CHAPTER - 5

VALUE ADDED

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5.01 Introduction

The foregoing analyses centered on the costs and benefits arising out of the purveying of the DRI loans. Further, the structure of these costs and benefits and the impact of the loans sanctioned on the beneficiaries' living conditions by way of income generation, employment creation and social change was evaluated in the previous Chapter. The present Chapter follows as a necessary corrollary to the analyses referred to above.

5.02 Approach

In this Chapter, we intend to examine the value added either to the capital generated by the loan or to the living standards of the beneficiaries. Here, value added is conceived not in net terms but as an addition to the value of the existing assets possessed or creation of new possessions by the beneficiaries. The enhancement in the value of the assets is sought to be visualised as the net monetary level of value added to the existing assets and by way of new assets held by the beneficiaries. The non-availability of data on the net value added in the conventional sense, has prompted us to adopt this

definition of the value added. In terms of the measurement of net monetary accretion to the value of the assets possessed by the beneficiaries, the measurement adopted by us is in effect, unlikely to be different from the conventional measure of the value added involving estimation of

(1) Value of assets Before the Loan (i.e. (Ex-ante period)

(2) Value of assets at the Terminal point of the Loan (i.e. Ex-post period)

As in earlier chapters, we have directed our enquiry to the situation obtaining at (a) All Activities level i.e. at the Aggregate level, (1 to 19) (b) Rural Activities (1 to 14), and (c) Urban Activities (15 to 19), respectively.

But, however, before going into the sectoral disaggregation, we may take a look at the picture about the distribution of beneficiaries creating value added.

5.03 Value Adding Beneficiaries

Total number of beneficiaries covered by the study, presented in Table 5.1, are 653, with 463 engaged in rural activities and the rest 190 in urban activities. This gives us an average beneficiary of 34 per activity.

TABLE 5-1

VALUE ADDED

Activity Number	Number of Beneficiaries covered by the Study	Number of Beneficiaries creating Value added during Post-DRI Loan Period	Value added (Rs.)	Total Pre-Loan Value of Assets (Rs.)	Total Post-DRI-Loan Value of Assets (Asset Value + Value Added) (Rs.)
1.	41	14	2,175	15,400	17,575
2.	45	16	970	16,600	17,570
3.	50	22	2,725	29,000	31,725
4.	62	21	1,980	2,700	29,680
5.	25	8	1,365	2,560	3,925
6.	15	6	225	1,500	1,725
7.	22	10	677	13,125	13,802
8.	12	4	375	6,390	6,765
9.	15	7	1,220	4,300	5,520
10.	33	15	665	6,625	7,290
11.	27	20	1,125	4,800	5,925
12.	31	12	300	17,100	17,400
13.	45	10	1,060	20,140	21,200
14.	40	8	3,165	6,500	9,665
(1 to 14) Rural Activities	463	173	18,027	1,71,740	1,89,767

TABLE 5-1 (CONTD.)

Activity Number	Number of Beneficiaries covered by the Study	Number of Beneficiaries creating Value added during Post-DRI-Loan Period	Value added (Rs.)	Total Pre-Loan Value of Assets (Rs.)	Total Post-DRI-Loan Value of Assets (Asset Value + Value Added) (Rs.)
15.	18	16	1,650	24,500	26,150
16.	128	54	13,790	40,000	53,790
17.	5	4	1,500	2,000	3,500
18.	6	4	300	3,000	3,300
19.	33	23	3,830	10,000	13,830
Urban Sector (15 to 19)	190	101	21,070	79,500	1,00,570
Grand Total (Rural + Urban) (1 to 19)	653	274	39,079	2,51,240	2,90,337

Against this backdrop, the total number of beneficiaries creating value added, at the end of the loan (i.e. terminal period) works out to 274 for all the nineteen activities covered by the study, of which 173 and 101 belonged to the rural and the urban activities, respectively. This gives per activity concentration of value adding beneficiary of only 14. Sectorally speaking, this means an average of 12 value adding beneficiary per rural activity. In contrast, for the urban activities, the figure is 20 beneficiary per activity. This is obviously an indication that at the urban level, the capacity and perhaps, the scope to generate value added is more. The same conclusion is underscored when we look at the number of value adding beneficiaries against the total number of beneficiaries in each activity. This ratio has varied from 20.0 per cent to 46.7 per cent (Table 5-2), with only pumpset activity (11), registering a ratio of 74.1 per cent. For the rural activities, as a whole, it works out to only 37.4 per cent. But, however, for the urban activities, it has varied from 42.2 to 88.9. For the urban sector as a whole, it stands at 53.2 per cent. Now, projected against the all activity level of 42.0 per cent, the urban sector projects a brighter picture. This, once again, underlines the conclusion, we have derived earlier namely, that the urban activities have been in a position to produce more value adding beneficiaries in each activity than the rural activities.

TABLE 5-2

DISTRIBUTION OF BENEFICIARIES CREATING VALUE ADDED

Activity Number	Value Adding Beneficiaries as Percentage of Beneficiaries in Each Activity	Distribution of Value Adding Beneficiaries Among All Activities*
1.	34.1	5.1
2.	35.6	5.8
3.	44.0	8.0
4.	33.9	7.7
5.	32.0	2.9
6.	40.0	2.2
7.	45.5	3.7
8.	33.3	1.5
9.	46.7	2.6
10.	45.5	5.5
11.	74.1	7.3
12.	38.7	4.4
13.	22.2	3.7
14.	20.0	2.9
Rural Activities (1 to 14)	37.4	63.1

* Individual figures may not add up to the total due to rounding off.

TABLE 5-2 (CONTD.)

Activity Number	Value Adding Beneficiaries as Percentage of Beneficiaries in Each Activity	Distribution of Value Adding Beneficiaries Among All Activities*
15.	88.9	5.8
16.	42.2	19.7
17.	80.0	1.5
18.	66.7	1.5
19.	69.7	8.4
Urban Sector (15 to 19)	53.2	36.9
All Activities (1 to 19)	42.0	100.0

* Individual figures may not add up to the total due to rounding off.

5.04 Comparative picture

When we look at the distribution of value adding beneficiaries amongst all activities, the picture is no less different. Urban activities account for 36.9 per cent of beneficiaries creating value added whereas the rural sector as whole account for only 63 per cent of beneficiaries creating value added. Even at the dis-aggregative levels from activity to activity, the picture at the urban level is better than that obtaining at the rural activities level. The three activities, namely, (15), (17), and (18) show low levels only because the number of beneficiaries covered by the study itself are too small relative to the size of the beneficiaries in rural activities. (Table 5-2).

Having summarised the performance of the beneficiaries in creating value added, we may now turn to the actual value added by each sector.

5.05 All Activities Level

At the all activities level, the range of the value added from Rs. 225 for activity (6), to as high as Rs. 13,790 for activity (16). On the whole, the highest (Table 5-3) rate of value added has taken place in activity (16). It could often be argued that the size of value added, to a great extent depends not only on the size of the loan, but

also, on the size of the pre-loan asset position. Thus, the value added as a ratio of the pre-loan asset value has ranged from a low of 1.8 per cent for activity (12) to as high 75.0 per cent for activity (17) (Table 5.4). The point that emerges from the analysis is that the distribution of the pre-DRI loan value of asset shows that the activities generating the highest value added are not necessarily the activities in which there are greater concentration in the distribution of the pre-DRI loan value of assets.

We may now review the position as obtaining in the rural and urban activities.

5.06 Rural Activities

The total value added by all the rural activities amounts to Rs. 18,027. This is just a shade less than 50 per cent of the total value added by all the activities put together. The quantum of the value added varies from Rs. 225 to Rs. 3,165. The distribution of value added by activity varies from 0.8 per cent for activity (12) to 8.1 per cent for activity (14). On an average, the value added per value adding beneficiary ranges from Rs. 25 in activity (12) to Rs. 396 in activity (14). As against this picture, the position of the value added per beneficiary in each activity is considered lower. Thus, even in activity (14)

TABLE 5-3

VALUE ADDED AS PERCENTAGE PRE-DRI LOAN PERIOD VALUE OF ASSETS

Activity Number	Pre-DRI-Loan Value of Assets (Rs.)	Value Added (Rs.)	Value Added per Value Adding Beneficiary (Rs.)	Value Added per Beneficiary	Pre-DRI-Loan Value of Assets per Beneficiary
1.	15,400	2,175	155	53	376
2.	16,600	970	61	22	369
3.	29,000	2,725	124	55	580
4.	27,700	1,980	94	32	447
5.	2,560	1,365	171	55	102
6.	1,500	225	33	15	100
7.	13,125	677	68	31	597
8.	6,390	375	94	31	533
9.	4,300	1,220	174	81	287
10.	6,625	665	44	20	201
11.	4,800	1,125	56	42	178
12.	17,100	300	25	10	552
13.	20,140	1,060	106	24	448
14.	6,500	3,165	396	79	163
Rural Sector (1 to 14)	1,71,740	18,027	104	39	371

TABLE 5-3 (CONTD.)

Activity Number	Pre-DRI-Loan Value of Assets (Rs.)	Value Added (Rs.)	Value Added per Value Adding Beneficiary (Rs.)	Value Added per Beneficiary	Pre-DRI-Loan Value of Assets per Beneficiary
15.	24,500	1,650	103	92	1361
16.	40,000	13,790	255	108	313
17.	2,000	1,500	375	300	400
18.	3,000	300	75	50	500
19.	10,000	3,830	167	116	303
Urban Sector (15 to 19)	79,500	21,070	209	111	418
	2,51,240	39,097	143	60	385

which showed a high per value added of Rs. 396, the beneficiary value added stands at only Rs. 79 (Table 5-3). Now, let us look at the quantum of the pre-loan value of assets in this sector. The pre-loan value of assets in this sector varies between Rs. 1,500 in activity (6) to Rs. 20,140 in activity (13). However, the distribution of the pre-loan value of assets against the total pre-loan assets of all activities varies between 1.7 per cent to 8.0 per cent (Table 5-4). The size of the pre-loan value of assets per beneficiary ranges from Rs. 100 in activity (6) to Rs. 597 in activity (7). Posting the total value added per value adding beneficiary against the size of the pre-loan value of assets per beneficiary, there is no discernible trend to suggest that value added in this sector is positively related to the size of the pre-DRI-loan value of assets. The distribution of the post-DRI-loan value of assets for this sector range from 0.6 per cent for activity (6) to 10.9 per cent for activity (3). Comparing this ratio against the distribution of pre-DRI-loan value of assets, the conclusions that stand out are that

(i) there has been some improvement in the asset position in the post-DRI-loan period, as compared to the pre-DRI-loan period. This is so only in the case of activity numbers

(5), (9), (11) and (14). Other activities have exhibited a fall.

(ii) The improvement shown by the post-DRI-loan asset position is not altogether very remarkable, if one is to take cognizance of both the size of the loan and the pre-DRI-loan size of the assets,

(iii) Accordingly, the majority of the activities, with the exception of activity member (1) and (6) which have just maintained their position, rest of the activities have shown a deterioration in their asset position, in the post-DRI-loan period.

The efficacy of the loans to help generate value added should be measured against this backdrop.

5.07 Urban Activities

The quantum of value added has been relatively high in this sector. Here, the value added has ranged from Rs. 300 - activity (18) to Rs. 13,790 activity (16). The total value added for this sector at Rs. 21,070 is more than 50 per cent of the total for all activities put together. The quantum of the pre-DRI-loan value of

TABLE 5-4

DISTRIBUTION OF VALUE ADDED AND VALUE OF ASSETS

Activity Number	Value added as a Ratio of Pre-Loan Asset Value (in percent)	Distribution of Value Added by Activity	Distribution of Pre-DRI Loan Value of Assets	Distribution of Post-DRI Loan Value of Assets plus Value Added
1.	2.	3.	4.	5.
(1)	14.1	5.6	6.1	6.1
(2)	5.8	2.5	6.6	6.1
(3)	9.4	7.0	11.5	10.9
(4)	7.1	5.1	11.0	10.2
(5)	53.3	3.5	1.0	1.4
(6)	15.0	0.6	0.6	0.6
(7)	5.2	1.7	5.2	4.8
(8)	5.9	1.0	2.5	2.3
(9)	28.4	3.1	1.7	1.9
(10)	10.0	1.7	2.6	2.5
(11)	23.4	2.9	1.9	2.0
(12)	1.8	0.8	6.8	6.0
(13)	5.3	2.7	8.0	7.3
(14)	48.7	8.1	2.6	3.3
Rural Sector (1 to 14)	10.5	46.1	68.4	65.4
(15)	6.7	4.2	9.8	9.0
(16)	34.5	35.3	15.9	18.5
(17)	75.0	3.8	0.8	1.2
(18)	10.0	0.8	1.2	1.1
(19)	38.3	9.8	4.0	4.8
Urban Sector (15 to 19)	26.5	53.9	31.6	34.6
Grand Total (1 to 19)	15.6	100.0	100.0	100.0

assets has also been relatively high at Rs. 79,500 for this sector as a whole. The ratio of value added to the pre-DRI-loan value of assets in this sector has varied within a wide band of 6.7 per cent to 75.0 per cent (Table 5.3).

5.08 The distribution of the pre-DRI-loan value of assets by activity shows a high concentration in activity (16), against a very low level of 0.8 per cent for activity (18) (Table 5.4). Surprisingly, the distribution of the post-DRI-loan value of assets also matches this picture. The distribution of the post-DRI loan value of assets ranges from 1.1 per cent (activity 18) to 18.5 per cent (activity 16), with the sector as a whole accounting for 34.6 per cent of the post-DRI-loan value of assets. A comparison of the post-DRI-loan and the pre-DRI-loan value of assets shows that

(1) Activities (16), (17), and (19) have exhibited improvement over their pre-DRI-loan asset positions.

(2) Activities (15) and (18) have shown deterioration compared to the pre-DRI-loan asset positions.

Therefore, it may be concluded that

(i) the urban sector has, by and large, indicated

a better trend in regard to value adding than the rural sector under the scheme.

(ii) The activities generating the highest value added are not necessarily the activities in which there are greater concentration in the distribution of the pre-DRI-loan value of assets.

Main Findings And Policy Implications

I. The Additional Value Creation

1. Individual Beneficiary Level

Considering individual beneficiaries, 173 out of 463 beneficiaries of the rural activities, and 101 out of 190 beneficiaries in the urban activities could add value during the post-DRI-loan period. It may be pointed out that in the urban activities the number of beneficiaries who added value represented at 53 per cent of the sample of 190 has been relatively more compared to the rural activities at 37 per cent of the total sample of 463. In monetary terms the value added by the 101 urban beneficiaries was to the tune of Rs. 21,070 as compared to the rural beneficiaries at Rs. 18,027 which is less by about 14 per cent.

Our hypothesis that the additional asset creation effect at the individual beneficiary level is positive, has been partially sustained. It appears that all the beneficiaries selected were not in a position to create added value during the post-DRI-loan period.

2. Aggregate level

Asset creation at the aggregate level covering all

activities indicates that the total value added per value adding beneficiary has varied from as low as Rs. 33 per beneficiary to as high as Rs. 396 per beneficiary in the rural activities. In the urban activities, it has varied from Rs. 92 to Rs. 300 per beneficiary. The analysis also indicates that the distribution of pre-DRI-loan period value of assets was 68.4 per cent for all rural activities together which in fact declined to 65.4 per cent in the post-DRI-loan period. For the urban activities, the distribution indicated a rise from 31.6 per cent during pre-DRI-loan period to 34.6 per cent in the post-DRI-loan period. However, the distribution of value added by activity indicated 46.1 per cent for the rural activities as compared to 53.9 per cent for the urban activities.

Our hypothesis that the additional asset creation effect at the aggregate level is positive, has been partially sustained. It may be remarked that the improvement shown by the post-DRI-loan period asset position is not altogether very remarkable, if one is to take cognizance of both the size of the loan and the pre-DRI-loan size of the assets.