

CHAPTER - 6

SUMMARY OF MAIN FINDINGS AND SUGGESTIONS

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6.01 We shall examine the findings of the study, in the light of the hypotheses framed, and make suitable suggestions on the basis of the findings. The first section of this chapter is devoted to the data-based findings and suggestions. The second section will deal with observation-based findings and suggestions. The observation based findings, on some aspects of the scheme, will be supported by our opinion survey conducted in this study.

SECTION I

DATA-BASED FINDINGS

Eligibility of Beneficiaries

6.02 At the outset, we will examine whether the financing institutions disbursed the loans under the DRI scheme to the eligible target groups only. The finding of the study reveals that out of the total sample of 190 beneficiaries, in the urban sector, 46 per cent of the beneficiaries selected were from the category of scheduled caste, physically handicapped, bakshi punch, and harijans, respectively. Similarly, of the total sample of 463 beneficiaries, 61 per cent belonged to the categories of

scheduled caste , scheduled tribes, physically handicapped, harijans, bakshi punch, and thakore community in the rural sector, respectively. The urban as well as the rural sectors together indicate that of the total sample of 653 beneficiaries covered in both these sectors, 57 per cent of the beneficiaries selected were from the categories referred to above. Thus, we may conclude that the financing institutions, by and large, disbursed loans under the scheme as per the norms indicated in the Reserve Bank of India's guidelines.

6.03 The educational status of the beneficiaries both in the urban as well as in the rural sectors, as revealed by the study reiterates the point that most of them were illiterate - 39 per cent of the total sample of 653 beneficiaries selected. In the urban sector, they represented slightly higher at 41 per cent of the total sample of 190 beneficiaries whereas in the rural sector, they represented 38 per cent of the total sample of 463 beneficiaries covered in this sector.

6.04 Further the study reveals that a number of deserving persons availed of the loans under the scheme. As many as 96 per cent of the total sample, both in the urban and in the rural sectors, had the level of family gross income at Rs.3,000 per annum in urban areas and Rs.2,000 per annum in rural areas respectively. Of the total sample

covered in the respective sectors, our study indicates that 95 per cent in the urban sector and 99 per cent in the rural sector were having low income position as per the income norms prescribed by the Reserve Bank of India in the guidelines, for each sector under the DRI scheme.

6.05 The study also reveals the low asset position of the beneficiaries covered both in the urban as well as in the rural sectors. Together in both these sectors almost 33 per cent of the total sample of 653 beneficiaries had no abode of their own. However, 29 per cent of the total sample in the urban sector lived in kutchha and semi-pucca houses, which were either covered by tarpaulin or asbestos, whose value in monetary terms was not very high. In the rural sector, 82 per cent of the total sample of the beneficiaries lived in huts, kutchha houses, semi-pucca and pucca houses, respectively. The condition of these houses, however, was dilapidated.

6.06 In addition to this, the beneficiaries, in both these sectors possessed additional assets, in terms of tools and equipments, bullocks, cart/hand lorries and lands. In monetary terms these assets could not have fetched high value due to the old and the obsolescence of these assets. In case of lands owned, almost they have been marginal lands. It may be mentioned that the number

of beneficiaries in urban sector (45) and in the rural sector (89) had held additional assets other than the dwellings. They represented hardly 24 per cent and 19 per cent of their respective samples covered under the study.

6.07 Thus, the overall assessment of the study indicates that the financing institutions have covered the most eligible and the deserving persons who required the bank assistance to pursue their economic activities productively under the DRI scheme.

Loan Requirements

6.08 The hypothesis we have sought to test is whether the financing institutions have met the full credit needs of the beneficiaries, both in the urban and in the rural sectors. The finding of the study reveals that the total credit needs of the beneficiaries were not met by the financing institutions fully, and they were compelled to borrow at a higher rate of interest, from the local money lenders/friends/relatives, to meet their remaining portion of the credit requirements. In the urban sector, 66 per cent of the total beneficiaries had applied for loans in range of Rs.1,001 to over Rs.6,000. Similarly, in the rural sector, almost 25 per cent of the total beneficiaries had applied for Rs.3,001 and over Rs.6,000. In both these sectors together, 39 per cent of the total sample of 653,

had applied for the quantum of loan in the range of Rs.3,001 and over Rs.6,000. Therefore, we may conclude that though, from the point of view of the financing institutions, the loans sanctioned and disbursed by them, in both the urban and the rural sectors have been adequate, the actual loans received by the beneficiaries have been found to be insufficient since the beneficiaries interviewed, in both these sectors, indicated that the absorption capacity of the loan of most of them was, indeed, high and this is also evident from the data presented above. Our field survey also reveals that none of the beneficiaries covered by the study have been sanctioned and disbursed the 'composite loan' by the financing institutions. Further, it was revealed that the financing institutions have not appraised the loan applications properly and disbursed the loans on 'ad-hoc' basis. They have not consulted the beneficiaries and assessed their actual credit requirements. It may be pointed out that in the urban sector 92 per cent of the total sample were sanctioned and disbursed the loan within the range of, on an average, Rs.100 to Rs.900 to the beneficiaries, and in rural sector 31 per cent were sanctioned and disbursed the loans in this range. Though 69 per cent of the total beneficiaries were sanctioned and disbursed loans in the range of Rs.901 but upto Rs. 3,000, it has

been on account of the minimum amount that was required to purchase the assets has been sanctioned and disbursed without which these activities could not have been pursued by the beneficiaries. For instance, price of milch cattle for low quality breed has been at around Rs.2,000 to Rs.2,500 ; the price of camel and cart of an average quality has been at around Rs.3,000, and that of 25 sheep, of an average quality, has been in the range of around Rs.3,000, during the periods of the sanctioning of the loans. These were irreducible minimum expenses that the beneficiaries required to create term assets investments, and therefore, the financing institutions had to disburse this quantum of loans, of course, without having any quality considerations for the purchases of these inputs.

Waiting Time Sanctioning of Loans

6.09 As per our hypothesis, the analysis of the data in regard to time involved between the loan applications and the sanctioning of the loans, the study reveals that in the urban sector as many as 45 per cent of the total sample had to wait for over a fortnight and/or upto 6 months to get their loans sanctioned from the date of their applications to the financing institutions. This was, indeed, an inordinately a long waiting period in view of the simple procedural frame envisaged under the DRI scheme. In the rural sector,

only 24 per cent were sanctioned loans on the same day of their applications whereas some 69 per cent had to wait for over a week and upto 7 weeks (i.e. one and a half month) to get their loans sanctioned. Some 17 per cent were, however, required to wait upto one year, from their date of applications.

6.10 Thus, we may conclude that the operational efficiency of the financing institutions on the aspect of the processing of the loan applications, and the sanctioning of the loans to the beneficiaries was not satisfactory. Together the data reveals that for the 653 beneficiaries covered, both in the urban as well as in the rural sectors, some 52 per cent of the total sample had to wait for over a fortnight and/or upto 2 years to get their loans sanctioned from the date of their applications.

Disbursements of Loans

6.11 The examination of the data on the aspect of the disbursements of the loans in the urban sector reveals that 99 per cent of the total sample of beneficiaries were disbursed the loans on the same day of their sanction. This has been facilitated on account of the group loaning approach adopted by most of the financing institutions covered in this sector. In rural sector, however, the picture that has emerged has been quite different. Only 8 per

cent were disbursed loans on the same day. Nearly 82 per cent of the total sample of beneficiaries in this sector had to wait for the disbursement of the loans for a week or upto one year to get their loans. In both these sectors, if considered together, the picture that emerges has been quite better. Some 43 per cent of the total beneficiaries of 653 were disbursed loans within a period of a week. Of these, 43 per cent, almost 82 per cent were disbursed the loans on the same day of their sanction.

6.12 Thus, we may conclude that the operational efficiency in regard to the disbursement of the loans to the beneficiaries under the DRI scheme as shown by our study has been relatively high and comparatively better than their sanctioning of the loans to them.

Subsidy Aspect

6.13 With regard to our point of investigation on the aspect of the availability of the subsidy, our field survey reveals that most of the eligible beneficiaries got the subsidy.

6.14 In the urban sector 43 per cent, and in the rural sector 55 per cent of their respective total samples were granted subsidy in the range of Rs.500 to Rs.750 per

beneficiary by the Gujarat State Government. Together both in the urban and the rural sectors, some 52 per cent of the total sample of 653 beneficiaries availed of the subsidy. However, our field survey reveals that the subsidy was not released timely by the State Government, and it was generally disbursed by the end of the terminal period of the loan.

Operating Expenditure

6.15 Our hypothesis has been that the size of the loan amount disbursed has not been a dependant variable of the servicing cost, the operating expenses and the consumption expenditure. Our finding of the study reveals that the loan amount has been a dependant variable and the servicing cost, the operating expenses and the consumption expenditure are independent variables. It may be pointed out that though there has been an association between the total operating expenditure and the loans disbursed, the study reveals that there is no proportionate relationship of the total expenditure and the total loans disbursed every year. On an average, the total operating expenditure, as a proportion of the total loan, has been at 27 per cent at the aggregate level; in the rural sector, it has been as low as 14 per cent, and in the urban sector, it has been as high as 73 per cent, respectively. The empirical analysis of the

cross section of the data with the use of the regression technique reveals that though the operational expenses, in the total operating expenditure incurred by the beneficiaries, in terms of magnitude have been found to be substantial, it is less influential in the loan amount. The estimated equations for the total expenditure and the total loan reveal that they are positively related. This can be interpreted that as and when the loan amount increases, the total expenditure also increases. Further, the consumption expenditure analysis from the estimated equations reveal that it is positively related to the loan amounts, which in otherwords, can be interpreted to indicate that the variations in consumption expenditure is associated with the variations in the loans disbursed. Therefore, it can be deduced that as the loan amount increases, the consumption expenditure also increases. It may be mentioned here that the study has revealed that as the size of loan increases the level of gross income derived also increases and therefore, it is natural that in view of the high income elasticity of demand for food, the consumption also increases when the size of loans disbursed increases.

Net Investible Amounts

6.16 Our another hypothesis has been that the inadequacy of net investible funds arising out of our above hypothesis has constrained the efficacy of the scheme. The finding of our study reveals that the net investible funds available for creating fixed term assets at the aggregate level has been at around 73 per cent of the total loan; it has been quite low at 27 per cent in the urban sector whereas in the rural sector it has been as high as 86 per cent respectively.

Income-Effect

6.17 Our hypothesis has been that the net income effect at the individual beneficiary level, at all the different occupational groups level and at the aggregate level has been positive. The finding of our study reveals that on an average, the net income derived at the aggregate level has been positive at Rs.1,250 per beneficiary. However, it has been low at Rs.954 per beneficiary for the urban sector, but quite high (relatively) at Rs.1,372 per beneficiary in the rural sector. Only 8 per cent of the total sample of 653, had net negative income effect. The percentage of beneficiaries, who had net negative income effect was relatively high in the rural sector at around 8 per cent of the total sample, whereas in the urban sector,

the percentage reckoned was as low as at around 6 per cent of the total sample. The reasons for the net negative income effect can be attributed to the personal/occupational difficulties faced by some beneficiaries which were beyond their control in some respects, while the other aspects have been the lack of infrastructure facilities provided to the beneficiaries under the DRI scheme.

6.18 It may be mentioned that the activity-wise analysis of data indicates that the net income effect varied from activity to activity. In rural sector, out of the fourteen activities selected, in the retail trade it was as low as Rs.186 per beneficiary whereas it was as high as Rs.2,346 per beneficiary under pumpsets (farming). Similarly, the analysis of data in the urban sector reveals that it varied from Rs.680 per beneficiary under vending cloth to Rs.2,750 under glasswares, respectively. It may be mentioned that the net income generating capacity for an average size of loan disbursed at the aggregate level has been reckoned at 93 per cent, for the rural sector at 91 per cent, and for the urban sector at 102 per cent, respectively. In the context of this study, it may be observed that the beneficiaries, out of the net income generated, were required to repay the principal loan amounts and were also expected to meet

the family consumption expenses. As the size of these expenditures is often quite high in relation to the size of the net income generated by the beneficiaries, there will be meagre resources/funds that will be available to continue economic activities further. This is perhaps a pointer to the fact that either the size of the loan is insufficient or the scale of operation of the activities pursued is not optimal. However, the overall impact of the DRI lending, during the first year of the operation of the scheme has been positive and favourable which is evident from the positive gross as well as the net income effect derived by the majority of the cases of the beneficiaries. We have evaluated the lending under the DRI scheme with the help of three discounting measures. Thus, the efficacy of the scheme at the individual activity level, at the rural as well as at the urban sectors level separately, and at the aggregative level, with the use of the Benefit/Cost-Ratio, the Net Present Worth and the Internal Rate of Return techniques appears to be financially viable. The results obtained at the aggregative level indicate that the Benefit/Cost Ratio derived was positive at 1.48 at 4 per cent per annum rate of interest. The Net Present Worth derived was also positive at Rs.4,72,703. The Internal Rate of Return was much higher over 50 per cent at 4 per cent per annum

rate of interest. The similar picture has emerged for the urban as well as for the rural sectors when examined separately. It may be pointed out that though the total investment under the urban sector has been less as compared to the rural sector, and also though the total number of activities and the total sample of beneficiaries covered in the urban sector have been less in comparison with the rural sector, the Benefit/Cost Ratio derived in the urban sector has been relatively high at 1.63 at 4 per cent per annum rate of interest. However, the Net Present Worth derived has been relatively low at Rs.1,76,705. The Benefit/Cost Ratio for the rural sector has been worked out at 1.42 at 4 per cent per annum rate of interest, and the Net Present Worth has been reckoned at Rs.2,95,998, respectively. In both these sectors, the rural as well as the urban, the Internal Rate of Return has been reckoned over 50 per cent at 4 per cent per annum rate of interest. This has thus, indicated the maximum capacity to generate higher income under the rural and the urban sectors level as well as at the aggregative level. Only disquieting feature has been that out of the total fourteen activities selected in the rural sector, under two activities, namely, sheep-rearing (0.70) and camel cart pulling (0.54), the Benefit/Cost Ratios derived for these two activities, have been less than unity. However, the individual activity-wise

analysis further reveals that the Benefit/Cost Ratio was high in respect of agriculture at 3.54 at 4 per cent per annum rate of interest, and it was low in respect of handloom weaving at 1.21 at 4 per cent per annum rate of interest. It may be pointed out that the Sensitivity test carried out at the rural sector level; at the urban sector level and at the aggregative level, by reducing the benefits by 10 per cent, and simultaneously escalating the costs by 20 per cent, the overall impact of the DRI scheme has been positive and favourable, even after the adjustments carried out referred to above. This reveals the high holding out capacity of the scheme at the aggregative level, at the rural sector level, and at the urban sector level, respectively, to withstand the unforeseen circumstances/contingencies. Only disturbing factor has been that the Sensitivity test carried out for individual activity-wise for the 17 activities out of the nineteen selected, (two activities, namely sheep-rearing and the camel cart pulling were excluded this test since they had less than unity BCR under normal conditions of which the three activities were vulnerable to the adjustments. These activities were - the handloom weaving (0.91), the pumpsets (0.93) and the dairy (0.94), respectively for which the BCR derived was less than unity.

Employment Effect

6.19 The hypothesis tested has been that the employment effect at individual occupational level and at the aggregative level of all occupations has been positive. The finding of the study indicates that the employment generation has taken place at the individual activity level, either for the members of his family or for himself or for an outsider. Among the fourteen activities selected in the rural sector, the generation of man-days has varied from activity to activity. Under bullocks (farming) it has been as low as 7 man-days whereas it has been as high as 35 man-days under fishery. Similarly, among the five activities covered in the urban sector, it has been as low as 1 man-day under vending glasswares, and as high as 68.50 man-days under vending cloth. The total generation of employment at the aggregative level has been 342.5 man-days of which at the urban sector level as well as at the rural sector level, it has been 247 man-days and 95.5 man-days respectively. It may, however, be mentioned that the generation of employment has been higher in the rural sector as compared to the urban sector.

Social Change Effect

6.20 Our hypothesis has been that the social change effect at the individual beneficiary level, and at the

aggregative level of all occupations has been positive. The finding of the study reveals that 150 out of 190 beneficiaries in the urban sector and 319 out of 463 beneficiaries in rural sector have indicated a positive social change effect. Even activity-wise and the individual beneficiary-wise it has indicated that there has been a positive impact of the DRI scheme on some beneficiaries' living conditions, either by way of change in food habits, better clothing, educating themselves as well as children; purchases of utensils for household; better shelter for the family by making improvements to their existing dwellings etc. It may, however, be pointed out that not each and every beneficiary could have a social change effect, in terms of some improvements in social status or what has been referred to above. This has been on account of un-even generation of net income by the beneficiary within the activity or among the different activities selected. However, on the whole, by and large, though the social impact has not been that substantial, it has been nonetheless quite positive and favourable in the majority of the cases of beneficiaries (79 per cent in the urban sector) and (69 per cent in the rural sector), respectively covered by the study.

Value Added

6.21 Our hypothesis has been that the additional asset creation effect at the individual beneficiary level and at the aggregative level of all occupations has been positive. The finding of the study reveals that though the impact of the total assets creation has been positive and favourable, it is not been quite substantial. Results indicate 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 sector. Similarly, in the urban sector, it has varied from Rs.92 to Rs.300 per beneficiary which has been relatively high than the rural sector. Further, the analysis of data indicates that the distribution of pre-DRI loan period value of assets which was 68.4 per cent has in fact, declined to 65.4 per cent during the post-DRI loan period, in the rural sector, whereas in the urban sector, it indicates a rise thus from 31.6 per cent during pre-DRI loan period to 34.6 per cent in the post-DRI loan period. It may, however, be pointed out that the distribution of value added by activity indicated 46.1 per cent in the rural sector as compared to 53.9 per cent in the urban sector which was higher amongst the two sectors.

6.22 We may, therefore, conclude, that the additional assets creation at the individual beneficiary has not been uniform since not all the beneficiaries could add to their existing assets or purchase new assets out of the loan disbursed. However, at the aggregative level of all occupations though, the improvement shown during the post-DRI loan period of asset position has not been remarkable, if one is to take the cognizance of both the size of the loan and the pre-DRI loan period size of the assets. It may be mentioned that the analysis of data on the income effect, has revealed that the net income derived by individual beneficiaries has also not been uniform and it has varied from beneficiary to beneficiary within the same activity. Further, there were some beneficiaries who had net negative income effect and this may be the reason for un-even asset creation.

Level of Gross Income of Non-Beneficiaries

6.23 With regard to our point of investigation on the aspect of the level of gross income position of non-beneficiaries, it has been revealed by the field survey, that the level of gross income per annum per family, both in the rural as well as in the urban sectors have gone up in recent years due to rise in the wage rates, and on account of the overall rise in the price level. The

finding of the non-beneficiaries survey reveals that 72 per cent of the total sample of 96 beneficiaries covered in the urban sector had level of gross income position per annum in the range of Rs.3001 to Rs.5000 per family. Similarly, in the rural sector 65 per cent of the total sample covered 303 non-beneficiaries had the level of gross income in the range of Rs.3001 to Rs.5000 per annum per family.

6.24 In view of the above, we have also calculated the rate of growth in the income position taking 1978 as a base period. We have worked out for the years 1978 to 1984 period. At a compound rate of growth of 9.2 per cent, the level of gross income for the rural sector has been reckoned at Rs.3390, on the basis of income fixed at Rs.2000 per annum per family for this sector, and for the urban sector, on the similar basis has been reckoned at Rs.5087 per annum per family, for the level of income fixed at Rs.3000 per annum per family during 1978.

6.25 We may therefore conclude that the level of gross income of the urban as well as of the rural poors have gone up in recent years due to the overall rise in the price level.

DATA-BASED SUGGESTIONS

6.26 In view of the above findings, the following suggestions are offered.

1. Total Credit Needs

The credit rendered by the financing institutions should be in consultation with the beneficiaries, and should be adequate enough to meet the entire credit needs of the beneficiaries under different activities, otherwise, the very purpose of the DRI scheme with which it has been implemented, will be defeated.

2. Enhancing the Efficiency

The financing institutions should tone up their efficiency in regard to the processing of the loan applications received. The sanctioning of the loans should be done quickly by streamlining the procedures within the banks/ organisations which are responsible to implement the DRI scheme. Thus, the overall operational efficiency of the implementing agencies should be improved further since simple procedural frame has been provided

under the scheme. They may also improve their efficiency in regard to the disbursements of the loans particularly.

3. Group Loaning Method

The group loaning approach adopted by the financing institutions in some cases of beneficiaries may also be extended to cover both the future beneficiaries as well as more beneficiaries under the DRI scheme. The loss involved in waiting time, in the various stages of processing of loan applications, sanctioning and disbursements of the loans thus, can be reduced to the minimum.

4. Uniform and Timely Subsidy

The State Government should not only release the subsidy timely, but it should also be synchronised with the disbursements of the loans, to make it more meaningful. Further, the subsidy should be released uniformly in terms of amount to all the category of beneficiaries, irrespective of their caste/category. In view of the

overall rise in the price level, the economically backward class need also be included under the purview of the subsidy accorded.

5. Higher Quantum of Loan

The financing institutions should take the cognizance of the total operating expenditure as well as the consumption expenditure incurred by the beneficiaries in deciding the quantum of loans to be disbursed. This will enable them to augment the net investible funds for creating term assets, and the higher capital formation under the scheme. Therefore, the higher quantum of loans be disbursed to the beneficiaries under different activities, to meet their full credit needs.

6. Credit Limits Revision

The study has already revealed, as referred to above, the need to enhance the quantum of loans disbursed. Further, due to the overall rise in the price level, the input costs have gone up in recent years. In the light of the

above observations, the present level of the working capital may be increased from Rs.1,500 to Rs.4,000 and the term loan from the present - Rs.5,000 to Rs.8,500 per beneficiary. The composite loan may also be simultaneously enhanced to a level of Rs.12,500 per beneficiary, on the basis of the compound rate of growth of 9.2 per cent per annum since 1978 when the last revision was effected. This will enable them not only to meet their total credit requirements, but would also be adequate for the capital formation under the different activities. Further the scheme should have inbuilt mechanism by incorporating it in its provisions which should enable the upward revisions of the loans say, after every 3 to 4 years automatically, by taking Index of prices as a guiding factor for deciding the revision.

7. Employment to Outsiders

The study reveals that under certain activities there is a need to employ an outsider particularly to pursue the activity in view of the peculiar nature of that activity and in cases

of beneficiaries who have no surplus family labour. Though the scheme does not envisage paid employee on a regular basis, the provision of an outsider paid employee on a regular basis may be incorporated under the scheme which would enable the financing institutions to consider it, on the merit of each case/activity. This component of cost need also be included in the quantum of loans disbursed by the financing institutions for that particular type of activity, so that the adequate funds for creation of term assets would be available.

8. Commercial Approach to Lending and Higher Loans

The commercial banks should adopt practical approach in lending under the DRI scheme rather than making it as a target fulfilling objective. A proper banker/customer relationship need to be established. Once the beneficiary becomes viable say, within a period of two to three years, the financing institutions may even consider his case for much higher loans on commercial basis than at present. The level of income generated should be taken as a guiding factor to appraise his loan requirements in future. This will go a long way in creation of term assets and higher capital formation under the DRI scheme than at present.

9. Upwards Revision of Income Norms

Due to the overall rise in the price level, the wage rate of the non-beneficiaries has gone up in recent years, both in the urban as well as in the rural sectors. Although, the level of gross income has risen, our field survey reveals that their economic conditions have not increased substantially. In view of this, the income norms fixed for the urban as well as for the rural presently, need be enhanced to higher levels to Rs.5,000 for urban areas and Rs.4,000 for the rural areas, respectively, otherwise, quite a large number of families may fall outside the purview of the DRI scheme for whom it is intended.

10. To be really effective and beneficial to the beneficiaries, the financing institutions should ensure appropriately the backward as well as the forward linkages under the scheme which in turn, would go a long way to improve the overall efficacy of the DRI scheme.

Observation - Based FindingsSECTION II

6.27 Based on the opinion survey as well as the observations during the field work, the following findings have emerged. Section II here deals with the summary of such important findings and makes suitable suggestions for the improvement of the existing scheme.

1. Concessionality

The concessionality in the rate of interest has been the prime motivating factor for the beneficiaries as well as for the non-beneficiaries. The low interest cost burden to the beneficiaries has been the major incentive for availing the loan facilities under the DRI scheme. However, the cross section of opinion survey reveals that the beneficiaries have been subsidised twice; by way of lower rate of interest at 4 per cent per annum on the one hand and by the direct subsidy provided by the state governments on the other. The point that emerged has been that the dual subsidy should be discontinued forthwith.

2. Infrastructures

The lack of infrastructural facilities such as marketing avenues, non-availability of input servicing facilities, and paucity of funds during the post-loan

period for repairs, have not only impeded the income generating capacity but also the steady growth of the different activities financed. Overall consensus that has emerged has been that the credit is one input only. The package of services along with the production credit would go a long way in augmenting the income generative capacities substantially of various activities covered by the scheme.

3. Cost Effectiveness

The large number of small accounts spread over the remote areas have been posing problem administratively to the financing institutions, especially to the commercial banks who have inadequate trained man-power to cater to the needs of socially oriented schemes. Post-DRI loan period problem of supervision have aggravated the situation in terms of recovery of the loans, and that of according the proper attention to the needs of the beneficiaries at the field level. The general consensus that has emerged has been that the "Consortium Approach" by the commercial banks in respect of catering to the credit needs and "Area Approach" in terms of execution of the scheme by them would go a long way in reducing the cost burden. The sharing of the costs by grouping the branches of the commercial banks or channelising the credit through the

specialised agencies set-up by the state government, namely various types of 'Corporations' and 'Boards' can help to bring about the cost effectiveness under the scheme.

4. Co-ordination

The problem of creeping in ineligible borrowers, inadequacy of the staff strength at the branch levels, illiteracy of the beneficiaries, lack of Post-DRI loan follow-up have been some of the factors that has affected the overall efficacy of the scheme. The point that emerged has been that the commercial banks among themselves, and along with the state government should jointly and severally shoulder the responsibility of the execution of the scheme at the field level. The general consensus has emerged that some sort of co-ordination and the link between the various financing institutions and the various state government departments would help to improve the overall efficacy of the scheme.

5. Integration of Schemes

The unscientific approach in lending under the scheme, local pressures put on by the political leaders, hunch approach adopted by the state government departments in sponsoring the loan applications, lack of proper appraisal

methods in processing the loan applications, and the overall apathy of the staff of the commercial banks in rendering adequate credit to the beneficiaries have resulted into large overdues, discontinuity in the banker and beneficiary relationship and the overall unsatisfactory progress of the scheme. The point that has emerged has been that the commercial banks should understand the implication of this Policy Oriented scheme, and should discharge their duties and functions to meet the requirements under the socially motivated scheme. The general consensus has been that all the socially oriented schemes be merged and some uniform policy in regard to the procedural frame be adopted to make them more meaningful and purposive.

6. Training

The illiteracy of the most of the beneficiaries has affected the overall efficiency of the scheme. Training to the beneficiaries on the objectives of the scheme as well as the role they are required to play to make the scheme successful is very imperative. Further, to make them enlightened entrepreneurs, the vocational training would help them to shoulder higher responsibilities in the occupations/activities pursued by them. The general consensus has been that prior to the sanction of

the loans, the commercial banks or the sponsoring agencies should impart adequate training under the scheme to the beneficiaries.

Observation - Based

Suggestions

- (1) Since the purpose of the DRI scheme has been to strengthen the weaker sections of the community, it is suggested to continue the existing facilities of (i) the concessional interest rate and (ii) the subsidy. However, it may be added here that the subsidy may be released on the acquisition of the requisite assets, as referred to earlier. This will reduce the interest burden further.
- (2) The scheme should consider a package containing, marketing facilities for finished goods, repairs and maintenance of assets, to ensure the steady growth of the different activities financed.
- (3) The approach to lending should be on consortium basis i.e. banks, government and other bodies, if any. As far as possible, the lending institutions should resort to financing particular trade and area etc., so as to

acquire efficiency for successful implementation of the scheme. This would facilitate the reduction in cost and timely recovery.

- (4) The "Social Field Worker" may be appointed by the lending institutions for the development of proper co-ordination between the beneficiary and the lending institution. This "Social Field Worker" may assess the training needs of the beneficiaries wherever deemed necessary.
- (5) The credit guarantee cover offered by the Deposit Insurance and Credit Guarantee Corporation should not fluctuate, from time to time, and the cover should be fixed at 90 per cent of the amount in default. The Corporation should also simplify and streamline the procedural frame in respect of the settlement of claims, and that the branch offices of the commercial banks be allowed to submit their claims directly to the Corporation. All this would help to promote the bank advances under the scheme.
- (6) Considering the substantial increase in the advances under the DRI scheme in future, the Reserve Bank of India should monitor

the progress of the scheme, from time to time, by conducting periodical sample surveys in each state, to evaluate the efficacy of the scheme. They should also advise the commercial banks to undertake sample studies which should be in the nature of reconnaissance survey and suggest corrective measures wherever necessary.

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