

Difference in Income after availing Loan

Small scale and cottage industry respondents were asked whether there is any difference in income after availing the service of SMG Bank. The collected data are classified according to district and Tabulated in percentage. It is shown in Table 5.21 following.

Table 5.21

Increase in Income

District	Increase in Income (Percentage)
Wynad	62.00
Palakkad	38.00
Trichur	35.00
Calicut	74.00
Malappuram	83.00
All Groups	78.00

Source : Survey date

Respondents informed that their monthly income has significantly increased by availing loans from SMG Bank, but at varying levels. Cent per cent respondents are of the opinion that their economic condition is considerably improved after availing service from SMG Bank for starting various SSI and cottage industries. It is further seen that the increase in income of the SSI and cottage industry respondents is lower in Trichur and Palghat districts. In this respect, it is observed that this difference is due to the delay in opening branches in these districts. (The bank opened branches in these districts only in the year 2000).

In all districts the respondents have benefited by availing service from the SMG Bank in a more or less equal degree.

Testing of Hypothesis

From the above findings, the hypothesis that SMG Bank has significant role in uplifting SSI and Cottage industry has been proved true.

Employment

Small Scale and Cottage Industry customers were asked the employment generation of their unit. It is observed that the small scale and cottage industries have provided employment to 3 persons per unit in addition to the proprietor.

Time period taken for receiving the loan

The respondents were asked about the time period taken for receiving the loan from the bank and it is observed that 45.50 per cent respondents had to wait for more 3 weeks to get the loan; 31 per cent within 2-3 weeks; 23 per cent within 1-2 weeks and only 0.50 per cent within one week of application for loan.

All interviewed have the view that the loan sanctioned is adequate for the purpose and it is fully utilised. It is observed that as sufficient amount for an SSI or cottage undertaking is sanctioned by the bank, there is no need to depend on money lenders or others. Testing of Hypothesis: The hypothesis that the role of SMG Bank has reduced the dependence on Money lenders is proved true by this opinion.

Reason for preferring the bank

The various reasons of the small scale andcottage industry respondents for preferring South Malabar Gramin Bank are observed and found that in Wynad district 92.86 per cent of the respondents opined that their reason for preferring the bank is the availability of particular loan into the bank and nearness of the bank branch. 7.14 per cent opined that they are preferring the bank because of personal relation with the bank officials, avail ability of particular loan scheme and nearness of bank branches. None have any other opinion as their reason for preferring the bank.

In Palghat district 11.11 per cent responded that personal relation with bank official, nearness of bank branch and availability of particular loan schemes are their reasons for preferring the bank. 44.44 per cent responded that low interest and availability of particular loan schemes are their reason for preferring the bank and another 44.44 per cent responded that personal relation, low interest are the reasons of their preferring the SMG Bank.

In Calicut district 98.11 per cent preferred the bank because of nearness of bank branch and availability of particular loan schemes.

In Trichur district on the other hand 90 per cent are preferring the bank because of personal relation with bank officials and nearness of bank branches while in Malappuram district 35.09 per cent preferred the bank because of nearness of bank branches and availability of particular loan schemes and 56.14 per cent are preferring the SMG Bank because of Personal relation with bank official and nearness of bank branches.

Thus it is observed that the staff of SMG bank is maintaining personal relation with poor people more and SMG bank is situated at the most convenient places to the people.

Difficulty experienced in receiving loan

Small Scale and Cottage Industry respondents were asked whether they face any difficulty in receiving loan from SMG Bank. The collected data are classified on district basis and tabulated in percentage. It is shown in the following table.

TABLE 5.22

Difficulty experienced in receiving loan amount (In Percentage)

District	Not experienced any difficulty	Experienced difficulty	Total
Wynad	10.00	0.00	7.00
Palakkad	100.00	0.00	4.50
Trissur	70.00	30.00	5.00
Calicut	92.45	7.55	26.50
Malappuram	100.00	0.00	57.00
All groups	96.50	3.50	

Source: Survey data

It is seen that 96.5 per cent respondents have not experienced any difficulty in receiving loan amount. But their views differ from district to district. For example, in Trichur district only 70 per cent opined that they have no difficulty in receiving loan and 30 per cent experience some sort of difficulty in getting loan amount.

Interestingly, in Malapppuram district not a single respondent experienced any kind of difficulty in receiving loan amount. In Wynad and Palghat districts also no body experienced any difficulty. But in Calicut district 7.55 per cent of the respondents have experienced some sort of difficulty.

It is observed that delay in scrutinising Loan application from Head office in the case of big loans, delay in submission of enquiry reports, prejudice of bank managers are some difficulties experienced by some respondents.

SSI and cottage sample respondents were asked about their source of finances before the bank functioning in their locality and the collected data classified according to district. It is shown in Table 5.23 following.

TABLE 5.23

Dependence on other agencies before the establishment of the bank in the area
(In percentage)

District	Commercial Bank	Co-operative Bank	Money lenders	Others (friends, relatives & Govt. etc.)	Total
Wynad	100.00	0.00	0.00	0.00	7.00
Palakkad	0.0	77.78	22.22	0.00	4.50
Trissur	80.00	20.00	0.00	0.00	5.00
Calicut	86.79	3.77	9.43	0.00	26.50
Malappuram	73.68	10.53	14.91	0.88	57.00
All groups	76.00	11.50	12.00	0.50	

Source: Survey data

Dependence for credit – before the establishment of the bank in the locality

It is observed that 76 per cent depended on Commercial banks; 11.5 per cent on co-operative banks; 12 per cent on money lenders and only 0.5 per cent depended on friends, relatives and government agencies for credit before the bank started functioning in the locality.

But, once the bank started functioning in the locality, this dependence was avoided. The study further reveals that though 12 per cent respondents depended on money lenders for their financial requirements, after the establishment of the bank in the locality, this dependence on money lender has been eliminated. The hypothesis that the existence of the SMG Bank has reduced the dependence on money lenders is proved true by this observation.

Income generation and Repayment

Small Scale and Cottage Industry customers were asked whether the income generated from the loan project is sufficient to repay the loan amount and the findings are classified according to District. The collected data are tabulated into percentage, which is shown in Table 5.24 following.

TABLE 5.24

Income from the loan project sufficient to repay the loan amount
(In Percentage)

District	Not sufficient to repay loan	Sufficient to repay loan	Total
Wynad	0.00	10.00	7.00
Palakkad	33.33	66.67	4.50
Trissur	0.00	100.00	5.00
Calicut	0.00	100.00	26.50
Malappuram	4.39	95.61	57.00
All groups	4.00	96.00	

Pearson Chi-square : 23.4192, df = 4, p = .000105
Source: Survey data.

In this regard, it is observed that as the chi-square values is 23.4192, df = 4, p = 0.000105, since p< 0.01 the association between districts and in come from loan project sufficient to repay loans is significant. It is also observed that 96 per cent informed that the income generated from the loan project is sufficient to repay the loan.

But in Palghat district, 33.33 per cent have the view that the income generated from the loan project is not sufficient to repay the instalments.

At the same time, in Wynad, Calicut and Trichur districts all those who were interviewed informed that the income generated is sufficient to repay the loan.

However, in Malappuram district 4.30 per cent responded that the income generated from the loan project is not sufficient to repay the loan.

All the persons interviewed responded that they used to repay the instalment regularly.

It is learnt that the location of the SMG Bank branches is convenient, procedure of the bank is simple, employees of the bank are cordial and co-operative, and render very good facilities to customers. Convenient repayment schedule and overall service of the SMG bank were also good. But they have the view that the interest rate charged by the bank is comparatively high in the present situation.

Social contacts

The small scale and cottage respondents were asked about their social involvement in various associations and it is observed that most of the respondents are associated with the Kerala small scale industries association and that their involvement in various social organisations are possible only on availing of SSI and cottage industries loans from SMG Bank and so their social status is increased. This helps them to improve their social life. The hypothesis of social improvement to SSI and cottage industries is proved true by this response.

Socio-Economic Upliftment to the Respondents by the Service of SMG Bank

All individual and small scale and cottage industrialist respondents were asked whether their socio-economic conditions are improved after availing the service of SMG Bank and the collected data are classified according to locality. The percentage is tabulated as shown in Table 5.25 below.

Table 5.25

Socio-Economic upliftment to Individual and small scale and cottage industrialist after availing the service of SMG bank (In Percentage)

Locality	No upliftment	Insupport of upliftment	Total
Village	0.00	100.00	70.83
Municipal	1.67	98.33	20.00
Corporation	0.00	100.00	9.17
All groups	0.33	99.67	

Pearson Chi-square: 8.02676, df=2, p=.018081
Source: Survey Data.

As the observed value of chi-square = 8.02676, df=2, p=.018081, since P>0.01, the association between opinion about general improvement to individual, and small scale and cottage industrialist and locality of residence is not significant. 99.67 per cent are having the opinion the South Malabar Gramin Bank has brought about general improvement to them (both economically and socially).

In villages, 100 per cent respondents are of the opinion that South Malabar Gramin Bank has a better role in their Socio-Economic upliftment. At the same time 98.33 per cent of the Municipal respondents are of the opinion of socio-economic upliftment to them by the service of SMG Bank. In Corporation areas, 100 per cent admit the role of SMG Bank in their socio-economic upliftment.

Socio-Economic upliftment to the Locality:

All respondents were asked whether they have the opinion that the service of SMG Bank has brought about Socio-Economic upliftment to the locality and the data received are classified according to locality. It is shown in Table 5.26 following.

TABLE 5.26

Socio-Economic upliftment to the locality (In Percentage)

Locality	No upliftment	Insupport of upliftment	Total
Village	0.24	99.76	70.83
Municipal	1.67	98.33	20.00
Corporation	0.00	100.00	9.17
All groups	0.50	99.50	

Source: Survey Data.

With regard to socio-economic upliftment to the locality, it is seen that in villages, 99.76 per cent respondents have of the opinion that SMG has brought about Socio-Economic upliftment to the locality and in Municipal and Corporation areas 98.33 per cent and 100 per cent respectively are of the opinion that the bank has brought about Socio-Economic upliftment to the area.

Testing of Hypothesis

From the above mentioned Socio-economic variables and from the opinion of sample respondents, the Hypothesis that SMG Bank has a significant role in Socio-economic upliftment has been proved true.

Upliftment

The survey revealed that the service of South Malabar Gramin Bank has brought about Socio-Economic upliftment to them, especially improvement in their income. Most of them have the opinion that they are earning a livelihood solely because of the various services obtained from SMG Bank including loans for small scale and cottage industries. If these facilities were not obtained they would have no alternative to earn their daily bread. Thus all those who responded have the strong belief that they are economically and socially improved after availing the services of SMG bank. Thus the hypothesis that the SMG Bank has a significant role in the socio-economic upliftment is proved true. They further opined that SMG Bank is doing much for the Socio-economic upliftment of their locality also.

SUMMARY, FINDINGS AND SUGGESTIONS

P. Abdul Azeez “A study on the evaluation of the service of south malabar gramin bank for the socio-economic upliftment with special reference to small scale and cottage industries ” Thesis. Department of Commerce and Management Studies, University of Calicut, 2003

CHAPTER VI

SUMMARY, FINDINGS AND SUGGESTIONS

Banks play a vital role in shaping the economic destiny of a nation. They mobilise the savings of the society in the form of deposits and divert them in to productive and profitable channels. In a developing country like India, where propensity to consume is high and saving of the people are meagre, banks play a strategic role in attracting more deposits from the people and deploying these savings for lubricating various sectors of the economy. They have to supply credit to the promotional and developmental activities of the society, at the same time restricting credit for socially undesirable and economically less beneficial purpose. Modern business is certainly impossible without them and no country can achieve industrial progress in the absence of a sound banking system. Banking is the linchpin of the chariot of economic progress. So its role in expanding economy of a country like India, can neither be under estimated nor overlooked.

Accepting the recommendations of the Narasimham Committee, the Government of India established Regional Rural Banks as per the Regional rural Ranks Act of 1976. The main objective of the RRBs is to provide credit and other facilities to the 'Target Group' comprising of small and marginal farmers, agricultural labourers, artisans, small entrepreneurs and self employed persons.

In Kerala, there are two RRBs namely South Malabar Gramin Bank (SMGB) and North Malabar Gramin Bank. They have been functioning in Kerala during the last 26 years providing assistance to a variety of schemes for the intensive development of Malabar area. In this connection a study, evaluating the service of South Malabar Gramin Bank especially for the uplift of poor and small scale and cottage industries of the bank area merits consideration. It may also be born in mind that, though so many studies are carried out, the studies on South Malabar Gramin Bank are scanty. No previous study has been conducted on the service of South Malabar Gramin Bank for the socio-economic upliftment of individuals and small scale and cottage industries. The present study attempts to analyse the service of South Malabar Gramin Bank for socio-economic upliftment of both individuals and small scale and cottage industries.

The specific objectives set for the study are –

1. To analyse to functions and structure of South Malabar Gramin Bank,

2. To expose the socio-economic conditions of the people of the service area of the bank,

3. To know whether the bank has succeeded in granting loans to small scale and cottage industries and to know the present position of SSI and cottage industries,

4. To analyse the problems of RRBs and SMG Bank,

5. To ascertain whether the loans availed by the customers are misused and,

6. To suggest appropriate measures for the improvement of the services of the bank.

The study has been designed as a descriptive one based on survey method. Both primary and secondary data have been used for this purpose. The secondary data have been collected from various reports, audited statements, records and files of various offices, journals, books, etc.

For data collection, three sample group were selected – individual customers, small scale and cottage industrialists and managers of sample branches. A structured interview scheduled was administered and an undisguised personal interview method was followed to collect the required information. The collected data was classified, codified and tabulated for statistical analysis. For statistical analysis of data, mathematical and statistical tools such as Ratios and percentages, averages, ANOVA and chi-square have been applied. On the basis of analysis, the impact of the service of South Malabar Gramin Bank for the socio-economic upliftment of individuals and small scale and cottage industries is assessed.

The whole study is presented in six chapters.

Chapter I is the introduction part stating the scope, objectives, hypothesis, methodolody, samples design, tools used, limitations of the study and brief review of literature.

Chapter II describes the small scale and cottage industries, its growth over years and present position.

Chapter III discusses the origin of Banks, evolution of Regional Rural Banks and also delineates the problems and prospects of RRBs.

Chapter IV explains the functions and services of South Malabar Gramin Bank and its problems.

Chapter V analyses the services of SMG Bank for the socio-economic upliftment of individuals and small scale and cottage industries.

Chapter VI, the last chapter, summarises the whole study, lists the findings and offers a few suggestions.

A wide range of literature was made available on various topics related to banks, small scale and cottage industries and RRBs. No authentic research work on the service of SMG Bank for Socio-economic upliftment of individuals and small scale and cottage industries has so far been carried out.

The study analysed the growth of small scale and cottage industries over years. Small scale and cottage industries have become an indispensable tool in bringing about a balanced, integrated socio economic order in the country. In a developing economy, they occupy a prominent position as they require only less capital and labour intensive in nature. They have been assigned a significant role in the industrialisation and economic development of India as an effective tool in subserving the national objective of growth with social justice. The small scale and cottage industries are considered as harbinger of economic progress and responsible for transformation of the traditional economy into an industrial one. Thus, these industries can solve the chronic problems of poverty, inequality, underemployment and unemployment of both of our state and nation. The present scenario of small scale and cottage industrial are not so good, but hopeful. The central and state government should give more attention to this sector and thus the real views of Mahatma Gandhiji can be flourished.

The study examined the profile of banks and RRBs. Banks and financial institutions are inevitable for the rapid and balanced economic development of the country. They constitute an integral part of money and capital market which is sine qua non for economic development. Banking institutions are inevitable for agricultural development. They can liberate the farmers, small traders, artisans and self employed persons from the octopus hold of money lenders. It is the lubricating oil for industry and commerce. It provides facility for the business community to invest their surplus. Banks accelerate capital formation of the country. They promote national and international trade. Banks also provide convenient and economic means of payment.

Regional Rural Banks were established by the government of India in the year 1975, accepting the recommendations of the Narasimham committee Report. It caters to the financial needs of poor farmers, small traders, artisans and self employed persons. In India, there are 196 Regional Rural Banks with 14311 branches scattered in 453 district of India. Out of the total 196 RRBs, 172 RRBs are working in profit. In Kerala there are two RRBs – South Malabar Gramin Bank and North Malabar Gramin Bank.

The study attempted to analyse the services of SMG Bank. It was established in order to the cater to the needs of the backward South Malabar of Kerala State. It was established in the year 1976 with its head office at Malappuram, a backward region of South Malabar. It is sponsored by Canara Bank, the lead bank of the district. The total business of the bank is rupees 1226 crores. The total deposit comes to rupees 586 crores and the bank advanced rupees 640 crores. Its growth rate is 24.7 per cent and C.D. ratio 109 per cent. Recovery rate of the bank is 89.95 per cent. It has a reserve of more than rupees 60 crores. The bank has obtained permission from the Reserve Bank to open NRI accounts and only North Malabar Gramin Bank is the other bank which has this facility among all other 196 RRBS in India. Now it has accepted rupees 45 crores through 14000 accounts in this sector.

Another new venture advance of the bank is Self Help Group Advance. In this, the bank has advanced more than rupees 42 crores to 38817 beneficiaries. Out of these, 92 per cent are women beneficiaries. The major advance of the bank is through Kisan credit card. The SMG Bank ranks second among 196 RRBs in overall performance and ranks first for credit disbursement. It has completed 25 years of fruitful service. It is rated as one of the world's 50 largest micro credit institutions.

The survey revealed that out of the total respondents 1.17 per cent are illiterate, 42.50 per cent below X standard, 33.67 per cent X standard, 11.33 per cent PDC, 6.83 per cent Degree, 1-67 per cent P.G 1.50 per cent Technical and 1.33 per cent are having Professional Educational Qualifications. With regard to occupation of respondents, 12 per cent are engaged in agriculture, 0.67 per cent artisan, 48 per cent business, 5.67 per cent Government employee, 3.67 per cent private employee, 0.17 per cent professional, 12.50 per cent self employed and 17.33 per cent in other activities.

With respect to annual income 21.83 per cent are having an annual income below rupees 5000, 29. 17 per cent are in the income group of Rs. 5000-10,000, 1.33 per cent between Rs. 10,000-15,000, 21.83 per cent have an annual income of Rs. 15000-20,000, 3.50 per cent between Rs. 20,000-25,000, 2.33 per cent are having an income of Rs, 25,000-30,000, 4.67 per cent between Rs. 40,000-50,000 and 13.67 are in the income group of above Rs. 50,000. The study reveals that 83.33 per cent respondents are having an annual income below rupees 50,000.

The study further reveals that 44.67 per cent of the respondents are having electrified, tiled houses 41.50 possess electrified concrete houses, 9.67 per cent possess non-electrified Tiled houses 1.17 per cent have non-electrified thatched houses, and 2.00 per cent are living in rented houses.

With regard to possession of land area, the study reveals that 15.33 per cent of the respondents are having a land area of less than 10 cents of land, 50.17 per cent possess in between 10 cents and 50 cents, 13.17 per cent in between 50 cents and 1 acre of land, 8.83 per cent possess between 1 acre and 2 acre of land properties, 10.83 per cent possess in between 2 and 5 acres of land and only 1.67 per cent possess more than 5 acres of land. It is also seen that 68.83 per cent of the respondents were purchased land and 30.17 per cent obtained land as a share of family property and 1.00 per cent have no land property at all.

With respect to possession of household appliances of respondents, it is observed that 58.17 per cent of the respondents are possessing television 44.83 per cent have fridge, 53.67 per cent are using cooking gas, 43.67 per cent have telephone facility 32.00 per cent have motor vehicle, 3.83 per cent have bore wells and 3.83 per cent have public water connection.

It is further observed that 60.83 per cent of the respondents have availed loan from the bank, 23.67 availed loan and deposited their saving with the bank and 15.50 per cent have only deposit with the bank.

It is observed that 25 per cent managers have the opinion that certain loans provided by them are mis-used by the beneficiaries. The study reveals that all loans are utilised by the beneficiaries themselves and for the purpose for which they were sanctioned by the bank especially in the case of agricultural gold loans.

The study further reveals that 16.47 per cent villagers, 21.67 per cent Municipal and 23.64 per cent Corporation respondents are of the opinion that their reason for preferring the bank is nearness of bank branch, personal relation with the bank official and availability of particular loan in the bank.

With regard to regularity in repayment, it is revealed that 84.47 per cent villagers 79.17 per cent Municipal and 78.18 per cent Corporation people are regular in repayment. It is further observed that 42.17 per cent respondents are of the opinion that the bank is charging only average rate of interest and 9.67 per cent have the opinion of low interest.

With respect to dependence on Money Lenders by the respondents, the study reveals that the existence of SMG Bank has eliminated their dependence on Money Lenders.

With regard to General utility services of the bank it is observed that general utility services are very scarce in the bank and only 3.67 per cent of the respondents are availing the available general utility services. It is further observed that 85 per cent of the managers are not satisfied with the general utility services of the bank.

With respect to social condition and association with social organisation of respondents, it is observed that 42.17 per cent respondents, have Vyapari Vyavasayi Association, Lions Club and Rotary Club Membership, 0.83 per cent have Corporative membership, 0.33 per cent have local body membership and 0.50 per cent have co-operative and lions club membership. With respect to contact with various activities, it is observed that 14.55 per cent of the respondents are having contact with people's plan and medical camp, 12.73 per cent contacted with people's plan literacy work, political activities, 7.27 per cent have contact with people's plan, literacy work, PTA of Educational institution, medical camp, awareness camp and consumer protection activities. It is further observed that 3.64 per cent are having contact with people's plan, literacy work, road safety council, Kudumbasree projects, medical camps and political activities.

With regard to profile of small scale and cottage industries, it is observed that 21 per cent of the respondents are engaged in furniture industry, 14 per cent in readymade dresses, 7.5 per cent in Hollow bricks 5.5 per cent in jewellery works, 6.5 oil mill, 3 per cent in bakery, 2.5 per cent in soap making, 4.5 per cent in hereditary cottage industries, 8 per cent in workshop and 17.5 per cent in other industries such as Blacksmithy, electronics, soda factory, candle, etc.

With respect to monthly income, all respondents have the opinion that their monthly income has significantly increased by availing service from South Malabar Gramin Bank.

With regard to employment, it is observed that all sample respondents have appointed 2-3 persons in every industry on an average. With respect to dependence on Money Lenders, it is revealed that, though 12 per cent SSI and cottage respondents depended on Money Lenders for their financial requirements, after the establishment of the bank in the locality, this dependence on Money Lenders has been eliminated.

With respect to social contact it is observed that all respondents are associated with the Kerala Small Scale Industries Association and individually they have contact with various social organisations.

Socio-Economic upliftment to the respondents by the service of South Malabar Gramin Bank

With regard to socio-economic upliftment by the service of South Malabar Gramin Bank, it is observed that 99.67 per cent respondents are having the opinion that they have attained both economic and social upliftment by the service of South Malabar Gramin Bank. Their present income, occupation, asset structure, possession of household appliances, social contacts and association in various organisations are attained solely after availing the services of South Malabar Gramin Bank.

It is further observed that 99.50 per cent respondents are having the opinion that the service of South Malabar Gramin Bank has brought about socio-economic upliftment to the locality also. Most of them have the opinion that they are earning a livelihood, solely because of the service facility obtained from South Malabar Gramin Bank. If these facilities were not available they would have no alternative to earn their daily bread.

Conclusion

From the above findings it can be concluded that South Malabar Gramin Bank is doing much for the socio-economic upliftment of individual, small scale and cottage industries. Their role for socio-economic upliftment of the locality where the bank exists is also significant. The bank should be retained in the public sector itself. The lending proportion of the bank should be retained in the same proportion of 80 per cent to priority sector and 20 per cent to non-priority sector. The social services of the bank may be increased further.

Results of hypothesis testing

On the basis of the above findings, the hypothesis set for the study have been tested and the results are as follows.

The first hypothesis that South Malabar Gramin Bank has significant role in socio –economic upliftment is found true and hence accepted.

The second hypothesis that the South Malabar Gramin Bank's credit are mainly availed by the Target Group is found true and hence accepted.

The third hypothesis that small scale and cottage industry loans provided by the bank improved the industries significantly is also found true and accepted.

The fourth hypothesis that the South Malabar Gramin Bank finance reduces the dependence of people on money lenders is found true and accepted.

Thus, though South Malabar Gramin Bank is doing much for the socio-economic upliftment of individuals and small scale and cottage industries, inorder to render still better service, the following suggestions are put forward.

Suggestions

- Loan scheme should be introduced for purchase of land for agricultural purposes. Security and margin norms for agricultural loans may be relaxed. Period of agricultural loans should be extended considering the present fall in prices of agricultural produces.

- In the case of small trade loans, the period of loans and amount of loans should be enhanced. Business loans should be given to non-licensed business people also. Overdraft may be granted to selected customers on the security of equitable mortgage. Credit card facility should be enhanced and introduced for small trade loans also.

- Interest on default should be reduced. In order to safeguard the interest of agriculturits and small scale and cottage industrialists from the present crisis, relaxation in payment of interest should also be given in consultation with sponsor bank, NABARD, central and state governments.

- Provisions to collect savings and loan refund from houses may be made. This will reduce NPA and relieve the loan customer from additional burden. The service of NND agents can be utilised for this.

- Start more branches at busy business centres for the sake of customers. Certain branches may be shifted to more service required places as their area of operation is very small. The bank may also open evening branches in selected towns for the convenience of farmers and small traders especially where there is no services of NND Agent available. SSB branches should be converted as full branches so that the customer can avail of all services.

- The bank should give more concentration to providing rural based loans. The bank may also give top priority for service sector lending considering its present importance. New avenues in service sector may be identified and encouraged.

- Small scale and cottage industry loans should be liberalised more, reducing security norms. This will enable more people to start industries and thus their economic and social status can be uplifted.

- The bank should provide more DRI (Differential Rate of Interest) loan for the benefit of poorest of the poor people. SHG loan create more burden to poor people. Attempts should be made to reduce their burden.

- New loan schemes for women entrepreneurs only should be introduced more and thus make them self sufficient and have real economic development of the area. This will also increase the social status of women.

- By appointing more staff, more small loans should be provided. This will enable more people to obtain the service of the bank and reduce NPA of the bank as NPAs are less in small loans. The necessary professional skills also to be imparted to personal holding key positions for the sake of illiterate poor people.

- The discretionary power of branch managers should be enhanced so as to determine the amount of loan, purpose of loan, securities, introduction of viable schemes and to charge commissions on DD, which have great impact on customer services.

- Systems and procedures of the bank to be restructured keeping an eye on ground realities. In case of small loans, a time schedule of 2 to 3 days should be kept in loan disposal. The bank may minimise the time required to sanction big loan also. This will reduce the time gap to start the business activity.

- Computerisation is required in all branches. Establish net work computerisation and online transaction especially in town branches. ATM system should also be introduced in selected branches. All these ensure quick disposal of transaction.

- The bank should see that the loans are utilised only for the purpose for which it is sanctioned.

- Role of the bank in the people's plan is scanty. The bank should participate more in government oriented programmes. This will facilitate to give more services and schemes to people.

- Mortgage loan to be further sanctioned fixing minimum land as one acre and should consider the market value of the land. Securities anywhere in Kerala should be considered.

- NND amount collected should be credited to loan account at least within 3 months and should be refunded after 3 months if required by the depositor. Security requirements for withdrawing NND deposits should be eliminated for the sake of depositors.

- Housing loan facility should be introduced with the understanding with state government and popularise it. Vehicle loan of higher amount should also be sanctioned without equitable mortgage, only with hypothecation and strong co-obligation. This will assist more self employed persons. Provision should also be made for opening of pension account of government employees.

- The customers should be give freedom to purchase the fixed assets/ machinery at his own discretion from the market in the case of SSI and cottage industries. Payment through bank quotation usually attracts inflated costs and leads to corruption.

- In the case of subsidy loan, subsidy should be credited to loan account at the time of receiving subsidy from the government, without waiting for closure of loan account. This will reduce the interest burden of beneficiaries.

- Export and import finance may be provided from the bank which has great scope in the era of liberalisation and globalisation.

- The various loan schemes of the bank should be exhibited on the notice board of all branches. More publicity about SMG Bank, their deposit schemes and various loan schemes should be given through newspapers and other electronic medias. Farmers meet, Traders meet, Customers meet, VVV clubs and other social activities should be conducted in all branches. Special camps to illiterate people for giving awareness about loan schemes also to be conducted. All this will help the poor people more to receive the bank's service.

- Complaint box should be kept outside the bank in all branches so as to keep secrecy of complaints. Locker facility should also be introduced in all branches for the convenience of people.

- In order to avoid agitation of bank staff and thus to have good industry relation, parity in all respects with other banks should be provided to staff. NND Agents and Appraisers should be considered as permanent staff.

- Freedom of function may be given to SMG Bank as the bank has now 200 branches and numbers two among RRBs in overall performance. Similarly as the Chairman and General Manager are deputed staff from the sponsor bank for 3 years, they have no time for better administration and planning. So atleast General Manager's post should be made permanent and the appointment made internal. Reward should be given to those staff who produce good results and show better customer relation. Al these will enable the bank to give better service to people and thus achieve more socio-economic upliftment.

- SMG Bank as a bank for rural upliftment should play a better role for the upliftment of less privileged sections of the society. It should help old, helpless, homeless, sick and abandoned human beings. It may spent a fixed per centage of their profit for the well beings of poor people. It is also seen that the only social activity undertaken by all branches of the bank is awards given to brilliant students. It is also limited in number. Hence the bank should, introduce more and more social activities like construction of waiting sheds, well for drinking water, adoptions of village, adoption of brilliant students for higher education etc. This will cause to obtain more co-operation from the people of the area.

Most of the suggestions put forwarded warrant long term study and require permission of sponsor bank, central and state governments before their implementation. However, a few of them could be implemented straight away without much financial commitment.

The present study highlights the service of South Malabar Gramin Bank for socio-economic upliftment of both individuals, small scale and cottage industries. Such a study has not been made so far. It is rather an exploratory peep. There is ample scope for further research on various aspects of South Malabar Gramin Bank. The performance of South Malabar Gramin Bank is fairly satisfactory, when compared to other RRBs. The reason for the losses incurred by other RRBS is to be studied and compared with the performance of South Malabar Gramin Bank. The NPA of South Malabar Gramin Bank is gradually increasing. The reason for this, whether the change in proportion of advance to priority and non-priority sector or other reasons is to be studied. The impact of liberalisation and globalisation on small scale and cottage industries is also to be explored.

APPENDIX I

INTERVIEW SCHEDULE FOR INDIVIDUALS

I. General Data

1. Village ☐

2. Taluk ☐

II. Personal Data

1. Educational Qualification

   (i) Illiterate ☐
   (ii) Below X Std. ☐
   (iii) X Std. ☐
   (iv) PDC ☐
   (v) Degree ☐
   (vi) P.G. ☐
   (vii) Technical ☐
   (viii) Professional ☐
   (ix) Any other ☐

2. Occupation / Employment

   (i) Agriculture (self) ☐
   (ii) Agriculture (service) ☐
   (iii) Industrial Labour – Private / Public ☐
   (iv) Artisan ☐
   (v) Business ☐
   (vi) Govt. employee ☐
   (vii) Private employee ☐
   (viii) Professional ☐
   (ix) Self employed ☐
   (x) Any other ☐

3. Annual Income (Rs.)

   (i) Below Rs.5,000/- ☐
   (ii) 5,000 – 10,000 ☐
   (iii) 10,000 – 15,000 ☐
   (iv) 15,000 – 20,000 ☐
   (v) 20,000 – 25,000 ☐
   (vi) 25,000 – 30,000 ☐
   (vii) 30,000 – 35,000 ☐
   (viii) 35,000 – 40,000 ☐
   (ix) 40,000 – 50,000 ☐
   (x) 50,000 and above ☐

4. Nature of family Nuclear ☐ Joint family ☐

5. Household Profile (excluding Respondent)

Sl. No.	Relationship with Respondent	Sex	Activity Status	Education

6. Housing Particulars

(a) Owned ☐ Rented ☐
(b) Electrified ☐ Non-electrified ☐
(c) Concrete ☐ Tiled ☐ Thatched ☐

A. Household Asset Structure :

	Item	No./ Extent	Ancestor Property	Value (Rs.)	Rate of Purchase	Source of funds	Remarks
i)	Land: (a) Wet land (b) Dry land						
ii)	Buildings						
iii)	Live Stock						
iv)	Agricultural implements						
v)	Financial						

B. Have you possessed the following

	Item	Before availing loan	After availing loan
(i)	Home appliances:		
	(a) T.V.		
	(b) Fridge		
	(c) Washing Machine		
	(d) Cooking Gas		
	(e) Water connection		
	(f) Borewell		
(ii)	Motor Car / Vehicle		
(iii)	Telephone		
(iv)	Any other		

III. Relation

1. How long you been a customer of the South Malabar Gramin Bank?

   ☐ Years

   (i) Type of customer

   (a) Depositor ☐
   (b) Loanee ☐
   (c) Other services ☐

   If Depositor, what type of deposit?

   (a) Fixed ☐
   (b) Saving ☐
   (c) Current ☐
   (d) Recurring ☐
   (e) Nidhya Vardhana ☐
   (f) Any other ☐

   If Loanee, what is the type of loan/advance you availed from the Bank?

   (a) Business Loan ☐
   (b) Gold Loan ☐
   (c) Personal Loan ☐
   (d) Hire Purchase Loan ☐
   (e) Housing Loan ☐
   (f) Kisan Credit Card ☐
   (g) Overdraft ☐
   (h) Industrial Loan ☐
   (i) Self employment ☐
   (j) Any other ☐

2. How many members of your family are customers of SMG Bank?

   ☐ Numbers

IV. Debt Service

1. What was the main reason for your dealing with the Bank? (in order of priority)

   (a) Personal relation with the Bank Officials ☐
   (b) To know about banks ☐
   (c) Think that it is a symbol of status ☐
   (d) To take loans ☐
   (e) To deposit saving ☐
   (f) Compulsion from bank official ☐
   (g) Nearness of Bank branch ☐
   (h) Any other reason (specify) ______________

2. Have you experienced any difficulty in receiving your Loan account?

   Yes ☐ No ☐

If yes, state your difficulties:

(a) Insufficient funds ☐
(b) Indifference of bank staff ☐
(c) Prejudice of the Branch Manager towards a particular applicant ☐
(d) Delay in scrutinising loan application and documents ☐
(e) Delay in submission of enquiry reports ☐
(f) Delay in re-submitting Loan application after rectification ☐
(g) Any other ☐

3. Was the Loan sanctioned by the bank sufficient for your purpose?

Yes ☐ No ☐

If No,

(i) How was it made up?

(a) Borrowed from money lenders ☐
(b) Borrowed from friends and relatives ☐
(c) Used Chit Funds ☐
(d) Borrowed from other financial institutions ☐
(e) Others (specify) ___________________

(ii) What was the reason for non-granting sufficient funds by the bank?

4. Particulars of Loan availed from the Bank for the last 10 years (for the entire family)

Year	Nature of Loan	Purpose	Rate of Interest	Period of Loan	Mode of Payment
					Daily Monthly Quarterly Half-yearly Yearly Any other

5. What are the follow up methods adopted by the bank for granting the Loan?

(a) Visit of Field Staff ☐
(b) Sending letters ☐
(c) Any other ☐

6. Total expense you had incurred in getting the assistance: Rs.____________

7. Details of security given to the Bank:

(a) Personal security :
(b) Third party guarantee :

(c) Deposits of Title deeds :
(d) Hypothecation of goods ☐
(e) No security ☐
(f) Any other (specify) ☐

8. Are you repaying the instalment regularly? Yes ☐ No ☐

If No, what was the main reason for it?

(a) Uneasy instalment ☐
(b) Delay in generating surplus ☐
(c) High rate of interest ☐
(d) Wilful default ☐
(e) Due to the advise of middleman ☐
(f) Any other ________________

9. Have the branch officials visited your house / farm / place of business after sanctioning the Loan?

Yes ☐ No ☐

If Yes, how many times? ☐

10. Do you think that the SMG Bank finance has eliminated your dependence on money lenders?

Yes ☐ No ☐

V. Service Facility

(i) How do you feel the following:

(1) Location of the Bank

(a) Convenient ☐
(b) Not convenient ☐
(c) No comments ☐

(2) Procedures of the Bank

(a) Simple ☐
(b) Difficult ☐
(c) Average ☐
(d) No comments ☐

(3) Employees of the bank

(a) Cordial and co-operative ☐
(b) Indifferent and unhelpful ☐
(c) Humiliating and arrogant ☐
(d) No opinion ☐

(4) Facilities to customer

(a) Good ☐
(b) Satisfactory ☐
(c) Bad ☐
(d) Fair ☐

(e) No comments ☐

(5) Repayment period of loans

(a) Convenient ☐
(b) Very convenient ☐
(c) Not convenient ☐
(d) Don't know ☐

(6) Interest rate charged by the bank

(a) Very high ☐
(b) High ☐
(c) Average ☐
(d) Low ☐
(e) Very low ☐
(f) Don't know ☐

(ii) Are you availing any general utility service of the bank? Yes ☐ No ☐

If yes, what are the service availed by you?

(a) Payment of Telephone bill ☐
(b) Any other service ☐

VI. General

1. Do you think that the service of SMG Bank has brought about socio-economic pliftment

(a) To you Yes ☐ No ☐
(b) To the village Yes ☐ No ☐

2. Do you think that the Trade Unionism among bank staff is affecting the customer service?

Yes ☐ No ☐

3. Are you associated with any:

(a) Local bodies ☐
(b) Co-operative Sectors ☐
(c) Lions Club/Rotary Club ☐
(d) Religious Institutions Yes ☐ No ☐
(e) Vyapari Vyavasayi ☐
(f) Trade Association ☐
(g) Chamber of Commerce ☐
(h) Recreative clubs of self employed ☐
(i) Any other ☐

If yes, nature of associate

(a) Supporter ☐
(b) Member ☐
(c) Life Member ☐
(d) Office bearer ☐
(e) Any other _______________

4. Do you have any contact with

   (a) People's Plan ☐
   (b) Literacy Programme ☐
   (c) PTA of Educational Institutions ☐
   (d) Kudumbasree Projects ☐
   (e) Road Safety Council ☐
   (f) Medical Camps ☐
   (g) Awareness Camps ☐
   (h) Political activities ☐
   (i) Consumer Protection/Awareness ☐
   (j) Any other ________________

5. Suggestions, if any

APPENDIX II

Interview Schedule
to
SMALL SCALE / COTTAGE INDUSTRIALISTS

I. General Data

1. Year of commencement :
2. Nature of your establishment :
   (a) Sole Trader ☐
   (b) Partnership ☐
   (c) Others (specify) ____________________
3. Your main occupation
   (a) Small scale/Village Industrialist ☐
   (b) Small business ☐
   (c) Handicraftsman ☐
   (d) Any other (specify) ________________
4. Your secondary/subsidiary occupation: ___________________

II. Finance

1. Products manufacturing:

Sl. No.	Name of Product	Before availing Loan	After Availing Loan

2. Details of investment, asset, etc. of your industry/activity

	Investment	Before availing loan	After availing loan		Asset	Before availing loan	after availing loan
(a)	Own capital			(a)	Immovable properties		
(b)	Credit			(b)	Movable properties		
	Gramin Bank						
	Other Bank						
	Money Lenders						
	Others						
(c)	Working capital						
(d)	Fixed Capital						

3. Changes in annual income, expenditure, number of labourers employed, etc.

Item	Before availing loan	After availing loan	Change/ Difference
Income :			
Sales			
Receipts			
Others			
Total			
Expenditure			
Raw-material			
Wages			
Other expenses			
Total			
No. of Labourers			

III. Debt Service

1. What was the main reason for your dealing with the bank (in order of priority)

(a) Personal relation with the Bank Official [ ]

(b) To know about banks [ ]

(c) Think that it is a symbol of status [ ]

(d) To take loan [ ]

(e) Compulsion from bank official [ ]

(f) Nearness of Bank branch [ ]

(g) Any other (specify) ____________________

2. Have you experienced any difficulty in receiving your loan amount:

Yes ☐ No ☐

If Yes, state your difficulties :

(a) Insufficient funds ☐
(b) Indifference of bank staff ☐
(c) Prejudice of the Branch Manager towards a particular applicant ☐
(d) Delay in scrutinising Loan application and documents ☐
(e) Delay in submission of enquiry reports ☐
(f) Delay in re-submitting Loan application after rectification ☐
(g) Any other (specify) ☐

3. Time period taken for receiving the loan

   (a) Less than one week ☐
   (b) Between 1 – 2 weeks ☐
   (c) Between 2 – 3 weeks ☐
   (d) More than 3 weeks ☐

4. Was the loan sanctioned adequate for the purpose? Yes ☐ No ☐

   If No how was it made up?

   (a) Borrowed from other Banks ☐
   (b) Borrowed from Private financial Institutions ☐
   (c) Borrowed from individuals ☐
   (d) Others (specify) ________________

5. What is the extent of utilisation of the Loan amount for the mentioned purpose?

   (a) Fully utilised ☐
   (b) Partially utilised ☐
   (c) Not utilised ☐
   (d) No comments ☐

   If the answer is (b) or (c) specify the reasons:

   (a) High Family Consumption ☐
   (b) Untimely Lending ☐
   (c) Inadequate amount ☐
   (d) Others (specify) ________________

6. Whom did you depend for your credit before the bank functioning in your locality (village)?

   (a) Commercial Bank ☐
   (b) Co-operative Bank ☐
   (c) Money Lenders ☐
   (d) Government ☐
   (e) Other (specify) ____________________

7. Is the income generated from the Loan project sufficient to repay the instalment?

   Yes ☐ No ☐

8. Have you repaid the instalment regularly? Yes ☐ No ☐

   If No, what are the main reason for it? (Rank in order of priority)

   (a) Uneasy instalment [ ]
   (b) Diversion of incremental income [ ]
   (c) Low production/failure of business [ ]
   (d) Fall in product price [ ]
   (e) Increase in cost [ ]
   (f) Wilful default [ ]
   (g) Repayment of other debt [ ]

(h) Increasing family consumption [ ]

(i) Mis-utilisation of Loan [ ]

(j) Lack of Bank effort [ ]

(k) Other (specify) ____________________

9. Reason for prompt repayment (Rank in order of priority)

(a) Generation of incremental income [ ]

(b) Bank effort [ ]

(c) Renewal of Loan [ ]

(d) Desire to get further loan [ ]

(e) Easy instalment [ ]

(f) Do not like to be a defaulter [ ]

(g) Any other (specify) ____________________

10. After sanctioning credit, did the bank officials visited your concern?

Yes ☐ No ☐

If yes, how many times?

(a) Once ☐
(b) Twice ☐
(c) Thrice ☐
(d) More than thrice ☐

11. Do you think that the SMG Bank finance has eliminated your dependence on Money Lenders?

Yes ☐ No ☐

IV. Service Facility

How do you feel the following?

(1) Location of the Bank

(a) Convenient ☐
(b) Not convenient ☐
(c) No comments ☐

(2) Procedures of the Bank

(a) Very simple ☐
(b) Simple ☐
(c) Very difficult ☐
(d) Difficult ☐
(e) Average ☐
(f) No comments ☐

(3) Employees of the Bank

(a) Cordial and co-operative ☐
(b) Indifferent and unhelpful ☐
(c) Humiliating and arrogant ☐
(d) No opinion ☐

(4) Facilities to customer

(a) Very good ☐
(b) Good ☐
(c) Satisfactory ☐
(d) Bad ☐
(e) No comments ☐

(5) Repayment period of Loan

(a) Very convenient ☐
(b) Convenient ☐
(c) Not convenient ☐
(d) Not at all convenient ☐
(e) Don't know ☐

(6) Interest rate charged by the bank

(a) Very High ☐
(b) High ☐
(c) Low ☐
(d) Very Low ☐
(e) Average ☐
(f) Don't know ☐

(7) Service of South Malabar Gramin Bank

(a) Very Good ☐
(b) Good ☐
(c) Satisfactory ☐
(d) Bad ☐
(e) No comments ☐

V. General

3. Are you associated with:

		Yes	No
(a)	Trade Association	☐	☐
(b)	Chamber of Commerce	☐	☐
(c)	Recreation Club of SSI/ Cottage Industry	☐	☐
(d)	Kerala Small Scale Industries Association	☐	☐
(e)	Any Other	☐	☐

1. Do you think that the service of South Malabar Gramin Bank has brought about Socio-Economic Upliftment

(a) To you Yes ☐ No ☐
(b) To the village Yes ☐ No ☐

2. Do you think that the Trade Unionism among bank staff is affecting the customer service?

Yes ☐ No ☐

3. Suggestions, if any:

APPENDIX III

INTERVIEW SCHEDULE FOR THE BRANCH MANAGERS

I.

1. Name of the Branch : ☐
2. Nature of location : Rural ☐ Semi-urban ☐ Urban ☐
3. Date of commencement of functioning : ☐
4. Area of operation & population served by the branch : ☐

Credit

II.

1. Was there any instance of mis-utilisation of loan by the beneficiary?

   Yes ☐ No ☐

2. Do you face any problem in the disbursement of the Loan?

   Yes ☐ No ☐

   If Yes, what are the problem faced by you in the disbursement of the loan?

   (a) Lack of sufficient field staff ☐
   (b) Lack of enough discretionary powers ☐
   (c) Frequent transfer ☐
   (d) Trade Unionism of Bank Staff ☐
   (e) Political parties interference ☐
   (f) Non-availability of dedicated and rural minded persons ☐
   (g) Any other ____________________

3. How do you identify the eligible person for granting scheme loans?

   (a) Visiting the beneficiaries house ☐
   (b) Collecting information from local source ☐
   (c) Collecting information from fellow banks ☐
   (d) Hearing advise of political leaders ☐
   (e) Past experience of beneficiaries ☐
   (f) Any other matter _____________

4. Do you think that there is overlapping of schemes introduced by different agencies?

   Yes ☐ No ☐

   If Yes, what are the main reason for it?

   (a) Inadequate information system ☐
   (b) Lack of coordination among different agencies ☐
   (c) Difference in administrative style ☐
   (d) Any other ____________________

5. Is your priority sector advance effective:

   (a) Very effective ☐
   (b) Effective ☐
   (c) Fairly effective ☐
   (d) Ineffective ☐
   (e) Very ineffective ☐

Repayment

III.

1. Do all loans are repaid in time? Yes ☐ No ☐

   If No,

2. What are the main reasons for overdues? (in order of priority)

   (a) Wilful default ☐
   (b) Poor economic conditions ☐
   (c) Advise of political leaders ☐
   (d) Diversion of income generated from business for other purpose ☐
   (e) Unfavourable repayment schedule ☐
   (f) Any other (specify) ________________

3. What are the main steps taken for recovery of overdues?

   (a) Sending letters to the parties ☐
   (b) Personal contacts with the parties ☐
   (c) Legal notice (final notice) ☐
   (d) Revenue recovery / Suit filing ☐
   (e) Any other ________________________

4. Difficulty experienced in the recovery of loan (in order of priority)

   (a) Lack of cooperation from government side ☐
   (b) Inadequate existing law ☐
   (c) Political leaders advise ☐
   (d) Business failure due to unexpected reasons ☐
   (e) Any other ________________________

5. What is your opinion about the awareness of rural people about different loan programmes?

   (a) Very poor ☐
   (b) Poor ☐
   (c) Fair ☐
   (d) Good ☐
   (e) Very Good ☐

6. Do you agree in financing non-target group by RRB's?

   (a) Strongly Agree ☐
   (b) Agree ☐
   (c) No Opinion ☐
   (d) Disagree ☐
   (e) Strongly Disagree ☐

7. What is your opinion about loan mela?

(a) Highly necessary ☐
(b) Necessary ☐
(c) Not necessary ☐
(d) Not at all necessary ☐
(e) No comments ☐

8. Is there adequate linkage between the performance budget prepared by your bank and the Annual Action Plan (AAPs):

Yes ☐ No ☐

IV.

1. Is the bank providing the following general utility services?

		Yes	No
(a)	Issue of Demand Draft	☐	☐
(b)	Payment of Telephone Bill	☐	☐
(c)	Payment of electricity bill	☐	☐
(d)	Payment of various taxes	☐	☐
(e)	Students market and festival market	☐	☐
(f)	Gas supply	☐	☐
(g)	Procurement of agricultural product	☐	☐
(h)	Any other ______________________		

2. Are you satisfied with the general utility service of the Bank? Yes ☐ No ☐

V.

1. Social assets possessed by the bank:

(a) Bus waiting shed ☐
(b) Public wells ☐
(c) Community halls, etc. ☐
(d) Any other ________________

2. Social activities conducted by the bank:

(a) Farmer's meet ☐
(b) Traders' meet ☐
(c) Awareness camp ☐
(d) Medical camp ☐
(e) Village adoption ☐
(f) Sponsorship programmes ☐
(g) Socio-cultural programmes ☐
(h) Award to prudent students ☐
(i) Welfare activities ☐
(j) Cattle or other insurance ☐
(k) Any other ________________

VI. Is there any role to the bank in the people's plan: Yes ☐ No ☐

VII. Do you have any suggestion to improve the lending programmes and other services of South Malabar Gramin Bank?

APPENDIX IV

Small Scale Industries in the Study Areas as on 31.03.2002

District	No. of Units promoted by			Total	Total invest-ment (Rs. in Lakhs)	Value of goods produced (Rs. in Lakhs)	Employ-ment (No.)
	SC/ST	Women	Others				
Malappuram	829	1626	8879	11334	17615.75	59137.63	45114
Calicut	407	2442	14999	17828	18556.15	70332.14	78183
Wynad	307	1499	2332	4138	4457.82	10410.33	14437
Palghat	691	3490	14887	19068	28064.17	52223.03	90759
Trichur	1192	3384	20485	25061	48438.48	142380.96	103369
Kerala	10195	41668	188033	239896	347061.48	1099825.3	1114495

Government of Kerala, 'Directorate of Industries & Commerce', Trivandrum, March 2002.

APPENDIX V

Cottage Industries in the Study Area as on 31.03.2002

District	No. of Units	Investment (Rs. in Lakhs)	Sales (Lakhs)	Employment (Number)
Malappuram	420	N.A.	10.08	3180
Calicut	118	449.98	76.56	675
Wynad	199	83.37	0.50	659
Palghat	494	N.A.	54.86	1222
Trichur	432	90.00	23.34	1314
Total	1663	--	165.34	7050
Kerala	17581	N.A.	913.19	161864
Percentage of study area to Kerala	9.45	--	18.10	4.36

Govt. of Kerala, 'Khadi and Village Industries Board', District Offices – Malappuram, Kozhikode, Wynad, Palghat and Trichur.
Govt. of Kerala, 'Khadi and Village Industries Board', Trivandrum, March 2002.

APPENDIX VI

Branch Expansion of South Malabar Gramin Bank over Years

Year	Branches opened during the year				Cumulative Total
	Rural	Semi-Urban	Urban	Total	
1976	4	1	--	5	5
1977	19	8	1	28	28
1978	14	4	--	18	51
1979	21	--	--	21	72
1980	13	8	1	22	94
1981	--	11	--	11	105
1982	2	11	--	13	118
1983	1	4	--	5	123
1984	2	9	--	11	134
1985	2	8	--	10	144
1986	--	--	--	--	144
1987	--	--	--	--	144
1988	2	1	--	3	147
1996	--	--	--	--	147
1997	3	--	--	3	150
1998	--	--	--	--	150
1999	--	4	--	4	154
2000	--	11	5	16	170
2001	--	28	2	30	200
2002	--	--	--	--	200

Planning & Development Wing, South Malabar Gramin Bank, Head Office, Malappuram, Kerala.

APPENDIX VII

State-wise Distribution of Regional Rural Banks

State	No. of RRBs
Andhra Pradesh	16
Arunachal Pradesh	1
Assam	5
Bihar	22
Gujarat	9
Haryana	4
Himachal Pradesh	2
Jammu & Kashmir	3
Karnataka	13
Kerala	2
Madhya Pradesh	24
Maharashtra	10
Manipur	1
Mizoram	1
Nagaland	1
Orissa	9
Punjab	5
Rajasthan	14
Tamilnadu	3
Tripura	1
Uttar Pradesh	40
West Bengal	9
Meghalaya	
Total	196

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