

**PROMOTION OF SELF-EMPLOYMENT THROUGH
BANK FINANCE**

**A CASE STUDY OF DRI SCHEME FOR SLUM
DWELLERS IN MADRAS**

BANK OF INDIA
MONITORING & EVALUATION
DIVISION

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FOREWORD

One of the disquieting features of our economic development is that the number of poor and those living below the poverty line has been increasing over the years. In the rural areas, the growing poverty is reflected in the increase in the number of small and marginal holdings and rise in the number of landless labourers. In the urban areas it is manifested in proliferation of slums and shanty townships where a vast majority of the urban poor live in sub-human surroundings, deprived of basic amenities like drinking water, sanitation, etc. The rural people, lured by better economic prospects, continue to migrate to urban centres with high expectations, a phenomenon which is likely to grow with improvement in transport, communication and rapid urbanisation. In view of the high cost of living and scarcity of housing facilities in urban areas, most of the migrants are forced to live in squalor and dingy townships.

Slum dwellers constitute the hard core of poverty in urban areas. Most of them are engaged in manual and low skilled occupations and earn a meagre wage which is barely enough to lift them above the poverty line. A major handicap in bringing about economic improvement of slum dwellers is dearth of employment opportunities for men in the organised sector and lack of organisation and vocational training among women. However, if determined efforts are made to impart training in skill formation and create opportunities for self-employment, the economic hardships of the slum dwellers could be mitigated significantly.

Being aware of the economic plight of the urban poor, Bank of India in collaboration with Working Women's Forum, a voluntary social organisation in Madras has been implementing

a scheme to promote self-employment among women of slum areas in the city. Under the scheme launched in April, 1978, the bank provides loans to members of the Forum to keep them engaged in gainful trading activities including sale of cutpieces, sarees, vegetables, fruits, flowers, estables, etc. The principal objective of the scheme is to augment the meagre income of slum dwellers by promoting self-employment among house-wives while keeping them away from the clutches of money-lenders. Till December 1980, the bank has financed 2800 members of the Forum under the scheme.

Recently, the Monitoring & Evaluation Division in the Planning Department of the bank carried out an evaluation study to review the implementation of the scheme and assess its impact on the income of the borrower-households. The study based on a sample survey of 133 borrowers randomly selected from 10 slum pockets in Madras revealed that the average income earned by the beneficiaries from retail trading activities increased from Rs.4 per day in the pre-borrowing period to Rs.7 per day in the post-borrowing period. In other words, after allowing for repayment of loan, the beneficiaries earned on an average Rs.2200 per annum. Higher income enabled the beneficiaries to supplement the family income and improve their level of consumption. Bank loan has also helped most of the beneficiaries to be relieved from the clutches of private money-lenders.

It is gratifying to note that the beneficiaries, inspite of their poverty and pressing need for more money, were by and large, regular in repaying loans. Satisfactory recovery of loans under the scheme was possible because of the vigilance exercised by the Forum on its members through its group leaders who motivated them to pay the monthly instalments in time. The study brings out an important aspect; when the activities aiming at

economic amelioration of the poor are put on an organised basis and monitored closely the recovery of bank loans does not pose a serious problem and voluntary social organisations can play a big role in bringing about efficient utilisation of bank loans and inculcating financial discipline among the borrowers so that recovery is not jeopardised even though propensity to consume is very high in this economically weaker sections of the community.

It is hoped that the report will be useful to lending institutions engaged in financing the weaker sections in the country.

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BOMBAY

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