GNITED MINDS
Journals

IMPACT OF INSTITUTIONAL FINANCE ON RURAL POOR – A CASE STUDY OF KURNOOL DISTRICT

Impact of Institutional Finance on Rural Poor – A Case Study of Kurnool District

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

[1]Ph.D. Research Scholar, Department of Commerce, Sri Venkateswara University Post Graduate Centre, Sri Venkateswara University, Kavali – 524201, Ph: 08106347034 e-mail: lilambeswarasingh@gmail.com

[2]Department of Commerce, Sri Venkateswara University Post Graduate Centre, Sri Venkateswara University, Kavali – 524201,

Abstract – Growth of the nation in the international arena largely depends on its economic growth. One of the crucial factors which influences the economic growth is the ability of the people in terms of employment and as well as empowerment. Poverty in the nation has a huge negative concern in terms of national prosperity towards future. Further, rural poverty which is strongly rooted in India has always been a negative concern. Assistance by rural financial institutions has created huge helping hand for rural poor not only to overcome poverty but also empowering themselves after taking assistance in the form of loans. The present paper is a field based research study which analyzes the importance of institutional finance for rural poor and also it examines the role of institutional finance for rural poor.

- -X- -

1) INTRODUCTION TO RURAL POVERTY IN INDIA

Effectiveness of the growth an economy is largely depends on how well a nation is serving its people to overcome the problem of poverty. As India is one of the very few nations, where the population has crossed over 100 crores, poverty and its implications are always challenging the growth of the nation. As majority of the Indians still live in rural villages, rural poor are one of the very tough problems for the nation to tackle with. The support from financial institutions in terms of eradicating poverty in rural India is still on cards. The number of poor people in India, according to the country's Eleventh National Development Plan, amounts to more than 300 million. The country has been successful in reducing the proportion of poor people from about 55 per cent in 1973 to about 27 per cent in 2004.

But almost one third of the country's population of more than 1.1 billion continues to live below the poverty line, and a large proportion of poor people live in rural areas. Poverty remains a chronic condition for almost 30 per cent of India's rural population. The incidence of rural poverty has declined somewhat over the past three decades as a result of rural to urban migration. Poverty is deepest among members of scheduled castes and tribes in the country's rural areas. In 2005 these groups accounted for 80 per cent of poor rural people, although their share in the total rural population is much smaller. On the map of poverty in India, the poorest areas are in parts of Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Orissa, Chattisgarh and West Bengal.

Large numbers of India's poorest people live in the country's semi-arid tropical region. In this area shortages of water and recurrent droughts impede the transformation of agriculture that the Green Revolution has achieved elsewhere. There is also a high incidence of poverty in flood-prone areas such as those extending from eastern Uttar Pradesh to the Assam plains, and especially in northern Bihar. Poverty affects tribal people in forest areas, where loss of entitlement to resources has made them even poorer. In coastal fishing communities' people's living conditions are deteriorating because of environmental degradation, stock depletion and vulnerability to natural disasters.

A major cause of poverty among India's rural people, both individuals and communities, is lack of access to productive assets and financial resources. High levels of illiteracy, inadequate health care and extremely limited access to social services are common among poor rural people. Micro enterprise development, which could generate income and enable poor people to improve their living conditions, has only recently become a focus of the government.

2) INSTITUTIONAL FINANCE FOR RURAL POOR

Institutional finance for rural poor includes supplying finance for agriculture and other emerging areas for

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

1

www.ignited.in

the development of rural people. Institutional finance for rural poor in other words called as rural finance. According to Consultative rural finance is the financial services offered and used in rural areas by people of all income levels, and agricultural finance as a sub-set of rural finance dedicated to financing agriculture-related activities, such as input supply, production, distribution and wholesaling, and marketing. Consistent with these definitions, and that of Schmidt and Kropp(1987), institutional finance is treated as the study of encompassment of savings, lending, financing and risk minimizing opportunities (formal and informal) and related norms and institutions in rural areas. Rural financial markets are part of the domestic financial system and are therefore affected by government and central bank policies. Rural financial markets tend to be fragmented (Germidis, 1990; Besley, 1994) and consist of formal, semi-formal and informal financial intermediaries.

The importance of rural financial systems to economic development financial sector development promotes economic growth and can also reduce poverty (DFID, 2004a and 2004b). Demirguc-Kunt and Levine (2004) conducted a study of 150 countries and noted that a well-functioning financial system is critical to long-term growth. Empirical evidence from additional studies confirms the strong, positive link between national savings (aggregate income less total expenditure) and economic growth (World Bank, 2004).

3) REVIEW OF LITERATURE

Csaba Csaki(2003) in his study on 'Reaching the Rural Poor: A Renewed Strategy for Rural Development" has critically examine the various challenges for the rural development. The authors have opined that the world confronts major challenges in rural development as it enters the 21st century. Most of the world's poverty is in rural areas, and will remain so, yet there is a pro-urban bias in most countries' development strategies, and in their allocation of public investment funds. Rural people, and ethnic minorities, in particular, have little political clout to influence public policy to attract more public investment in rural areas. This document outlines a holistic and spatial approach that tackles some tough and long-ignored issues and also addresses old issues in new ways. The author has concluded that, revised action-oriented strategy provides guidelines and focal points for enhancing the effectiveness of the World Bank's rural development efforts.

Priya Basu(2005), in his paper on "A Financial system for India's Poor" has presented the strategies that were designed to increase access to finance for the poor have not delivered their intended outcomes. The author has opined that, It is not just policies, but institutions and markets that need to be transformed so as to improve the efficiency of the formal rural finance sector.

Priya Basu and Pradeep Srivastava(2005) in the joint paper titled " Exploring possibilities – Micro finance and rural credit access for the poor in India", have opined that despite substantial efforts and a vast network of rural banks, the rural poor still have very little access to formal finance, and informal lending remains strong. The analysis was conducted by a Drawing on a recent rural access to finance survey of 6,000 households conducted by the authors, we empirically analyse the reach of the most dominant microfinance initiative, the SHG-bank linkage model. Based on this and international experience, the paper draws lessons for exploiting the potential of microfinance in India, outlines areas of concern for government policy towards this important sector, and suggests ways to scale up access to finance for the poor.

Mihir Shah et al.(2007) in the article on "Rural credit in 20th Century India – Overview of History and Perspectives" has critically analyzed the overview of rural credit in the 20th century India and finds that a remarkable continuity in the problems faced by the poor throughout the period. The authors have analyzed the issues related to the dependence on usurious moneylenders and the operation of a deeply exploitative grid of interlocked, imperfect markets. The authors have found that while the micro finance institution model is unsustainable, the self-help group-bank linkage approach of MF can make a positive impact on security and empowerment of the disadvantaged.

4) OBJECTIVES OF THE STUDY

The main objective of the study is to critically examine the impact of institutional finance for the elimination poorness in rural areas. Further, the study provide the impact of institutional finance for the empowerment of rural poor in select divisions of Kurnool district. Finally, the study is aimed to present the findings and suggestions for the betterment of services by the financial institutions for the elimination of poorness in rural villages.

5) RESEARCH METHODOLOGY

The Primary Data is collected from the rural poor in Kurnool district. The rural poor are selected on the basis of their income range which falls below poverty line (BPL). A structured schedule is distributed to rural beneficiaries i.e., rural poor availing loan facility from Andhra Pragathi Grameena Bank. The direct observation, interview methods are also used to obtain the useful information from the respondents.

The secondary data is collected from the annual reports of select financial institutions and the census data with reference to Andhra Pradesh state in general and Kurnool District in particular. Further, the unpublished records, newspapers, magazines, journals and internet sources will also be used to collect the data.

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

The present paper is dedicated to critically analyze the field survey results which is conducted on 610 rural respondents who are living in Below Poverty Line(BPL) and their perceptions regarding the benefits they are getting from Andhra Pragathi Grameena bank as part of Institutional finance. The present study include the socio economic conditions of rural poor and the analysis on the field survey results with reference to impact of institutional finance for the empowerment of rural poor. The data for the present study is collected from 610 beneficiaries, i.e., rural poor who are getting financial assistance from Andhra Pragathi Grameena Bank in the three divisions of Kurnool District.   In Kurnool district, among the available 3 divisions, i.e., Kurnool, Nandyal and Adoni divisions 2 mandals from each division are selected. And from these 2 mandals, 2 villages are identified and the beneficiaries are selected through convenience sampling method.

6) ANALYSIS OF SURVEY RESULTS

A) TYPE OF ACTIVITY STARTED WITH LOAN-REGION

Distribution of respondents on the basis of whether the activity is started with the help of loan or not is given in Table 4.15. Of the 610 respondents, 598 (97%) have started IGA s with loan and only 18 (3%) without any micro credit. Analysed activity wise, 225 (95%) respondents out of 23 have pursued A-Type activity with loan followed by B-Type activity by 220 (97%) respondents out of 223. However all the respondents coming under A & B Type category availed loan from Banks to carry out their IGAs.

Table no 4.15: Nature/Type of Income Generating Activities

Agriculture and Animal Husbandry (A-type)	Business Activities (B-type)
Agriculture	Retail Shop
Vegetables	Tea Shop or canteen/Hotel
Bananans	Tailoring unit/readymade garments
Paddy	Petty business
Tapioca	Home based food products
Sugarcane etc.	Direct marketing
Nursery	Soap/lotion making
Vanilla	Candle making
Orchids etc.	Paper carry bag
Milk producing through buffalos	DTP Centre
Goat rearing	Vermin Compost
Piggery	Plastic flowers
Poultry farming	Handloom products
Rabbit/pet keeping	Child toys manufacturing
Bee keeping etc.	Coconut products
	Nutrimix
	Sericulture
	Mushroom cultivation etc.

B) DISTRIBVUTION OF RESPONENTS ON THE BASIS OF TYPE OF INCOME GENERATING ACTIVITIES – DIVISION WISE

Table No.4.16 indicates that out of 608 respondents 238 (39%) are engaged in Agriculture and Animal Husbandry (A-Type), 223 (37%) in Business activities (B-type), 147 (24%) of the samples undertake both 'A-type and B-type' activities as their Income Generating Activities (IGAs).

Division wise analysis of the type of activities undertaken by the respondents revels that majority of respondents (52%) in Kurnool division are engaged in Business activities (B-Type) followed by A-Type (30%) and in Adoni division, major proportion of respondents (44%) are engaged in Agriculture and Animal Husbandry activity (A-type) followed by both 'A-type and B-Type' activities (42%). IN Nandyal division division, half of the respondents are engaged in B-Type activities and 432 percent in A-type activities. In Adoni division only 15 percent of the respondents are engaged in Business activities. The major IGAs of Adoni division is Agriculture and Animal Husbandry (A-type).   Animal Husbandry Programmes are the main economic activity pursued by large number of rural people in Adoni division.

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

Table No. 4.16: Type of Income Generating Activity – Region

Division	Type of Activity			Total
	A	B	A & B	
Nandyal	60 (30%)	103 (52%)	36 (18%)	199 (100%)_
Kurnool	106 (44%)	35 (15%)	98 (41%)	239 (100%)
Adoni	72 (42%)	85 (50%)	13 (8%)	170 (100%)
Total	238 (39%)	223 (37%)	147 (24%)	608 (100%)

Source: field survey

By applying the Chi-square test, the association between division wise classification of sample respondents and their activity for income generation is tested. The calculated value of Chi-square test obtained is 109.658 at 4 degrees of freedom, at 5% level of significant; it is observed that the chi-square tabular value is 7.86 which are lower than the calculated value. Hence, Null hypothesis is rejected.

Therefore, it is to conclude that there is an association between division wise classification of sample respondents and the nature and type of Income generating activity engaged by rural poor.

C) ANALYSIS ON TYPE OF ACTIVITY INVOLVED BY RURAL POOR 'BEFORE' AND 'AFTER' JOINGIN THE LOAN SCHEME

Even before joining the group, 12 members (2%) engaged in 'A-type' activities and none of the respondents undertook 'B-type' activity. It is clear that 98 percent of members are engaged in income generating activities after joining the programme.

Table No.4.17: Type of activity 'before' and 'after' joining the group

Type of Activity	Before joining the group	After joining the group	Total
No activity for income generation	2 (0%)	0 (0%)	2 (0%)
A	12 (2%)	226 (37%)	238 (39%)
B	0 (0%)	223 (37%)	223 (37%)
A and B	0 (0%)	147 (24%)	147 (24%)
Total	14 (2%)	596 (98%)	610 (100%)

Source: field survey

Hence, it is apparent that institutional finance by the banks programme for rural poor has been effective in enabling the members to pursue some form of income generation of their own and it leads to the economic independence and empowerment of members resulting in higher standards of living. The sustainability of the institutional finance for rural poor programme rests on the income generations which in turn determine the repayment capacity of members.

D) TYPE OF ACTIVITY STARTED WITH LOAN-REGION

Distribution of respondents on the basis of whether the activity is started with the help of loan or not is given in Table No.4.18. Of the 610 respondents, 5698 (97%) have started income generation activities with loan only 18 (3%) without any micro credit. Analysed activity wise, 225 (95%) respondents out of 238 have pursued A-type activity with loan followed by B-Type activity by 220 (97%) respondents out of 223. However all the respondents coming under A & B type category availed loan from Banks to carry out their income generation activities?

Table No.4.18: Type of Activity started with the help of loan- region

Division	Activity started with the help of loan	Type of activity				Total
		No activity	A	B	A & B	
Nandyal	Without loan	1 (14%)	5 (72%)	1 (14%)	0 (0%)	7 (100%)
	With Loan	0 (0%)	55 (28%)	102 (53%)	36 (18%)	200 (100%)
	Total	1 (0%)	60 (30%)	103 (52%)	36 (18%)	200 (100%)
Kurnool	Without Loan	1 (11%)	6 (67%)	2 (22%)	0 (0%)	9 (100%)
	With Loan	0 (0%)	100 (43%)	33 (14%)	98 (42%)	231 (100%)
	Total	1 (0%)	106 (44%)	35 (15%)	98 (41%)	240 (100%)
Adoni	Without Loan	0 (0%)	2 (100%)	0 (0%)	0 (0%)	2 (100%)
	With Loan	0 (0%)	70 (42%)	85 (50%)	13 (8%)	168 (100%)
	Total	0 (0%)	72 (42%)	85 (50%)	13 (8%)	170 (100%)
Total	Without Loan	2 (11%)	13 (72%)	3 (17%)	0 (0%)	18 (100%)
	With Loan	0 (0%)	225 (38%)	220 (37%)	147 (25%)	592 (100%)
	Total	2 (0%)	238 (39 %)	223 (37%)	147 (24%)	610 (100%)

Source: field survey

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

Region wise analysis shows that 53 percent of the respondents of Kurnool division who made use of loans to start 'B-Type' activities, 28 percent 'A-type' and 19 percent both 'A & B –Type' activities. In Adoni division out of the 231 respondents who availed loans, 43 percent engaged in 'A-Type' activities, 42 percent in both 'A& B – Type' and 14 percent B-Type activities. In Nandyal division, out of the 168 respondents who availed micro credit, 50 percent on pursue 'B-Type' activities and 42 percent 'A-Type' activities. Therefore, the prominent income generating activities started with loan are 'B-Type in Nandyal 'A' or 'A & B' in Kurnool division and 'B-Type' followed by 'A-Type' in Adoni division.

E) TYPE OF ACTIVITY ON THE BASIS OF SIZE OF LAND HJOLDINGS

The relation between size of land holdings and income generating areas pursued by the rural poor in Kurnool district is analyzed in Table No. 4.18. It is evident that respondents with small land holdings upto 10 cents of land pursue 'B-Type' activities more compared to the 'A-Type' Agriculture activities. But among those with medium land holdings from 10-20 cents, both 'A& B-Type' activities are undertaken. Among those with higher land holdings of >1 acre, 'A-Type' Agriculture and Allied activities are predominant.

F) TYPE OF INCOME GENERATING ACTIVITYI – MODE OF LINKAGE

In order to assess the nature and type of income generating areas, one the basis of mode of linkage the same data is analyzed in Table No.4.19 which indicates that 39 percent of the respondent of NGO groups undertakes 'A-type' activities and 37 percent 'B-type' activities. Major proportion of respondents (40%) belonging to Bank groups undertakes 'A-type' activities followed by both 'A-type' and 'B-type' activities (36%). Only 24 percent members from Bank groups undertake 'B-type' activities.

Table No.4.19: Type of Income Generating Activity – Mode of assistance from Bank

Mode of Assistance from Bank	Type of Activity				Total
	No Activity	A	B	A and B	
Micro finance assistance	2 (0%)	228 (39%)	217 (37%)	138 (24%)	585 (100%)
Bank	0 (0%)	10 (40%)	6 (24%)	9 (36%)	25 (100%)
Total	2 (0%)	238 (39%)	223 (37%)	147 (24%)	610 (100%)

Source: field survey

The Chi-square test also finds no significant relationships between mode of linkage and type of income generating activities. Chi-square calculated value = 2.7486, at Degrees of freedom – 3,chi-square tabular value is greater than the tabular value at 5% level of significance. Hence, Null hypothesis is accepted.

G) IMPACT ON INCOME GENERATION

The basic assumption underlying the provision of Micro credit is that the investment made would generate income adequate to contribute significantly to family earnings.

I) INCREMENTAL INCOME OF THE SAMPLE RESPONDENTS

The institutional finance for rural poor programme with better access to credit results in increased income to the poor . The average monthly income of the beneficiaries 'before and after' the linkage and 'increase' in income under institutional finance revealed by perception of the respondents is presented in Table 4.20.

Table No.4.20: Incremental income of the sample respondents

Income Level	Income Before joining in Institutional finance scheme		Income After joining in Institutional finance scheme		Increase	
	Mean (Rs.)	N	Mean (Rs.)	N	Mean (Rs.)	N
Nil	0	536 (88%)	0	11 (2%)	-31	16 (3%)
1-500	300	9 (1%)	281	45 (7%)	291	53 (9%)
500-1000	917	39 (7%)	7978	187 (31%)	790	210 (34%)
1000-1500	1250	12 (2%)	1425	138 (23%)	1417	134 (22%)
>1500	3357	14 (2%)	2696	229 (37%)	2576	197 (32%)
Total	165	610 (100%)	1600	610 (100%)	1440	610 (100%)

Source: field survey

The average monthly income of the respondents before undertaking income generating activities with the help of credit under 'Institutional finance programme' was Rs.165/- and out of the 610 samples, 88 percent of the members have nothing to contribute to the income of the household. Before the 'institutional finance programme', 8 percent of the

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

members have income upto to Rs.1000/- and 4 percent have income above Rs.1000/-.

After the linkage of the loan programme of groups, the average monthly income of respondents tremendously increased to be Rs.1600/- with an incremental income of Rs.1440/-, which accounted for 9 times increase in the average income e between 'pre and post' loan scheme situations. The programme enabled the members to take up a variety of income generating areas and their income level increased considerably. After the Linkage Banking, number of members in the 'Nil' income category are reduced to 2 percent from 88 percent in Pre institutional finance programme. It is gratifying to note that the proportion of members earning income between Rs.1000 – Rs.1500 jumped from 2 percent to 23 percent registering an incremental income of Rs.1417. It is a remarkable achievement that 38 percent of the members are able to change their income level above Rs.1500/- with an average increase Rs.2576/-. This shows that the economic empowerment in terms of income is at medium level since it is more than Rs.1500/- which is targeted by rural banking scheme of Andhra Pragathi Grameena Bank as the minimum income to be obtained per month.

II) INCREASE IN AVERAGE MONTHLY INCOME- REGION

Division wise analysis of the income indicates that the average monthly increase in income is highest (Rs.1450) in Adoni division and lowest (Rs.1427) in Nandyal division.

Table No.4.23: Increase in average monthly income- region

Region		Income Before	Income After	Income increase
Nandyal (N= 200)	Mean (Rs.)	152	1590	1438 (10 times)
	Standard Deviation	430.44	873.93	805.25
Kurnool Division (N=240)	Mean (Rs.)	236	1687	1450 (6 times)
	Standard Deviation	845.62	1401.13	1165.74
Total	Mean (Rs.)	165	1604	1439 (9 times)
	Standard Deviation	604.74	1142.54	1015.25

Source: field survey

Though an increase in mean income is registere3d in all the divisions the growth rate in income varies across divisions. The mean income increased by about 10 times in Nandyal, 6 times in Kurnool division and more than 18 times in Adoni division. Though there is no significant variation in increase in mean income in absolute terms across divisions, the rate of growth is highest in Adoni division where the mean income exponentially rose from Rs.78 to Rs.1506. An analysis of the statistical significance of mean increase in income of the three divisions using Z test indicates that there is significant growth in the income of the respondents in all the three divisions.

Table No.4.24: Paired Sample Test- Region

Division	Mean Incremental Income	Standard Deviation	Z	D.F.	Sig.(2-tailed)
Nandyal	1438	805.24	25.31	199	.000
Kurnool	1450	1165.72	19.34	239	.000
Adoni	1427	1013.63	18.43	169	.000

Statistical analysis of the significance of variation in mean income across the divisions using ANOVA indicates that there is no significant variation in incremental income of the respondents across the divisions after joining the programme.

Table No.4.25: ANOVA – Region

Incremental Income	Sum of Squares	D.F.	Mean Square	F	Sig.
Between Groups	5684.193	2	28292.097	0.027	0.973
Within Groups	627421878.922	607	1033643.952		
Total	627478463.115	609			

A significant increase in income is registered in all the divisions, but there is no variation in incremental income across divisions.

III) ANALYSIS ON INCREASE IN AVERAGE MONTHLYINCOME AND TYPE OF LOAN ASSISTANCE

The analysis of income 'pre and post' on the basis of mode of linkage carried out in Table No. 4.28 shows that 'through Bank, it is found that, highest number of rural poor have registered and the average monthly income both in absolute figures (Rs.1446/-) as well as in relative terms (9 times). Through NGOs have an incremental income of Rs.1294/- with a growth rate of 5 times of the income before the 'institutional finance for rural poor' programme?

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

Table No.4.28: Increase in Average Monthly income – mode of linkage

Type of Linkage		Income Before	Income After	Increase
Bank (N= 585)	Mean	159	1605	1446 (9 times)
	Sd	610.81	1141.11	1006.42
NGO (N=25)	Mean (Rs.)	288	1582	1294 (5 times)
	SD	427.52	1194.34	1214.51

Statistical analysis of the significance of variation in income among the groups with different types of linkage (assistance) using Independent sample test indicates t that there is no significant difference in the level of incremental income between respondents of NGO groups and Bank groups.

Table No.4.29: Independent Sample Test – Type of assistance (Linkage)

Levine's Test for Equality			T-Test for Equality of means		
Incremental Income	F	Sig.	T	d.f.	Sig.(2-tailed)
Equal variances assumed	5.442	0.020	0.733	608	0.464

Though, there is considerable increase in income in both the groups, there is no significant statistical variation in mean growth of income across different mode of linkage.

7) FINDINGS & SUGGESTIONS

From the study on type of income generating activity adopted by rural poor, it is found that out of 608 respondents, 39 percent are engaged in A-type, 37 percent in 'B-type' activities and 24 percent in 'A&B-type' activities. Division wise, majority of the respondents in Kurnool division and Nandyal are engaged in 'B-type' activities, while most of the respondents in 'Adoni' are engaged in 'A-type' Agricultural activities. The Chi-square test indicates that there is significant difference in nature and type of income generating activities undertaken by the rural

poor in Kurnool district. Respondents with small land holdings upto 10 cents of land pusue, 'B-type' activities more compared to 'A-type' activities, but among those with medium land holdings of 10-20 cents of land both 'A-type' and 'B-type' activities are undertaken. Among those with higher land holdings of above 1 acre, 'A-type' activities are predominant.

On the basis of mode of linkage for availing loan facility from bank, 39 percent of the respondents of Bank associate groups under take 'A-type' activities and 37 percent 'B-type' activities. 40 percent the respondents of the Bank group undertake 'A-type' activities and 36 percent 'A&B-type' activities. The chi-square test also finds no significant relationships between mode of linkage and type of income generating activities.

Analysis on average monthly income respondents, it is observed that, the average monthly income of respondents tremendously increased to Rs.1600 with an incremental income of Rs.1440, which accounted for 9 times increase in the average income between 'pre and post' loan period. An analysis of the statistical significance of the mean difference of monthly income using Z test indicates that the difference in the mean value is highly significant. The 'Transformation Matrix' showing changes in average monthly income indicates that as high as 94 percent beneficiaries had an 'increase' in income and 6 percent had 'no change' in income but nobody reported any 'decrease' in income after the participation in loan programme.

Division wise, the average incremental income is highest (Rs.1450) in Adoni division and lowest (Rs.1427) in Nandyal division. Though there is no significant variation in increase in mean income in absolute terms across divisions the rate of growth is highest in Adoni division where the mean income exponentially rose from Rs.78 to Rs.1506. Statistical analysis using Z test indicates that there is significant growth in the income of the respondents in all the three divisions. Statistical analysis using ANOVA indicates that there is no significant variation in incremental income across the divisions. Average increase in monthly income on the basis of activity shows that members who undertake both 'A-type' and 'B-type' activities registered highest increase in monthly income with Rs.1622 (8 times) followed by 'B-type' with Rs.1434 (15 times). The growth in income of members who solely undertake 'A-type' activities is lowest with Rs.1333 (6 times) because agriculture is not remunerative as that of business. Statistical analysis using ANVOA indicates that there is no significant variation in incremental income among the different types of activities.

Before joining the loan programme, 472 respondents (77%) are under the Above poverty class which increased to 549 (90%) in the 'post loan programme.

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]

Meanwhile, 138 respondents (23%) who are in Below poverty class in 'pre loan situation', reduced to 61 (10%) in 'post loan situation. AT the same time, programme could not make magnificent reduction in poverty level, which requires innovative policies and programmes and greater infusion of technology.

The beneficiaries of the loan programme had an average annual group savings of Rs.664.53 percent of the respondents have annual savings in the range of <Rs.600, with a mean of Rs.473, 42 percent in the range of Rs.600-Rs.1200 with an average savings of Rs787 and 5 percent above Rs.1200. It is observed that majority of the respondents contribute only Rs.10 as weekly savings. It is clearly observed that, there is a clear improvement in the income status of the a common rural poor person who are below poverty line in Kurnool district. Hence, it shows that, there is a desperate need for the support of bank in providing financial assistance to all the rural poor.

Pre financial assistance and post financial assistance has clearly shown that, there is a definite change in the figure. And also, the type of engagement that a rural poor is obtaining through financial assistance has also found high. Institutional finance can be used as a definite tool for the rural poor in empowering from the state of under privileged to the state of self-empowerment through different income achieving activities. Further, the transformation matrix also showing that changes in average monthly income indicates as high as 94 percent beneficiaries had an increase in income and 6 percent had no change in income. This shows that, there is a strong evidence that the financial assistance through institutional finance will definitely bring positive results.

REFERENCES

1. Ashok Jhunijhunwala & Sangamitra Ramachander(2006), "New Approaches to Rural finance", CAB CALLING, April-June edition, pp:10.

2. Avadhani V A (1979), "Rural Retrogression and Institutional Finance", Economic and Political Weekly, vol.14, No.26, June 30, 1979.

3. Avadhani V A (199), "Marketing of financial services and markets", Himalayan Publishing Company, Hyderabad.

4. Bharti V Pathak (2009), "the Indian Financial System, Markets, Institutions and Services, 2nd Edition, Darling Kindersley India Pvt. Ltd, New Delhi.

5. Meenu Agarwarl(2010), "Regional Rural banks and upliftment of Rural Society", Deep and Deep Publications Limited, New Delhi.

6. Mohir Shah, Rangu Rao, Vijay shankar PS(2007), "Rural Credit in 20th Century India –

Overview of History and Perspectives", Economic and Political Weekly, vol.42, No.15, April 14-20, 2007.

7. Mridul Eapen(1996), "Rural Non-farm Employment Some reflections on Petty Production", Economic and Political Weekly, vol.31, No.26, June 29, 1996.

8. Niti Bhasin (2006), "Banking Developments in India 1947 to 2007: Growth, Reforms and Outlook", New Century Publications, New Delhi.

9. Source retrieved from International Fund for Agriculture Development

10. Bibhuti Bhushan Malik(2009), "Poverty in India: Fundamental issues: a social science perspective", Mittal Publications, New Delhi, pp:23.

11. Working Paper by Department for International Development (DFID) for Agricultural and National Resources Team of the UK Department for International Development (DFID), National Resources Institute, UK.

12. Csaba Csaki(2003), "Reaching the Rural Poor: A Renewed Strategy for Rural Development", paper published in Accountability through Public Opinion, e Library Collection work from the World Bank at elibrary.worldbank.org.

13. Priya Basu(2005), "A Financial System for India's Poor", Economic and Political Weekly, Vol.40, No.37, September 10-16, 2005.

14. Priya Basu and Pradeep Srivastava(2005), "Exploring possibilities – Microfinance and Rural Credit Access for the Poor in India", Economic and Political Weekly, Vol.40, No.17, April 23-29, 2005.

15. Mohir Shah, Rangu Rao, Vijay shankar PS(2007), "Rural Credit in 20th Century India – Overview of History and Perspectives", Economic and Political Weekly, vol.42, No.15, April 14-20, 2007.

Mr. R. Lilambeswara Singh[1] Prof. P. Venkata Rao[2]