

Awareness and Adoption of Government Loan Schemes by Urban and Rural People

Abstract

Central government announced some loan schemes for weaker section and low income groups. The present study was conducted in Hisar district of Haryana state with the objective to find out knowledge and adoption/use of government loan schemes by rural and urban people. Two villages i.e. Dabra and Devan from two different blocks and two urban localities from two different wards were randomly selected. Fifty rural respondents from the two blocks (25 from each village) and 50 urban respondents from the two wards (25 from each urban locality) were randomly selected. Thus, the total number of respondents was 100. An interview schedule was developed for the collection of data. The results show that maximum number of respondents (62%) belonged to middle age group, were educated up to 10+2 (42%), respondents' main occupation was service (41%), 71 per cent respondents were having accounts in banks and 29 per cent were having accounts in both banks and post office. 68 per cent of rural and 58 per cent of urban respondents adopted at least one government loan scheme while 32 per cent of rural and 42 per cent of urban respondents did not adopt any loan scheme. In total, 75 loan schemes were adopted by 34 (68%) rural respondents while only 57 total loan schemes were adopted by 29 (58%) urban respondents. Amongst schemes, 90 per cent respondents were aware about *Kisan Credit Card* but only 64 per cent of the respondents adopted it followed by awareness about Personal loan and Home loan (78%). Major source of information about government loan schemes was television followed by newspaper. Cent percent respondents were aware that government loan schemes were offered by State Bank of India. Thus it can be concluded that urban and rural people both were quite aware about government loan schemes but were not availing/ adopting these too much. There was still need that knowledge about these loan schemes should be disseminated more to rural and urban masses so that more people should adopt them and be benefitted from these useful schemes.

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Introduction

India has a remarkable and well-structured banking system to cater to the financial needs of individuals and households and contribute towards the progress and advancement of the nation. The Indian banking sector comprises of the Reserve Bank of India (RBI), commercial banks and co-operative bank. Bank nationalization in India marked a paradigm shift in the focus of banking as it was intended to shift the focus from class banking to mass banking. To mitigate these long drawn financial sufferings, central government announced some loan and saving schemes and called it as the National Mission on Financial Inclusion (NRFI) for weaker section and low income groups. Banks and other financial institutions act as an intermediary between depositors and the loan applicants; their most important operation is to grant loans. Loans are main part of assets, and assets of the bank are basis of their profitability. Therefore, soundness of the banking system hinges on the reliability of asset structure in terms of secure loan portfolio and therein lays the threat to a bank's profitability in terms of emergence and growth of nonperforming loans.

The present study was conducted in Hisar district of Haryana state with the objective to find out knowledge and adoption/use of government loan schemes.

Review of Literature

Karmakar and Mohapatra (2011) provided in depth analysis of various tools of financial inclusion like micro credit, micro- insurance, micro savings and emphasized more on creating awareness regarding banking habits, literacy and counselling which were core to achieve financial inclusion in India.

Devi (2012) found that Co-operative credit was analyzed by the modernization of agricultural process during the pre-loan and post-loan periods. There was an enormous increase in the usage of HYV seeds, modernized inputs, fertilizers and pesticides from pre-loan to post-loan period. The modern process of agriculture increased the yield per acre and also the income per acre which in turn increased the income of the sample borrowers.

Sajane *et al* (2010) found that the growth of *Kisan* credit card users in the Belgaum district was negative (-393.38 %) and on the other hand, in Sangli district, the growth was positive (36.18 %). The total cost of credit as percentage of borrowed amount was higher in the non- *Kisan* credit card category (11.06 %) as compared to that in the *Kisan* credit card (4.77 %).

Paramasivan and Kumar (2013) found that financial inclusion aimed at providing banking and

financial services to all people in a fair, transparent and equitable manner at affordable cost.

Thomas (2014) showed that less than half of the sample population availed house loans for a period less than 5 years, the same proportion had availed loans for a period in between five to ten years and only five per cent chose the loan for above ten years. While the repayment mode ranged between monthly to yearly and nearly ninety per cent opted monthly mode and less than six per cent opted quarterly and monthly mode.

Research Design

The present study was conducted in Hisar district of Haryana state. Two villages i.e. Dabra and Devan, from two different blocks and two urban localities from two different wards were randomly selected. 50 rural respondents from the two blocks (25 from each village) and 50 urban respondents from the two wards (25 from each locality) were randomly selected. Thus, the total number of respondents was 100. An interview schedule was developed for the collection of data. The data thus collected were coded, tabulated and analyzed using frequency, percentages.

Findings

Table 1: Personal profile of the respondents

Variables	Category	Rural (n=50)	Urban (n=50)	Total (n=100)
Personal and demographic variables				
Age (in years)	20-40	16(32)	15(30)	31(31)
	41-60	30(60)	32(64)	62(62)
	61-80	4(8)	3(6)	7(7)
Sex	Male	37(74)	38(76)	75(75)
	Female	13(26)	12(24)	25(25)
Education of respondents	Middle	9(18)	3(6)	12(12)
	10+2	21(42)	24(48)	45(45)
	Graduate	17(34)	19(38)	36(36)
	Post Graduate	3(6)	4(8)	7(7)
Socio-economic variables				
Respondent's occupation	Service	7(14)	34(68)	41(41)
	Business	4(8)	7(14)	11(11)
	Farming	31(62)	-	31(31)
	Retired	-	5(10)	5(5)
	Housewife	8(16)	4(8)	12(12)
Family occupation	Service	9(18)	40(80)	49(49)
	Business	5(10)	10(20)	15(15)
	Farming	36(72)	-	36(36)
Monthly family income (Rs.)	Up to 30,000	20(40)	17(34)	37(37)
	30,001-60,000	24(48)	26(52)	50(50)
	60,001-90,000	6(12)	7(14)	13(13)
Communication variable				
Mass media exposure	Low	20(40)	13(26)	32(32)
	Medium	22(44)	28(56)	50(50)
	High	8(16)	9(18)	17(17)

Figures in parentheses indicate percentages

Table 1 show that majority of respondents were 41-60 years of age (62%), were male (75%), respondents' main occupation was service (41%),

respondents' monthly family income was Rs. 30,001-60,000 (50%) and 45% had education up to 10+2.

Table 2: Respondents having account in banks/post office

Bank/Post office/Both	Rural (n=50)	Urban (n=50)	Total (n=100)
Bank	38(76)	33(66)	71(71)
Both (bank and post office)	12(24)	17(34)	29(29)

Figures in parentheses indicate percentages

Table 2 reveals that more than half of the respondents were having any account in bank (71%) and 29 percent were having any account both in bank and post office (29%).

Table 3: Adoption of loan schemes by rural and urban respondents

Schemes	Rural (n=50)	No. of Schemes	Urban (n=50)	No. of schemes	Total (n=100)	Total no. of schemes
Loan schemes	34(68)	75	29(58)	57	63(63)	132

Figures in parentheses indicate percentages

Table 3 clearly reveals that in case of loan schemes, in rural areas, 34 rural respondents had adopted at least one loan scheme and these 34 respondents adopted 75 loan schemes in total. In

urban areas, out of 50 respondents, 29 respondents had adopted at least one loan scheme and these 29 respondents adopted 57 loan schemes.

Table 4: Awareness and adoption of government loan schemes by rural respondents

Name of loan Scheme	Offered by	Rural (n=50)		
		Awareness	Adoption	Rank of adoption
Personal loan	Bank	39(78)	12(24)	III
Kisan Credit Card	Bank	45(90)	32(64)	I
Vehicle loan	Bank	38(76)	12(24)	III
Home loan	Bank	39(78)	6(12)	IV
Crop loan	Bank	33(66)	13(26)	II
Education loan	Bank	33(66)	-	-
MUDRA Yojana	Bank	14(28)	-	-
Kisan Tatkal Yojana	Bank	27(54)	-	-
Gold metal loan	Bank	19(38)	-	-
MSME	Bank	20(40)	-	-
Irrigation loan	Bank	32(64)	-	-
Dairy loan	Bank	35(70)	-	-
Poultry loan	Bank	24(48)	-	-

Figures in parentheses indicate percentages Multiple responses

Table 4 reveals awareness and adoption of government loan schemes in rural areas. It was found that majority of the respondents were aware about KCC (90%) followed by home loan and personal loan

(78%), vehicle loan (76%) and dairy loan (70%). Out of the thirteen schemes which the respondents were aware of, only five schemes were adopted by the rural respondents.

Table 5: Awareness and adoption of government saving schemes by urban respondents

Name of the saving scheme	Offered by	Urban (n=50)		
		Awareness	Adoption	Rank of adoption
Personal loan	Bank	44(88)	21(42)	I
Kisan Credit Card	Bank	30(60)	-	-
Vehicle loan	Bank	43(86)	17(34)	II
Home loan	Bank	45(90)	11(22)	III
Crop loan	Bank	20(40)	-	-
Education loan	Bank	43(86)	8(16)	IV
MUDRA Yojana	Bank	22(44)	-	-
Kisan Tatkal Yojana	Bank	29(58)	-	-
Gold metal loan	Bank	34(68)	-	-
MSME	Bank	28(56)	-	-
Irrigation loan	Bank	31(62)	-	-
Dairy loan	Bank	36(72)	-	-
Poultry loan	Bank	30(60)	-	-

Figures in parentheses indicate percentages Multiple responses

Table 5 shows that majority of the respondents (90%) were aware about home loan, followed by personal loan (88%), vehicle loan and

education loan (86%). Out of the 13 loan schemes which they were aware of, only four loans were availed by the urban respondents. Majority of the

respondents had availed personal loan (42%) followed by vehicle loan (34%), home loan (22%) and education loan (16%).

Table 6: Source of information about loan schemes

Source of Information	Rural (n=50)	Urban (n=50)	Total (n=100)
Newspaper	37(74)	42(84)	79(79)
Television	38(76)	44(88)	82(82)
Radio	15(30)	19(38)	34(34)
Relatives	25(50)	23(46)	48(48)

Friends	24(48)	22(44)	46(46)
Bank	22(44)	26(52)	48(48)
Internet	8(16)	16(32)	24(24)
Magazine	18(36)	14(28)	32(32)

Figures in parentheses indicate percentages

Multiple Responses

Table 6 depicts source of information about loan schemes. In rural and urban areas television was the major source of information (82%) followed by newspaper (79%), bank and relatives (48%) and friends (46%).

Table 7: Awareness of respondents about the banks/post office offering loan schemes

Banks	Name of the banks	Rural (n=50)	Urban (n=50)	Total (n=100)
Public sector banks	State Bank of India	50(100)	50(100)	100(100)
	State Bank of Patiala	18(36)	21(42)	39(39)
	Punjab National Bank	33(66)	39(78)	72(72)
	Andhra bank	15(30)	22(44)	37(37)
Private sector banks	ICICI(Industrial Credit Investment Corporation of India)	20(40)	23(46)	43(43)
	HDFC(Housing Development Finance Corporation)	14(28)	21(42)	35(35)
Agriculture bank	NABARD (National Bank For Agriculture and Rural Development)	27(54)	30(60)	57(57)
Cooperative bank	Cooperative bank	21(42)	35(70)	56(56)
Regional rural bank	Sarva Haryana Gramin Bank	29(58)	14(28)	43(43)
Post office	Post office	-	-	-

Figures in parentheses indicate percentages Multiple responses

Table 7 reveals awareness of the respondents about the bank in which loan schemes were offered. In rural and urban localities cent per cent respondents were aware that SBI offered loan schemes followed by PNB bank (72%), NABARD (57%) and cooperative bank (56%).

Conclusion

Government of India launched many loan schemes which were available in all nationalized and private banks. Respondents were aware about many loan schemes and different schemes were adopted by them. Newspapers and television were major sources of information about these loan schemes.

Suggestions

Though rural and urban people are making use of these government schemes, still government should disseminate more knowledge about these schemes in rural and urban areas so that more and more people should make use of these beneficial schemes.

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