

**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.

N. VAGHUL
CHAIRMAN & MANAGING DIRECTOR

BOMBAY

October 31, 1981.

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This study has been undertaken by Dr. S. A. Shetty, Economist in the Monitoring & Evaluation Division of Planning Department, Head Office, with the assistance of the staff of the participating branches and the Zonal Office, Madras. The bank acknowledges with thanks the cooperation received from the Forum in conducting the field survey.

CHAPTER 1

SUMMARY AND RECOMMENDATIONS

1.1 Massive investment in development programmes under the aegis of planning notwithstanding, the economic conditions of the poor in the country continued to deteriorate over the years. The assumption implicit in planning that the benefits of economic growth will percolate to the masses was found to be untenable. Independent studies on the impact of planning on distribution of income have demonstrated that the fruits of development have not been equitably shared by different segments of the population and that the poorest have benefited the least from economic growth. The study carried out by the Reserve Bank on distribution of assets in rural areas and successive Agricultural Labour Enquiries confirmed the findings that the distribution of benefits of economic development was uneven with the rich becoming richer and the poor poorer. It was realised that economic development is meaningless if it does not help to improve the consumption level of the poorest in the country. Exercised over these disquieting findings, the Government veered round the view that emphasis on growth rate in Five Year Plans without concern for the welfare of the poor will not bring about the desired change in the distribution of national income.

1.2 The realisation in the late sixties that sectoral or area approach to planning has serious limitation in bringing about more equitable distribution of productive assets led to formulation of measures which sought to make a direct assault on poverty in the country. Accordingly, special programmes, including Command Area Development Programme (CADP), Desert Area Development Programme (DADP) and Drought Prone Area Programme (DPAP), aimed at ameliorating the economic conditions of the poor were launched for implementation in the seventies. Although these programmes were area based, a major thrust of all these programmes was to extend the benefit of public investment to the small and marginal farmers. Later on, more

specific programmes through the establishment of Small Farmers' Development Agency (SFDA) and Marginal Farmers' and Landless Labourers were undertaken to raise the income of small farmers, marginal farmers and landless labourers. More recently, the Government launched a more comprehensive programme known as Integrated Rural Development Programme with a view to augmenting the income of the poorest among the poor in the rural areas by engaging them in gainful occupations through the provision of subsidy and financial support from commercial banks.

1.3 All these programmes formed part of Five Year Plans and were either entirely or partly financed from budgetary resources of the Government. Another programme designed to achieve the same objective of improving the economic conditions of the poor was initiated in the early seventies, outside the plan frame. Under the programme called DRI scheme, commercial banks were asked to deploy, to begin with, half a per cent and subsequently raised to one per cent of their total lending to the weaker sections of the society to augment their income by engaging them in gainful economic activities through the provision of credit at 4 per cent rate of interest. The concessional interest rate was meant to lower the debt burden and make the scheme economically viable to the poor. Members of rural households with a family income of Rs.2000 per annum and those of semi-urban/urban households with a family income of Rs.3000 per annum are considered eligible for loans at concessional rate of interest under the scheme.

1.4 Towards the fulfilment of this socio-economic objective Bank of India has formulated specific schemes for different categories of target groups keeping in view their special needs and traditional skills and implemented them through the provision of credit purveyed through a large network of rural, semi-urban, urban and metropolitan branches. At the end of 1980, the bank's advances under DRI scheme

aggregated Rs.11.74 crores covering 1.68 lakh beneficiaries and accounted for 0.97 per cent of total advances, thus almost touching the stipulated one per cent target. It is significant to note that advances under the scheme amounting to Rs.5.76 crores covering 92605 scheduled castes/tribes represented 49 per cent of total DRI advances.

1.5 In helping the weaker sections to augment their income and move above the poverty line, the bank had pursued two approaches. Firstly, it identified eligible beneficiaries and financed them directly for undertaking varied economic activities. Secondly, it sought to extend the coverage of the scheme to a large number of eligible beneficiaries by collaborating with statutory corporations set up by the state governments for the welfare of the weaker sections and voluntary social organisations engaged in ameliorating the economic conditions of the poor by organising them and promoting self-employment through financial support from commercial banks. One of the schemes aimed at improving the living conditions of the poor is being implemented by the bank in collaboration with a voluntary women's social organisation called Working Women's Forum (Forum) in Madras city.

Scheme

1.6 Under the scheme launched in April 1978, the bank has been financing members of the Forum to engage them in self-employment covering retail trading activities to augment their family income. The Forum was set up by a lady social worker in Madras with the principal objective of uplifting the economic conditions of the poor women living in slums by engaging them in self-employment through the provision of credit from public sector banks. Along with economic betterment, the Forum seeks to bring about social revolution by mobilising public opinion against dowry system and untouchability and encouraging inter-caste marriage.

1.7 The Forum sought financial support from the bank for its members to raise their income by keeping them engaged in retail trading activities and to encourage the aspiring ones to take up self-employment. Considering their economic backwardness and exploitation by private moneylenders, the bank has agreed to extend financial assistance to the members of the Forum to keep them engaged in self-employment. The Forum has in turn agreed to help the bank in identifying the beneficiaries, collecting and submitting loan applications and finally in recovery of loans. The Forum also gave guarantee for repayment of loans.

1.8 The bank has given loans ranging from Rs.200 to Rs.1000 to members of the Forum to engage them in retail trading activities including sale of idlis, rice, fish, flower, fruits, vegetables, sarees, cut pieces, etc. The loan meant for purchase of raw materials and various items of daily requirement carries an interest rate of 4 per cent per annum under DRI scheme. It is repayable in 10 monthly instalments.

1.9 Since the scheme has been in operation for more than three years and had benefited about 2800 poor families living in slums, the bank was naturally eager to know the extent of benefit realised by the borrowers from the scheme. Accordingly, it was decided to undertake an evaluation study of the scheme to assess its impact on the borrowers and to ascertain the extent to which the income accrued to the borrowers enabled them to cross the poverty line. Another objective of the study is to identify the problems faced by the Forum and the bank in implementing the scheme and the borrowers in utilising the loans and realising the anticipated income. Finally, the study also seeks to assess the recovery performance under the scheme.

1.10 To undertake this study, a field survey covering 133 beneficiaries living in 10 selected slum pockets of Madras city

was carried out. The relevant data were obtained from the sample beneficiaries by personal interviews through a questionnaire specially designed for the purpose. The survey was undertaken in March 1981.

Major Findings

1.11 According to survey data, 22 out of 133 borrowers were engaged in selling cut pieces, 19 in selling vegetables, 14 in selling snacks, 10 in weaving and selling mats, 8 in selling idlis, 7 each in selling mutton/fish and fruits, 6 each in selling flowers and sarees and 5 in selling rice. Six borrowers were selling household articles in small stalls put up on the way side. The remaining were making a living by selling miscellaneous household items like papad, chilli powder, earthen wares, beedis, etc.

1.12 The loans given by the bank to working women varied from Rs.200 to Rs.1000 and averaged Rs.300 in 1980. Those engaged in selling idlis and shop keeping secured the lowest loan which averaged Rs.233 per borrower and those engaged in sale of sarees received an average loan of Rs.500 each. Of the 133 borrowers, 26 had borrowed in three consecutive years, 69 in two consecutive years and the remaining had borrowed only once at the time of interview.

1.13 Among the sample beneficiaries, 99 were engaged in retail trading activities even before borrowing from the bank. For most of these beneficiaries, bank replaced private moneylenders as the principal source of finance. The remaining 34 sample beneficiaries were initiated into trading activities by the Forum with the bank assistance. Within this category, 11 were earning meagre wages from casual labour in the pre-borrowing period and the remaining were entirely dependent on their husband's income.

1.14 It was also found that 29 sample beneficiaries were the sole

bread-winners of their families. There were no other earning members in the family. Thus, in these cases the bank loan helped them to eke out a living in a respectable manner.

1.15 In the pre-borrowing period, private moneylenders were the principal source of finance for these self-employed women. Of the 99 borrowers engaged in self-employment even before borrowing from the bank, 73 were regularly borrowing from private moneylenders to run their trading activities at interest rates ranging from 100 to 120 per cent per annum. Eighteen beneficiaries raised their own resources and the remaining eight depended on funds borrowed from neighbours and relatives to carry on their trading activities.

1.16 Some lapse in observing the eligibility criterion appears to have been committed in financing the poor women under the scheme. According to the survey data, household income of 39 borrowers in the pre-borrowing period was above Rs.3000 per annum and hence they were not strictly eligible for bank loan under DRI scheme. It is clear that some borrowers appeared to have deliberately understated the household income in order to obtain bank loan at concessional rate of interest.

1.17 The study also revealed a few instances of diversion of bank loan for unproductive purposes. Altogether 24 borrowers had admitted that they had not fully utilised the loans for the purpose intended. Twenty-one of them had diverted a part of the loan for repayment of old debt, while the remaining three had spent it for consumption purposes. In view of the close link between household expenditure and the amount invested in trading activities, diversion of bank loans to some extent appears to be unavoidable.

1.18 A not so very encouraging finding of the study was that despite bank assistance some borrowers continued to borrow from private moneylenders. Thirty-one beneficiaries had borrowed varying

amounts from moneylenders in the post-borrowing period to meet unforeseen family expenditure arising from serious sickness, death, etc. in the family. In other words, even with the provision of bank loan at concessional rate of interest, private moneylenders have not completely disappeared from the scene.

1.19 Impact of bank finance has been assessed in two ways: first by estimating the net income earned by the beneficiaries from various trading activities and second by ascertaining the extent to which the additional income earned by the beneficiaries has helped them to move up the poverty line. As shown by the study, the bank finance enabled 99 beneficiaries who were already engaged in self-employment in the pre-borrowing period to increase the scale of their business and earn a higher net income of Rs.7 per day in 1980 compared to Rs.4 per day in the pre-borrowing period. However, it must be conceded that a significant part of the increase in earning was the result of inflation in the country. Since April 1979 till December 1980, the wholesale price index has increased by 32 per cent. Thus, in real terms, their earnings has increased by only two-thirds of the estimated increase in money income.

1.20 Twenty-three beneficiaries who were not earning any income in the pre-borrowing period could earn an average income of Rs.5 per day in the post-borrowing period. This has enabled them to supplement the family income and improve their consumption level. As regards 11 beneficiaries, the net income earned from trading activities turned out to be Rs.6 per day compared to Rs.3 per day from wage employment in the pre-borrowing period. Thus, for these 34 beneficiaries, the bank finance has ensured a reasonable level of income from self-employment.

1.21 Thus, for a majority of beneficiaries, average net income of Rs.7 per day from self-employment would imply a monthly income of Rs.210. And after allowing for repayment of instalment estimated

at Rs.30 per month, the beneficiaries were left with a net income of Rs.180 per month or approximately Rs.2200 per annum. This does not include the indirect benefit accrued to them from low interest burden on bank loans compared to high interest rate charged by private moneylenders. If allowance is made for this factor, net income earned by the beneficiaries in the post-borrowing period will be still higher. Thus, the survey result has clearly demonstrated that the economic conditions of the urban poor can be improved significantly by promoting self-employment among them through bank finance.

1.22 As expected, the beneficiaries utilised the additional income earned from self-employment in the post-borrowing period for improving their standard of living. Two beneficiaries constructed new houses by investing Rs.10,000 from out of their savings and six more had renovated their houses by spending altogether Rs.6000. Twenty-six borrowers repaid the old debt from out of the extra income earned. Thirty-six borrowers had reported that they had purchased household durables mainly utensils from the additional income. However, three beneficiaries expressed the view that their economic conditions did not improve even after borrowing from the bank.

1.23 The bank assistance has also brought about a perceptible shift in the source of procurement of raw materials by the beneficiaries from retail to wholesale markets. In the pre-borrowing period, they were buying raw materials required to carry on their trading activities in small quantities comparatively at higher prices from retail markets. With the availability of bank loan, many beneficiaries started procuring raw materials in bulk from wholesale markets, which enabled them to earn higher margin on sales.

1.24 To a significant extent, the bank finance has contributed towards weakening the hold of private moneylenders on the working

women living in slums and consequently many beneficiaries felt relieved of the burden of high interest rates they were paying to moneylenders. Dependence on private moneylenders had denied them reaping the full benefit of their labour. Gradual replacement of private moneylenders by the bank as a principal source of finance for their trading activities had indirectly increased their income because of the low interest rate charged by the bank.

1.25 However, the banks efforts to raise the income of the beneficiaries above the poverty line met with only partial success. It was observed that income earned from self-employment enabled only 49 out of 133 borrower households to live above the poverty line. In other words, bank finance helped only about 42 per cent of the poor borrower families living in slums to achieve a significant improvement in their level of consumption.

1.26 It was encouraging to find that the recovery of bank loans under the scheme was satisfactory. All the beneficiaries had fully repaid the loans borrowed in 1979. And for the loans borrowed in 1980, the recovery rate worked out to about 66 per cent till March 1981. Considering their precarious economic condition and ever pressing need for money to meet the basic consumption needs, this recovery rate is appreciable. Of course, there were complaints of default in repayment by many borrowers who had availed of loan in the first year of the scheme. But it was mainly attributed to dishonesty of some group leaders who failed to deposit with the Forum the instalments collected from the borrowers.

Recommendations

1.27 It is necessary to ensure that the loan given by the Bank does not fall short of the requirement of the borrowers for carrying on their trading activities. Many borrowers had expressed the view that the loans extended by the bank were inadequate in the context

of a sharp rise in the price level even to maintain their business activities at the existing levels. Moreover, some were keen to increase the scale of operation for which they require additional loans. The bank may therefore consider raising the minimum loan amount under the scheme in stages to Rs.500 keeping in view their repaying capacity.

1.28 It cannot be said that the bank has completely succeeded in weaning the working women away from the clutches of moneylenders as it was found that some beneficiaries continued to borrow from them to meet unforeseen expenditure arising from serious illness, death or marriage in the family. Since their income is low and saving is almost non-existent, they are forced to knock at the door of moneylenders when they are up against sudden and unexpected family crisis. Such unforeseen family needs should be taken into account while financing weaker sections under various schemes. For families in distress the bank should explore the feasibility of extending financial support against pledge of ornaments. For jewel loans, the bank may stipulate a three-year repayment period.

1.29 To keep the borrowers away from the influence of moneylenders, it is also necessary to ensure continuity of loan by reducing the time-gap between receipt of applications and disbursement of loans. Some members had complained of delay in releasing the loan by the bank. To avoid this problem, it is suggested that the Forum should collect loan applications from the intending borrowers at least two months before the expiry period of the existing loan and submit them to the bank as soon as the loans are fully repaid. After scrutinising the applications and assessing the loan requirements, the bank should disburse the loans without delay. For, considerable delay in disbursement of loans could drive the borrowers back into the fold of private moneylenders.

1.30 Complaints of delay in remitting instalments by the Forum

collected from the borrowers towards repayment of loans have been received from financing branches. No doubt, with the progressive rise in the number of members seeking bank assistance the pressure of administrative work on the limited staff of the Forum has been mounting. The Forum should make all out efforts to tone up its administration in order to eliminate delay in submitting accounts to the bank. Such delay, as shown by experience, widens the time lag between submission of loan applications by the borrowers and sanctioning of loans by the bank, often aggravating frustration among its members.

1.31 The existing arrangement for recovery of loans mutually agreed upon by the bank and the Forum needs to be toned up. In the past, some cases of misappropriation of funds by group leaders have come to light. If preventive measures are not taken, occurrence of similar events cannot altogether be ruled out in the future. Under the existing arrangement, the borrowers pay the instalments to the group leaders without insisting any receipt from them. Indeed, the borrowers have complete faith in the group leaders. But this faith could be misused as it happened in the past. One way to plug this loophole is by issuing pass books to each borrower in which they should be asked to make entries of payment made towards repayment of loans duly countersigned by the group leaders. This arrangement will provide a safeguard against misappropriation of funds by the group leaders.

1.32 Given the dispersed nature of trading activities engaged in by these beneficiaries, small size of loan, large number of beneficiaries, it is a challenging task for the financing branches to keep personal contact with every borrower. The minimum the branches should do in this regard is to keep in constant touch with the group leaders who are few in number by asking them to visit the branches periodically and apprise the managers about the performance of

borrowers and progress of recovery so that timely action could be taken against the defaulters at an early stage. With the help of group leaders, the bank staff should periodically organise field visits and meet the borrowers individually and discuss with them their economic problems. Through such visits the bank can try to prevent diversion of bank loans and keep a check on repayment of loans. This way the bank can also gradually establish direct contact with a sizeable segment of borrowers over the years and develop leadership quality among them.

1.33 Considering the poor economic conditions in which the borrowers live and modest benefits realised by them from bank loans, there is much to commend about the scheme which deserves encouragement and wider coverage. The Forum is growing in popularity among housewives living in slums and its membership is increasing. It is increasingly flooded with applications from its members for loans for undertaking trading activities. No doubt, much more needs to be done to improve the economic conditions of the poor and continued financial support from commercial banks is a must to strengthen this movement. The economic conditions of the weaker sections living in slums could be improved only if all public sector banks join hands and share the responsibility with Bank of India in implementing this and similar schemes for the benefit of slum dwellers in Madras city.

1.34 In many cities of India slums have been proliferating due to steady flow of immigrants from rural areas in search of better economic prospects. This trend is likely to continue unchecked in the years ahead. But most of the immigrants land up in shanty townships or dingy slums in cities and live in squalor and poverty. These families, however, can improve their economic and social status if the woman folk are motivated to take up some productive activities that ensure a regular stream of income for them through financial support from institutional agencies. In this regard,

the ideals and achievements of the Forum stand out as a model for voluntary social organisations in other cities to emulate and strive to improve the economic conditions of the urban poor through financial support from commercial banks.

CHAPTER 2

SCHEME

2.1 The plight of the poor living in urban slums is, to say the least, deplorable. Living on the margin of subsistence, they constitute the hard core of poverty in urban areas. A vast majority of them live in an unhygienic surroundings, deprived of basic amenities like drinking water, sanitation, etc. Most of the slum dwellers are engaged in manual and low skilled work and earn a meagre wage which is hardly enough to make both ends meet. For them every day is a grim trial of desperate drudgery from which they hope to earn a bare minimum of basic necessities needed to survive. To supplement the family income, many housewives are forced to seek employment or engage themselves in self-employment. In many families, even young children are not spared from working for a pittance. Unfortunately, even with the employment of children, total family income of the urban poor does not add up to a level adequate to live above the poverty line.

2.2 The poor economic conditions and the hostile social surroundings in which women in urban slums subsist are even more pitiable. They suffer from a plethora of social and economic disabilities. Their life is a constant struggle against economic exploitation and social oppression. They are the victims of harrassment by their husbands and exploitation by the public at large. Most of them have a twin role to perform. As housewives they have to attend to household chores and additionally required to contribute to meagre family income either through wage earning or by engaging themselves in petty trading activities invariably with loans borrowed from local moneylenders at exorbitant rates of interest. Unfortunately, a major share of the income earned by them from self-employment is appropriated by the unscrupulous moneylenders. As a result, slum dwellers in urban areas continue to live in perpetual poverty.

2.3 A major handicap in bringing about economic improvement of

slum dwellers is the inadequate employment opportunities for men in organised sector and lack of organisation and vocational training among the poor urban housewives. Fortunately, the poor urban women are aware of the social and economic handicaps facing them and are also receptive to new ideas and are willing to organise and improve their earning through self-help. Another handicap in improving their living conditions is the lack of assured source of institutional finance. Commercial banks do not have organisational machinery to cater to the financial requirements of thousands of poor slum dwellers individually for promoting self-employment. Obviously, the first step in the task of ameliorating the economic conditions of the poor urban women is to bring them together under one organisation and then seek financial assistance from commercial banks to engage them in gainful economic activities.

2.4 With the steady flow of immigrants mainly from rural areas in search of jobs and better economic opportunities, the existing slums expanded and new ones sprang up in different parts of Madras city. Job opportunities in the city did not keep pace with the increase in number of people seeking employment. High cost of living and scarcity of housing facilities have driven the immigrants and the poor to live in shanty townships. The slum dwellers most of whom are illiterates and unskilled are therefore forced to accept menial jobs with low wages. Economic compulsion has driven the housewives in urban slums to earn some income to supplement the family income.

Working Women's Forum

2.5 Aware of the economic plight of slum dwellers in Madras, a lady social worker decided to take up the cause of toiling women living in slums and help improve their economic conditions. She visited some slums in the city, met housewives there and discussed with them their social and economic problems. After repeated visits to many slums, she discovered that most of the women were engaged

in economic activities ranging from vending of vegetables to running mini tea/coffee stalls on the wayside to supplement family income. She also found that they were all indebted to local money-lenders, a phenomenon which was partly responsible for their poor economic conditions because these working women had to set aside a large chunk of their daily earnings towards repayment of loan borrowed at high rates of interest. She realised that as long as the dominance of moneylenders continued, the working women will live in perpetual economic subjugation and poverty. She therefore decided first to organise these women under a common forum to fight for their economic and social rights and then replace moneylenders by arranging loans for them from commercial banks. Out of the urge to help improve the economic conditions of women living in slums was borne the Working Women's Forum in April, 1978.

2.6 The Forum is a voluntary, non-political, social service organisation aimed at ameliorating the economic conditions of the women slum dwellers in Madras. Within three years of its birth, the membership of the Forum rose to 5000. It was set up with the following broad objectives in view:

- i) to mobilise all working women belonging to the lowest economic strata and social group for a common economic and social order;
- ii) to create awareness among them about their rights and fight unitedly for them and acquire and assume a proper status for them, irrespective of the kind of work they are engaged in;
- iii) to improve their professional competence and social status either by training or by material and other means of support, and
- iv) to set up educational institutions, training

centres, production units, cooperative banks for promoting the welfare of working women.

2.7 The Forum had approached the bank for financial assistance to its members who were already engaged in retail trading activities covering a wide spectrum of consumer goods and eatables and who were interested in taking up self-employment. Looking at their pitiable economic conditions and the need to augment their family income, the bank had agreed to extend financial assistance to members sponsored by the Forum. Thus emerged a scheme sponsored by a social organisation and financed by the bank which sought to augment the income of the poor urban families by engaging women in gainful occupations.

Scheme

2.8 Under the scheme the Forum collects loan applications from its members desirous of availing loan from the bank through its group leaders and submits them to the bank for sanction. For a group of 20 - 30 members there is a group leader chosen by the members on the basis of her leadership quality, honesty, trust, etc. The group leaders who live in the same hutment colonies keep personal contact with the members. Being the members of the governing board of the Forum, the group leaders provide a link between the members and the Forum. The Bank, after a thorough scrutiny of the applications and careful assessment of the repaying capacity of the applicants, sanctions loans to the applicants.

2.9 Besides collecting, scrutinising and routing the applications, the Forum also helps the bank in recovery of loans. The group leaders are required to collect monthly repayment instalments from the borrowers and submit the accounts to the Forum which in turn remits the amount to the bank. The Forum also gives guarantee to the bank for repayment of loans.

2.10 Starting from 1978 when the bank financed 500 working women, the coverage of borrowers under the scheme has increased to 2800 and the loan amount to Rs.4.63 lakhs at the end of 1980. Initially, only one branch in the city was financing the scheme. But as lending to working women gathered momentum and as members living in different parts of the city sought bank assistance, it became necessary to involve more branches in the implementation of the scheme. By 1980, ten branches in the city were engaged in implementing the scheme. In recognition of the services rendered to the poor by the Forum, the Indo-German Social Service Society, New Delhi, has given a grant of Rs.50,000 to the Forum. It has deposited this amount with the bank for 63 months more or less as collateral security.

2.11 Under the scheme, bank has financed the members of the Forum for a variety of purposes - for sale of idlis, sarees, cut pieces, vegetables, flowers and to engage them in traditional occupations like handicrafts. Depending on the requirement, loans ranging from Rs.200 to Rs.1000 were given to the members of the Forum. These loans are repayable in monthly instalments within a year. Since the members of the Forum belong to the weaker sections of the society, the loans carry a concessional interest rate of 4 per cent per annum under DRI scheme.

Objectives of Study

2.12 Since the bank has been financing members of the Forum from April 1978, it was felt that time has come to undertake an evaluation study of the scheme in order to assess its impact on the beneficiaries. Besides, there was a feeling that a review of its working in order to identify the shortcomings, if any, in its implementation before the coverage of the scheme is extended to a larger number of borrowers was overdue.

2.13 The study was carried out with the following objectives in view:

- i) to review the operation of the scheme and identify the shortcomings, if any, in its implementations;
- ii) to assess the impact of the scheme on the income earned by the beneficiaries;
- iii) to ascertain the number of beneficiary families the bank has helped to cross the poverty line, and
- iv) to assess the recovery performance under the scheme.

2.14 To undertake this study a field survey was carried out in 10 selected hutment colonies located at the following areas in Madras city : Ayanavaram, Sharma Nagar, N S K Nagar, Kalki Nagar, Chetpet, Anna Nagar, K K Nagar, Armugam Nagar, Nungambakkan and Pushpa Nagar. From each colony, some beneficiaries were randomly selected and interviewed. Altogether 133 beneficiaries were covered in the survey. Only those beneficiaries who had borrowed from the bank at least a year before the survey was undertaken were covered. The relevant data and information were collected from the sample beneficiaries by personal interviews through a questionnaire specially designed for the purpose. 1980 was taken as the reference year and the data were collected from the beneficiaries for two periods, i.e. 1980 and pre-borrowing period. A team of officers from Zonal Office and financing branches in Madras constituted the survey team which was assisted by selected group leaders of the Forum in identifying the borrowers for interviews. The field survey was carried out in March 1981.

2.15 Sample borrowers were found to be of two types: (i) those who were already engaged in retail trading activities even before borrowing from the bank and (ii) those who were initiated into

self-employment with the bank loan. Thus, in view of the differences in the borrower's status, years of experience in trading activities, etc. the impact of bank finance on each category of borrowers has been assessed separately. In the case of first category of borrowers, the impact has been assessed in terms of incremental income while in the latter category it was ascertained from net income earned by the borrowers from trading activities. Apart from assessing the impact in terms of given parameters, an effort has been made to ascertain the number of borrower-families the bank has helped to cross the poverty line.

CHAPTER 3

BENEFITS FROM BANK ASSISTANCE

3.1 This chapter presents an analysis of survey data collected from a representative sample of beneficiaries by personal interviews. The analysis covers a brief description of the social and economic background of the beneficiaries and various aspects of their economic activities including scale and area of operation, methods of marketing, daily turnover and net income earned by them from trading activities. Since timely repayment of bank loans is also an indicator of success of a scheme, the recovery performance of the beneficiaries has also been assessed in this chapter.

Household Information

3.2 There are significant variations in the surroundings in which the beneficiaries lived in different parts of the city. While some lived in pucca houses with tiled roofs in a comparatively better surrounding, most beneficiaries resided in hutment colonies in an unhygienic environment without access to drinking water and sanitation. All the same, their economic condition was precarious as they have to toil from morning to evening for their daily bread literally at the sweat of their brow. Apart from squalor, they lived in hostile surroundings infested with anti-social elements which often threatened their peaceful living.

3.3 Most of the beneficiaries, as it turned out, were housewives. Some were the sole bread-winners of the family, while others supplemented the family income. Some were born in the colonies where they lived, while many others settled after their marriage. In most cases, low family income had driven the housewives to seek self-employment to supplement the meagre family income.

3.4 The number of members in the beneficiary families averaged 5 and the number of working members averaged 3. Income earned by

them was barely enough to meet the basic necessities of life. Low education coupled with poor skill formation and lack of employment opportunity to earn higher income had kept the families below the poverty line. They were a heterogeneous lot comprising people of different faiths and sects. But all of them suffered from the same economic problem - poverty.

Diversity in Occupations

3.5 The survey data revealed that the beneficiaries were mostly engaged in retail trading activities involving low financial commitment and requiring no special skill. Most of them were engaged in vending household goods, eatables and other necessities and some in making and selling handicrafts. They had preferred self-employment to wage employment as they felt that it was more respectable and at the same time they could attend to their domestic chores. In other words, most of the beneficiaries combined trading activities with their household responsibilities. In this way, they performed the dual role of a income earner and a housewife, dividing their time between trading activities and household works.

3.6 It was found from the survey data that 22 beneficiaries were engaged in selling cut pieces, 19 in selling vegetables, 14 in selling home made snacks (idlis, dosa, vada, etc.), 10 in weaving and selling mats, 8 in selling idlis, 7 each in selling mutton and fruits, 6 each in selling flowers and sarees and 5 in selling rice. Six beneficiaries were shop-keepers and the remaining were engaged in making and selling miscellaneous household articles like papad, chilli powder, earthen wares, stainless steel vessels, beedis, etc. Most of the beneficiaries had more than two years experience in retail trading activities.

3.7 There was no uniformity in the time devoted by the

beneficiaries to various trading activities. Twenty-six beneficiaries were engaged in trading activities for about 4 hours per day, 23 beneficiaries for about 4 to 6 hours per day, 24 beneficiaries for about 6 to 8 hours per day and the remaining more than 8 hours per day. Thus for a significant proportion of the beneficiaries, the trading activities provided only a part-time occupation.

3.8 Another feature of their trading activities was that the scale of operation and daily turnover was low. Most of the beneficiaries were engaged in eking out a living by selling one or two articles of daily necessities. Their clientele most of whom lived in slum areas like them belonged to low income groups with limited purchasing power. As a result, their daily business turnover was modest and hence the income earned from petty trades was meagre.

3.9 Another feature of their self-employment was that the beneficiaries were assisted in their activities by their family members. It was found that 49 beneficiaries were engaged in retail business without any family member assisting them. Others received assistance from family members, 42 from their husbands, 29 from their children and 13 from neighbours and relatives.

3.10 There was marked divergence in the trading practices employed by the beneficiaries to promote their retail business. It was found that 38 beneficiaries were earning income from sale of daily necessities by moving from door to door. Twenty-nine were selling eatables and consumer products at doorsteps without moving out of their residence. Twenty-eight were carrying on retail business at a fixed place on the road side, while 19 had no fixed place.

3.11 The beneficiaries comprised two categories:

- i) those who had been engaged in retail trading before the bank extended them financial assistance and
- ii) those who took up self-employment with the bank

assistance.

It was found that 99 out of 133 sample beneficiaries belonged to the first category and the remaining 34 to the second category. Within the second category, 11 beneficiaries were earning meagre income from wage employment in the pre-borrowing period. The remaining 23 were not engaged in any income earning occupation and were depended entirely on their husband's income. Thus, for these 34 women bank assistance created an avenue of employment and helped them to augement their family income. The distribution of sample beneficiaries according to trading activities engaged in by them is shown in Table 1.

3.12 Discussions with the beneficiaries revealed that the motive for taking up self-employment had come from within. One hundred beneficiaries took up retail trading activities without any one motivating them to do so. Of the remaining, 23 were motivated by the group leaders, 4 by their neighbours, 2 each by friends, relatives and husbands.

Eligibility of DRI Scheme

3.13 It is further revealing to observe that 29 out of 133 sample beneficiaries were sole bread-winners of their families. These families depended entirely on the income earned by the beneficiaries from trading activities financed by the bank. Thirteen more beneficiaries earned their livelihood with the joint efforts of other members in the family and the remaining 91 beneficiaries supplemented the family earnings. In other words, bank assistance helped 29 out of 133 beneficiaries to eke out a living and support their families.

3.14 To be eligible for bank loan at concessional rate of interest under DRI scheme, the family income of the borrower residing in

Table - 1

Distribution of Beneficiaries
According to Trading Activities

Purpose of loan	Those who were engaged in the trading activities before borrowing from Bank	Those who took up trading activities with Bank loan		Total
		No occupation	Wage earners	
1. Cut Piece selling	12	9	1	22
2. Vegetable selling	12	4	3	19
3. Snacks selling	12	2	-	14
4. Mat weaving & selling	10	-	-	10
5. Idli selling	7	-	1	8
6. Mutton/Fish selling	5	1	1	7
7. Fruits selling	6	-	1	7
8. Flower selling	4	1	1	6
9. Saree selling	5	-	1	6
10. Petty shop keeping	5	1	-	6
11. Rice selling	3	2	-	5
12. Selling miscellaneous household items	18	3	2	23
T o t a l	99	23	11	133

urban area should not exceed Rs.3000 per annum. To find out if the bank had committed any lapse in financing the slum dwellers with respect to above criterion, the income of the beneficiary households before borrowing from the bank was examined. It was found that 39 beneficiaries had household income in excess of Rs.3000 per annum before borrowing from the bank. Obviously, in these cases, the Forum had not exercised sufficient care in scrutinising the applications and verifying their family income thoroughly. It was also possible that in order to get loan at concessional rate of interest, some beneficiaries might have deliberately understated their family income. However, it must be admitted that the way the scheme is being implemented, the bank is not in a position to verify the eligibility of the beneficiaries for loans based on income criteria.

Loan Adequacy and Diversion

3.15 The loan was given to the poor women living in the city slums to augment their family income through the promotion of self-employment. These loans are without any security. Since the scale of operation and the unit value of articles traded by the beneficiaries was low, the credit required to carry on trading activities was also modest. Hence the loans given by the bank varied from Rs.200 to Rs.1000 per beneficiary and averaged Rs.300. The average loan given to beneficiaries engaged in selling idlis and shop-keeping turned out to be the lowest - Rs.233, while that given for sale of sarees amounted to Rs.500. The relevant data are presented in Table 2. Of the 133 beneficiaries, 26 had borrowed in three consecutive years, 69 in two consecutive years and the remaining had almost completed one term when the survey was undertaken.

3.16 At least two conditions have to be fulfilled if the principal objective of the scheme - raising the income of the beneficiary

Table - 2

Loans Disbursed to Beneficiaries
To Undertake Retail Trading Activities in 1980

(Amount in Rs.)

Purpose of Loan	No. of beneficiaries	No. of beneficiaries who had availed of loan in 1980	Loan amount	
			Total	Average
1. Cut Piece selling	22	20	6500	325
2. Vegetable selling	19	19	5000	263
3. Snacks selling	14	13	3700	285
4. Mat weaving & selling	10	10	3700	370
5. Idli selling	8	6	1400	233
6. Mutton/Fish selling	7	6	1700	283
7. Fruits selling	7	6	1600	267
8. Flower selling	6	6	1600	267
9. Saree selling	6	6	3000	500
10. Petty shop keeping	6	6	1400	233
11. Rice selling	5	5	1500	300
12. Selling miscellaneous household items	23	21	6100	290
Total	133	124	37200	300

households and lifting them above the poverty line - is to be achieved. These are: (i) loans given by the bank should be adequate and (ii) they should be utilised for the purpose intended. In this regard, it must be emphasised that the bank should avoid extending loan either in excess of or short of requirement. In other words, before sanctioning loans it should make a careful assessment of the requirement of credit for various trading activities the beneficiaries intend to pursue. However, in view of the close relationship between household responsibilities and their trading activities, the demand for loans was likely to be mixed up with household needs. This has rendered the task of assessing the financial requirements for their trading activities rather difficult. All the same, the bank had tried to meet the full requirement of credit demanded by the beneficiaries. Only where the bank had serious doubts about the demand made by the beneficiaries, it had pruned down after making a careful assessment of credit required for undertaking various trading activities.

3.17 Despite all the cares taken by the bank, the possibility of dissatisfaction with the beneficiaries about the quantum of loans disbursed by the bank could not be ruled out. To ascertain their reaction, the beneficiaries were asked whether the loans given by the bank were adequate or not. Not surprisingly, as many as 46 out of 133 beneficiaries replied that the loans given by the bank were not adequate. However, the financing branches were of the view that in these cases loan amount sought by the borrowers was high in relation to the scale and nature of business activities undertaken by them. The general tendency found with the beneficiaries was that they were demanding loan larger than actually required for carrying on various trading activities.

3.18 Since the beneficiaries belonged to the weaker sections of the society, they are always under pressure for money to meet the

basic consumption requirements of the family. In the circumstances, one cannot rule out the possibility of beneficiaries diverting a part of the bank loan for consumption purposes. However, by the very nature of their occupations, it is difficult to verify directly the end-use of credit. In order to ascertain the extent of diversion of bank loan, the beneficiaries were asked during the interview to indicate the loan amount diverted for non-productive purposes. Nineteen beneficiaries had admitted that they had not utilised the bank loan for the purpose intended, 17 had used a part of the loan for repayment of old debt and the remaining 2 had utilised it for consumption purposes. Thus, it is clear that all the beneficiaries did not utilise the bank loan fully for business purposes.

Role of Moneylenders

3.19 Before borrowing from the bank, private moneylenders were the principal source of finance for these beneficiaries. Of the 99 beneficiaries engaged in self-employment in the pre-borrowing period, 73 were regularly borrowing from private moneylenders to meet their working capital requirement at interest rates ranging from 100 to 120 per cent per annum. Some were buying raw materials and saleable articles from traders on credit at exorbitant rate of interest. The extension of credit by the bank had significantly reduced the dependence of the beneficiaries on moneylenders.

3.20 At the same time, it was discouraging to note that despite the bold step taken by the bank to assist the slum dwellers, some beneficiaries continued to seek loans from moneylenders to meet unforeseen family expenditure arising from sickness, marriage and other exigencies in the family. Some had borrowed from moneylenders by pledging ornaments, while others had obtained loans on personal bond. The survey data as shown in Table 3 revealed that 90 beneficiaries were free from financial liability to any person including moneylenders at the time of field survey. Among the remaining, 31

were indebted to private moneylenders, 3 to relatives and 9 to neighbours. The average amount borrowed from the moneylender worked out to Rs.546, that from neighbours came to Rs.419 and that from relatives was estimated to be Rs.466. Only a small part of the loans borrowed from private sources was invested in business but a large segment was used to meet the pressing and unforeseen family expenditure.

Awareness of DRI Scheme

3.21 For most of the beneficiaries who were for many years dependent on moneylenders for loans at very high interest rates, the bank loan at low rate of interest meant considerable relief in repayment. Since the repayment of loans is routed through the Forum, the bank has no knowledge about the extent of awareness of the low interest rate among the beneficiaries. From discussions with sample beneficiaries it was discovered that 32 beneficiaries were not very sure about this feature of the scheme although they were aware that the interest rate charged by the bank was significantly lower than that extracted by private moneylenders. The remaining were aware of the concessional rate of interest charged by the bank.

Gross and Net Income

3.22 The daily gross income earned by the beneficiaries from different trading activities are shown in Table 4. Since the beneficiaries did not maintain any record of their trading activities, the estimate of gross and net income given by them should be treated as approximations. As can be seen from the table the average daily gross income earned by 99 beneficiaries before and after borrowing from the bank turned out to be Rs.27 and Rs.45 respectively. All had reported higher turnover in the post-borrowing period compared to pre-borrowing period. It is interes

Table - 3

Extent of Indebtedness of Beneficiaries
In Post-Borrowing Period

(Amount in Rs.)

Purpose of loan	Those who were free from indebtedness	Those who were indebted to		
		Money-lenders	Relatives	Friends/Neighbours
1. Cut Piece selling	16	6 (4000)		
2. Vegetable selling	14	4 (2600)		1 (150)
3. Snacks selling	6	5 (3100)		3 (2600)
4. Mat weaving & selling	8	1 (500)	1 (200)	
5. Idli selling	6	1 (300)		1 (200)
6. Mutton/Fish selling	5			2 (300)
7. Fruits selling	4	3 (1960)		
8. Flower selling	3	2 (400)	1 (400)	
9. Saree selling	3	2 (1500)	1 (800)	
10. Petty shop keeping	4	1 (500)		1 (220)
11. Rice selling	4	1 (200)		
12. Selling miscellaneous household items	17	5 (1870)		1 (300)
T o t a l	90	31 (16930)	3 (1400)	9 (3770)
A v e r a g e		546	466	419

Figures in brackets indicate loan amount.

ting to observe that the daily turnover was low in the case of beneficiaries engaged in selling one item like idli or rice compared to those engaged in selling more than one item.

3.23 The gross income earned by 23 beneficiaries who took up self-employment with the bank assistance averaged Rs.36 per day. The gross income from sales earned by 11 beneficiaries engaged in wage employment in the pre-borrowing period averaged Rs.37 per day in the post-borrowing period. Although these 34 beneficiaries were comparatively less experienced in trading activities, some had achieved a daily sales turnover comparable to the level achieved by the experienced ones.

3.24 The average net income earned by different categories of beneficiaries from trading activities is estimated in Table 5. The net income earned by 99 beneficiaries averaged Rs.7 per day in 1980 compared to Rs.4 in the pre-borrowing period. These beneficiaries earned an incremental income of Rs.3 per day. As can be seen from the table, net income earned from sale of mats was estimated to be higher at Rs.10 per day compared to Rs.4 per day from sale of rice.

3.25 The net income earned by 23 beneficiaries was estimated to be Rs.5 per day and the same in the case of 11 beneficiaries was Rs.5 per day. This was double the wage income of Rs.3 per day earned by them in the pre-borrowing period. Thus, the average net income earned by the beneficiaries from trading activities in the post-borrowing period was higher than in the pre-borrowing period.

3.26 Indeed the daily incremental income earned by the beneficiaries was modest and possibly could not have produced a significant impact on their standard of living. If we take into account the sharp increase in the price level during the past two years, the rise in real income was still low. In fact, inflation accounted for a part of the increase in net income realised by the beneficiaries.

Table - 4

Daily Gross Sales Per Borrower

(In Rupees)

Purpose of loan	Those who were engaged in the trading activity in pre-borrowing period (99)		Those who had no occupation in pre-borrowing period(23) Post-borrowing period (1980)	Those engaged in wage earning in pre-borrowing period(11) Post-borrowing period (1980)
	Pre-borrowing period	Post-borrowing period (1980)		
1. Cut piece selling	32	46	36	40
2. Vegetable selling	27	48	40	42
3. Snacks selling	24	40	42	-
4. Mat weaving & selling	25	45	-	-
5. Idli selling	16	24	-	20
6. Mutton/Fish selling	30	48	24	40
7. Fruits selling	24	40	-	45
8. Flowers selling	18	30	25	30
9. Saree selling	40	60	-	40
10. Petty shop keeping	40	64	30	-
11. Rice selling	16	26	24	-
12. Selling miscellaneous household items	30	50	25	33
A v e r a g e	27	45	36	37

Table - 5

Daily Average Net Income Earned by Beneficiaries

(Amount in Rupees)

Purpose of loan	Those who were engaged in trading activities in pre-borrowing period(99)		Those who had no occupation in pre-borrowing period (23) Post-borrowing period (1980)	Those engaged in wage earning in pre-borrowing period(11)	
	Pre-borrowing period	Post-borrowing period (1980)		Pre-borrowing period (wage)	Post-borrowing period (1980)
1. Cut piece selling	4	7	6	2	7
2. Vegetable selling	5	8	6	3	6
3. Snacks selling	5	8	7		
4. Mat weaving & selling	6	10			
5. Idli selling	4	6		4	5
6. Mutton/Fish selling	4	7	4	2	7
7. Fruits selling	4	6		5	6
8. Flower selling	4	7	6	4	7
9. Saree selling	4	7		3	7
10. Petty shop keeping	6	8	5		
11. Rice selling	3	4	4		
12. Selling miscellaneous household items	3	7	4	2	6
A v e r a g e	4	7	5	3	6

Moreover, as is evident from the daily average turnover data presented in table, their daily earning was low because of low scale of operation.

3.27 Average net income of Rs.7 per day from self-employment would yield a monthly income of Rs.210 to a majority of beneficiaries. And, after allowing for repayment of bank loan estimated at Rs.30 per month, they were left with a net income of Rs.180 per month. In other words, bank assistance enabled the beneficiaries to earn a net income of about Rs.2200 per annum in the post-borrowing period. In other words after allowing for repayment of bank loan the beneficiaries were left with a modest surplus income. Evidently, the scheme of promoting self-employment among the urban poor women through bank finance has enabled them to augment family income.

Family Income

3.28 Impact of the scheme on the beneficiaries family income could be assessed from Table 6. As can be seen from the table, average income earned by 99 beneficiary families in 1980 was estimated to be Rs.5005 comprising Rs.2565 by the beneficiaries and Rs.2440 by other members of the family. The family income of 23 beneficiaries averaged Rs.4521 comprising Rs.1899 earned by the beneficiaries and Rs.2622 by others in the family. In the case of 11 beneficiaries, their share in the total family income of Rs.3994 was Rs.2118. Thus, nearly 50 per cent of the family income was contributed by the beneficiaries from trading activities undertaken with bank loan.

3.29 The bank finance also set in motion a welcome shift in the beneficiaries choice of procurement of raw materials required to carry on their trading activities. In the pre-borrowing period, they were buying raw materials in small quantities comparatively at higher prices from retail markets. In the post-borrowing period,

Table - 6
Annual Income
Of Beneficiary Households : 1980

(Amount

Category of beneficiaries	Income of benefi- ciaries	Income of other members	Total Family Income
1. Those who were engaged in trading activities in pre-borrowing period - 99	2565 (51.3)	2440 (48.7)	5005 (100.0)
2. Those who had no occupation in pre- borrowing period - 23	1899 (42.0)	2622 (58.0)	4521 (100.0)
3. Those engaged in wage earning in pre- borrowing period - 11	2118 (53.0)	1876 (47.0)	3994 (100.0)
T o t a l	2413 (49.9)	2425 (50.1)	4838 (100.0)

Figures in brackets indicate percentage shares

most of them turned to wholesale markets to procure raw materials in bulk. Bulk purchase of raw materials and other consumer goods enabled the beneficiaries to realise higher margin on sales.

3.30 Another way of assessing the impact of bank finance is to ascertain the extent to which it had enabled the beneficiaries to live above the poverty line. As stated earlier, the principal objective of the scheme is to augment the income of the beneficiaries so as to enable them to cross the poverty line. According to the Sixth Plan document, the poverty line for people living in urban areas was drawn at a consumption expenditure of Rs.75 per capita per month at 1977-78 price level. Since then, there has been a steady increase in the price level due to inflationary pressures in the economy. Obviously, the poverty line has to be redrawn to take care of the rise in cost of living index. For this purpose, the consumer price index for industrial workers in Madras was used and the poverty line was accordingly revised to account for the rise in cost of living. The revised consumption expenditure for people living at the poverty line at 1980-81 price level was estimated to be Rs.94 per capita per month. At this level of expenditure, an average family of 5 members would require Rs.5640 per ^{annum} month to live above the poverty line. Applying this income norm, it was found that only 49 sample beneficiary households could cross the poverty line. In other words, bank finance enabled approximately 42 per cent of the borrowers to achieve a significant improvement in their standard of living.

3.31 Although the average incremental income earned by the beneficiaries was modest, the general consensus was that bank finance had made a measurable impact on their standard of living. Most of them were happy that their consumption level had improved after borrowing from the bank. Some beneficiaries utilised the extra income earned by them in diverse ways for improving their standard of living. As

can be seen from Table 7, two beneficiaries had constructed new houses by investing Rs.10000 from out of their earnings and twelve beneficiaries had renovated their houses by spending Rs.6000. Twenty-six beneficiaries repaid the old debt from out of the extra income earned after borrowing from the bank. Thirty-six had purchased household durables mainly utensils from the additional income. However, three beneficiaries complained that bank finance did not make any positive contribution to their standard of living.

3.32 In addition to augmenting their income directly, the bank finance relieved many beneficiaries from the clutches of rapacious moneylenders. In the pre-borrowing period, private moneylenders were the principal source of finance for a majority of poor self-employed women. They were exploiting these women by charging very high rates of interest ranging from 100 to 120 per cent. As a result, a major share of profit earned by the beneficiaries from retail trading was appropriated by moneylenders. With the entry of bank in their business as supplier of credit, the dependence of beneficiaries on moneylenders diminished to a significant extent. This is by no means an insignificant contribution by the bank in augmenting the income of poor slum dwellers.

3.33 Although most of the beneficiaries lived in poverty and squalor, they have not resigned to their fate. Despite hardships and adversities in life, they are not altogether pessimistic about their future. Fortunately, they are a highly motivated lot with a will to fight all odds in order to improve their economic conditions. In fact, many were not at all satisfied with present level of earning from their occupations. Indeed, they wanted to earn more and live better. As many as 110 sample beneficiaries said that they were not satisfied with the income earned from trading activities and that they wanted to augment their income further. However, the remaining 23 beneficiaries appeared to be content with

Table - 7

Impact of Bank Finance on Beneficiaries

(Amount in Rupees)

Purpose of loan	No. of beneficiaries	Improve-ment in consump-tion	Construction of new house		Improvement of old house		Repayment of old debts	
			No.	Amount	No.	Amount	No.	Amount
1. Cut piece selling	22	15	-	-	3	1500	4	6050
2. Vegetable selling	19	15	1	3000	1	300	4	800
3. Snacks selling	14	10	-	-	2	800	3	1300
4. Mat weaving & selling	10	9	1	7000	-	-	1	500
5. Idli selling	8	4	-	-	-	-	2	800
6. Mutton/Fish selling	7	5	-	-	2	1000	2	300
7. Fruits selling	7	4	-	-	1	700	2	200
8. Flower selling	6	5	-	-	-	-	2	300
9. Saree selling	6	4	-	-	-	-	-	-
10. Petty shop keeping	6	5	-	-	-	-	1	100
11. Rice selling	5	1	-	-	-	-	-	-
12. Selling miscellaneous household items	23	13	-	-	3	1700	5	950
T o t a l	133	90	2	10000	12	6000	26	11300

Table - 7 (contd.)

Purpose of loan	No. of beneficiaries	Purchase of household durables		Purchase of Jewellery		Family functions		No Impact	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Cut piece selling	22	6	800	-	-	1	-	-	-
2. Vegetable selling	19	6	950	1	120	-	-	-	-
3. Snacks selling	14	2	100	-	-	1	4000	1	-
4. Mat weaving & selling	10	1	300	-	-	-	-	-	-
5. Idli selling	8	4	650	-	-	-	-	-	-
6. Mutton/Fish selling	7	2	250	-	-	-	-	-	-
7. Fruits selling	7	1	150	-	-	-	-	-	-
8. Flower selling	6	3	300	-	-	-	-	1	-
9. Saree selling	6	1	200	-	-	2	2000	-	-
10. Petty shop keeping	6	1	250	1	200	-	-	1	-
11. Rice selling	5	2	250	-	-	1	200	-	-
12. Selling miscellaneous household items	23	7	1040	-	-	2	-	-	-
T o t a l	133	36	5240	2	320	7	6200	3	-

what they were earning.

3.34 A majority of the sample beneficiaries - 110 out of 133 - wanted additional loans from the bank to expand their business and augment family income through higher turnover. Eight more beneficiaries wanted additional loans to diversify their trading activities as they felt that the scope to raise the income from the existing occupations was limited. The remaining did not want additional loan from the bank, as they appeared to be content with what they were earning.

Recovery

3.35 As stated earlier, one of the features of this scheme is that the Forum not only helps the bank in identifying the eligible beneficiaries but also assists in recovery of loans. As it is, the financing branches find it difficult to maintain personal contact with each and every borrower whose number runs into hundreds. And without personal contact and regular follow-up, it is difficult to ensure satisfactory recovery of loans. Fortunately, the Forum is helping the bank in the recovery of loans through its group leaders who maintain personal contact with the beneficiaries and it is their responsibility to collect monthly instalments from the beneficiaries and deposit them with the Forum which in turn remits the same to the respective financing branches. So far, this arrangement has been working well for the benefit of the bank as well as the Forum.

3.36 It was very gratifying to observe that a majority of the beneficiaries were regular in repaying the bank loan. The survey team did not come across a single case of wilful default. Recovery performance of the sample beneficiaries is depicted in Table 8. As can be observed, with the exception of a few borrowers, the recovery performance was satisfactory in 1979. As regards the loans

Table - 8
Recovery of Bank Loans

(Amount in Rupees)

Purpose of loan	1 9 7 9				1 9 8 0			
	No. of borrowers	Amount borrowed	Amount recovered	% Recovery	No. of borrowers	Amount borrowed	Amount recovered till March 1981	% Recovery
1. Cut piece selling	11	2000	2080	100.0	20	6500	5060	77.8
2. Vegetable selling	9	1100	1144	100.0	19	5000	3448	68.9
3. Snacks selling	9	1300	1324	100.0	13	3700	2474	66.8
4. Mat weaving &	8	1700	1768	100.0	10	3700	2020	54.6
5. Idli Making	6	900	624	69.4	6	1400	1194	85.3
6. Mutton/Fish selling	4	500	512	100.0	6	1700	1188	69.8
7. Fruits selling	3	600	620	100.0	6	1600	1036	64.8
8. Flower selling	3	400	416	100.0	6	1600	1232	77.0
9. Saree selling	4	1400	1456	100.0	6	3000	2040	68.0
10. Petty Shop keeping	2	400	416	100.0	6	1400	1072	76.5
11. Rice selling	3	400	416	100.0	5	1500	750	50.0
12. Selling miscellaneous household items	14	2500	2600	100.0	21	6100	4130	67.7
T o t a l	76	13200	13376	97.4	124	37200	25644	66.3

borrowed in 1980, the overall recovery rate was 66 per cent. It varied from 85 per cent in the case of idli sellers to 50 per cent in the case of rice sellers.

3.37 However, there were some complaints of default in repayment by many beneficiaries who had availed of the loans in the first year of the scheme. Enquiries with a few beneficiaries and leaders of the Forum revealed that the beneficiaries had repaid the instalments to their respective group leaders who had failed to deposit the same with the Forum. Consequently, in the books of accounts of the financing branches these beneficiaries remained as defaulters. However, the Forum has agreed to repay the loans outstanding in the name of such defaulting members from the interest accrued to deposits kept by the Indo-German Society with the bank.

A List of Evaluation Studies Undertaken in the Bank

- 1. Impact of Agricultural Finance : A Case Study of Bank Finance in Malsiras Taluka of Solapur District**
- 2. Dairy Development through Bank Finance : A Case Study of SFDA/MFAL Schemes in Ujjain District**
- 3. Impact of Bank Finance : A Study of Minor Irrigation in Shadnagar Taluka**
- 4. Rehabilitation of Agricultural Labourers : A Study of Vegetable Farming in Shahpura village, Bhopal**
- 5. Evaluation of District Credit Plan : Study of Ujjain District (Madhya Pradesh)**
- 6. A Review of Implementation of Credit Plan Ranchi District (Bihar)**
- 7. Impact of Bank Finance on Small Farmers in Ujjain District**
- 8. Tribal Upliftment through Bank Finance : An Evaluation Study of Sericulture Scheme in Singhbhum District (Bihar)**
- 9. An Evaluation Study of Dairy Scheme for Tribals in Gujarat**
- 10. An Evaluation Study of Minor Irrigation (ARDC) Scheme in Dewas District (Madhya Pradesh)**
- 11. A Review of Implementation of Annual Plan (1980) in Barabanki District**