



IMPACT OF BANK FINANCE ON EMPLOYMENT GENERATION OF RURAL ARTISANS : AN EMPERICAL STUDY

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ABSTRACT :

Traditional types of enterprise and services at the village level, with higher labour-capital ratio, provide better prospects of creating more opportunities for employment¹. Rural artisans engaged in village and cottage industries producing for and servicing the needs of the farming community and lower income groups, increase the potential of the rural economy. The artisans engaged in cottage and tiny (micro) enterprises are provided with working capital by state Bank of India (SBI) in order to enable them to purchase raw material, meet expenses on rental, wages,



electricity taxes, marketing, transport and storage etc. The artisans are also supplied investment credit or medium / long term credit by SBI for purchase of operational tools and equipment, construction of sheds etc. The very purpose of this bank credit is to enable them to develop the activities and encourage production of goods and services which facilitate the rural artisans to rise above the poverty line. The State Bank of India has been providing loans and advances to artisans for taking up self-employment generating activities by using the locally available raw materials. The very purpose of bank loan is to help enhance the income levels of the rural artisans by pumping more of money, thereby promoting the rural economy. An attempt is made in here to analyze the impact of bank credit provided by SBI on employment generation of the sample rural artisans in Nellore district of Andhra Pradesh. The incremental employment generation has varied from 134 man-days to 184 man-days. The highest incremental employment generation is found in the case of tailoring and embroidery (184 man-days), followed by 'other category' i.e. brick making (166 man-days), shoe and chapel- making (163 man-days), carpentry and stone carving (162 man-day); whereas, the lowest incremental employment generation is noticed is mat and basket weaving (134 man-days) followed by hand -loom weavers (141 man-days) blacksmiths (145 man-days) and goldsmiths (151 man-days).The analysis shows that there is an impressive and significant growth in employment generation among the sample artisans. Hence, the null hypothesis, namely impact of SBI loans on employment generation among the samplebeneficial is not significant, is rejected.

KEYWORDS : cottage industries producing , purchase raw material , production of goods and services.

INTRODUCTION

Inclusive growth is highlighted in the documents of World Bank and the Eleventh Five year plan document. The Eleventh five Year plan emphasized the need for the inclusive growth and it says

“growth process which yields broad-based benefits and ensures equality of opportunity for all”. The commercial banks particularly State Bank of India has been providing loans for the development of rural artisans in Nellore district. But it is inadequate to meet the financial needs of the total sample farmers. However, their employment conditions have improved significantly during the post-loan periods. The back-ward caste sample beneficiaries have generated the highest incremental employment during the post-loan period. Hence, there is a need to increase and expand the financial services of commercial banks to the hitherto neglected sections like rural artisans who are promoting the non-farm activities with a view to generating more employment in rural India.

Traditional types of enterprise and services at the village level, with higher labour-capital ratio, provide better prospects of creating more opportunities for employment¹. Rural artisans engaged in village and cottage industries producing for and servicing the needs of the farming community and lower income groups, increase the potential of the rural economy. The artisans engaged in cottage and tiny (micro) enterprises are provided with working capital by state Bank of India (SBI) in order to enable them to purchase raw material, meet expenses on rental, wages, electricity taxes, marketing, transport and storage etc. The artisans are also supplied investment credit or medium / long term credit by SBI for purchase of operational tools and equipment, construction of sheds etc. The very purpose of this bank credit is to enable them to develop the activities and encourage production of goods and services which facilitate the rural artisans to rise above the poverty line. The State Bank of India has been providing loans and advances to artisans for taking up self-employment generating activities by using the locally available raw materials. The very purpose of bank loan is to help enhance the income levels of the rural artisans by pumping more of money, thereby promoting the rural economy. An attempt is made in here to analyse the impact of bank credit provided by SBI on employment generation of the sample rural artisans in Nellore district of Andhra Pradesh.

OBJECTIVES OF THE STUDY

The specific objectives of the present study are

1. To study the flow of bank credit to the sample rural artisans in Nellore district and
2. The impact of state bank of India's credit on employment creation of sample beneficiary rural artisans.

SAMPLE DESIGN OF THE STUDY

Nellore district is purposively selected for the study because of considerations of proximity and familiarity to the researcher. Besides, the district is agriculturally and industrially developed with good infrastructural facilities including the institutional credit facilities. Venkatagiri sarees are very popular in the State. The Fashion Design and Technology Institute is located in Venkatagiri which is the famous hub of handloom weaving in the State, beads, carpentry, shoe making, brick manufacturing, gold and jewelers making are the other activities in the district.

Stratified random sampling method is adopted in selecting the rural beneficiary artisans. There are 27 branches of State Bank of India in the Nellore district. Each branch of SBI is treated as one stratum from which 25 percent of beneficiaries (who have availed the loan facility from SBI) are selected at random. The total beneficiaries of rural artisans from 27 branches of SBI are 1528 thus the total sample beneficiary rural artisans for the present study come to 382. But to accomplish the objectives of the study, the impact is to be studied at two periods which represent the impact and employment and assets position of the sample beneficiary artisans before the SBI assistance was provided (pre-loan 2007-08) and their position after the bank assistance was given (post-loan period 2011-12).

A BRIEF PROFILE OF THE SAMPLE BENEFICIARIES

The majority of the sample beneficiaries belong to the backward communities (70 per cent).SC/ STs and other castes constituted for about 22 per cent and 8 per cent of the total sample beneficiaries respectively. It is evident from the table that out of the 382 sample beneficiaries, 60 per cent are male

and the remaining 40 percent are female beneficiaries. More than 51 per cent of the sample members have less than 3 members in their family where as 30 percent are in between 4 to 5 members in the family. But about 19 per cent of the sample beneficiaries are having large families i.e. above the 5 members in their family small families are located in Nellore region but the large families are found in Gudur region. The total numbers of literates are only 34.00 per cent of the total sample beneficiaries and the remaining are illiterates (66 per cent). Of the total sample beneficiaries, 20 percent of the beneficiaries are in the age group of below 25 years. 24 per cent are in the age group of 26-35 years, 23 per cent are in the age group of 36-45 years 22 per cent are in the age grouping 46-55 years and the remaining 11 per cent are in the age group above 55 years more than 60 per cent of the beneficiaries belonging to the younger generation. Out of the total sample beneficiaries, 36 per cent are engaged in subsidiary occupations, whereas 64 per cent of artisans having no subsidiary occupations in the study area. The higher number of beneficiaries' pottery met and basket weaving blacksmith and tailoring/embroidery whereas the lowest number by sample beneficiaries are found in case of gold smithy Stone carving beads making and handloom weaving. The highest number of gold smithy 69 per cent are engaged in secondary occupation followed by mat weavers 46 per cent and carpenters 38 per cent whereas the lowest number, of black smithy 9 per cent, are involved in the subsidiary occupations.

LOANS AVAILED BY SAMPLE BENEFICIARIES

The sample beneficiaries have availed Rs.47.47 lacs for the productive activities; but, the availability of SBI finance to rural artisans is not commensurate with their needs and level of production. The RBI has issued instructions that all commercial banks, including SBI, should provide increasing proportion of their advances to village and small industries and cottage industries so as to reduce their dependence upon non-institutional sources, with the objective that no worth - while project in this sector should be rejected for want of adequate security². The IDBI has come forward to for providing refinance facilities to the primary lenders for loans up to Rs.5 lacs. It has also set up a credit committee for small and village industries which over-views the credit needs and the measures taken to augment the flow of credit. National Bank for Agricultural and Rural Development has been discharging the functions of an apex institution for the flow of credit to the artisans and cottage type of units in the rural areas. The lead banks have also been setting the targets of loans and advances by the different banks for different sectors and groups of people. In fact, targets of the Lead Banks in case of rural artisans never touched 100 per cent of achievement during the last one decade in Nellore district of Andhra Pradesh.

EMPLOYMENT GENERATION

The purpose of producer - oriented programmes, including credit delivery schemes, is to generate productive employment and enhance the production potential so that there is an improvement in the levels of living of the rural artisans. The main aim of financing the artisans is to help generate gainful employment opportunities. An attempt is made to assess the extent of additional employment generation in the sample rural artisan activities during the post- loan period. The size of the rural artisan activities is generally very small in terms of workers engaged since they are house- hold in character. Hence, the rural artisan activities are mostly family labour- oriented except brick- making, tailoring and embroidery activities in the present empirical study. Moreover, during busy season, if required, they can also occasionally employ hired labour either on full time or part- time based on their activities or occupation.

As far as employment generation is concerned, the benefit is to be estimated in terms of additional man- days of employment created for the artisan family. In this connection, it may be noted that incremental employment depends on the nature of artisan occupation. The impact of bank credit on the employment generation of the sample rural artisans is positive and significant. In fact, there is an impressive increase in the man-days of employment generated by the sample artisans. The total man-days of employment stood at 67078 man-days during the pre -loan period. This increased to 126991

man-days in the post-loan period, indicating an addition of 59913 man-days. The percentage change in the man-days is 89.32 over the period. It is evident from the following table - 1.

Table -1
Employment Generation of Rural Sample Artisans
(Man-Days)

S. No	Activity	Pre-Loan period	Post-Loan period	Net addition	Paired 't' values
1	Carpentry	184	346	162	292.129
2	Gold Smith	128	289	151	183.568
3	Black Smith	137	292	145	263.193
4	Pottery	181	334	153	263.662
5	Beads Making	158	311	153	171.721
6	Stone Carving	145	307	162	215.204
7	Shoe/Chappal	201	364	163	49.587 *
8	Tailoring/Embroidery	194	378	184	197.859
9	Mat/basket weaving	176	310	134	40.116 *
10	Handloom weaving	187	328	141	127.880
11	Others	178	344	166	227.119
	Total	175.60	332.44	166.84	192.073

Source: Field Data

Note: * Insignificant at 0.5 levels.

It is seen from the table above that the financial assistance help generate on an average 157 additional man-days of employment. As a result, the average employment has increased to 332 man-days in the post-loan period from 176 man-days in the pre-loan period. Our analysis shows that there is an impressive growth in the incremental employment generation. The incremental employment generation has varied from 134 man-days to 184 man-days. The highest incremental employment generation is found in the case of tailoring and embroidery (184 man-days), followed by 'other category' i.e. brick making (166 man-days), shoe and chapel-making (163 man-days), carpentry and stone carving (162 man-day); whereas, the lowest incremental employment generation is noticed is mat and basket weaving (134 man-days) followed by hand-loom weavers (141 man-days) blacksmiths (145 man-days) and goldsmiths (151 man-days). The analysis shows that there is an impressive and significant growth in employment generation among the sample artisans. Hence, the null hypothesis, namely impact of SBI loans on employment generation among the sample beneficial is not significant, is rejected. The low level of incremental employment generation may be attributed to the decreased participation or inadequate interest shown by younger generations in artisan occupations, the higher rates of interest on loans borrowed from the money-lenders and the middle men who supplied raw material.

Community-Wise Employment Generation

The social communities/castes associated with the artisanal activities are, viz Scheduled Castes (SCs) Scheduled Tribes (STs) Backward Casts (BCs) and other communities mostly 'forward castes' (OCs). The particulars of the average employment generated by different communities are shows in table - 2.

Table -2
Community -wise Average Employment Generation
(Man-days)

S. No.	Caste	Pre-loan period	Post-loan period	Incremental Employment	Percentage Change
1	S.C 58	9856,169.93	18287,315.29	145.36	85.54
2	S.T 26	4330,166.54	8475,325.96	159.42	95.72
3	B.C 266	46814,175.99	90184,339.03	163.04	92.64
4	O.C 32	6078,189.94	10045,313.91	123.97	65.27
Total	382	67078,175.60	126991,332.44	5913,156.84	89.32

Source: Field Data

It is observed from the table above that all communities have experienced a comfortable increase in the average employment generation during the post -loan period as compared to the pre-loan period. However, the B.Cs have generated the highest incremental employment (164 man-days), followed by S.Ts (159 man-days); whereas OCs have got lowest incremental employment (124 man-days) followed by S.Cs (145 man-days). Our analysis shows that the BCs have emerged as the highest group in generating more incremental employment with the financial assistance by the State Bank of India and the B.C Finance Corporation besides the machines implements provided by the Government at free.

CONCLUSION

Inclusive growth is highlighted in the documents of World Bank and the Eleventh Five year plan document. The Eleventh five Year plan emphasized the need for the inclusive growth and it says "growth process which yields broad-based benefits and ensures equality of opportunity for all". The commercial banks particularly State Bank of India has been providing loans for the development of rural artisans in Nellore district. But it is inadequate to meet the financial needs of the total sample farmers. However, their employment conditions have improved significantly during the post-loan periods. The back-ward caste sample beneficiaries have generated the highest incremental employment during the post-loan period. Hence, there is a need to increase and expand the financial services of commercial banks to the hitherto neglected sections like rural artisans who are promoting the non-farm activities with a view to generating more employment in rural India.

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