

Study No. 86

**FLOW OF CREDIT TO SMALL AND MARGINAL
FARMERS IN MADHYA PRADESH**

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PREFACE

On the direction of Parliamentary Standing Committee on Agriculture (PSCA) the Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India asked all the Agro-Economic Research Centres, to take up a study on "Flow of Credit to small & marginal farmers" under the coordinationship of Centre for Management in Agriculture (CMA), Indian Institute of Management (IIM), Ahmedabad. This Centre took up this study in two districts of Madhya Pradesh, namely, Hoshangabad and Mandsaur after consultation with NABARD officials at Bhopal.

With the adoption of new agricultural technology, the demand for agricultural credit has increased manifold. No agricultural transformation can take place without flow of sizable credit because majority of the Indian farmers are small and marginal. They can not make full use of technological development, unless they get some financial assistance from outside.

Credit plays an important role in promoting rural development with equity and justice. In addition, credit serves as a catalytic agent for increasing production and income of poor, small & marginal farmers. The small & marginal farmers suffer from low income and productivity and their economic condition further worsen if flow of credit does not come.

Over the past few years micro finance has emerged as an effective tool for alleviating poverty in India. Special emphasis is laid on promotion of micro-enterprises in rural areas set up by vulnerable sections of society. The concept of Self Help Groups (SHGs) is of considerable importance in taking the banking services to the door step of the poor in a cost effective manner.

At present not only traditional sources within both formal and informal institutions but also new generation financial institutions such as SHGs are in operation in villages. Therefore, it is better to know the experiences of both traditional and new generation institutions in the context of weaker sections of the society- the target group.

The present study is an attempt to assess the flow of credit to small and marginal farmers in the selected districts. The findings of the study will definitely help in arriving at solutions for improving the plight of poor farmers and landless households.

The present study was conducted by Dr. S.K. Gupta, Research Officer of this Centre who planned the study design conducted field investigation, supervised tabulation and analysis and drafted the report.

I wish to express my deep sense of gratitude to the officials in the Directorate of Economics and Statistics, Department of Agriculture & Cooperation, Ministry of Agriculture, Govt. of India, New Delhi for entrusting this study to this Centre. I express my sincere thanks to all the officials of NABARD at Bhopal, Hoshangabad & Ratlam (Mandsaur) and branch Managers and officials of State Bank of India, Kesla, Regional Rural Bank, Suktawa, Central Bank of India, (Lead Bank) Mandsaur, Central Bank of India, Daloda, Regional Rural Bank, Daloda, Cooperative Society, Daloda, District Cooperative Agriculture and Rural Development Bank, Daloda, NGO (PRADAN) and officials of the Department of Agriculture of the selected districts.

I am also thankful to all the sample farmers (borrowers) for providing necessary information and cooperation.

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(M.C. Athavale)
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C O N T E N T S

<u>CHAPTER</u>	<u>PARTICULARS</u>	<u>PAGE</u>
CHAPTER – I	INTRODUCTION	01 – 06
1.1	Introductory	01
1.2	The Self Help Groups (SHGs)	03
1.3	Objectives of the Study	05
1.4	Methodology and Sample Design	05
1.5	Organisation of the Study Report	06-A
CHAPTER – II	FLOW OF CREDIT TO AGRICULTURE IN INDIA, MADHYA PRADESH AND SELECTED DISTRICTS	07 – 23
2.1	Flow of Credit to Agriculture in India	07
2.2	Flow of Credit to Agriculture in Madhya Pradesh	08
2.2.1	<i>Bank Branches in Madhya Pradesh</i>	08
2.2.2	<i>Financing by Various Financial Institutions in Madhya Pradesh</i>	10
2.2.3	<i>Purposewise Distribution of Agricultural Loans in Madhya Pradesh</i>	12
2.3	Flow of Credit to Agriculture in Hoshangabad District	14
2.3.1	<i>Bank Branches in Hoshangabad District</i>	14
2.3.2	<i>Financing by Various Financial Institutions in Hoshangabad District</i>	15
2.3.3	<i>Purpose wise distribution of agricultural loans in Hoshangabad District</i>	17
2.4	Flow of Credit to Agriculture in Mandsaur District	20
2.4.1	<i>Bank Branches in Mandsaur District</i>	20
2.4.2	<i>Purposewise Distribution of Agricultural Loans in Mandsaur District</i>	21
2.5	To Sum Up	23
CHAPTER- III	RESULTS OF BORROWER SURVEYS	24 - 69
3.1	Sample Households	24
3.2	Villages Selected	24
3.3	Castes and Size of Holdings of Households	24

3.4	Population by Sex and Age	25
3.5	Literacy Standards	27
3.6	Occupational Distribution of Working Population	29
3.7	Distribution of working Children	31
3.8	Types of Families	32
3.9	Operated Area and Irrigation	33
3.10	Crops Grown	35
3.11	Types of Houses	37
3.12	Ownership of Houses	38
3.13	Ownership of Bullocks, Implements and Machinery	39
3.14	Ownership of Vehicles and Other Households Articles	41
3.15	Deposits with Financial Institutions	42
3.16	Livestock	44
3.17	Participation of Family Members in Social / Political Organisations	45
3.18	Expenditure of Family	48
3.19	Inputs Purchased	50
3.20	Disposal of Products	53
3.21	Disposal of Byproducts	55
3.22	Sources of Net Income	56
3.23	Sources of Loan	59
3.24	Sources and Amount of Loan	60
3.25	Purpose of Loan	62
3.26	Application for Loan and Cost of Loan	64
3.26-A	Credit Gap	66A
3.27	Outstanding and Overdues of Loans	67
CHAPTER- IV	PERFORMANCE OF NEW GENERATION INSTITUTIONS	70 – 87
4.1	Limitations of Rural Poor	70
4.2	Role of NGOs & NABARD	70

4.3	Characteristics of SHG (Self Help Group)	72
4.4	Criteria for Linkage of an SHG with a bank branch	73
4.5	Models of Financing of SHG	74
4.6	Advantages of Linkage to the Banks	75
4.7	Advantage of Linkage of SHG	76
4.8	The National Scenario of SHGs	76
4.9	Madhya Pradesh Scenario of SHG	77
4.10	Incentives offered by State Government	78
4.11	Future Prospects	79
4.12	Spread of SHGs in the State	80
4.13	SHG Scenario in Hoshangabad District	81
4.14	SHGs Scenario in Dodi Jhunkar Village of Hoshangabad District	82
4.15	Detailed study of 8 Mahila Samitis (SHGs), Village Dodi Jhunkar	82
4.16	Success Story of Yashoda Mahila Samiti (SHG)	85
4.17	Success Story of Bajrang Mahila Samiti (SHG)	86
4.18	Success Story of Indira Mahila Samiti (SHG)	86
4.19	Suggestions	87
CHAPTER - V	RESULTS OF LENDING INSTITUTIONS SURVEYS	88 – 113
5.1	State Bank of India, Kesla, Hoshangabad district, M.P.	88
5.2	Lending Institutions Perception in Terms of Attributes	91
5.3	Regional Rural Bank, Suktawa, District Hoshangabad , M.P.	93
5.4	Lending Institution's Perception in Terms of Attributes	95
5.5	Ratlam Mandsaur Regional Rural Bank, Daloda, District Mandsaur, M.P.	97
5.6	District Cooperative Agriculture and Rural Development Bank, Daloda, District Mandsaur, M.P.	
5.7	To Sum Up	104
5.8	Credit Experiences of Traditional Financial Institutions with respect to Small and Marginal Farmers and Landless Households	106

5.9	Credit Experiences of New Generation Financial Institutions	108
5.10	Suggestions to Ensure Smooth Flow of Credit to Small and Marginal Farmers and landless Households	110
CHAPTER –VI	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	114- 138
APPENDICES		139-144
APPENDIX- 1	Profile of Madhya Pradesh State	139-140
APPENDIX- 2	Profile of Hoshangabad District	141-142
APPENDIX- 3	Profile of Mandsaur District	143-144

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LIST OF TABLES

<u>TABLE NO.</u>	<u>PARTICULARS</u>	<u>PAGE</u>
CHAPTER II	FLOW OF CREDIT TO AGRICULTURE IN INDIA, MADHYA PRADESH AND SELECTED DISTRICTS	07 - 23
2.1	Proportion of short-term, medium and long term loans advanced in agricultural sector by banks in India, (1997-98 to 1999-2000)	07
2.2	Bank wise Flow of Agricultural Credit in India, (1997-98 to 1999-2000)	08
2.3	Number of rural and urban bank branches in Madhya Pradesh 1999-2000	10
2.4	Financing by financial institutions in Madhya Pradesh 1997-98	11
2.5	Financing by financial institutions in Madhya Pradesh 1998-99	11
2.6	Financing by financial institutions in Madhya Pradesh 1999-2000	12
2.7	Purposewise distribution of agricultural loans in Madhya Pradesh 1997-98	13
2.8	Purposewise distribution of agricultural loans in Madhya Pradesh 1998-99	13
2.9	Purposewise distribution of agricultural loans in Madhya Pradesh 1999-2000	14
2.10	Number of Rural and urban bank branches in Hoshangabad district M.P. 1999-2000	15
2.11	Financing by financial institutions in Hoshangabad district, M.P., 1997-98	15
2.12	Financing by financial institutions in Hoshangabad district, M.P. 1998-99	16
2.13	Financing by financial institutions in Hoshangabad district, M.P. 1999-2000	17
2.14	Purposewise distribution of agricultural loans in Hoshangabad district, M. P., 1997-98	18
2.15	Purposewise distribution of agricultural loans in Hoshangabad district, M. P., 1998-99	18
2.16	Purposewise distribution of agricultural loans in Hoshangabad district, M. P., 1999-2000	19
2.17	Number of Rural and urban bank branches in Mandsaur district, M.P. 1999-2000	20
2.18	Purposewise distribution of agricultural loans in Mandsaur district, M. P., 1997-98	21
2.19	Purposewise distribution of agricultural loans in Mandsaur district, M. P., 1998-99	22
2.20	Purposewise distribution of agricultural loans in Mandsaur district, M. P., 1999-2000	23

CHAPTER III	RESULTS OF BORROWER SURVEYS	24 - 69
3.1	Distribution of selected heads of households by size of holdings and castes, Hoshangabad district, Madhya Pradesh	24
3.2	Distribution of selected heads of households by size of holdings and castes, Mandasaur district, Madhya Pradesh	25
3.3	Distribution of total population by sex and age, selected households, Hoshangabad district, Madhya Pradesh	26
3.4	Distribution of total population by sex and age, selected households, Mandasaur district, Madhya Pradesh	26
3.5	Distribution of population by educational standards, selected households, Hoshangabad district, Madhya Pradesh	28
3.6	Distribution of population by educational standards, selected households, Mandasaur district, Madhya Pradesh	28
3.7	Main occupation of adult family members, selected households, Hoshangabad district, Madhya Pradesh	29
3.8	Main occupation of adult family members, selected households, Mandasaur district, Madhya Pradesh	30
3.9	Distribution of working children, selected households, Hoshangabad district, Madhya Pradesh	31
3.10	Distribution of working children, selected households, Mandasaur district, Madhya Pradesh	31
3.11	Types of families, selected households, Hoshangabad district, Madhya Pradesh	32
3.12	Types of families, selected households, Mandasaur district, Madhya Pradesh	33
3.13	Operated area and irrigation on the selected farms, Hoshangabad district, Madhya Pradesh	34
3.14	Operated area and irrigation on the selected farms, Mandasaur district, Madhya Pradesh	34
3.15	Crops grown, selected farms, Hoshangabad district, Madhya Pradesh	35
3.16	Crops grown, selected farms, Mandasaur district, Madhya Pradesh	36
3.17	Types of houses, selected households, Hoshangabad district, Madhya Pradesh	37
3.18	Types of houses, selected households, Mandasaur district, Madhya Pradesh	37
3.19	Ownership of houses, selected households, Hoshangabad district, Madhya Pradesh	38
3.20	Ownership of houses, selected households, Mandasaur district, Madhya Pradesh	38
3.21	Ownership of bullocks, implements and machinery, selected farms, Hoshangabad district, Madhya Pradesh	39

3.22	Ownership of bullocks, implements and machinery, selected farms, Mandasaur district, Madhya Pradesh	40
3.23	Ownership of vehicles and other household articles, selected households, Hoshangabad district, Madhya Pradesh	41
3.24	Ownership of vehicles and other household articles, selected households, Mandasaur district, Madhya Pradesh	41
3.25	Deposits with financial institutions, selected households, Hoshangabad district, Madhya Pradesh	42
3.26	Deposits with financial institutions, selected households, Mandasaur district, Madhya Pradesh	43
3.27	Livestock, selected households, Hoshangabad district, Madhya Pradesh	44
3.28	Livestock, selected households, Mandasaur district, Madhya Pradesh	44
3.29	Family members' participation in social/ political organisations, Hoshangabad district, Madhya Pradesh	46
3.30	Family members' participation in social/ political organisations, Mandasaur district, Madhya Pradesh	47
3.31	Family Expenditure on provisions, clothing, festivities and consumer durables, selected households, Hoshangabad district, Madhya Pradesh	48
3.32	Family Expenditure on provisions, clothing, festivities and consumer durables, selected households, Mandasaur district, Madhya Pradesh	49
3.33	Details of inputs purchased in the last year, selected farms, Hoshangabad district, Madhya Pradesh	51
3.34	Details of inputs purchased in the last year, selected farms, Mandasaur district, Madhya Pradesh	52
3.35	Disposal of main products and adjustment towards borrowings, selected farmers, Hoshangabad district, Madhya Pradesh	54
3.36	Disposal of main products and adjustment towards borrowings, selected farmers, Mandasaur district, Madhya Pradesh	55
3.37	Disposal of byproducts, selected farmers, Hoshangabad district, Madhya Pradesh	56
3.39	Sources of net income, selected households, Hoshangabad district, Madhya Pradesh	57
3.40	Sources of net income, selected households, Mandasaur district, Madhya Pradesh	58
3.41	Sources of loans, selected households, Hoshangabad district, Madhya Pradesh	59
3.42	Sources of loans, selected households, Mandasaur district, Madhya Pradesh	60
3.43	Sources and amount of loan, selected households, Hoshangabad district, Madhya Pradesh	61
3.44	Sources and amount of loan, selected households, Mandasaur district, Madhya Pradesh	62

3.45	Purpose of loan, selected households, Hoshangabad district, Madhya Pradesh	63
3.46	Purpose of loan, selected households, Mandsaur district, Madhya Pradesh	63
3.47	Application for loan, amount requested, loan actually disbursed, formalities, cost of loan, selected households, Hoshangabad district, Madhya Pradesh	65
3.48	Application for loan, amount requested, loan actually disbursed, formalities, cost of loan, selected households, Mandsaur district, Madhya Pradesh	66
3.48-A	Credit gap, selected households, Hoshangabad and Mandsaur district, Madhya Pradesh	66-A
3.49	Amount outstanding, amount overdue selected households, Hoshangabad district, Madhya Pradesh	67
3.50	Amount outstanding, amount overdue selected households, Mandsaur district, Madhya Pradesh	67
CHAPTER – IV	PERFORMANCE OF NEW GENERATION INSTITUTIONS	70 - 87
4.1	Spatial distribution of the SHGs linked with the banks as on 31.3.2000	76
4.2	Upscaling of SHGs- Banks Linkage Programme Projections	80
4.3	Number of SHGs having savings bank accounts with different banks and amount of loan availed, Hoshangabad district, Madhya Pradesh	81
4.4	Block wise projections for linkage of SHGs, Hoshangabad district, Madhya Pradesh, 2001-2002	81
4.5	Details of eight Mahila Samitis (SHGs) of Village Dodi Jhunkar, Hoshangabad district prior to the linkage with Regional Rural Bank, Suktawa, Madhya Pradesh	83
4.6	Details of four Mahila Samitis (SHGs) of Village Dodi Jhunkar, Hoshangabad district after the linkage with Regional Rural Bank, Suktawa, Madhya Pradesh	84
CHAPTER – V	RESULTS OF LENDING INSTITUTIONS SURVEYS	88 - 113
5.1	Client profile of the State Bank of India, Kesla, Hoshangabad district, M.P. in terms of lending and number of loanees	88
5.2	Purposewise breakup of loan disbursement, State Bank of India, Kesla, Hoshangabad district, M.P.	89
5.3	Percentage break-up of customers for each category of loan disbursed, State Bank of India, Kesla, Hoshangabad district, M.P.	90
5.4	Recovery rates of the State Bank of India, Kesla, Hoshangabad district, M.P.	91
5.5	Ranking of lending institution's perception about the loan products in terms of the attributes described	92
5.6	Competition among institutions existing in area of operation, S.B.I. Kesla, Hoshangabad district, M.P.	92

5.7	Client profile of the Regional Rural Bank, Suktawa, District Hoshangabad, M.P. in terms of lending and number of loanees	93
5.8	Purposewise breakup of loan disbursement, Regional Rural Bank, Suktawa, Hoshangabad, M.P.	94
5.9	Recovery rates of the Regional Rural Bank, Suktawa, Hoshangabad, M.P.	95
5.10	Ranking of lending institution's perception about the loan products in terms of the attributes described, R.R.B. Suktawa, Hoshangabad	96
5.11	Competition among institutions existing in area of operation, Regional Rural Bank, Suktawa, M.P.	96
5.12	Client profile of the lending institution Ratlam Mandasaur, R.R.B., Daloda, District Mandasaur, M.P. in terms of lending and number of loanees	97
5.13	Purposewise breakup of loan disbursement, Regional Rural Bank, Daloda, District Mandasaur, M.P.	98
5.14	Percentage breakup of customers for each category of loan disbursed, Regional Rural Bank, Daloda, Mandasaur district, M.P.	98
5.15	Recovery rates of the Regional Rural Bank, Daloda, District Mandasaur, M.P.	99
5.16	Ranking of lending institution's perception about the loan products in terms of the attributes described, R.R.B. Daloda, Mandasaur	100
5.17	Competition among institutions existing in area of operation, R.R.B., Daloda, Mandasaur, M.P.	100
5.18	Client profile of the lending institution District Cooperative Agriculture & Rural Development Bank, Daloda, District Mandasaur, in terms of lending and number of loanees	101
5.19	Purposewise breakup of loan disbursement, District Cooperative Agriculture & Rural Development Bank, Daloda, District Mandasaur, M.P.	102
5.20	Percentage breakup of customers for each category of loan disbursed, District Cooperative Agriculture & Rural Development Bank, Daloda, District Mandasaur, M.P.	103
5.21	Recovery rates of District Cooperative Agriculture & Rural Development Bank, Daloda, District Mandasaur, M.P.	103
5.22	Competition among institutions existing in area of operation, District Cooperative Agriculture & Rural Development Bank, Daloda, District Mandasaur, M.P.	104

CHAPTER – I

INTRODUCTION

1.1 Introductory

Technological improvement in agriculture in recent past has completely revolutionalised the farming systems. With the adoption of new agricultural technology, the demand for farm credit has increased manifold. No agricultural transformation can take place without flow of sizable credit, particularly under Indian farm saving pattern. The majority of the Indian farmers are small and marginal. They are very poor and are in the clutches of vicious circle of poverty arising out of low production with consequential low income, low saving and low investment resulting, again, in low production. They have very little surplus capital to invest on purchases of inputs required in modern agriculture. All these capital needs can not be met fully by the farmers out of their own savings. Unless they get some financial assistance from out side, they can not make full use of technological development. In order to sustain and hasten this technological change in agriculture, availability of credit in adequate amount is a must.

Before the active entry of commercial banks in farm financing field, the cooperatives and non-institutional agencies, mainly private moneylenders, provided farm loans for various productive and unproductive purposes. The moneylenders were mainly interested in maximization of their profits through charging higher rates of interest. Farmers who obtained loan from the private moneylenders, were able to pay only the interest or compound interest, and, most of them failed to pay the principal amount in whole of their life.

In the process of planned economic development, attempts have been made to change the traditional farming methods, considered to be a way of life, to modern farming methods. Farming, now a days, is considered as a business.

Credit plays an important role in promoting rural development with equity and social justice and more particularly as a part of general objective to increase agricultural production and income and to improve the level of living of rural population.

Credit, now a days, is not regarded as "hangman's rope". On the contrary, it is considered as an Economic "ladder or elevator" in uplifting the socio-economic conditions of the farmers. In addition, credit serves as a catalytic agent for increasing production and income of poor, small and marginal farmers.

With the nationalisation of 14 commercial banks in 1969 and six more in 1980, opened a new era in the field of farm financing. Now, more credit is being provided to the agricultural sector to meet the ever increasing demand for farm credit. Financing in the field of agriculture by commercial banks badly affected the business of private moneylenders. The performance of commercial banks in farm financing can be judged with reference to the flow of bank credit to the agricultural sector. The flow of credit to agricultural sector increased manifold.

Credit also plays a crucial role in encouraging private capital formation. Special efforts were made to strengthen agricultural credit

agencies. Over the decades, the cooperatives have emerged as the premier institutional agencies for farm development. Efforts to develop cooperatives were intensified following the recommendations of the All India Rural Credit Survey Committee (RBI 1954). The entry of Commercial Banks in mass banking in contrast with class banking was facilitated by the social control policy of the Government in 1967 and later through nationalisation of major commercial banks in two stages. The review undertaken by the All India Rural Credit Review Committee (RBI 1969) found that cooperatives did not measure upto the expectations in mobilising deposits and disbursing farm credit at the retail level. Later, in 1975, Regional Rural Banks (RRBs) were added as the third constituent of the rural credit system. The establishment of RRBs was found to be most beneficial for rural masses. The RRBs undoubtedly helped in inculcating banking habit in rural populace.

1.2 The Self Help Groups (SHGs)

Since the beginning of eighties, non-governmental organisations (NGOs) took initiative to form groups of women in rural areas. By this way, the concept of new generation financial institution (Self Help Group) emerged. SHG is a group of rural poor and its major objective is to achieve economic development by raising their resources. SHG regularly collects small amounts from the members and after sometime when certain amount is collected loans are given to the members. Aim for the formation of SHGs was to have access to financial support from formal institutions. The groups are getting popularity throughout the country because the borrowers and

lenders both are satisfied. The borrowers get loans easily without involvement of any formalities. On the other hand, the bank receives higher percentage of advances and transaction cost is also minimum through lending of SHGs. The RBI has accepted the significance of SHGs and has advised commercial banks to provide financial support to SHGs.

Hence, at present not only traditional sources within both formal (like Commercial Banks, Govt., Cooperatives etc.) and informal (e.g. rural money lenders and financial institutions) but also new generation financial institutions such as SHGs are in operation in villages. Therefore, it is better to know the experience of both traditional and new generation institutions in the context of weaker sections of the society. It is also necessary to find out how new generation institutions are making a difference in flow of credit to the target group of farmers.

On the advice of Parliamentary Standing Committee on Agriculture (PSCA) the Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India asked Agro-Economic Research Centres to take up a study on "Flow of credit to small and marginal farmers" under coordinationship of Centre for Management in Agriculture (CMA) at the Indian Institute of Management (IIM), Ahmedabad. It suggested to study the credit experiences of both traditional and new generation institutions to find out whether and how new generation institutions are making a difference to the flow of credit to the marginal and small farmers.

Agro-Economic Research Centre for Madhya Pradesh and Chhattisgarh, J. N. Krishi Vishwa Vidyalaya, Jabalpur (M.P.) has taken up

this study in two districts of Madhya Pradesh namely Hoshangabad and Mandsaur.

1.3 Objectives of the Study

The objectives of the study are as follow-

1. To examine the credit experiences of traditional financial institutions with respect to the vulnerable sections of the farming community (i.e. small and marginal farmer households and labour households).
2. To document through case studies the innovative credit experiments of new generation rural financial institutions, especially in private and cooperative sectors, with respect to the same target group;
3. To identify and analyse the existing credit flow gaps and the reasons thereof for the same target group; and
4. To suggest measures at both economic policy level and enterprise level to ensure smooth flow of credit on sustainable basis to this group.

1.4 Methodology and Sample Design

The study was based on both the secondary as well as primary data.

Detailed information on new generation financial institutions i.e. SHGs and traditional institutions was collected from the study area i.e. Hoshangabad and Mandsaur districts.

The primary data was collected at household level from sample households through structured questionnaires.

In Madhya Pradesh two agriculturally progressive districts were to be selected which represented the agricultural situation in the State. Of the two districts one had to have the traditional rural financial institutions functioning, whereas the other district had to have new generation financial institutions alongwith traditional financial institutions. For the selection of two agriculturally progressive districts one each with traditional financial institutions and the one with new generation financial institutions alongwith traditional financial institutions, NABARD officials at Bhopal were consulted. On their advice Mandsaar district with traditional financial institutions and Hoshangabad district with new generation financial institutions alongwith traditional financial institutions functioning were selected.

From each district one village was selected. In Mandsaar district village Daloda was selected and in Hoshangabad district village Dodi Jhunkar was selected. Further from each village 25 households were selected. These comprised 5 landless households, 15 small and marginal farmers and 5 large farmers. Thus the total sample comprised 50 households in two villages of two districts. The primary data were collected from 50 households.

The reference year of the data was 1999-2000.

1.5 Organisation of the Study Report

The study report has been presented in five chapters *plus* chapter VI on summary and conclusions. **Chapter I** is introductory in nature and gives background of Self Help Groups (SHGs) movement in the country and the state. It details the objectives of the study and methodology including the sample design.

Chapter II elaborates the total loan disbursed to agricultural sector splitting it into short term, medium/ long term loan in India for the three years 1997-98, 1998-99 and 1999-2000. It also gives details of loans disbursed by Cooperative Banks, Regional Rural Banks and Commercial Banks for the three year period. For the state of Madhya Pradesh the number of bank branches and their proportion as rural and urban has been described for 1999-2000. Financing by different financial institutions then follows for three years. The purposewise distribution of agricultural loans appears thereafter. The above mentioned details of bank financing in selected districts forms the next part of Chapter II.

For the collection of primary data 25 households were selected in each of the selected two districts. **Chapter III** elaborates the analysis of results obtained in the borrowers' survey. It gives socio economic characteristics including population, occupational distribution, size of land holdings and ownership of assets like draught and milch animals, implements and houses. It describes sources of income, consumption expenditure, deposits with banks, loans taken, inputs purchased and disposal of main as well as by products. Besides, it elaborates participation of family members in social and political organisations.

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Chapter IV is devoted to describe the philosophy behind establishing SHGs, their linkage with banks, the scenario of SHGs at national, state and selected Hoshangabad district level. It gives success stories of a few SHGs and offers suggestions.

Chapter V encompasses results of surveys of lending institutions, namely, State Bank of India, Regional Rural Bank, District Central Cooperative Bank of both the districts. In addition the chapter narrates credit experiences of Traditional Financial Institutions with respect to small and marginal farmers and landless households. Similar experiences of new generation financial institutions appear in this chapter. The chapter ends with suggestions to ensure smooth flow of credit to small and marginal farmers and landless households.

Concluding **Chapter VI** has summary, conclusions and recommendations.

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CHAPTER – II

FLOW OF CREDIT TO AGRICULTURE IN INDIA, MADHYA PRADESH AND SELECTED DISTRICTS

2.1 Flow of Credit to Agriculture in India

The flow of credit for agriculture in India has expanded impressively over a period of times. The disbursement of short term, medium and long term credit by all agencies put together increased from Rs.31,956 crores in 1997-98 to Rs.44,612 crores in 1999-2000. The short term credit flow increased from Rs.20,640 crores in 1997-98 to Rs.28,862 crores in 1999-2000. Similarly, the medium and long term credit by all the agencies showed an impressive growth from Rs.11,316 crores in 1997-98 to Rs.15,750 crores in 1999-2000.

The total credit issued by all the banks for agriculture in 1997-98 was Rs.31,956 crores. Of this, the share of short term loan was 64.59 per cent and medium and long term loan was 35.41 per cent. Similar trend was observed in the flow of credit in the year 1998-99 and 1999-2000 (Table 2.1).

Table 2.1 Proportion of short-term, medium and long term loans advanced in agricultural sector by banks in India, (1997-98 to 1999-2000)

Purpose	(Rs. in crore)		
	1997-98	1998-99	1999-2000
Short term loan	20,640 (64.59)	23,903 (64.85)	28,862 (64.70)
Medium / Long term loan	11,316 (35.41)	12,957 (35.15)	15,750 (35.30)
Grand Total	31,956	36,860	44,612
Total Agricultural Finance	(100.00)	(100.00)	(100.00)

*Source : Agricultural Statistics at a Glance 2001, Ministry of Agriculture,
Govt. of India, New Delhi*

Of the aggregate agricultural finance in the year 1997-98 (Rs.31,956 crores), the share of commercial banks was 49.54 per cent followed by cooperative banks (44.08 per cent) and Regional Rural Banks (6.38 per cent) Similar trend was observed in the year 1998-99 and 1999-2000. In the case of Commercial Banks, the flow of credit showed a significant growth of Rs.15,831 crores in 1997-98 to Rs.18,443 crores in 1998-99 and Rs.22,854 crores in 1999-2000. The share of Regional Rural Banks increased from Rs.2,040 crores in 1997-98 to Rs.3,329 crores in 1999-2000. The flow of Cooperative Bank credit for agriculture increased from Rs.14,085 crores in 1997-98 to Rs.18,429 crores in 1999-2000 (Table 2.2)

Table 2.2 Bank wise Flow of Agricultural Credit in India, (1997-98 to 1999-2000)
(Rs. in crore)

Banks	1997-98	1998-99	1999-2000
Cooperative Banks	14,085 (44.08)	15,957 (43.29)	18,429 (41.31)
Regional Rural Banks	2,040 (6.38)	2,460 (6.67)	3,329 (7.46)
Commercial Bank	15,831 (49.54)	18,443 (50.04)	22,854 (51.23)
Grand Total (Total Agril. Finance)	31,956 (100.00)	36,860 (100.00)	44,612 (100.00)

*Source : Agricultural Statistics at a Glance 2001, Ministry of Agriculture,
Govt. of India, New Delhi*

2.2 Flow of Credit to Agriculture in Madhya Pradesh

2.2.1 Bank Branches in Madhya Pradesh

There are 32 Commercial Banks, 19 Regional Rural Banks, 38 District Central Cooperative Banks, 38 District Central Cooperative Land Development Banks, 1 M. P State Cooperative Bank and 1 M.P. State

and Rural Development Bank operating in Madhya Pradesh as on 31 March, 2000. The Commercial Banks together have a net work of 2,357 branches in the state. Of this 48.45 and 51.55 per cent branches were rural and urban branches respectively. The area of operation of 19 RRBs covered the entire State except Betul district through a total of 1,087 branches of which 898 or 82.61 per cent were rural and 189 or 17.39 per cent were urban. The 38 District Central Cooperative Banks together had 768 branches (521 rural and 247 urban) with 5,232 primary agricultural credit societies affiliated to these. The 38 District Land Development Banks (DLDBs) operated in all districts through 382 branches of which 281 or 73.56 per cent were rural and 101 or 26.44 per cent were urban. There was only one M.P. State Cooperative Bank with a network of 22 branches. All the 22 branches were urban branches. Similarly, there is only one M.P. State Cooperative Agriculture and Rural Development Bank which had 9 branches. All the nine branches were urban.

Of the total 4,625 bank branches in the state, 2,842 branches (i.e. 61.45 per cent) were rural and 1,783 (i.e. 38.55 per cent) were urban. Of the total bank branches, Commercial Banks accounted for 50.96 per cent followed by Regional Rural Banks, 23.50 per cent, District Central Cooperative Banks, 16.61 per cent, District Land Development Banks, 8.26 per cent, M.P. State Cooperative Bank, 0.48 per cent and M.P. State Cooperative Agriculture and Rural Development Banks 0.19 per cent (Table 2.3).

Table 2.3 Number of rural and urban bank branches in Madhya Pradesh 1999-2000

Name of the Bank	No. of Banks	No. of Total Branches	No. of Rural Branches	% to total branches	No. of urban branches	% to total branches
Commercial Banks	32	2,357 (50.96)	1,142	48.45	1,215	51.55
Regional Rural Banks (RRBs)	19	1,087 (23.50)	898	82.61	189	17.39
District Central Coop.Banks (DCCBs)	38	768 (16.61)	521	67.84	247	32.16
District Land Development Bank (DLDBs)	38	382 (8.26)	281	73.56	101	26.44
M.P. State Coop.Bank (MPSCB)	01	22 (0.48)	--	--	22	100.00
M.P.State Cooperative Agriculture and Rural Development Banks (MPSCARDB)	01	09 (0.19)	--	--	09	100.00
TOTAL	129	4,625 (100.00)	2,842	61.45	1,783	38.55

Source : Madhya Pradesh State Focus Paper, (2001-2002) NABARD, Bhopal (M.P.)

2.2.2 Financing by Various Financial Institutions in Madhya Pradesh

The total financing by all the institutions in the year 1997-98 was Rs.3,111.79 crores. Of this, financing to agricultural sector was Rs.2384.65 crores or 76.63 per cent. Among the institutions, the share of State Central Cooperative Bank was highest (54.89 per cent) followed by Commercial Banks (33.64 per cent), RRBs (8.80 per cent) and State Central Land Development Bank (2.67 per cent). In the case of State Central Land Development Bank, the total financing was towards agriculture, whereas, in State Central Cooperative Bank, 90.80 per cent of the total financing was towards agriculture. In the case of Commercial Banks and Regional Rural Banks, financing to agricultural sector was 61.09 per cent and 40.53 per cent respectively. The share of State Central Cooperative Bank to total agricultural finance was 65.04 per cent (highest) followed by commercial banks (26.82 per cent), Regional Rural Banks (4.65 per cent) and State Central Land Development Banks (3.49 per cent) (Table 2.4).

Table 2.4 Financing by financial institutions in Madhya Pradesh 1997-98

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Financing (Rs. crore)	Of this, financing to agricultural sector		Percentage share of different institutions to total agricultural finance.
			(Rs. crore)	% to total financing	
1	State Central Cooperative Bank	1,708.10 (54.89)	1550.95	90.80	65.04
2	State Central Land Development Bank	83.21 (2.67)	83.21	100.00	3.49
3	Regional Rural Banks	273.75 (8.80)	110.95	40.53	4.65
4	Commercial Banks	1,046.73 (33.64)	639.54	61.09	26.82
Total		3,111.79 (100.00)	2,384.65	76.63	100.00

*Note : Figures in brackets represent percentage to total**Source : NABARD, Bhopal, Madhya Pradesh.*

In the year 1998-99, total financing was Rs.2,362.89 crores. Of this, 70.16 per cent was for agricultural sector. In the case of State Central Cooperative Bank and State Central Land Development Bank, the entire amount of financing was for agriculture. Commercial Banks and Regional Rural Bank provided 55.20 and 41.88 per cent amount towards agriculture. The share of State Central Cooperative Banks to total agricultural finance was 48.01 per cent followed by Commercial Banks (38.19 per cent), Regional Rural Banks (8.31 per cent) and State Central Land Development Bank (5.49 per cent) (Table 2.5).

Table 2.5 Financing by financial institutions in Madhya Pradesh 1998-99

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Financing (Rs. crore)	Of this, financing to agricultural sector		Percentage share of different institutions to total agricultural finance.
			(Rs. crore)	% to total financing	
1	State Central Cooperative Bank	796.00 (33.69)	796.00	100.00	48.01
2	State Central Land Development Bank	90.99 (3.85)	90.99	100.00	5.49
3	Regional Rural Banks	328.90 (13.92)	137.77	41.88	8.31
4	Commercial Banks	1,147.00 (48.54)	633.17	55.20	38.19
Total		2,362.89 (100.00)	1,657.93	70.16	100.00

Note : Figures in brackets represent percentage to total

The total financing by all the institutions in the year 1999-2000 was Rs.2570.44 crores. Of this amount, 67.96 per cent amount was towards agricultural sector. In the case of State Central Cooperative Bank, the entire financing made was towards agricultural sector. Commercial Banks provided 49.62 per cent of the total financing for agricultural purpose and RRBs financed to the extent of 43.11 per cent to agricultural sector. Of the total agricultural finance (Rs.1,746.83 crores) the share of State Central Cooperative Bank was 50.96 per cent followed by Commercial Banks (34.69 per cent), RRBs (8.85 per cent) and State Central Land Development Bank (5.50 per cent) (Table 2.6).

Table 2.6 Financing by financial institutions in Madhya Pradesh 1999-2000
(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Financing (Rs. crore)	Of this, financing to agricultural sector		Percentage share of different institutions to total agricultural finance.
			(Rs. crore)	% to total financing	
1	State Central Cooperative Bank	890.00 (34.63)	890.00	100.00	50.96
2	State Central Land Development Bank	100.27 (3.90)	96.13	95.87	5.50
3	Regional Rural Banks	358.70 (13.95)	154.64	43.11	8.85
4	Commercial Banks	1,221.47 (47.52)	606.06	49.62	34.69
Total		2,570.44 (100.00)	1,746.83	67.96	100.00

Note : Figures in brackets represent percentage to total
Source : NABARD, Bhopal, Madhya Pradesh

2.2.3 Purposewise Distribution of Agricultural Loans in Madhya Pradesh

During 1997-98, agricultural finance provided by State Central Land Development Bank (SCLDBs) was totally for long term purposes. In the case of State Central Cooperative Bank (SCCBs), nearly total (99.98 per cent) agricultural loan was for short term purposes and a meagre (0.02 per cent) was for medium term purposes (Table 2.7).

Table 2.7 Purposewise distribution of agricultural loans in Madhya Pradesh 1997-98
(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance (Rs. crore)	Purposewise distribution of loan					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	State Central Cooperative Bank	1,550.95	1,550.66	99.98	0.29	0.02	--	--
2	State Central Land Development Bank	83.21	--	--	--	--	83.21	100.00
3	Regional Rural Banks	110.95	--	--	--	--	--	--
4	Commercial Banks	639.54	--	--	--	--	--	--

Source : NABARD, Bhopal, Madhya Pradesh

During 1998-99, State Central Land Development Bank distributed entire agricultural loans for long term purposes. In the case of State Central Cooperative Bank, 90.70 per cent of the agricultural loans was for short term purposes, 7.79 per cent for medium term purposes and 1.51 per cent for long term purposes (Table 2.8).

Table 2.8 Purposewise distribution of agricultural loans in Madhya Pradesh 1998-99
(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance (Rs. crore)	Purposewise distribution of loan					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	State Central Cooperative Bank	796.00	722.00	90.70	62.00	7.79	12.00	1.51
2	State Central Land Development Bank	90.99	--	--	--	--	90.99	100.00
3	Regional Rural Banks	137.77	--	--	--	--	--	--
4	Commercial Banks	633.17	--	--	--	--	--	--

Source : NABARD, Bhopal, Madhya Pradesh

State Central Land Development Bank distributed entire agricultural loans for long term purposes in the year 1999-2000 (Table 2.9).

Table 2.9 Purposewise distribution of agricultural loans in Madhya Pradesh 1999-2000

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance	Purposewise distribution of loan					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	State Central Cooperative Bank	890.00	--	--	--	--	--	--
2	State Central Land Development Bank	96.13	--	--	--	--	96.13	100.00
3	Regional Rural Banks	154.64	--	--	--	--	--	--
4	Commercial Banks	606.66	--	--	--	--	--	--

Source : NABARD, Bhopal, Madhya Pradesh

2.3 Flow of Credit to Agriculture in Hoshangabad District

2.3.1 Bank Branches in Hoshangabad District

There were 9 Commercial Banks in Hoshangabad district having 37 branches. Of these 9 (24.32 per cent) were rural branches and 28 (75.68 per cent) were semi-urban branches. There was no urban branch of any bank in the district. There was one Regional Rural Bank in the district having 36 branches (25 rural branches or 69.44 per cent and 11 (30.56 per cent) semi-urban branches. Also the District Central Cooperative Bank and the District Land Development Bank having 13 and 8 branches respectively were operating in the district. Central Bank of India was the lead bank of the district.

Total number of banks in Hoshangabad district was 12 with the total bank branches of 94 in the year 1999-2000. Of these, the number of Commercial Bank branches, was 37 (39.36 per cent) and Regional Rural Bank branches, 36 (38.30 per cent). As regards area of operation, the percentage of number of semi urban and rural branches was 56 and 44 per

: 15 :

cent respectively. Of the 8 branches of DLDB, 75 per cent were semi-urban branches and 25 per cent were rural branches. Of the 13 branches of DCCB, 61.54 per cent were semi urban and 38.46 per cent were rural branches (Table 2.10).

Table 2.10 Number of Rural and urban bank branches in Hoshangabad district M.P. 1999-2000

S. No	Name of the Bank	No. of Banks	No. of rural branches		No. of semi urban branches		No. of urban branches		Total No. of branches
			No.	% to total branches	No.	% to total branches	No.	% to total branches	
1	District Central Cooperation Bank	1	5	38.46	8	61.54	0	--	13 (13.83)
2	District Land Development Bank	1	2	25.00	6	75.00	0	--	8 (8.51)
3	Regional Rural Bank	1	25	69.44	11	30.56	0	--	36 (38.30)
4	Commercial Bank	9	9	24.32	28	75.68	0	--	37 (39.36)
Total		12	41	43.62	53	56.38	0	--	94 (100.00)

Source : NABARD, Hoshangabad, Madhya Pradesh

2.3.2 Financing by Various Financial Institutions in Hoshangabad District

In the year 1997-98, the total financing by all the institutions was Rs.92.70 crores. Of this amount, 91.06 per cent were agricultural loans. Of these agricultural loans, the flow of credit towards small & marginal farmers was 62.82 per cent. In total finance, the contribution of DCCB was highest (48.42 per cent) followed by

Table 2.11 Financing by financial institutions in Hoshangabad district, M.P., 1997-98

S. No	Name of the Bank	Total Financing		Financing to agricultural sector		Financing to small / marginal farmers	
		Rs. in crore	% to total	Rs. in crore	% of colm. 5 to 3	Rs. in crore	% of colm. 7 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	District Central Cooperation Bank	44.89	48.42	44.89	100.00	31.42	69.99
2	District Land Development Bank	1.68	1.81	1.68	100.00	0.84	50.00
3	Regional Rural Bank	11.64	12.56	9.27	79.64	6.98	75.30
4	Commercial Bank	34.49	37.21	28.57	82.83	13.79	48.27
Total		92.70	100.00	84.41	91.06	53.03	62.82

Source : NABARD, Hoshangabad, Madhya Pradesh

: 16 :

Commercial Banks (37.21 per cent), RRBs (12.56 per cent) and DLDB (1.81 per cent). In total agricultural finance, the contribution of DCCB was highest followed by Commercial Banks, Regional Rural Banks and District Land Development Bank. Of the agricultural finance, the flow of credit to small and marginal farmers was 75.30 per cent in the case of RRBs, 69.99 per cent in the case of DCCBs, 50.00 per cent in the case of DLDBs and 48.27 per cent in the case of Commercial Banks (Table 2.11).

During 1998-99, the total financing by all the financial institutions was Rs.53.03 crores. Of this, 63.49 per cent was for agricultural sector. Of these agricultural loans, the flow of credit to small and marginal farmers was 90.56 per cent. Of the total financing, nearly half of the amount (51.76 per cent) was shared by DCCBs followed Commercial Banks (34.38 per cent), Regional Rural Banks (11.09 per cent) and DLDBs (2.77 per cent). Of the agricultural finance, the flow of credit towards small and marginal farmers was 89.46 per cent in Regional Rural Banks, 68.01 per cent in DCCBs, 63.44 per cent in Commercial Banks and 48.63 per cent in DLDBs (Table 2.12).

Table 2.12 Financing by financial institutions in Hoshangabad district, M.P. 1998-99

S. No	Name of the Bank	Total Financing		Financing to agricultural sector		Financing to small / marginal farmers	
		Rs. in crore	% to total	Rs. in crore	% of colm. 5 to 3	Rs. in crore	% of colm. 7 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	District Central Cooperation Bank	27.45	51.76	27.45	100.00	18.67	68.01
2	District Land Development Bank	1.47	2.77	1.46	99.32	0.71	48.63
3	Regional Rural Bank	5.88	11.09	4.27	72.62	3.82	89.46
4	Commercial Bank	18.23	34.38	11.49	63.03	7.29	63.44
Total		53.03	100.00	33.67	63.49	30.49	90.56

Source : NABARD, Hoshangabad, Madhya Pradesh

In 1999-2000 of the total finance (Rs.60.02 crore) made by all the financial institutions financing to agricultural sector was 80.47 per cent. Out of total finance to agricultural sector, 70.43 per cent was for small & marginal farmers. In the case of Regional Rural Banks, all the finance available for agricultural sector was utilized by small and marginal farmers. In the case of Commercial Banks, the flow of agricultural credit towards small and marginal farmers was 70.32 per cent. In all the financial institutions, the flow of agricultural credit towards small and marginal farmers was more than 50 per cent except DLDBs, where it was 45.70 per cent (Table 2.13).

Table 2.13 Financing by financial institutions in Hoshangabad district M.P. 1999-2000

S. No	Name of the Bank	Total Financing		Financing to agricultural sector		Financing to small / marginal farmers	
		Rs. in crore	% to total	Rs. in crore	% of colm. 5 to 3	Rs. in crore	% of colm. 7 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	District Central Cooperation Bank	28.30	47.15	28.30	100.00	19.53	69.01
2	District Land Development Bank	3.31	5.51	3.26	98.49	1.49	45.70
3	Regional Rural Bank	6.79	11.31	4.14	60.97	4.14	100.00
4	Commercial Bank	21.62	36.03	12.60	58.28	8.86	70.32
Total		60.02	100.00	48.30	80.47	34.02	70.43

Source : NABARD, Hoshangabad, Madhya Pradesh

2.3.3 Purpose wise distribution of agricultural loans in Hoshangabad district

In 1997-98 among the various financial institutions, the share of agricultural finance was highest (Rs.44.89 crores) in District Central Cooperative Bank followed by Commercial Banks (Rs.28.57 crores), RRBs (Rs.9.27 crores) and DLDB (Rs.1.68 crore). Of the total agricultural finance

of DCCB, 94.59 per cent was towards short term loan, 4.01 per cent for medium term loan and 1.40 per cent for long term loans. In the case of District Land Development Bank, 75 per cent of the agricultural loan was for long term purposes and 25 per cent was for medium term purpose. In the case of RRBs, about 50 per cent of the agricultural loans was disbursed as medium term loan (Table 2.14).

Table 2.14 Purposewise distribution of agricultural loans in Hoshangabad district, M. P., 1997-98

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance	Purposewise distribution of loans					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	District Central Cooperative Bank	44.89	42.46	94.59	1.80	4.01	0.63	1.40
2	District Land Development Bank	1.68	--	--	0.42	25.00	1.26	75.00
3	Regional Rural Banks	9.27	2.21	23.84	4.58	49.41	2.48	26.75
4	Commercial Banks	28.57	9.20	32.20	7.74	27.09	11.63	40.71

Source : NABARD, Hoshangabad, Madhya Pradesh

In the year 1998-99, the situation was same in the case of DCCB as, was in the year 1997-98. More or less similar situation was observed in the

Table 2.15 Purposewise distribution of agricultural loans in Hoshangabad district, M. P. 1998-99

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance	Purposewise distribution of loans					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	District Central Cooperative Bank	27.45	25.91	94.39	1.22	4.45	0.32	1.16
2	District Land Development Bank	1.46	--	--	0.29	19.86	1.17	80.14
3	Regional Rural Banks	4.27	1.27	29.74	0.80	18.74	2.20	51.52
4	Commercial Banks	11.49	4.41	38.38	3.18	27.68	3.90	33.94

Source : NABARD, Hoshangabad, Madhya Pradesh

case of DLDBs. In the case of RRBs, 51.52 per cent of the agricultural finance was disbursed as long term loan followed by nearly 30 per cent as short term loan and 18.74 per cent as medium term loan. Of the total agricultural finance in the case of Commercial Banks, 38.38 per cent was disbursed as short term loan, 33.94 per cent as long term loan and 27.68 per cent as medium term loan (Table 2.15).

In 1999-2000, the highest agricultural finance (Rs.28.30 crores) was disbursed by DCCB followed by Commercial Banks (Rs.12.60 Crores), RRBs (Rs.4.14 crores) and District Land Development Bank (Rs.3.26 crores). Of the total agricultural finance of the DCCB, 99.05 per cent was disbursed for short term loan. In the case of DLDB, of the total agricultural finance, nearly 50 per cent was disbursed for medium term and 50 per cent was for long term loan. In the case of RRBs, about 60 per cent of the agricultural loan was disbursed for short term loan followed by medium term (21.01 per cent) and long term (18.60 per cent) loan. In the case of Commercial Banks, similar trend was observed as in the case of RRBs (Table 2.16).

Table 2.16 Purposewise distribution of agricultural loans in Hoshangabad district, M. P., 1999-2000

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance	Purposewise distribution of loans					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	District Central Cooperative Bank	28.30	28.03	99.05	0.27	0.95	--	--
2	District Land Development Bank	3.26	--	--	1.62	49.69	1.64	50.31
3	Regional Rural Banks	4.14	2.50	60.39	0.87	21.01	0.77	18.60
4	Commercial Banks	12.60	5.62	44.60	4.54	36.03	2.44	19.37

Source : NABARD, Hoshangabad, Madhya Pradesh

2.4 Flow of Credit to Agriculture in Mandsaur district

2.4.1 Bank Branches in Mandsaur district

There were 87 bank branches of all the financial institutions in Mandsaur district. Of these 43 branches (49.43 per cent) were of to Commercial Banks followed by State Central Cooperative Bank (18 branches), Regional Rural Bank (17 branches) and State Central Land Development Bank (9 branches). The number of rural and semi urban branches in the district were 44 (50.57 per cent) and 43 (49.43 per cent) respectively. In the case of Commercial Banks, SCCBs and SCLDBs, the number of semi urban branches was more as compared to rural branches, whereas, in the case of RRBs, the number of rural branches (15) was more as compared to semi urban branches (2) (Table 2.17).

Table 2.17 Number of rural and urban bank branches in Mandsaur district, M.P.1999-2000

S. No	Name of the Bank	No. of Bank	No. of rural branches		No. of semi urban branches		No. of urban branches		Total branches (No.)
			No.	% to total branches	No.	% to total branches	No.	% to total branches	
1	State Central Cooperation Bank	--	7	38.89	11	61.11	--	--	18 (20.69)
2	State Land Development Bank	--	3	33.33	6	66.67	--	--	9 (10.34)
3	Regional Rural Bank	--	15	88.24	2	11.76	--	--	17 (19.54)
4	Commercial Bank	--	19	44.19	24	55.81	--	--	43 (49.43)
Total		--	44	50.57	43	49.43	--	--	87 (100.00)

Source : NABARD, Mandsaur, Madhya Pradesh

2.4.2 Purpose wise distribution of agricultural loans in Mandsaur district

Purpose wise distribution of agricultural loans in Mandsaur district in the year 1997-98 showed that of the total agricultural finance of Rs.41.88 crores was provided by District Central Cooperative Bank, 89.91 per cent was for short term loans and 10.09 per cent was for long term loans. In the case of DCLDBs, the entire agricultural loan was for long term purposes. In the case of RRBs and Commercial Banks, of the total agricultural finance, more than 85 per cent of the loan was for long term purposes (Table 2.18).

Table 2.18 Purposewise distribution of agricultural loans in Mandsaur district, M.P., 1997-98

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance	Purpose wise distribution of loan					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	District Central Cooperative Bank	41.88	37.65	89.91	--	--	4.23	10.09
2	District Land Development Bank	2.20	--	--	--	--	2.20	100.00
3	Regional Rural Banks	2.53	0.13	4.93	--	--	2.40	95.07
4	Commercial Banks	25.62	3.44	13.41	--	--	22.18	86.59

Source : Central Bank of India (Lead Bank) Mandsaur, Madhya Pradesh

In the year 1998-99, the financial institutions providing agricultural loans for various purposes were District Central Cooperative Bank (Rs.25.69 crores) followed by Commercial Banks (Rs.20.59 crores), RRBs (Rs.1.33 crores) and DCLDBs (Rs.0.93 crore). Of the total agricultural finance provided by DCCBs, 91.08 per cent was for short term loans and 8.92 per cent was for long term loans. In the case of DCLDBs, the flow of entire agricultural loan was for long term purposes. In the case of RRBs, 91.16 per

cent of the agricultural loan was for long term purposes and 8.84 per cent was for short term purposes. In the case of Commercial Banks, the flow of agricultural credit for short term and long term purposes were 19.25 per cent and 80.75 per cent respectively (Table 2.19).

Table 2.19 Purpose wise distribution of agricultural loans in Mandsaur district, M. P., 1998-99

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance	Purpose wise distribution of loan					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	District Central Cooperative Bank	25.69	23.40	91.08	--	--	2.29	8.92
2	District Land Development Bank	0.93	--	--	--	--	0.93	100.00
3	Regional Rural Banks	1.33	0.12	8.84	--	--	1.21	91.16
4	Commercial Banks	20.59	3.96	19.25	--	--	16.63	80.75

Source : Central Bank of India (Lead Bank) Mandsaur, Madhya Pradesh

Purpose wise distribution of agricultural loans in 1999-2000 showed that the entire agricultural finance provided by DCLDBs, was for long term purposes. In the case of DCCBs, the flow of agricultural credit was 95.15 per cent for short term loans and 4.85 per cent for long term loans. In the case of RRBs, of the total agricultural finance, 20.54 per cent was for short term purposes. In the case of Commercial Banks, 31.14 per cent of the agricultural loans was for short term purposes and 68.86 per cent was for long term purposes (Table 2.20)

Table 2.20 Purpose wise distribution of agricultural loans in Mandsaur district, M.P., 1999-2000

(Figures – Rs.Crore)

S. No.	Name of the Bank	Total Agricultural Finance	Purposewise distribution of loan					
			Short term	% to total	Medium term	% to total	Long term	% to total
1	District Central Cooperative Bank	25.05	23.84	95.15	--	--	1.21	4.85
2	District Land Development Bank	3.09	--	--	--	--	3.09	100.00
3	Regional Rural Banks	0.44	0.09	20.54	--	--	0.35	79.46
4	Commercial Banks	12.91	4.02	31.14	--	--	8.89	68.86

Source : Central Bank of India (Lead Bank) Mandsaur, Madhya Pradesh.

In all the three years, the maximum amount of loan for agriculture was provided by DCCBs followed by Commercial Banks, Regional Rural Banks and DCLDBs. In the case of RRBs and Commercial Banks in all the three years, the distribution of agricultural finance was more than 68 per cent for long term purposes.

2.5 To Sum Up

Flow of credit to agriculture in the country increased from Rs.31,956 crores in 1997-98 to Rs.44,612 crores in 1999-2000 or an increase of 39.60 per cent. The short term credit flow increased during these years by 39.83 per cent and medium and long term credit flow by 39.18 per cent. Of the total credit flow around 65 per cent was for short term loan and the remaining 35 per cent for medium and long term loan.

Of the total agricultural finance the share of Commercial Banks was around 50 per cent, that of Cooperative Banks, about 43 per cent and the one of Regional Rural Banks, around 7 per cent.

: 23-A :

In Madhya Pradesh the total financing by all institutions in 1997-98 was Rs.3,111.79 crores. Of this, financing to agricultural sector was Rs.2,384.65 crores or 76.63 per cent. Among the financial institutions the share of Cooperative Banks was highest (54.89 per cent) followed by Commercial Banks (33.64 per cent) and RRBs 8.80 per cent. While the State Cooperative Land Development Bank financed totally to agriculture sector, the State Central Cooperative Bank financed to the extent of 90.80 per cent to agriculture.

In the case of Commercial Banks and Regional Rural Banks financing to agricultural sector was 61.09 and 40.53 per cent respectively. The share of State Central Cooperative Bank to total agricultural finance was highest (65.04 per cent) followed by Commercial Banks (26.82 per cent).

In the year 1998-99 of the total financing 70.16 per cent was for agricultural sector. While State Central Cooperative Bank and State Cooperative Land Development Bank financed entirely to agricultural sector, Commercial Banks and Regional Rural Banks provided 55.20 and 41.88 per cent of the amount towards agriculture. As in the previous year the share of State Central Cooperative Bank to total agricultural finance was highest (48.01 per cent) followed by Commercial Banks (38.19 per cent).

In 1999-2000, of the total financing 67.96 per cent was for agriculture. State Cooperative Central Bank made entire financing for agriculture. Commercial Banks advanced 49.62 per cent of total financing to agriculture. Of the total financing for agricultural sector the share of State Central Cooperative Bank was 50.96 per cent followed by Commercial Banks (34.69 per cent).

: 23-B :

As regards financing in Hoshangabad district it was noted that in 1997-98, 91.06 per cent of total financing was for agriculture. Of the agricultural loans the flow of credit towards small and marginal farmers was 62.82 per cent. In total finance the contribution of District Central Cooperative Bank was highest (48.42 per cent) followed by Commercial Banks (37.21 per cent).

In 1998-99, of the total financing 63.49 per cent was for agricultural sector. Of the agricultural sector loans the loans to small and marginal farmers formed 90.56 per cent. Of the total financing nearly half (51.76 per cent) was shared by District Central Cooperative Banks followed by Commercial Banks (34.38 per cent).

In 1999-2000 of the total financing 80.47 per cent was for agricultural sector. Of the agriculture sector financing 70.43 per cent was for small and marginal farmers. In the case of Regional Rural Banks all the finance available was utilised by small and marginal farmers. In the case of Commercial Banks the finance available for small and marginal farmers was 70.32 per cent.

In Mandsaur district in 1997-98, of the total agricultural finance provided by District Central Cooperative Bank 89.91 per cent was for short term loans and 10.09 per cent for long term loans. In the case of District Cooperative Land Development Bank the entire loan was for long term purposes. In the case of Regional Rural Banks and Commercial Banks more than 85 per cent loan was for long term purposes.

: 23 –C :

In 1998-99 of the total agricultural loans provided by District Central Cooperative Banks 91.08 per cent was for short term purposes. In the case of District Central Cooperative Land Development Bank the entire loan amount was for long term purposes. In the case of Regional Rural Bank 91.16 per cent of agricultural loan was for long term purposes. In the case of Commercial Banks the loans for short term and long term formed 19.25 and 80.75 per cent respectively.

In 1999-2000 the entire agricultural finance provided by District Central Cooperative Land Development Bank was for long term purposes. In the case of District Central Cooperative Banks 95.15 per cent of the loan amount was for short term purposes. In the case of Regional Rural Banks 79.46 per cent of the finance was for long term purposes. Commercial Banks provided 68.86 per cent of the credit for long term purposes.

In all the three years, the maximum amount of loan for agriculture was provided by District Central Cooperative Banks followed by Commercial Banks. In the case of Regional Rural Banks and Commercial Banks the distribution of agricultural finance was more than 68 per cent for long term purposes.

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CHAPTER – III

RESULTS OF BORROWER SURVEYS

3.1 Sample Households

As mentioned earlier two districts, namely, Hoshangabad and Mandasaur were selected for the study. From each district one village was selected and in that village 5 landless households, 15 small and marginal farmers and 5 large farmers were selected to have 25 households per village in each district. Thus the total sample comprised 50 households in Madhya Pradesh.

The present chapter is devoted to describe the findings of these 50 households.

3.2 Villages Selected

In Hoshangabad district village Dodi Jhunkar of Kesla tribal block and in Mandasaur district village Daloda were selected.

3.3 Castes and Size of Holdings of Households

Being a predominantly tribal block 56.00 per cent of the sample households of Hoshangabad district were tribal. Another 20.00 per cent households belonged to other backward castes and 16.00 per cent to other castes (Table 3.1).

Table 3.1 Distribution of selected heads of households by size of holdings and castes, Hoshangabad district, Madhya Pradesh

Category	Heads of households					
	SC	ST	OBC	Minorities	Others	Total
Landless	--	2	2	--	1	5
Small & Marginal	1	12	2	--	--	15
Large	--	--	1	1	3	5
Total	1	14	5	1	4	25
Percentage	4.00	56.00	20.00	4.00	16.00	100.00

Of the selected 25 households of Mandsaur district 68.00 per cent belonged to Other Backward Castes (OBC) and 16.00 per cent to “other” castes. Twelve per cent households belonged to scheduled castes. None of the households belonged to scheduled tribes (Table 3.2).

Table 3.2 Distribution of selected heads of households by size of holdings and castes, Mandsaur district, Madhya Pradesh

Category	Households					
	SC	ST	OBC	Minorities	Others	Total
Landless	1	--	3	--	1	5
Small & Marginal	2	--	9	1	3	15
Large	--	--	5	--	--	5
Total	3	--	17	1	4	25
Percentage to total	12.00	--	68.00	4.00	16.00	100.00

Thus in Hoshangabad district, out of 25 households, maximum number belonged to scheduled tribes whereas, in Mandsaur district "OBC" was dominating group. The percentage of "Minorities" and "Other" castes were same in both the districts.

3.4 Population by Sex and Age

The selected 25 households of Hoshangabad district comprised 129 members : 67 males and 62 females. Among total number of family members 56.59 per cent belonged to the age group of 18-60 years or the working force. Among males 62.69 per cent were so and among females 50.00 per cent belonged to working group (Table 3.3).

Table 3.3 Distribution of total population by sex and age, selected households, Hoshangabad district, Madhya Pradesh

Category	No. of family members														
	Male age groups					Female age groups					Total age groups				
	6-12	12-18	18-60	60 & above	Total	6-12	12-18	18-60	60 & above	Total	6-12	12-18	18-60	60 & above	Total
Landless	2	2	6	1	11	1	--	6	1	8	3	2	12	2	19
Small & Marginal	11	6	23	--	40	11	13	19	2	45	22	19	42	2	85
Large	--	2	13	1	16	--	2	6	1	9	--	4	19	2	25
Total	13	10	42	2	67	12	15	31	4	62	25	25	73	6	129
% to total	19.40	14.92	62.69	2.99	100	19.35	24.19	50.00	6.45	100	19.38	19.38	56.59	4.65	100

The total population of selected 25 households of Mandsoor district was 121:69 males and 52 females. Of the total population 62.81 per cent belonged to the working group (age group 18-60 years) and 14.05 per cent to the age group 12-18 years. Children in the age group of 6 to 12 years and old people with age of 60 years and above formed 13.22 and 9.92 per cent respectively. Among males the percentage of members belonging to working group was 56.52 and that among females it was 71.15 (Table 3.4).

Table 3.4 Distribution of total population by sex and age, selected households, Mandsoor district, Madhya Pradesh

Category	No. of family members														
	Male age groups					Female age groups					Total age groups				
	6-12	12-18	18-60	60 & above	Total	6-12	12-18	18-60	60 & above	Total	6-12	12-18	18-60	60 & above	Total
Landless	2	3	10	--	15	2	1	7	--	10	4	4	17	--	25
Small & Marginal	7	4	22	3	36	1	2	21	3	27	8	6	43	6	63
Large	3	5	7	3	18	1	2	9	3	15	4	7	16	6	33
Total	12	12	39	6	69	4	5	37	6	52	16	17	76	12	121
% to total	17.39	17.39	56.52	8.70	100	7.69	9.62	71.15	11.54	100	13.22	14.05	62.81	9.92	100

Among total number of family members, the percentage of members belonging to working group (18-60 years) was more in the case of males and less in the case of females in Hoshangabad district, whereas, it was just opposite in Mandasaur district where the percentage of working members was higher in the female group.

3.5 Literacy Standards

Among the selected households of Hoshangabad district the literacy percentage was 69.77. As observed elsewhere, the literacy percentage among males was quite high (80.60) as compared to females (58.06). Among the different classes of education the percentage was higher for male members than the female members (Table 3.5).

The literacy percentage among the family members of the selected households of Mandasaur district was 69.42. The literacy percentage was much higher (86.96 per cent) among males than females (46.15 per cent).

It was noted that the literacy percentage was highest (76.00 per cent) in the landless category, closely followed (75.00 per cent) by large farmers category. The literacy percentage on small and marginal category of farmers was 63.49. It was also noted that 59.50 per cent of the total members were educated below the higher secondary school level and 4.13 per cent each upto higher secondary and graduate level. There was no relationship between the percentage of family members educated upto different standards and size of farms (Table 3.6).

Table 3.5 Distribution of population by educational standards, selected households, Hoshangabad district, Madhya Pradesh

Category	Male						Female						Total					
	Illiterate	Educated upto SSC level	SSC	Graduate	Post Graduate	Total	Illiterate	Educated upto SSC level	SSC	Graduate	Post Graduate	Total	Illiterate	Educated upto SSC level	SSC	Graduate	Post Graduate	Total
Landless	5	4	1	1	--	11	4	3	--	--	1	8	9	7	1	1	1	19
Small & Marginal	8	31	1	--	--	40	22	22	1	--	--	45	30	53	2	--	--	85
Large	--	3	8	4	1	16	--	5	2	1	1	9	--	8	10	5	2	25
Total	13	38	10	5	1	67	26	30	3	1	2	62	39	68	13	6	3	129
Percentage to total	19.40	56.72	14.93	7.46	1.49	100.0	41.94	48.39	4.84	1.61	3.23	100.0	30.23	52.71	10.08	4.65	2.33	100.0

Table 3.6 Distribution of population by educational standards, selected households, Mandsaur district, Madhya Pradesh

Category	Male						Female						Total					
	Illiterate	Educated up to SSC Level	SSC	Graduate	Post Graduate	Total	Illiterate	Educated up to SSC Level	SSC	Graduate	Post Graduate	Total	Illiterate	Educated up to SSC Level	SSC	Graduate	Post Graduate	Total
Landless	3	8	2	1	1	15	3	5	--	1	1	10	6 24	13 52	2 8	2 8	2 8	25
Small & Marginal	6	26	3	1	--	36	17	10	--	--	--	27	23 36.51	36 57.14	3 4.76	1 1.59	--	63 100.0
Large	--	16	--	2	--	18	8	7	--	--	--	15	8 25	23 69	--	2 6	--	33
Total	9	50	5	4	1	69	28	22	--	1	1	52	37	72	5	5	2	121
Percentage to total	13.04	72.46	7.25	5.80	1.45	100.0	53.85	42.31	--	1.92	1.92	100.0	30.58	59.50	4.13	4.13	1.66	100.0

In both the selected districts, the literacy percentage among the total family members was same (about 69 per cent). The percentage of illiterate male members was high (19.40) in Hoshangabad district as compared in Mandsaur district (13.04). In the case of females, the percentage of illiteracy was higher in Mandsaur (53.85) as compared to Hoshangabad district (41.94).

3.5 Occupational Distribution of Working Population

Occupational distribution of working population (age group of 18-60 years) of Hoshangabad district showed that 42.46 per cent had agriculture as main occupation. Another 24.66 per cent had agricultural labour as main occupation and 10.96 per cent were engaged in business/ trade. Unemployed, pensioners and housewives together comprised 12.33 per cent. Agricultural labour and non-agricultural labour were the chief occupations of mainly landless, small and marginal households (Table 3.7).

Table 3.7 Main occupation of adult family members, selected households, Hoshangabad district, Madhya Pradesh

Category	Agriculture	Agri. wage labour	Non-agricultural labour	Business/ Trade/ Self employment (Including Non- farm)	Service & Profession	Unemployed/ pensioners/ Housewives	Total
Landless	--	2	1	5	1	3	12
Small and Marginal	23	16	1	1	1	--	42
Large	8	--	--	2	3	6	19
Total	31	18	2	8	5	9	73
Percentage to total	42.46	24.66	2.74	10.96	6.85	12.33	100.00

Of the main occupations of adult family members of Mandasaur district agriculture was most important and 50.00 per cent of them were engaged in it. Agricultural labour was main occupation of 15.79 per cent family members and 11.84 per cent of the members were engaged in business and trade. Another 10.53 per cent of the family members were either unemployed, pensioners or housewives. Agricultural labour and non agricultural labour were the occupations of mainly landless and small and marginal categories. None of the large size category members reported to be agricultural or non agricultural labourer (Table 3.8).

Table 3.8 Main occupation of adult family members, selected households, Mandasaur district, Madhya Pradesh

Category	Agriculture	Agril. wage labour	Non-agricultural labour	Business/ Trade/ Self employment (Including Non- farm)	Service & Profession	Unemployed/ pensioners/ Housewives	Total
Landless	--	4	--	5	2	6	17
Small and Marginal	24	8	6	3	1	1	43
Large	14	--	--	1	--	1	16
Total	38	12	6	9	3	8	76
Percentage to total	50.00	15.79	7.89	11.84	3.95	10.53	100.00

In both the districts, agriculture was the most important occupation. Agricultural labour and non agricultural labour were the main occupations of landless and small and marginal households in both the districts. Similarly, none of the large size group members were agricultural or non agricultural labourers in both the districts.

3.6 Distribution of Working Children

Of the total number of 50 children (age group of 6 to 18 years) of Hoshangabad district 66 per cent were working. It was noted that none of the children of landless households was working . While 69.57 per cent of the boys were working, 62.96 per cent of the girls were so. (Table 3.9).

Table 3.9 Distribution of working children, selected households, Hoshangabad district, Madhya Pradesh

Category	6 – 12 years		12 - 18 years		Total working children		Total Children	
	No. of boys	No. of Girls	No. of boys	No. of Girls	No. of boys	No. of Girls	No. of boys	No. of Girls
Land less	--	--	--	--	--	--	4	1
Small & Marginal	9	9	6	6	15	15	17	24
Large	--	1	1	1	1	2	2	2
Total	9	10	7	7	16	17	23	27

Of the 33 children in the selected families of Mandasaur district only 3 (9.00 per cent) were working : a boy and 2 girls. All of them belonged to the age group of 12 to 18 years and none of the working children were below 12 years of age. As in the case of Hoshangabad district none of the children belonging to landless group of families was working. While 4.17 per cent of the boys were working 22.22 per cent of the girls were working (Table 3.10).

Table 3.10 Distribution of working children, selected households, Mandasaur district, Madhya Pradesh

Category	6 – 12 years		12 - 18 years		Total working children		Total Children	
	No. of boys	No. of Girls	No. of boys	No. of Girls	No. of boys	No. of Girls	No. of boys	No. of Girls
Land less	--	--	--	--	--	--	5	3
Small & Marginal	--	--	--	1	--	1	11	3
Large	--	--	1	1	1	1	8	3
Total	--	--	1	2	1	2	24	9

In the case of landless group in both the districts, none of the children (age group of 6 to 18 years) was working. In Hoshangabad district, all children belonged to age group of 6 to 18 years. In Mandsaur, all belonged to age group of 12 to 18 years.

3.8 Types of Families

Of the total number of 25 families of Hoshangabad district 17 or 68.00 per cent were nucleated families. Another 5 (20.00 per cent) lived with parents and grand parents and the remaining 3 (12.00 per cent) families were horizontally integrated (Table 3.11).

Table 3.11 Types of families, selected households, Hoshangabad district, Madhya Pradesh

Category	Nuclear (Only parents and their children)	Vertically Integrated (Living with parents & grand parents)	Horizontally Integrated living with independent brothers, cousins	Total
Land less	3	2	--	5
Small & Marginal	12	3	--	15
Large	2	--	3	5
Total	17	5	3	25
Percentage to total	(68.00)	(20.00)	(12.00)	(100.00)

As many as 76.00 per cent of the selected families of Mandsaur district were nucleated families. Another 16.00 per cent families were vertically integrated. Only 4.00 per cent each of the families were horizontally integrated and mixed (mixed vertically and horizontally) (Table 3.12).

Table 3.12 Types of families, selected households, Mandsaur district, Madhya Pradesh

Category	Nuclear (Only parents and their children)	Vertically Integrated (Living with parents & grand parents)	Horizontally Integrated living with independent brothers, cousins	Mixed (Mix of vertical & horizontal)	Total
Land less	4	--	--	1	5
Small & Marginal	10	4	1	--	15
Large	5	--	--	--	5
Total	19	4	1	1	25
Percentage to total	76.00	16.00	4.00	4.00	100.00

In both the districts, majority of the families were nucleated families followed by vertically integrated and horizontally integrated. Mixed families were only in Mandsaur district.

3.9 Operated Area and Irrigation

The total operated area of the selected farms of Hoshangabad district was 41.467 hectares or 2.073 hectares per farm of 20 farms. Of the total operated area slightly more than half (52.80 per cent) was rainfed. Another 33.56 per cent area was irrigated but the sources were such that those did not provide irrigation all the year round and in required quantity. The remaining 13.64 per cent of the operated area had assured irrigation (Table 3.13).

**Table 3.13 Operated area and irrigation on the selected farms,
Hoshangabad district, Madhya Pradesh**

(Area- hectares)				
Category	Assured irrigated area	Unassured irrigated area	Rainfed area	Total area
Landless	--	--	--	--
Small & Marginal	3.658	4.885	7.894	16.437
Large	2.000	9.028	14.002	25.030
Total	5.658	13.913	21.896	41.467
Percentage to total	13.64	33.56	52.80	100.00

The total operated area of 20 farms of Mandasaur district was 36.369 hectares or 1.82 hectares per farm. Unlike Hoshangabad district nearly 60 per cent (59.03 per cent) of the area had assured irrigation and 40.97 per cent was rainfed. There was no area that could be categorised as “unassured irrigated”. The percentage of assured irrigated area was more (67.50) on large category of farms than small and marginal category (49.28) (Table 3.14).

**Table 3.14 Operated area and irrigation on the selected farms,
Mandasaur district, Madhya Pradesh**

(Area- hectares)				
Category	Assured irrigated area	Unassured irrigated area	Rainfed area	Total area
Landless	--	--	--	--
Small & Marginal	8.334 (49.28)	--	8.578 (50.72)	16.912 (100.00)
Large	13.133 (67.50)	--	6.324 (32.50)	19.457 (100.00)
Total	21.467	--	14.902	36.369
Percentage to total	59.03	--	40.97	100.00

The total operated area was higher in Hoshangabad district. There was no unassured irrigated area in Mandasaur district whereas it was 33.56 per cent in Hoshangabad district. The percentage of assured irrigated area was more (59.03 per cent) in Mandasaur district, whereas, it was lower (13.64 per cent) in Hoshangabad district. The percentage of rainfed area was higher (52.80) in Hoshangabad district.

3.7 Crops Grown

Being a rainfed area mainly kharif crops were grown in Hoshangabad district. The percentage of area under kharif crops in the gross cropped area was 69.86. The remaining 30.14 per cent of the gross cropped area was under rabi crops. Among kharif crops the most important was soybean accounting for 21.40 per cent of the gross cropped area. Maize (14.77 per cent), paddy (12.31 per cent) and sesamum (9.29 per cent) were other important kharif crops. Rabi crops had only wheat (20.98 per cent) and gram (9.16 per cent) (Table 3.15).

Table 3.15 Crops grown, selected farms, Hoshangabad district, Madhya Pradesh (Area-hectares)

Crop	Small & Marginal	Large	Total	Percentage to total
Paddy	5.944	--	5.944	12.31
Maize	4.130	3.000	7.130	14.77
Jowar	0.600	1.000	1.600	3.31
Kodo	0.704	--	0.704	1.46
Kutki	0.100	--	0.100	0.21
Sawa	0.200	--	0.200	0.42
Tur	0.610	2.619	3.229	6.69
Soybean	2.172	8.160	10.332	21.40
Sesamum	0.784	3.700	4.484	9.29
Total Kharif	15.244	18.479	33.723	69.86
Wheat	5.127	5.000	10.127	20.98
Gram	1.260	3.160	4.420	9.16
Total Rabi	6.387	8.160	14.547	30.14
Gross Cropped Area	21.631	26.639	48.270	100.00

Kharif crops occupied larger percentage (62.49) than rabi crops (37.51) in Mandsaur district also. Among kharif crops soybean was most important as in Hoshangabad district and occupied 30.93 per cent of the gross cropped area. Soybean mixed with maize occupied 13.39 per cent of the gross cropped area. Sole crop of maize (8.96 per cent) and urad (6.41 per cent) were other important kharif crops. Among rabi crops wheat and gram were important and shared nearly equal percentage (18.63 and 17.80) in the gross cropped area. Large category of farms had more diversified cropping pattern than the small and marginal farms as arhar, moong, fodder, mustard, garlic and opium were grown only on large category of farms and not on the small and marginal farms (Table 3.16).

Table 3.16 Crops grown, selected farms, Mandsaur district, Madhya Pradesh

Crop	(Area-hectares)			
	Small & Marginal	Large	Total	Percentage to total
Maize	2.311	2.884	5.195	8.96
Arhar	--	0.135	0.135	0.22
Moong	--	0.400	0.400	0.69
Urad	1.236	2.469	3.705	6.41
Soybean	9.228	8.702	17.930	30.93
Groundnut	0.100	0.400	0.500	0.86
Soybean + Maize	4.037	3.728	7.765	13.39
Fodder	--	0.600	0.600	1.03
Total Kharif	16.912	19.318	36.230	62.49
Wheat	5.193	5.610	10.803	18.63
Gram	5.236	5.080	10.316	17.80
Mustard	--	0.202	0.202	0.34
Garlic	--	0.202	0.202	0.34
Opium	--	0.230	0.230	0.40
Total Rabi	10.429	11.324	21.753	37.51
Gross cropped area	27.341	30.642	57.983	100.00

In both the districts, kharif crops occupied more than 60.00 per cent area. Among kharif crops, most important was soybean followed by maize. Total rabi crops occupied 37.51 per cent area in Mandsaur district whereas in Hoshangabad district these occupied lower (30.14 per cent) area of the gross cropped area.

3.11 Types of Houses

The houses of all the respondents in Hoshangabad district were owned. Being a tribal village only one (4.00 per cent) house was pucca. Another 52.00 per cent houses were pucca with tiles. The remaining 44.00 per cent houses were kutchā and thatched. The only pucca house with RCC was owned by one large farmer (Table 3.17).

Table 3.17 Types of houses, selected households, Hoshangabad district, Madhya Pradesh

Category	Own Pucca RCC	Own Pucca Tiled	Own Kutchā Thatched	Hired Pucca RCC	Hired Pucca Tiled	Hired Kutchā Thatched
Landless	--	4	1	--	--	--
Small & Marginal	--	5	10	--	--	--
Large	1	4	--	--	--	--
Total	1	13	11	--	--	--
Percentage to total	4.00	52.00	44.00	--	--	--

Since selected village Dodi Jhunkar of Hoshangabad district was a tribal village larger number of house were pucca tiled. Against this larger number of houses of Daloda village of Mandsaur district were pucca with RCC. Own pucca tiled houses were 36.00 per cent and only 20.00 per cent were own kutchā tiled houses. Larger percentage of houses of large size category were pucca with RCC (Table 3.18).

Table 3.18 Types of houses, selected households, Mandsaur district, Madhya Pradesh

Category	Own Pucca RCC	Own Pucca Tiled	Own Kutchā Thatched	Hired Pucca RCC	Hired Pucca Tiled	Hired Kutchā Thatched
Landless	2	2	1	--	--	--
Small & Marginal	5	6	4	--	--	--
Large	4	1	--	--	--	--
Total	11	9	5	--	--	--
Percentage to total	44.00	36.00	20.00	--	--	--

In both the selected districts, the houses of all the respondents were owned. In Hoshangabad district larger number of houses were pucca tiled whereas in Mandsaur district larger number of houses were pucca with RCC. In Hoshangabad district, only one pucca house with RCC was owned by one large farmer, whereas in Mandsaur district, 11 houses were pucca with RCC.

3.12 Ownership of Houses

As high as 96.00 per cent of the families of Hoshangabad district had solely owned plots and houses. The remaining 4.00 per cent families had jointly owned plots and houses (Table 3.19).

Table 3.19 Ownership of houses, selected households, Hoshangabad district, Madhya Pradesh

Category	Solely owned Plot and House	Jointly owned Plot and House	Total
Landless	5	--	5
Small & Marginal	15	--	15
Large	4	1	5
Total	24	1	25
Percentage to total	96.00	4.00	100.00

A very large majority of the selected households (92.00 per cent) in Mandsaur district had solely owned plot and house. Another 4.00 per cent houses had jointly owned plots and house (Table 3.20).

Table 3.20 Ownership of houses, selected households, Mandsaur district, Madhya Pradesh

Category	Solely owned Plot and House	Solely owned Plot jointly owned house	Jointly owned Plot and House	Total
Landless	4	--	1	5
Small & Marginal	14	1	--	15
Large	5	--	--	5
Total	23	1	1	25
Percentage to total	92.00	4.00	4.00	100.00

In both the districts a very large majority of the selected households (more than 90 per cent) had solely owned plot and house.

3.13 Ownership of Bullocks, Implements and Machinery

It was noted that small and marginal farms in Hoshangabad district owned a total number of 25 bullocks and 13 ploughs. While a bullock and two ploughs were hired by them none of the large farmers either owned or hired bullocks or ploughs. Four of the five large farmers owned a tractor each. The remaining farmer hired one. Pump sets, sprayers and threshers were either owned or hired by small and marginal and large size groups and there was no relationship of size with the ownership of these items (Table 3.21).

Table 3.21 Ownership of bullocks, implements and machinery, selected farms, Hoshangabad district, Madhya Pradesh

Category	Owned/ hired	Bullock	Plough	Tractor	Pumpset	Sprayer	Thresher
Landless	Owned	--	--	--	--	--	--
	Hired	--	--	--	--	--	--
Small & Marginal	Owned	25	13	--	4	1	1
	Hired	1	2	1	--	--	4
Large	Owned	--	--	4	1	2	1
	Hired	--	--	1	--	--	3
Total	Owned	25	13	4	5	3	2
	Hired	1	2	2	--	--	7

Small and marginal size group in Mandasaur district owned 5 bullocks and 3 ploughs and hired a bullock and plough each. Large size group owned 7 bullocks, 4 ploughs, a power tiller and 4 pumpsets. Although 3 tractors, 3 sprayers and 4 threshers were owned one each of these machines were hired. Large size group

of farmers owned most of their requirements and only few were hired in, whereas, small and marginal size group had larger number of their requirements hired in (Table 3.22).

Table 3.22 Ownership of bullocks, implements and machinery, selected farms, Mandsaur district, Madhya Pradesh

Category	Owned/ hired	Bullock	Plough	Power tiller	Tractor	Pumpset	Sprayer	Thresher
Landless	Owned	--	--	--	--	--	--	--
	Hired	--	--	--	--	--	--	--
Small & Marginal	Owned	5	3	--	--	7	3	2
	Hired	1	1	--	12	3	9	11
Large	Owned	7	4	1	3	4	3	4
	Hired	--	--	--	1	--	2	1
Total	Owned	12	7	1	3	11	6	6
	Hired	1	1	--	13	3	11	12

In Hoshangabad district, small and marginal size group of farmers owned most of their requirement and only few were hired in, whereas, in Mandsaur district the group had larger number of their requirements hired in. In both the districts, large size group of farmers owned most of their requirement and only few were hired in. The use of bullock and plough was more in Hoshangabad district (traditional farming), whereas, in Mandsaur district the use of machinery (power tiller, tractor, pumpsets, sprayer and duster) was more.

3.14 Ownership of Vehicles and Other Households Articles

The village being away from motorable main road nearly all the categories of households owned cycles in Hoshangabad district. Motor cycles were owned by 2 large farmers only. While cots were owned by all the categories of farmers almirahs were owned by all the large farmers only. Moreover all the large farmers owned sofasets, electric connections and tube lights. Cooking gas and telephone each was also owned by only large farmers. Four of the 5 large farmers also owned television sets (Table 3.23).

Table 3.23 Ownership of vehicles and other household articles, selected households, Hoshangabad district, Madhya Pradesh

Category	Cycle	Scooter/ Motor- cycle	Cot	Almirah	Sofa	Electric connection	Tube light	Cooking gas	Telephone	Television
Landless	4	--	5	2	2	3	3	--	--	2
Small & Marginal	9	--	15	4	2	11	10	--	--	1
Large	5	2	5	5	5	5	5	1	1	4
Total	18	2	25	11	9	19	18	1	1	7

Cycle has become a common and popular vehicle in Mandasaur district and was owned by 20 out of 25 households. Five households owned scooter / motorcycle each. Cots were owned by all the households. Almirahs and sofasets were owned by larger percentage of large size group. Ownership of other commodities had no relationship with the size of farm (Table 3.24).

Table 3.24 Ownership of vehicles and other household articles, selected households, Mandasaur district, Madhya Pradesh

Category	Cycle	Scooter/ Motor- cycle	Cot	Almirah	Sofa	Electric connec- tion	Tube light	Fridge	Cook ing gas	Tele- phone	Televi sion	Car/ Jeep
Landless	3	1	5	1	1	4	4	1	1	1	3	1
Small & Marginal	13	2	15	1	1	13	13	1	1	1	5	1
Large	4	2	5	2	2	4	4	1	2	3	3	--
Total	20	5	25	4	4	21	21	3	4	5	11	2

In both the districts, maximum number of households owned cycles. Cots were owned by all the categories of farmers in both districts. Electric connection, tubelight, fridge, cooking gas, telephone, television and car/jeep were owned by larger percentage of farmers in Mandsaur district as compared to Hoshangabad district. Almirah and sofa were owned by larger percentage of farmers in Hoshangabad district as compared to Mandsaur district.

3.15 Deposits with Financial Institutions

As regards ownership of items like gold ornaments in Hoshangabad district it was observed that 4 of the 5 (80.00 per cent) households of the large size group owned these and 11 out of 15 households (73.33 per cent) of small and marginal size group and 3 out of 5 households (60.00 per cent) of the landless households owned these. All the 5 large farmers had deposits with Regional Rural Bank. Twelve of the 15 (80.00 per cent) and all the landless households had so. While 4 out of 15 small and marginal farmers had deposits with cooperatives, a household each in the landless and small and marginal size groups had deposits with SHG (Table 3.25).

Table 3.25 Deposits with financial institutions, selected households, Hoshangabad district, Madhya Pradesh

Category	Gold / Ornaments	Postal deposits NSC/ KVP etc.	Deposits with commercial/ RR Banks	Deposits with Cooperatives	Deposit with Self Help Group
Landless	3	--	SBI-2 RRB- 3	--	SHG-1
Small & Marginal	11	--	RRB-12	4	SHG-1
Large	4	--	RRB-5	--	--
Total	18	--	SBI-2 RRB-20	4	SHG-2

Gold or gold ornaments were possessed by all except one household in Mandsaur district which belonged to small and marginal size group. Two each from the small and marginal size group and large size group had deposits in National Savings Certificates or Kisan Vikas Patra, etc. All the landless households had deposits with Cooperative Bank. Four households each of the small and marginal and large size group had deposits with either Central Bank, Regional Rural Bank or State Bank of India. Eleven out of 15 households belonging to small and marginal category had deposits with Central Cooperative Bank or Land Development Bank. Thus in general the selected households were aware of the facilities provided by banks and incentives offered on deposits (Table 3.26).

Table 3.26 Deposits with financial institutions, selected households, Mandsaur district, Madhya Pradesh

Category	Gold / Ornaments	Postal deposits NSC/ KVP etc.	Deposits with commercial / RR Banks	Deposits with Cooperatives
Landless	5	--	5 CBI	--
Small & Marginal	14	2	4 CBI- 3 RRB-1	11 CCB-10 LDB- 1
Large	5	2	4 SBI-1 RRB- 1 CBI-2	4 Coop. – 3 LBB 1
Total	24	4	13	15

Gold or gold ornaments were possessed by maximum number of households in both the districts. In Hoshangabad district there was no deposit in NSC or Kisan Vikas Patra, whereas, in Mandsaur district 4 had deposits in NSC or KVP. Out of 25 households 15 had deposits with cooperatives and 13 with commercial / RRB in Mandsaur district whereas in Hoshangabad district 22 had deposits with commercial Bank / RRB, 4 had deposits with cooperatives and two had deposit with SHG.

3.16 Livestock

A total number of 25 bullocks in Hoshangabad district were owned by 15 small and marginal farmers. Buffaloes were owned mainly by small and marginal farmers. While cows were owned by all size groups of farmers goats and sheep and poultry birds were reared only by land less and small and marginal size groups (Table 3.27).

Table 3.27 Livestock, selected households, Hoshangabad district, Madhya Pradesh

Category	Bullocks	Buffaloes	Cows	Goats / Sheep	Poultry birds
Landless	--	1	4	21	3
Small & Marginal	25	6	23	4	29
Large	--	--	6	--	--
Total	25	7	33	25	32

A total number of 14 bullocks in Mandsoar district were owned by the selected households. Landless households did not own any bullock. Buffaloes were owned by all the categories of households. Dairy seems to be a good supplementary source of income. Similarly cows were also owned by all categories of households, although less in number. As in Hoshangabad district goats and sheep were not reared by large category of households (Table 3.28).

Table 3.28 Livestock, selected households, Mandsoar district, Madhya Pradesh

Category	Bullocks	Buffaloes	Cows	Goats / Sheep
Landless	--	11	7	--
Small & Marginal	6	14	10	3
Large	8	17	7	--
Total	14	42	24	3

Mandsaur district had more number of buffaloes (42) as compared to Hoshangabad district (7). The number of bullocks was more (25) in Hoshangabad as compared to Mandsaur district (14). In the case of cows, goats / sheep and poultry birds Hoshangabad district dominated over Mandsaur district.

3.17 Participation of Family Members in Social / Political Organisations

About knowledge, participation and involvement in socio political organisations in Hoshangabad district it was noted that many of the small and marginal and large size group farmers were either active members of such organisations or holding some posts thereof. Few households of small and marginal and large groups of farms had friends or relatives or either members or office bearers of such organisations. Two things emerged : firstly none of the selected farmers was either member or office bearer of any economic organisation and secondly the landless group persons were neither members nor office bearers of any social or political organisation. This clearly showed that economic status of an individual played important part in one's association and holding a post in social/political organisation. As regards familiarity to MLA, MP, Sarpanch or Mukhia or Officer of local police station, gramsevak, Extension Officer, Headmaster of local school and employee of bank or cooperative it was noted that all the selected farmers knew them all very well (Table 3.29).

Table 3.29 Family members' participation in social/ political organisations, Hoshangabad district, Madhya Pradesh

S.No	Particulars	Landless	Small & marginal	Large	Total
1	Any family member an active member of local social / political organisation.	--	5	4	9
2	Holding office in local social / Political organisation.	--	1	2	3
3	Active member of local economic organisation.	-	-	-	-
4	Holding office in local economic organisation.	-	-	-	-
5	Any friend / relative active member of local economic / social / political organisation.	-	2	1	3
6	Holding office in local social /economic/ political organisation.	--	1	1	2
7	Familiar to MLA / MP / Sarpanch / Mukhia	5	15	5	25
8	Familiar to Officer in-charge of local police station.	3	7	5	15
9	Familiar to Gram Sevak.	5	15	5	25
10	Familiar to the Extension Officer.	5	12	5	22
11	Familiar to Head Master of School.	5	15	5	25
12	Familiar to Bank / Cooperative employee.	5	15	5	25

About knowledge, participation and involvement in socio political organisations in Mandsaur district it was noted that many of the small and marginal and large size group farmers were either active members of such organisations or holding some posts thereof. Few households of small and marginal and large groups of farms had friends or relatives or either members or office bearers of such organisations. Two things emerged : firstly none of the selected farmers was either member or office bearer of any economic organisation and secondly the landless group persons were neither members nor office bearers of any social or political

organisation. This clearly showed that economic status of an individual played important part in one's association and holding a post in social/political organisation. As regards familiarity to MLA, MP, Sarpanch or Mukhia or Officer of local police station, gramsevak, Extension Officer, Headmaster of local school and employee of bank or cooperative it was noted that all the selected farmers knew them all very well (Table 3.30).

Table 3.30 Family members' participation in social/ political organisations, Mandsaur district, Madhya Pradesh

S.No	Particulars	Landless	Small & marginal	Large	Total
1	Any family member an active member of local social / political organisation.	--	1	2	4
2	Holding office in local social / Political organisation.	--	--	2	3
3	Active member of local economic organisation.	--	--	--	--
4	Holding office in local economic organisation.	--	--	--	--
5	Any friend / relative active member of local economic / social / political organisation.	--	--	1	1
6	Holding office in local social /economic/ political organisation.	--	--	--	1
7	Familiar to MLA / MP / Sarpanch / Mukhia	5	15	5	25
8	Familiar to Officer in-charge of local police station.	2	6	4	12
9	Familiar to Gram Sevak.	5	15	5	25
10	Familiar to the Extension Officer.	3	8	5	16
11	Familiar to Head Master of School.	5	15	5	25
12	Familiar to Bank / Cooperative employee.	5	15	5	25

In both the districts, none of the selected farmers was either member or office bearer of any economic organisation and the landless group persons were neither members nor office bearers of any social or political organisation. As regards familiarity to MLA, MP, Sarpanch or Mukhia or officer of the local police

station, gramsevak, extension officer, Headmaster of local school and employee of bank or cooperative it was noted that all the selected farmers in both the districts knew them all very well.

3.18 Expenditure of Family

A total amount of Rs.3,56,680 was spent by the selected households of Hoshangabad district on the purchase of provisions, clothes, festivities and consumer durables. Of the total amount spent 78.59 per cent was on provisions, 13.77 per cent on clothes, 5.43 per cent on festivities and the remaining 2.21 per cent on consumer durables.

Expenditure on these items by size groups showed that with the increase in size of farms the percentage of amount spent on provisions decreased, whereas, the percentage of amount spent on clothing, festivities and consumer durables generally increased (Table 3.31).

Table 3.31 Family Expenditure on provisions, clothing, festivities and consumer durables, selected households, Hoshangabad district, Madhya Pradesh

(Figures in Rs.)

Category	Provisions	Clothing	Purchase for Wedding and other functions	Consumer durables	Total
Landless	32,000	4,800	1,100	--	37,900
	(84.43)	(12.67)	(2.90)		(100.00)
Small & Marginal	1,60,300	27,800	11,780	1,400	2,01,280
	(79.64)	(13.81)	(5.85)	(0.70)	(100.00)
Large	88,000	16,500	6,500	6,500	1,17,500
	(74.89)	(14.05)	(5.53)	(5.53)	(100.00)
Total	2,80,300	49,100	19,380	7,900	3,56,680
	(78.59)	(13.77)	(5.43)	(2.21)	(100.00)

(Figures in brackets denote percentages to total)

A total amount of Rs.4,86,400 was spent by the selected households of Mandsaur district on the purchase of provisions, clothes, festivities and consumer durables. Of the total amount spent 59.29 per cent was on provisions, 20.31 per cent on clothing, 17.52 per cent on festivities and 2.88 per cent on consumer durables.

Expenditure on these items by size groups showed that with the increase in size of farms the percentage of amount spent on provisions decreased, whereas, the percentage of amount spent on festivities increased. There was no definite relationship between size of farms and percentage of expenditure spent on either clothing or consumer durables (Table 3.32).

Table 3.32 Family Expenditure on provisions, clothing, festivities and consumer durables, selected households, Mandsaur district, Madhya Pradesh

(Figures in Rs.)

Category	Provisions	Clothing	Purchase for Wedding and other functions	Consumer durables	Total
Landless	47,400	15,000	6,350	1,000	69,750
	(67.96)	(21.51)	(9.10)	(1.43)	(100.00)
Small & Marginal	1,22,000	33,300	24,850	8,000	1,88,150
	(64.84)	(17.70)	(13.21)	(4.25)	(100.00)
Large	1,19,000	50,500	54,000	5,000	2,28,500
	(52.08)	(22.10)	(23.63)	(2.19)	(100.00)
Total	2,88,400	98,800	85,200	14,000	4,86,400
	(59.29)	(20.31)	(17.52)	(2.88)	(100.00)

(Figures in brackets denote percentages to total)

In both the districts, of the total amount spent, maximum was on provisions followed by clothing, festivities and consumer durables. Expenditure on these items by size groups showed that with the increase in size of farms the percentage of amount spent on provisions decreased, whereas, the percentage of amount spent on clothing and festivities generally increased.

3.19 Inputs Purchased

The inputs purchased on the selected farms were seed, fertilisers, pesticides, manures, irrigation, labour and implements.

In the case of seed, small and marginal farmers of Hoshangabad district purchased seed worth Rs.10,366. Of this value the value of seed bought on credit was Rs.7,145 or 69.01 per cent of the value of total seed purchased. In the case of fertilisers, the total value of fertilisers purchased was Rs.14,466.00. Of this the value of fertilisers purchased on credit was Rs.10,230 or 70.72 per cent of the total value of fertilisers purchased. No other input was bought on credit.

In the case of large farms no input was bought on credit.

The percentage of seed bought on credit for all the selected farms came to 19.97 and that for fertilisers it came to 35.01 (Table 3.33).

Table 3.33 Details of inputs purchased in the last year, selected farms, Hoshangabad district, Madhya Pradesh

Category	Seed (Qtls.)	Fertilisers (Qtls.)	Pesticides (Litres)	Manure (Qtls.)	Irrigation (No.of times)	Hired labour (Man days)	Farm implements hired (Rs.)	Total (Rs.)
Land less	--	--	--	--	--	--	--	--
Small & Marginal								
Quantity purchased	8.40	22.00	0.100	75.00	2 - 1 4 - 1	280	--	--
Total value of purchase	10,366	14,466	191	1,490	1,000	6,400	2,000	35,913
bought on credit	7154 (69.01)	10230 (70.72)	--	--	--	--	--	--
Large								
Quantity purchased	17.82	22.50	8.500	40.00	2 - 1 3 - 1 6 - 1	805	80 litres diesel	--
Total value of purchase	25,460	14,751	15,700	2,000	2,800	33100	10,700	1,04,511
bought on credit	--	--	--	--	--	--	--	--
All								
Quantity purchased	26.22	44.50	8.600	115.00	2 - 2 3 - 1 4 - 1 6 - 1	1,085	80 Litres diesel	--
Total value of purchase	35,826	29,217	15,891	3,490	3,800	39,500	12,700	1,40,424
bought on credit	7154 (19.97)	10230 (35.01)	--	--	--	--	--	--

The inputs purchased on the selected farms in Mandasaur district included seed, fertilisers, pesticides, irrigation, human labour and farm implements. The total value of inputs purchased on small and marginal group was Rs.1,01,060. Of

all the inputs parts of seed and fertilisers were bought on credit. While the percentage value of seed bought on credit was 56.27 that of fertilisers was 95.88. In the case of large size group the percentages of seed and fertilisers bought on credit were less. While the percentage of seed bought on credit was 34.50 that of fertilisers was 33.56. Thus the dependence of large farms on credit was lesser. For all the farms taken together the percentage of seed bought on credit was 43.34 and that of fertilisers 56.56 (Table 3.34).

Table 3.34 Details of inputs purchased in the last year, selected farms, Mandsaur district, Madhya Pradesh

Category	Seed (Qtls.)	Fertilisers (Qtls.)	Pesticides (Litres)	Irrigation (No.of times)	Hired labour (Man days)	Farm imple-ments hired (Rs.)	Total (Rs.)
Land less	--	--	--	--	--	--	--
Small & Marginal							
Quantity purchased	15.33	49.00	3,450	2-2 3-1	506	--	--
Total value of purchase	17,540	29,790	3,810	950	27,860	21,110	1,01,060
bought on credit	9,870 (56.27)	28,564 (95.88)	--	--	--	--	--
Large							
Quantity purchased	21.30	82.50	6,500	6-1 4-1 5-1	1,500	--	--
Total value of purchase	25,650	50,950	8,500	7,790	51,600	23,500	1,67,990
bought on credit	8,850 (34.50)	17,100 (33.56)	--	--	--	--	--
All							
Quantity purchased	36.63	131.50	9,950	2-2 3-1 6-1 4-1 5-1	2,006	--	--
Total value of purchase	43,190	80,740	12,310	8,740	79,460	44,610	2,69,050
bought on credit	18,720 (43.34)	45,664 (56.56)	--	--	--	--	--

(Figures in bracket denote percentages)

In Hoshangabad district, only small and marginal farmers purchased seed and fertilizers on credit. No other input was bought on credit. In the case of large farms, no input was bought on credit. Whereas, in Mandasaur district both the groups (small & Marginal farmers and large farmers) bought seed & fertilizers on credit. In the case of large size group the percentages of seed and fertilizers bought on credit were less. The dependence of large farms on credit was nil in the case of Hoshangabad district whereas, in Mandasaur district dependence of large farms on credit was lesser.

3.20 Disposal of Products

The small and marginal size group in Hoshangabad district produced a total quantity of 273.70 quintals of all crops. Of this 110.35 quintals were sold or in other words, the percentage of marketed surplus was 40.32. The total value of the produce sold was Rs.70,300.00 or Rs.4,686.67 per farm. Of the total value of sale, value adjusted towards borrowings came to Rs.31,435.00 or 44.71 per cent of the total value of sale.

In the case of large farms, of the total quantity of 293.55 quintals produced the quantity sold was 253.55 quintals. Thus the marketed surplus was 86.37 per cent of the quantity produced. The total value of produce sold was Rs.1,99,000.00 or Rs.39,800.00 per farm. Of the total value of sale, value adjusted towards borrowings was 21.78 per cent.

For the selected farms the percentage came to 27.77 (Table 3.35).

Table 3.35 Disposal of main products and adjustment towards borrowings, selected farmers, Hosangabad district, Madhya Pradesh

Crop	Small & Marginal			Large			Total		
	Qty. Produced	Qty. sold	Value of sale	Qty. Produced	Qty. sold	Value of sale	Qty. Produced	Qty. sold	Value of sale
Paddy	53.00	29.00	14980.00	-	-	-	53.00	29.00	14980.00
Maize	34.00	15.00	7420.00	50.00	45.00	31500.00	84.00	60.00	38920.00
Jowar	4.00	-	-	15.00	12.00	6000.00	19.00	12.00	6000.00
Kodo	3.85	-	-	-	-	-	3.85	-	-
Kutki	0.35	-	-	-	-	-	0.35	-	-
sawa	2.50	-	-	-	-	-	2.50	-	-
Tur	4.50	30.00	3600.00	19.00	17.00	19000.00	23.50	20.00	22600.00
Soyabaen	20.00	20.00	16000.00	100.00	91.00	73800.00	120.00	111.00	89800.00
Sesamum	1.50	1.35	2700.00	2.55	2.55	5100.00	4.05	3.90	7800.00
Total Kharif	123.70	68.35	44700.00	186.55	167.55	135400.00	310.25	235.90	180100.00
Wheat	143.00	38.00	21100.00	75.00	62.00	37200.00	218.00	100.00	58300.00
Gram	7.00	4.00	4500.00	32.00	24.00	26400.00	39.00	28.00	30900.00
Total Rabi	150.00	42.00	25600.00	107.00	86.00	63600.00	257.00	128.00	89200.00
Total	273.70	110.35	70300.00	293.55	253.55	199000.00	567.25	363.90	269300.00
Per farm	18.25	7.36	4686.67	58.71	50.71	39800.00	28.35	18.20	13465.00
% value adjusted towards borrowings			44.71			21.78			27.77

The total quantity of crops produced on the selected farms in Mandsaur district was 679.18 quintals. Of this the quantity sold was 495.78 quintals or 73.00 per cent of the quantity produced. The quantity sold formed 76.38 per cent of quantity produced on small and marginal farms. It formed 71.01 per cent on large farms, or lesser than the small and marginal farms. Value adjusted towards borrowings was 45.00 per cent of value of sale on small and marginal size group. It was 22.00 per cent on large size group. The percentage for the selected farms was 28.00 (Table 3.36).

Table 3.36 Disposal of main products and adjustment towards borrowings, selected farmers, Mandsaur district, Madhya PradeshQuantity- Quintals
Value - Rupees

Crop	Small & Marginal			Large			Total		
	Qty. Produced	Qty. sold	Value of sale	Qty. Produced	Qty. sold	Value of sale	Qty. Produced	Qty. sold	Value of sale
Maize	37.50	15.50	7,385	36.00	3.00	1,350	73.50	18.50	8,735
Arhar	--	--	--	2.00	1.50	2,850	2.00	1.50	2,850
Moong	--	--	--	2.00	1.50	2,250	2.00	1.50	2,250
Urad	5.00	4.30	6,400	16.00	13.50	20,500	21.00	17.80	26,900
Soybean	120.00	115.50	98,225	181.00	171.00	1,45,325	301.00	286.50	2,43,550
Groundnut	0.50	0.40	1,200	2.50	2.00	6,000	3.00	2.40	7,200
Fodder	--	--	--	20.00	--	--	20.00	--	--
Total Kharif	163.00	135.70	1,13,210	259.50	192.50	1,78,275	422.50	328.20	2,91,485
Wheat	50.50	25.00	15,100	97.00	45.00	28,260	147.50	70.00	43,360
Gram	38.00	31.40	37,330	41.00	36.00	40,100	79.00	67.40	77,430
Garlic	--	--	--	30.00	30.00	15,000	30.00	30.00	15,000
Opium	--	--	--	0.18	0.18	40,000	0.18	0.18	40,000
Total Rabi	88.50	56.40	52,430	168.18	111.18	1,23,360	256.68	167.58	1,75,790
Total	251.50	192.10	1,65,640	427.68	303.68	3,01,635	679.18	495.78	4,67,275
Per farm	50.30	38.42	33,128	85.54	60.74	60,327	27.17	19.83	18,691
% value adjusted towards borrowings			45.00			22.00			28.00

In both the districts, the value adjusted towards borrowings was about 45 per cent of value of sale on small and marginal size group, about 22 per cent on large size group and about 28 per cent on total selected farms.

3.21 Disposal of Byproducts

On the small and marginal farms of Hoshangabad district the quantity of byproducts produced was 183.00 quintals. The quantity sold was 21.00 quintals worth Rs.850.00. Similarly on large farms the quantity of by products produced was 215.00 quintals and the quantity sold was 130.00 quintals worth Rs.3,700 (Table 3.37).

Table 3.37 Disposal of byproducts, selected farmers, Hoshangabad district, Madhya Pradesh

Crop	Small & Marginal			Large			Total		
	Qty. Produced	Qty. sold	Value of sale	Qty Produced	Qty .sold	Value of sale	Qty. Produced	Qty. sold	Value of sale
Paddy	55.50	--	--	--	--	--	55.50	--	--
Maize	43.00	7.00	150.00	70.00	70.00	700.00	113.00	77.00	850.00
Kodo	5.50	2.00	100.00	--	--	--	5.50	2.00	100.00
Sawan	1.00	--	--	--	--	--	1.00	--	--
Tur	6.00	--	--	--	--	--	6.00	--	--
Soyabaen	5.00	--	--	60.00	--	--	65.00	--	--
Wheat	64.00	12.00	600.00	75.00	60.00	3000.00	139.00	72.00	3600.00
Gram	3.00	--	--	10.00	--	--	13.00	--	--
Total	183.00	21.00	850.00	215.00	130.00	3700.00	398.00	151.00	4550.00

It may be mentioned that unlike Hoshangabad district, farmers did not sell any by-product on Mandsaur farms. Therefore table 3.38 was not prepared. However to keep uniformity in the numbering of tables the next table on sources of net income has been numbered as table 3.39.

3.22 Sources of Net Income

The total net income of 25 households of Hoshangabad district was Rs.5,93,329.00 or Rs.23,733.16 per household. The most important source of net income was agriculture and formed 24.09 per cent. The second source was trade and business and formed 17.70 per cent closely followed by other sources like hiring out of farm machines (17.69 per cent). The fourth important source of net income was labour and constituted 15.32 per cent. In the case of landless households the most important source was trade and business and formed 41.60 per

cent of the net income. Pisciculture was next important and formed 24.76 per cent of net income. Other important sources were service and profession (11.89 per cent), labour (10.90 per cent) and livestock (10.85 per cent). In the case of small and marginal farms the most important source was labour (31.67 per cent). The other sources were agriculture (15.09 per cent), livestock (14.47 per cent), trade and business (13.08 per cent) and service and profession (10.46 per cent). In the case of large farms the most important source was agriculture and contributed 43.18 per cent to the net income. The next important source was hiring out of farm machinery and contributed 34.57 per cent (Table 3.39).

Table 3.39 Sources of net income, selected households, Hoshangabad district, Madhya Pradesh

Sources	Landless		Small & Marginal		Large		Total	
	Value (Rs.)	% to total	Value (Rs.)	% to total	Value (Rs.)	% to total	Value (Rs.)	% to total
Agriculture	--	--	38,065	15.09	1,04,889	43.68	1,42,954	24.09
Livestock	10,950	10.85	36,500	14.47	10,200	4.25	57,650	9.72
Farm Forestry	--	--	1,500	0.59	--	--	1,500	0.25
Pisciculture	25,000	24.76	15,000	5.94	--	--	40,000	6.74
Sale of labour	11,000	10.90	79,875	31.67	--	--	90,875	15.32
Trade & business	42,000	41.60	33,000	13.08	30,000	12.50	1,05,000	17.70
Service & Profession	12,000	11.89	26,400	10.46	12,000	5.00	50,400	8.49
Any other Hiring out of farm machinery	--	--	21,950	8.70	83,000	34.57	1,04,950	17.69
Total	1,00,950	100.00	2,52,290	100.00	2,40,089	100.00	5,93,329	100.00

The total net income of the selected households of Mandsaur district was Rs.7,26,850 or Rs.29,074 per household. Thus the net income per household of Mandsaur district was higher than Hoshangabad district by Rs.5,341. The most important source of net income was agriculture and formed 51.42 per cent. The second important source was livestock and constituted 15.79 per cent, closely

followed by trade and business (13.10 per cent) and hired labour (12.45 per cent). It was thus observed that the contribution of agriculture and livestock was much higher in Mandsaur district than Hoshangabad district. It was also observed that in Mandsaur district the percentage of income from agriculture was very high (76.81) on large farms as against small and marginal farms (41.08). On the other hand income from livestock was quite high (47.48 per cent) on landless group than other size groups. It was noted that large size group households did not sell labour (Table 3.40).

Table 3.40 Sources of net income, selected households, Mandsaur district, Madhya Pradesh

Source	Landless		Small & Marginal		Large		Total	
	Value (Rs.)	% to total	Value (Rs.)	% to total	Value (Rs.)	% to total	Value (Rs.)	% to total
Agriculture	--	--	1,03,390	41.08	2,70,335	76.81	3,73,725	51.42
Livestock	58,500	47.48	30,510	12.12	25,740	7.31	1,14,750	15.79
Sale of labour	12,500	10.15	78,000	30.99	--	--	90,500	12.45
Trade & business	19,200	15.58	26,000	10.33	50,000	14.21	95,200	13.10
Service & Profession	30,000	24.35	1,800	0.71	--	--	31,800	4.37
Any other (Hiring out of farm machinery)	3,000	2.44	12,000	4.77	5,875	1.67	20,875	2.87
Total	1,23,200	100.00	2,51,700	100.00	3,51,950	100.00	7,26,850	100.00

As regards the total households in both the districts, the most important source of net income was agriculture. The next important source of income in Hoshangabad district was trade and business followed by hiring out of farm machinery, sale of labour and livestock. In Mandsaur district, next source of income was livestock followed by trade & business and sale of labour.

3.23 Sources of Loan

Of the selected households of Hoshangabad district 56.00 per cent borrowed from Regional Rural Bank and 24.00 per cent borrowed from Cooperative Bank. State Bank of India borrowers belonged to only landless household group. Of the 3 borrowers of SHG 2 belonged to landless category and 1 to small and marginal category. None of the households belonging to large category borrowed from SHG. Actually these were not members of SHG. On the other hand all the large households borrowed from Regional Rural Bank only (Table 3.41).

Table 3.41 Sources of loans, selected households, Hoshangabad district, Madhya Pradesh

Sources	Landless	Small & marginal	Large	Total
No. of households borrowing from				
1. Traditional				
a) State Bank of India	2	--	--	2
b) Regional Rural Bank	1	8	5	14
c) Cooperative Bank	--	6	--	6
Total traditional	3	14	5	22
2. New generation				
a) Self Help Group	2	1	--	3
Total	5	15	5	25

Of the selected farmers of Mandsaur district 6.00 per cent borrowed from Central Bank of India and 52.00 per cent from Cooperative Bank. While all the households belonging to landless group borrowed only from Central Bank of India, majority of households belonging to small and marginal group borrowed from Cooperative Bank (Table 3.42).

Table 3.42 Sources of loans, selected households, Mandsaur district, Madhya Pradesh

Source	Landless	Small & Marginal	Large	Total
No. of households borrowing from				
1. Traditional				
a) Central Bank of India	5	3	1	9
b) Regional Rural Bank	--	--	1	1
c) Cooperative Bank	--	11	2	13
d) Land Development Bank	--	1	1	2
2. New generation	--	--	--	--
Total	5	15	5	25

In Hoshangabad district, of the 25 households, 88 per cent borrowed the loan from traditional sources and only 12 per cent borrowed the loan from new generation financial institutions like SHG, whereas, in Mandsaur district, all the 25 household borrowed the loan from traditional sources like Central Bank of India, Regional Rural Bank, Land Development Banks and Cooperatives.

3.24 Sources and Amount of Loan

Not only the number of borrowers borrowing from Regional Rural Bank was highest but also the amount borrowed was so in Hoshangabad district. Of the total loan amount 85.86 per cent came from Regional Rural Bank and 8.95 per cent from state Bank of India. On the landless households 66.52 per cent of the amount came from State Bank of India and 18.63 per cent from Self Help Group. On the small and marginal group 73.92 per cent of the loan amount came from Regional Rural Bank. Large size group borrowed only from Regional Rural Bank (Table 3.43).

Table 3.43 Sources and amount of loan, selected households, Hoshangabad district, Madhya Pradesh

(Amount – Rupees)

Sources	Landless	Small & marginal	Large	Total
1. Traditional				
a) State Bank of India	50,000 (66.52)	--	--	50,000 (8.95)
b) Regional Rural Bank	11,163 (14.85)	42,500 (73.92)	4,26,000 (100.00)	4,79,663 (85.86)
c) Cooperative Bank	--	10,992 (19.12)	--	10,992 (19.12)
2. New Generation Bank				
a) Self Help Group	14,000 (18.63)	4,000 (6.96)	--	18,000 (3.22)
Total	75,163 (100.00)	57,492 (100.00)	4,26,000 (100.00)	5,58,655 (100.00)

As mentioned above all the households of Mandasaur district belonging to landless group borrowed only from Central Bank of India. Although the number of households borrowing from Cooperative Bank was higher in small and marginal size group the amount borrowed from Central Bank of India formed higher proportion. In the case of large size group households highest proportion of loan amount (66.35) came from Regional Rural Bank. For the selected households, the largest proportion of loan amount (41.34) came from Central Bank of India and second largest (32.87) from Regional Rural Bank (Table 3.44).

Table 3.44 Sources and amount of loan, selected households, Mandsaur district, Madhya Pradesh

(Amount – Rupees)				
Source	Landless	Small & marginal	Large	Total
1. Traditional				
a) Central Bank of India	1,44,000 (100.00)	75,000 (46.89)	30,000 (10.05)	2,49,000 (41.34)
b) Regional Rural Bank	--	--	1,98,000 (66.35)	1,98,000 (32.87)
c) Cooperative Bank	--	44,824 (28.02)	30,290 (10.15)	75,114 (12.47)
d) Land Development Bank	--	40,130 (25.09)	40,130 (13.45)	80,260 (13.32)
2. New Generation Bank				
	--	--	--	--
Total	1,44,000 (100.00)	1,59,954 (100.00)	2,98,420 (100.00)	6,02,374 (100.00)

In Hoshangabad district, maximum amount of loan came from Regional Rural Banks followed by Cooperative Bank, State Bank of India and new generation bank, whereas, in Mandsaur district, the borrowing was maximum from Central Bank of India followed by Regional Rural Bank, Land Development Bank and Cooperative Banks. No new generation bank existed in Mandsaur district.

3.25 Purpose of Loan

The most important purpose of loan in Hoshangabad district was investment on productive assets like tractors, tillers, etc. which constituted 72.94 per cent of the total loan amount borrowed. It may be noted that these items were purchased mainly by large group of households where these items formed 89.79 per cent of the total amount of loan borrowed. The second purpose was short duration term loan to meet the short fall in slack season and contributed 14.17 per cent. The purpose included purchase of fishnets and other accessories. The purpose was most important, rather it was the only purpose on the landless households. Crop loan

was the third purpose of loan and formed 12.89 per cent on the selected farms and 49.56 per cent on the small and marginal size group households. On this group investment on productive assets was the other important purpose (Table 3.45).

Table 3.45 Purpose of loan, selected households, Hoshangabad district, Madhya Pradesh

Sources	Landless	Small & marginal	Large	Total
1. Short duration loan for meeting short fall in slack season.	75,163 (100.00)	4,000.00 (6.96)	--	79,163 (14.17)
2. Investment on productive assets e.g. tractor, tiller etc.	--	25,000 (43.48)	3,82,500 (89.79)	4,07,500 (72.94)
3. Crop loan (inputs)	--	28,492 (49.56)	43,500 (10.21)	71,992 (12.89)
Total	75,163 (100.00)	57,492 (100.00)	4,26,000 (100.00)	5,58,655 (100.00)

The most important purpose of loans in Mandsoor district, was investment on productive assets like tractors, tillers, etc. and formed 57.81 per cent of the total loan amount. The second important purpose was short duration loan and formed 29.72 per cent. In the case of landless and households belonging to small and marginal group the most important purpose was short duration loan and formed 72.22 per cent and 46.89 per cent respectively, whereas, on the large size group of households investment on productive assets formed largest (89.85) per cent (Table 3.46).

Table 3.46 Purpose of loan, selected households, Mandsoor district, Madhya Pradesh
(Amount – Rupees)

Purpose	Landless	Small & marginal	Large	Total
1. Short duration loan for meeting short fall in slack season.	1,04,000 (72.22)	75,000 (46.89)	--	1,79,000 (29.72)
4. Investment on productive assets e.g. tractor, tiller, etc.	40,000 (27.78)	40,130 (25.09)	2,68,130 (89.85)	3,48,260 (57.81)
5. Crop loan (inputs)	--	44,824 (28.02)	30,290 (10.15)	75,114 (12.47)
Total	1,44,000 (100.00)	1,59,954 (100.00)	2,98,420 (100.00)	6,02,374 (100.00)

In both the districts, the most important purpose of loan was investment on productive assets e.g. tractor and tiller, etc. followed by short duration loan and crop loan (inputs). In both the districts, about 90 per cent of the total loan of large size group was for the purpose of investment on productive assets. In the case of small and marginal size group, of the total amount of loan, about 50 per cent was for crop loan (inputs) in Hoshangabad district and in Mandasaur district about 47 per cent was for short duration loan. The amount of loan was maximum for short duration loan in landless group in both the districts.

3.26 Application for Loan and Cost of Loan

About the experience of borrowers in Hoshangabad district it was noted that the selected borrowers had requested for a total amount of Rs.6,75,000. However, they received an amount of Rs.5,58,655 or 82.76 per cent of the amount requested. The percentage increased from 65.36 in landless group to 75.65 in small and marginal group to 88.02 in large size group. The loan amount per borrower was Rs.22,346. It was Rs.15,033, Rs.3,833 and Rs.85,200 on the three groups respectively. Of the total borrowings 84.55 per cent was in kind and the remaining 15.45 per cent in cash. The percentage of kind component increased from 48.11 in landless group to 65.56 in small and marginal group and further to 93.54 in large group of households. Inversely the percentage of cash component decreased with the increase in size group. An average borrower had to make 3 visits for loan to various offices and an average amount spent per visit was Rs.13.40. Although the amount paid for application was only Rs.3.20 per borrower the amount spent for documentation was Rs.148.40. The amount per borrower in the landless group was Rs.200.00 and Rs.57.33 in the small and marginal group. It was much higher (Rs.370.00) in the large size group, mainly

due to purchase of high priced machinery like tractors, threshers, etc. It was noted that no expenditure was incurred towards illegal gratification and for processing of application. The average number of days required between the date of application and the date of approval was 17.96. Similarly the number of days required between the date of approval and disbursement was 4.40. There was no relationship between the number of days required between these 3 dates and size group of households (Table 3.47).

Table 3.47 Application for loan, amount requested, loan actually disbursed, formalities, cost of loan, selected households, Hoshangabad district, Madhya Pradesh

Particulars	Landless	Small & marginal	Large	Total
Amount of loan requested	1,15,000	76,000	4,84,000	6,75,000
Amount of loan actually disbursed	75,163	57,492	4,26,000	5,58,655
Amount disbursed per household	15,033	3,833	85,200	1,22,346
% of amount disbursed to loan amount applied	(65.36)	(75.65)	(88.02)	(82.76)
Loan component				
Cash	39,000	19,800	27,500	(86.300
(% to total loan)	(51.89)	(34.44)	(6.46)	(15.45)
Kind	36,163	37,692	3,98,500	4,72,355
(% to total loan)	(48.11)	(65.56)	(93.54)	(84.55)
No. of visits for loan	1.00	3.30	5.60	3.30
Average amount spent per visit	4.00	18.67	7.00	13.40
Amount paid for application	14.00	1.33	--	3.20
Amount spent for documentation	200.00	57.33	370.00	148.40
Amount spent for fee/ bribe	--	--	--	--
Amount spent for processing of loan	--	--	--	--
No. of days between application and approval	34.80	11.33	21.00	17.96
No. of days between approval and disbursement	5.20	4.00	4.80	4.40
Security	--	--	--	--

Figures in parentheses denote percentages

About credit gap it was noted that the total amount requested by the selected borrowers in Mandsaur district was Rs.7,01,417. Against this the amount actually disbursed was Rs.6,02,374 or 85.88 per cent of the amount of loan requested. Thus the credit gap was 14.12 per cent. The amount disbursed per household was Rs.24,095. The credit gap was 3.04 per cent on landless households and 3.74 per cent on large size group. However, the credit gap was much higher (34.15 per cent

on small and marginal size group. The loan amount per borrower was Rs.28,800, 10,664 and 59,684 on three groups respectively. Of the total borrowing 60.69 per cent was in cash and 39.31 per cent in kind. The percentage of cash component increased from 33.33 to 41.42 and 84.22 with the size of farms. Inversely the percentage of kind component decreased with the size of farms. An average borrower made 7 visits for loan. The number of visits decreased with the increase in size of farm. The average amount spent per visit was Rs.3.8. Although no amount was paid for application the amount spent for documentation was Rs.81.60. The average number of days required between application and approval was 16.44. The number of days between approval and disbursement was 6.08. There was no relationship between the number of days required between three dates and size of farms of households (Table 3.48).

Table 3.48 Application for loan, amount requested, loan actually disbursed, formalities, cost of loan, selected households, Mandsaar district, Madhya Pradesh

Particulars	Landless	Small & Marginal	Large	Total
Amount of loan requested	1,48,500	2,42,917	3,10,000	7,01,417
Amount of loan actually disbursed	1,44,000	1,59,954	2,98,420	6,02,374
Amount disbursed per household	28,800	10,664	59,684	24,095
% of amount disbursed to loan amount applied	96.96	65.85	96.26	85.88
Loan component				
Cash (% to total loan)	48,000 (33.33)	66,260 (41.42)	2,51,320 (84.22)	3,65,580 (60.69)
Kind (% to total loan)	96,000 (66.67)	93,694 (58.58)	47,100 (15.78)	2,36,794 (39.31)
No. of visits for loan	8.2	7.06	6.2	7.12
Average amount spent per visit	3.00	4.00	4.00	3.8
Amount paid for application	--	--	--	--
Amount spent for documentation	136.00	52.67	114.00	81.6
Amount spent for fee/ bribe	100.00	--	--	20.00
Amount spent for processing of loan	--	--	--	--
No. of days between application and approval	18.40	14.13	21.4	16.44
No. of days between approval and disbursement	7.2	4.93	8.4	6.08

Figures in parentheses denote percentages

: 66-A :

3.26-A Credit Gap

It is the difference between the amount of credit demanded and the credit actually disbursed. In Hoshangabad district the credit demanded was Rs.6,75,000. However the credit actually received was Rs.5,58,655. The gap was Rs.1,16,345. The gap was 17.24 per cent of loan amount demanded. The credit gap was 34.64 per cent for landless households, 24.35 per cent for small and marginal households and 11.98 per cent for large size group farmers. Thus the credit gap was highest for landless households and least for large size farmers.

In Mandsaar district the amount of credit demanded by the borrowers was Rs.7,01,417. Against this amount the amount actually disbursed was Rs.6,02,374. Thus the credit gap was Rs.99,043. The gap was 14.12 per cent of the loan amount demanded. The credit gap was 3.03 per cent for landless households, 34.15 per cent for small and marginal households and 3.74 per cent for large size group households. Thus the credit gap was highest in the case of small and marginal farmers and least in landless households (Table 3.48-A).

Table 3.48-A Credit gap, selected households, Hoshangabad and Mandsaar district, Madhya Pradesh

Particulars	(Amount in Rs.)			
	Landless	Small and marginal	Large	Total
<u>Hoshangabad District</u>				
Amount of loan requested	1,15,000	76,000	4,84,000	6,75,000
Amount of loan actually disbursed	75,163	57,492	4,26,000	5,58,655
Credit gap	39,837	18,508	58,000	1,16,345
% of credit gap to loan requested	34.64	24.35	11.98	17.24
<u>Mandsaar district</u>				
Amount of loan requested	1,48,500	2,42,917	3,10,000	7,01,417
Amount of loan actually disbursed	1,44,000	1,59,954	2,98,420	6,02,374
Credit gap	4,500	82,963	11,580	99,043
% of credit gap to loan requested	3.03	34.15	3.74	14.12

3.27 Outstanding and Overdues of Loans

The average amount outstanding per borrower in Hoshangabad district was 13,835 and the amount overdue per borrower was Rs.2,096. The amount outstanding per borrower was Rs.11,872 on the landless group and was quite high on large group (Rs.52,910). The amount overdue only existed in the case of large size households (Table 3.49).

Table 3.49 Amount outstanding, amount overdue selected households, Hoshangabad district, Madhya Pradesh

(Figures – Rupees)

Sources	Landless	Small & marginal	Large	Total
Average Amount outstanding	11,872	1,467	52,910	13,835
Amount overdue	--	--	10,480	2,096

The average amount outstanding per borrower in Mandasaur district was Rs.18,758.72 and the amount overdue per borrower was Rs.2,360.84. Both amount outstanding and overdue were highest on large size group (Table 3.50).

Table 3.50 Amount outstanding, amount overdue selected households, Mandasaur district, Madhya Pradesh

(Figures – Rupees)

Sources	Landless	Small & marginal	Large	Total
Average Amount outstanding	2,424	6,059.07	51,375.20	18,758.72
Amount overdue	2,880.00	1,331.87	4,928.60	2,360.84

Of the 25 borrowers of Hoshangabad district, 10 were new borrowers as they borrowed only since last one year. Another 6 borrowed since last two years and the remaining borrowed since more than two years. There were three borrowers who borrowed since more than 7 years. All the selected households were comfortable with the borrowing experience and had no problem of any kind including repayment. In none of the cases the interest was collected up front. In no case any security was asked for. In half of the cases, third party guarantee was

needed and in only SHG financing cases, group guarantee was asked for. In 20 per cent cases agreement had to be signed to purchase inputs against loan. No pledge was necessary for either sale of labour or output in future. No livestock mortgage was signed. Land was mortgaged in most of the cases of input purchases and farm machinery purchases. Neither residential property nor livestock or any other physical property was mortgaged by any borrower.

All the borrowers agreed that there was sufficient flexibility in loan scheduling and instalment spacing. All of them agreed that there were strong incentives for good borrower behaviour and scope for rescheduling in the case of family emergency. The documentation and other conditions were not rigid and were as followed elsewhere. It was opined that there was scope of rescheduling in the case of local area emergency. Additional loan was permitted in the case of contingencies, told the borrowers. The explicit rate of interest charged by banks varied between 10.5 to 14.0 per cent per annum. The only exception was loan from SHGs which charged interest at the rate of 24 to 36 per cent per annum. All the financial institutions charged interest at diminishing rate.

However, most of the borrowers commented that the loans were neither monitored nor extension services on the use of inputs were provided. To both the questions i.e. which bank would you advise your friend to borrow from and for which bank would you stand guarantee, if required, the choice was Regional Rural Bank (60.00 per cent) Cooperative bank (24.00 per cent) and State Bank of India and SHG (8.00 per cent each).

Of the 25 borrowers of Mandsaur district, 9 were new borrowers as they borrowed since only last 1 year. Another 2 borrowed since last 2 years and the remaining borrowed since more than 2 years. There were 9 borrowers who

borrowed since more than 7 years. All the selected borrowers were comfortable with the borrowing experience and had no problem of any kind including repayment. In none of the cases the interest was collected upfront. In no case was any security asked for. In 14 out of 25 cases personal or third party guarantee was needed. No group guarantee was needed in any case. In 3 cases agreement to purchase inputs against loan was taken. In none of the cases pledge was made to sell labour and pledge to sell output was made. Land was mortgaged in all the cases of land holding households. No livestock, residential property or physical assets were mortgaged in any case.

All the borrowers agreed that there was sufficient flexibility in loan scheduling. They also agreed that there was enough scope for spacing the instalments. They said that documentation and other conditions were relaxable and there were strong incentives for good borrower response. There was scope for rescheduling in the case of family emergency and local area emergency like drought. They reported that there was flexibility in giving additional loans in the case of contingency. The explicit rate of interest was 13.50 to 14.00 per cent per annum. All the financial institutions charged interest at diminishing rate.

Most of the borrowers commented that loans were neither monitored nor extension services on the use of inputs were provided. To both the questions viz. which bank would he advise his friend to borrow from and for which bank would he stand guarantee, if required, the choice of 64.00 per cent borrowers was Central Cooperative Bank. The choice of another 20.00 per cent borrowers was for Central Bank of India. Eight per cent each indicated Land Development Bank and Regional Rural Bank.

CHAPTER – IV

PERFORMANCE OF NEW GENERATION INSTITUTIONS

4.1 Limitations of Rural Poor

Despite vast expansion of the formal rural credit delivery system and introduction of a series of antipoverty measures with credit interventions, very large number of our rural poor viz., small farmers, marginal farmers, agricultural labourers, rural artisans and scheduled castes and scheduled tribes people are still outside the formal credit delivery system and depend on moneylenders for their emergent credit needs. The main reasons for this alienation of a large segment of our population from the formal credit system can be traced to the rigours of the systems and procedures of the credit institutions (the margin money and security stipulations, lack of flexibility to use for emergency needs, etc.) on the one hand and the perception among the bankers that the poor are not creditworthy and the individual credit requirements of the poor are so small that the transaction costs tend to be higher than the profit margin. Low recovery of loans extended to the poor in the past (almost entirely under the government sponsored poverty alleviation programmes) had also been coming in the way of extending further loans to the poor.

4.2 Role of NGOs & NABARD

The voluntary organisations or Non Government Organisations (NGOs) working among the rural poor realised that the only way the poor can be helped to develop was by inculcating a spirit of self help among them and pool their internal resources to meet their emergent credit requirements. These organisations, therefore, not only organised self help groups of socio-economically homogeneous

groups of the poor, but also attempted to develop the habit of thrift and credit among the members of the groups. Over a period of time, many of such groups could transform the lives of their members without having to look for financial help from outside.

Soon after the formation of NABARD, studies were undertaken to evaluate many of the existing formal and informal systems of credit in rural areas with the objective of bringing the hitherto neglected sections of the society under the ambit of the formal credit delivery system. The studies conducted by NABARD established beyond doubt that the self help groups of the rural poor not only had helped the members to improve their lot economically, but had also helped in developing leadership qualities among the members. It was also realised that it takes painfully long time for the poor to harness enough resources from among themselves to help themselves. It was this recognition of the intrinsic strength of the self help groups and the need to supplement their meagre resources that led NABARD to launch a pilot project in 1992 to link the Self Help Groups with banks. The project which initially covered only the commercial banks was later extended to the Regional Rural Banks and the Cooperative Banks which had wider rural presence. Under this project, the SHGs after reaching a certain minimum maturity level, were allowed to be linked to the banks who could extend loans to the groups for their credit operations without the rigidities of the formal banking system in proportion to their internal savings. NABARD on its part assured 100 per cent refinance support to banks for all such lending (a facility which continues even today) and offered to extend all assistance to promote the groups including training to the NGOs, banks and even the government functionaries. A large number of such groups could be linked to banks under this

project within a short span of time (though spatially, the progress was not uniform with the southern and western parts of the country showing better results than other regions).

4.3 Characteristics of SHG (Self Help Group)

SHG is a group formed voluntarily or through motivation, by a Non Government Organisation (NGO), by the women of weaker sections in rural areas for mutual and self help.

The main objectives of SHG are :

1. Freedom from the clutches of moneylender,
2. Developing strength and self reliance among poor women,
3. Economic independence,
4. Use of SHG in village development, and,
5. Undertaking big works with small savings of the members.

The members save regularly and a common fund is created from pooled savings of the members. Internal loans are given out of the common fund to meet the emergent consumption and production credit requirements of the members. The members of the SHG are from homogeneous socio-economic background and have common interest and objectives. They have intimate knowledge of each other and are sensitive and responsive towards the needs of each other. Due to these factors and also due to the existence of non borrowing members a peer pressure is created for repayment of loans which results in nearly 100 per cent recovery of loans.

4.4 Criteria for linkage of an SHG with a bank branch

The SHG is of weaker section persons from rural areas and the maximum number of members does not exceed 20. Generally, the number of members in a group is between 10 and 20. This is an ideal number.

The SHG holds meetings regularly (fortnightly, if not weekly). In the meetings items discussed are : health problems of family members, children's education, social evils such as alcoholism, gambling, exploitation of women and ways to fight it, etc.

All the members regularly saved some amount of money.

To begin with, the SHG members work for a minimum period of 6 months as a savings and credit group. The SHG maintains records of meetings, member wise savings, common fund creation / maintenance, member wise loans given from the common fund and recoveries, etc. The SHG functions on democratic lines and the activities are transparent and all members actively participate therein and have opportunity to express their views. There is no outside interference in the work of the SHG.

The SHG members follow simple rules such as-

- a) The place, date and time of meetings,
- b) The amount of saving of each member,
- c) Priorities of purposes of loan,
- d) The rate of interest to be charged on loan given,

- e) The number of instalments and amount to be repaid in each instalment, and,
- f) The penalty to be paid in default of saving amount due or loan repayment due.

The bank branch opens a savings bank account in the name of the SHG, for which the RBI has issued necessary permission to the banks. Linkage is effective from the date of disbursement of bank credit for the first time to the SHG. Bank credit is given in bulk to the SHG. The member wise assessment of loan, appraisal, purpose of loan, repayment period, rate of interest, recovery, etc. are decided / entrusted to the SHG.

4.5 Models of Financing of SHG

Model – I

The bank branch finances directly to SHG by opening the loan account in the name of SHG. Bank credit is disbursed in the ratio of savings in the common fund of SHG. The maximum permissible ratio between savings in the common fund and bank credit is from 1:1 to 1:4. The NGO does not play any role in the formation of SHG.

Model – II

The bank branch finances SHG which is formed at the instance of NGO (Non Governmental Organisation). Bank credit is disbursed to SHG in the ratio of savings in the common fund of the SHG. The maximum permissible ratio between savings in the common fund and bank credit is 1:4 for concerned NGO which acts as facilitator but the responsibility of repayment solely lies with SHG.

Model – III

In case the local bank branch does not have adequate confidence in lending to SHG promoted by an agency (NGO) or in case SHG for various reasons is not willing to be linked directly with the bank, the bank may finance such SHG through the agency that promotes the group provided the agency is willing to borrow from the bank and the bank is also prepared to bulk lend the agency. The SHG receives financial assistance from the NGO and meets the credit needs of the members. The NGO acts as a financial intermediary and is responsible for loan repayment.

NABARD refinance at 100 per cent of bank loan is available for financing of SHG at the rate of interest of 7 per cent per annum irrespective of recovery performance of bank / bank branch.

4.6 Advantages of Linkage to the Banks

The banks achieve better and wider coverage of weaker section persons in rural areas in a cost effective manner. Due to externalisation of items of credit cycle, there is a reduction in transaction costs and consequent increase in profits. Banks get substantial deposits in the form of small savings of SHG members. On account of nearly 100 per cent recovery of loans given to SHG due to peer and pressure, there is improvement in recovery percentage. Further, the banks can mobilise deposits from so far untapped sections of the rural population. SHG financing is one of the most advantageous proposition for the banks. Banks achieve targets of development work easily through financing of SHG. Against the loans sanctioned to SHG the banks get 100 per cent refinance at concessional rate of interest.

4.7 Advantages of Linkage to SHG

The SHG gets the benefits of better technical, economical and administrative knowledge available with banks and has access to greater resources. The bank credit is available on better terms as compared to the credit available from informal sources, particularly from moneylenders. SHG gets advice from the banks about income increasing activities. It also gets loan with least paper work and no security is needed.

4.8 The National Scenario of SHGs

With a modest beginning of linking 255 SHGs with bank credit in the country during 1992-93, the project has since taken a leap and the total SHGs linked as at the end of March, 2000 stood at 1,14,775 with NABARD's refinance assistance aggregating to Rs.150 crores. More and more cooperative banks and regional rural banks are showing interest in promoting SHGs. So far 40 Commercial Banks, 165 RRBs and 61 DCCBs have been extending loans to SHGs organised with the dedicated services of over 700 NGOs across the country (Table 4.1)

Table 4.1 Spatial distribution of the SHGs linked with the banks as on 31.3.2000

(Rupees in Lakhs)					
S.No	Region	States covered	No.of SHGs linked	Bank Loans disbursed	NABARD Refinance
1	South	Kerala, Karnataka, Tamil Nadu, Andhra Pradesh & Pondicherry	78,720	15,118.40	12,396.00
2	West	Gujarat, Maharashtra and Goa	7,983	1,359.70	878.30
3	North	Haryana, Punjab, Himachal Pradesh., Rajasthan and Jammu & Kashmir	3,222	659.60	305.10
4	Central	Madhya Pradesh & Uttar Pradesh	15,256	1,332.40	687.70
5	East	Orissa, West Bengal, & UT of Andaman & Nicobar Islands	9,398	787.20	720.50
6	North East	Assam, Meghalaya, Tripura, Sikkim and Manipur	196	40.90	25.00
All States			1,14,775	19,298.20	15,012.60

4.9 Madhya Pradesh Scenario of SHG

The concept of Self Help Groups and their linkage with banks was relatively new to the state of undivided Madhya Pradesh and hence the progress under the SHG-Banks linkage programme had been relatively poor in the past. It is, however, to be noted that there has been tremendous change in the perception of the people, the NGO sector, the Development Departments of the Government and the banks during the last 2-3 years and the programme is gaining momentum very fast. Many of the developmental programmes of the Government, including the most important poverty alleviation programme of the country the Swarna Jayanti Gram Swarojgar Yojana- have adopted Self Help Groups as the media through which the programmes are implemented.

As many as 3373 SHGs were linked to banks in the State by the end of March, 2000. These were given loans to the tune of Rs.4.10 crores and refinance of Rs.2.77 crores. These groups are linked to 9 Commercial Banks, 11 RRBs and 7 DCCBs spread over 30 districts of the state. In addition, 4,894 SHGs are in the process of getting credit linked to banks in the State. The RRBs in the State have shown much better response than other banking institutions in the formation and linkage of SHGs. NABARD has been assisting the RRBs selectively to function as Self Help Groups Promoting Institutions. The banks operating in the State need to be more proactive in promoting SHGs in their area of operation, especially as the NGO network in the State is rather poor.

In the state all the three models of SHGs are in operation. Under model I, 32.92 per cent SHGs are operating, whereas, under model II 64.97 per cent SHGs are working. Under model III the percentage of SHGs working is 2.11.

4.10 Incentives offered by State Government

1. The most notable feature of SHG formation in the state is the active involvement of Govt. agencies in promoting SHGs under various government programmes. The Mahila Arthik Vikas Nigam has reportedly organised 12,324 SHGs involving 1,59,690 women members. These have so far mobilised total savings of Rs.115.46 lakhs. Of these 8,488 SHGs have opened Savings Bank Accounts with the banks, the first step in the process of SHG Banks linkage.

2. Similarly Rajiv Gandhi Watershed Mission of the State Govt. is also engaged in organising of Self Help Groups on Mini Watershed basis. It is reported that 11,853 SHGs and 4,526 Women Thrift and Credit Groups have so far been organised under this programme. Of these about 1,200 SHGs have already opened SB A/Cs in the banks. Most of these groups have been organised in a few districts like Dhar, Shahdol, Jabalpur, Jhabua, Shajapur, Mandla, Panna, Seoni and Sidhi.

3. The Department of Forest and Sericulture Department have also organised SHGs of tribals engaged in the procurement of minor forest produce in certain pockets of the state.

4. A total of 721 SHGs of rural women have been formed under the Swashakti Project being implemented in Dewas, Hoshangabad, Betul, Sehore, Tikamgarh and Chhattarpur districts of the State with the assistance from the World Bank and IFAD. This programme aims to form 2,000 SHGs during the project period of 5 years.

5. The State Govt. has restructured the total literacy campaign of National Literacy Mission and has renamed it "Padhana Badhna Andolan" in the State with the emphasis on development through literacy. There are about 2,16,855 Padhna Badhna Samities in the state. The Government has decided to convert all these Samities into Self Help Groups and NABARD has provided training to the resource persons of the Literacy Mission in each district on SHG concept and the SHG-Banks linkage programme. Many Samities have been transformed into SHGs.

6. The Govt. has launched with the support of World Bank, District Poverty Initiatives Project (DPIP) in 10 selected districts, viz., Guna, Shivpuri, Rajgarh, Sagar, Damoh, Vidisha, Rewa, Narsinghpur, Raisen and Shajapur. The purpose of DPIP is amelioration of poverty amongst the poorer sections of the society through group approach. Since many agencies are involved in the formation of SHGs in the State, it is necessary to have close coordination and liaison among all these agencies and the banks at the district and state levels to ensure uniformity in the approach and to avoid duplication of efforts.

4.11 Future Prospects

In a state like M.P. where poverty is much greater than most other states, there is tremendous potential for organising SHGs and these groups have the potential of changing the lives of lakhs of rural people. A good beginning has been made and the movement is gaining momentum. The efforts being made by many other agencies including the government departments to popularise the SHG concept augur well for SHG programme in the State. Identification of more good working NGOs and their capacity building to take up SHG formation work on a

large scale are to be taken up on priority. Simultaneously, the SHGs organised under different Govt. programmes should be brought under a common format to ensure quality and long term sustainability.

4.12 Spread of SHGs in the State

The present trend indicates that the spread of SHG concept is not uniform throughout the state and is concentrated in a few more developed districts. The efforts should be made by all agencies to organise SHGs in more backward and tribal districts so as to bring the most vulnerable section of the population into the mainstream.

It is estimated that by 2002-2003 a total number of 8,000 SHGs would be organised, of which 6,000 would be credit linked and 5,000 would get the refinance. By the year 2003-2004 the number of SHGs would increase to 10,000 and 7,500 of these would be linked to credit institutions and 6,000 would get refinance (Table 4.2).

Table 4.2 Upscaling of SHGs- Banks Linkage Programme Projections

Year	Number of SHGs		
	To be organised	To be credit linked	To be refinance linked
2000-01	4,609	3,800	3,500
2001-02	7,000	5,000	4,000
2002-03	8,000	6,000	5,000
2003-04	10,000	7,500	6,000

4.13 SHG Scenario in Hoshangabad District

In Hoshangabad district 216 SHGs have savings bank accounts opened with the branches of various banks. Of the various banks Regional Rural Bank, Suktawa, has maximum number of 168 SHGs. District Central Cooperative Bank, Kesla, has savings bank accounts of 35 SHGs. State Bank of India, Kesla and Punjab National Bank, Tawanagar has 10 and 3 savings bank accounts each. (Table 4.3).

Table 4.3 Number of SHGs having savings bank accounts with different banks and amount of loan availed, Hoshangabad district, Madhya Pradesh

S. No	Name of the bank	No. of SHGs having SB accounts	No. of SHGs availing loan	Loan amount availed (Rs.)	Refinance from NABARD (Rs.)
1	District Central Cooperative Bank, Kesla	35	2	50,000	50,000
2	State Bank of India, Kesla	10	1	20,000	20,000
3	Punjab National Bank, Tawanagar	3	0	15,000	15,000
4	Regional Rural Bank, Suktawa	168	9	1,28,000	1,28,000
Total		216	12	2,13,000	2,13,000

For the year 2000-2001 it was estimated that 250 additional SHGs would be formed and of these 100 SHGs would avail loan facilities after the linkage with the bank branches. Of the 100 SHGs 50 would be in Kesla block which is predominantly tribal and backward (Table 4.4).

Table 4.4 Block wise projections for linkage of SHGs, Hoshangabad district, Madhya Pradesh, 2001-2002

S.No.	Block	SHGs likely to be linked with credit
1	Kesla	50
2	Piparia	25
3.	Hoshangabad	25
	Total	100

The formation of SHGs in such a large number in Hoshangabad district is possible due to untiring and dedicated work of NGOs namely PRADAN, NCHSE and BAIF. These initiate the work through Mahila Samitis in tribal villages.

On the linkage of SHGs with bank branches the banks lend loans @ 13.5 per cent interest per annum. The SHGs, on the other hand, charge interest @ Rs.3 per hundred rupees per month or 36 per cent per annum. The difference between the rates of interest is accumulated as savings of the Mahila Samiti.

4.14 SHGs Scenario in Dodi Jhunkar village of Hoshangabad District

This study examined the working of SHGs in the State of Madhya Pradesh in general and to know how some of the SHGs in village Dodi Jhunkar of Hoshangabad district progressed and benefitted. Kesla Block of the district and Village Dodi Jhunkar was selected. Regional Rural Bank branch at Suktawa and Cooperative Society in the same village which catered to the needs of SHGs of village Dodi Jhunkar provided useful information. Officials of PRADAN (NGO), guided us to village Dodi Jhunkar and helped us to meet the members of SHGs to get grass root level first hand information. The members of SHGs had free and frank discussion and described the progress made so far.

4.15 Detailed study of 8 Mahila Samitis (SHGs), village Dodi Jhunkar

Of the 9 Mahila Samitis (SHGs) 8 were selected for detailed study w.r.t. membership, total savings, credit generation, repayment, etc. prior to and after the linkage with Regional Rural Bank, Suktawa.

It was noted that of the 8 SHGs 4 were initiated in early 1999 and two were initiated in 1998. The remaining two were initiated in 1997. The number of members ranged between 10 and 20. The total savings amounted to Rs.93,563 or Rs.11,695.37 per SHG. Total credit generated was Rs.4,28,179 or Rs.53,522.37 per SHG. The average percentage of repayment was 55.77 and conversely the percentage of outstanding was 44.23. The average cash balance in bank was Rs.725.50 and the average cash amount with the Samiti was Rs.1,239.88 (Table 4.5).

Table 4.5 Details of eight Mahila Samitis (SHGs) of village Dodi Jhunkar, Hoshangabad district prior to the linkage with Regional Rural Bank, Suktawa, Madhya Pradesh

S. No	Name of the SHG	Village	Date of initiation	Number of members	Total savings (Rs.)	Credit generated (Rs.)	Repayment (Rs.)	Outstanding loan (Rs.)	Cash in Bank A/c (Rs.)	Cash with samiti (Rs.)
1	Meera Mahila Samiti	Dodi	06.01.1999	17	9,713	41,509 (100.00)	26,759 (64.46)	14,750 (35.54)	1,700	67
2	Yashoda Mahila Samiti	Dodi	10.02.1999	19	10,919	60,381 (100.00)	22,501 (37.27)	37,880 (62.73)	100	30
3	Saraswati Mahila Samiti	Jhunkar	13.01.1999	11	5,781	44,171 (100.00)	27,551 (62.37)	16,620 (37.63)	200	188
4	Durga Mahila Samiti	Jhunkar	29.12.1998	20	12,599	44,840 (100.00)	23,965 (53.44)	20,875 (46.56)	2,000	7,500
5	Bajrang Mahila Samiti	Jhunkar	29.06.1997	20	20,216	95,850 (100.00)	60,400 (63.02)	35,450 (36.98)	1,264	10
6	Durga Bai Mahila Samiti	Dodi	22.07.1997	14	11,370	30,670 (100.00)	18,365 (59.88)	12,305 (40.12)	--	923
7	Devi Mahila Samiti	Dodi	20.01.1999	10	8,510	14,180 (100.00)	4,370 (30.82)	9,810 (69.18)	280	393
8	Sharda Mahila Samiti	Jhunkar	12.08.1998	20	14,455	96,578 (100.00)	54,906 (56.85)	41,672 (43.15)	260	808
Total				131	93,563	4,28,179 (100.00)	2,38,817 (55.77)	1,89,362 (44.23)	5,804	9,919
Average				16	11,695.37	53,522.37	29,852.12	23,670.25	725.50	1,239.88

While 4 of the 8 SHGs were linked with Regional Rural Bank in August, 2000 one was linked in December, 2000 and the remaining one was linked in March, 2001. The lowest loan sanction limit was Rs.10,000 in one SHG. It was Rs.25,000 in another and Rs.32,000 in still another. In the fourth SHG it was Rs.40,000. The amount of loan disbursed varied from Rs.5,000 to Rs.30,000.

The average recovery percentage was 47.37. It varied from 20.00 per cent to 77.33 per cent in different SHGs. The average percentage of outstanding loan was 52.69 and varied from 22.67 per cent to 80.00 per cent. In all the cases the sponsoring NGO was PRADAN (Table 4.6).

Table 4.6 Details of four Mahila Samitis (SHGs) of Village Dodi Jhunkar, Hoshangaba district after the linkage with Regional Rural Bank, Suktawa, Madhya Pradesh

S. No	Name of SHG	Linkage date	Loan sanction limit (Rs.)	Loan disbursed (Rs.)	Recovery (Rs.)	Out-standing (Rs.)	Purpose of loan	Name of NGO
1	Meera Mahila Samiti	21.12.2000	25,000	15,000 (100.00)	11,600 (77.33)	3,400 (22.67)	Consumption, fish net and crop loan	PRADAN
2	Yashoda Mahila Samiti	11.08.2000	32,000	30,000 (100.00)	11,550 (38.50)	18,450 (61.50)	Consumption, fish net and crop loan	PRADAN
3	Saraswati Mahila Samiti	11.08.2000	10,000	9,500 (100.00)	4,000 (42.11)	5,500 (57.89)	Consumption and fish net	PRADAN
4	Durga Mahila Samiti	22.03.2001	40,000	5,000 (100.00)	1,000 (20.00)	4,000 (80.00)	Crop loan	PRADAN
Total				59,500 (100.00)	28,150 (47.37)	31,350 (52.69)		
Average				14,875	7,038	7,837		

Note – Figures in brackets denote percentages

4.16 Success Story of Yashoda Mahila Samiti (SHG)

Nineteen housewives of a tribal village Dodi of Kesla block, Hoshangabad district formed “Yashoda Mahila Samiti, Dodi” on 10.2.1999 under the leadership of Aanganwadi worker Laxmi. They decided to meet every Wednesday and contribute an amount of Rs.10 to 25 each so that the needy among them could be given loan from it. By December, 2000 the amount so collected swelled to Rs.10,568.00. The loan could be given for both productive purpose or for consumption expenditure. The Samiti till recently gave a total amount of Rs.56,110 as loan and earned an interest amounting to Rs.4,902. The capital of the Samiti increased to Rs. 15,000. The repayment of loan from members was total (100.00 per cent).

The samiti as a group approached Regional Rural Bank, Suktawa in August, 2000 and got a loan limit of Rs.32,000 sanctioned for its members. Of the amount of Rs.32,000. Rs,18,000 were for 6 women to purchase boats and fish nets for fishing in Tawa Dam. The remaining 13 women used loan amount of Rs.12,000 for agricultural production on land cultivable after the dam water receded. The group repaid an amount of Rs.9,500 in the first nine months.

Looking to the success achieved by this SHG group a total number of eighth SHGs came into being in village Dodi Junkar. Also one SHG of male members came into existence in the village.

Further, all the nine SHGs of the village joined hands to start a lift irrigation scheme for which pipe line of two kilometre length was laid. With the starting of this lift irrigation scheme all the 130 households of this village started getting

irrigation water. On getting irrigation water the villagers adopted improved methods of agriculture, vegetable production and fruit production.

The impact of this development was that the villagers- men and women – who used to leave the village in search of labour were now self employed and self sufficient. Not only this but villagers built village road by doing “Shramdan” and have helped a girl of the village to get admitted in cancer hospital for treatment.

4.17 Success Story of Bajrang Mahila Samiti) (SHG)

Bajrang Mahila Samiti is one of the self help groups of Jhunkar village financed by State Bank of India, Kesla branch, District Hoshangabad. This SHG is formed by scheduled tribes group of women. The group comprises 20 women. This group engaged in broiler production, mushroom production and collection of forest products is formed on the motivation of prestigious NGO "PRADAN". Each one of them is earning monthly income of about Rs.1000/-.

4.18 Success story of Indira Mahila Samiti (SHG), Village Kasda Khurd

The economic condition of the tribal agricultural labourers and marginal farmers of village- Kasdakhurd was very poor. Due to their poor economic condition, the people of the village collected the exploded shells of bombs and bullets from long proof range of the Defence Department. This area is prohibited for public from 9.00 a.m. to 5 p.m. These empty shells of bombs contain brass and other metal that fetched price in the scrap market. The traders purchased these shells from villagers at the rate of Rs.100 per shell. One day, a labourer of this village Sunder Lal carried a shell of bomb on his cycle. On way the bomb blasted and the right hand and leg was burnt completely. After this accident, the

wife of Sunder Lal gathered the 17 women of the village and formed a self help group in the year 1999 and they took oath that no body would go to the long proof range of the defence department to collect the empty shells of the bombs.

They decided to meet every Wednesday and contribute an amount of Rs.10/- every week so that the needy among them could be given loan from it. By March 2000, the amount so collected swelled to Rs.14,000. The loan could be given for both productive purpose or for consumption purpose.

The samiti as a group approached bank in March, 2000 for thresher and got a loan of Rs.35,000. These women operated the thresher on rental basis and got better income from it. Some disgruntled person of the village burnt the electric transformer. These women then met the Divisional Engineer, MPEB and SDM, Itarsi with their problem. After two days new transformer was installed in the village. Now, these women are happy and earning regularly from thresher. They repaid the amount of Rs.10,000 to the bank. These women now are planning to irrigate their fields from river by purchasing the pipe line and laying the pipe line from river to their fields.

4.19 Suggestions

It was gathered that the state government wanted to adopt the programme of SHG formation on a very large scale. It wanted to fix targets of forming SHGs to all the Mahila Bal Vikas Officials and wanted to add an element of subsidy on loans from banks.

We think that both the elements of targets and achievements for the government servants and bank subsidy would make the programme not only mechanical but also dilute the cooperative spirit among SHG members. This should be avoided.

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Since many agencies are involved in the formation of SHGs in the State, it is necessary to have close coordination and liason among all these agencies and the banks at the district and state levels to ensure uniformity in the approach and to avoid duplication of efforts.

It is noted that the spread of SHG concept is not uniform throughout the state and is concentrated in a few more developed districts. The efforts should be made by all agencies to organise SHGs in more backward and tribal districts so as to bring the most vulnerable sections of the population into the mainstream.

Some of SHGs reported that some moneylenders are sneaking into SHGs to fulfil their interests. The SHGs should be made aware of this fact to keep out such individuals with vested interests of obtaining cheap credit from SHG and use it to lend to poor borrowers privately.

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CHAPTER – V

RESULTS OF LENDING INSTITUTIONS SURVEYS

The selected farmers of village Dodi Jhunkar of Hoshangabad district borrowed loans from the State Bank of India, Kesla, and Regional Rural Bank, Suktawa.

5.1 State Bank of India, Kesla, Hoshangabad district, M.P.

Total amount of credit disbursed by State Bank of India, Kesla was 19.73 lakhs, 13.06 lakhs and 19.19 lakhs in the years 1997-98, 1998-99 and 1999-2000 respectively. Of the total amount disbursed, highest amount was for large and medium farmers followed by small farmers, marginal farmers, households engaged in non farm activities and landless borrowers in all the three years. The per farmer credit disbursement was highest (Rs.36,904) in 1999-2000 followed by Rs.29,448 in 1997-98 and Rs.19,206 in 1998-99. The total number of farmers financed was 67, 68 and 52 in the years 1997-98, 1998-99 and 1999-2000 respectively (Table 5.1).

Table 5.1 Client profile of the State Bank of India, Kesla, Hoshangabad district, M.P. in terms of lending and number of loanees

Borrower Type	(Amount in Rs.)		
	1997-98	1998-99	1999-2000
Large and Medium farmers	10,00,000 (10) 1,00,000*	5,00,000 (11) 45,454*	11,00,000 (10) 1,10,000*
Small farmers	4,00,000 (20) 20,000*	2,85,000 (18) 15,833*	3,00,000 (15) 20,000*
Marginal farmers	3,00,000 (17) 17,647*	1,03,000 (22) 4,682*	2,00,000 (10) 20,000*
Landless	26,000 (8) 3,250*	30,000 (7) 4,286*	35,000 (7) 5,000*
Households engaged in non-farm activities	2,47,000 (12) 20,583*	3,88,000 (10) 38,800*	2,84,000 (10) 28,400*
Total	19,73,000 (67) 29,448*	13,06,000 (68) 19,206*	19,19,000 (52) 36,904*

Note :- Figures in parentheses indicate number of loanees

* lending per farmer

Purposewise breakup of loan disbursement indicated that agriculture sector received largest percentage of loan amount in all the three years. In the year 1997-98, 45.61 per cent of the loan amount was medium term loan for the purchase of farm assets 31.73 per cent loan was medium term loan for irrigation and 12.52 per cent loan was for agricultural output processing. In the year 1998-99, the highest proportion of loan was for medium term loan for purchase of farm assets (34.46 per cent) as in 1997- 98 followed by agricultural output processing (29.71 per cent), medium term irrigation loan (24.35 per cent) and crop loans (11.48 per cent). In the year 1999-2000, the highest proportion of loan (32.57 per cent) was again towards medium term loan for purchase of farm asset followed by crop loans (29.44 per cent) medium term irrigation loan (20.06 per cent) and agricultural output processing loan (14.80 per cent) (Table 5.2).

Table 5.2 Purposewise breakup of loan disbursement, State Bank of India, Kesla, Hoshangabad district, M.P.

Purpose	(Amount in Rs.)					
	1997-98		1998-99		1999-2000	
A. Agriculture	16,41,000	(83.17)	9,18,000	(70.29)	15,75,000	(82.07)
Crop loan	1,15,000	(5.83)	1,50,000	(11.48)	5,65,000	(29.44)
Medium term- eg. irrigation loans	6,26,000	(31.73)	3,18,000	(24.35)	3,85,000	(20.06)
Medium term – eg. farm asset loans	9,00,000	(45.61)	4,50,000	(34.46)	6.25,000	(32.57)
Long term asset creation loans	--	--	--	--	--	--
B. Off -Farm	85,000	(4.31)	--	--	60,000	(3.13)
Animal husbandry	24,000	(1.22)	--	--	40,000	(2.09)
Fisheries	61,000	(3.09)	--	--	--	--
Sericulture	--	--	--	--	--	--
Others	--	--	--	--	20,000	(1.04)
C. Non- farm	2,47,000	(12.52)	3,88,000	(29.71)	2,84,000	(14.80)
Agri-output processing	2,47,000	(12.52)	3,88,000	(29.71)	2,84,000	(14.80)
Small and tiny industry	--	--	--	--	--	--
Transport and others	--	--	--	--	--	--
D. Consumption loans	--	--	--	--	--	--
Total	19,73,000	(100.0)	13,06,000	(100.0)	19,19,000	(100.0)

Note :- Figures in parentheses indicate percentage to total amount

Percentage break up of customers for each category of loan disbursed showed that the crop loans were disbursed to 30 per cent large, 30 per cent medium, 25 per cent small and 15 per cent marginal farmers. Medium term irrigation loans were disbursed to 40 per cent medium, 40 per cent small and 10 per cent marginal and 10 per cent large farmers. Medium term farm asset loans were disbursed to 45 per cent medium farmers, 20 per cent small farmers, 15 per cent large farmers, 10 per cent marginal farmers and 10 per cent landless labourers. Animal husbandry loans were disbursed among 70 per cent landless persons, 20 per cent marginal farmers and 10 per cent small farmers. The loans for fishery were fully utilized by landless people. Loans for agricultural output processing were mostly used by landless households (Table 5.3).

Table 5.3 Percentage break-up of customers for each category of loan disbursed, State Bank of India, Kesla, Hoshangabad dist., M.P. (Each row is added up to 100%)

Loan category	Large farmers	Medium farmers	Small farmers	Marginal farmers	Landless
A. Agriculture					
Crop loans	30	30	25	15	--
Medium term- eg. irrigation loans	10	40	40	10	--
Medium term – eg. farm asset loans	15	45	20	10	10
Long term asset creation loans	--	--	--	--	--
B. Off -Farm					
Animal husbandry	--	--	10	20	70
Fisheries	--	--	--	--	100
Sericulture	--	--	--	--	--
Other	--	--	--	--	--
C. Non- farm					
Agri-output processing	10	--	--	--	90
Small and tiny industry	--	--	--	--	--
Transport and other service sector	--	--	--	--	--
D. Consumption loans	--	--	--	--	--

Thus agricultural loans were used mainly by medium size farmers and off farm and non farm loans were used mainly by landless households.

The recovery rate of bank ranged from 75 to 83 per cent during the three years. The overdues formed between 17 and 25 per cent in three years (Table 5.4).

Table 5.4 Recovery rates of the State Bank of India, Kesla, Hoshangabad district (M.P.)

Year	Recovery rate (%)	Overdues (%)
1997-98	75	25
1998-99	83	17
1999-2000	83	17

5.2 Lending Institutions Perception in Terms of Attributes

Repayment was best in the case of crop loans and worst in the case of animal husbandry loans. Loans given for medium term irrigation purpose were highly profitable and for crop loan were less profitable. Documentation was simple for crop loan cases and complicated for medium term farm assets loans. High growth potential was experienced in the case of medium term irrigation loans and low in the case of transport and other services. State Bank of India experienced least competition from other lending institutions in the case loans given to acquire medium term farm assets and high competition in the cases of crop loans (Table 5.5).

Table 5.5 Ranking of lending institution's perception about the loan products in terms of the attributes described (1 for the best and 5 for the worst), S.B.I. Kesla

Types of loan products	Good Repayment	Highly Profitable	Simple Documentation	High Growth Potential	Less Competition
A. Agriculture					
Crop loans	1	5	1	--	5
Medium term- eg. irrigation loans	2	1	4	1	--
Medium term – eg. farm asset loans	3	--	5	2	1
Long term asset creation loans	--	--	--	--	--
B. Off -Farm					
Animal husbandry	5	4	--	3	--
Fisheries	4	3	2	--	--
Sericulture	--	--	--	--	--
Other	--	--	--	--	--
C. Non- farm					
Agri-output processing	--	2	3	4	--
Small and tiny industry	--	---	--	--	--
Transport and other service sector	--	--	--	5	--
D. Consumption loans	--	--	--	--	--

The rival lending agencies for State Bank of India were RRBs, SHGs, rural moneylenders, Credit Cooperative Societies, Non Bank Finance Companies and voluntary agencies in that order of competition (Table 5.6).

Table 5.6 Competition among institutions existing in area of operation, S.B.I., Kesla (Rank – 1 for highest and 5 for least competition).

S.No.	Rival lending agencies	Rank
1	Regional Rural Bank	1
2	Credit Cooperative Societies	4
3	Self-Help Group (SHG)	2
4	Non-Bank Finance Company	5
5	Voluntary Agency	5
6	Rural Moneylender	3

In the past three years the portfolio of the bank shifted favourably towards small and marginal farmers.

5.3 Regional Rural Bank, Suktawa, District Hoshangabad, M.P.

The loan disbursement of Regional Rural Bank, Suktawa has been continuously increasing from Rs.3.33 lakhs in 1995-96 to Rs.27.25 lakhs in 1999-2000. The per farmer loan disbursement increased from Rs.4,826 (1995-96) to Rs.38,635 (1998-99) but showed a decrease in 1999-2000 (Rs.25,000). The lending per farmer was highest in the case of large & medium farmers in all the years and was lowest in the case of landless households. In the case of large and medium farmers, the lending per farmer was highest (Rs.2,74,000) in the year 1997-98 and lowest (Rs.94,000) in the year 1998-99. In the case of small farmers, the lending per farmer was highest (Rs.63,750) in the year 1996-97 followed by 1998-99 and 1999-2000. In the case of marginal farmers, it was maximum in the year 1998-99 (Rs.45,800) and lowest in the year 1995-96 (Rs.3,862). In the case of landless borrowers lending per farmer was highest (Rs.12,500) in the year 1999-2000 and lowest (Rs.625) in the year 1995-96 (Table 5.7).

Table 5.7 Client profile of the Regional Rural Bank, Suktawa, District Hoshangabad, MP in terms of lending and number of loanees.

(Amount in Rs.)

Borrower type	1995-96	1996-97	1997-98	1998-99	1999-2000
Large & Medium farmers	-- --	8,41,000 (7) 1,20,143*	2,74,000 (1) 2,74,000*	3,76,000 (4) 94,000*	3,00,000 (2) 1,50,000*
Small farmers	12,000 (8) 1,500*	2,55,000 (4) 63,750*	3,00,000 (15) 20,000*	2,23,000 (5) 44,600*	5,76,000 (17) 33,882*
Marginal farmer	1,12,000 (29) 3,862*	1,87,000 (13) 14,385*	2,83,000 (9) 31,444*	6,87,000 (15) 45,800*	3,24,000 (28) 11,571*
Landless	10,000 (16) 625*	69,000 (78) 885*	78,000 (25) 3,120*	1,00,000 (18) 5,555*	5,00,000 (40) 12,500*
Household engaged in non-farm activities	1,99,000 (16) 12,437*	80,000 (4) 20,000*	2,59,000 (10) 25,900*	6,23,000 (10) 62,300*	10,25,000 (22) 46,591*
Total	3,33,000 (69) 4,826*	14,32,000 (106) 13,509*	11,94,000 (60) 19,990*	20,09,000 (52) 38,635*	27,25,000 (109) 25,000*

Note : Figures in parentheses indicate number of loanees.

* *Lending per farmer*

Of the total loan disbursed in the year 1995-96 (Rs.3.33 lakhs), the maximum proportion (59.76 per cent) was for small & tiny industries followed by medium term irrigation loans (27.03 per cent) and crop loans (10.21 per cent). The proportion of loan for agriculture was 37.24 per cent. In the year 1996-97, disbursement of loans towards agriculture was 83.80 per cent followed by off farm loans (10.61 per cent) and non-farm loans (5.59 per cent). In agricultural sector, the maximum loan was for purchase of long term assets (41.89 per cent). In the year 1997-98, of the total loan disbursed, the maximum proportion was again for agricultural sector (78.31 per cent) followed by non farm loans (21.69 per cent). In 1998-99, the loan disbursed to agricultural sector was 63.71 per cent followed by non farm loans (31.01 per cent) and off farm loans, 5.28 per cent. Similarly in the year 1999-2000, the maximum loan was towards agricultural sector followed by non-farm sector and off-farm sector. In agricultural sector, the maximum loans were long term asset creation loans in all the years (Table 5.8).

Thus in all the years, while agricultural loans formed highest proportion, non-farm activities were accorded second highest loan amount.

Table 5.8 Purposewise breakup of loan disbursement, Regional Rural Bank, Suktawa, Hoshangabad, M.P.

Purpose	1995-96		1996-97		1997-98		1998-99		1999-2000	
	Rs.	(%)	Rs.	(%)	Rs.	(%)	Rs.	(%)	Rs.	(%)
A) Agriculture	1,24,000	(37.24)	12,00,000	(83.80)	9,35,000	(78.31)	12,80,000	(63.71)	11,80,000	(43.30)
Crop loan	34,000	(10.21)	2,00,000	(13.97)	1,30,000	(10.89)	1,80,000	(8.96)	2,00,000	(7.34)
Medium term e.g. irrigation loan	90,000	(27.03)	2,00,000	(13.97)	--	--	2,00,000	(9.95)	3,00,000	(11.01)
Medium term e.g. Farm asset loans	--	--	2,00,000	(13.97)	1,05,000	(8.79)	3,00,000	(14.93)	1,80,000	(6.60)
Long term asset creation loans	--	--	6,00,000	(41.89)	7,00,000	(58.63)	6,00,000	(29.87)	5,00,000	(18.35)
B) Off-farm	10,000	(3.00)	1,52,000	(10.61)	--	--	1,06,000	(5.28)	5,20,000	(19.08)
Animal husbandry	--	--	1,52,000	(10.61)	--	--	1,06,000	(5.28)	2,00,000	(7.34)
Fisheries	--	--	--	--	--	--	--	--	50,00.00	(1.83)
Sericulture	--	--	--	--	--	--	--	--	--	--
Other	10,000	(3.00)	--	--	--	--	--	--	2,70,000	(9.91)
C) Non-farm	1,99,000	(59.76)	80,000	(5.59)	2,59,000	(21.69)	6,23,000	(31.01)	10,25,000	(37.61)
Agri-output processing	--	--	--	--	--	--	--	--	3,25,000	(11.93)
Small & tiny industries	1,99,000	(59.76)	80,000	(5.59)	1,00,000	(8.37)	3,23,000	(16.08)	1,00,000	(3.67)
Transport & other service sector	--	--	--	--	1,59,000	(13.32)	3,00,000	(14.93)	6,00,000	(22.01)
D) Consumption loans	--	--	--	--	--	--	--	--	--	--
Total	3,33,000	(100.0)	14,32,000	(100.0)	11,94,000	(100.0)	20,09,000	(100.0)	27,25,000	(100.0)

Note : Figures in parentheses indicate percentage to total

The recovery rates of the R.R.B., Suktawa ranged from 40 per cent to 75 per cent during 1995-96 to 1999-2000. Thus the recovery position of the bank improved from year to year. On the other hand the percentage of overdues decreased from year to year (Table 5.9).

Table 5.9 Recovery rates of the Regional Rural Bank, Suktawa, Hoshangabad

Year	Recovery rate (%)	Overdues (%)
1995-96	40	60
1996-97	42	58
1997-98	46	54
1998-99	59	41
1999-2000	75	25

5.4 Lending Institution's Perception in Terms of Attributes

Repayment was best in the case of crop loans and worst in the case of loans to small & tiny industries. The loan for long term asset creation was highly profitable, whereas, in the case of animal husbandry it was less profitable. Documentation for crop loan is very simple, whereas, in the case of long term asset creation loans it is lengthy. High growth potential was observed in the case of crop loans, whereas, it was observed low in the case of small & tiny industries. The Regional Rural Bank faced least competition from other banks w.r.t. loans for long term assets creation and highest competition w.r.t. loans for non-farm activities (Table 5.10).

Table 5.10 Ranking of lending institution's perception about the loan products in terms of the attributes described (1 for the best and 5 for the worst), R.R.B. Suktawa M.P.

Types of loan products	Good Repayment	Highly Profitable	Simple Documentation	High Growth Potential	Less Competition
A. Agriculture					
Crop loans	1	--	1	1	--
Medium term- eg. irrigation loans	--	--	--	--	--
Medium term – eg. farm asset loans	--	--	--	--	--
Long term asset creation loans	--	1	5	--	1
B. Off -Farm					
Animal husbandry	--	5	--	--	--
Fisheries	--	--	--	--	--
Sericulture	--	--	--	--	--
Other	--	--	--	--	--
C. Non- farm					
Agri-output processing	--	--	--	--	--
Small and tiny industry	5	--	--	5	--
Transport and other service sector	--	--	--	--	5
D. Consumption loans	--	--	--	--	--

The competition of R.R.B. was highest from State Bank of India and least from Credit Cooperative Society (Table 5.11).

Table 5.6 Competition among institutions existing in area of operation, Regional Rural Bank, Suktawa, M.P. (Rank – 1 for highest and 5 for least competition)

S.No.	Rival lending agencies	Rank
1	State Bank of India	1
2	Credit Cooperative Societies	5
3	Self-Help Group (SHG)	2
4	Rural Moneylender	3

5.5 Ratlam Mandsaur Regional Rural Bank, Daloda, District Mandsaur, M.P.

Client profile of R.R.B., Daloda, district Mandsaur in terms of lending showed that the disbursement of loan per farmer was highest (Rs.76,965) in 1999-2000 and lowest (Rs.27,133) in 1998-99. Of the total loan disbursed in each year, the highest proportion of loan was towards large and medium farmers. The remaining amount was disbursed for non-farm activities (Table 5.12).

Table 5.12 Client profile of the lending institution Ratlam Mandsaur, R.R.B., Daloda, District Mandsaur, M.P. in terms of lending and number of loanees.

(Amount in Rs.)

Borrower type	1995-96	1996-97	1997-98	1998-99	1999-2000
Large & Medium farmers	7,51,000 (8) 93,875*	1,12,000 (2) 56,000*	1,01,000 (1) 1,01,000*	1,68,000 (1) 1,68,000*	12,66,000 (8) 1,58,250*
Small farmers	-- --	-- --	-- --	-- --	-- --
Marginal farmer	-- --	-- --	-- --	-- --	-- --
Landless	-- --	-- --	-- --	-- --	-- --
Household engaged in non-farm activities	5,68,000 (17) 33,412*	4,32,000 (11) 39,273*	10,44,000 (20) 52,200*	6,46,000 (29) 22,276*	9,66,000 (21) 46,000*
Total	13,19,000 (25) 52,760	5,44,000 (13) 41,846*	11,45,000 (21) 54,524*	8,14,000 (30) 27,133*	22,32,000 (29) 76,965*

Note : Figures in parentheses indicate number of loanees.

* *Lending per farmer*

Purposewise breakup of loan disbursement by RRB in different years showed that of the total loan disbursed in 1995-96, maximum proportion (54.97 per cent) was for long term assets creation followed by small and tiny industry (37.75 per cent) and consumption loans (5.31 per cent). In the years 1996-97, 1997-98 and 1998-99, the picture was different. In these three years, the disbursement of loan was maximum for non farm activities solely for small & tiny industry and lower for agricultural activities (Table 5.13).

Table 5.13 Purposewise breakup of loan disbursement, Regional Rural Bank, Daloda, Dist. Mandsaur, M.P.

(Amount in Rs.)

Purpose	1995-96	1996-97	1997-98	1998-99	1999-2000
A) Agriculture	7,51,000 (56.94)	1,12,000 (20.59)	1,01,000 (8.82)	1,68,000 (20.64)	12,66,000 (56.72)
Crop loan	26,000 (1.97)	-- --	-- --	-- --	25,000 (1.12)
Medium term e.g. irrigation loan	-- --	-- --	-- --	-- --	-- --
Medium term e.g. Farm asset loans	-- --	-- --	-- --	-- --	-- --
Long term asset creation loans	7,25,000 (54.97)	1,12,000 (20.59)	1,01,000 (8.82)	1,68,000 (20.64)	12,41,000 (55.60)
B) Off-farm	-- --	-- --	-- --	-- --	-- --
Animal husbandry	-- --	-- --	-- --	-- --	-- --
Fisheries	-- --	-- --	-- --	-- --	-- --
Sericulture	-- --	-- --	-- --	-- --	-- --
Other	-- --	-- --	-- --	-- --	-- --
C) Non-farm	4,98,000 (37.75)	4,12,000 (75.73)	10,44,000 (91.18)	6,38,000 (78.38)	7,98,000 (35.75)
Agri-output processing	-- --	-- --	-- --	-- --	-- --
Small & tiny industries	4,98,000 (37.75)	4,12,000 (75.73)	10,44,000 (91.18)	6,38,000 (78.38)	7,98,000 (35.75)
Transport & other service sector	-- --	-- --	-- --	-- --	-- --
D) Consumption loans	70,000 (5.31)	20,000 (3.68)	-- --	8,000 (0.98)	1,68,000 (7.53)
Total	13,19,000 (100.0)	5,44,000 (100.0)	11,45,000 (100.0)	8,14,000 (100.0)	22,32,000 (100.0)

Note : Figures in parentheses indicate percentage to total

Percentage breakup of customers for each category of loans disbursed showed that the crop loans were disbursed to 60 per cent large and 40 per cent medium size farmers. Similarly long term assets creation loans were disbursed to 55 per cent large farmers and 45 per cent medium farmers. Non farm loans for small and tiny industry were disbursed among 60 per cent large farmers and 40 per cent medium farmers. Consumption loans were disbursed to 30 per cent large farmers and 70 per cent medium farmers (Table 5.14).

Table 5.14 Percentage breakup of customers for each category of loan disbursed, Regional Rural Bank, Daloda, Mandsaur district, M.P. (Each row is added up to 100%)

Loan category	Large farmers	Medium farmers	Small farmers	Marginal farmers	Landless
A. Agriculture					
Crop loans	60	40	--	--	--
Medium term- eg. irrigation loans	--	--	--	--	--
Medium term – eg. farm asset loans	--	--	--	--	--
Long term asset creation loans	55	45	--	--	--
B. Off -Farm	--	--	--	--	--
Animal husbandry	--	--	--	--	--
Fisheries	--	--	--	--	--
Sericulture	--	--	--	--	--
Other	--	--	--	--	--
C. Non- farm	--	--	--	--	--
Agri-output processing	--	--	--	--	--
Small and tiny industry	60	40	--	--	--
Transport and other service sector	--	--	--	--	--
D. Consumption loans	30	70	--	--	--

The recovery performance of the Regional Rural Bank, Daloda showed that it was highest (94 per cent) in the years 1995-96 and 1998-99. It was lowest (83 per cent) in 1996-97. Thus the recovery performance of the bank was satisfactory. The overdues rate varied from 6 to 17 per cent in different years (Table 5.15).

Table 5.15 Recovery rates of the Regional Rural Bank, Daloda, Mandsaur

Year	Recovery rate (%)	Overdues (%)
1995-96	94	06
1996-97	83	17
1997-98	90	10
1998-99	94	06
1999-2000	86	14

Repayment of loan, was best for long term assets creation in agricultural sector and was worst in small and tiny industry of non farm sector. As far as profitability is concerned the crop loans were ranked first and loans to small & tiny industry ranked lowest. In the case of crop loans, documentation was minimum and it was maximum in small & tiny industry loans. Growth potential was observed highest in the case of crop loans and it was lowest in the case of consumption loans. Least competition was observed in the case of crop loans, whereas, maximum competition was for long term assets creation loans (Table 5.16).

Table 5.16 Ranking of lending institution's perception about the loan products in terms of the attributes described (1 for the best and 5 for the worst), R.R.B. Daloda, M.P.

Types of loan products	Good Repayment	Highly Profitable	Simple Documentation	High Growth Potential	Less Competition
A. Agriculture					
Crop loans		1	1	1	1
Medium term- eg. irrigation loans	--	--	--	--	--
Medium term – eg. farm asset loans	--	--	--	--	--
Long term asset creation loans	1	--	--	--	5
B. Off -Farm					
Animal husbandry	--	--	--	--	--
Fisheries	--	--	--	--	--
Sericulture	--	--	--	--	--
Other	--	--	--	--	--
C. Non- farm					
Agri-output processing	--	--	--	--	--
Small and tiny industry	5	5	5	--	--
Transport and other service sector	--	--	--	--	--
D. Consumption loans	--	--	--	5	--

The main competitor of R.R.B. Daloda was Central Bank of India followed by Credit Cooperation Society, Agriculture and Rural Development Bank, Rural Moneylenders and Non- Bank Finance Company (Table 5.17).

Table 5.17 Competition among institutions existing in area of operation, R.R.B., Daloda, M.P. (Rank – 1 for highest and 5 for least competition)

S.No.	Rival lending agencies	Rank
1	Central Bank of India	1
2	Credit Cooperative Societies	2
3	Agriculture and Rural Development Bank	3
4	Non-Bank Finance Company	5
5	Rural Moneylender	4

5.6 District Cooperative Agriculture and Rural Development Bank, Daloda, District Mandsaur, M.P.

The loan disbursement from District Cooperative Agriculture and Rural Development Bank, Daloda, District Mandsaur showed that in the case of small and marginal farmers (except in 1995-96) loan per farmer indicated increasing trend. Lending per farmer in the case of small farmer was Rs.16,000 in 1996-97 and it increased to Rs.66,667 in 1999-2000. In the case of marginal farmers loan per farmer was Rs.10,333 in 1996-97 which increased to Rs.17,500 in 1999-2000. No loan was given to landless households. Only in the year 1998-99, loan for non-farm activities was given. As far as total borrowers is concerned, lending per farmer was highest in the year 1998-99 (Rs.1,35,875) followed by Rs.76,000 in 1995-96, Rs.47,000 in 1999-2000, Rs.34,424 in 1997-98 and Rs.14,692 in 1996-97 (Table 5.18).

Table 5.18 Client profile of the lending institution District Cooperative Agriculture & Rural Development Bank, Daloda, District Mandsaur in terms of lending and number of loanees.

(Amount in Rs.)

Borrower type	1995-96	1996-97	1997-98	1998-99	1999-2000
Large & Medium farmers	7,79,000 (4) 1,94,750*	-- --	5,10,000 (2) 2,55,000*	13,30,000 (5) 2,66,000*	-- --
Small farmers	4,01,000 (9) 44,556*	1,60,000 (10) 16,000*	5,76,000 (26) 22,154*	4,94,000 (8) 61,750*	2,00,000 (3) 66,667*
Marginal farmer	36,000 (3) 12,000*	31,000 (3) 10,333*	50,000 (5) 10,000*	30,000 (2) 15,000*	35,000 (2) 17,500*
Landless	-- --	-- --	-- --	-- --	-- --
Household engaged in non-farm activities	-- --	-- --	-- --	3,20,000 (1) 3,20,000*	-- --
Total	12,16,000 (16) 76,000*	1,91,000 (13) 14,692*	11,36,000 (33) 34,424*	21,74,000 (16) 1,35,875*	2,35,000 (5) 47,000*

Note : Figures in parentheses indicate number of loanees.

* *Lending per farmer*

Of the total loans disbursed in the 1995-96, 64.06 per cent was for medium term farm assets loans and 35.94 per cent was for long term assets creation. In the year 1996-97, all the loans disbursed were for long term assets creation. In the year 1997-98, 55.11 per cent loans were for long term assets creation and 44.89 per cent for the creation of medium term farm assets. In the year 1998-99, of the total loan disbursed, 85.28 per cent was for agriculture purpose and 14.72 per cent was for non farm purpose. In agricultural sector 61.18 per cent was for medium term farm assets loan and 24.10 per cent was for long term assets creation. In the year 1999-2000, all the loans disbursed were for agricultural sector, particularly for long term assets creation. Except in the year 1998-99, loan disbursed was totally for agricultural purpose (Table 5.19)

Table 5.19 Purposewise breakup of loan disbursement, District Cooperative Agriculture and Rural Development Bank, Daloda, Dist. Mandsaur, M.P.

(Amount in Rs.)

Purpose	1995-96	1996-97	1997-98	1998-99	1999-2000
A) Agriculture	12,16,000 (100.0)	1,91,000 (100.0)	11,36,000 (100.0)	18,54,000 (85.28)	2,35,000 (100.0)
Crop loan	-- --	-- --	-- --	-- --	-- --
Medium term e.g. irrigation loan	-- --	-- --	-- --	-- --	-- --
Medium term e.g. Farm asset loans	7,79,000 (64.06)	-- --	5,10,000 (44.89)	13,30,000 (61.18)	-- --
Long term asset creation loans	4,37,000 (35.94)	1,91,000 (100.0)	6,26,000 (55.11)	5,24,000 (24.10)	2,35,000 (100.0)
B) Off-farm	-- --	-- --	-- --	-- --	-- --
Animal husbandry	-- --	-- --	-- --	-- --	-- --
Fisheries	-- --	-- --	-- --	-- --	-- --
Sericulture	-- --	-- --	-- --	-- --	-- --
Other	-- --	-- --	-- --	-- --	-- --
C) Non-farm	-- --	-- --	-- --	3,20,000 (14.72)	-- --
Agri-output processing	-- --	-- --	-- --	-- --	-- --
Small & tiny industries	-- --	-- --	-- --	3,20,000 (14.72)	-- --
Transport & other service sector	-- --	-- --	-- --	-- --	-- --
D) Consumption loans	-- --	-- --	-- --	-- --	-- --
Total	12,16,000 (100.0)	1,91,000 (100.0)	11,36,000 (100.0)	21,74,000 (100.0)	2,35,000 (100.0)

Note : Figures in parentheses indicate percentage to total

Percentage breakup of customers for each category of loans disbursed showed that the medium term farm assets loans were disbursed to 43 per cent marginal farmers, 26 per cent large farmers, 22 per cent to small farmers, 5 per cent landless households and 4 per cent to medium size farmers. More or less similar trend was observed in the case of long term asset creation loans (Table 5.20)

Table 5.20 Percentage break-up of customers for each category of loan disbursed, District Cooperative Agriculture and Rural Development Bank, Daloda, Mandsaur, M.P. (Each row is added up to 100%)

Loan category	Large farmers	Medium farmers	Small farmers	Marginal farmers	Landless
A. Agriculture					
Crop loans	--	--	--	--	--
Medium term- eg. irrigation loans	--	--	--	--	--
Medium term -- eg. farm asset loans	26	04	22	43	05
Long term asset creation loans	24	03	24	44	05
B. Off -Farm	--	--	--	--	--
Animal husbandry	--	--	--	--	--
Fisheries	--	--	--	--	--
Sericulture	--	--	--	--	--
Other	--	--	--	--	--
C. Non- farm					
Agri-output processing	--	--	--	--	--
Small and tiny industry	--	--	--	--	--
Transport and other service sector	--	--	--	--	100
D. Consumption loans	--	--	--	--	--

The recovery rates of District Cooperative Agriculture and Rural Development Bank, Daloda, Mandsaur ranged from 60 per cent in 1995-96 to 85 per cent in 1999-2000. It showed an increasing trend. The overdues rates on the other hand, decreased from 40 to 15 per cent from year to year (Table 5.21).

Table 5.21 Recovery rates of District Cooperative Agriculture and Rural Development Bank, Daloda, Mandsaur, M.P.

Year	Recovery rate (%)	Overdues (%)
1995-96	60	40
1996-97	60	40
1997-98	70	30
1998-99	80	20
1999-2000	85	15

The competition among institutions showed that the highest competition of District Cooperative Agriculture and Rural Development Bank, Daloda, Mandsaur was from Central Bank of India followed by Regional Rural Bank, Cooperative Society, moneylenders and Non-Banking Finance Company (Table 5.22).

Table 5.22 Competition among institutions existing in area of operation, District Cooperative Agriculture and Rural Development Bank, Daloda, Mandsaur, M.P. (Rank – 1 for highest and 5 for least competition)

S.No.	Rival lending agencies	Rank
1	Central Bank of India	1
2	Regional Rural Bank	2
3	Credit Cooperative Societies	3
4	Rural Moneylender	4
5	Non Banking Finance Company	5

5.7 To Sum Up

In the case of State Bank of India Kesla, the amount of loan disbursed generally increased from year to year. The highest amount of loan disbursed was for large and medium farmers followed by small and marginal farmers and landless households. Agricultural sector received largest percentage of loan amount in all the three years. In all the three years highest proportion of loan amount was disbursed for medium term loan for the purchase of farm assets. Purchase of irrigation equipments, crop loan and output processing were other purposes. The recovery rate was satisfactory and varied between 75 to 83 per cent. The overdues varied between 17 to 25 per cent. In the opinion of bank officials repayment was best in crop loans and worst in animal husbandry loans. Most profitable loans were those advanced for the purpose of irrigation. Documentation was most simple in crop loans and complicated in medium term farm assets loans.

Regional Rural Bank, Suktawa has increased loan amount from year to year. The lending per farmer was highest in the case of large and medium farmers. In 1995-96 of the total loan disbursed maximum proportion was for small and tiny industries followed by medium term irrigation loans. In all the three years out of the total amount of loans disbursed maximum amount was for agricultural sector. Within agricultural sector the maximum amount was disbursed for the purpose of purchase of long term assets. Although the recovery of loans was not very satisfactory it improved from year to year. Conversely the percentage of overdues decreased from year to year.

Repayment of loans was best in the case of crop loans and worst in the case of small and tiny industries. The loan for purchase of long term assets was most profitable. Documentation was simple and growth potential was high in the case of crop loans.

In the case of Ratlam Mandasaur Regional Rural Bank, of the total loan amount disbursed highest proportion was for large and medium farmers. Of the total loan disbursed maximum proportion was for long term assets creation, followed by small and tiny industries. In the later years largest proportion was for small and tiny industries. Size groupwise break up of loan disbursed showed that proportion of amount disbursed for large and medium size farmers was higher.

The recovery percentage was quite satisfactory as it varied between 83 to 94 per cent in different years. The overdues rate varied between 6 to 17 per cent. Repayment was best for long term assets creation in agriculture and worst in small and tiny industries. The profitability was highest in crop loans and lowest in small and tiny industries. Easy documentation and high growth potential were the characters of crop loans and were drawbacks of consumption loans.

In the case of District Cooperative Agriculture and Rural Development Bank, Daloda loan per farmer of small and marginal size groups increased from year to year. No loan was given to landless households as in this bank land was mortgaged for loan. Moreover loans were given only for farm activity. Loans were given mainly for long term assets creation. Loans for both medium term and long term farm assets were given to mainly marginal farmers, large farmers and small farmers in that order.

The recovery rate of the bank increased from year to year and varied between 60 to 85 per cent.

5.8 Credit Experiences of Traditional Financial Institutions with respect to Small and Marginal Farmers and Landless Households

In the study area experiences of following three banks were noted –

1. State Bank of India, Kesla, District Hoshangabad
2. Ratlam Mandsaur Regional Rural Bank, Daloda, District Mandsaur
3. District Cooperative Agriculture and Rural Development Bank Limited, Daloda, District Mandsaur.

These catered to the needs of small and marginal farmers and landless households alongwith others. Although these agreed that the portfolio of lenders was shifting favourably towards the small and marginal farmers and landless labourers due to government policies and many lending schemes coming up for them, the institutions still thought that these clients were wilful defaulters. Banks had, no doubt, changed the terms and conditions of loans to the borrowers

of the above categories on the recommendations of various committees. These categories of borrowers were not taken as an obligation to be fulfilled but as general customers. It was expressed that their loans were in many cases profitable and they would be lent loans in future. The bankers were aware of the new generation institutions like SHGs and the competition they were facing from them. The reason for promoting new institutions rather than working with the age old institutions was the procedure of lending followed by traditional institutions. These had to abide by rules of size of holding, credit worthiness of borrower and non default in the past. The new generation institutions were different from the traditional institutions in terms of accessibility of loans due to the habit of thrift, accumulation of savings which, in turn, was the reason of ease in sanction and disbursal. It was commented that although new generation institutions were catering to the needs of all segments of borrowers these were working mainly for segments of small and marginal farmers and landless households. The traditional institution officials agreed that the institutions like SHGs could be replicated provided the masses got leadership and experienced trust in them. However the continuity of new generation institutions was expressed to be doubtful. The traditional institution officers pointed out that the new generation institutions were in no way subsidised. But added that the objectives and area of operation were limited and that these deviated to a large extent from the set rules of the banks. No doubt the banks had become more easily accessible.

The traditional institutions, on the other hand, had to take into consideration the size of land holdings for mortgage, the repaying capacity of the borrowers, calculated on the basis of detailed input- output analysis, his past record w.r.t. loan

outstanding or overdues and default. On these criteria most of the small and marginal farmers and landless households failed to prove their entitlement for renewal of loans/ new loans.

5.9 Credit Experiences of New Generation Financial Institutions

State Bank of India, branch Kesla and Regional Rural Bank, branch Suktawa are very close to village Dodi Jhunkar which had a large number of SHGs. The experiences of officials of those branches are therefore narrated here. It was reported that during the past 5 years the portfolio of lenders was shifting towards small and marginal farmers and landless households. The banks had majority of accounts of these categories. However, the officers felt the shortage of trained staff. They expressed that these categories of borrowers adhered to the terms and conditions of loans especially about repayment because of pressure of the group to do so. The loans offered to the target group were adequate, satisfactory in terms of rate of interest, security, documentation and assurance regarding repayment. The terms and conditions of loans had changed in accordance with the working and progress made by SHGs in the previous years. It was expressed by bank officials that there was no further need of flexibility in financing. It was reported that looking to the increasing number and operational enlargement of SHGs the banks were not adequately prepared to meet the demand. As regards profitability it was expressed that loans to these target groups were profitable but because of their increasing number these were not adequately attended. Self Help Groups were the only choice among the new generation organisations. According to the banks, the need to set up new generation institutions was felt due to the problems of legal and procedural nature. The lending procedure of new generation institutions was different w.r.t. fast and easy sanction and easier terms of lending including scheduling of instalments.

It was opined that new generation institution was accessible to the entire target group in general and weaker sections among them in particular. To the question whether there was replication potential of the new generation institutions the answer was in the affirmative and with the added comments that there was vast scope for it. It was commented that the reason of the spread of SHGs was the trust bestowed in the leaders by masses. On the matter of subsidy it was emphasised that the success of SHGs was not due to subsidy and it was also vehemently opposed to offering any kind of subsidy adding that subsidy would adversely affect the spirit behind SHGs.

The differences between the new and old institutions were thought to be following –

1. SHGs were formed without any expectation of help from Government.
2. It was an informal group formed without the pressure from the government unlike other target-achievement oriented schemes forced on the government employees.
3. It had the solid economic foundation built on thrift, close relations among members and unwritten obligation on the part of members to abide by ruler framed by the members themselves.
4. The only goal before the group was social and economic upliftment of the individual members and the society at large.

5.10 Suggestions to Ensure Smooth Flow of Credit to Small and Marginal Farmers and Landless Households

Even after large expansion of both branches and amount of loan available, banks have not been able to provide adequate credit to the target group and the group still depended on the mercy of local moneylenders. To give suggestions to allow better facilities to the target group discussions were held with bankers, administrative officers, village elders and leaders and the target group individuals. The suggestions are concerning Banks, NABARD and the Government.

Suggestions for Banks :

1. Quantitative and qualitative improvement in Staff

Wherever SHGs are getting popular the volume of work in the concerned banks is increasing. To cope up with the increasing volume of work there is a need for additional staff. Moreover, the staff needs training in initiating schemes, processing of loan applications of the target group and speedy sanctioning and disbursement of loans.

2. Banks should initiate schemes for financing :

- a) marketing so that distress sales could be avoided.
- b) the purchase of implements and small machinery like bullock carts, sprayers, dusters and threshers. These may add to the target group's income.
- c) dairy, poultry, piggery and fishery as sources of supplementary income.
- d) non farm sector schemes like shops, cottage and small scale industries, etc.

- e) consumption purposes to sustain during the no work or slack season and during illness, marriages and other social and religious functions.
- f) repairs and maintenance of productive assets like tools, implements and small machines.
- g) agro business enterprises like bee keeping, sericulture, floriculture, etc.

3. Policy Decisions on the Part of Banks

- a) relations or interaction with target groups to know the problems of target group
- b) monitor implementation of existing schemes
- c) relaxation of conditions of security. Since the target group has very little to offer as security this condition should be relaxed.
- d) Improvement in scale of finance by about 20 per cent of the present scale.
- e) monitor implementation of the use of loan
- f) ensure flexibility in terms and conditions of loans as regards rescheduling,, conversion of short term loans into medium term loans in the cases of droughts and natural calamities.

4. Policy Decisions on the part of NABARD

NABARD should see that-

- a) the share of funds allotted for the target group should not be diverted. On the contrary, the existing share should be increased.
- b) Regional Rural Banks follow the PLP documents during disbursement of credit. This would result in flow of credit to target group.

- c) Due to increase in Non Performing Assets and mounting overdues in Cooperative Banks and Regional Rural Banks the financial position of these banks has become very weak. Moreover, in this situation refinance is not available from NABARD. It is suggested that NABARD should monitor the situation and ask Cooperative Banks and Regional Rural Banks to make sincere efforts to enhance repayment / recovery by target group so that NPAs get reduced and more loan could be made available to the target group.

5. Policy Decisions on the Part of Central / State Governments

- a) While preparing district plan the target of distribution of credit is generally fixed activity wise. In such a situation lion's share is grabbed by medium and large farmers. It is, therefore, suggested that the target should be fixed by size groups of holdings and due weightage be given to the target group.
- b) The extension services should reach the target group so that the group can make better use of bank credit. The government should also encourage wide coverage under credit cards and promote formation of SHGs.
- c) It is experienced that (copy of) land records of individual holdings are not easily available, more so, to the target group farmers. This causes delays in obtaining bank credit. It is suggested that target group farmers should be given these in the shortest time or these be exempted from producing copy of land records and related no objection certificates.

- d) Government departments should provide margin money to the banks as early as possible to avoid delay in sanctioning loan to target group farmers and households.
- e) Government should implement the adult education programme for all rigorously. This will save loanees from exploitation, more so the illiterate and poor heads of households of the target groups.

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CHAPTER – VI

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1.1 With the adoption of new agricultural technology, the demand for farm credit has increased manifold. No agricultural transformation can take place without flow of sizable credit, particularly under Indian farm saving pattern. The majority of the Indian farmers are small and marginal. They are very poor and are in the clutches of vicious circle of poverty arising out of low production with consequential low income, low saving and low investment resulting, again, in low production. They have very little surplus capital to invest on purchases of inputs required in modern agriculture. All these capital needs can not be met fully by the farmers out of their own savings. Unless they get some financial assistance from out side, they can not make full use of technological development. In order to sustain and hasten this technological change in agriculture, availability of credit in adequate amount is a must.

6.1.2 Before the active entry of commercial banks in farm financing field, the cooperatives and non-institutional agencies, mainly private moneylenders, provided farm loans for various productive and unproductive purposes. Farmers who obtained loan from the private moneylenders, were able to pay only the interest or compound interest, and, most of them failed to pay the principal amount in whole of their life.

Credit plays an important role in promoting rural development with equity and social justice and more particularly as a part of general objective to increase agricultural production and income and to improve the level of living of poor, small and marginal farmers.

With the nationalisation of 14 commercial banks in 1969 and six more in 1980, opened a new era in the field of farm financing. Financing in the field of agriculture by commercial banks badly affected the business of private moneylenders. The performance of commercial banks in farm financing can be judged with reference to the flow of bank credit to the agricultural sector. The flow of credit to agricultural sector increased manifold.

Over the decades, the cooperatives have emerged as the premier institutional agencies for farm development. Efforts to develop cooperatives were intensified following the recommendations of the All India Rural Credit Survey Committee (RBI 1954). In 1975, Regional Rural Banks (RRBs) were added as the third constituent of the rural credit system. The establishment of RRBs was found to be most beneficial for rural masses.

6.1.3 Since the beginning of eighties, non-governmental organisations (NGOs) took initiative to form groups of women in rural areas. By this way, the concept of new generation financial institution (Self Help Group) emerged. SHG is a group of rural poor and its major objective is to achieve economic development by raising their resources. The groups are getting popularity throughout the country because the borrowers and lenders both are satisfied. The borrowers get loans easily without involvement of any formalities. On the other hand, the bank receives higher percentage of advances and transaction cost is also minimum through lending of SHGs. The RBI has accepted the significance of SHGs and has advised commercial banks to provide financial support to SHGs.

On the advice of Parliamentary Standing Committee on Agriculture (PSCA) the Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India, Agro-Economic Research Centre for Madhya Pradesh and Chhattisgarh, J. N. Krishi Vishwa Vidyalaya, Jabalpur (M.P.) has taken up this study in two districts of Madhya Pradesh namely Hoshangabad and Mandsaur.

6.1.4 The objectives of the study are :

1. To examine the credit experiences of traditional financial institutions with respect to the vulnerable sections of the farming community (i.e. small and marginal farmer households and labour households).
2. To document through case studies the innovative credit experiments of new generation rural financial institutions, especially in private and cooperative sectors, with respect to the same target group;
3. To identify and analyse the existing credit flow gaps and the reasons thereof for the same target group; and
4. To suggest measures at both economic policy level and enterprise level to ensure smooth flow of credit on sustainable basis to this group.

6.1.5 The study was based on both the secondary as well as primary data. The primary data was collected at household level from sample households through structured questionnaires. For the selection of two agriculturally progressive districts one each with traditional financial institutions and the one with new generation financial institutions alongwith traditional financial institutions, NABARD officials at Bhopal were consulted. On their advice Mandsaur district with traditional financial institutions and Hoshangabad district with new generation

financial institutions alongwith traditional financial institutions functioning were selected. In Mandsaur district village Daloda was selected and in Hoshangabad district village Dodi Jhunkar was selected. Further from each village 25 households were selected. These comprised 5 landless households, 15 small and marginal farmers and 5 large farmers. Thus the total sample comprised 50 households in two villages of two districts. The reference year of the data was 1999-2000.

6.2.1 Flow of credit to agriculture in the country increased impressively over a period of times. It increased from Rs.31,956 crores in 1997-98 to Rs.44,612 crores in 1999-2000 or an increase of 39.60 per cent. The short term credit flow increased during these years by 39.83 per cent and medium and long term credit flow by 39.18 per cent. Of the total credit flow around 65 per cent was for short term loan and the remaining 35 per cent for medium and long term loan. Of the total agricultural finance the share of Commercial Banks was around 50 per cent, that of Cooperative Banks, about 43 per cent and the one of Regional Rural Banks, around 7 per cent.

6.2.2 Of the total 4,625 bank branches in the state, 2,842 branches (i.e.61.45 per cent) were rural and 1,783 (i.e. 38.55 per cent) were urban. Of the total bank branches, Commercial Banks accounted for 50.96 per cent followed by Regional Rural Banks, 23.50 per cent, District Central Cooperative Banks, 16.61 per cent, District Land Development Banks, 8.26 per cent, M.P. State Cooperative Bank, 0.48 per cent and M.P. State Cooperative Agriculture and Rural Development Banks 0.19 per cent.

6.2.3 In Madhya Pradesh the total financing by all institutions in 1997-98 was Rs.3,111.79 crores. Of this, financing to agricultural sector was Rs.2,384.65 crores or 76.63 per cent. Among the financial institutions the share of State Central Cooperative Banks was highest (54.89 per cent) followed by Commercial Banks (33.64 pr cent) and RRBs 8.80 per cent. While the State Cooperative Land Development Bank financed totally to agriculture sector, the State Central Cooperative Bank financed to the extent of 90.80 per cent to agriculture. In the case of Commercial Banks and Regional Rural Banks financing to agricultural sector was 61.09 and 40.53 per cent respectively. The share of State Central Cooperative Bank to total agricultural finance was highest (65.04 per cent) followed by Commercial Banks (26.82 per cent). In the year 1998-99 of the total financing 70.16 per cent was for agricultural sector. While State Central Cooperative Bank and State Cooperative Land Development Bank financed entirely to agricultural sector, Commercial Banks and Regional Rural Banks provided 55.20 and 41.88 per cent of the amount towards agriculture. As in the previous year the share of State Central Cooperative Bank to total agricultural finance was highest (48.01 per cent) followed by Commercial Banks (38.19 per cent). In 1999-2000, of the total financing 67.96 per cent was for agriculture. State Cooperative Central Bank made entire financing for agriculture. Commercial Banks advanced 49.62 per cent of total financing to agriculture. Of the total financing for agricultural sector the share of State Central Cooperative Bank was 50.96 per cent followed by Commercial Banks (34.69 per cent).

6.2.4 During 1997-98, agricultural finance provided by State Central Land Development Bank (SCLDBs) was totally for long term purposes. In the case of

State Central Cooperative Bank (SCCBs), nearly total (99.98 per cent) agricultural loan was for short term purposes and a meagre (0.02 per cent) was for medium term purposes. During 1998-99, State Central Land Development Bank distributed entire agricultural loans for long term purposes. In the case of State Central Cooperative Bank, 90.70 per cent of the agricultural loans was for short term purposes, 7.79 per cent for medium term purposes and 1.51 per cent for long term purposes. State Central Land Development Bank distributed entire agricultural loans for long term purposes in the year 1999-2000.

6.2.5 Total number of banks in Hoshangabad district was 12 with the total bank branches of 94 in the year 1999-2000. Of these, the number of Commercial Bank branches, was 37 (39.36 per cent) and Regional Rural Bank branches, 36 (38.30 per cent). As regards area of operation, the percentage of number of semi urban and rural branches was 56 and 44 per cent respectively. Of the 8 branches of DLDB, 75 per cent were semi-urban branches and 25 per cent were rural branches. Of the 13 branches of DCCB, 61.54 per cent were semi urban and 38.46 per cent were rural branches.

6.2.6 As regards financing in Hoshangabad district it was noted that in 1997-98, 91.06 per cent of total financing was for agriculture. Of the agricultural loans the flow of credit towards small and marginal farmers was 62.82 per cent. In total finance the contribution of District Central Cooperative Bank was highest (48.42 per cent) followed by Commercial Banks (37.21 per cent). In 1998-99, of the total financing 63.49 per cent was for agricultural sector. Of the agricultural sector loans the loans to small and marginal farmers formed 90.56 per cent. Of the total financing nearly half (51.76 per cent) was shared by District Central Cooperative Banks followed by Commercial Banks (34.38 per cent). In 1999-2000

of the total financing 80.47 per cent was for agricultural sector. Of the agriculture sector financing 70.43 per cent was for small and marginal farmers. In the case of Regional Rural Banks all the finance available was utilised by small and marginal farmers. In the case of Commercial Banks the finance available for small and marginal farmers was 70.32 per cent.

6.2.7 There were 87 bank branches of all the financial institutions in Mandsaur district. Of these 43 branches (49.43 per cent) were of to Commercial Banks followed by State Central Cooperative Bank (18 branches), Regional Rural Bank (17 branches) and State Central Land Development Bank (9 branches). The number of rural and semi urban branches in the district were 44 (50.57 per cent) and 43 (49.43 per cent) respectively.

6.2.8 In Mandsaur district in 1997-98, of the total agricultural finance provided by District Central Cooperative Bank 89.91 per cent was for short term loans and 10.09 per cent for long term loans. In the case of Regional Rural Banks and Commercial Banks more than 85 per cent loan was for long term purposes. In 1998-99 of the total agricultural loans provided by District Central Cooperative Banks 91.08 per cent was for short term purposes. In all the three years the entire agricultural finance provided by District Central Cooperative Land Development Bank was for long term purposes. In 1999-2000 in the case of District Central Cooperative Banks 95.15 per cent of the loan amount was for short term purposes. In all the three years, the maximum amount of loan for agriculture was provided by District Central Cooperative Banks followed by Commercial Banks. In the case of Regional Rural Banks and Commercial Banks the distribution of agricultural finance was more than 68 per cent for long term purposes.

6.3.1 In Hoshangabad district village Dodi Jhunkar of Kesla tribal block and in Mandsaur district village Daloda were selected. In Hoshangabad district, out of 25 households, maximum number (14) belonged to scheduled tribes whereas, in Mandsaur district "OBC" (17) was dominating group. The percentage of "Minorities" and "Other" castes were same in both the districts. In Mandsaur district, none of the households belonged to scheduled tribes.

6.3.2 Among total number (129) of family members, the percentage of members belonging to working group (18-60 years) was more in the case of males (62.69) and less in the case of females (50.00) in Hoshangabad district, whereas, it was just opposite in Mandsaur district where the percentage of working members was higher in the female group (71.15) and less in male group (56.52).

6.3.3 In both the selected districts, the literacy percentage among the total family members was same (about 69 per cent). The percentage of illiterate male members was high (19.40) in Hoshangabad district as compared in Mandsaur district (13.04). In the case of females, the percentage of illiteracy was higher in Mandsaur (53.85) as compared to Hoshangabad district (41.94). The literacy percentage on small and marginal category of farmers was same (about 63.00).

6.3.4 In both the districts, agriculture was the most important occupation, as 42.46 per cent in Hoshangabad and 50.00 per cent in Mandsaur district were engaged in it. Agricultural labour and non agricultural labour were the main occupations of landless and small and marginal households in both the districts. Similarly, none of the large size group members were agricultural or non agricultural labourers in both the districts. The main occupation of small and marginal farmers in both the districts was agriculture followed by agricultural labour.

6.3.5 In the case of landless group in both the districts, none of the children (age group of 6 to 18 years) was working. In Hoshangabad district, all children belonged to age group of 6 to 18 years. In Mandsoar, all belonged to age group of 12 to 18 years. Of the total children, the percentage of working children was quite high in Hoshangabad district as compared to Mandsoar district.

6.3.6 In both the districts, majority of the families were nucleated families followed by vertically integrated and horizontally integrated. Mixed families were only in Mandsoar district.

6.3.7 The total operated area was higher (41.467 ha.) in Hoshangabad district as compared to Mandsoar district (36.369 ha.). There was no unassured irrigated area in Mandsoar district whereas it was 33.56 per cent in Hoshangabad district. The percentage of assured irrigated area was more (59.03 per cent) in Mandsoar district, whereas, it was lower (13.64 per cent) in Hoshangabad district. The percentage of rainfed area was higher (52.80) in Hoshangabad district, whereas, it was 40.97 per cent in Mandsoar district.

6.3.8 In both the districts, kharif crops occupied more than 60.00 per cent area. Among kharif crops, most important was soybean followed by maize. Total rabi crops occupied 37.51 per cent area in Mandsoar district whereas in Hoshangabad district these occupied lower (30.14 per cent) area of the gross cropped area. Among kharif crops soybean and maize were most important crops in both the districts. Among rabi crops, wheat and gram were important in both the districts.

6.3.9 In both the selected districts, the houses of all the respondents were owned. In Hoshangabad district larger number of houses were pucca tiled whereas in Mandsaur district larger number of houses were pucca with RCC. In Hoshangabad district, only one pucca house with RCC was owned by one large farmer, whereas in Mandsaur district, 11 houses were pucca with RCC. In both the districts a very large majority of the selected households (more than 90 per cent) had solely owned plot and house.

6.3.10 The selected households in Hoshangabad district owned a total number of 25 bullocks, 13 ploughs, 4 tractors, 5 pumpsets, 3 sprayers and 2 threshers. While a bullock, 2 ploughs 2 tractors, and 7 threshers were hired by them. The selected households in Mandsaur district owned 12 bullocks, 7 ploughs, 3 tractors, 11 pumpsets, 6 sprayers and dusters each and 1 power tiller and hired a bullock and plough, 13 tractors, 12 threshers, 11 sprayers and 3 pumpsets. In Hoshangabad district, small and marginal size group of farmers owned most of their requirement and only few were hired in, whereas, in Mandsaur district the group had larger number of their requirements hired in. In both the districts, large size group of farmers owned most of their requirement and only few were hired in. The use of bullock and plough was more in Hoshangabad district (traditional farming), whereas, in Mandsaur district the use of machinery (power tiller, tractor, pumpsets, sprayer and duster) was more.

6.3.11 In both the districts, maximum number of households owned cycles. Cots were owned by all the categories of farmers in both districts. Electric connection, tubelight, fridge, cooking gas, telephone, television and car/jeep were owned by larger percentage of farmers in Mandsaur district as compared to Hoshangabad district. Almirah and sofa were owned by larger percentage of farmers in Hoshangabad district as compared to Mandsaur district.

6.3.12 Gold or gold ornaments were possessed by maximum number of households in both the districts. In Hoshangabad district there was no deposit in NSC or Kisan Vikas Patra, whereas, in Mandsaur district 4 had deposits in NSC or KVP. Out of 25 households 15 had deposits with cooperatives and 13 with commercial / RRB in Mandsaur district whereas in Hoshangabad district 22 had deposits with commercial Bank / RRB, 4 had deposits with cooperatives and two had deposit with SHG.

6.3.13 Mandsaur district had more number of buffaloes (42) as compared to Hoshangabad district (7). The number of bullocks was more (25) in Hoshangabad as compared to Mandsaur district (14). In the case of cows, goats / sheep and poultry birds Hoshangabad district dominated over Mandsaur district. Dairy seems to be a good supplementary source of income in Mandsaur district as compared to Hoshangabad district.

6.3.14 In both the districts, none of the selected farmers was either member or office bearer of any economic organisation and the landless group persons were neither members nor office bearers of any social or political organisation. As regards familiarity to MLA, MP, Sarpanch or Mukhia or officer of the local police station, gramsevak, extension officer, Headmaster of local school and employee of bank or cooperative it was noted that all the selected farmers in both the districts knew them all very well.

6.3.15 A total amount of Rs.3,56,680 and Rs.4,86,400 were spent by the selected households of Hoshangabad and Mandsaur districts respectively on purchase of provisions, cloths, festivities and consumer durables. In both the districts, of the total amount spent, maximum was on provisions (more than 59 per

cent) followed by clothing, festivities and consumer durables. Expenditure on these items by size groups showed that with the increase in size of farms the percentage of amount spent on provisions decreased, whereas, the percentage of amount spent on clothing and festivities generally increased.

6.3.16 In Hoshangabad district, only small and marginal farmers purchased seed and fertilizers on credit. No other input was bought on credit. In the case of large farms, no input was bought on credit. Whereas, in Mandsaur district both the groups (small & Marginal farmers and large farmers) bought seed & fertilizers on credit. In the case of large size group the percentages of seed and fertilizers bought on credit were less. The dependence of large farms on credit was nil in the case of Hoshangabad district whereas, in Mandsaur district dependence of large farms on credit was lesser.

6.3.17 The total quantity of crops produced on the selected farms in Hoshangabad and Mandsaur districts were 567.25 and 679.18 quintals respectively. Of this the quantity sold were 363.90 and 495.78 quintals of the quantity produced. In both the districts, the value adjusted towards borrowings was about 45 per cent of value of sale on small and marginal size group, about 22 per cent on large size group and about 28 per cent on total selected farms.

6.3.18 On the small and marginal farms of Hoshangabad district the quantity of byproducts produced was 183.00 quintals. The quantity sold was 21.00 quintals worth Rs.850.00. Similarly on large farms the quantity of by products produced was 215.00 quintals and the quantity sold was 130.00 quintals worth Rs.3,700. It may be mentioned that unlike Hoshangabad district, farmers did not sell any by-product on Mandsaur farms.

6.3.19 The total net income of the selected households of Hoshangabad and Mandasaur districts were Rs. 5,93,329.00 (Rs.23,733.16 per household) and Rs.7,26,850 (Rs.29,074 per household) respectively. Thus the net income per household of Mandasaur district was higher than Hoshangabad district by Rs.5,341. The contribution of agriculture and livestock was much higher in Mandasaur district than Hoshangabad district. It was also observed that in Mandasaur district the percentage of income from agriculture was very high (76.81) on large farms as against small and marginal farms (41.08). On the other hand income from livestock was quite high (47.48 per cent) on landless group than other size groups. It was noted that large size group households did not sell labour. In both the districts, the most important source of net income was agriculture. The next important source of income in Hoshangabad district was trade and business followed by hiring out of farm machinery, sale of labour and livestock. In Mandasaur district, next source of income was livestock followed by trade & business and sale of labour.

6.3.20 In Hoshangabad district, of the 25 households, 88 per cent borrowed the loan from traditional sources (R.R.B. Cooperative society and S.B.I.) and only 12 per cent borrowed the loan from new generation financial institutions like SHG, whereas, in Mandasaur district, all the 25 household borrowed the loan from traditional sources like Central Bank of India, Regional Rural Bank, Land Development Banks and Cooperatives.

6.3.21 In Hoshangabad district, maximum amount of loan (85.86 per cent) came from Regional Rural Banks followed by Cooperative Bank (19.12 per cent), State Bank of India (8.95 per cent) and new generation bank (3.22 per cent),

whereas, in Mandsaur district, the borrowing was maximum from Central Bank of India (41.34 per cent) followed by Regional Rural Bank(32.87 per cent), Land Development Bank (13.32 per cent) and Cooperative Banks (12.47 per cent). No new generation bank existed in Mandsaur district.

6.3.22 In both the districts, the most important purpose of loan was investment on productive assets e.g. tractor and tiller, etc. followed by short duration loan and crop loan (inputs). In both the districts, about 90 per cent of the total loan of large size group was for the purpose of investment on productive assets. In the case of small and marginal size group, of the total amount of loan, about 50 per cent was for crop loan (inputs) in Hoshangabad district and in Mandsaur district about 47 per cent was for short duration loan. The amount of loan was maximum for short duration loan in landless group in both the districts.

6.3.23 In Hoshangabad district the selected borrowers had requested for a total amount of Rs.6,75,000. However, they received an amount of Rs.5,58,655. Of the total borrowings 84.55 per cent was in kind and the remaining 15.45 per cent in cash. The percentage of kind component increased from 48.11 in landless group to 65.56 in small and marginal group and further to 93.54 in large group of households. Inversely the percentage of cash component decreased with the increase in size group. An average borrower had to make 3 visits for loan to various offices and an average amount spent per visit was Rs.13.40. Although the amount paid for application was only Rs.3.20 per borrower the amount spent for documentation was Rs.148.40. The average number of days required between the date of application and the date of approval was about 18 and the number of days required between the date of approval and disbursement was about 4 to 5. The

total amount requested by the selected borrowers in Mandsaur district was Rs.7,01,417. Against this the amount actually disbursed was Rs.6,02,374. or 85.88 per cent of the amount of loan requested. Thus the credit gap was 14.12 per cent. The credit gap was 3.04 per cent on landless households and 3.74 per cent on large size group. However, the credit gap was much higher (34.15 per cent on small and marginal size group. An average borrower made 7 visits for loan. The number of visits decreased with the increase in size of farm. The average amount spent per visit was Rs.3.80. Although no amount was paid for application the amount spent for documentation was Rs.81.60.

6.3.24 The average amount outstanding per borrower in Hoshangabad and Mandsaur district were Rs.13,835 and Rs.18,758.72 respectively. The amount overdue per borrower was Rs.2,096 in Hoshangabad district and Rs.2,360.84 in Mandsaur district. The amount outstanding per borrower was Rs.11,872 on the landless group and was quite high on large group (Rs.52,910) in Hoshangabad district. The amount overdue only existed in the case of large size households. In Mandsaur district, both amount outstanding and overdue were highest on large size group.

6.3.25 All the selected households were comfortable with the borrowing experience and had no problem of any kind including repayment. In none of the cases the interest was collected up front. In no case any security was asked for. In half of the cases, third party guarantee was needed and in only SHG financing cases, group guarantee was asked for. In 20 per cent cases agreement had to be signed to purchase inputs against loan. No pledge was necessary for either sale of labour or output in future. No livestock mortgage was signed. Land was mortgaged in most of the cases of input purchases and farm machinery purchases.

Neither residential property nor livestock or any other physical property was mortgaged by any borrower.

6.3.26 In both the districts all the borrowers agreed that there was sufficient flexibility in loan scheduling. They also agreed that there was enough scope for spacing the instalments. They said that documentation and other conditions were relaxable and there were strong incentives for good borrower response. There was scope for rescheduling in the case of family emergency and local area emergency like drought. They reported that there was flexibility in giving additional loans in the case of contingency. The explicit rate of interest was 13.50 to 14.00 per cent per annum. All the financial institutions charged interest at diminishing rate. Most of the borrowers commented that loans were neither monitored nor extension services on the use of inputs were provided.

6.4.1 Despite vast expansion of the formal rural credit delivery system and introduction of a series of antipoverty measures with credit interventions, very large number of our rural poor viz., small farmers, marginal farmers, agricultural labourers, rural artisans and scheduled castes and scheduled tribes people are still outside the formal credit delivery system and depend on moneylenders for their emergent credit needs. The perception among the bankers that the poor are not creditworthy and the individual credit requirements of the poor are so small that the transaction costs tend to be higher than the profit margin.

The voluntary organisations or Non Government Organisations (NGOs) working among the rural poor realised that the only way the poor can be helped to develop was by inculcating a spirit of self help among them and pool their internal

resources to meet their emergent credit requirements. These organisations, therefore, not only organised self help groups of socio-economically homogeneous groups of the poor, but also attempted to develop the habit of thrift and credit among the members of the groups.

The studies conducted by NABARD established beyond doubt that the self help groups of the rural poor not only had helped the members to improve their lot economically, but had also helped in developing leadership qualities among the members.

All the members of SHG regularly saved some amount of money. The SHG maintains records of meetings, member wise savings, common fund creation / maintenance, member wise loans given from the common fund and recoveries, etc. The SHG functions on democratic lines and the activities are transparent. There is no outside interference in the work of the SHG.

NABARD refinance at 100 per cent of bank loan is available for financing of SHG at the rate of interest of 7 per cent per annum irrespective of recovery performance of bank / bank branch.

6.4.2 The concept of Self Help Groups and their linkage with banks was relatively new to the state of undivided Madhya Pradesh. As many as 3373 SHGs were linked to banks in the State by the end of March, 2000. These were given loans to the tune of Rs.4.10 crores and refinance of Rs.2.77 crores. These groups are linked to 9 Commercial Banks, 11 RRBs and 7 DCCBs spread over 30 districts of the state. NABARD has been assisting the RRBs selectively to function as Self Help Groups Promoting Institutions. The banks operating in the State need to be

more proactive in promoting SHGs in their area of operation, especially as the NGO network in the State is rather poor. In a state like M.P. where poverty is much greater than most other states, there is tremendous potential for organising SHGs and these groups have the potential of changing the lives of lakhs of rural people. A good beginning has been made and the movement is gaining momentum. The present trend indicates that the spread of SHG concept is not uniform throughout the state and is concentrated in a few more developed districts.

6.4.3 In Hoshangabad district 216 SHGs have savings bank accounts opened with the branches of various banks. Of the various banks Regional Rural Bank, Suktawa, has maximum number of 168 SHGs. District Central Cooperative Bank, Kesla, has savings bank accounts of 35 SHGs. State Bank of India, Kesla and Punjab National Bank, Tawanagar has 10 and 3 savings bank accounts each. The formation of SHGs in such a large number in Hoshangabad district is possible due to untiring and dedicated work of NGOs namely PRADAN, NCHSE and BAIF. These initiate the work through Mahila Samitis in tribal villages.

On the linkage of SHGs with bank branches the banks lend loans @ 13.5 per cent interest per annum. The SHGs, on the other hand, charge interest @ Rs.3 per hundred rupees per month or 36 per cent per annum. The difference between the rates of interest is accumulated as savings of the Mahila Samiti.

6.4.4 Of the 8 SHGs of Dodi Jhunkar village 4 were initiated in early 1999 and two were initiated in 1997. The number of members ranged between 10 and 20. The total savings amounted to Rs.93,563 or Rs.11,695.37 per SHG. Total credit generated was Rs.4,28,179 or Rs.53,522.37 per SHG. The average

percentage of repayment was 55.77 and conversely the percentage of outstanding was 44.23. The average cash balance in bank was Rs.725.50 and the average cash amount with the Samiti was Rs. 1,239.88.

While 4 of the 8 SHGs were linked with Regional Rural Bank in August, 2000 one was linked in December, 2000 and the remaining one was linked in March, 2001. The lowest loan sanction limit was Rs.10,000 in one SHG. It was Rs.25,000 in another and Rs.32,000 in still another. In the fourth SHG it was Rs.40,000. The amount of loan disbursed varied from Rs.5,000 to Rs.30,000. The average recovery percentage was 47.37. It varied from 20.00 per cent to 77.33 per cent in different SHGs. The average percentage of outstanding loan was 52.69 and varied from 22.67 per cent to 80.00 per cent. In all the cases the sponsoring NGO was PRADAN.

6.5.1 In the case of State Bank of India Kesla, the amount of loan disbursed generally increased from year to year. The highest amount of loan disbursed was for large and medium farmers followed by small and marginal farmers and landless households. Agricultural sector received largest percentage of loan amount in all the three years. In all the three years highest proportion of loan amount was disbursed for medium term loan for the purchase of farm assets. Purchase of irrigation equipments, crop loan and output processing were other purposes. The recovery rate was satisfactory and varied between 75 to 83 per cent. The overdues varied between 17 to 25 per cent. In the opinion of bank officials repayment was best in crop loans and worst in animal husbandry loans. Most profitable loans were those advanced for the purpose of irrigation. Documentation was most simple in crop loans and complicated in medium term farm assets loans.

6.5.2 Regional Rural Bank, Suktawa has increased loan amount from year to year. The lending per farmer was highest in the case of large and medium farmers. In 1995-96 of the total loan disbursed maximum proportion was for small and tiny industries followed by medium term irrigation loans. In all the three years out of the total amount of loans disbursed maximum amount was for agricultural sector. Within agricultural sector the maximum amount was disbursed for the purpose of purchase of long term assets. Although the recovery of loans was not very satisfactory it improved from year to year. Conversely the percentage of overdues decreased from year to year. Repayment of loans was best in the case of crop loans and worst in the case of small and tiny industries. The loan for purchase of long term assets was most profitable. Documentation was simple and growth potential was high in the case of crop loans.

6.5.3 In the case of Ratlam Mandasaur Regional Rural Bank, of the total loan amount disbursed highest proportion was for large and medium farmers. Of the total loan disbursed maximum proportion was for long term assets creation, followed by small and tiny industries. In the later years largest proportion was for small and tiny industries. Size groupwise break up of loan disbursed showed that proportion of amount disbursed for large and medium size farmers was higher. The recovery percentage was quite satisfactory as it varied between 83 to 94 per cent in different years. The overdues rate varied between 6 to 17 per cent. Repayment was best for long term assets creation in agriculture and worst in small and tiny industries. The profitability was highest in crop loans and lowest in small and tiny industries. Easy documentation and high growth potential were the characters of crop loans and were drawbacks of consumption loans.

6.5.4 In the case of District Cooperative Agriculture and Rural Development Bank, Daloda loan per farmer of small and marginal size groups increased from year to year. No loan was given to landless households as in this bank land was mortgaged for loan. Moreover loans were given only for farm activity. Loans were given mainly for long term assets creation. Loans for both medium term and long term farm assets were given to mainly marginal farmers, large farmers and small farmers in that order. The recovery rate of the bank increased from year to year and varied between 60 to 85 per cent.

6.5.5 In the study area experiences of three banks namely i) State Bank of India, Kesla, District Hoshangabad ii) Ratlam Mandsaur Regional Rural Bank, Daloda, District Mandsaur and iii) District Cooperative Agriculture and Rural Development Bank Limited, Daloda, District Mandsaur were noted.

These catered to the needs of small and marginal farmers and landless households alongwith others. Although these agreed that the portfolio of lenders was shifting favourably towards the small and marginal farmers and landless labourers due to government policies and many lending schemes coming up for them, the institutions still thought that these clients were wilful defaulters. Banks had changed the terms and conditions of loans to the borrowers of the above categories on the recommendations of various committees. The new generation institutions were different from the traditional institutions in terms of accessibility of loans due to the habit of thrift, accumulation of savings which, in turn, was the reason of ease in sanction and disbursal. It was commented that although new generation institutions were catering to the needs of all segments of borrowers these were working mainly for segments of small and marginal farmers and landless households. The traditional institution officials agreed that the institutions

like SHGs could be replicated provided the masses got leadership and experienced trust in them. However the continuity of new generation institutions was expressed to be doubtful. The traditional institution officers pointed out that the new generation institutions were in no way subsidised. But added that the objectives and area of operation were limited and that these deviated to a large extent from the set rules of the banks. No doubt the banks had become more easily accessible.

The traditional institutions, on the other hand, had to take into consideration the size of land holdings for mortgage, the repaying capacity of the borrowers, calculated on the basis of detailed input- output analysis, his past record w.r.t. loan outstanding or overdues and default

6.5.6 State Bank of India, branch Kesla and Regional Rural Bank, branch Suktawa are very close to village Dodi Jhunkar which had a large number of SHGs. During the past 5 years the portfolio of lenders was shifting towards small and marginal farmers and landless households. The banks had majority of accounts of these categories. However, the officers felt the shortage of trained staff. It was reported that looking to the increasing number and operational enlargement of SHGs the banks were not adequately prepared to meet the demand. As regards profitability it was expressed that loans to these target groups were profitable but because of their increasing number these were not adequately attended. Self Help Groups were the only choice among the new generation organisations. According to the banks, the need to set up new generation institutions was felt due to the problems of legal and procedural nature. The lending procedure of new generation institutions was different w.r.t. fast and easy sanction and easier terms of lending including scheduling of instalments.

It was opined that new generation institution was accessible to the entire target group in general and weaker sections among them in particular. It was commented that the reason of the spread of SHGs was the trust bestowed in the leaders by masses. On the matter of subsidy it was emphasised that the success of SHGs was not due to subsidy and it was also vehemently opposed to offering any kind of subsidy adding that subsidy would adversely affect the spirit behind SHGs.

SHGs were formed without any expectation of help from Government. It was an informal group formed without the pressure from the government unlike other target-achievement oriented schemes forced on the government employees. It had the solid economic foundation built on thrift, close relations among members and unwritten obligation on the part of members to abide by ruler framed by the members themselves. The only goal before the group was social and economic upliftment of the individual members and the society at large.

6.5.7 Suggestions and Policy Implications

To give suggestions to allow better facilities to the target group discussions were held with bankers, administrative officers, village elders and leaders and the target group i

Suggestions for Banks

- 1.** Quantitative and qualitative improvement in Staff of the banks - the staff needs training in initiating schemes, processing of loan applications of the target group and speedy sanctioning and disbursal of loans.
- 2.** Banks should initiate schemes for marketing finances so that distress sales could be avoided.

3. Banks should initiate schemes for financing :

- a) the purchase of implements and small machinery like bullock carts, sprayers, dusters and threshers. These may add to the target group's income.
- b) dairy, poultry, piggery and fishery as sources of supplementary income.
- c) non farm sector schemes like shops, cottage and small scale industries, etc.
- d) consumption purposes to sustain during the no work or slack season and during illness, marriages and other social and religious functions.
- e) repairs and maintenance of productive assets like tools, implements and small machines.
- f) agro business enterprises like bee keeping, sericulture, floriculture, etc.

4. Policy Decisions on the Part of Banks

- a) relations or interaction with target groups to know the problems of target group
- b) monitor implementation of existing schemes
- c) relaxation of conditions of security. Since the target group has very little to offer as security this condition should be relaxed.
- d) Improvement in scale of finance by about 20 per cent of the present scale.
- e) monitor implementation of the use of loan
- f) ensure flexibility in terms and conditions of loans as regards rescheduling,, conversion of short term loans into medium term loans in the cases of droughts and natural calamities.

5. Policy Decisions on the part of NABARD

NABARD should see that-

- a) the share of funds allotted for the target group should not be diverted. On the contrary, the existing share should be increased.
- c) Regional Rural Banks follow the PLP documents during disbursement of credit. This would result in flow of credit to target group.

- c) Due to increase in Non Performing Assets and mounting overdues in Cooperative Banks and Regional Rural Banks the financial position of these banks has become very weak. Moreover, in this situation refinance is not available from NABARD. It is suggested that NABARD should monitor the situation and ask Cooperative Banks and Regional Rural Banks to make sincere efforts to enhance repayment / recovery by target group so that NPAs get reduced and more loan could be made available to the target group.

6. Policy Decisions on the Part of Central / State Governments

- a) While preparing district plan the target of distribution of credit is generally fixed activity wise. In such a situation lion's share is grabbed by medium and large farmers. It is, therefore, suggested that the target should be fixed by size groups of holdings and due weightage be given to the target group.
- b) The extension services should reach the target group so that the group can make better use of bank credit. The government should also encourage wide coverage under credit cards and promote formation of SHGs.
- c) It is experienced that (copy of) land records of individual holdings are not easily available, more so, to the target group farmers. This causes delays in obtaining bank credit. It is suggested that target group farmers should be given these in the shortest time or these be exempted from producing copy of land records and related no objection certificates.
- d) Government departments should provide margin money to the banks as early as possible to avoid delay in sanctioning loan to target group farmers and households.
- e) Government should implement the adult education programme for all rigorously. This will save loanees from exploitation, more so the illiterate and poor heads of households of the target groups.

APPENDIX- 1

PROFILE OF MADHYA PRADESH STATE

S. No.	Particulars		
1	Situation of the State	Latitudes 17°48' to 26°52'N Longitudes 74°2' to 84°24'E	
2	Geographical Area (Lakh Hect.)	307.45	
3	No. of tahsils (1996-97)	337	
4	No. of blocks (1996-97)	459	
5	No. of villages (1996-97)	74,993	
6	Rainfall Normal (m.m.)	1,165	
7	Total Population (No. and Percentage) (1991 census)	4,86,00,000 (100.00)	
8	Male population	2,54,00,000 (52.3)	
9	Female population	2,32,00,000 (47.7)	
10.	Rural Population	3,64,00,000 (74.9)	
11	Urban population	1,22,00,000 (25.1)	
12	Scheduled Castes Population	75,00,000 (15.4)	
13	Scheduled Tribes Population	97,00,000 (19.9)	
14	Other castes population	3,14,00,000 (64.6)	
15	Female / Male (Sex Ratio)	913 : 1,000	
16	Literacy percentage (Male)	58.50	
17	Literacy percentage (Female)	29.40	
18	Literacy percentage (Urban)	59.00	
19	Literacy percentage (Rural)	29.50	
20	Classification of working population (1991 census)		
	a) Total workers	2,82,38,597	
	b) Main workers	2,49,59,486	
	c) Marginal workers	32,72,571	
	d) Cultivators	1,48,43,496	
	e) Agricultural Labourers	58,63,792	
	f) Workers in Household Industry	7,68,780	
	g) Other workers	53,79,449	
21	Land Utilization (1998-99)	(Lakh hectares)	(%)
	a) Total Geographical Area	307.46	(100.00)
	b) Forest	84.92	(27.62)
	c) Land not available for cultivation	31.92	(10.38)
	d) Other uncultivated land excluding fallow land	17.15	(5.58)
	e) Culturable waste land	11.75	(3.82)
	f) Fallow land	10.40	(3.38)
	g) Net area sown	151.30	(49.21)
	h) Double cropped area	53.51	(17.40)
	i) Gross cropped area	204.82	(66.61)
22	Cropping intensity (%)	135.37	

		(Hectares)	% to gross cropped area
23	Rabi cropped area	93,69,630	(45.75)
24	Kharif cropped area	1,11,12,168	(54.25)
25	Food cropped area	1.33.43.810	(65.15)
26	Non food cropped area	71,37,988	(34.85)
27	Area under high yielding varieties seed (1999-2000)	53,72,900	
28	Total Fertilizer consumption (Kg./ hect.)	46.33	
29	Number of irrigation sources (1998-99)		
	a) Canals	2,754	
	b) Tubewells	2,14,874	
	c) Wells	13,04,725	
	d) Tanks	7,632	
	e) Reserviors	11,106	
	f) Diesel pumps	1,82,685	
	g) Electric pumps	11,14,702	
30	Irrigated area (1998-99)	(Lakh hectares)	% to gross irrigated area
	a) Net irrigated area	55.15	
	b) Canal irrigated area	9.99	(17.63)
	c) Tank irrigated area	1.39	(2.45)
	d) Wells irrigated area	25.40	(44.82)
	e) Other irrigated area	19.89	(35.10)
	f) Gross irrigated area	56.67	(100.00)
31	Irrigation intensity (%)	102.75	
32	Number of agricultural implements (1998-99)		
	a) Wooden plough	34,62,710	
	b) Iron Plough	4,52,271	
	c) Tractors	1,71,773	
33	Major crops	Wheat, paddy, soybean, gram, linseed	

APPENDIX- II
PROFILE OF HOSHANGABAD DISTRICT

S No.	Particulars		
1	Situation of the district	Latitudes 21°53' to 22°59'N Longitudes 76°47' to 78°44'E	
2	Geographical Area (Lakh Hect.)	6.69	
3	No. of tahsils (1996-97)	7	
4	No. of blocks (1996-97)	7	
5	No. of villages (1996-97)	926	
6	Rainfall Normal (m.m.)	1,316.5	
7	Total Population (No. and Percentage) (1991 census)	12,67,211	(100.00)
8	Male population	6,67,413	(52.67)
9	Female population	5,99,798	(47.33)
10.	Rural Population	9,20,695	(72.66)
11	Urban population	3,46,516	(27.34)
12	Scheduled Castes Population	2,06,362	(16.28)
13	Scheduled Tribes Population	2,20,038	(17.36)
14	Other castes population	8,40,811	(66.36)
15	Female / Male (Sex Ratio)	899 : 1,000	
16	Literacy percentage (Male)	53.18	
17	Literacy percentage (Female)	30.14	
18	Literacy percentage (Urban)	--	
19	Literacy percentage (Rural)	--	
20	Classification of working population (1991 census)		
	a) Total workers	4,73,330	
	b) Main workers	4,25,462	
	c) Marginal workers	47,868	
	d) Cultivators	15,51,334	
	e) Agricultural Labourers	1,38,813	
	f) Workers in Household Industry	12,384	
	g) Other workers	1,19,131	
21	Land Utilization (1998-99)	(Lakh hectares)	(%)
	a) Total Geographical Area	6.69	(100.00)
	b) Forest	2.53	(37.82)
	c) Land not available for cultivation	0.43	(6.43)
	d) Other uncultivated land excluding fallow land	0.34	(5.08)
	e) Culturable waste land	0.29	(4.33)
	f) Fallow land	0.15	(2.24)
	g) Net area sown	2.94	(43.95)
	h) Double cropped area	1.85	(27.65)
	i) Gross cropped area	4.78	(71.45)
22	Cropping intensity (%)	162.58	

		(Hectares)	% to gross cropped area
23	Rabi cropped area	2,37,966	(49.75)
24	Kharif cropped area	2,40,380	(50.25)
25	Food cropped area	2,58,470	(54.03)
26	Non food cropped area	2,19,876	(45.97)
27	Area under high yielding varieties seed (1999-2000)	1,63,000	
28	Total Fertilizer consumption (Kg./ hect.)	72.33	
29	Number of irrigation sources (1998-99)		
	a) Canals	6	
	b) Tubewells	2,493	
	c) Wells	18,337	
	d) Tanks	9	
	e) Reserviors	1	
	f) Diesel pumps	2,933	
	g) Electric pumps	12,749	
30	Irrigated area (1998-99)	(Lakh hectares)	% to gross irrigated area
	a) Net irrigated area	2.32	
	b) Canal irrigated area	1.38	(59.44)
	c) Tank irrigated area	0.01	(0.44)
	d) Wells irrigated area	0.46	(19.69)
	e) Other irrigated area	0.47	(20.43)
	f) Gross irrigated area	2.32	(100.00)
31	Irrigation intensity (%)	100.00	
32	Number of agricultural implements (1998-99)		
	a) Wooden plough	40,605	
	b) Iron Plough	10,946	
	c) Tractors	5,236	
33	Major crops	Wheat, paddy, maize, jowar, gram, tur, soybean, mango, guava, citrus.	

APPENDIX- III
PROFILE OF MANDSAUR DISTRICT

S. No.	Particulars		
1	Situation of the district	Latitudes 23°45' to 24°45'N Longitudes 74°56' to 75°55'E	
2	Geographical Area (Lakh Hect.)	5.52	
3	No. of tahsils (1996-97)	5	
4	No. of blocks (1996-97)	5	
5	No. of villages (1996-97)	969	
6	Rainfall Normal (m.m.)	824.5	
7	Total Population (No. and Percentage) (1991 census)	9,56,869	(100.00)
8	Male population	4,91,711	(51.39)
9	Female population	4,65,158	(48.61)
10.	Rural Population	7,64,964	(79.05)
11	Urban population	1,91,905	(20.05)
12	Scheduled Castes Population	1,70,063	(17.77)
13	Scheduled Tribes Population	27,251	(2.84)
14	Other castes population	7,59,555	(79.38)
15	Female / Male (Sex Ratio)	946 : 1,000	
16	Literacy percentage (Male)	58.30	
17	Literacy percentage (Female)	25.50	
18	Literacy percentage (Urban)	--	
19	Literacy percentage (Rural)	--	
20	Classification of working population (1991 census)		
	a) Total workers	7,23,540	
	b) Main workers	6,52,941	
	c) Marginal workers	70,599	
	d) Cultivators	3,87,421	
	e) Agricultural Labourers	1,26,231	
	f) Workers in Household Industry	10,763	
	g) Other workers	1,28,526	
21	Land Utilization (1998-99)	(Lakh hectares)	(%)
	a) Total Geographical Area	5.52	(100.00)
	b) Forest	0.37	(6.70)
	c) Land not available for cultivation	1.04	(18.84)
	d) Other uncultivated land excluding fallow land	0.37	(6.70)
	e) Culturable waste land	0.21	(3.80)
	f) Fallow land	0.02	(0.36)
	g) Net area sown	3.51	(63.59)
	h) Double cropped area	2.19	(39.67)
	i) Gross cropped area	5.70	(103.26)
22	Cropping intensity (%)	162.39	

		(Hectares)	% to gross cropped area
23	Rabi cropped area	2,29,361	(40.23)
24	Kharif cropped area	3,40,735	(59.77)
25	Food cropped area	2,94,244	(51.61)
26	Non food cropped area	2,75,852	(48.39)
27	Area under high yielding varieties seed (1999-2000)	1,33,900	
28	Total Fertilizer consumption (Kg./ hect.)	56.47	
29	Number of irrigation sources (1998-99)		
	a) Canals	4	
	b) Tubewells	1,471	
	c) Wells	99,694	
	d) Tanks	27	
	e) Reserviors	2	
	f) Diesel pumps	2,642	
	g) Electric pumps	78,296	
30	Irrigated area (1998-99)	(Lakh hectares)	% to gross irrigated area
	a) Net irrigated area	1.56	
	b) Canal irrigated area	0.015	(0.96)
	c) Tank irrigated area	0.017	(1.09)
	d) Wells irrigated area	1.36	(87.07)
	e) Other irrigated area	0.17	(10.88)
	f) Gross irrigated area	1.57	(100.00)
31	Irrigation intensity (%)	100.64	
32	Number of agricultural implements (1998-99)		
	a) Wooden plough	42,946	
	b) Iron Plough	7,012	
	c) Tractors	5,158	
33	Major crops	Wheat, maize, gram, urad, soybean, rapeseed- mustard, groundnut, opium, garlic, chillies, coriander.	

EXECUTIVE SUMMARY

1. Introductory

With the adoption of new agricultural technology, the demand for farm credit has increased manifold. No agricultural transformation can take place without flow of sizable credit, particularly under Indian farm saving pattern. The majority of the Indian farmers are small and marginal. They are very poor and are in the clutches of vicious circle of poverty arising out of low production with consequential low income, low saving and low investment resulting, again, in low production. They have very little surplus capital to invest on purchases of inputs required in modern agriculture. All these capital needs can not be met fully by the farmers out of their own savings. Unless they get some financial assistance from outside, they can not make full use of technological development. In order to sustain and hasten this technological change in agriculture, availability of credit in adequate amount is a must.

Before the active entry of commercial banks in farm financing field, the cooperatives and non-institutional agencies, mainly private moneylenders, provided farm loans for various productive and unproductive purposes. Farmers who obtained loan from the private moneylenders, were able to pay only the interest or compound interest, and, most of them failed to pay the principal amount in whole of their life.

Credit plays an important role in promoting rural development with equity and social justice and more particularly as a part of general objective to increase agricultural production and income and to improve the level of living of poor, small and marginal farmers.

With the nationalisation of 14 commercial banks in 1969 and six more in 1980, opened a new era in the field of farm financing. Financing in the field of agriculture by commercial banks badly affected the business of private moneylenders. The performance of commercial banks in farm financing can be judged with reference to the flow of bank credit to the agricultural sector. The flow of credit to agricultural sector increased manifold.

Over the decades, the cooperatives have emerged as the premier institutional agencies for farm development. Efforts to develop cooperatives were intensified following the recommendations of the All India Rural Credit Survey Committee (RBI 1954). In 1975,

Regional Rural Banks (RRBs) were added as the third constituent of the rural credit system. The establishment of RRBs was found to be most beneficial for rural masses.

2. The Self Help Groups (SHG)

Since the beginning of eighties, non-governmental organisations (NGOs) took initiative to form groups of women in rural areas. By this way, the concept of new generation financial institution (Self Help Group) emerged. SHG is a group of rural poor and its major objective is to achieve economic development by raising their resources. The groups are getting popularity throughout the country because the borrowers and lenders both are satisfied. The borrowers get loans easily without involvement of any formalities. On the other hand, the bank receives higher percentage of advances and transaction cost is also minimum through lending of SHGs. The RBI has accepted the significance of SHGs and has advised commercial banks to provide financial support to SHGs.

On the advice of Parliamentary Standing Committee on Agriculture (PSCA) the Directorate of Economics and Statistics, Ministry of Agriculture, Govt. of India, Agro-Economic Research Centre for Madhya Pradesh and Chhattisgarh, J. N. Krishi Vishwa Vidyalaya, Jabalpur (M.P.) has taken up this study in two districts of Madhya Pradesh namely Hoshangabad and Mandasaur.

3. Objectives of the study

The main objectives of this study are :

1. To examine the credit experiences of traditional financial institutions with respect to the vulnerable sections of the farming community (i.e. small and marginal farmer households and labour households).
2. To document through case studies the innovative credit experiments of new generation rural financial institutions, especially in private and cooperative sectors, with respect to the same target group;

3. To identify and analyse the existing credit flow gaps and the reasons thereof for the same target group; and
4. To suggest measures at both economic policy level and enterprise level to ensure smooth flow of credit on sustainable basis to this group.

4. Methodology and Sample Design

The study was based on both the secondary as well as primary data. The primary data was collected at household level from sample households through structured questionnaires. For the selection of two agriculturally progressive districts one each with traditional financial institutions and the one with new generation financial institutions alongwith traditional financial institutions, NABARD officials at Bhopal were consulted. On their advice Mandsaur district with traditional financial institutions and Hoshangabad district with new generation financial institutions alongwith traditional financial institutions functioning were selected. In Mandsaur district village Daloda was selected and in Hoshangabad district village Dodi Jhunkar was selected. Further from each village 25 households were selected. These comprised 5 landless households, 15 small and marginal farmers and 5 large farmers. Thus the total sample comprised 50 households in two villages of two districts. The reference year of the data was 1999-2000.

5. Flow of Credit to Agriculture in India

Flow of credit to agriculture in the country increased impressively over a period of times. It increased from Rs.31,956 crores in 1997-98 to Rs.44,612 crores in 1999-2000 or an increase of 39.60 per cent. The short term credit flow increased during these years by 39.83 per cent and medium and long term credit flow by 39.18 per cent. Of the total credit flow around 65 per cent was for short term loan and the remaining 35 per cent for medium and long term loan. Of the total agricultural finance the share of Commercial Banks was around 50 per cent, that of Cooperative Banks, about 43 per cent and the one of Regional Rural Banks, around 7 per cent.

6. Bank Branches in Madhya Pradesh

Of the total 4,625 bank branches in the state, 2,842 branches (i.e.61.45 per cent) were rural and 1,783 (i.e. 38.55 per cent) were urban. Of the total bank branches, Commercial Banks accounted for 50.96 per cent followed by Regional Rural Banks, 23.50 per cent, District Central Cooperative Banks, 16.61 per cent, District Land Development Banks, 8.26 per cent, M.P. State Cooperative Bank, 0.48 per cent and M.P. State Cooperative Agriculture and Rural Development Banks 0.19 per cent.

7. Financing by various Financial Institutions In Madhya Pradesh

In Madhya Pradesh the total financing by all institutions in 1997-98 was Rs.3,111.79 crores. Of this, financing to agricultural sector was Rs.2,384.65 crores or 76.63 per cent. Among the financial institutions the share of State Central Cooperative Banks was highest (54.89 per cent) followed by Commercial Banks (33.64 pr cent) and RRBs 8.80 per cent. While the State Cooperative Land Development Bank financed totally to agriculture sector, the State Central Cooperative Bank financed to the extent of 90.80 per cent to agriculture. In the case of Commercial Banks and Regional Rural Banks financing to agricultural sector was 61.09 and 40.53 per cent respectively. The share of State Central Cooperative Bank to total agricultural finance was highest (65.04 per cent) followed by Commercial Banks (26.82 per cent). In the year 1998-99 of the total financing 70.16 per cent was for agricultural sector. While State Central Cooperative Bank and State Cooperative Land Development Bank financed entirely to agricultural sector, Commercial Banks and Regional Rural Banks provided 55.20 and 41.88 per cent of the amount towards agriculture. As in the previous year the share of State Central Cooperative Bank to total agricultural finance was highest (48.01 per cent) followed by Commercial Banks (38.19 per cent). In 1999-2000, of the total financing 67.96 per cent was for agriculture. State Cooperative Central Bank made entire financing for agriculture. Commercial Banks advanced 49.62 per cent of total financing to agriculture. Of the total financing for agricultural sector the share of State Central Cooperative Bank was 50.96 per cent followed by Commercial Banks (34.69 per cent).

8. Purposewise Distribution of Agricultural Loans in Madhya Pradesh

During 1997-98, agricultural finance provided by State Central Land Development Bank (SCLDBs) was totally for long term purposes. In the case of State Central Cooperative Bank (SCCBs), nearly total (99.98 per cent) agricultural loan was for short term purposes and a meagre (0.02 per cent) was for medium term purposes. During 1998-99, State Central Land Development Bank distributed entire agricultural loans for long term purposes. In the case of State Central Cooperative Bank, 90.70 per cent of the agricultural loans was for short term purposes, 7.79 per cent for medium term purposes and 1.51 per cent for long term purposes. State Central Land Development Bank distributed entire agricultural loans for long term purposes in the year 1999-2000.

9. Bank Branches in Hoshangabad District

Total number of banks in Hoshangabad district was 12 with the total bank branches of 94 in the year 1999-2000. Of these, the number of Commercial Bank branches, was 37 (39.36 per cent) and Regional Rural Bank branches, 36 (38.30 per cent). As regards area of operation, the percentage of number of semi urban and rural branches was 56 and 44 per cent respectively. Of the 8 branches of DLDB, 75 per cent were semi-urban branches and 25 per cent were rural branches. Of the 13 branches of DCCB, 61.54 per cent were semi urban and 38.46 per cent were rural branches.

10. Financing of Agriculture in Hoshangabad District

As regards financing in Hoshangabad district it was noted that in 1997-98, 91.06 per cent of total financing was for agriculture. Of the agricultural loans the flow of credit towards small and marginal farmers was 62.82 per cent. In total finance the contribution of District Central Cooperative Bank was highest (48.42 per cent) followed by Commercial Banks (37.21 per cent). In 1998-99, of the total financing 63.49 per cent was for agricultural sector. Of the agricultural sector loans the loans to small and marginal farmers formed 90.56 per cent. Of the total financing nearly half (51.76 per cent) was shared by District Central Cooperative Banks followed by Commercial Banks (34.38 per cent). In 1999-2000

of the total financing 80.47 per cent was for agricultural sector. Of the agriculture sector financing 70.43 per cent was for small and marginal farmers. In the case of Regional Rural Banks all the finance available was utilised by small and marginal farmers. In the case of Commercial Banks the finance available for small and marginal farmers was 70.32 per cent.

11. Bank Branches in Mandsaur District

There were 87 bank branches of all the financial institutions in Mandsaur district. Of these 43 branches (49.43 per cent) were of to Commercial Banks followed by State Central Cooperative Bank (18 branches), Regional Rural Bank (17 branches) and State Central Land Development Bank (9 branches). The number of rural and semi urban branches in the district were 44 (50.57 per cent) and 43 (49.43 per cent) respectively.

12. Financing of Agriculture in Mandsaur District

In Mandsaur district in 1997-98, of the total agricultural finance provided by District Central Cooperative Bank 89.91 per cent was for short term loans and 10.09 per cent for long term loans. In the case of Regional Rural Banks and Commercial Banks more than 85 per cent loan was for long term purposes. In 1998-99 of the total agricultural loans provided by District Central Cooperative Banks 91.08 per cent was for short term purposes. In all the three years the entire agricultural finance provided by District Central Cooperative Land Development Bank was for long term purposes. In 1999-2000 in the case of District Central Cooperative Banks 95.15 per cent of the loan amount was for short term purposes. In all the three years, the maximum amount of loan for agriculture was provided by District Central Cooperative Banks followed by Commercial Banks. In the case of Regional Rural Banks and Commercial Banks the distribution of agricultural finance was more than 68 per cent for long term purposes.

13. Results of Farmers Level Data

In Hoshangabad district village Dodi Jhunkar of Kesla tribal block and in Mandsaur district village Daloda were selected. In Hoshangabad district, out of 25 households, maximum

number (14) belonged to scheduled tribes whereas, in Mandsaur district "OBC" (17) was dominating group. The percentage of "Minorities" and "Other" castes were same in both the districts. In Mandsaur district, none of the households belonged to scheduled tribes.

Among total number (129) of family members, the percentage of members belonging to working group (18-60 years) was more in the case of males (62.69) and less in the case of females (50.00) in Hoshangabad district, whereas, it was just opposite in Mandsaur district where the percentage of working members was higher in the female group (71.15) and less in male group (56.52).

In both the selected districts, the literacy percentage among the total family members was same (about 69 per cent). The percentage of illiterate male members was high (19.40) in Hoshangabad district as compared in Mandsaur district (13.04). In the case of females, the percentage of illiteracy was higher in Mandsaur (53.85) as compared to Hoshangabad district (41.94). The literacy percentage on small and marginal category of farmers was same (about 63.00).

In both the districts, agriculture was the most important occupation, as 42.46 per cent in Hoshangabad and 50.00 per cent in Mandsaur district were engaged in it. Agricultural labour and non agricultural labour were the main occupations of landless and small and marginal households in both the districts. Similarly, none of the large size group members were agricultural or non agricultural labourers in both the districts. The main occupation of small and marginal farmers in both the districts was agriculture followed by agricultural labour.

In the case of landless group in both the districts, none of the children (age group of 6 to 18 years) was working. In Hoshangabad district, all children belonged to age group of 6 to 18 years. In Mandsaur, all belonged to age group of 12 to 18 years. Of the total children, the percentage of working children was quite high in Hoshangabad district as compared to Mandsaur district.

In both the districts, majority of the families were nucleated families followed by vertically integrated and horizontally integrated. Mixed families were only in Mandsaur district.

14. Operated Area and Irrigation on the selected farms

The total operated area was higher (41.467 ha.) in Hoshangabad district as compared to Mandsaur district (36.369 ha.). There was no unassured irrigated area in Mandsaur district whereas it was 33.56 per cent in Hoshangabad district. The percentage of assured irrigated area was more (59.03 per cent) in Mandsaur district, whereas, it was lower (13.64 per cent) in Hoshangabad district. The percentage of rainfed area was higher (52.80) in Hoshangabad district, whereas, it was 40.97 per cent in Mandsaur district.

15 Crops Grown on selected farms

In both the districts, kharif crops occupied more than 60.00 per cent area. Among kharif crops, most important was soybean followed by maize. Total rabi crops occupied 37.51 per cent area in Mandsaur district whereas in Hoshangabad district these occupied lower (30.14 per cent) area of the gross cropped area. Among kharif crops soybean and maize were most important crops in both the districts. Among rabi crops, wheat and gram were important in both the districts.

16. Types and Ownership of Houses

In both the selected districts, the houses of all the respondents were owned. In Hoshangabad district larger number of houses were pucca tiled whereas in Mandsaur district larger number of houses were pucca with RCC. In Hoshangabad district, only one pucca house with RCC was owned by one large farmer, whereas in Mandsaur district, 11 houses were pucca with RCC. In both the districts a very large majority of the selected households (more than 90 per cent) had solely owned plot and house.

17. Ownership of Bullocks, Implements and Machinery

The selected households in Hoshangabad district owned a total number of 25 bullocks, 13 ploughs, 4 tractors, 5 pumpsets, 3 sprayers and 2 threshers. While a bullock, 2 ploughs 2 tractors, and 7 threshers were hired by them. The selected households in Mandsaur district owned 12 bullocks, 7 ploughs, 3 tractors, 11 pumpsets, 6 sprayers and dusters each and 1 power tiller and hired a bullock and plough, 13 tractors, 12 threshers, 11 sprayers and 3 pumpsets. In Hoshangabad district, small and marginal size group of farmers owned most of their requirement and only few were hired in, whereas, in Mandsaur district the group had larger number of their requirements hired in. In both the districts, large size group of farmers owned most of their requirement and only few were hired in. The use of bullock and plough was more in Hoshangabad district (traditional farming), whereas, in Mandsaur district the use of machinery (power tiller, tractor, pumpsets, sprayer and duster) was more.

18. Ownership of Vehicles and Other Households Articles

In both the districts, maximum number of households owned cycles. Cots were owned by all the categories of farmers in both districts. Electric connection, tubelight, fridge, cooking gas, telephone, television and car/jeep were owned by larger percentage of farmers in Mandsaur district as compared to Hoshangabad district. Almirah and sofa were owned by larger percentage of farmers in Hoshangabad district as compared to Mandsaur district.

19. Deposits with Financial Institutions

Gold or gold ornaments were possessed by maximum number of households in both the districts. In Hoshangabad district there was no deposit in NSC or Kisan Vikas Patra, whereas, in Mandsaur district 4 had deposits in NSC or KVP. Out of 25 households 15 had deposits with cooperatives and 13 with commercial / RRB in Mandsaur district whereas in Hoshangabad district 22 had deposits with commercial Bank / RRB, 4 had deposits with cooperatives and two had deposit with SHG.

20. Livestock

Mandsaur district had more number of buffaloes (42) as compared to Hoshangabad district (7). The number of bullocks was more (25) in Hoshangabad as compared to Mandsaur district (14). In the case of cows, goats / sheep and poultry birds Hoshangabad district dominated over Mandsaur district. Dairy seems to be a good supplementary source of income in Mandsaur district as compared to Hoshangabad district.

21. Participation of Family Members in Social / Political Organisations

In both the districts, none of the selected farmers was either member or office bearer of any economic organisation and the landless group persons were neither members nor office bearers of any social or political organisation. As regards familiarity to MLA, MP, Sarpanch or Mukhia or officer of the local police station, gramsevak, extension officer, Headmaster of local school and employee of bank or cooperative it was noted that all the selected farmers in both the districts knew them all very well.

22. Expenditure of Family

A total amount of Rs.3,56,680 and Rs.4,86,400 were spent by the selected households of Hoshangabad and Mandsaur districts respectively on purchase of provisions, cloths, festivities and consumer durables. In both the districts, of the total amount spent, maximum was on provisions (more than 59 per cent) followed by clothing, festivities and consumer durables. Expenditure on these items by size groups showed that with the increase in size of farms the percentage of amount spent on provisions decreased, whereas, the percentage of amount spent on clothing and festivities generally increased.

23. Inputs Purchased

In Hoshangabad district, only small and marginal farmers purchased seed and fertilizers on credit. No other input was bought on credit. In the case of large farms, no input was bought on credit. Whereas, in Mandsaur district both the groups (small & Marginal farmers and large

farmers) bought seed & fertilizers on credit. In the case of large size group the percentages of seed and fertilizers bought on credit were less. The dependence of large farms on credit was nil in the case of Hoshangabad district whereas, in Mandsaur district dependence of large farms on credit was lesser.

24. Disposal of Products

The total quantity of crops produced on the selected farms in Hoshangabad and Mandsaur districts were 567.25 and 679.18 quintals respectively. Of this the quantity sold were 363.90 and 495.78 quintals of the quantity produced. In both the districts, the value adjusted towards borrowings was about 45 per cent of value of sale on small and marginal size group, about 22 per cent on large size group and about 28 per cent on total selected farms.

25. Disposal of Byproducts

On the small and marginal farms of Hoshangabad district the quantity of byproducts produced was 183.00 quintals. The quantity sold was 21.00 quintals worth Rs.850.00. Similarly on large farms the quantity of by products produced was 215.00 quintals and the quantity sold was 130.00 quintals worth Rs.3,700. It may be mentioned that unlike Hoshangabad district, farmers did not sell any by-product on Mandsaur farms.

26. Sources of Net income

The total net income of the selected households of Hoshangabad and Mandsaur districts were Rs. 5,93,329.00 (Rs.23,733.16 per household) and Rs.7,26,850 (Rs.29,074 per household) respectively. Thus the net income per household of Mandsaur district was higher than Hoshangabad district by Rs.5,341. The contribution of agriculture and livestock was much higher in Mandsaur district than Hoshangabad district. It was also observed that in Mandsaur district the percentage of income from agriculture was very high (76.81) on large farms as against small and marginal farms (41.08). On the other hand income from livestock was quite high (47.48 per cent) on landless group than other size groups. It was noted that large size group households did not sell labour. In both the districts, the most important source of net income was

agriculture. The next important source of income in Hoshangabad district was trade and business followed by hiring out of farm machinery, sale of labour and livestock. In Mandsaur district, next source of income was livestock followed by trade & business and sale of labour.

27. Sources of Loan

In Hoshangabad district, of the 25 households, 88 per cent borrowed the loan from traditional sources (R.R.B. Cooperative society and S.B.I.) and only 12 per cent borrowed the loan from new generation financial institutions like SHG, whereas, in Mandsaur district, all the 25 household borrowed the loan from traditional sources like Central Bank of India, Regional Rural Bank, Land Development Banks and Cooperatives.

28. Amount of Loan

In Hoshangabad district, maximum amount of loan (85.86 per cent) came from Regional Rural Banks followed by Cooperative Bank (19.12 per cent), State Bank of India (8.95 per cent) and new generation bank (3.22 per cent), whereas, in Mandsaur district, the borrowing was maximum from Central Bank of India (41.34 per cent) followed by Regional Rural Bank (32.87 per cent), Land Development Bank (13.32 per cent) and Cooperative Banks (12.47 per cent). No new generation bank existed in Mandsaur district.

29. Purpose of Loan

In both the districts, the most important purpose of loan was investment on productive assets e.g. tractor and tiller, etc. followed by short duration loan and crop loan (inputs). In both the districts, about 90 per cent of the total loan of large size group was for the purpose of investment on productive assets. In the case of small and marginal size group, of the total amount of loan, about 50 per cent was for crop loan (inputs) in Hoshangabad district and in Mandsaur district about 47 per cent was for short duration loan. The amount of loan was maximum for short duration loan in landless group in both the districts.

30. Application for Loan and Cost of Loan

In Hoshangabad district the selected borrowers had requested for a total amount of Rs.6,75,000. However, they received an amount of Rs.5,58,655. Of the total borrowings 84.55 per cent was in kind and the remaining 15.45 per cent in cash. The percentage of kind component increased from 48.11 in landless group to 65.56 in small and marginal group and further to 93.54 in large group of households. Inversely the percentage of cash component decreased with the increase in size group. An average borrower had to make 3 visits for loan to various offices and an average amount spent per visit was Rs.13.40. Although the amount paid for application was only Rs.3.20 per borrower the amount spent for documentation was Rs.148.40. The average number of days required between the date of application and the date of approval was about 18 and the number of days required between the date of approval and disbursement was about 4 to 5. The total amount requested by the selected borrowers in Mandsaur district was Rs.7,01,417. Against this the amount actually disbursed was Rs.6,02,374. or 85.88 per cent of the amount of loan requested. Thus the credit gap was 14.12 per cent. The credit gap was 3.04 per cent on landless households and 3.74 per cent on large size group. However, the credit gap was much higher (34.15 per cent on small and marginal size group. An average borrower made 7 visits for loan. The number of visits decreased with the increase in size of farm. The average amount spent per visit was Rs.3.80. Although no amount was paid for application the amount spent for documentation was Rs.81.60.

31. Outstanding and Overdues of Loans

The average amount outstanding per borrower in Hoshangabad and Mandsaur district were Rs.13,835 and Rs.18,758.72 respectively. The amount overdue per borrower was Rs.2.096 in Hoshangabad district and Rs.2,360.84 in Mandsaur district. The amount outstanding per borrower was Rs.11,872 on the landless group and was quite high on large group (Rs.52,910) in Hoshangabad district. The amount overdue only existed in the case of large size households. In Mandsaur district, both amount outstanding and overdue were highest on large size group.

32. Opinion of Borrowers

All the selected households were comfortable with the borrowing experience and had no problem of any kind including repayment. In none of the cases the interest was collected up front. In no case any security was asked for. In half of the cases, third party guarantee was needed and in only SHG financing cases, group guarantee was asked for. In 20 per cent cases agreement had to be signed to purchase inputs against loan. No pledge was necessary for either sale of labour or output in future. No livestock mortgage was signed. Land was mortgaged in most of the cases of input purchases and farm machinery purchases. Neither residential property nor livestock or any other physical property was mortgaged by any borrower.

In both the districts all the borrowers agreed that there was sufficient flexibility in loan scheduling. They also agreed that there was enough scope for spacing the instalments. They said that documentation and other conditions were relaxable and there were strong incentives for good borrower response. There was scope for rescheduling in the case of family emergency and local area emergency like drought. They reported that there was flexibility in giving additional loans in the case of contingency. The explicit rate of interest was 13.50 to 14.00 per cent per annum. All the financial institutions charged interest at diminishing rate. Most of the borrowers commented that loans were neither monitored nor extension services on the use of inputs were provided.

33. New Generation Institution

Despite vast expansion of the formal rural credit delivery system and introduction of a series of antipoverty measures with credit interventions, very large number of our rural poor viz., small farmers, marginal farmers, agricultural labourers, rural artisans and scheduled castes and scheduled tribes people are still outside the formal credit delivery system and depend on moneylenders for their emergent credit needs. The perception among the bankers that the poor are not creditworthy and the individual credit requirements of the poor are so small that the transaction costs tend to be higher than the profit margin.

The voluntary organisations or Non Government Organisations (NGOs) working among the rural poor realised that the only way the poor can be helped to develop was by inculcating a spirit of self help among them and pool their internal resources to meet their emergent credit requirements. These organisations, therefore, not only organised self help groups of socio-economically homogeneous groups of the poor, but also attempted to develop the habit of thrift and credit among the members of the groups.

The studies conducted by NABARD established beyond doubt that the self help groups of the rural poor not only had helped the members to improve their lot economically, but had also helped in developing leadership qualities among the members.

All the members of SHG regularly saved some amount of money. The SHG maintains records of meetings, member wise savings, common fund creation / maintenance, member wise loans given from the common fund and recoveries, etc. The SHG functions on democratic lines and the activities are transparent. There is no outside interference in the work of the SHG.

NABARD refinance at 100 per cent of bank loan is available for financing of SHG at the rate of interest of 7 per cent per annum irrespective of recovery performance of bank / bank branch.

34. Madhya Pradesh Scenario of SHG

The concept of Self Help Groups and their linkage with banks was relatively new to the state of undivided Madhya Pradesh. As many as 3373 SHGs were linked to banks in the State by the end of March, 2000. These were given loans to the tune of Rs.4.10 crores and refinance of Rs.2.77 crores. These groups are linked to 9 Commercial Banks, 11 RRBs and 7 DCCBs spread over 30 districts of the state. NABARD has been assisting the RRBs selectively to function as Self Help Groups Promoting Institutions. The banks operating in the State need to be more proactive in promoting SHGs in their area of operation, especially as the NGO network in the State is rather poor. In a state like M.P. where poverty is much greater than most other states, there is tremendous potential for organising SHGs and these groups have the potential of

changing the lives of lakhs of rural people. A good beginning has been made and the movement is gaining momentum. The present trend indicates that the spread of SHG concept is not uniform throughout the state and is concentrated in a few more developed districts.

35. SHG Scenario in Hoshangabad District

In Hoshangabad district 216 SHGs have savings bank accounts opened with the branches of various banks. Of the various banks Regional Rural Bank, Suktawa, has maximum number of 168 SHGs. District Central Cooperative Bank, Kesla, has savings bank accounts of 35 SHGs. State Bank of India, Kesla and Punjab National Bank, Tawanagar has 10 and 3 savings bank accounts each. The formation of SHGs in such a large number in Hoshangabad district is possible due to untiring and dedicated work of NGOs namely PRADAN, NCHSE and BAIF. These initiate the work through Mahila Samitis in tribal villages.

On the linkage of SHGs with bank branches the banks lend loans @ 13.5 per cent interest per annum. The SHGs, on the other hand, charge interest @ Rs.3 per hundred rupees per month or 36 per cent per annum. The difference between the rates of interest is accumulated as savings of the Mahila Samiti.

36. SHGs Scenario in Dodi Jhunkar Village of Hoshangabad District

Of the 8 SHGs of Dodi Jhunkar village 4 were initiated in early 1999 and two were initiated in 1997. The number of members ranged between 10 and 20. The total savings amounted to Rs.93,563 or Rs.11,695.37 per SHG. Total credit generated was Rs.4,28,179 or Rs.53,522.37 per SHG. The average percentage of repayment was 55.77 and conversely the percentage of outstanding was 44.23. The average cash balance in bank was Rs.725.50 and the average cash amount with the Samiti was Rs. 1,239.88.

While 4 of the 8 SHGs were linked with Regional Rural Bank in August, 2000 one was linked in December, 2000 and the remaining one was linked in March, 2001. The lowest loan sanction limit was Rs.10,000 in one SHG. It was Rs.25,000 in another and Rs.32,000 in still another. In the fourth SHG it was Rs.40,000. The amount of loan disbursed varied from

Rs.5,000 to Rs.30,000. The average recovery percentage was 47.37. It varied from 20.00 per cent to 77.33 per cent in different SHGs. The average percentage of outstanding loan was 52.69 and varied from 22.67 per cent to 80.00 per cent. In all the cases the sponsoring NGO was PRADAN.

37. Results of Lending Institutions Surveys

State Bank of India, Kesla, Hoshangabad District

In the case of State Bank of India Kesla, the amount of loan disbursed generally increased from year to year. The highest amount of loan disbursed was for large and medium farmers followed by small and marginal farmers and landless households. Agricultural sector received largest percentage of loan amount in all the three years. In all the three years highest proportion of loan amount was disbursed for medium term loan for the purchase of farm assets. Purchase of irrigation equipments, crop loan and output processing were other purposes. The recovery rate was satisfactory and varied between 75 to 83 per cent. The overdues varied between 17 to 25 per cent. In the opinion of bank officials repayment was best in crop loans and worst in animal husbandry loans. Most profitable loans were those advanced for the purpose of irrigation. Documentation was most simple in crop loans and complicated in medium term farm assets loans.

Regional Rural Bank, Suktawa, Hoshangabad District

Regional Rural Bank, Suktawa has increased loan amount from year to year. The lending per farmer was highest in the case of large and medium farmers. In 1995-96 of the total loan disbursed maximum proportion was for small and tiny industries followed by medium term irrigation loans. In all the three years out of the total amount of loans disbursed maximum amount was for agricultural sector. Within agricultural sector the maximum amount was disbursed for the purpose of purchase of long term assets. Although the recovery of loans was not very satisfactory it improved from year to year. Conversely the percentage of overdues decreased from year to year. Repayment of loans was best in the case of crop loans and worst in

the case of small and tiny industries. The loan for purchase of long term assets was most profitable. Documentation was simple and growth potential was high in the case of crop loans.

Ratlam Mandsaur Regional Rural Bank, Daloda, Mandsaur District

In the case of Ratlam Mandsaur Regional Rural Bank, of the total loan amount disbursed highest proportion was for large and medium farmers. Of the total loan disbursed maximum proportion was for long term assets creation, followed by small and tiny industries. In the later years largest proportion was for small and tiny industries. Size groupwise break up of loan disbursed showed that proportion of amount disbursed for large and medium size farmers was higher. The recovery percentage was quite satisfactory as it varied between 83 to 94 per cent in different years. The overdues rate varied between 6 to 17 per cent. Repayment was best for long term assets creation in agriculture and worst in small and tiny industries. The profitability was highest in crop loans and lowest in small and tiny industries. Easy documentation and high growth potential were the characters of crop loans and were drawbacks of consumption loans.

District Cooperative Agriculture and Rural Development Bank, Daloda, Distt. Mandsaur

In the case of District Cooperative Agriculture and Rural Development Bank, Daloda loan per farmer of small and marginal size groups increased from year to year. No loan was given to landless households as in this bank land was mortgaged for loan. Moreover loans were given only for farm activity. Loans were given mainly for long term assets creation. Loans for both medium term and long term farm assets were given to mainly marginal farmers, large farmers and small farmers in that order. The recovery rate of the bank increased from year to year and varied between 60 to 85 per cent.

38. Credit Experiences of Traditional Financial Institutions with respect to Small and Marginal Farmers and Landless Households

In the study area experiences of three banks namely i) State Bank of India, Kesla, District Hoshangabad ii) Ratlam Mandsaur Regional Rural Bank, Daloda, District Mandsaur and iii) District Cooperative Agriculture and Rural Development Bank Limited, Daloda, District Mandsaur were noted.

These catered to the needs of small and marginal farmers and landless households alongwith others. Although these agreed that the portfolio of lenders was shifting favourably towards the small and marginal farmers and landless labourers due to government policies and many lending schemes coming up for them, the institutions still thought that these clients were wilful defaulters. Banks had changed the terms and conditions of loans to the borrowers of the above categories on the recommendations of various committees. The new generation institutions were different from the traditional institutions in terms of accessibility of loans due to the habit of thrift, accumulation of savings which, in turn, was the reason of ease in sanction and disbursal. It was commented that although new generation institutions were catering to the needs of all segments of borrowers these were working mainly for segments of small and marginal farmers and landless households. The traditional institution officials agreed that the institutions like SHGs could be replicated provided the masses got leadership and experienced trust in them. However the continuity of new generation institutions was expressed to be doubtful. The traditional institution officers pointed out that the new generation institutions were in no way subsidised. But added that the objectives and area of operation were limited and that these deviated to a large extent from the set rules of the banks. No doubt the banks had become more easily accessible.

The traditional institutions, on the other hand, had to take into consideration the size of land holdings for mortgage, the repaying capacity of the borrowers, calculated on the basis of detailed input- output analysis, his past record w.r.t. loan outstanding or overdues and default

39. Credit Experiences of New Generation Financial Institutions

State Bank of India, branch Kesla and Regional Rural Bank, branch Suktawa are very close to village Dodi Jhunkar which had a large number of SHGs. During the past 5 years the portfolio of lenders was shifting towards small and marginal farmers and landless households. The banks had majority of accounts of these categories. However, the officers felt the shortage of trained staff. It was reported that looking to the increasing number and operational enlargement of SHGs the banks were not adequately prepared to meet the demand. As regards profitability it was expressed that loans to these target groups were profitable but because of their

increasing number these were not adequately attended. Self Help Groups were the only choice among the new generation organisations. According to the banks, the need to set up new generation institutions was felt due to the problems of legal and procedural nature. The lending procedure of new generation institutions was different w.r.t. fast and easy sanction and easier terms of lending including scheduling of instalments.

It was opined that new generation institution was accessible to the entire target group in general and weaker sections among them in particular. It was commented that the reason of the spread of SHGs was the trust bestowed in the leaders by masses. On the matter of subsidy it was emphasised that the success of SHGs was not due to subsidy and it was also vehemently opposed to offering any kind of subsidy adding that subsidy would adversely affect the spirit behind SHGs.

SHGs were formed without any expectation of help from Government. It was an informal group formed without the pressure from the government unlike other target-achievement oriented schemes forced on the government employees. It had the solid economic foundation built on thrift, close relations among members and unwritten obligation on the part of members to abide by ruler framed by the members themselves. The only goal before the group was social and economic upliftment of the individual members and the society at large.

40. Suggestions and Policy Implications

To give suggestions to allow better facilities to the target group discussions were held with bankers, administrative officers, village elders and leaders and the target group i

Suggestions for Banks

- 1.** Quantitative and qualitative improvement in Staff of the banks - the staff needs training in initiating schemes, processing of loan applications of the target group and speedy sanctioning and disbursal of loans.
- 2.** Banks should initiate schemes for marketing finances so that distress sales could be avoided.

3. Banks should initiate schemes for financing :

- a) the purchase of implements and small machinery like bullock carts, sprayers, dusters and threshers. These may add to the target group's income.
- b) dairy, poultry, piggery and fishery as sources of supplementary income.
- c) non farm sector schemes like shops, cottage and small scale industries, etc.
- d) consumption purposes to sustain during the no work or slack season and during illness, marriages and other social and religious functions.
- e) repairs and maintenance of productive assets like tools, implements and small machines.
- f) agro business enterprises like bee keeping, sericulture, floriculture, etc.

4. Policy Decisions on the Part of Banks

- a) relations or interaction with target groups to know the problems of target group
- b) monitor implementation of existing schemes
- c) relaxation of conditions of security. Since the target group has very little to offer as security this condition should be relaxed.
- d) Improvement in scale of finance by about 20 per cent of the present scale.
- e) monitor implementation of the use of loan
- f) ensure flexibility in terms and conditions of loans as regards rescheduling,, conversion of short term loans into medium term loans in the cases of droughts and natural calamities.

5. Policy Decisions on the part of NABARD

NABARD should see that-

- a) the share of funds allotted for the target group should not be diverted. On the contrary, the existing share should be increased.
- b) Regional Rural Banks follow the PLP documents during disbursement of credit. This would result in flow of credit to target group.
- c) Due to increase in Non Performing Assets and mounting overdues in Cooperative Banks and Regional Rural Banks the financial position of these banks has become very weak. Moreover, in this situation refinance is not available from NABARD. It is suggested that NABARD should monitor the situation and ask Cooperative Banks and Regional Rural Banks to make sincere efforts to enhance repayment / recovery by target group so that NPAs get reduced and more loan could be made available to the target group.

6. Policy Decisions on the Part of Central / State Governments

- a) While preparing district plan the target of distribution of credit is generally fixed activity wise. In such a situation lion's share is grabbed by medium and large farmers. It is, therefore, suggested that the target should be fixed by size groups of holdings and due weightage be given to the target group.
- b) The extension services should reach the target group so that the group can make better use of bank credit. The government should also encourage wide coverage under credit cards and promote formation of SHGs.
- c) It is experienced that (copy of) land records of individual holdings are not easily available, more so, to the target group farmers. This causes delays in obtaining bank credit. It is suggested that target group farmers should be given these in the shortest time or these be exempted from producing copy of land records and related no objection certificates.
- d) Government departments should provide margin money to the banks as early as possible to avoid delay in sanctioning loan to target group farmers and households.
- e) Government should implement the adult education programme for all rigorously. This will save loanees from exploitation, more so the illiterate and poor heads of households of the target groups.

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FLOW OF CREDIT TO SMALL AND MARGINAL FARMERS IN MADHYA PRADESH

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