

**MICROCREDIT LENDINGS BY LOCAL AREA BANK AND
REGIONAL RURAL BANK IN KARNATAKA- AN ECONOMIC
ANALYSIS**

SUNIL KUMAR REDDY H.

**DEPARTMENT OF AGRICULTURAL ECONOMICS
COLLEGE OF AGRICULTURE, RAICHUR
UNIVERSITY OF AGRICULTURAL SCIENCES,
RAICHUR – 584 102
JULY, 2012**

**MICROCREDIT LENDINGS BY LOCAL AREA BANK AND
REGIONAL RURAL BANK IN KARNATAKA - AN ECONOMIC
ANALYSIS**

**Thesis submitted to the
University of Agricultural Sciences, Raichur
in partial fulfillment of the requirement for the
Degree of**

**Master of Science (Agriculture)
in
AGRICULTURAL ECONOMICS**

BY

SUNIL KUMAR REDDY H.

**DEPARTMENT OF AGRICULTURAL ECONOMICS
COLLEGE OF AGRICULTURE, RAICHUR
UNIVERSITY OF AGRICULTURAL SCIENCES,
RAICHUR – 584 102
JULY, 2012**

**DEPARTMENT OF AGRICULTURAL ECONOMICS
COLLEGE OF AGRICULTURE, RAICHUR
UNIVERSITY OF AGRICULTURAL SCIENCES, RAICHUR**

CERTIFICATE

THIS IS TO CERTIFY THAT THE THESIS ENTITLED “**MICROCREDIT LENDING’S BY LOCAL AREA BANK AND REGIONAL RURAL BANK IN KARNATAKA- AN ECONOMIC ANALYSIS**” SUBMITTED BY **SUNIL KUMAR REDDY H.** IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF **MASTER OF SCIENCE (AGRICULTURE)** IN AGRICULTURAL ECONOMICS, TO THE UNIVERSITY OF AGRICULTURAL SCIENCES, RAICHUR, IS A RECORD OF RESEARCH WORK DONE BY HIM DURING THE PERIOD OF HIS STUDY IN THIS UNIVERSITY UNDER MY GUIDANCE AND SUPERVISION AND THE THESIS HAS NOT PREVIOUSLY FORMED THE BASIS FOR THE AWARD OF ANY DEGREE, DIPLOMA, ASSOCIATESHIP, FELLOWSHIP OR OTHER SIMILAR TITLES.

**Raichur
July , 2012**

**(SURESH S.PATIL)
MAJOR ADVISOR**

Approved by:

Chairman: _____
(SURESH S.PATIL)

Members: 1. _____
(S.B.GOUDAPPA)

2. _____
(AMRUTHA T.JOSHI)

3. _____
(B.S.REDDY)

AFFECTIONATELY DEDICATED
TO MY BELOVED PARENTS
SHRI. VEERANA GOWDA
SMT. SAROJAMMA AND MY SIBLINGS
GAYATHRI,SUMPTH AND MY FIANCÉ KAVITA

ACKNOWLEDGEMENT

It is a matter of pleasure to glance back and recall the path one traverses during the days of hard work and pre-perseverance. It has still great at this juncture to recall all the faces and spirit in the form of teachers, friends, near and dear ones. I would consider this work nothing more than incomplete without attending to the task of acknowledging the overwhelming help I received during this endeavour of mine.

My diction would be inadequate to express my deepest sense of gratitude and heartfelt thanks to

***Dr. Suresh Patil**, Associate professor and Head, Department of Agricultural Economics, College of Agriculture, Raichur, and Chairman of my Advisory Committee. His level of guidance, constructive criticism, generous assistance at every stage of my research work is beyond measure, in fact it was his ideas, smooth dealing with the thing which motivated me to work under his guidance and any credit goes to him. His keen observation in detecting errors and correcting the manuscript, which consuming his valuable time, and beyond this, his kind and understanding nature has been overwhelming.*

*I take this opportunity to express sincere thanks to my advisory committee members **Dr. S. B. Goudappa**, Associate professor, Department of Agricultural Extension, AC, Raichur, **Dr. Amrutha T. Joshi**, Associate professor, Department of Agricultural Economics and **Dr. B. S. Reddy**, Assistant Professor, Department of Agricultural Economics, College of Agriculture, Raichur for their constant help, valuable suggestions during the investigation, sensible criticism in animating and ameliorating the manuscript and valuable counsel during the period of study and I owe them a lot for this small venture of mine.*

*My diction doesn't seem too rich enough to provide suitable words to articulate my sincere and heartfelt gratitude to **Dr. L. B. Hugar**, Dean Argi. for his keen observation in detecting errors and correcting the manuscript, which consuming his valuable time, and beyond this, his kind and understanding nature has been overwhelming.*

*I am also thankful to my teachers **Dr. H. Lokesh**, Associate Professor, **Dr. G. M. Hiremath**, Assistant Professor, **Dr. Lokesh G. B.**, Assistant Professor, Department of Agricultural economics Raichur, for their encouragement, suggestions and help during my course of study.*

I am thankful of Mr. Manjunath, Manajer, BASIX Consultancy, Mr. R. R. Desai, Retired Chief Manager, Krishna Gramin Bank, Gulbarga, Mr. Shivappa, Manajer, Pragathi Gramin Bank, for valuable support during my research work.

I shall never forget the enormous and timely help rendered by Mr. Verendra, Mr. Veeresh, Mr. Narshimhalu for their kind help and support during the course of study.

On a personal note, it is an immense pleasure to express my sincere gratitude and heartfelt respect to the blessings of my dearest family members Mr. Veerana Gowda, Mrs. Sarojamma, Brother Sampat Sister Gayathri and my lovely fiancé Kavita.

Selfless love is the dearest commodity on this planet and only a few in this world are kind enough to extend their helping hands, just for love and affection shown to me by my blossom friends, Sadik, Govind, Mahantesh, Ravichandra, chandrakant, Murali, Ravisimha, Priyanka, Gayathri, Kiran, , Pramod, Pawan, Gesu, Sudarshan and all B.Sc. and M. Sc. (Agri) Junior friends for their everlasting source of inspiration and love.

I also wish to remember my senior friends Shatrughna, Chanveer, Rajesh, Ranjith, Anil, and all others.

One last word; since it is practically impossible to list all the names who contributed contributions to my work, it seems proper to issue a blanket of thanks for those who helped me directly or indirectly during the course of study.

Finally, I thank God for bestowing me with divine spirit, essential strength and necessary support to find my way towards a glorious career amidst several hurdles and struggles

...any omission in this small manuscript does not mean lack of gratitude.

PLACE: RAICHUR

JULY, 2012

(Sunil Kumar Reddy H)

CONTENTS

Sl. No.	Chapter Particulars	Page No.
	CERTIFICATE	
	ACKNOWLEDGEMENT	
	LIST OF FIGURES	
I.	INTRODUCTION	
II.	REVIEW OF LITERATURE	
	2.1 Nature and pattern of different institutional credit	
	2.2 Impact of microcredit on income and employment of farmers	
	2.3 Comparative cost of credit	
	2.4 Farmers opinion on different lending institutions	
III.	METHODOLOGY	
	3.1 Description of the study area	
	3.2 Selection of the study area and sampling design	
	3.3 Nature and sources of data	
	3.4 Analytical tools and techniques adopted	
IV.	RESULTS	
	4.1 Nature and pattern of different institutional credit	
	4.2 Impact of microcredit on income and employment of farmers	
	4.3 Comparative cost of credit	
	4.4 Farmers opinion on KBSLAB	
V.	DISCUSSION	
	5.1 Nature and pattern of different institutional credit	
	5.2 Impact of microcredit on income and employment of farmers	
	5.3 Comparative cost of credit	
	5.4 Farmers opinion on KBSLAB	
VI.	SUMMARY AND POLICY IMPLICATIONS	
	REFERENCES	

LIST OF TABLES

Table No.	Title	Page No.
3.1	General feature of Raichur district and sample talukas	
3.2	Land use pattern in Raichur district and sample talukas	
3.3	Area under major crops in Raichur district and sample talukas	
3.4	Livestock population in Raichur district and sample talukas	
3.5	General feature of Gulbarga district and sample talukas	
3.6	Land use pattern in Gulbarga district and sample taluks	
3.7	Area under Major Crops in Gulbarga district and sample talukas	
3.8	Livestock population in Gulbarga district and sample talukas	
4.1	Sector wise average outstanding advance and disbursement (2006-2011)	
4.2	Category wise average outstanding advance and disbursement (2006-2011)	
4.3	Microcredit loan utilization of JLG Members of KBSLAB & RRB	
4.4	Employment generation of JLG Members from microcredit	
4.5	Impact of microcredit advance on income generation through dairy enterprise	
4.6	Impact of microcredit advance on income generation through crop enterprise	
4.7	Material position of JLG members before and after availing microcredit	
4.8	Saving of JLG members before and after microcredit	
4.9	Pattern of expenditure incurred on different purpose by JLG members	
4.10	Proportion of Expenditure for Different Purposes	
4.11	Factors influencing on income generation through tur crop with dairy enterprise under different banks	

4.12	Factors influencing income generation through paddy crop with dairy enterprise under different banks	
4.13	Non interest cost incurred to obtain credit from KBSLAB & RRB (KGB, PGB)	
4.14	Interest cost for the loan availed from KBSLAB & RRB (KGB, PGB)	
4.15	Cost of credit obtained from KBSLAB & RRB (KGB, PGB)	
4.16	Comparison of cost of credit between KBSLAB & RRB (KGB, PGB)	
4.17	Reasons for preference of KBSLAB for availing microcredit	

LIST OF FIGURES

Figure No.	Title	Page No.
1	Map of the study area	

LIST OF ABBREVIATIONS

Abbreviation	Expansion
EIR	Effective Interest rate
JLG	Joint Liability Groups
KBSLAB	Krishna Bhima Samrudhi Local Area Bank Ltd
KGB	Krishna Grameena Bank
NABARD	National Bank for Agriculture and Rural Development
PGB	Pragathi Grameena Bank
RBI	Reserve Bank of India
SHG	Self Help Group

.....*Introduction*

I. INTRODUCTION

Microfinance and microcredit

Microfinance is a broad term that includes deposits, loans, payment services and insurances to poor. The concept of microfinance and microcredit are used interchangeably. But microcredit does not include savings; hence microfinance is more appropriate term (Manimekalai, 2004). The concept is understood as providing poor families with very small loans to help them engage in productive activities or grow their tiny businesses. A success indicator of microfinance lies in a 'credit-plus' approach, where the focus has not only been on providing credit, but to integrate it with other development activities. Today microfinance is very much in the agenda of public policy and it has been increasingly used as a vehicle for reaching the otherwise unreachable poor in the country (Suresh, 2008).

Microcredit is the extension of very small loans (micro loans) to poor borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed to spur entrepreneurship, increase incomes, alleviate poverty and often also to empower women. Microcredit is a part of microfinance, which is the provision of a wider range of financial services, in particular savings, to the poor. As of 2009 it was estimated that there were 74 million recipients of microcredit with a total of \$38 billion in outstanding loans. Modern microcredit is generally considered to have originated with the Grameen Bank founded in Bangladesh in 1983. Many traditional banks subsequently introduced microcredit, even though they had earlier on discounted its likelihood of success. As of 2012, microcredit is widely used in developing countries and it is presented as having "enormous potential as a tool for poverty alleviation." The United Nations had declared 2005 as the International Year of Microcredit (Khinuar, 2009)

Micro finance in India

Prof. Mohammad Yunus, the Nobel laureate for peace is considered as the pioneer of micro finance who started a women's group with a loan of equivalent to \$27. The amount of demonstrative success of microcredit has introduced the concept with modification in many developing countries including India. In India Self-Employed Women's Association (SEWA) was started in 1972 which is first of its own and by 2000 it had 20,99,250 members. In 1992, NABARD launched a pilot project linking 500 SHGs with banking systems. NABARD refinance the banks which lend to SHGs have been linked with 44,362 bank branches of 545 banks in 583 districts across 31 states of the Indian Union and disbursed Rs. 11,398 billion cumulatively, as on 31 March 2006. The

organizations like PRADAN, MYRADA, ASSEefa, MALAR RMK, CAPART and other NGOs are engaged in microfinance through SHGs. In India, 64 per cent of total SHGs are in Southern India mainly in Andhra Pradesh, Tamil Nadu and Karnataka as on March 2000. Only five per cent of total SHGs are in Northern India. Government, banks and NGOs act as Self-Help Promotion Institutions (SHPI). The Government of India through Rashtriya Mahila Kosh and Indira Mahila Yojana, STEP and NABARD fund NGOs to form and nurture SHGs. A total number of 5, 39,365 new SHGs have been provided with bank loans in 2004-05 and Rs. 29,94,552 million of bank loans disbursed during this period.(Suresh, 2008)

Difference between the SHG and JLG

People generally have a notion that self help group (SHG) is an institute for microcredit but in actual sense it is the products of micro finance. The basic difference between self help group (SHG) and joint liability groups (JLG) is that people who form SHG are very poor and unbanked whereas people of JLG are of mid segment and not very poor and are banked also. The basic purpose for which both the products are availed is also different. The credit for SHG is advanced for consumption purpose where as JLG is formed because it becomes quite tedious and risky for bank to give credit to each small individual, instead when a group is formed where in people take mutual guarantee for repayment on each others' behalf makes it easy and lower the risk for banks, this is why JLG is formed. SHG is in a group of 10-20 people where as JLG is in group of 5-7 people. No collaterals are required in SHG where as JLG has mutual guarantee which acts as a collateral. JLG provides only for credit product but SHG has savings led credit products i.e. first you save only then you can get credit.

History of RRBs:

RRBs were established by the Government of India under the provisions of RRBs Act 1976, enacted by the Parliament. The objective of setting up of these special categories of banks is to cater to the banking needs of rural people in particular and contribute for the development of rural economy and creation of employment opportunity. RRBs have now become an integral segment of the Indian banking system. RRBs like public sector banks are the scheduled banks, notified by Reserve Bank of India.

The Government of India, with a view to improve the operational viability and efficiency of RRBs, initiated since 12.09.2005, the process of structural consolidation by amalgamating RRBs sponsored by the same bank within a state. The amalgamated RRBs were expected to provide better customer service with improved infrastructure,

computerization, pooling of experienced workforce, common publicity and marketing efforts, etc. The amalgamation intended to reap benefits of large area of operation; enhanced credit exposure limits and undertakes diverse banking activities. (Anonymous, 2006).

History of Local Area Bank

It was presumably due to the setbacks encountered in the channelization of credit through cooperatives, rural branches of commercial banks and RRBs that the new concept of a Local Area Bank emerged.

The Local Area Bank Scheme was introduced in August 1996 pursuant to the announcement of the then Finance Minister. In his budget speech, the Finance Minister referred to the setting up of new private local banks with jurisdiction over two or three contiguous districts. He observed that this would enable the mobilization of rural savings by local institutions and make them available for investments in the local areas. The Local Area Banks (LABs) were expected to bridge the gaps in credit availability and strengthen the institutional credit framework in the rural and semi-urban areas.

The Raghuram Rajan Committee had envisaged these local area banks as private, well-governed, deposit-taking, small-finance banks. They were to have higher capital adequacy norms, a strict prohibition on related party transactions, and lower concentration norms to offset chances of higher risk from being geographically constrained. Although the geographical area of operation of such banks will be limited, they will be allowed to perform all functions of a scheduled commercial bank.

The local area banking license was given to under-banked or unbanked areas of the country. Some of these local area banks could eventually become full-fledged banks at some stage.

If the finance ministry's proposal to consider the local area banks on par with scheduled commercial banks is accepted, the oversight of these banks is likely to rest with the department of banking operations and development in RBI, unlike in the earlier scheme when the department of banking supervision in RBI was in charge of the banks.

These banks will be on the lines of six local area banks that were given license by the RBI in 1996. A review committee formed in 2002 had opposed giving further license, citing regulatory hurdles. Four of the six local area banks set up are still operational.

Presently four local area banks which are operating in the country are

- 1) The Coastal Local Area Bank Ltd. established on December 27, 1999 with its head-quarters at Vijayawada and operates in Krishna, Guntur and West Godavari districts of Andhra Pradesh.
- 2) The Capital Local Area Bank Ltd. established on January 14, 2000 with its head-quarters at Phagwara and operates in Kapurthala, Hoshiarpur and Jalandhar districts of Punjab.
- 3) The South Gujarat Local Area Bank Ltd. established on October 3, 2000 with its head-quarters at Navsari and operates in Navsari, Bharuch and Surat districts of Gujarat.
- 4) The Krishna Bhima Samrudhi Local Area Bank Ltd. established on February 28, 2001 with its head-quarters at Mahbubnagar and operates in Mahbubnagar district of Andhra Pradesh and Raichur and Gulbarga districts of Karnataka. (Anon, 2002).

In this regard Krishna Bhima Samrudhi Local Area Bank Ltd. (KBSLAB), a local area bank was established in Hyderabad Karnataka which is one of the backward regions with main motto of providing accessibility of institutional credit to remote area. KBSLAB was established with the initial investment of five crore rupees but within 10 years, KBSLAB was able to make a business of 103 crore rupees and becoming the only business model of microfinance without any refinance from NABARD. Further it has made tremendous growth in its business with the average annual growth rate of 196 percent with 98 percent recovery every year but. However, there are several apprehensions about the performance and operation in the bank among the farmers and other stake holders. The higher rate of interest, higher loan processing fee, coercive measures for recovery, etc. are, some of the problem/issues faced by farmers. The KBSLAB for microfinance as an attentive to regional rural bank need to be assessed under aforesaid issues and hence present study initiated to investigate in detail with following specific objectives

Objectives of the Study

1. To study the nature and pattern of credit extended by the Local Area Bank *vis-à-vis* Regional Rural Bank.
2. To assess the impact of microcredit on income and employment of farmers.
3. To study the comparative economics of microcredit lending's by Local Area Bank *vis-à-vis* Regional Rural Bank.
4. To elicit the opinions of farmers on microcredit lending by Local Area Bank.

Hypothesis

1. There is higher flow of credit towards agriculture by local area bank.
2. There is a positive impact of microcredit on income and employment of farmers.
3. There exists a difference in cost of credit and rate of interest between Local Area Bank and Regional Rural Bank.

Limitations of the study

Though the study tries to be comprehensive in its scope there are few limitations inherent to it. The study deals with institutional source of agricultural credit and the informal source is not assessed. Even in the institutional source of finance, the coverage of institutions and time span is restricted to the branch of the Local Area Bank, and/or Regional Rural Bank for the period of not more than five years, due to non accessibility of required information. The various parameters of the income, employment of farmers before and after availing microcredit and cost in availing microcredit were based on the memory of the respondents. Hence, reliability of the primary data is limited to the extent of memory recall.

.....*Review of Literature*

II. REVIEW OF LITERATURE

In this chapter an attempt has been made to critically review the literature of the past research work in relevance to the present study. The studies related to nature and pattern of credit, impact of microcredit on rural income and comparative cost of credit and opinion of respondents regarding different financial institution have been collected and presented here.

- 2.1 Nature and pattern of different institutional credit.
- 2.2 Impact of microcredit on income and employment of farmers.
- 2.3 Comparative cost of credit in different institutions.
- 2.4 Farmers opinion on different lending institutions.

2.1 Nature and pattern of different institutional credit

Roshan Singh *et al.* (1978) studied the pattern of flow of credit in Bichpuri development block of Agra district in Uttar Pradesh. They found that the pattern of financing agriculture was similar both at the national and district level. The proportion of bank finance to agricultural showed a steady but slow increase over a period of four years. The overall share of large farmers in total finance to agriculture was much higher as compared to the small and medium farmers in all the years (1972 to 1977). The share of small farmers showed an increasing trend mainly during the years 1976 and 1977 when deliberate efforts were made to direct the flow of bank credit in favor of small farmers.

Desai (1988) assessed the institutional credit requirement for agricultural production in 2000 A.D. and observed the growth rate of total credit between 1972-73 and 1982-83 was 17 per cent in nominal terms. The commercial bank share has more than doubled from 16.31 percent in 1972-73 to 35.85 per cent in 1982-83. He estimated short term credit requirement by taking the total value of crop output from the cost of cultivation scheme of Government of India for the period from 1974-75 to 1984-85 and found that the growth rate in agricultural advances to be 16.28 per cent.

Ramdass (1989) measured the institutional credit flow in Pondicherry and observed that the short term credit advance by the institutions had grown enormously, while the long term credit lagged behind. He suggested the need for institutions to come forward to provide long term credit and utilize the saving mobilized in rural areas exclusively for rural investment.

Pradeep kumar (1993) used growth rate analysis to analyse the growth in physical and financial performance indicators of horticultural producer's cooperative marketing

society limited, Bangalore. The indicators considered were membership share capital, owned funds, sales, inventories, fixed assets, current assets, total assets, current liabilities and total liabilities.

Puhazhendhi and Jayaraman (1999) concerned about the growth of agricultural advances during 1990-96, pointed out that despite the phenomenal growth in absolute terms, the proportion of amount outstanding advances to priority sector showed a declining trend from 16.9 per cent in June 1990 to 14.3 per cent in March 1996. The reversal trend was observed in 1996-97 March when the loans for agriculture constituted 16.3 per cent of net bank advances. The share of priority sector lending at all India level whose share had declined from the peak of 42.9 per cent in 1985 marginally improved to 41.7 per cent in March 1997.

Abate (2000) studied the loan and advances to agriculture from all of the financial institutions shown significant compound growth rate over the study period. Compared to the growth in term loan (13.0 per cent), the growth in crop loan (17.2 per cent), which is a major index of agricultural production finance has shown a higher growth rate in Karnataka state during the study period. Similarly, the growth in agricultural advances (12.5 per cent) has shown higher growth rate in direct agricultural advances (10.9 per cent). However the share of agriculture advance and weaker section had shown a declining trend during the study period. The recovery performance of agricultural advances in commercial banks, regional rural banks and co-operative banks has shown a positive trend. Only the recovery performance of primary cooperative agricultural and rural development bank had shown a declining trend. With respect to the problems encountered in agricultural credit system misutilization of loan amount by borrower, willful and deliberate default by borrowers and diversion of income generated out of the investment have found prime importance in the order.

Nair (2000) reviewing recent trends in rural financial intermediaries and commercial banks in India indicated that the commercial banks credit to rural areas during the late 1980s and early 1990's has shown a deceleration in growth. The relative proportion of bank credit flowing to priority sector, especially agriculture was below the target of 18 per cent at a national level since the mid 1980s.

Vishwanath (2002) conducted study in the management appraisal of district central co-operative bank in Uttar Kannada District of Karnataka and found that growth in number of branches, employees and membership was positive and significant. Except borrowing (8.17 per cent) all other financial variables showed positive and significant growth. The

recovery percentage for the selected Karnataka District Central Co-operative bank branch was found to be more than 90 per cent.

Zeratsion (2002) studied the performance of primary agricultural credit societies in Karnataka and found that the amount of loan advanced by primary agricultural cooperative societies increased in all the districts of Karnataka state during the study period. The total loan (short term and medium term) advanced by primary agricultural cooperative societies for the state as a whole increased, yielding a compound growth rate of 16.18 per cent, in which advances accounting to 80.32 per cent for short term and 19.68 per cent for medium term. The short term advances increased from 80 per cent of total loan in 1986-87 to 90 per cent in 1997-98 which shows the majority of lending by primary agricultural cooperative societies was in the form of short term loans.

Gosh (2005) in his study found that the share of allied activities in agricultural output, namely dairying, fisheries and poultry has been increasing significantly. The share of livestock in the gross value of agriculture (crop and livestock production) increased from under 16 per cent in 1970-71 to 26 per cent in 1995-96, that of fisheries went up over the same period from 1.7 per cent to 3.1 per cent. The share of non-food crop in the cropped area has increased from 25.7 per cent in the triennium ending 1971-72 to 35.1 per cent by 1999-2000.

Reddy and Gupta (2006) studied the credit management in Self Help Groups (SHGs) under South Asia Poverty Alleviation Programme (SAPAP) and found that the data on purpose wise allocation of credit showed that sample groups allocated 34 per cent, 22 per cent and 22 percent of the total credit to small businesses, animal husbandry and agriculture respectively. Under animal husbandry, members take loan to purchase milch animals, sheep and white goats, whunder agriculture members take crop loan to purchase plough and bullock carts. The other major purposes include domestic consumption (13 per cent) and clearing of old debts (7 percent) and share of health and education is only three per cent. Thus, the members in the sample groups have taken credit mainly (78 per cent) for productive, income generating activities during the study period.

Thanarathnam (2006) while studying the working of primary agriculture co-operative banks analyzed the loans disbursed by the banks. He had used the annual average growth rate of different types of loans given by the banks. It was found that the average annual growth rate for the period 1996-97 to 2001-02 with regard to short term loan was 2.07 per cent, while for jewel loans and deposit loans, the growth rates were 1.35 per cent and 3.44 per cent respectively. It was really appreciable and it really showed the

performance of the bank. According to the amount of loan dispersed by the bank, a large percentage share was taken by the jewel loan in all the six years and the amount was small with regard to deposit loan.

Ramappa and Sivasankaraiah (2007) studied that the share of agricultural loans in the total priority sector advances was considerably large and fluctuated from 73.02 per cent in 1993-94 to 76.79 per cent in 2004-05. It was also evident that of the total agricultural loans in 2004-05, crop loan alone accounted for 93.31 per cent. Among non-agriculture activities, retail trade/business enterprise received large quantum of loan followed by Self Help Groups. The percentage share of non-priority sector in total outstanding advances showed increasing trend from 15.16 in 1993-94 to 34.2 in 2004-05. It signifies the change in the lending pattern of the Rayalseema Grameena bank in Andhra Pradesh.

Rajashekharappa and Basavaraj (2012) studied the credit system of Pragathi Gramin Bank and revealed that nearly 80 per cent of the total loan amount has been used for priority sectors. The percentage of loan to non priority sector was little high during 2005-06 (21.5 percent) and 2006-07 (22.16 percent). The portion of non priority sector out of total loans has never crossed 20 percent from 2007-08 onwards. The loan given to both the sectors has been increased from Rs. 1,12,400 lakhs in 2005-06 to Rs. 2,90,700 in 2010-11.

2.2 Impact of microcredit on income and employment of farmers

Shahidur *et al.* (1998) conducted a study on income and employment effects of micro-credit programmes in Bangladesh. The article has attempted to quantify the village level impacts of the three most important micro-credit programmes of Bangladesh, namely Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Bangladesh Rural Development Board's (BRDB) RD-12 project. Descriptive and econometric analyses showed that these programmes have positive impacts on income, production and employment, particularly in the rural non-farm sector. Also, growth in self-employment was achieved at the expense of wage employment, which implied an increase in rural wages.

Ajmer Singh (1999) conducted a study on economic analysis of dairy financing under IRDP in Haryana. The study revealed that buffalo scheme of IRDP was more remunerative than cross bred cow scheme. The repayment capacity of beneficiaries was Rs. 10,145 which was significantly greater than Rs. 5949 of non-beneficiaries. The gain in income due to credit advanced was highest in case of landless beneficiaries (80.18%) and least in marginal farmers (12.27%). Overall the gain was 34.78 per cent and that in employment generated was 38.39 per cent.

Puhazhendhi and Jayaraman (1999) in their study evaluated the performance of informal groups in Chitradurga district of Karnataka and Periyar district of Tamil Nadu and found that members taking up more than one activity increase from about 30 per cent during pre-group formation to 53 per cent during post group formation situation. They also reported that the average annual net income per member during pre-group formation ranged from Rs. 6,763 to Rs. 9,157 while the average net income per member during post-group formation had ranged from Rs. 10,531 and Rs. 12,762. The increase in net incremental income was reported to be 68 per cent of new groups, whereas it was 100 per cent in stabilizing and stabilized groups.

Alagumani and Anjugam (2000) in their study on impact of dairy enterprise on income and employment in Madhurai district of Tamil Nadu found that about 57 per cent of the farm households were engaged in dairy enterprises and 43 per cent of them were having both crop and livestock enterprise. Additional income and employment generated per household were Rs.4900 and 365 mandays, respectively.

Puhazhendhi and Sathyasai (2000) observed that estimated average annual net family income of member during the post linkage period for all the groups was Rs.4, 391, which was more than two times than that of the pre-linkage period. The estimated net incremental income was Rs.2, 424 for all the groups and it was relatively more in good performance groups (Rs.1, 650) and (Rs.1, 299) respectively. He also reported that average ratio of Debt Service Liability (DSL) to net incremental income (NII) worked out to be 0.60 and it was 0.53 and 0.81 respectively in good and average performance groups.

Samara and Raman (2001) reported that on an average, the SHGs have Rs.226 as income with maximum reaching Rs.3,314 for some SHG. Certain SHGs showed a loss in net income per member, the remaining SHGs registered positive net income per member ranging from Rs.12.90 to Rs.533.94/-. To assess the impact of SHGs on the income levels of members, two regression models were specified to find out the major determinants of a) SHG-net income per member, b) average monthly income and found out that resources generated in current year, average educational levels, loan provided in current year, percentage share of SHGs expenditure in the total income of SHGs and age of SHGs showed expected signs.

Manimekalai (2004) conducted a study on impact of various forms of microfinance to women at Tiruchirapalli, Tanjavur, Karur, Perambalur and Pudukotti districts in Tamil Nadu and found that post SHG average increase in income was only approximately 10 per cent. The incremental income in post SHG for the self, other members and household was

reported to be Rs. 110 and Rs. 643 per month respectively. It was revealed that the consumption pattern of food measured in terms of number of times cooked increased to twice or thrice and 41 percent women attribute this to having become members of SHGs. Similar trend could be observed in case of clothing was due to membership in SHGs. Only five per cent increase was observed in case of expenditure on education of children in post-SHG period and only 18.2 per cent women think it is due to SHG. Another interesting finding is that there is decline of 23 per cent in celebration of festival in 'simple manner. Nearly 43.71 per cent of women considered that consumption pattern improved due to SHG and incremental income realized. Increase in asset holding is small as they have not gone for activities where higher profit can be realized quickly. The borrowing of total women members have almost doubled in post SHG period.

Ganesh (2005) reported that in Akola district of Maharashtra, with the help of an SHG formed under SGSY in record time of one and half years, all the families belonging to BPL status have been uplifted to "Owner of Brick Kiln" status. Their net profit per 1000 bricks amount to Rs.550/- to Rs.650/- approximately and their turnover increased to more than Rs.3.5 lakhs.

Rao (2005) conducted a study in Azmer and reported that the highest average annual household income (Rs.45, 600) was from among respondents of papads and pickles and lowest (Rs.38, 600) from respondents of chalk making activity and the micro enterprises roughly provided 117-mandays/respondent, which was a great contribution.

Anonymous (2006) reported that a Self Help Group of Kancheepuram district in Tamil Nadu from land on vegetables was confident of earning an income of Rs.75, 000 per annum and from jasmine cultivation an annual income of Rs.1, 00,000.

Dasaratharamaiah *et al.* (2006) reported that 10.0 per cent of beneficiaries had income between Rs.7, 201 and above, 20.67 per cent had income between Rs.4, 801 to 7,200 and 31.33 per cent have income Rs.3, 601 to 4,800 and 38.00 per cent had income below Rs.3, 600 per annum after implementation of DWCRA. It was found that there were no persons without any income. It was also found that 50 per cent of beneficiaries had less than 100 mandays of employment, 21.67 per cent of the beneficiaries had employment between 101 to 180 mandays, 20.00 per cent of the beneficiaries have employment between 181 to 240 mandays as against 8.33 per cent of the beneficiaries who had employment between 241 and above mandays of employment per annum.

Gangaiah *et al.* (2006) studied the impact of Self Help Groups on income and employment in Chittoor district of Andhra Pradesh. Totally, 202 members from 17 SHGs

were randomly selected for their study. It was reported that on an average the loans received generated 184 days of employment per household and income on an average Rs. 19,578 per family which was sufficient to bring the poor families above the poverty line. The opinion of sample respondents revealed that they productively made use the income generated after receiving the loans. 39.11 per cent of respondents reinvested their income on agriculture, 20.34 per cent of them revealed that part of the income generated was utilized for educating their children and 15.84 per cent of them spent on health.

Josily (2006) conducted a study on women empowerment through micro finance in Dindigul district of Tamil Nadu and found that there is an increase in income (45.99%), investment (20.09%), assets (53.43%), consumption (25.85%), employment days (112.48%) and savings (264.70%) of the respondents after joining SHG. The t-value calculated for the above were found significant at 1 per cent level.

Mavi *et al.* (2006) conducted a study on impact of self employment programme on dairy farming in Fatehgarh Sahib district of Punjab. The study revealed a significant increase in total income (Rs. 1,09,751 to Rs. 1,88,011), dairy income (Rs. 23,434 to Rs. 1,03,948), herd size (4.4 to 15.5), milk production (19.6 to 79.5 litres), milk consumption (5.8 to 7.9 litres), milk sale (13.6 to 71.6 litres) of the farmers after participation in the programme.

Ramakrishnappa and Jagannath (2006) conducted a study on emerging microfinance issues in dairy development in Karnataka. In their study, an attempt was made to analyse the different aspects of microfinance scheme (New Swarnima) implemented by KBCDC. The implementation of New Swarnima Scheme, one of the most popular microfinance schemes in the state to promote dairy among backward communities, was assessed at micro level by selecting 18 beneficiaries belonging to landless labourers, marginal and small farmers in Kolar district in Karnataka state. The study found that the microfinance scheme has positive impact on income and employment generation, and has improved the natural resource management options.

Devi *et al.* (2007) studied the impact of training on women Self Help Groups in Cuddalore district of Tamil Nadu, India. It was found that commercial banks, NGOs and government agencies had imparted training to the members. The technological training programmes attended by the members of women SHGs resulted in the incremental increase in their employment pattern and asset position. The SHGs have helped the respondents to be more gainfully employed in the non-farm activities. It was emphasized that policy planners might think of launching evaluation studies of such programmes on a continuous

basis, so as to understand and undertake efforts for the success of SHGs. Efforts may be initiated to impart the required training to the members on the identified new ventures.

Rais *et al.* (2007) studied the impact of dairy farming on livelihood of participating women under Grameen Bank (GB) in selected villages of Rangpur District in Bangladesh. The study revealed that increase in income from dairy sector was the highest. In general, the average per family total income increased by 87.51 per cent. It was indicated that the households gained remarkable increase in rented-in land (113.33 per cent) after being a member of Grameen Bank (GB) with a dairy cow.

Suresh (2008) studied the impact of micro finance on income and employment of rural women through dairy enterprise in north Karnataka in the tank management project area. The study revealed that a significant increase in number of days of employment for the beneficiaries after providing micro finance for taking up dairy enterprise was observed. The percentage change was 142.41 and 153.43 in Haveri and Bellary districts respectively. The percentage change in income of the beneficiaries from before and after dairying was 41.12 per cent and 94.90 per cent in Haveri and Bellary district respectively. The asset position of the beneficiaries also showed significant change which was 101.35 per cent and 980.52 per cent in Haveri and Bellary districts respectively. The percentage change in savings was 378.94 per cent and 393.76 per cent for the beneficiaries of Haveri and Bellary district respectively. The total percentage in milk consumption was 440.55 per cent and 422.55 per cent respectively in Haveri and Bellary district respectively.

Abdul Saboor *et al.* (2009) analyzed the impact of microcredit on income and production level of farmers in Rawalpindi District of Pakistan. Random sampling technique was used and data were randomly collected from the two different areas of Rawalpindi District. Data analysis was performed in such a way that farmers with-credit and farmers without-credit scenarios were framed to empirically testify the hypothesis through Log Linear kind of multiple regression arrangements. Most of the farmers were in the category of marginalized farmers, who had land holding less than five acres the average per acre production of wheat under with credit scenario was 27 maunds per acre while per acre production of wheat for without-credit category was 23 maunds per acre. The average numbers of milk animals for with and without credit farmers were same. The average milk production of milk animals for with credit farmers were 2583 kg/annum whereas, for without credit milk production was 2670 kg/annum. It reveals that at least for small farmers, credit was not a profiting activity. But average farm income for with credit farmers from crops were Rs. 32708 while for without credit it was Rs. 30115. The average

farm income from livestock for with credit was Rs. 42000 whereas for without credit it was Rs. 44385. All respondents argued that their expenditures were increasing. Most of farmers view that their income were not decreasing. Regression results show that model is best fit for with credit farmers as compared to without credit. R² value for wheat with credit was 0.92 as compared to without credit which was 0.88. Similar sort of significance was found for other crops. It was concluded that the credit system should further be improved so that the full benefits could be reaped both in the crop and livestock sectors and mis-utilization of credit by farmers could be minimized. Similarly, the role of Mobile Credit Officers (MCOs) should be redefined according to the changing scenarios.

Kuhinur and Rokonuzzaman (2009) made a study Impact of Grameen Bank micro credit on change in livelihood status of women beneficiaries in Comilla district of Bangladesh and results of t-test on change of livelihood status in three dimensions namely 'change of farm and house hold materials', 'change of housing, health and sanitation' and 'change of annual family income' in terms of 'before' and 'after' involvement were found highly significant.

Shylendra (2012) reported that credit advanced to SHGs through SBLP model has made a significant impact on the income and employment conditions of the members. He also revealed that SBLP has a much skewed spread geographically and large section of the poor still remain excluded.

Patil (2012) studied the socio-economic impact of microfinance through SHGs in Karnataka and revealed that, the loan assistance provided by the banks and other agencies have a positive impact on the SHGs and its members. It has a considerable impact on life, economic and social activities of the members of the SHGs. The investment in the fixed assets has gone up and considerable improvement in infrastructure viz. lighting, storage, transport of members etc. is found. standard of living of the members has gone up and overall income of the members has been increased.

2.3 Comparative cost of credit

Srivastava and Kumar (1985) attempted to find out the cost of credit in three villages served by co-operatives and commercial banks for 67 farmers. The study showed that the cost connected with sanctioning of loans were prevalent for availing credit from institutional agencies but, were almost absent when the credit was availed from non-institutional sources like money lenders and relatives.

Dinabandu (1988) made a study of Bhadrak block of Orissa and compared the cost incurred in borrowing by the farmers from Regional Rural Banks and co-operative

societies. The study revealed that for obtaining a loan of Rs. 100 from a Regional Rural Banks and cooperative society, the borrowers had to incur a cost of Rs.19.06 and Rs. 18.54 respectively, which the author considered to be high. Therefore, to reduce the cost of credit, it was suggested that the financial institutions, especially, the Regional Rural Banks should adopt simplified procedures of lending and disburse the loans on time at the beginning of the crop season.

Jagdeesh (1988) concluded that there was not much difference in the cost incurred in obtaining loans from each of the two bank branches of Tungabhadra Grameen Bank. However, the cost of trips was the highest in the case of buffalo loans (0.13 %) in Basavapatna branch and it was the lowest in case of small scale enterprise loans (0.02 %) in Kampli branch. Similarly, the cost of obtaining records was the highest in the case of small scale enterprises loans (0.25%) and lowest in case of bullock and bullock cart loans (0.06%) in Kampli branch.

Pouchepparadjou (1992) found that cost of the credit was more in the case of moneylenders than the commercial banks because of exorbitant rate of interest charged by them. Farmers were happier with the commercial bank credit even though the non-interest cost was more.

Deshpande (1998) attempted a case study of two commercial bank branches in Malaprabha command area for evaluating performance of commercial banks in financing agriculture. In this he studied the non interest cost incurred by the sample beneficiaries and found that in almost all kinds of loans, the cost of records shared was the maximum in rural branch. With regard to cost towards trips to bank, beneficiaries in rural branch did not incur any cost because of proximity of bank. In case of sub urban branch, beneficiaries incurred higher cost towards trips than cost of records.

Gunaste *et. al.* (1998) worked out the cost of credit while studying the extent of borrowing, repayments and overdue of agricultural loans of farm families in Thane district in Maharashtra. The items included were traveling, boarding and lodging, certificates and interest paid on loans. The overall total cost per borrowers was Rs. 3053.76. The overall traveling expense per borrowers was Rs.11.19, boarding and lodging expense Rs. 50 and the average interest paid per borrowers was Rs.2978.69.

Madhusudhan (2000) studied the cost of credit involving co-operative and non-institutional sources and found that there is negligible difference in cost of credit especially for short term loan or sometimes the cooperative costs more.

Ankur Agrawal (2007) found that the non-interest costs incurred by the sample beneficiaries in availing loans from the financial institutions were quite noticeable. The cost of records was the maximum among non-interest cost of borrowing. The non-interest cost incurred was the highest in VSS Bank (Rs.1.46/100 Rs. loan) followed by Syndicate Bank (Rs.1.42/100 Rs. loan) and Karnataka Bank Ltd. (Rs.1.42/100 Rs. loan) which indicated that non-interest cost incurred was less in availing loans from public and private sector bank for short term loans. The non-interest cost of availing term loans for minor irrigation was higher in Syndicate Bank compared to Karnataka Bank Ltd., though the cost of records and cost towards travelling were nearly equal. The non-interest cost for farm mechanization loans was nearly equal for both Syndicate bank and Karnataka bank Ltd.

2.4 Farmers opinion on different lending institutions

Singh *et. al.* (1975) in their study on farmers' opinion on Small Farmers Development Agency (SFDA) project of Fatehpur district of Uttar Pradesh on various aspects of credit reported that credit was not provided in time, the amount was inadequate, rate of interest and security were high and norms of repayment were not favourable to the farmers.

Reddy and Reddy (1996) made a case study of borrower's knowledge on farm credit and follow up action of bank officials in Khajipet mandalam of Cuddapah district of Andhra Pradesh. The results revealed that 54 per cent of the borrowers opined that the scale of finance provided by the banks was sufficient, but all the beneficiaries wanted technical guidance, 60 per cent of the borrowers opined that the loan sanctioning procedure was easy and 82 per cent of the borrowers were of opinion that the interest charged was reasonable. It was revealed that bank personnel have visited short term loan beneficiaries once during the crop season. In case of medium term beneficiaries, the bank personnel visited at their convenience. It is suggested that timely advance should be provided and bank authorities should change the procedure to suit local condition and also for providing technical guidance to borrowers.

Deshpande (1998) attempted a case study of two commercial bank branches in Malaprabha command area for evaluating performance of commercial banks in financing agriculture. Major proportion of the beneficiaries experienced pains while obtaining loan in terms of accessibility, adequacy of loans, timeliness, rate of interest, terms of repayments and staff treatment. On the contrary, the beneficiaries experienced some constraints in terms of cumbersome procedure of advance for loans, rigid norms in providing security, poor supervision and technical guidance in utilization of loans. The cluster analysis

revealed that in the rural and semi urban branch security procedure of advance and technical guidance were the priority variables in making the bank branch rating high performing branch while interest rate, timeliness of advance, accessibility of staff and the amount of loan considered for improvement in the performance of the bank. However, the loan supervision, staff treatment in both the branches was also equally important in deciding satisfactory performance.

Patil (2000) studied performance of primary cooperative agriculture and rural development banks in Dharwad district, concluded that opinion of the beneficiaries about primary co-operative agricultural and rural development bank revealed that the procedure of getting loans was cumbersome and major proportion of borrowers of horticulture sector faced this problem. The respondents expressed their difficulty in getting the documents and even if they were able to get them, it consumed lot of time and money. Some of the respondents also opined that bank officials do not give proper guidance about the required documents to produce along with loan applied. The cluster analysis revealed that 50 per cent borrowers expressed cumbersome loan procedure. The favorable point of the bank was the good staff treatment. However 80 per cent of the borrowers expressed the delay in sanctioning of loans.

Thanarathnam (2006) while studying the working of primary agriculture co-operative bank analyzed the loan dispersed by the bank. He found that 24 per cent of the farmers stated easy accessibility and 76 per cent of the farmers' stated low rate of interest were the reasons for borrowing from co-operatives, which was a good indicator of good performance of bank. He found that difficulties in getting loans were due to the difficult procedures for 22 per cent, cost of availing loans for 16 per cent, security required for 24 per cent, untimely loans availability for 18 per cent of the farmers along with difficulties in providing documents for 20 per cent of the farmers. He opined short term loans were generally provided on personal security. Therefore, the problem of providing security as a problem could be easily remedied.

Kuhinur and Rokonuzzaman (2009) conducted a study in Comilla district of Bangladesh to know the problems faced by the farmers in availing microcredit from Grameen bank and came out with a results that lack of sufficient amount of credit' was the most serious problems, credit disbursement delayed was the second problem and the third problem was 'belief on dogmatism and fatalism' with problem index 199 among the six existing problems.

Surender (2011) studied the problems faced by the members of SHGs and concluded that all SHG had the problem of under financing, problem of taking collateral security from bank, delay of first disbursement after financing by the banks and delay in subsequent disbursement .

Patil (2012) studied the views and constraints faced by the SHG members in joining the SHGs and revealed that, regularity in savings, awareness about the health and hygiene, improvement in children's education are the views expressed by the SHG members for joining the SHG. Inability to catch the market for farm based product rather than industrial product, microcredit is too small to make a dent in poverty alleviation and growth are the constraints expressed by the SHG members.

.....Methodology

III. METHODOLOGY

The methodology is an important component of research. In order to fulfill the objectives of the study, an appropriate methodology for conducting the study is inevitable. This chapter deals with the description of the study area, the sampling procedure followed, nature and sources of data and analytical tools and techniques employed. The methodology adopted in the study is presented under the following headings:

3.1 Description of the study area

3.2 Selection of the study area and sampling design

3.3 Nature and sources of data

3.4 Analytical tools and techniques adopted

3.5 Terms used in the study

3.1 Description of the study area

The study was carried out in Hyderabad Karnataka region of Karnataka, where Krishna Bhima Samrudhi Local Area Bank Ltd. (KBSLAB) was operating in three districts namely Raichur, Yadgir and Gulbarga. Yadgir is newly formed district which is bifurcated from erstwhile Gulbarga, wherein separate statistical data is not available for the district, therefore, Yadgir district is considered as part of Gulbarga district. This study was restricted to Raichur and Gulbarga district.

3.1.1 Raichur district

Raichur district is situated in northeastern part of Karnataka state. It falls in the northern maidan region, between 15° 33' - 16° 34' North latitudes and 76° 14' - 77° 36' East longitudes and also between the two major rivers namely the Krishna and the Tungabhadra. The district is bounded on the north by Gulbarga, on the east by Mahabubnagar district of Andhra Pradesh.

3.1.1.1 Population and demography

The salient geographic and demographic features of the study area and the sample talukas are presented in Table 3.1. The geographical area of Raichur district is 8,383 sq kms spread over in five taluks, 830 inhabited villages, as well as 53 uninhabited villages. The district has five taluks viz., Devdurg, Lingsugur, Raichur, Manvi and Sindhanur. The population of district during 2010 was 16,69,762 with 1000: 983 male and female ratio. Out of the total population in the district, 1248925 were in rural areas and the rest were in urban and semi urban areas. The overall population density of district is 199 per sq km (population census, 2001).

The geographical area of Raichur taluk is 1,535 sq kms spread over in six hoblies and 160 villages. The total population of the taluk was 4,35,380 and the density of the population of the taluk is 284 per sq. km (population census, 2001).

The geographical area of Sindhanur taluk was 1,599 sq kms spread over in 14 hoblies and 173 villages. The total population of the taluk is 3,60,164 and the density of the population of the taluk is 225 per sq km (population census, 2001).

3.1.1.2 Rainfall and Climate

The climate of the district can be termed as mild to severe, with mild winters and hot summers. December is the coldest month with mean daily minimum of 17.7 degrees Centigrade, while May is the hottest month with mean daily maximum temperature of 39.8 degrees centigrade. The day temperature in May often touches 45.0 degrees centigrade. Relative humidity of over 75 per cent is common during monsoon period. Wind speeds exceeding 15km/hour are common during the months of June and July. The recorded annual potential evaporation is around 1950 mm with May registering over 220 mm and December around 120mm.

The normal annual rainfall of the district is 621mm. The annual number of the rainy days is about 49 days. Nearly 67 per cent of the rain is received during the southwest monsoon period (June- Sept) and the northeast monsoon contributes about 24 percent, during the post monsoon period.

3.1.1.3 Land-use pattern in Raichur district

The land- use pattern of the study area and the sample talukas are presented in Table 3.2. The geographical area of the district is 9,76,248 hectares. The area sown is 6,51,483 hectares followed by forest area of 18,167 hectares and land put to non-agricultural use 20,563 hectares. The barren land constituted about 20,084 hectares and other uncultivated area is 44,208 hectares. The fallow land constituted 2,21,743 hectares.

The geographical area of the Raichur taluk is 1,67,500 hectares. The area sown is 93,748 hectares followed by forest area of 401 hectares and land put to non-agricultural use 784 hectares. The barren land constituted 1,388 hectares and other uncultivated area was 11,113 hectares. The fallow land constituted 60,066 hectares.

The geographical area of the Sindhanur taluk is 2,15,085 hectares. The area sown is 1,49,794 followed by forest area of 1,075 hectares and land put to non-agricultural use 3,905 hectares. The barren land constituted 7,449 hectares and other uncultivated area is 6,244 hectares. The fallow land constituted 46,618 hectares.

3.1.1.4 Cropping pattern

The area devoted to different crops in the selected district and talukas are presented in Table 3.3. The major crops grown in Raichur and Sindhnuar taluk are paddy, jowar, bajra, bengal gram, tur, cotton, sunflower. Most of the area in Raichur taluk is rainfed whereas in sindhnuar taluka it is irrigated.

3.1.1.5 Animal Husbandry

Dairy, sheep and goat rearing, poultry are major subsidiary activities in the district. The total population of animal husbandry in the sample talukas is shown in Table 3.4. As per 2008 livestock census, the cattle and buffaloes population was 4,04,930 and 2,15,276 respectively. The sheep and goat population was 5,50,865 and 3,79,270 respectively, with poultry population of 3,24,346.

There are 106 veterinary clinics in the district looking after the health, breeding and scientific aspects of livestock and also implementation of various socio-economic programmes under different Government sponsored schemes.

Table 3.1: General features of Raichur district and sample talukas

Sl.No.	Particulars	Raichur district	Raichur taluka	Sindhhanur taluka
1	Geographical area	8383	1535	1599
2	(Sq.Km)	37	6	14
3	Hoblies (No.)	883	160	173
4	Villages (No.)	1669762	435380	330719
5	Population (No.)	1248925	208976	298902
6	Rural population (No.)	983	973	998
7	Sex ratio	199	284	225
8	Density of population	943.34	938.5	1,175.7
9	(No./sq.km)	680.6	729	689
	Average rainfall (mm)			
	Normal rainfall (mm)			

Source: District at a glance of Raichur District 2009-10

Table 3.2: Land-use pattern in Raichur district and sample talukas**(Area in hectares)**

Sl.No.	Classification	Raichur district	Raichur taluka	Sindhanur taluka
1	Forest	18167 (1.86)	401 (0.23)	1075 (0.43)
2	Non agriculture	20563 (2.10)	784 (0.82)	3905 (3.46)
3	Barren	20084 (2.05)	1388 (0.82)	7449 (3.46)
4	Cultivable Waste	10712 (1.09)	931 (0.55)	778 (0.36)
5	Permanetn pasture	19816 (2.02)	2722 (1.62)	4228 (1.96)
6	Trees & Grooves	13680 (1.40)	7460 (4.45)	1238 (0.57)
7	Fallow land	221743 (22.71)	60066 (35.86)	46618 (21.67)
8	Net Sown	511074 (52.35)	77663 (46.36)	94875 (44.11)
9	More than once	140409 (14.38)	16085 (9.60)	54919 (25.53)
10	Total geographical area	976248 (100)	167500 (100)	215085 (100)

Note: Figures in the parenthesis indicate the percentage of the total

Source: District at a glance of Raichur District 2009 -10

Table 3.3: Area under major crops in Raichur district and sample talukas
(Area in hectares)

Sl.No.	Crops	Raichur district	Raichur taluka	Sindhanaur taluka
Cereals and millets				
1	Paddy	164925	16059	93416
2	Jawar	92288	5161	18292
3	Bajra	53505	1988	6817
4	Maize	752	-	412
5	Wheat	1780	-	182
6	Minor millets	24	-	2
Sub total		313274 (48.17)	23208 (25.04)	119121 (79.53)
Pulses				
1	Gram	76525	14703	8252
2	Tur	13531	6973	535
3	Others	2829	591	50
Sub total		92885 (14.28)	22267 (24.03)	8837 (5.89)
Oil seeds				
1	Groundnut	39240	5630	265
2	Sunflower	162826	25425	19264
3	Others	7199	1834	534
Subtotal		209265 (32.18)	32889 (35.49)	20063 (13.39)
Commercial crops				
1	Sugarcane	31	11	14
2	Cotton	26561	11732	1451
Sub total		26592 (4.08)	11743 (12.67)	1465 (0.97)
Fruits and vegetables				
1	Fruits	2179	1402	153
2	vegetables	2328	319	129
Sub total		4507 (0.69)	1751 (1.85)	282 (0.18)
Spices		3711 (0.57)	832 (0.89)	12 (0.01)
Grand total		650234 (100)	92660 (100)	14978 (100)

Note: Figures in the parenthesis indicate the percentage to the total

Source: District at a glance of Raichur District 2009 -10

Table 3.4: Livestock population in Raichur district and sample talukas
(in numbers)

Sl.No.	Particulars	Raichur district	Raichur taluka	Sindhanur taluka
1	Cattle	404,930 (21.41)	62,150 (18.40)	76,154 (25.15)
2	Buffalo	215,276 (11.38)	33546 (9.93)	57767 (19.08)
3	Sheep	550,865 (29.13)	112,006 (33.17)	75,742 (25.02)
4	Goat	379,270 (20.05)	73,058 (21.64)	38,355 (12.67)
5	Pigs	16,309 (0.86)	9,400 (2.78)	900 (0.29)
6	Poultry	324,346 (17.15)	47438 (14.05)	53801 (17.77)
7	Total	1,890,996 (100)	337,598 (100)	302,719 (100)

Note: Figures in the parenthesis indicate the percentage to the total

Source: District at a glance of Raichur District 2009 -10

3.1.2 Gulbarga district

Gulbarga district lies in the northern part of Karnataka between 16°11' – 17°45' N. latitudes and 76°03' - 77°30' E. longitudes, with a geographical area of 16,174 sq. km. The district is bounded by Bidar district in the north, Bijapur district in west, Raichur district in south and Andhra Pradesh in the east.

3.1.2.1 Population and demography

The salient geographic and demographic features of the study area and the sample talukas are presented in Table 3.5. The geographical area of Gulbarga district is 16,224.00 sq kms spread over in ten talukas, 1,360 inhabited villages, as well as 77 uninhabited villages. The district has ten talukas viz., Afzalpur, Aland, Chincholi, Chittapur, Gulbarga, Jewarg, Sedam, Shahapur, Surpur, Yadgir,. The population of district during 2010 was 31,30,922 with 1000: 966 male and female ratio. Out of the total population in the district, 2,27,831 were in rural areas and rests were in urban and semi urban areas. The overall population density of district is 193 sq km (population census, 2001).

The geographical area of Aland taluk is 1,304.74 sq kms spread over in five hoblies and 136 villages. The total population of the taluk was 2,97,136 and the density of the population of the taluk is 171 per sq. km (population census, 2001).

The geographical area of Gulbarga taluk is 1,734.53 sq kms spread over in six hoblies and 162 villages. The total population of the taluk is 6,75,679 and the density of the population of the taluk is 390 per sq. km (population census, 2001).

3.1.2.2 Rainfall and Climate

The southwest monsoon sets in the middle of June and extends till the end of September. The bulk of the annual rainfall occurs during this season, which constitutes over 75 per cent of the annual rainfall. Significant rainfall occurs during the winter monsoon owing to northeastern monsoon, which constitutes 15 per cent of the annual rainfall. The normal rainfall of the district is 777 mm (1901 - 70) and the actual rainfall was 881.10 mm (2005). The normal rainy days (as per 1901 - 70) are 46. Although, consistent normal rainfall is prevalent, Sedam, Chincholi & Chitapur talukas experience mild drought condition.

Gulbarga district lies in the northern plains of Karnataka and has semi – arid type of climate. Dry climate prevails for most part of the year. December is the coldest month with mean daily maximum and minimum temperatures being 29.5°C & 15° to 10°C

respectively. During peak summer, temperature shoots up to 45°C. Relative humidity varies from 26% in summer to 62% in winter.

3.1.2.3 Land-use pattern in Gulbarga district

The land-use pattern of the study area and the sample talukas are presented in Table 3.6. The geographical area of the district is 18,42,636 hectares. The area sown is 14,27,097 hectares followed by forest area of 69,089 hectares and land put to non-agricultural use is 67,952 hectares. The barren land constituted 63,155 hectares and other uncultivated area is 51,253 hectares. The fallow land constituted 1,64,080 hectares.

The geographical area of the Aland taluk is 2,08,600 hectares. The area sown is 1,77,219 followed by forest area of 2,854 hectares and land put to non-agricultural use is 3,465 hectares. The barren land constituted 3,142 hectares and other uncultivated area was 1,790 hectares. The fallow land constituted 17,440 hectares.

The geographical area of the Gulbarga taluk is 1,79,562 hectares. The area sown is 1,42,349 hectares followed by forest area of 4,121 hectares and land put to non-agricultural use is 8,150 hectares. The barren land constituted for 4,223 hectares and other uncultivated area is 4,467 hectares. The fallow land constituted 16,252 hectares.

3.1.2.4 Cropping pattern

The area devoted to different crops in the selected district and talukas are presented in Table 3.7. The major crops grown in Aland and Gulbarga taluk are jowar, wheat, bajra, bengal gram, tur, cotton, and sunflower. Most of the area in Aland and Gulbarga taluk is rainfed.

3.1.2.5 Animal Husbandry

Diary, sheep and goat rearing, poultry are major subsidiary activities in the district. The total populations of animal husbandry in the sample talukas are shown in Table 3.8. As per 2008 livestock census, the cattle and buffaloes population was 9,06,669 and 2,49,174 respectively. The sheep and goat population was 5,82,177 and 7,55,965 respectively, with poultry population of 914868.

There are 305 veterinary clinics in the district looking after the health, breeding and scientific husbandry aspects of livestock and also implementation of various socio-economic programmes under different government sponsored schemes.

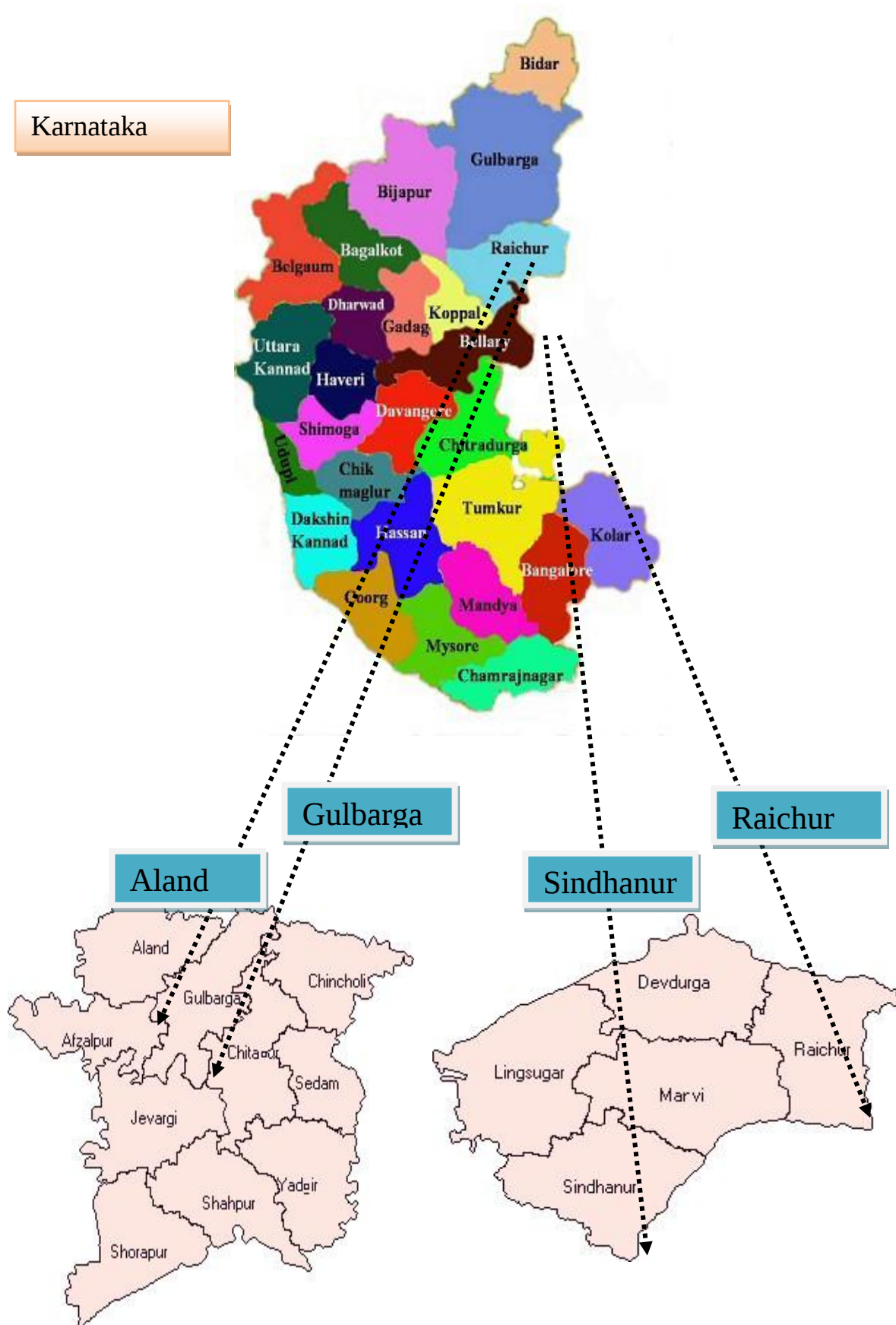


Fig.1: Map showing study area

3.2 Selection of the study area and sampling design

A multi-stage purposive random sampling procedure was adopted for selection of sample farmers. In the first stage, two districts i.e. Gulbarga and Raichur districts were selected purposively as Krishna Bhima Samrudhi Local Area Bank Ltd. (KBSLAB) is operating only in these two districts of Karnataka. In the second stage, two talukas were selected from each district based on highest microcredit lendings by Local Area Bank. In the third stage, to compare Local Area Bank with Regional Rural Bank (RRB), one branch of Local Area Bank and one branch of Regional Rural Bank from each taluk were selected purposively based on highest microcredit lendings by Local Area Bank and Regional Rural Bank. Thus, four bank branches of Local Area Bank and four Bank branches of Regional Rural Bank were selected totaling to eight bank branches. In fourth stage, 15 beneficiaries which consist of three Joint Liability Groups (JLG), from each bank branch were selected randomly. Thus comprising a total sample size of 120 (12 JLGs of KBSLAB and 12 JLGs of RRB) each JLG consist of five poor members. The sample size of 12 JLGs from KBSLAB and 12 JLGs from RRB were selected to study the comparative economics of microcredit. The KBSLAB is lending microcredit to only members of JLGs and individual but not to the members of SHGs whereas Regional Rural Bank advances microcredit to both the members of SHGs and members of JLGs. Hence, JLGs are selected purposively.

3.3 Nature and sources of data

3.3.1 Primary data

The data required for the study was collected from the respondents by personal interview method using pre-tested schedule prepared for the purpose. Majority of the respondents have not maintained records of expenditure and income relating to the crop and dairy enterprise they have taken up. Hence, data collected was based on the memory of the respondents. At the time of interview, personal bias of the sample farmers was minimized by convincing them about the genuinity of the purpose for which the data was collected. The data on socio-economic parameters of the beneficiaries was collected.

3.3.1.1 Social parameters

The data pertaining to social parameters i.e. age, education, type of family (nuclear, joint), size of family, food habit, type of house- (kuchha hut, pukka), occupation, assets possessed viz; television, radio, agricultural implements- wooden plough, bullock cart, tractor, pump sets, sprayers, motor cycle, mobile etc. were collected.

Table 3.5: General feature of Gulbarga district and sample talukas

Sl.No.	Particulars	Gulbarga district	Aland taluk	Gulbarga taluk
1	Geographical area (Sq.Km)	16224.00	1734.07	1734.53
2	Hoblies (No.)	48	5	6
3	Villages (No.)	1437	136	140
4	Population (No.)	313092	297136	675679
5	Rural population (No.)	2278301	261891	245414
6	Sex ratio	966	952	938
7	Density of population	193	171	390
8	(No./ sqkm)	764	805	646
9	Average rainfall (mm)	839	813	823
	Normal rainfall (mm)			

Source: District at a glance of Gulbarga District 2009 -10

Table 3.6: Land-use pattern in Gulbarga district and sample talukas
(Area in hectares)

Sl.No.	Classification	Gulbarga district	Aland taluk	Gulbarga taluk
1	Forest	69089 (3.75)	2854 (1.37)	4121 (2.30)
2	Non agriculture	67952 (3.69)	3465 (1.66)	8150 (4.54)
3	Barren	63155 (3.43)	3142 (1.51)	4223 (2.35)
4	Cultivable Waste	11802 (0.64)	974 (0.47)	78 (0.04)
5	Permanent pasture	37610 (2.04)	3496 (1.68)	4322 (2.41)
6	Trees & Grooves	1851 (0.10)	10 (0.00)	67 (0.04)
7	Fallow land	164080 (8.90)	17440 (8.36)	16252 (9.05)
8	Net Sown	1194669 (64.83)	142015 (68.08)	135952 (75.71)
9	More than once	232428 (12.61)	35204 (16.88)	6397 (3.56)
10	Total geographical area	1842636 (100)	208600 (100)	179562 (100)

Note: Figures in the parenthesis indicate the percentage to the total

Source: District at a glance of Gulbarga District 2009 -10

Table 3.7: Area under major crops in Gulbarga district and sample talukas**(Area in hectares)**

Sl.No.	Crops	Gulbarga district	Aland taluk	Gulbarga taluk
Cereals and millets				
1	Paddy	70285	125	227
2	Jawar	305973	38150	32651
3	Bajra	52698	8872	6733
4	Maize	5937	819	820
5	Wheat	20333	4755	1848
6	Minor millets	450	0	0
Sub total		455676 (32.76)	52721 (30.11)	42279 (30.15)
Pulses				
1	Gram	181767	22558	19015
2	Tur	379769	32183	50995
3	Others	106303	9947	5838
Sub total		667839 (48.02)	64688 (36.94)	75848 (54.09)
Oil seeds				
1	Groundnut	41327	459	312
2	Sunflower	134365	47274	15843
3	Others	25024	6360	4395
Subtotal		200716 (14.43)	54093 (30.89)	20550 (14.65)
Commercial crops				
1	Sugarcane	15343	3568	1447
2	Cotton	50976	0	78
Sub total		66319 (4.76)	3568 (2.03)	1525 (1.08)
Grand total		1390550 (100)	175070 (100)	140202 (100)

Note: Figures in the parenthesis indicate the percentage to the total

Source: District at a glance of Gulbarga District 2009 -10

Table 3.8: Livestock population in Gulbarga district and sample talukas (in numbers)

Sl.No.	Particulars	Gulbarga district	Aland taluk	Gulbarga taluka
1	Cattle	906,669 (26.32)	81998 (32.89)	87152 (28.18)
2	Buffalo	249,174 (7.23)	27844 (11.17)	24466 (7.91)
3	Sheep	582,177 (16.90)	5317 (2.13)	10825 (3.50)
4	Goat	755,965 (21.94)	60291 (24.19)	77556 (25.08)
5	Pigs	36,548 (1.06)	4669 (1.87)	3439 (1.11)
6	Poultry	914,868 (26.55)	69162 (27.74)	105795 (34.21)
7	Total	3,445,401 (100)	249,281 (100)	309,233 (100)

Note: Figures in the parenthesis indicate the percentage to the total

Source: District at a glance of Gulbarga District 2009 -10

3.3.1.2 Economic parameters

The data pertaining to economic parameters i.e. size of land holding- (own, leased in, leased out), input use pattern, purpose of borrowing, method of repayment, utilization of loan, sources of credit, cropping pattern, cost of cultivation, family labour availability, standard of living, level of income, gross returns, land rent, cattle, buffalo, etc. are collected.

3.3.2 Secondary data

The information pertaining to the microcredit flow for agriculture for the last five years (2006-2011) of Local Area Bank and Regional Rural Bank viz; purpose of microcredit, deposits, rate of interest, terms of loans, recovery, overdue, method of repayment, etc were collected from the annual reports of the respective banks.

3.4 Analytical tools and techniques employed

To fulfill the specific objectives of the study, the data generated was subjected to statistical analysis using the following analytical tools and techniques.

3.4.1 Tabular presentation

The data collected were presented in tabular form to facilitate easy comparison. This technique of tabular presentation was employed to study the general characteristics of sample farmers. The impact of microcredit on farm income and employment, cost of credit and opinion of farmers were analyzed by tabular method with simple statistical tools like averages and percentages.

3.4.2 Growth Rate Analysis

Growth rate analysis was undertaken with a view to study the changes in nature and pattern of credit of the selected banks over a period of five years (2006-11). The simple growth rate model was used which is also known as annual growth rate to compute annual average growth rates.

3.4.3 Paired t test

To find out the impact of microcredit on the beneficiaries the paired t test was done, which is a statistical test for difference between before and after microcredit provided by KBSLAB, KGB, PGB to rural poor women in the study area.

$$\text{Paired t test} = \left| (\bar{d} - 0) \right| / ((SD^2/n)^{-1/2})$$

$$SD^2 = 1/n-1 \{ \sum d_i^2 - (\sum d_i)^2/n \}$$

3.4.4 Multiple Regression Equation

To assess the comparative impact of KBSLAB & RRB (KGB and PGB) on farm income multiple regression in double log form involving farm as a dependent variable and land holding (acre), number of milch animals(No.), total working capital(Rs.) as a dependent variables. To capture the impact of KBSLAB, KGB and PGB two dummies D1 and D2 were included, in tur crop with dairy model two dummy variables (D₁ and D₂) is included, in paddy crop with dairy model one dummy (D₁) variable was used.

The estimated multiple regression equation to assess the comparative impact of KBSLAB, KGB, and PGB on the farm income through tur crop with dairy enterprise is given below.

$$\text{Log}_e Y = \text{Log}_e a + b_1 \text{Log}_e X_1 + b_2 \text{Log}_e X_2 + b_3 \text{Log}_e X_3 + b_4 D_1 + b_5 D_2 + U_i$$

Y: Farm income in rupees per farm

a: Coefficient of constant

X₁: Land holding in acres

X₂: Number of milch animals

X₃: Total working capital in rupees per farm

D₁: Bank intercept dummy variable with the value of one for the person availed loan in KGB and zero otherwise

D₂: Bank intercept dummy variable with the value of one for the person availed loan in PGB and zero otherwise

b₁, b₂, b₃ b₄ and b₅ are the regression coefficients.

The estimated multiple regression equation to assess the comparative impact of KBSLAB and PGB on the farm income through paddy crop with dairy enterprise is given below.

$$\text{Log}_e Y = \text{Log}_e a + b_1 \text{Log}_e X_1 + b_2 \text{Log}_e X_2 + b_3 \text{Log}_e X_3 + b_4 D_1 + U_i$$

Y: Farm income in rupees per farm

a: Coefficient of constant

X₁: Land holding in acres

X₂: Number of milch animals

X₃: Total working capital in rupees per farm

D₁: Bank intercept dummy variable with the value of one for the person availed loan in PGB and zero otherwise

b₁, b₂, b₃ and b₄ are the regression coefficient

In case of paddy with dairy enterprise only one dummy variable is taken into consideration for running regression because paddy is grown only in Raichur district whereas tur is

grown in both the districts (Gulbarga and Raichur), hence two dummies are considered in tur with dairy enterprise.

The regression coefficients were tested for their significance using 't' test at chosen level of significance while the function as a whole was tested using 'F' test.

$$t = \frac{X_i}{SE(X_i)}$$

Where

X_i = Regression coefficient of i^{th} variable

$SE(X_i)$ = Standard error of i^{th} variable

To test the goodness of fit of the estimated equation, F value is computed using equation given below

$$F = \frac{(R^2/P)}{(1-R^2)/(n-1-p)}$$

Where,

R^2 = Coefficient of multiple determination (unadjusted)

P = Number of parameters of the sample

n = Number of observation

The adjusted coefficient of multiple determinations ($\bar{R}^2$) was calculated using the following formula,

$$\bar{R}^2 = \frac{[1-(1-R^2)]}{[(n-1)/(n-p)]}$$

3.4.5 Effective rate of interest

Effective rate of interest borne by the farmer is calculated by the formula

$$ERI = \frac{I \times 100}{P \times T}$$

Principal (P): Total principal amount of loan

Interest (I) : The total interest paid by respondents plus non interest cost

Period (T) : Total time period for repayment of loan

3.4.6 One way ANOVA test is used to compare the cost of credit among KBSLAB, KGB, PGB

3.4.7 Likert scaling technique

A Likert scale is psychometric scale commonly used in questionnaire, and is widely used scale in survey research, such that the term is often used interchangeably with rating scale even though the two are not synonymous. When responding to a Likert questionnaire item, respondents specify their level of agreement or disagreement to a statement. The scale is named after its inventor, psychologist Rensis Likert. The Likert scale is sum of response on several Likert items.

A Likert item is simply a statement which the respondents is asked to evaluate according to any kind of subjective or objective criteria; generally the level of agreement or disagreement is measured. Often five ordered response levels are used. Similarly, in this investigation five points or order Likert scaling technique was adopted to gather the opinion of farmers regarding the microcredit advance by KBSLAB. On five order scale, strongly agree and agree were assigned four and three points, respectively whereas neither agree nor disagree (undecided) was given zero points while, strongly disagree and disagree were assigned score of two and one, respectively.

3.5 Definition of the Terms Used in the Study

Microcredit: Microcredit is the extension of very small loans (microloans) to poor borrowers who typically lack collateral, steady employment and a verifiable credit history.

Interest cost: It was calculated on the basis of the rate of interest paid to different types of loans advanced by banks.

Non-Interest Cost: It refers to the cost incurred by the farmers beneficiaries to obtain loan, exclusive of the interest amount charged by the banks, like amount spent for numbers of the trips made to banks, cost of availing required records, registration charges, supervision charges, legal fees, etc.

Working capital: The working capital consisted of the expenditure on labour input, physical inputs for entire farm.

Joint Liabilities Groups (JLG): A JLG is an assembly of 5-7 member clients (new or existing) informally recognized by the bank as a group. Members of JLG offer an undertaking to the bank that enables them to jointly receive such amounts as deemed eligible by the bank for pursuing individual or joint activities as found suitable by the group, where registration and savings is not compulsory. These groups are mainly farmed by landless labours and tenant farmers.

Self-Help Group (SHG): A self-help group is a group of people that meets regularly to discuss issues of interest to them and to look at solutions of commonly experienced problems. The group may or may not be promoted by Government or non-government institutions. The basic objective of a SHG is that “it acts as the forum for members to provide space and support to each other”. The SHG comprises of very poor people who do not have access to formal financial institutions. In groups, normally transparency and accountability is lacking. However in a group like SHG, they are ensured through collective action of the members. It enables its members to learn to co-operate and work in a group environment.

.....Results

IV. RESULTS

The findings of the study are presented in this chapter under following headings consistent with the objectives of the study.

4.1 Nature and pattern of different institutional credit

- 4.1.1 Sector wise average outstanding advance and disbursement (2006-11)
- 4.1.2 Average outstanding advance and disbursement to SC/ST, Minorities and Women (2006-11)

4.2 Impact of microcredit on income and employment of farmers

- 4.2.1 Utilization pattern of microcredit by JLG members
- 4.2.2 Distribution of employment of JLG members under different banks before and after microcredit advance
- 4.2.3 Impact of microcredit advance on income generation through dairy enterprise
- 4.2.4 Impact of microcredit advance on income generation through crop enterprise
- 4.2.5 Change in asset position of JLG members through microcredit advance
- 4.2.6 Pattern of savings of JLG members before and after microcredit advance
- 4.2.7 Pattern of expenditure incurred on different purposes by JLG members before and after microcredit advance
- 4.2.8 Proportion of expenditure for different purposes
- 4.2.9 Factors influencing income generation through paddy crop with dairy enterprise under different banks
- 4.2.10 Comparison of income generation through paddy crop with dairy enterprise under different banks

4.3 Comparative cost of credit

- 4.3.1 Non interest cost incurred in obtaining microcredit from KBSLAB and RRBs
- 4.3.2 Interest cost on the microcredit availed under different banks
- 4.3.3 Cost of microcredit availed from different banks
- 4.3.4 Comparison of cost of credit between KBSLAB and RRBs

4.4 Farmers opinion on KBSLAB

- 4.4.1 Reasons for preference of KBSLAB for availing microcredit

The sector wise average outstanding and disbursement of credit from KBSLAB, KGB and PGB are presented in Table 4.1 and the results revealed that KBSLAB was lending 100 per cent of its total credit to priority sector with the highest average annual growth rate of 97.83 per cent among KGB and PGB, whereas no credit disbursement was made to non priority sector by KBSLAB. The average outstanding advance and disbursement made by KGB towards priority sector was Rs. 86,471.67 lakhs with 89.36 per cent of total advance outstanding and Rs. 48,695.15 lakhs with 95.58 per cent of total disbursement respectively, whereas, the average outstanding advance and disbursement made by KGB towards non priority sector was Rs. 10,293.51 lakhs with 10.64 per cent of total advance outstanding and Rs. 1,724.02 lakhs with 3.42 per cent of total disbursement respectively. The average outstanding advance and disbursement made by PGB towards priority sector was Rs. 1,74,256.80 lakhs with 82.85 per cent of total advance outstanding and Rs. 1,56,479.00 lakhs with 85.12 per cent of total disbursement respectively, whereas the average outstanding advance and disbursement made by PGB towards non priority sector was Rs. 36,065.60 lakhs with 17.15 per cent of total advance outstanding and Rs. 27353.20 lakhs with 14.88 per cent of total disbursement respectively. PGB has highest advance outstanding and disbursement towards agriculture with the outstanding advance of Rs. 1,84,754.00 lakhs and disbursement of Rs. 1,31,161.80 lakhs wherein highest average annual growth rate was observed in KBSLAB towards lending to agriculture and non agriculture sector with 87.83 per cent and 97.34 per cent among three banks.

The average outstanding advance and disbursement to SC/ST, minorities and women are presented in Table 4.2. The results indicated that PGB had highest average outstanding advance and disbursement towards SC/ST, minorities and women.

The results of loan utilization by JLG Members of RRB (KGB, PGB) & KBSLAB are presented in Table 4.3. It could be observed from the Table that the beneficiaries of KBSLAB utilized loan mainly for two purpose. Further, 66.66 per cent of beneficiaries utilized the microcredit loan for the purpose of crop production and 33.33 per cent of beneficiaries utilized microcredit loan for the purpose of dairy enterprise. However microcredit loan utilization of beneficiaries of KGB revealed that only 16.66 per cent of the sample farmers utilized for dairy enterprise and remaining 83.33 per cent of beneficiaries utilized the microcredit loan for crop enterprise. It could be observed that the microcredit loan utilization of PGB bank beneficiaries revealed that 50 per cent of the beneficiaries utilized the loan for the purpose of crop enterprise and remaining 50 per cent of the beneficiaries utilized for dairy enterprise.

The change in employment pattern of the beneficiaries of KBSLAB, KGB, PGB after availing microcredit are presented in Table 4.4. It could be observed from the Table that the change in employment days of male and female beneficiaries of KBSLAB was 21.81 per cent and 31.65 per cent respectively. The t-value calculated was 29.29 and 81.53 respectively and it was significant at one per cent level. The change in employment days of male and female beneficiaries of KGB is 19.12 per cent and 26.77 per cent respectively. The t-value calculated was 20.16 and 27.67 respectively and it is significant at one per cent level. Further change in employment days of male and female beneficiaries of PGB was 26.05 per cent and 43.23 per cent respectively. The t-value calculated was 31.08 and 13.19 respectively and was significant at one per cent level.

Table 4.5 indicates the impact of microcredit on income from dairy enterprise of JLG members of KBSLAB, KGB, and PGB. It is clear from the Table that all the 't' values were found to be statistically significant, indicating positive impact of KBSLAB, KGB, and PGB on the respective JLG members. The maximum impact was made on the JLG members of PGB wherein the income before availing credit from the bank was Rs 52,854.33. However, after availing loan from the bank by becoming JLG member income rose to Rs. 1, 43,846.73 and the 't' value was 6.82. The lowest impact was made on the JLG members, among the three banks was KBSLAB where in the income of JLG member before availing credit from KBSLAB was Rs.84,320.00 and after availing loan from the bank, JLG member income rose to Rs 1,62,580.07 having 't' value of 10.09.

The impact of microcredit provided by the KBSLAB, KGB, and PGB on the income obtained from the crop enterprise of JLG members of respective banks is presented in Table 4.6. The results revealed that the microcredit lent by the three banks had higher impact on tur growing farmers compared to paddy growing farmers. The increase in income of JLG members of KBSLAB, KGB and PGB were 69.54, 64.26, and 44.70 per cent respectively, whereas increase in income of paddy farmers were 32.53 and 30.93 per cent in case of JLG members of KBSLAB and PGB respectively. The 't' value obtained was also significant at one per cent level of significance. The highest impact made by the KBSLAB on income

Table 4.1 Sector-wise average outstanding advance and disbursement (2006-2011)

(Rs. in Lakhss)

		KBSLAB		KGB		PGB	
Sl. No.	Particulars	Advance	Disbursement	Advance	Disbursement	Advance	Disbursement
1	Priority sector	4950.18	3168.29 (100)	86471.67 (89.36)	48695.15 (96.58)	174256.80 (82.85)	156479.40 (85.12)
a)	Agricultural loans	2227.58 (45.00)	1508.08 (45.00)	15953.98 (42.78)	13645.41 (42.78)	184754.00 (84.86)	131161.80 (92.68)
b)	Non Agricultural loans	2722.60 (55.00)	1843.20 (55.00)	21339.76 (57.22)	18251.87 (57.22)	32970.00 (15.14)	10365.00 (7.32)
2	Non Priority sector	-	-	10293.51 (10.64)	1724.02 (3.42)	36065.60 (17.15)	27353.20 (14.88)
3	Total	4950.18 (100)	3168.29 (100)	96765.18 (100)	50419.17 (100)	210322.40 (100)	183832.60 (100)
4	Growth in Priority sector	97.83	85.11	16.17	3.36	34.60	34.11
5	Growth in Non Priority sector	-	-	14.57	-10.10	3.08	-5.60

Note: Figures in the parenthesis indicate per cent to the total

Table 4.2 Average outstanding advance and disbursement to SC/ST, Minorities and Women (2006-2011)

(Rs. in Lakhss)

		KBSLAB		KGB		PGB	
Sl. No.	Particulars	Advance	Disbursement	Advance	Disbursement	Advance	Disbursement
1	SC/ST	NA	NA	544368.40 (97.20)	9499.63 (41.84)	19802.40 (28.53)	31355.40 (30.51)
2	Minorities	NA	NA	5393.45 (0.96)	7686.82 (33.85)	15963.00 (23.00)	21337.40 (20.76)
3	Women	NA	NA	10280.13 (1.84)	5443.68 (23.97)	33588.80 (48.39)	50036.80 (48.68)
	Total	NA	NA	560041.97 (100)	22706.01 (100)	69405.75 (100)	102780.88 (100)

Note: Figures in the parenthesis indicate per cent to the total,

Since KBSLAB did not maintained separate data

Table 4.3 Utilization pattern of microcredit by JLG members

		KBSLAB(n=60 members)		KGB(n=30 members)		PGB(n=30 members)	
Sl. No.	Purpose	Frequency (No)	percentage	Frequency (No.)	percentage	Frequency (No.)	percentage
1	Crop Enterprise	40	66.66	25	83.33	15	50
2	Dairy Enterprise	20	33.33	5	16.66	15	50

Table.4.4 Distribution of employment of JLG members under different banks before and after microcredit advance

(mandays/year)

Bank	Gender	Before availing microcredit	After availing microcredit	Per cent change	‘t’ value
KBSLAB	Male	144.88	176.48	21.81	29.29*
	Female	94.93	124.98	31.65	81.53*
KGB	Male	150.83	179.67	19.12	20.16*
	Female	94.87	120.27	26.77	27.67*
PGB	Male	145.37	183.23	26.05	31.08*
	Female	94.47	135.30	43.23	13.19*

Note: *Significant at 1% level

Table 4.5 Impact of microcredit advance on income generation through dairy enterprise
(Rs. /year)

Bank	Before availing microcredit	After availing microcredit	per cent change	‘t’ value
KBSLAB	84,320.00	16,2580.07	92.81	10.09*
KGB	21,775.53	51,842.33	138.08	2.61*
PGB	52,854.33	1,43,846.73	172.16	6.82*

Note: *Significant at 1% level

Table 4.6 Impact of microcredit advance on income generation through crop enterprise
(Rs. /year)

Bank	Crop Enterprise	Before availing microcredit	After availing microcredit	Per cent Change	't' value
KBSLAB	Paddy	9,318.16	12,350.00	32.53	4.87*
	Tur	4,040.19	6,850.00	69.54	22.42*
PGB	Paddy	9,453.00	12,376.95	30.93	5.53*
	Tur	4,460.85	6,455.00	44.70	4.92*
KGB	Tur	4,839.61	7,950.00	64.26	8.67*

Note: *Significant at 1% level

obtained by the tur crop and paddy crop. The income obtained from the tur crop and paddy crop before availing microcredit was Rs. 4,040.19 and Rs. 9318.16 respectively, whereas the income obtained from the tur crop and paddy crop after availing microcredit was Rs. 6,850.00 and 12,350.00 respectively. The calculated 't' value for tur and paddy crop was 22.42 and 4.87 respectively. The lowest impact made by the PGB on income obtained from the tur crop and paddy crop before availing microcredit was Rs. 4,460.85 and Rs.9,453.00 respectively whereas the income obtained from the tur crop and paddy crop after availing microcredit was Rs. 6,455.00 and Rs. 12,376.00 respectively. The calculated 't' value for tur crop and paddy crop was 4.92 and 5.533 respectively.

The impact of microcredit provided by the KBSLAB, KGB, and PGB on the asset position of JLG members are presented in Table 4.7. The results indicated that all the three banks made significant impact on the JLG members in improving their asset position of both conventional implements and other assets. The calculated 't' value was significant at one per cent.

The impact of the microcredit provided by the KBSLAB, KGB, and PGB on savings of the JLG members was also one of the important components considered in the study. It is evident from Table 4.8 that there was a positive impact on the savings of the JLG members from these banks on their respective JLG members. The per centage change revealed that PGB made better impact than the other two banks which accounted for 178.74 per cent while 106.72 per cent and 68.04 per cent change was observed in JLG members of KBS and KGB respectively. The calculated 't' value was significant at one per cent.

The change in consumption pattern of JLG members before and after availing microcredit through KBSLAB, KGB, and PGB of their respective JLG members is presented in Table 4.9. It could be observed from the Table that there is increasing trend in the expenditure for all the purposes listed. The highest change was observed in case of respondents of KBSLAB and KGB in the expenditure for the purpose of entertainment, as where the highest change was observed in the expenditure for other purpose of the respondents of PGB. There was no significant change in the expenditure for health purpose in case of PGB respondents and the 't' value was 1.08 which is not significant.

The proportion of changes in consumption habit has been presented in Table 4.10. It is clear from the Table that there has been a decrease in the proportion of expenditure incurred

on the food and health from all the respondents. The expenditure on entertainment, clothing, and ceremonies is increased meagerly. However, the expenditure on miscellaneous items increased by large proportions.

The results of assessment of comparative impact of KBSLAB, KGB and PGB on the income obtained from tur crop with dairy enterprise is presented in Table 4.11. The results indicated positive and significant at five per cent level of significance. The regression coefficients of land holding was 0.59, the coefficient for milch animals was 0.08 and the coefficient of working capital was 0.32. Dummy variable was included in the model to capture the influence of various banks on farm income. KBSLAB was kept as base while KGB and PGB was assigned values with 0,1. The results indicated a differential intercept coefficient of 0.21 and 0.18 for respective banks and R^2 was observed to be sufficiently high accounting for 94 per cent.

An assessment of comparative impact of KBSLAB & PGB on farm income through paddy crop with dairy enterprise are presented in Table 4.12. It could be observed from the Table that indicated positive and significant at five per cent level. Dummy variable was included to capture the influence of KBSLAB and PGB on farm income. KBSLAB was kept as base and PGB was assigned with 1, 0. The result indicated the intercept coefficient of 0.19 for KGB and R^2 observed to be sufficiently high accounting for 97 per cent.

The average number of days required for sanctioning the loan, number of trips made to banks to avail loan, hours spent on each trip, opportunity cost of trip and transportation cost, cost towards production of records and processing fee were analyzed for KBSLAB, KGB and PGB separately. The results are presented in Table 4.13

It could be observed from the Table that average number of days required to sanction the loan was 11.47 days from the KBSLAB which is least when compared to KGB and PGB which required 25 and 24 days respectively. The total number of hours spent and total transportation cost involved to avail loan from JLG members of KBSLAB was 11.23 hours and Rs. 167.47 respectively which was least when compared to KGB and PGB where total number of hours spent and total transportation cost was 20.60 hours, 20.63 hours and Rs. 255.80, Rs. 455.64 respectively. There is no much difference in cost towards production of records but the processing fee charged by KBSLAB was 873.75 which was highest when compared to KGB and PGB.

Table 4.7 change in asset position of JLG members through microcredit advance

	Agricultural implements				Other assets			
	Present value of implements (Rs.)		per cent change	‘t’ value	Present value of implements (Rs.)		per cent change	‘t’ value
	Before	After			Before	After		
Bank								
KBSLAB	3,717.33	5,850.00	57.37	16.90	6,236.02	12,492.17	100.32	4.16*
KGB	1,669.67	2,752.00	64.82	6.33	6,525.00	11,735.67	79.86	5.19*
PGB	2,035.00	3,400.00	67.08	8.14	6,525.00	12,332.33	89.00	6.05*

Note: *Significant at 1% level

Table 4.8 Pattern of savings of JLG members**(Rs. /year)**

Bank	Before availing microcredit	After availing microcredit	Per cent change	‘t’ value
KBSLAB	8,933.33	18,466.67	106.72	11.31*
KGB	11,366.67	19,100.00	68.04	8.11*
PGB	6,900.00	19,233.33	178.74	8.47*

Note: *Significant at 1% level

Table 4.9 Pattern of expenditure incurred on different purpose by JLG members
(Rs. /year)

Bank	Particulars	Before availing microcredit	After availing microcredit	Per cent Change	't' value
KBSLAB	Food	5,540.97	6,288.78	13.50	10.63*
	Health	708.00	831.78	17.48	4.45*
	Entertainment	638.83	933.07	46.06	13.05*
	Clothing	1,107.87	1,338.67	20.83	15.61*
	Ceremonies	823.93	1,280.25	55.38	8.55*
	Others (traveling, donation etc.)	1,136.43	1,629.08	43.35	12.15*
KGB	Food	5,026.30	5,792.00	15.23	15.62*
	Health	656.87	809.47	23.23	6.88*
	Entertainment	717.43	1,332.47	85.73	11.59*
	Clothing	1,231.93	1,800.13	46.12	10.62*
	Ceremonies	1,498.20	1,859.70	24.13	5.81*
	Others (traveling, donation etc.)	1,107.17	1,522.87	37.55	9.42*
PGB	Food	5,536.87	6,265.23	13.15	20.84*
	Health	755.80	793.33	4.97	1.08 ^{NS}
	Entertainment	745.07	954.30	28.08	27.15*
	Clothing	1,716.97	2,264.73	31.90	9.97*
	Ceremonies	1,490.37	1,954.07	31.11	6.95*
	Others (traveling, donation etc.)	2,173.07	2,971.97	36.76	7.45*

Note: *Significant at 1% level, NS- Non significant

Table 4.10 Proportion of expenditure for different purposes

Particulars	KBSLAB		KGB		PGB	
	Before availing microcredit	After availing microcredit	Before availing microcredit	After availing microcredit	Before availing microcredit	After availing microcredit
Food	55.65	51.12	49.10	44.16	44.59	41.21
Health	7.11	6.76	6.42	6.17	6.09	5.22
Entertainment	6.42	7.58	7.01	10.16	6.00	6.28
Clothing	11.13	10.88	12.03	13.72	13.83	14.90
Ceremonies	8.28	10.41	14.63	14.18	12.00	12.85
Others (travelling, donation etc.)	11.41	13.24	10.81	11.61	17.50	19.55

Table 4.11 Factors influencing income generation through tur crop with dairy enterprise under different banks

Variables	Coefficients	't' value	'P' value
Constant	7.55	9.09*	0.024
LOG of land holding	0.59	5.96*	0.003
LOG of milch animals	0.08	5.93*	0.000
LOG of working capital	0.32	4.06*	0.024
Dummy variable D ₁	0.21	2.86*	0.008
Dummy variable D ₂	0.18	8.77*	0.000
Co-efficient of determination (R^2)	0.94		
adjusted ($\bar{R}^2$)	0.936		

Note: *Significant at 5 % level

Table 4.12 Factors influencing income generation through paddy crop with dairy enterprise under different banks

Variables	Coefficients	‘t’ value	‘P’ value
(Constant)	3.69	12.93*	0.048
LOG of land holdings	1.53	12.33*	0.032
LOG of milch animals	0.09	3.41*	0.001
LOG of working capital	1.62	4.26*	0.042
Dummy variable D ₁	0.19	3.64*	0.001
Co-efficient of determination (R ²)	0.977		
adjusted ($\bar{R}^2$)	0.974		

Note: *Significant at 5% level

Table 4.13 Non-interest cost incurred in obtaining microcredit from KBSLAB and RRBs

Particulars	KBSLAB	KGB	PGB
Average number of days required to sanction the loan	11.47	25.00	24.00
Total No. of trips to be made to avail loan	2.62	6.00	7.93
No. of hours to be spent /trip	4.30	3.43	2.60
Total hours spent by respondents to avail loan	11.25	20.60	20.63
Total opportunity cost of trip (Rs.155/Trip)	405.58 (23.41)	930.00 (58.55)	1,229.67 (56.92)
Average transportation cost/trip (Rs.)	64.00 (3.69)	42.63 (2.68)	57.43 (2.66)
Total transportation cost (Rs.)	167.47 (9.66)	255.80 (16.10)	455.64 (21.09)
Cost towards production of records(Rs.)	221.95 (12.81)	226.70 (14.27)	221.73 (10.26)
Processing fee (Rs.)	873.75 (50.43)	133.33 (8.39)	195.83 (9.06)
Total cost (Rs.)	1732.75 (100)	1588.46 (100)	2160.3 (100)

Note: Figures in the parenthesis indicate per cent to the total cost

The total interest cost for the loan availed from KBSLAB, KGB and PGB is presented in Table 4.14 and the results revealed that KBSLAB was charging 18.50 per cent interest per annum which was higher when compared to KGB and PGB which were charging 7.50 and 8.75 respectively.

The total cost of credit incurred for the credit obtained from the KBSLAB, KGB and PGB calculated separately and presented in Table 4.15. In KBSLAB and PGB, the non interest cost as a per cent to total cost and non interest cost as a per cent of loan was 20.29, 4.16 and 35.95, 4.09 respectively. But the non interest cost as a per cent to total cost and non interest cost as a per cent of loan was 58.10 and 7.08 respectively for KGB which was highest among three banks. When the total cost as a percentage to loan was examined KBSLAB had 23.21 per cent which was highest when compared to KGB and PGB which has 13.42 and 11.38 respectively. The effective rate of interest which the farmer was to incur was 23.21, 17.90 and 13.71 for the credit availed from KBSLAB, KGB and PGB respectively.

The results of one way ANOVA to compare the cost of credit among KBSLAB, KGB, and PGB are presented in Table 4.16 and the results were significant. The critical difference value indicated that, the cost of credit obtained from KBSLAB was significantly different from KGB and KGS. However, the cost of credit obtained from KGB was not significantly different from that of PGB.

An attempt has been made to know the opinion of farmers for the preference of KBSLAB for availing credit through an opinion survey and the results are presented in Table 4.17. The results revealed that farmers preferred the KBSLAB because of easy accessibility (Rank I) with the simple procedure of advance (Rank II) followed by the loan was delivered at the door step (Rank III), flexible security norms (Rank IV) and cooperative staff treatment (Rank V). Other reasons for preferring KBSLAB were adequate amount of loan was given (Rank VI) followed by no forcible recovery (Rank VII), loan supervision and providing technical guidance (Rank VIII).

Table 4.14 Interest cost on the microcredit availed under different banks

Bank	Period (Years)	Amount borrowed (Rs.)	Interest rate (Per cent/annum)	Total interest (Rs.)
KBSLAB	1.00	35,416.67	18.50	6,552.08
KGB	0.75	33,333.33	7.50	1,875.00
PGB	0.83	39,166.67	8.75	2,855.90

Table 4.15 Cost of microcredit availed from different banks

Particulars	KBSLAB	KGB	PGB
Average amount borrowed(Rs.)	35,416.67	33,333.33	39,166.67
Opportunity Cost of total time spent to obtain credit (Rs.)	405.58	1,229.66	930.00
Cost towards production of records (Rs.)	221.95	226.70	221.73
Processing fee (Rs.)	873.75	133.33	195.83
Other cost (Rs.)	167.46	1,010.97	255.80
Total non interest cost (Rs.)	1,668.75	2,600.67	1,603.36
Average period (years)	1.00	0.75	0.83
Interest cost (Rs.)	6,552.08	1,875.00	2,855.90
Total cost (Rs.)	8,220.83	4,475.67	4,459.26
NIC as % to total cost (%)	20.29	58.10	35.95
NIC as % to loan (%)	4.71	7.80	4.09
Total cost as % to loan (%)	23.21	13.42	11.38
EIR	23.21	17.90	13.71

Table 4.16 Comparison of cost of credit between KBSLAB and RRB (KGB, PGB)

Bank	N	Mean (Rs.)	SEM
KBSLAB	60	8,466.40	365.89
PGB	30	4,936.50	517.44
KGB	30	4,769.20	517.44
CD @ p=0.05	1024.60		

Table 4.17 Reasons for preference of KBSLAB for availing microcredit

Sl. No.	Particulars	Total score	Rank
1	Easy accessibility	175	I
2	Simple procedure	166	II
3	Adequate amount of loan	93	VI
4	Loan is given at the door step	156	III
5	Flexible security norms	136	IV
6	Loan supervision and providing technical guidance	54	VIII
7	No forcible recovery	81	VII
8	Cooperative Staff treatment	125	V

..... Discussion

V. DISCUSSION

The results presented in the previous chapter are discussed in this chapter. The discussions are presented under the following headings.

- 5.1 Nature and pattern of different institutional credit.
- 5.2 Impact of microcredit on income and employment of farmers.
- 5.3 Comparative cost of credit.
- 5.4 Farmers opinion on KBSLAB.

5.1 Nature and pattern of different institutional credit

The sector wise average outstanding advance and disbursement of credit presented in Table 4.1 indicated that the KBSLAB had 100 per cent outstanding advance and disbursement towards priority sector because of RBI guidelines given while establishing the Local Area Bank. As per the norms of RBI, they were not supposed to lend to non-priority sector. The PGB had highest average outstanding advance and disbursement to priority and non-priority sector because PGB was operating in eight districts since 2005 with the amalgamation of four RRBs. The average annual growth rate was highest in outstanding advance and disbursement towards priority sector by KBSLAB mainly due to number of staff per branch which was more compared to KGB and PGB. Further, 70 per cent of bank staff working were in the field to carry out bank business, and which this was not noticed in case of KGB and PGB. The category wise average outstanding advance and disbursement of KBSLAB, KGB and PGB presented in Table 4.2 revealed that KBSLAB had highest average annual growth rate in outstanding advance and disbursement in agricultural loans. The highest average annual growth rate in outstanding advance and disbursement in non-agricultural loans was observed in RRB. This was due to increase in the lending towards other than agricultural activities. In tune with this, Ramappa and Sivasankaraiah (2007) reported that the share of agricultural loans in the total priority sector advances by Rayalseema Grameena bank in Andhra Pradesh was considerably large and fluctuated from 73.02 per cent in 1993-94 to 76.79 per cent in 2004-05. It was also evident that of the total agricultural loans in 2004-05, crop loan alone accounted for 93.31 per cent. Among non-agricultural activities, retail trade/business enterprise received large quantum of loan followed by Self Help Groups. The percentage share of non-priority sector in total outstanding advances showed increasing trend from 15.16 in 1993-94 to 34.2 in 2004-05.

5.2 Impact of microcredit on income and employment of farmers

The results revealed that the microcredit had a favorable impact on the income levels of the beneficiaries, the availability of microcredit had enabled them to expand and improve their existing enterprise and none of the respondents have taken up new enterprises. The PGB has made good impact on the farmers to generate more income from the dairy enterprise when compared to KGB and KBSLAB because, the respondents were from irrigated region. This might be due to rearing of exotic cows and better use of green fodder and dry fodder with the increase in feed quality. However, majority of respondents of the KGB and KBSLAB were from dry land where availability of green fodder was less and also farmers were rearing local breeds which were less efficient in increasing milk yield.

The results of impact of microcredit on income generated through crop enterprise revealed that there was a positive impact on the income obtained from the crop enterprise. Here, respondents grow paddy and Tur continuously for more than three years. All the land cultivated by beneficiaries was leased in land, wherein per cent increase in income from tur crop was more when compared to paddy crop even though the total income obtained from paddy was more but the input cost was more for paddy crop compared to tur crop and also land rent was increasing every year for the paddy growing area due to availability of irrigation, but this was not noticed in case of tur crop growing area.

The results of change in employment level of the beneficiary after availing microcredit showed positive significance. The generation of employment for women in PGB and KBSLAB was better compared to KGB mainly due to the rearing of exotic cows and also availability of irrigation facilities, which also supplemented the family income. Among the banks, a variation in the magnitude of employment generation was observed and the reason for this phenomenon was quite obvious. It might be due to natural factors in the operational areas of bank. However, the magnitude of employment generated was higher in irrigated regions in all operational areas of KBSLAB, KGB and PGB. The results are in line with Suresh (2008) who reported that there was a significant increase in number of days of employment for the beneficiaries after providing micro finance for taking up dairy enterprise was observed. The percentage change was 142.41 and 153.43 in Haveri and Bellary districts respectively.

It could be observed that there was a positive impact of microcredit on asset position of the farmers except land and buildings. The magnitude of increase was highest in case of other assets like television, two-wheeler, gold, silver, furniture etc. when compared to conventional implements. The findings of the study indicated that the farmers were more

interested in increasing luxuries compared to conventional implements. This may be due to the availability of conventional implements for rent and also for mechanization. It was also clear from the results that the farmers of KBSLAB, KGB, and PGB were interested in increasing conventional implements and also other assets. Even though the borrowers' main source of income was agriculture, they were interested in increasing other assets when compared to conventional implements, this may be because they were not having land holdings and they were leased in farmers. At the same time, there was a positive impact on the savings pattern of the respondents which was due to increase in the farm income, savings also increased. The results are in line with Puhazhendi and Jayaraman (1999) who reported that the average annual net income per member during pre-group formation in Chitradurga district of Karnataka and Periyar district of Tamil Nadu ranged from Rs. 6,763 to Rs. 9,157 while the average net income per member during post-group formation had ranged from Rs. 10,531 and Rs. 12,762. The increase in net incremental income was reported to be 68 per cent of new groups, whereas it was 100 per cent in stabilizing and stabilized groups.

As the income increased, there was a change in the expenditure on the consumption. The incremental increase in expenditure was highest for ceremonies and entertainment from all the respondents and this was due to increase in the income as they were able to spend more on such consumption. However, among the banks, the highest magnitude on the expenditure on entertainment was in KGB area and it was due to increase in percentage of income and also less percentage of savings. There was only little per cent change in the expenditure on food and health in all the banks under study. But the proportion of expenditure on the food and health decreased. These results are similar to that of Manimekalai (2004).

The results of comparative impact of microcredit lent by KBSLAB, KGB and PGB indicated that the farmer should avail loans either from KGB or PGB which was good when compared to KBSLAB because these RRBs had got more impact when compared to KBSLAB and was due to the high interest rate charged by KBSLAB and also high cost of credit in availing loans. However, one positive point of KBSLAB was timely providing of credit at the door step with simple procedure of lending made farmer to get loan from KBSLAB.

5.3 Comparative cost of credit

The results of total cost of credit obtained by the KBSLAB, KGB, and PGB revealed that the non-interest cost of credit was more in case of PGB compared to KBSLAB and KGB because the people had to make more number of trips to get sanctioned the loan from PGB

which accounted for the more cost, as the number of trips increased the total opportunity cost and percentage of total opportunity cost to the total non-interest cost was high which was more than that of 58.55 per cent. A similar trend was observed in case of KGB also. The proportion of total non interest cost as a per cent of loan was also high in case of PGB but not in case of KGB and KBSLAB because the size of loan amount sanctioned was more by the KGB and KBSLAB. But, when we compare the number of trips made and opportunity cost incurred by the borrowers of KBSLAB was very less when compared to KGB and PGB because of the better services provided by KBSLAB at the door step of the farmer house and 70 per cent of the bank staff worked in field than in office. This was one of the biggest advantage to the farmer but the share of processing fee was 50.43 per cent which was not so in case of KGB and PGB. The total interest cost involved for the loan availed from KBSLAB and per cent of interest cost to total cost was more compared to KGB and PGB due to high rate of interest 18.50 per cent charged by KBSLAB and further the interest rate charged by KBSLAB was not regulated by the RBI compared to KGB and PGB wherein RBI regulation was followed. One Way ANOVA test results indicated that there was no significant difference in total cost of credit between PGB and KGB because both were Regional Rural Banks which was regulated by Reserve Bank of India but the cost of credit obtained by KBSLAB was on par with KGB and PGB. The results are in line with Pouchepparadjou (1992) who reported that the cost of the credit was more in the case of moneylenders than the commercial banks because of exorbitant rate of interest charged by them.

5.4 Opinion of farmers for preference of KBSLAB in availing credit

The important reasons for the preference of the KBSLAB was the easy accessibility (Rank-I) wherein the bank was providing the services at the door step (Rank –III) which was one the of key factors to borrow from the KBSLAB and at the same time the procedure of lending was also simple (Rank-II) and they won't go for many documents and more application and had flexible security norms (Rank-IV). Only one form was enough to provide loan with ration card or identity card photocopy and the farmer need not to go for any bond which was required in RRBs. Even though, many farmers felt that the loan amount they were sanctioning was not sufficient to meet out the working capital but some farmers felt that the adequate amount of loan was sanctioned (Rank-VI). Due to the services rendered at the door step of the farmers house, the loan amount sanctioned was becoming easy accessible with cooperative staff treatment (Rank-V) and farmers need not to approach the bank because 70 per cent of bank staff were working in the field in order to identify the customer and sanction the loan. These things helped the Bank for loan supervision and provide technical

guidance to the farmers (Rank-VIII) as the more staff was working in field so there was chance of forcible recovery also (Rank-VII). In tune with this, Patil (2000) reported that the opinion of the beneficiaries about primary co-operative agricultural and rural development bank revealed that the procedure of getting loans was cumbersome, the respondents expressed their difficulty in getting the documents and even if they were able to get them, it consumed lot of time and money. Some of the respondents also opined that bank officials did not give proper guidance about the required documents to be produced along with loan application. The favorable point of the bank was the good staff treatment. However 80 per cent of the borrowers expressed the delay in sanctioning of loans by the KBSLAB.

..... Summary and Policy
Implications

VI. SUMMARY AND POLICY IMPLICATIONS

Microcredit is the extension of very small loans (microloans) to poor borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed to spur entrepreneurship, increase incomes, alleviate poverty and often also to empower women. Microcredit is a part of microfinance, which is the provision of a wider range of financial services, in particular savings, to the poor. As of 2009 it was estimated that there were 74 million recipients of microcredit with a total of \$38 billion in outstanding loans. Modern microcredit is generally considered to have originated with the Grameen Bank founded in Bangladesh in 1983. Many traditional banks subsequently introduced microcredit, even though they had earlier on discounted its likelihood of success. As of 2012, microcredit is widely used in developing countries and it is presented as having "enormous potential as a tool for poverty alleviation." The United Nations had declared 2005 as the International Year of Microcredit (Khinuar, 2009)

People generally have a notion that self help group is an institute for microcredit but in actual sense it is the products of micro finance. The basic difference between SHG and JLG is that people who form SHG are very poor and unbanked whereas people of JHG are of middle segment and not very poor and are banked also. The basic purpose for which both the products are availed is also different. SHG is credit for consumption where as JLGs are formed because it becomes quite tedious and risky for bank to give credit to each small individual, instead when a group is formed wherein people take mutual guarantee for repayment on each others' behalf makes it easy and lower for banks, this is why JLGs are formed. SHG is a group of 10-20 people where as JLG is group of 5-7 people. No collaterals are required in SHG where as JLG has mutual guarantee which acts as a collateral. JLG provides only for credit product but SHG has savings led credit products i.e. first you save only then can you get credit.

Hyderabad Karnataka is one of the backward regions and hence Local Area Bank has been established with main motto of providing accessibility of institutional credit to remote areas under financial inclusion scheme. As a result, four such banks were established in the country. In this regards, the evaluation of microcredit provided by Local Area Bank is an important aspect. This would help in knowing the impact of microcredit on farm income provided by a Local Area Bank in Karnataka. Further, it helps to compare the economics of microcredit lendings of LAB and RRB and draw the policy measures in effective functioning of such banks.

In order to study the comparative economics of microcredit lent by Local Area Bank and Regional Rural Bank, microcredit lent to the JLGs was studied because the Local Area Bank is lending microcredit to only JLGs and individual but not SHGs and Regional Rural Bank lent microcredit to SHGs and JLGs so in order to study comparative economics of microcredit lent by Local Area Bank and Regional Rural Bank JLGs were selected and compared.

Objectives of the Study

1. To study the nature and pattern of credit extended by the Local Area Bank *vis-à-vis* Regional Rural Bank.
2. To assess the impact of microcredit on income and employment of farmers.
3. To study the comparative economics of microcredit lending's by Local Area Bank *vis-à-vis* Regional Rural Bank .
4. To elicit the opinions of farmers on microcredit lending by Local Area Bank (LAB).

Methodology

A multi-stage purposive random sampling procedure was adopted for selection of sample farmers. In the first stage, two districts i.e. Gulbarga and Raichur districts were selected purposively where Krishna Bhima Samrudhi Local Area Bank Ltd. (KBSLAB) is operating only in these two districts of Karnataka. In the second stage, two talukas were selected from each district based on highest microcredit lendings by Local Area Bank. In the third stage, to compare Local Area Bank with Regional Rural Bank, one branch of Local Area Bank and one branch of Regional Rural Bank from each taluk were selected purposively based on highest microcredit lendings by Local Area Bank and Regional Rural Bank. Thus four bank branches of Local Area Bank and four Bank branches of Regional Rural Bank were selected totaling to eight bank branches. In fourth stage, 15 (three JLG), beneficiaries from each bank branch were selected randomly. Thus comprising a total sample size of 120 (12 JLGs of KBSLAB and 12 JLGs of RRB), each JLG consisted of five poor members. The sample size of 12 JLGs from KBSLAB and 12 JLGs from RRB were selected to study the comparative economics of microcredit. The KBSLAB is lending microcredit to only members of JLGs and individual but not to the members of SHGs whereas Regional Rural Bank advances microcredit to both the members of SHGs and members of JLGs. Hence JLGs are selected purposively.

For the purpose of fulfilling the specific objectives of the study, the data were analyzed by using following techniques.

1. Tabular presentation
2. Growth Rate Analysis
3. Paired t test
4. Multiple Regression Equation
5. Effective rate of interest
6. One way ANOVA test
7. Likert scaling technique

Major findings of the study

1. KBSLAB was lending 100 per cent of its total credit to priority sector with the highest average annual growth rate of 97.83 per cent and no credit disbursement was made to non-priority sector by KBSLAB.
2. PGB has highest advance outstanding and disbursement towards agriculture, wherein highest average annual growth rate was observed in KBSLAB towards lending to agriculture and non agriculture sector. PGB had highest average outstanding advance and disbursement towards SC/ST, minorities and women.
3. A significant increase in number of days of employment for the beneficiaries after obtaining microcredit was observed. The per centage change in employment days of male and female beneficiaries of KBSLAB was 21.81 per cent and 31.65 per cent respectively. The change in employment days of male and female beneficiaries of KGB was 19.12 per cent and 26.77 per cent respectively and change in employment days of male and female beneficiaries of PGB was 26.05 per cent and 43.23 per cent respectively.
4. There was a positive impact of KBSLAB, KGB, and PGB on JLG members who obtained income from dairy enterprise on the respective. The highest impact was made on the JLG members of PGB where the income before availing credit from the bank was Rs 52,854.33 and after availing loan from the bank by becoming JLG member, the income rose to Rs 1, 43,846.73 The lowest impact was made on the JLG members among the three banks was KBSLAB where in the income of JLG member before availing credit from KBSLAB was 84,320.00 and after availing loan from the bank by becoming JLG member income rose to Rs 1,62,580.07.
5. The microcredit lent by these three banks had more impact on the income obtained from tur crop when compared to paddy crop. The increase was 69.54 per cent, 64.26

per cent, 44.70 per cent in the income obtained from the tur crop of JLG members of KBSLAB, KGB, and PGB respectively. Whereas 32.53 per cent, 30.93 per cent change in the income was obtained from paddy crop of JLG members of KBSLAB and PGB respectively. The highest impact was by the KBSLAB on income obtained from the tur crop, and paddy crop. The lowest impact was made by the PGB on income obtained from the tur crop and paddy crop.

6. The three banks made a significant impact on the JLG members in improving their material position of both conventional implements and other assets.
7. There was a positive impact on the savings of the JLG members from these banks on their respective JLG members. The per centage change reveals that PGB has made more impact than the other two banks which amounts to about 178.74 per cent while 106.72 per cent and 68.04 per cent change from KBS and KGB respectively.
8. There was increase in the expenditure of JLG members for all the purpose after availing microcredit. The highest change was observed from the respondents of KBSLAB and KGB in the expenditure for the purpose of entertainment, whereas the highest change was observed in the expenditure for other purpose by the respondents of PGB. There was no significant change in the expenditure for health purpose from the respondents of PGB.
9. The results of assessment of comparative impact of KBSLAB, KGB and PGB on the income obtained from tur crop and dairy enterprise indicated positive. The dummy variable was included to capture the influence of various banks on farm income. KBSLAB was kept as base while KGB was assigned with 1,0 and PGB was assigned with 0,1. The results indicated a differential intercept coefficient of 0.21 and 0.18 for respective banks, R^2 was observed to be sufficiently high accounting for 94 per cent. This shows that KGB and PGB has got more impact on the income of the farmer when compared to KBSLAB.
10. The comparative impact of KBSLAB & RRB (PGB) on farm income through paddy crop and dairy indicated positive impact, the dummy variable was included to capture the influence of KBSLAB and PGB on farm income. KBSLAB was kept as base and PGB was assigned with 1, 0. The result indicated the intercept coefficient of 0.19 for KGB and R^2 observed to be sufficiently high accounting for 97 per cent. This revealed that PGB has more impact on farm income obtained from paddy crop and dairy enterprise.

11. The average number of days required to sanction the loan was 11.47 days in the case of KBSLAB which was lower compared to KGB and PGB which required 25 and 24 days respectively. The total number of hours spent and total transportation cost involved in availing loan from JLG members of KBSLAB was 11.23 hours and Rs. 167.47 respectively which was lower compared to KGB and PGB. There is no much difference in cost towards production of records but the processing fee charged by KBSLAB was Rs. 873.75 and was found to be highest when compared to KGB and PGB.
12. KBSLAB is charging 18.50 per cent interest rate per annum which is higher compared to KGB and PGB while 7.50 and 8.75 per cent interest was being charged by the KGB and PGB respectively.
13. The non-interest cost as a per cent to total cost and non-interest cost as a per cent of loan is higher in case of PGB when compared to KBSLAB and KGB. The total cost as a per centage to loan, KBSLAB has 23.21 per cent which is highest when compared to KGB and PGB which has 13.42 and 11.38 respectively. The cost of credit obtained from KBSLAB was significantly different from KGB and KGB whereas the cost of credit obtained from KGB was not significantly different from PGB.
14. Easy accessibility with the simple procedure of advance followed by the reason that the loan was delivered at the door step and flexible security norms were the major components opined by farmers for the preference of KBSLAB for availing credit.

Policy implications

1. There is a need for regulation in the Local Area Bank in the interest rate and the processing fee charged. The Government has to extend subsidy on agricultural loans to Local Area Bank so that interest rate charged can be decreased, which is already given to RRBs, since the Local Area Bank is providing credit to only priority sector.
2. There should be an increase in the field staff of RRBs in order to increase the JLGs group lendings and also other lendings to reduce the number of trips made by the farmer to the bank and the opportunity cost of trips.
3. There should be timely disbursement of loan to JLGs from RRBs so that farmers can avail credit with low interest rate from RRBs, as Local Area Bank is delivering credit timely to the door step of the farmers.

...References

VII. REFERENCES

- Abate, Adinew, 2000, Agricultural Credit Policy and Institutional Financing in Karnataka, India—An Economic Analysis. *M.Sc. (Agri.) Thesis*, Uni. of Agric. Sci., Bangalore.
- Abdul Saboor, Maqsood Hussain and Madiha Munir, 2009, Impact of Micro Credit in Alleviating Poverty: An Insight from Rural Rawalpindi, Pakistan. *Pak. J. Life Soc. Sci.* 7(1): 90-97.
- Ajmer Singh, 1999, Economic analysis of dairy financing under IRDP in Haryana. *Ph.D. Thesis*, National Dairy Research Institute, Karnal.
- Alagumani, T. and Anjugam, M., 2000, Impact of dairy enterprises on income and employment in Madurai district, Tamil Nadu. *Proceedings of the 7th Annual Conference of Agricultural Economics Research Association on Livestock in Different Farming Systems*, held at Tamil Nadu Veterinary and Animal Sci. Uni., Chennai, p.30.
- Ankur Agrawal, 2007, Agriculture lending by public, private and co-operative banks – a comparative analysis. *M.B.A(Agribusiness)Thesis*, Uni. of Agric. Sci., Dharwad.
- Anonymous, 2006, *J.Soc.Mant.Sci*, 35 (3):344-346
- Anonymous, 2006, Annual report of Pragathi grameena
- Anonymous, 2002, Learning Circle- Banking Theory & Practice, Report of the Review Group for Local Area Bank Scheme
- Dasaratharamaiah. K., Naidu. M.C., and Jayaraju. M., 2006, Women's empowerment through DWCRA-An empirical study. *Social Welfare*, 52 (12) : 33-38.
- Desai, D. K., 1988, Institutional Credit Requirement for Agriculture Production 2000 A.D. *Indian J. of Agric. Research*, 43: 326-355.
- Deshpande, D. Govardhan, 1998, Performance of Commercial Banks in Financing Agriculture-A Case Study of Two Commercial Bank Branches in Malaprabha Command Area. *M.Sc. (Agri.) Thesis*, Uni. of Agric. Sci., Dharwad.
- Devi, K.S., Ponnarasi, T. and Saravanan, M.P., 2007, Aa impact analysis of technological training on women Self Help Groups. *Int. J. Agric. Sci.*, 3 (2): 61-65.
- Dinabandhu, Mahal, 1988, Cost of Rural Credit, *Co-operative Perspective*, 22 (4): 6-25.
- Ganesh, K.S., 2005, Brick maker becomes brick kilns owner. *Kurukshetra*, 53 (10): 47-48.
- Gangaiah C., Nagaraja.B. and C. Vasudevalu Naidu., 2006, Impact of self help groups on income and employment : A case study. *Kurukshetra*, 54 (5) : 18-23.
- Gosh, D.N., 2005, A Policy Approach for Agricultural Lending. *Econ. and Political Weekly*, 40 (2):57-63.

- Gunaste, N. D. Patkar, D. B. Malave and Deorkhkar, A. C., 1998, Extent of Borrowing, Repayment and Overdues of Agricultural Loans of Farm Families in Thane District, Maharashtra. *Agricultural Banker*, **22** (2): 1-5.
- Jagdeesh, D. M., 1988, Performance of Tungabhadra Grameena Bank and its selected Branches in Bellary and Raichur District- An Economic Analysis, *M.Sc. (Agri.) Thesis*, Uni. of Agric. Sci., Dharwad.
- Josily Samuel, 2006, Women empowerment through micro finance in Dindigul District of Tamil Nadu – An economic analysis. *M.Sc. (Agri.) Thesis*, University of Agriculture Sciences, Dharwad.
- Kuhinur, S. and Rokonuzzaman, M., 2009, Impact of Grameen Bank micro credit on change in livelihood status of women beneficiaries. *J. Bangladesh Agril. Univ.* **7** (2): 381–386.
- Madhusudhan Rao, B.V., 2000, Co-Operative Agricultural credit-An Economic study in tumkur district of Karnataka state, *M.Sc. (Agri.) Thesis*, University of Agriculture Sciences, Bangalore.
- Manimekalai, N., 2004, Impact of various forms of micro financing on women. Department of Women and Child Development, Ministry of Human Resource Development, Government of India.
- Mavi, K.S., Chauhan, J.P.S. and Das, B.C., 2006, Impact of self employment programme on dairy farming. *Rural India*, **70** (3) : 47-49.
- Nair, T. S., 2000, Rural Financial Intermediation and Commercial Banks Review of Recent Trends. *Econ. and Political Weekly*, **34** (5):299-306.
- Patil, R.M., 2012, Socio – Economic Impact of Micro Financing through SHGs in Karnataka: A case Study of Bijapur and Bagalkot. *Southern Economist*, **51** (1):79-83.
- Patil, S. M., 2000, Performance of Primary Cooperative Agriculture and Rural Development Banks in Dharwad District. *Ph.D. (Agri.) Thesis*, Uni. of Agric. Sci., Dharwad.
- Pouchepparadjou, A., 1992, An Analysis of Commercial Banks Financing to Agriculture in the Union Territory of Pondicherry. *M.Sc. (Agri.) Thesis*, Uni. of Agric. Sci., Bangalore.
- Pradeep Kumar, G.S., 1993, An Evaluation of Business Performance of the Horticultural Producers Co-operative Marketing and Processing Society Limited Bangalore. *M.Sc. (Agri.) Thesis*, Uni. of Agric. Sci., Bangalore.
- Puhazhendhi, V. and Jayaraman, B., 1999, Increasing women's participation and employment generation among rural poor: An approach through informal groups. *National bank News Review*, **15** : 55-62.

- Puhazhendhi, V. and Jayaraman, B., 1999, Rural Credit Delivery: Performance and Challenges before Banks. *Econ. and Political Weekly*, **34** (3 &4):175-182.
- Puhazhendi, V., and Sathyasai, K. J. S., 2000, Economic and Social empowerment of rural poor through self-help groups, *Ind. J. Agril. Econ.* **56** (3):450-451.
- Rais Uddin Mian, Jamatul Fatema and Habibur Rahman, 2007, Impact of dairy farming on livelihood of participating women under Grameen Bank in a selected area of Rangpur district in Bangladesh. *Indian J. Agric. Econ.*, **62** (2) : 259-271.
- Rajashekharappa and Basavaraj, 2012, Effective credit system of Pragathi Gramin Bank: A Study. *Southern Economist.*, **50** (21):7-11.
- Ramakrishnappa, V. and Jagannath Rao, R., 2006, Emerging microfinance issues in dairy development: A case study from Karnataka, India. *Int. J. Agric. Resource, Governance and Ecology*, **5** (4): 399-412.
- Ramappa, P. and Sivasankaraiah, M., 2007, Performance of Rayalseema Grameena Bank: A Study. *Southern Economist*, **46** (1): 25-28.
- Ramdass, M., 1989, Equity and Efficiency in Flowing of Institutional Credit. *Financing Agriculture*, **21** (3): 11-18.
- Rao, V.M., 2005, Building cooperative entrepreneurship through dairy cooperative in Ajmer. *The Cooperator*. **45** (5) : 231-234.
- Reddy, D.R. and Reddy, K.A., 1996, Overdues and Recovery Performance of Institutional Credit. *Indian J. of Agric. Research.*, **31** (1): 10-18.
- Reddy, K. V. and Gupta, N., 2006, Credit Management in SHG's under SAPAP: A Study. *Southern Economist*, **45** (7):15-18.
- Roshan Singh, Singh, A.K. and Balister, 1978, Flow of Institutional Credit in Agriculture (with special reference to commercial bank finance). *Indian J. of Agric. Econ.*, **33**: 156-157.
- Samara, K.D., and Raman, M., 2001, Can heterogeneity and social cohesion co-exist in self help groups? An evidence from group lending in Andhra Pradesh in India. *Indian J. Agric. Econ.* **56** (3) : 389-400.
- Shahidur, R. Khandker, Hussain, A. Samad and Zahed H.Khan, 1998, Income and employment effects of micro-credit programmes : Village-level evidence from Bangladesh. *J. of Development Studies*, **35** (2) : 96-124.
- Shylendra, H.S., Innovations in Agricultural Credit Market: Rationalisation of Policy Response. *Indian J. of Agric. Econ.*, **67** (1)108-112
- Singh R. I., Prasad V. and Prakash, O., 1975, Borrowing behavior of small farmers, *Indian J. of Agric. Econ.*, **50**(1): 34.

- Srivastava, Dua and Kumar Vinod, 1985, Cost of Credit. *Financing Agriculture*, **17** (1): 6-24.
- Surender, 2011, Critical Evaluation of Self Help Group Concept. *Southern Economist*, **50** (7):41-44
- Suresh, K.2008, Impact of micro finance on empowerment of rural women – a case study of dairy enterprise in the tank management project area of north Karnataka. *M.Sc. (Agri.) Thesis*, University of Agriculture Sciences, Dharwad.
- Thanarathnam, J. J., 2006, Working of Primary Agriculture Co-operative Bank: A Case study. *Southern Economist*, **45** (9):29-34.
- Vishwanath, P. G., 2002, Management Appraisal of District Central Cooperative Bank – A Case Study of K.D.C.C. Bank Ltd., Uttar Kannada District, Karnataka. *M.Sc. (Agri.) Thesis*, Uni. of Agric. Sci., Dharwad.
- Zeratsion, Fessha, 2002 Performance Analysis of Primary Agricultural Credit Societies in Karnataka. *M.Sc. (Agri.) Thesis*, Uni. of Agric. Sci., Bangalore.

MICROCREDIT LENDINGS BY LOCAL AREA BANK AND REGIONAL RURAL BANK IN KARNATAKA- AN ECONOMIC ANALYSIS

2012

SUNIL KUMAR REDDY H.

ABSTRACT

SURESH S.PATIL

Major advisor

Hyderabad Karnataka is one of the backward regions and hence Local Area Bank has been established with main motto of providing accessibility of institutional credit to remote area under financial inclusion scheme. Microcredit is the extension of very small loans to poor borrowers who typically lack collateral, steady employment and a verifiable credit history. In this regard the research study focuses on the evaluation of microcredit, impact of microcredit on farm income provided by a Local Area Bank in Karnataka and to compare the economics of microcredit landings of LAB and RRB.

The study was conducted in Hyderabad Karnataka viz... Raichur and Gulbarga districts. The primary data required for the study was collected from the respondents by personal interview method using pre-tested schedule prepared for the purpose from 120 farmers, 60 farmers from LAB and 60 farmers from RRB. The data were analyzed using various statistical techniques including effective rate of interest. The results indicate that there was a positive impact of KBSLAB, KGB, and PGB on income of JLG members who involved in dairy farming. The PGB has made good impact on the farmers to generate more income from the dairy enterprise when compared to KGB and KBSLAB. There was a positive impact of microcredit on income generated through crop enterprise. The generation of employment for women in PGB and KBSLAB was better compare to KGB. The non-interest cost as a per cent to total cost and non-interest cost as a per cent of loan is higher in case of PGB when compared to KBSLAB and KGB. The cost of credit obtained from KBSLAB was significantly different from KGB and KBS. Whereas, the cost of credit obtained from KGB was not significantly different from PGB. Even though higher interest is charged by the KBSLAB but the farmers preferred the KBSLAB because, easy accessibility with the simple procedure of advance followed by the reason that the loan was delivered at the door step and flexible security norms were the major components opined by farmers for the preference of KBSLAB for availing credit.

