

LOAN AND ECONOMIC ACTIVITIES FINANCED

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In India almost forty-six per cent of the population of 870 million resides in absolute poverty. Combating poverty of this magnitude and dimension requires framing of adequate strategies and policies that provide opportunities to the poor in participation of economic growth. Integrated Rural Development Programme [IRDP] is one such program through which the government has tried to expand large scale subsidized credit following the target oriented approach.

As the present study aims to undertake a penetrating impact analysis of credit disbursed under the IRDP, it also reckons the need to understand the salient characteristics of loans and the economic activities financed. This chapter provides the details of the types of loans, beneficiaries and the amounts advanced.

In this context, the chapter aims to :

- Assess the physical coverage and financial assistance granted to female beneficiaries financed under the IRDP.
- Create loan profiles on type of asset acquired and additional expenditures incurred on it.
- Review the repayment performance and the reasons for the non-repayment of the loans.
- Develop asset/activities profiles for which loans are given.

## 5.1 IRDP in Vadodara District

IRDP is a highly ambitious programme specifically designed to combat the changing dimensions of rural poverty in the country. Initiated in 1978-79, the programme aims to provide income generating assets and inputs to rural poor, to enable them to cross the poverty line threshold through the additional income generated from the asset financed.

Financing of 'rural poor' incorporates both men and women belonging to specific target groups such as small and marginal farmers, agricultural labourers, rural artisans and SC/ST's living below the poverty line threshold.

(For details of the processes of selection, sanction and disbursal of loan applications at the micro level, refer to Appendix III).

In order to obtain a picture of the programme implementation, the present section aims to review the physical and financial coverage of beneficiaries in Vadodara District, during the period 1986-87 and 1991-1992.

The proportion of female beneficiaries [FBs] to total beneficiaries has steadfastly increased from 20.95 to 45.27 per cent over the study period [Table 5.1]. In the first three years, since 1986-87, the coverage fell short of the target but since 1989-90, it has crossed the target and has been above 40 per cent.

Table 5.1

## Coverage of Beneficiaries Under IRDP : Total and Female

Year	Total Beneficiaries (1)	Female Beneficiaries (2)	Percentage of Column 2 to 1 (3)
1986-87	12843	2691	20.95
1987-88	13707	3829	27.93
1988-89	14030	4150	29.57
1989-90	8352	3349	40.00
1990-91	4582	2050	44.74
1991-92	5767	2611	45.27

A study of the average investment (subsidy plus bank credit) in the study's base year 1986-87 and 1991-92 showed a difference between the total beneficiaries and FBs. It had increased from Rs. 2753 and Rs. 2279 in 1986-87 to Rs. 6296 and Rs. 7681 in 1991-92 for the total beneficiaries and FBs respectively. These achievements in terms of increase in the investment is a welcome development, but what is more important is the reversal of the investment ratio between total beneficiaries and FBs over the period. It needs to be noted that in the last year [1991-92], women accounted for less than half of the total beneficiaries and had a 21.9 per cent higher investment than the average for the sample. As noted earlier, there is a policy stipulation that every year 30 per cent of IRDP beneficiaries must be women.

The gender differences in investment may be due to the differences in the actual activities financed. This prompted us to investigate into the different activities pursued by the FBs and total beneficiaries.

The following table depicts the distribution of IRDP beneficiaries according to the activity financed in 1986-87.

Table No: 5.2

Activity Financed and Financial Assistance: Total and Female.

Activity	No. of Beneficiaries		Average Financial Assistance	
	Total	Female	Total	Female
1. Agricultural Equipments & Power Animals	1352 (10.52)	128 (4.7)	2376	2676
2. Minor Irrigation	415 (3.23)	12 (0.44)	6383	4583
3. Animal Husbandry	8072 (62.85)	1976 (72.68)	3572	2735
4. I.S.B.*	3004 (23.39)	595 (22.11)	2082	714
Total	12843	2691	2753	2279

(Figures in parentheses are percentages to the totals of respective columns)

\*Industries Service and Business

The above table clearly shows an overwhelming bias in favour of animal husbandry followed by the Industries Service and Business (I.S.B.Activity) in case of both the categories of beneficiaries, i.e. total and female. The table also shows that the average investment of the total beneficiaries in all the activities was higher than the FBs. It is pertinent to note the differences in the average investment of the FBs and the total beneficiaries in the common activity; animal husbandry.

## **5.2 Loan Profiles of Sample Beneficiaries**

The Programme's policies envisage granting of double dose of assistance to beneficiary households which have failed to cross the poverty line threshold with the aid of a single loan. For availing a second loan, the beneficiary household is required to have a good repayment performance and should still be below the poverty line threshold.

The following table portrays the distribution of beneficiary households [BHs] into one and two loan categories and their total investments. In case of the second loan, the investment of first and second loans are added up.

The table below shows that 57.5 and 42.5 per cent of the beneficiaries were financed for one and two loans respectively. This implies that nearly half of the BHs could not cross the poverty line and thus had to be given second dose of assistance.

Table 5.3

Average Investment in One and Two Loan Categories :  
Gender-wise

Beneficiary Households	One loan		Two Loan	
	No.	Avg Invt	No.	Avg Invt
FBHs (90)	44 (48.8)	3020	46 (51.11)	6040
MBHs (30)	25 (83.33)	3020	5 (16.67)	6040
FHHs ( 9)	7 (77.78)	2980	2 (22.22)	5980
Total (120) (FBH+MBH)	69 (57.5)	3020	51 (42.5)	6040

(Figures in parentheses are percentages to the totals of respective categories)

Note: i. Avg Invt refers to Average Investment in Rs.  
ii. No. refers to Number of beneficiaries.

### 5.3 Identification of Beneficiaries

The following table shows the distribution of beneficiaries in accordance of their source of identification and motivation.

Table 5.4 reveals that within the BHs, majority of the beneficiaries were identified by the Village Pradhan while, nearly one-fourth were identified and motivated by the Gram Sevaks. Whereas the Sarpanchs and Other Officers had very little role to play.

Table 5.4

Source of Motivation and Identification : Gender-Wise

Beneficiary Households	Village Pradhan	Sarpanch	Gram Sevak	Others
FBHs	51 (56.67)	5 (5.55)	26 (28.89)	8 (8.89)
MBHs	25 (83.33)	2 (6.66)	2 (6.66)	1 (1.11)
FHHs	4 (44.44)	0 (0.0)	5 (55.56)	0 (0.0)
Total (FBH+MBH)	76 (63.3)	7 (5.8)	28 (23.3)	9 (7.5)

(Figures in parentheses are percentages to the totals of respective columns)

Category-wise also majority of the beneficiaries were identified and motivated by the Village Pradhans followed by the Gram Sevak. However, in case of FHHs, the Gram Sevaks played a more important role compared to the Village Pradhans.

It needs to be noted that bank officials in no way were involved in the selection, identification or in matching and helping the beneficiaries to prepare the projects.

#### 5.4 Adequacy of Assistance

All the beneficiaries were compelled to incur additional expenditures on transportation and documentation in the process of acquiring the assets. This was revealed in the form of an answer to a direct question asked to the BHs.

### **5.5 Quality of Asset**

Majority of the beneficiaries were dissatisfied with the assets acquired by them as many were found to have acquired cattle of third and even fourth lactations. All of them felt that primarily the financial assistance was only just adequate to buy a desi breed buffalo and they could not afford buying a better animal. Secondly, the undue emphasis on dairy development under IRDP financing led to the non-availability of good quality of cattle due to the higher demand and limited supply of milch cattle in the areas.

Hence, lending on a massive scale under IRDP, in disproportionately large scale needs careful planning and arranging of the required quantum of investments, for a better quality of asset, as poor quality of asset leads to low milk production yields and results in negligible increase in income.

### **5.6 Repayment Performance**

A study of the repayment performance of sample beneficiaries showed that 34.4 per cent of the beneficiaries had fully paid off the debts. A comparison of the categories showed that 35.4 and 33.3 per cent of the FBHs and MBHs were found to have fully repaid the loan amount. However, only 22.2 per cent of the FHHs had repaid the loan amount completely as the income accrual to them was relatively poor compared to other categories. In their



case, only those who received second loans could repay the loans fully.

In view of the lower repayment, we sought to explore the reasons. Out of several reasons enumerated by us, only three held relevance to the sample beneficiaries. They were : irregular income and uneven spread, insufficient income and natural calamities. Majority of the BHs felt that their repayment rates were low due to the irregular spread of the income and the insufficient income generated from the asset financed. Across the categories, most of the MBHs and FBHs attributed their lower repayment rates to these factors whereas the FHHs marked it to lower incremental income from the asset financed.

#### **5.7 Training under IRDP**

Beneficiaries covered under the IRDP were not imparted any kind of training as the functionaries thought that training was not needed in view of the fact that animals supplied were mostly of local variety and the beneficiaries were quite conversant in this regard. However, it must be realized that enterprenuership is not a common quality and it is not realistic to expect 20 million people to be enterprenuers. Thus, what is needed is a proper orientation and training of the beneficiaries in using the financed activity, even in case of traditional activities the rural poor do need training in the area of financial and resource management, marketing and adoption of modern technology.

## 5.8 Other Details

All the beneficiaries had covered their assets under the insurance policies and the premium amount was paid by the financial institutions. The loans to the IRDP sample beneficiaries were granted at 10 per cent rate of interest while the IRDP beneficiary households with less than Rs.2000 household income were granted assistance under the Differential Rate of Interest (DRI) Scheme at 4 per cent rate of interest.

All the beneficiaries were found to be maintaining their identity cum monitoring card called Vikas Patrika. The Vikas Patrikas were very useful in monitoring the IRDP advances and we used the data from them for cross checking our sample data.

Further the beneficiaries were members of the milk co-operatives and their repayment of IRDP loans were directly made through the milk co-operatives. This process of linking credit with marketing was helpful in recovery of loans.

## REFERENCES

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