

CHAPTER – I

INTRODUCTION

1.1 Introduction

Finance is a crucial instrument in any economic activity intended to produce goods and services and also to generate employment and income. Expansion in the economic and business activities depends on the availability of finance and its volume. Increase in the employment and income are necessary conditions for economic development and growth that determine the levels of consumption and the pattern of the consumption. So the economic development and growth ultimately depend on the availability of the finance. Unfortunately, in India because of historical reasons, the volume of finance available does not match the investment requirements at least in order to create employment and income to the minimum extent. Moreover, the income levels of the majority of the people have not been increasing at a level sufficient enough to save out of it and make it available in the capital market.

Moreover, even after the six decades of independence, still nearly 30 per cent of the people are living with incomes below the poverty line and they are yet to consume the goods and services of the manufacturing and service sectors respectively. Expansion of industrial sector and service sectors is determined by the demand for their products and services. The demand is the ultimate result of increase in the incomes of the people in the economy. Majority among

those who are below the poverty line are Scheduled Castes (SCs) people. SCs due to centuries old social, religious practices and deep rooted and rigid caste system are completely excluded from the society and they remained poor even now. Because of social stratifications and resultant restriction, they are forbidden to own income generating assets like agricultural lands and also enter into the modern economic and employment opportunities of industrial and services sectors. For overall economic development and sustainability, an opportunity should without any restriction be given to all people those who want to participate in economic activities. In view of the barriers, impediments prevailing, the governments, local, state and central, have initiated special treatments, provisions and programmes for SCs. In this regard exclusive agencies and institutions are established. Scheduled Castes Development and Finance Corporations at both State and National are the ones among such institutions instituted to cater the credit needs of these people.

1.2 Scheduled Castes

The Scheduled Castes are single largest social group India that constitutes 16.28 per cent of the total population in 2001. Indian society is unique and divided into innumerable castes and sub-castes. The division of people into different caste is deeply rooted. The rigid caste system has segregated the Scheduled Castes (SCs) from the rest of the society ascribing them as untouchables. The in-human practice

of untouchability and discrimination resulted from the rigid caste system has deprived SCs far more than any other caste. They are excluded from the society and denied the socio-economic opportunities and basic needs and human rights. Hereditary, they are assignment of the extremely defiling and degrading occupations. And they are not allowed to take up the occupation at their choice as per the changing conditions. More importantly, SCs are completely forbidden to education and learning skills that paves ways to find remunerative economic and employment opportunities.

The imposed hierarchical assignments of defiling, degrading occupations, sometimes unpaid services forbid to change the occupation, denial to own income generating assets and education, segregated habitations situated at far away from the villages without any basic amenities and exclusion from the society have together been effected them most severely. Therefore they do not have owned income generating assets and other resources such as agricultural lands and capital that could generate employment and livelihood. The same situation is continued in the post independent era and even now in the era of privatization liberalisation and globalisation.

The SCs having been excluded from access to all kinds of sources of livelihood for generations, they remained poorest among the poor the word 'Poverty' has become synonymous of SCs in India.

1.3 The Socio-economic Conditions of Scheduled Castes

In view of the socio-economic deprivation, after the Independence, a significant number of programmes and policies were evolved and being implemented in order to uplift and eradicate poverty among SCs. Even after implementation of the poverty eradication of programmes exclusively aimed at SCs, the socio-economic conditions of these people remained more or less the same. According to the census of India, 2001, 80 per cent of the total SCs populations live in the rural areas. More than 70 per cent of these people are depend on the agricultural as mere agricultural labour for their livelihood. Compared with other castes, of the total SCs population, 16 per cent are self-employed cultivators and the remaining 12 per cent are in the non-farm activities. It means that altogether; only 28 per cent of SCs have access to income generation assets while 56 per cent of other castes have owned the capital assets. The backwardness of SCs can be understood by the disparity in wealth. On an average SCs owned wealth worth of Rs. 49, while it is Rs. 1,34,500 for other castes. The programmes evaluation organisation of the planning commission of India estimated that nearly 60 percent of the total 4 crore bonded labour in India belong to SCs.

The unemployment rate among SCs is higher than other castes. It is 5.5 per cent among SCs nearly double of others with 3.5 per cent. The higher rate of unemployment and its impact of deprivation are

reflected in the incidence of poverty. Among the SCs population, 37 per cent are below the poverty line compared with 20 per cent among others. Due to high incidence of poverty among SCs, they are not able to attend school and backward on the lines of education. Hence, as per the 2001 Census, the literacy rate among SCs is 51 percent compared with 62 percent among others in rural areas. For urban areas, the literacy rates are 68.5 per cent and 81.5 per cent respectively. In higher education, the enrollments of SCs at the graduate, post-graduate, professional and research are very low. The sex-wise data on enrollment of SCs at higher education shows that 3.4 per cent of men and 1 per cent of women of SCs who are above the age of 15 had a post-secondary education of any kind. This pathetic situation of SCs regarding higher education is due to high incidence of poverty. There are also high incidence of high infant mortality and child morbidity. According to the National Family Health Survey estimates, the infant mortality and child morbidity are 83 and 39 per 1000 births among SCs higher than among other castes with 61 and 22 respectively.

1.4 Efforts for the Economic Development of Scheduled Castes

The socio-economic, educational and cultural disadvantages suffered by the SCs in India were taken note of in the Constitution of India drafted under the Chairmanship of Dr. Ambedkar, who had championed the cause of SCs. The Constitution of India, for the

protection and benefit of the SCs, incorporated many safeguards which are broadly categorized viz., i) Social, Cultural and Religious safeguards ii) Educational safeguards iii) Economical and Political safeguards and iv) safeguards for Employment in Public Services.

The constitution of India has been providing fairly comprehensive packages of policy measures specifically in public employment in public sector organizations and educational institutions. These policy measures are popularly known as "Reservation Policy or Affirmative Action Policy. In addition to affirmative action policy, Government of India has initiated number of programmes to eradicate poverty among the SCs and bring them into the mainstream of the society. For the socio-economic development of SCs, over the period of time, a good number of programmes for economic, educational and social development have been evolved through both plan and non-plan channels. Among them, the programmes channelised through regular five year plans are the major ones. In India, the planned economic development process has been started in 1951 with First Five Year Plan. Beginning from the year 1951, the policy towards the SCs has undergone a significant change during the successive five year plans.

For the development of SCs, during the First Five year plan period, policies were formulated focusing on education and distribution of agricultural lands and the same were continued in the Second Five year plan period also. During the Third Five year plan

period, priority was shifted to technical and vocational education and training. Regarding economic development, due importance was given to the allotment of agricultural lands and extending financial assistance to the farmers among the SCs, village artisans, traditional crafts and to start small scale industries. The same policies were continued in the Fourth Five year plan period also. In the Fifth Five Year plan, a national policy, throughout the country, was implemented providing financial assistance to the individual farmers to purchase of agricultural equipment, inputs and land reclamation.

Despite all the efforts all efforts of the government of India, the socio-economic conditions of the SCs were not improved as intended by the policy makers. The development achieved in agricultural industrial and tertiary sectors did not trickle down the poor especially to the excluded and deprived SCs. So, it necessitated for a new strategy combined with of three instruments that include Special Component Plan (SCP), Special Central Assistance (SCA) and Scheduled Castes Development Corporations (SCDCs) in the States and Union Territories.

During Sixth Five Year Plan period, special component plan (SCP) strategy was evolved to allocate plan outlays of all the Ministries of both Central and State in proportion of SCs population to the total population. The developmental programmes undertaken from the funds allocated as per SCP strategy include digging and energisation of wells, minor irrigation, electrical motors, horticulture, sericulture,

allotments of lands, development of lands, poultry farming, fisheries, dairy, piggery, allotments of lands, development of lands, pucca housing and housing sites, constructions and allotment of shops in public places, provision of drinking water, provision of basic amenities in the habitations of SCs, electrification, providing educational facilities including school buildings, hostels, scholarships and training in home based cottage industries and technical and vocational trainings.

The educational incentives are provided for the pre-metric stipends, post-metric scholarships and also scholarships for students pursuing in abroad, distribution of study material and coaching for the aspirants of competitive examinations conducted by various state and national level recruitment boards. In the year 1980, in addition to the existing exclusive programmes and policies, the Special Central Assistance (SCA) was also introduced. And it has been extended to the States as 100 per cent grant in order to fill the critical gaps of credit in important programmes that are intended to increase their productivity and income of the beneficiary households.

To improve the socio-economic conditions of SCs, in each plan a certain amount of plan outlay was allocated. In the First Plan, the central government had allotted Rs. 6.13 crore. In addition to that the State government also provided a sum of Rs.10.00 crore. And in Third and Fourth Five year plans Rs.40 crore and 72.19 crore plan outlays

were allotted. In the Fifth Five year plan the total plan outlay allotted for the development of the SCs was Rs. 112.6 crore. During Sixth Five year the Special Component Plan strategy was evolved. So that from Sixth plans onwards, the plan outlays for SCs were increased significantly. It was Rs. 3,722.97 crore. In the Seventh Plans the plan outlay was doubled to Rs. 7,233crore respectively. Interestingly, in the Tenth plan it has been increased to Rs.52,745 crore. Moreover, emphasis was shifted towards the beneficiary oriented development programmes. Of them, the prominent programmes are Jawahar Rozgar Yojana (JRY), Employment Assurance Schemes (EAS) and Integrated Rural Development Programmes (IRDP). In these programmes, specific target groups from among the SCs are to be identified to provide special assistance.

In the Five Year plans, provisions are made to supplement benefits from the programmes of development in different fields such as agriculture, cooperation, irrigation small industries, communications, education, health, housing and others. For variety of reasons in the ordinary course of actions, the SCs were not able to secure their faire share or benefits of provisions made under different heads. So in the Seventies, specific institutional mechanisms to provide assistance were evolved at both the Central and State levels for the economic development of the SCs. At national level, these include National Scheduled Castes Finance and Development Corporation (NSFDC) and National Safari Karmachari Finance and

Development Corporation (NSKFDC). At State Level the State Governments with substantial population of SCs have set up the Scheduled Castes Development and Co-operative Finance Corporations (SCDCFC) to provide assistance to take up income generating activities.

1.5 Andhra Pradesh Scheduled castes Development and Finance Co-operative Society

Andhra Pradesh scheduled castes Development and Finance Corporation was established by the government of Andhra Pradesh in the year 1974 with a purpose of generating institutional finance and channelizing it to the Scheduled Castes households those who are below the poverty line. It was registered under the Andhra Pradesh Co-operative Society Act with a share holding pattern of 51:49 between the State Government and Government of India. It was established with the purpose of generating the institutional finance.

The head office of APSCDCFC Ltd., 1 at Hyderabad formulates policies and programmes regarding annual action plan. Its main function is to mobilises funds from Government of India, State Government and other financial institutions. In turn it releases funds to the district societies which are distributing to the beneficiaries accordingly. The societies at district level will also mobilise financial resources such as SGSY (Swarnajayanti Gram Swaraj Yojana) subsidy from DRDAs (District Rural Development Agency), loans from Banks

and 15 per cent of the earmarked funds. The corporation is governed by a committee of persons appointed by the Government of Andhra Pradesh. The Managing Director is the chief executive of the APSCCFC and the Executive Directors at district level who are responsible for implementing the programmes in consultation with the District Collector, the Chairman of the district societies.

Since the beginning, the APSCDCFC in 1974 to till 2008, it has disbursed the total assistance of Rs.2,612.37 crores benefiting of 38 lakh households of SCs in the state. From time to time, in view of the changing economic condition, socio-economic conditions and skills of SCs, various developmental and poverty eradication programmes are formulated and being implemented with a goal of eradicating poverty among SCs. During the financial year 1974-75, the average assistance provided to each beneficiary was estimated to be Rs. 730 only and gradually it has been increased to Rs. 16,000, on an average per beneficiary. In the financial year 1982-83, the corporation had started land purchase programme under which land, a valuable and durable asset is provided to the beneficiaries.

Arable land not only generates employment and income but also provides economic status and social security to the beneficiaries. Moreover, land provides basis for taking up income generating activities like dairy .By the end of the financial year of 2004-05, the total of 69,022.99 acres of land was provided to 57,758 households of

SCs at a cost of Rs.161.46 crore. The corporation takes loans from NSFDC y to provide loan component for the programmes to which bankers are not coming forward to finance.

1.6 Objectives of Andhra Pradesh Scheduled castes Development and Finance Co-operative Society:

The corporation was established with the following main objectives.

1. To provide financial assistance for creation of income generating assets.
2. To offer training programmes for skill upgradation leading to self or wage employment.
3. To empower women self-help groups for taking up economic support activities.
4. To plug critical gaps of finance in economic schemes.
5. To help the SCs to cross the poverty line through a gradual and sustained effort.
6. To transform the economic structure of the incomes and expenses incurred by the SCs through the entrepreneur mode.
7. To work for social upliftment of the SCs through their educational upsurge.
8. To mobilise institutional credit for the socio-economic transformation of the SCs by acting as catalyst, promoter and guarantor.

1.7: The Activities of Andhra Pradesh Scheduled Castes Development and Finance Co-operative Society

A survey of the SC finance Corporation points out the major activities as

- a) To identify the prospective borrowers
- b) To motivate the identified borrowers
- c) To help the beneficiaries in taking up the gainful activities
- d) To provide the beneficiaries necessary guidance and supply essential inputs for taking up various viable programmes
- e) To prepare schemes or programmes suitable for the SC, families who are below the poverty line
- f) To co-ordinate the proposals of loan with the banks and pursue the follow-up actions for sanction of loans
- g) To provide margin money for securing institutional credit for bankable schemes
- h) To provide interest subsidy to the beneficiaries
- i) To supervise post sanctioned operations and guide the beneficiaries to overcome difficulties
- j) To provide the escort services to enable the beneficiaries to get assistance from development and promotional agencies operating in the districts
- k) To plan, promote and assist in efforts to identify programmes related to agricultural development
- L) To provide direct finance to the most downtrodden among SCs and
- lastly M) to provide financial assistance to the educated unemployed people.

1.8 Mobilisation of the Financial Resources

The Andhra Pradesh scheduled caste development and finance corporation mobilizes financial resources from Government of India, State Government, National Scheduled Castes Finance and Development Corporation (NSFDC), National Scheduled Castes, Karmachari Finance and Development Corporation (NSKFDC), and other financial institution and in turn releases to district finance co-operative societies for the implementation of the programmes or schemes. The district level societies, also mobilises resources in terms of Swarnajayanthi Gram Swaraj Yojana (SGSY), subsidy from District Rural Development Agencies (DRDA) loan from Banks and 15 per cent ear marked funds from the local bodies.

1.9. Development Programmes of the Guntur District Finance Corporation

The development programmes being implemented by ever since the inception has been implementing a good number of programmes. The Guntur District Scheduled Castes Development and Finance Co-operative Society in 1974 to 2008-09 has disbursed the total assistance of Rs. 203.16 crore on various programmes benefiting 11,88,067 beneficiary households in the district. The development programmes being implemented by the corporation include

agricultural, animal husbandry, manufacturing and tertiary sectors. In agricultural sectors, some of the programmes of importance to be mentioned are open well, oil engines, bore well, SMP set, deepening of well, repairing fields channels, electric motors, land development, crop loans and the land purchasing programmes. In animal husbandry of important programmes are poultry, piggery, milch cattle, mini dairy and sheep rearing. The programmes of the manufacturing sector include brick making, shoes, tailoring. When it comes to tertiary sector the programmes included auto rikshaw, car, petty business, internet cafes, cycle shops and many more to be mentioned. Some of them to name are petty business, chappell business, auto rikshaw, centering material, tent house, cycle shop and internet cafe etc.

1.10 Statement of the Problem

Liberalization privatization and globalization could not benefit the rural areas. There is a general deterioration in the economic conditions of the rural people. Particularly the people whose livelihoods are connected with agriculture are at disadvantageous position. Because of lack of irrigational facilities, rising cost of inputs like fertilizer, seeds, electricity, digging of well, development of bore well, and non-availability of institutional credit the marginal and small farmer and specifically the people belonging SC are badly effected.

The globalization of market is making inroads into remote corners of rural areas in Andhra Pradesh badly effecting their

employment, income and consumption pattern. The disparities in income are growing up. In particular, the fruits of planned economic development and globalisation are not trickling down to the most deprived SCs. So their backwardness and dismal economic conditions must rightly be addressed in order to achieve the development with equity. For the expansion of employment opportunities and business activities and continuous process of investing, there should be growth in the incomes of the people and consequent growth in the consumption of goods and services. With majority of people having not accessibility to capital and income generating assets and moreover poverty ridden, one can not assume of development with equity and compete with nations in the world

In view of the above conditions, particularly in the post-liberalisation scenario, there is a need to review the poverty eradication and economic development policies exclusively meant for those who are marginalized i.e., SCs. There is also a need to re-identifying the priorities of economic development towards rural areas instead of urban based service sector oriented approach. And more importantly there is a need to re-identifying the policies of economic development of disadvantaged sections of the society in order to enhance and effect the employment, income and consumption in tune with the demands of rapidly growing economy.

1.11 Rationale of the Study

There are some studies conducted on the working of programmes of the Andhra Pradesh Scheduled Castes Development and Co-operative finance Corporation. Most of the studies focused on selection process of the beneficiaries, relevance of the programmes and the skills of the beneficiaries related to land based development programmes and to some extent agricultural related programme.

There are some studies tried to focus on how the agricultural development programmes helped in increasing irrigational facilities and changing the cropping pattern. But they failed to study the impact of the programmes in terms of generation of employment and incremental income. In addition to that a humble attempt is made to evaluate the programmes of agricultural development and their impact on the cropping pattern, asset formation, income mobility, beneficiaries lifted above the poverty line, repayment performance, and changes in the consumption expenditure of the beneficiary households. So, this study will be a useful to the policy makers and to evolve programmes in the era of globalisation to eradicate poverty among rural population particularly of the marginalised sections of the society.

Note:

The Scheduled Castes are the erstwhile untouchable castes. The term Scheduled Castes has a long historical origin. Before the enactment of Government of India Act 1935, these Castes were treated as untouchables or exterior castes or depressed classes. As a part of policy measures initiated for the socio-economic development of certain castes which suffered exclusion from civil, social and economic rights were listed in a Schedule in the year 1935 and afterwards the untouchable castes were came to be known as 'Scheduled Castes'. After Independence the list of Scheduled Castes was notified by the President of India in accordance with the provision of Article 341 of the Constitution of India.