A Focus on the Schemes for the Rural Poor Sponsored through Nationalised Banks
CHAPTER - III

A FOCUS ON THE SCHEMES FOR THE RURAL POOR SPONSORED THROUGH NATIONALISED BANKS

As India lives in its villages the economic development and progress really means reconstruction and resurgence of the rural communities. Provision of Banking facilities is one among the various infrastructure facilities that would influence the economic development of the rural masses in India. Availability of Banking and Credit facilities may not be a sufficient condition for the development of Village Communities but is certainly an essential condition without which development cannot take place.

Banks as Development Agencies:

There are three different schools of thought, on the role of banks as development agencies viz.¹

(1) At one extreme, there is a view that banks should take on a full-fledged development role.

(2) At the other extreme, there is the view that banks being primary credit agencies cannot be expected to take on such a role and their function is to make credit available for bankable projects.

(3) Beyond this, there is another view that while considering the developmental responsibility of Commercial Banks, particularly in the context of the nationalisation of large sized ones among them would at the same take cognisance of the complementary role to be played by another agencies.

This seems to be the golden mean, Credit can only catalyse the development process, it cannot by itself bring about development. In this sense banks are partners in development with other agencies. At the same time, banks should not be mere passive observers, but take the initiative in getting such activities started wherever they are not already in operation. A Bank cannot only contribute to development, but also pave the way for the successful recovery of its loans. If this is accepted, one cannot agree with the view that the initiative for the formulation of development schemes should come from the district administration. Even the initial impulses for generating a
development notice can be produced by credit agencies through appropriate marketing of their credit services. Many Banks have developed expertise in this area and one need not elaborate the role of the Government here.

**Strategy and Methodology to be considered:**

It is well known that there is not enough infrastructure in rural India for initiating any development process. In the absence of some social overheads such as roads, railways, water, electricity and communications and inter-related facilities in rural areas, either the banks have to wait till such overheads are created by the Government including the transfer of technologies from research laboratories to fields, or else undertake some other measures in the absence of these Banks should prepare schemes and credit plans for development in such a way that no alternative is left to the other agencies other than provision of infra-structural and extension services.

Since the crucial issues on rural development largely emanate from the strategy and methodology postulated

2. Ibid., p.263.
for accelerated rural development, it would be appropriate to consider the same here.\(^3\) They are;

(a) Increasing production and productivity, both in agriculture and allied sectors.

(b) Resources and income development of vulnerable sections of the rural population through development of the primary, secondary and tertiary sector.

(c) Skill formation and skill upgrading programmes to promote self-employment amongst the rural poor.

(d) Facilitating adequate availability of credit to support the programmes taken up for the rural poor.

(e) Promoting marketing support to ensure the viability of production programmes and to insulate the rural poor from exploitation in the marketing of their produce.

(f) Promotion of additional employment opportunities to the rural poor for going of employment during the lean agricultural season through a National Rural Employment Programme.

\(^3\) Ibid., p.86.
(g) Provision of essential minimum needs.

(h) Realising Pricing Policy for agricultural products.

Approaches adopted by Bank:

The three approaches generally adopted by banks towards reaching the target group viz.,\(^4\) to the weaker section are:

a) Commodity Approach

b) Area Approach

c) Peoples' Need Approach

In case of commodity approach, the commodity identified has a ready market within the accessible area and with an expanding market, the activity expands and the target group which is induced to take-up the activity tried, continues to benefit. Such an approach is successfully tried in Dairy farming and Sugarcane cultivation. The approach helps the producers in getting a larger share of the price paid by the consumers.

\(^4\) Ibid., p.294.
In the area approach, the focal point is the judicious utilisation of all the resources of a particular area. The implications of realising the potentials are worked out in a co-ordinated fashion. The different aspects being considered are allocation of resources between different activities and selection of target groups for various activities. However, the service Area Approach involves five major aspects which are as follows:

(1) Identification and allocation of service area for each bank branch.

(2) Survey of villages in the service area for assessing the potential for lending activities and identification of beneficiaries for assistance.

(3) Preparation of credit plan on an annual basis for the service area by each branch.

(4) Co-ordination between credit institutions on the one hand and field development agencies on the other, on an on-going basis for the effective implementation of the credit plans, and

(5) System of continuous monitoring of progress in the implementation of the plans.
Under the peoples' need based approach, the emphasis is laid more on bringing people together and involving them collectively and individually in self-analysing their needs, constraints and ultimately drawing up the strategy for dealing with them. The role of developing agency is that of a facilitator of development. The villages were freed from the hands of money lenders and the other they were also helped to get a fair price for their produce by selling their produce. Not only in marketing, but they are also getting assistance for agriculture, transportation, health, community development, credit, extension, education etc.

All these approaches are not only mutually exclusive. An approach which ultimately works with different target groups is an integrated one, which draws on relevant elements of all approaches. What is common is all these approaches in organising the people - the target group which is to be developed. The element around which people are organised vary from area to area and from people to people. However, it can never be organised around credit as the sole element. The banker has credit which is to be combined with some other activity. It is for the banker to
lead in this activity and cushion it with credit in order to
cater for the development and therein lies the success of a
development banker.

Special Schemes for Weaker Sections:

The phenomenal growth of the resources, remarkable
adaptability and organisational soundness of the banking
system induced the governments at the Centre and in the
States to thrust increasing responsibilities on the
shoulders of the bankers. Banks were increasingly involved
in a number of socio-economic reforms like lending at
uneconomically low rates of interest to weaker sections,
preparation of credit plans, which in many cases did not
exist, searching the small borrowers, convincing them about
the advantage of bank credit and financing them, providing
success to a large number of sick and uneconomic units
providing large funds at concessional rates to public sector
trading and welfare corporations etc.\(^5\) For solving the
unemployment problems, housing problems of the weaker
sections, slum clearance and almost every conceivable

\(^5\) Desai, S.S.M. Rural Banking in India, Himalaya Publishing House,
problem, bank finance came to be identified as the Panacea. Banks upgrudging attitude to shoulder the increasing demand made on them kindled hopes of making banks the engine of growth to bring about rapid development of the countryside and the following National Policy and Objectives were indicated to banks.

(a) 40% of total advances should go to the priority sectors.

(b) Direct finance to agriculture should constitute 16% of total credit.

(c) 25% of priority sector credit or 10% to total credit should go to weaker sections, which includes,
   i) Small and marginal farmers, landless labourers, share croppers and tenant farmers.
   ii) Artisans and Village & Cottage Industries located at centres with population below 50,000 and whose credit requirements are less than Rs.25,000/-. 
   iii) Scheduled Castes and Scheduled Tribes;
   iv) IRDP beneficiaries; and
   v) DRI beneficiaries.
(d) Minimum credit-deposit ratio of 60% in rural and semi-urban areas separately.

(e) 1% advances under Differential Rates of Interest Scheme (4%), 40% of which should go to, Scheduled Castes/Tribes and remaining 60% of such advances should be disbursed through rural and Semi-Urban areas.

The schemes of Differential Interest Rate, Village Adoption, IRDP, ARDA and Twenty Point Programme all point to the emphasis laid on assistance to the weaker sections of the society. A sketch of these schemes are as follows:

Differential Rate of Interest Scheme (DRIS):

The differential rate of interest scheme was announced in the year 1972. To develop the weaker sections of the society, commercial banks have been assisting productive programme by giving credit at concessional rate of 4% p.a. to those borrowers, whose annual income does not exceed Rs.2000 in rural areas is eligible for maximum of Rs.1500 for working capital and Rs.5000 for term loan. The advances of public sector banks under this scheme went up from Rs.0.87 crores in December 1972 to Rs.225 crores in June 1981. The percentage of advances improved from 0.02% in December 1972 to 1% in June 1981. The number of borrowed
accounts under DRI scheme also showed a large increase. Thus banks have supported the weaker sections of the society mainly those who are below the poverty line, to undertake productive endeavour and earn their livelihood.

Village Adoption Scheme (VAS):

Village adoption has become the main strategy of several organisations to bring about rural development. It is another novel technique being experimented by public sector banks in the field of rural development since 1969. It envisaged adoption of cluster of villages within a manageable distance by branches to prepare and implement schemes for meeting the credit requirement of all sections of communities. The village adoption scheme, therefore, is one of the many innovations the banks have attempted to reach the villages. After conducting a detailed techno-economic survey of the villages in their area of operations select a village adopt them for development assistance. Rural development can be extensive by increasing the number of village adopted by the bank branch. As in June 1981, banks have adopted 1,11,808 villages extending loan through 3.69 million accounts with an outstanding balance of Rs. 944 Crores. Looking at the total number of villages in the
country 5.96 lakhs, adoption of 1,11,808 by banks may appear reasonable, but the manner in which they are adopted is not very satisfactory. Because of heavy concentration on a few villages and absence of banks adoption in some villages may result in regional imbalance.

**Integrated Rural Development Programme (IRDP):**

The IRDP has been conceived essentially as an anti-poverty programme. This objective is proposed to be achieved by enabling the poorest families to acquire productive assets, technology and skills as would make their economic activities viable. These families will also need support from social services like health, education and housing. For the first time utmost priority to the rural development programme has been given in the Sixth Plan. The outlay to this sector at Rs.5364 Crores, constituting 5.5% of the total plan outlay was just marginally lower than the outlay of the agricultural sector which was Rs.5695 Crores for the plan period.

The banks were expected to play a vital role in helping to achieve the targets set in the Sixth Plan. They are expected to lend about Rs.3000 Crores under the programme over and above Rs.1500 Crores supposed to be
available by way of subsidy from the Government. Between October 1980 and February 1983 banks have provided Rs.1200 crores under this programme. In quantitative terms the progress of IRDP between 1980-81 & 1982-83 has shown a marked improvement.

The total number of families assisted increased from 2.78 million in 1980-81 to 3.26 million in 1982-83. Subsidy per family as well as credit mobilised per family during the same period showed a marked improvement. During the Seventh Plan period outlay for IRDP is increased to Rs.5000 crores as against only Rs.1500 crores in the Sixth Plan. The Regional Rural Banks in our country were established with the basic objective of financing agriculturists, and non-agriculturists and specially to help the small and marginal farmers agricultural labourers, artisans and small entrepreneurs.

Autonomous Rural Development Agency (ARDA):

This is an innovative model, which considers the problem of rural development whereby all powers to assure successful implementation of a given activity need to rest
with a single agency institution. Once this happens it is expected that the given agency will carry out all functions of several departments and institutions involved presently in performing the range of activities related to agriculture transportation, health, community development, credit, marketing, extension, education, etc., for successful implementation of the scheme at microlevel i.e., at village level.

The Twenty Point Programme (1986):

Another recommendation to the Banks is their involvement in the twenty point programme. The banks can help in some of the areas and these have already been dealt with. In agriculture, housing, industry and trading programme the Banks can and should help. Under this programme Rural Service Volunteers (RSVs) are appointed, who on their option are deputed for socio economic development of backward village clusters on a full time basis. Thus RSVs assist the branch in deploying credit on a large scale, offer guidance to the villagers in economic and social

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fields, involves other agencies in their task and co-ordinates with Government Departments for implementing welfare programmes, besides concentrating on human resources and education.

Other recommended Programmes:

Since Nationalisation in 1969, Commercial Banks can contribute to the development of rural sector by providing assistance in the following developmental schemes.7

Individual Minor Irrigation Works:

This covers dug wells, shallow tubewells, boring and deepening of wells, renovation of old wells, rahats, pump-sets, electric motors, diesel engines, pump houses, cost of energisation of pump-sets, etc., which are owned and operated privately by individual cultivators.

The assistance that is now available under DPAP, SFDA and CAD is similar being 25 per cent of the capital cost as subsidy for small farmers and $33\frac{1}{3}$ per cent of the

capital cost as subsidy for marginal farmers. The scale of subsidy is already uniform and no change is necessary. However, the ceiling per individual under SFDA is Rs.3,000/- whereas it is Rs.4,000/- under DPAP since the cost of individual minor irrigation work in DPAP areas is higher. This difference may however continue. For CAD where no ceiling has been specifically laid down, it may be Rs.3,000/- as under SFDA.

**Community Irrigation Works, including Drainage:**

Community Irrigation works consist of deep tubewells and big diameter dugwells with pumpsets, lift irrigation schemes on river, nallah, etc. The scale of subsidy under all the three programmes available at present is 50 per cent of the cost apportionable to the small and marginal farmers in the ayacut.

Subsidy on community irrigation works is allowed subject to the following conditions:-

(a) the work should be owned and maintained by a co-operative society, a panchayat or a corporation for the benefit of small and marginal farmers;
(b) more than 50 per cent of the beneficiaries of such community irrigation works should be small/marginal farmers;

(c) while fixing the water charges, a concessional rate should be fixed for the small/marginal farmers for a period of five years to ensure that the benefits of subsidy on the capital cost is passed to them.

(d) the subsidy should at 50 per cent of the cost apportionable to small and marginal farmers, based on the ayacut possessed by them.

The scheme may be taken up under the Intensive Development of Block Programme.

Failed Well Subsidy:

SFDA and DPAP at present provide for a subsidy upto Rs.1,000/- per well to meet the cost of wells that have failed to yield any water for irrigation. The scheme also may be taken up under the new programme.

Subsidy to the extent of Rs.1,000/- per well or the actual cost incurred, whichever is less, may be provided for such failed wells, subject to the condition that the
water available is so little that the well has to be abandoned as a source of irrigation.

Agricultural Inputs:

At present subsidy for inputs is available only for potassic and phosphatic fertilisers under both DPAP and SFDA.

While in DPAP this subsidy is available for small farmers and marginal farmers at the rate of 25 per cent and \( \frac{33}{3} \) per cent of the cost, under SFDA it is available only to the marginal farmers at the rate of \( \frac{33}{3} \) per cent. Under CAD this is not allowed at present. Subsidy for potassic and phosphatic fertilisers should be made available to both small farmers and marginal farmers at the rate of 25 per cent and \( \frac{33}{3} \) per cent respectively under the scheme for intensive development of blocks.

Agricultural Demonstration:

At present under DPAP, Rs.500/- per hectare is allowed as the cost of inputs for each demonstration. Under SFDA it is Rs.300/- per demonstration for an area of one quarter to one half of an acre. The assistance on the SFDA pattern may be adopted in the new scheme. Uniform norms for
demonstrations have been drawn up. Demonstration should be taken up only on the plots of small and marginal farmers.

**Implements:**

At present under DPAP and SFDA subsidy for implements is provided at 25 per cent and $33\frac{1}{3}$ per cent of the cost of small and marginal farmers respectively. Such subsidy is not available under CAD programmes. It should be provided under the CAD programme also. Subsidy can be made available for this item under the new scheme for Intensive Development of Blocks but it should be limited to only those improved implements/equipments, which have been identified as such by the Director of Agriculture of each State.

**Storage Bins:**

Subsidy is at present available under DPAP and SFDA at the rate of 25 per cent and $33\frac{1}{3}$ per cent of the cost of small farmers and marginal farmers respectively. It is not available under CAD Programme. It should be made available on the same scale under CAD Programme also. This scheme may be taken up under Intensive Development of Blocks. The State Governments should ensure that the State Agro-Industries Corporation or dependable manufacturers undertake the manufacture of such bins.
Land Development/Soil Conservation:

In this respect the position varies under the three ongoing special programmes. Under DPAP, 25 per cent of cost is made available as subsidy to all the participating farmers on all items like contour bunding, graded bunding, land-levelling, surface drainage, wind breaks, shelter etc. 25 per cent and 33\(\frac{1}{3}\) per cent of the cost may be made available to small farmers and marginal farmers respectively under all the three programmes and in the selected block in the new programmes. No subsidy should be available for big farmers.

There should also be insistence that these works should be taken up on an area basis, to conform to a watershed. The plans for such a scheme should be drawn up by competent technical experts and the implementation of the scheme should also be properly supervised in order to get the desired result.

Soil Reclamation and Improvement:

SFDA allows subsidy for reclamation of saline and alkaline lands. Subsidy is permissible on soil amendments like gypsum, pyrites, lime etc., at the usual rates. DPAP
and CADA may also provide for similar assistance. This scheme may be taken up under the new programme.

Distribution of Milch Animals:

Both under DPAP and SFDA 25 per cent of the cost is given as subsidy to small farmers and $33\frac{1}{3}$ per cent to marginal farmers and agricultural labourers. There is no provision for this in CADA. This should be included in CADA also.

Two milch animals may be supplied to each beneficiary, the second animal being supplied as soon as the first goes dry. This will ensure uninterrupted income from sale of milk and consequently enable the beneficiary to pay the loan instalments regularly. It is also essential that the beneficiaries are given adequate training in the feeding and maintenance of their animals as also in prevention of diseases. Such training programmes can be organised by the district-level animal husbandry-veterinary officers at suitable places.

These programmes are on a subsidy-cum-loan basis. Under the cross-bred calf rearing programmes, the identified beneficiaries in the small and marginal farmers category are
given feed subsidy of 50 per cent and agricultural labourers $66\frac{2}{3}$ per cent towards the total cost of feeding the cross-bred calf from the 4th month to the 28th month. The subsidy is given in kind.

In respect of poultry, piggery and sheep production programmes, the identified small farmers are given subsidy at the rate of 25 per cent of the capital investment required for setting up the production units and marginal farmers and agricultural labourers at the rate of $33\frac{1}{3}$ per cent. The remaining amount of loan is arranged from institutional sources.

In the identified project areas, technical inputs and services are made available to the identified beneficiaries in a packaged programme. The selection of beneficiaries of the programme is done from the small/marginal farmers and agricultural labourers, identified by the SFDA or DPAP agency. The agricultural labourers, marginal farmers and small farmers are given priority in that order under the composite livestock production programmes.

For implementation, co-ordination and monitoring of these programmes, a special project cell is set up at
State Head Quarters in the Directorate of Animal Husbandary. At the project and sub-project levels also exclusive technical staff is provided so as to assure timely and personalised supply of technical inputs and services to the identified beneficiaries.

In those blocks where the above mentioned scheme is operating, attempts should be made to take full advantage of the scheme for the benefit of the target groups. The idea is to make all the schemes operating in any particular area a supplementary and complementary in nature and all of them specially directed towards the twin objectives of employment and production.

Plough Bullocks / Bullock-Carts:

Both under DPAP and SFDA subsidy at the usual rate of 25 per cent for small farmers and 33\(\frac{1}{3}\) per cent to marginal farmers and agricultural labourers is available. This should be provided under CADA also.

Horticulture:

Assistance for the costs of seedings, inputs, land levelling, digging of pits, garden tools and appliances, fencing etc., under this scheme is given to individual
cultivators. A minimum area of one-fourth of an acre is recommended. Subsidy is available at the rate of 25 per cent of the total cost to small farmers and 33\(\frac{1}{3}\) per cent to marginal farmers, both under DPAP and SFDA. Similar subsidy is not available under CADA and may be provided for. This Scheme can be taken up under the new Programme.

**Custom Service:**

Subsidy on custom hire charges can be provided under the new scheme to identified beneficiaries. In many areas, the State Agro-Industries Corporation, the State Agriculture Soil Conservation Department or any other approved custom service centre provided custom service to farmers. Subsidy on such charges can be provided to small and marginal farmers at the rate of 25 per cent and 33\(\frac{1}{3}\) per cent respectively.

**Fisheries:**

Under DPAP 25 per cent of the cost of fishing nets is provided. Under SFDA subsidy is available at 25 per cent to small farmers and 33\(\frac{1}{3}\) per cent to marginal farmers and 50 per cent to the co-operative towards the cost of fingerlings, nets, boats, manures and fertilisers. Subsidy is also allowed for desiliting or reclamation of tanks if the
tanks are given on lease by Panchayats to fish farms for a minimum period of ten years. No assistance is provided for this under CADA.

Assistance on an uniform basis should be made available under the programme for Intensive development of Blocks. This may be $33\frac{1}{3}$ per cent of the total cost towards items such as nets, fingerlings, boats, etc., to individual fishermen. Where assistance to a fisherman's co-operative is provide, the scale of subsidy may be 50 per cent of the cost. Similar assistance on an uniform basis may be made available under all the three special programmes in other areas also.

Sericulture:

At present 25 per cent of the cost of mulberry cultivation is made available to small and marginal farmers under DPAP. Under SFDA subsidy at the rate of 25 per cent to small farmers and $33\frac{1}{3}$ per cent to marginal farmers is made available on mulberry plants, cuttings, rearing appliances, rearing sheds, equipment for silk reeling and training of farmers. No assistance is provided for under CADA. The SFDA pattern may be allowed under the new programme for Intensive Development of Blocks.
**Farm Forestry:**

At present under DPAP the entire cost of planting material is borne by the Government. Under SFDA subsidy at the rate of 25 per cent and $33\frac{1}{3}$ per cent is made available to the small and marginal farmers respectively. No assistance is provided under CADA. The pattern of assistance followed by DPAP may be followed under the new programme also for lands owned by individuals.

**Bee-Keeping:**

Under SFDA and DPAP subsidies are provided to small and marginal farmers at the rate of 25 per cent and $33\frac{1}{3}$ per cent respectively on the capital cost of items like bee hives, honey extractor, etc. Under the new programme for Intensive Development of Blocks, bee-keeping can be taken upon the above lines, wherever scope for this activity exists.