

CHAPTER I

INTRODUCTION

Mahatma Gandhi, Father of our nation has told that the heart of our nation lies in our villages. Hence for the development of the country one should aim at the improvement of the villages in all its facets. Economic development of villages is a vital part of rural development. Its importance was felt even in historic days by many scholars. Since independence many schemes have been in operation for achieving this aim.

An old scheme which operates with partial success, even today, is the village co-operatives. It aims to provide cheap and quick short term credit for agricultural purposes. Till recently co-operative banks have played only a very insignificant role in providing rural credit. Rural Credit Survey Committee Report pointed out "Co-operation has failed inspite of its recognition". The failure of co-operative banks is mainly due to the heavy overdues at different levels.

Provision of credit to the rural agriculture people by the government is called Takkavi Loans. These loans are given under Land Improvement Loans Act of 1883 and Agriculture Loan Act of 1884. These loans are given only at times of distress such as famine and drought. Due to governmental redtapism, bureaucracy, etc., these loans were not at all popular with rural people.

Commercial banks did not play any significant role in rural credit till 1967. The percentage of rural credit in relation to their total credit was quite meagre. This was one of the reasons for the government to nationalise the 14 major commercial banks in 1969. In 1970 Reserve Bank of India circulated the guidelines for financing of agriculture by commercial banks in which the banks were asked to extend "credit not only to already viable cultivators for further increasing their supplies but more importantly to marginal and potentially viable cultivators". Only after this, the nationalised banks started involving themselves with rural credit, seriously.

As per the recommendation of the Planning Commission and other Committees the Government has formulated many schemes for rural development to be implemented by commercial banks, Regional rural banks and Rural co-operatives. These schemes are detailed below.

Integrated Rural Development Programme (IRDP)¹

Integrated Rural Development Programme was launched in 1978-79 for the purpose of combating unemployment and underemployment in the rural areas, for attacking rural mass poverty and for raising the rural poor above the poverty line. It began with the task of preparing resource inventories and action plan for 200 selected districts in India and now extended to the whole of India. The target group consists of the poorest among the poor in rural areas, namely, small and marginal farmers² agricultural and non-agricultural

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1. "Integrated Rural Development Programme and Allied Programmes of Trysem and Dwera - A manual Department of Rural development, Ministry of Agriculture, Government of India, July 1987.
 2. All farmers having a holding of 0-1 acres are termed small and those with a holding of 1-2.5 acres are termed as marginal farmers.

4

labourers, rural artisans, craftsmen and Scheduled Castes and Scheduled Tribes. The basic criteria for identifying a family for assistance is the annual income of the family from all sources which should not be more than Rs. 3,500. The identified family is to be given assistance in the form of subsidies and loans to take up productive activities for generating sufficient income to enable it to cross the poverty line. The poverty line has been reidentified as Rs. 6,400 in the Seventh Plan Period and the eligibility ceiling of family income has been raised from Rs. 3,500 to Rs. 4,800 for IRDP assistance.

The families below the ceiling limit have been classified into three income groups. Upto Rs. 2,250, from Rs. 2,251 to 3,500 and Rs. 3,501 to 4,800. In allocating the funds priority is given to the lower income group. The Block Development Officer gets the required information through a census survey of the block. The final selection is made by the Task Force Committee from the list submitted by the Advisory Committee. The committee selects 10% more than the targeted number of beneficiaries to be assisted in each

block in order to reach the target. The quantum of subsidy for which the various categories of identified beneficiaries are eligible to get is given in Table 1.1

TABLE 1.1
PERCENTAGE OF AND CIELING ON
SUBSIDY

Categories of beneficiaries	Individual Beneficiary Scheme %	Community works	Ceiling on subsidy	
			Non-DPAP Areas Rs.	DPAP Areas Rs.
1. Small farmers	25	50% on cost apportionable to identified beneficiaries	3,000	4,000
2. Marginal farmers	$33\frac{1}{3}$	-do-	3,000	4,000
3. Agricultural labourers	$33\frac{1}{3}$	-do-	3,000	4,000
4. Non-Agricultural labourers	$33\frac{1}{3}$	-do-	3,000	4,000
5. Rural Industries/ Rural artisan programme	$33\frac{1}{3}$	-do-	3,000	4,000
6. S.T. Beneficiaries	50	50	5,000	5,000
7. Training Schemes under full cost to be met from IRDP Funds.				

Source: Guide lines on IRDP and MAPP-Indian Bank Agricultural Finance Department. :- 1984.

The maximum subsidy shall not exceed Rs. 3,000 per family.

Twenty Point Programme (20 PEP)

Shrimathi Indira Gandhi introduced 20 PEP in the year 1982 for the upliftment of rural and weaker sections of the community. After her demise it has been remodified in 1987 and commercial banks are authorised to advance loans under the new 20 PEP. The following are the purposes for which the loans can be granted under this programme.

- 1) Attack on rural poverty
- 2) Strategy for rainfed agriculture.
- 3) Better use of irrigation water.
- 4) Bigger harvests.
- 5) Enforcement of land reforms.
- 6) Special programme for rural labour.
- 7) Clean drinking water.
- 8) Health for all.
- 9) Two child norm.
- 10) Expansion of education.
- 11) Justice of Scheduled Castes and Scheduled Tribes.

- 12) Equality for women
- 13) New opportunities for youth
- 14) Housing for the people.
- 15) Improvement of slums.
- 16) New strategy for forestry.
- 17) Protection of the environment
- 18) Concern for the consumer
- 19) Energy for the village
- 20) A responsive administration.

Massive Agricultural Production Programme (MAPP)¹

Massive Agricultural Production Programme is a centrally sponsored scheme for assisting small and marginal farmers for increasing agricultural production. This is in operation in all the 5011 development blocks since 1983-84. The subsidy fixed per block is Rs. 5,00,000.

Farmers who have substantial off-farm income of Rs. 200 per month and more are not eligible, to get subsidy under this scheme. The size of land holding adopted under IRDP is applicable for this scheme also for the purpose of classification of small and marginal

1. Guidelines on IRDP and MAPP Op. Cit.,

8

farmers. Preference is to be given to the members of the Scheduled Castes and Scheduled Tribes.

Self Employment for Educated Unemployed Youth (SEEUY)

This scheme was formulated in 1984 and was planned to exist till 1987. The Government of India has decided to continue the scheme till the end of Seventh Five Year Plan Period. The whole of the country except cities with a population of more than one million as per 1981 census is covered by this scheme. The eligibility criteria are family income and being an educated unemployed.

The family income per annum shall be Rs. 10,000 or less and income means the total income from all sources.

Educated unemployed youth means who are in the age group of 18 to 35 and whose level of education is not less than matriculation. Women and technically trained persons are given preference. ITI trained youth are also eligible for assistance for setting up industrial and service ventures under this scheme.

However they are not financed for taking up business activities. A minimum of 30 per cent of total assistance is reserved for the applicants from Scheduled Castes and Scheduled Tribes.

Till 86-87 the ceiling fixed for financial assistance was Rs. 25,000 and from 86-87 onwards it has been increased to Rs. 30,000 for industrial ventures. In the case of existing business ventures the ceiling of assistance is limited to Rs. 15,000 only. The level of subsidy for all ventures is 25%. Under this scheme the target for each District Industrial Centre (DIC) is fixed by the state government and allotments are made for each participating bank, by the DIC. No margin money or collateral security or third party guarantee is demanded by the bank. The Task Force Committee selects the youth and forward their applications to the participating banks with their recommendations.

Self Employment Programme for Urban Poor (SEPUP)

Government of India has formulated and implemented this new scheme in September 1986 in consultation with the Reserve Bank of India for providing self employment

to the Urban Poor living in metropolitan, urban, semi-urban towns or cities. The object is to enable identified eligible families living below the subsistence level to undertake self employment ventures with the help of subsidy and bank credits. To be eligible under this scheme, the total income of the loanee's family should not be more than Rs. 600 per month, the loanee should be a permanent resident of a metropolitan area or city or town and should have lived continuously atleast for three years therein and the loanee's name should appear in the ration card.

Upto Rs. 5,000 is given as assistance depending upon the cost of the unit. Subsidy at the rate of 25% of the total assistance is provided by the Government of India.

Repayment is to be made in 33 equal monthly instalments after a grace period of 3 months. Assistance will be provided by all the branches of the public sector banks in the respective area.

The local bankers committee at each centre selects the beneficiaries and the loans issued

under the scheme are classified as priority sector advances.

Training Rural Youth for Self Employment

(TRYSEM Programme)

This scheme was introduced in the year 1979 with a view to provide technical skill to rural youth belonging to families below poverty level, to enable them to take up self employment in rural economic activities, namely agriculture and allied activities, industry service and business activities. Stipend and financial assistance are provided to them by District Rural Development Agency under IRDP. The aim is to give intensive training in self employment ventures. The scope of this scheme is related not only to give training to the traditional activities such as handloom weaving, carpentry, metal work, bamboo work etc., but also extends to potential areas like television repairs, computer programming, repairs to two wheelers, etc.,

Differential Rate of Interest Scheme (DRI)

This scheme has been implemented with a view to provide the necessary financial support to those who belong to the low income group to take up productive activities. Since its main aim is to assist the poorest among the poor, the beneficiaries should satisfy the following conditions:-

- 1) The family income of the beneficiary living in urban and semi-urban areas should not exceed Rs. 7,200/- per annum from all the sources. Similarly the income of the beneficiary living in rural areas from all sources should not be more than Rs. 6,200 per annum.
- 2) The beneficiary should be only a small farmer. Only a low rate of interest (4%) is charged for the loans under this scheme.

(1) Amount not exceeding Rs. 1,500 for working capital (2) Rs. 5,000 for a term loan and (3) Rs. 6,500 for a composite loan, are given under the scheme.

Tamil Nadu Adi Dravida Housing and Development Corporation (THADCO Schemes)

(1) THADCO schemes to give training and provide self employment to Hindu Adi Dravidars in urban areas where no other scheme mentioned earlier is in operation. Those families getting an annual income of less than Rs. 4,300 are eligible for assistance.

$33\frac{1}{3}\%$ is given as subsidy by the Government. The Special Tashildar of the Taluk concerned is the identifying authority for the beneficiaries.

Petty trade scheme was introduced to help Scheduled Caste and Adi-Dravida converts. For them the subsidy given is only 25%. These norms are fixed by the National Bank for Agriculture and Rural Development (NABARD).

Agricultural Refinance Development Corporation (ARDC)

Reserve Bank of India has begun playing a vital role in the provision of agricultural finance

in the country since 1955. It does not have direct contact with the beneficiaries. On the advise of the Bank's Standing Advisory Committee on Rural and Co-operative Credit, it has appointed an All India Rural Credit Review Committee which guides the Reserve Bank of India in the matter of rural credit.

The Parliament has established through its Act the Agricultural Refinance Development Corporation in July 1963 to provide for the increase in the credit requirements in the agricultural sector. The primary aim of ARDC is to refinance by providing long term accommodation to the major development projects which cannot be financed by other credit agencies on account of the large outlay involved. The Corporation's authorised capital is subscribed by the Reserve Bank of India, Central Land Development Bank, State Co-operative Banks, Scheduled Commercial Banks and the Life Insurance Corporation of India.

Its refinancing facilities are limited to the following projects.

- 1) Planned minor irrigation projects

- ii) development of storage facilities and for development of plantation crops,
 - iii) purchase of equipments for mechanical farming,
 - iv) promotion and development of allied activities,
 - v) setting up processing units in case of plantation.
- and vi) providing finance to house labourers in plantations.

Regional Rural Banks (RRB)

With a view to developing the rural economy by providing assistance for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans, small entrepreneurs and for matters connected therewith, the Regional Rural Banks were started.

In early seventies, Government of India appointed the Working Group on Rural Banks to review the functioning of the then existing rural credit agencies. This Committee recommended a new type of institution to provide rural credit, namely, Regional Rural Banks and these banks came into existence in February 1976.

The RRBs were started at district levels and were sponsored by public sector banks. From a mere six in 1977, the number of RRBs has grown to about 120, functioning in 172 districts with 3,800 branches. Of the loans provided by the RRBs 91% went to small farmers, agricultural labourers and rural artisans. The RRBs have made a significant and commendable progress in a decade.

National Bank for Agricultural and Rural
Development (NABARD)

The existence of multiple agencies for rural credit has led many critics to question the maintenance of having too many agencies. The criticism forced RBI to set up the Committee to Review arrangements for infrastructural credit for

Agricultural and Rural Development (CRAFICARD) in March 1979. The final report was submitted in March 1981. It suggested the creation of a new apex bank called National Bank for Agricultural and Rural Development (NABARD). NABARD was set up in July 1982. The aim of NABARD is to serve as refinance institution for rural credit. It provides refinance for various banks for the term lending to agriculture.

Lead Bank

In order to co-ordinate the various schemes that are in force and to effectively implement them in each district the concept of Lead Bank Scheme was formulated in 1976. The main aim of lead banks is to prepare the district credit plan and annual action plan in consultation with RBI, apex bodies such as NABARD, other participating banks in the district and revenue and development officials of the district. A senior official of the lead bank is to oversee the preparation and implementation of a District Credit Plan.

As per the Lead Bank Scheme a particular nationalised bank is playing the role of Lead Bank in a district. For purpose of lending to priority sectors each nationalised bank is having its own arrangement. Indian Bank has created certain cells for the purpose of providing rural credit under priority sector. These cells are called Gramodaya Kendras.

This work is an attempt to study the working of the Gramodaya Kendras in South Arcot District. There is no special reason to select South Arcot District except the fact that it is the native district for the researcher.

There are Six Gramodaya Kendras functioning in South Arcot District at Chidambaram, Sethiathope, Tindivanam, Villupuram, Sankarapuram and Kilianur¹. These six kendras have number of branches throughout the district. Each branch is opened with the intention of covering a group of villages. It is estimated that there are about 150 beneficiaries in each village getting assistance under the scheme.

1. Names of GK of South Arcot District and branches attached to them are given in appendix. The List of GKs in India are also given in Appendix

Sampling technique is followed in different stages. Out of seven Gramodaya Kendras functioning in the district two Gramodaya Kendras are chosen at random by drawing lots¹. Sethiathope and Tindivanam are the selected centres. Seven branches are attached to Sethiathope, out of which four branches are selected using random sampling. Six branches are functioning under Tindivanam GK centre, out of which three branches are selected using random sampling. Two villages per branch are selected using random sampling.

A total number of 14 villages are selected in the whole of South Arcot District. The name of beneficiaries are obtained by contacting the respective branches. Totally 202 beneficiaries are contacted representing the 14 villages. The beneficiaries are not taken in equal numbers from the villages. In certain villages a maximum number of 35 beneficiaries were contacted whereas only seven beneficiaries were contacted in another village.

1. M.N. Moorthy : Sampling theory and Methods, Statistical Publishing Society, Culcutta, 3rd Edn, 1977.

The following table (Table No. 1.2) gives the number of beneficiaries contacted in the 14 village taken up for study. For the purpose of pilot study two villages namely Solatharam and Govindanallur under the jurisdiction of Mamangalam branch were selected. This branch is coming under Sethiathope GK Centre. 15 beneficiaries from the two villages were randomly chosen using the random number tables. But the researcher was able to get some response only from 3, as 8 persons refused to open their mouth and 4 could not be found in the village during the three days when the researcher visited the village. Then it was decided to change the sampling design. Another village of the same branch was visited by the researcher along with the officer of the Kendra on 3 different days. During that period 27 persons were interviewed. All the beneficiaries were free and frank while replying to the questions even in the presence of the Gramodaya Kendra Officer.

The whole sampling design was modified after the pilot study. From the itinerary of the GK officer the dates of his visit to selected branches

TABLE 1.2

NUMBER OF BENEFICIARIES CONTACTED IN THE 14 SELECTED VILLAGES

Name of the Branch	Names of villages	Number of beneficiaries contacted	
Mamangalam	Mamangalam	35	42
	Kondasamudram	<u>7</u>	
Sethiathope	Pinnalur	13	22
	Gunamangalam	<u>9</u>	
Kattumannar Koil	Valasakkedu	12	22
	Velanpoondi	<u>10</u>	
Ayangudi	Ayangudi	19	26
	Veyyalur	<u>7</u>	
Melmalayanur	Kodukkankuppam	20	28
	Valathi	<u>8</u>	
Avanippur	Senthamangalam	17	28
	Avarappakkam	<u>11</u>	
Thindivanam	Singanur	22	34
	Annamputhur	<u>12</u>	
		----- 202	

were noted. A few days were chosen at random. On the chosen days the researcher presented herself at the village of visit and contacted all beneficiaries present in the village during that day¹. In all 202 beneficiaries were contacted and 181 responded. The percentage of non-response was only ten which is not quite high in surveys of this nature¹.

Two questionnaires were prepared one to collect the necessary information from the beneficiaries and the other to collect the information from the officials of the Gramodaya Kendra. The researcher was able to clarify many doubts during the personal discussions ^{she} had with the officials.

The Gramodaya Kendra were started by the Indian Bank in the year 1983. The details of the working of the Kendra were collected for a period of 5 years from 1983-1987.

1. M.N. Moorthy - Op. Cit.,

The data on the working of GK were collected from the bank records kept at the centres. It is to be noted here that the maintenance of records of the two GKs are not quite satisfactory in the sense that consistent data for analysis could not be obtained. Hence analysis has to be done with the truncated data obtained from the available records at the two centres. Of the two centres, the situation is very bad at Tindivanam centre due to frequent transfer of the officers.

Analysis

This being an exploratory study no hypothesis could be set up with reference to the working of the GKs. Hence results were analysed and from the sampled information estimates for some parameters of the working of GK in South Arcot District were computed.

To examine the influence of various categories of beneficiaries on their opinion about GK, chisquare¹ test was adopted. In all such studies

1. C. Radhakrishna Rao, Linear Statistical Inference and Its Applications (Second Edn.) Wiley Eastern Ltd. - New Delhi (1983) pp 403-415.

the general hypothesis setup was, "There is no relation between the answers of the respondents and their categorisation". This hypothesis was either rejected or accepted on the basis of analysed results and proper inferences were drawn.

To examine the relations between factors like motivation and categories similar analysis were adopted.

For adopting Chisquare test no cell frequency should be less than 5. When cell frequencies are small, Fisher's exact test was adopted¹.

To examine the evenness of the distribution of loans under different categories, evenness of land holdings of beneficiaries of agricultural sector the Lorenz Curve was drawn and inferences were obtained.

To study the impact of loan on the beneficiaries the return per rupee loan was analysed

1. C.R. Rao - Ibid., p. 473.

using analysis of variance technique, after ascertaining the adoptability of such techniques¹. The models used, hypotheses tested, method of examining the suitability are given below.

Model

$$Y_{ij} = \mu + \alpha_i + e_{ij}$$

Where Y_{ij} is the per rupee return of j^{th} beneficiary in i^{th} category, μ is the general average return, α_i is the additional effect on return in i^{th} category

e_{ij} 's are random residuals. e_{ij} 's are assumed to be independently identically distributed normal variables with 0 mean and same unknown variance σ^2 (homogeneity of variance)

1. C.R. Rao - Ibid. pp 244-247.

The hypotheses tested is $H : \alpha_1 = \alpha_2 = \alpha_3$, namely, the additional effects of the three categories are the same.

To examine the homogeneity of variances Bartlett's test¹ was used, further to compare the additional effect of ^{a pair of} categories 't' test was used².

Chapter Scheme

In the introductory chapter some brief details about the various rural development schemes are given. A detailed description of the aims and working of the Gramodaya Kendra Scheme of the Indian Bank is given the Second Chapter. The results of the analysis of the collected data and their interpretations are discussed in the third chapter. Summary and suggestions are given in the last chapter.

1. S.C. Gupta and V.K. Kapoor : Fundamentals of Mathematical Statistics ; S.Chand and Co Delhi - (7th Edn. 1980) p. 731.

2. C.R. Rao - Op. Cit., p. 246.