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Financial Institutions For Tribal Development - A Case Study

Dr. M. Gangadhar

Introduction

Indian Planning has concentrated on the raising of socio-economic standards of tribal people to a satisfactory level in conformity with the basic principles in the constitution. The planners experimented with various developmental programmes and brought several salient features required sound for programmes. Integrated Rural Development Programme (IRDP) has been evolved on this realization and launched in 1984 with great expectations. It envisages identification of target beneficiaries providing subsidy, arranging credit from financial institutions for the purchase of an asset proper supervision and management. Extending credit of the financial institutions like commercial and cooperative banks have significant role to play. In recent times, the political and socio-economic problems of the tribals in the country have come to be considered in an altogether different light. Their welfare and economic development have become part of the more general issue of up-building democracy by integrating the complex culture of tribal communities with the mainstream of Indian life. Hence, the financial institutions are to play a major role for the development of tribals.

Institutional Finance to the Tribal Households

The problem of indebtedness of the tribal's in the country has been a cause for concern for several decades. The nature of the problem assumes serious dimensions when reviewed in the context of tribal economy where agriculture as the only source of livelihood is characterized by the traditional techniques and practices. The credit procured even for economic activities like agriculture and allied activities becomes debt due to low yield of agriculture and allied activities which further compelled the tribal people to procure and spend the borrowings for unproductive uses. The process of continuous failure of repayment of loans makes the tribal society fall in the trap of a vicious circle of low earnings, poverty and indebtedness. The significant sources of credit in tribal areas are money-lenders-cum-traders, friends and relatives, co-operative banks and societies, and commercial banks. Nevertheless non-institutional agencies are still dominating the credit scene in most of the tribal areas of the country. The basic goal of the financing institutions is to extend credit facilities to the poor tribals for generating income and creating opportunities for self-employment for exploiting vast unutilized and underutilized manpower resources. However, they were still depending on the money-lenders, commission agents, traders, etc.

Needs of Financial Institutions

Indebtedness has been considered as one of the most vicious causes of the exploitation of tribal's in the country. This is because of the usurious rates of interest charged by unorganized financing institutions in the tribal areas. The result was either alienation of land or bonded slavery for many generations. The laws passed after independence to check the problem of usury were inadequate and ineffective. Since, there the State Governments have been passing number of laws to curb the problem and to provide debt relief to the tribal community. However, these laws are often circumvented by resorting to oral transaction which the tribal's in their innate honesty feel morally bound to fulfill. Thus, the problem of development of tribal

Professor, Department of Commerce, Osmania University, Hyderabad.

areas is primarily linked with the backwardness of these areas, poverty of the tribal people and the concept of integration of tribal's with rest of the population. The policy of the Government of India has, therefore, been to emphasize steps that prevent alienation of poverty for tribal lands, ensure fairness in marketing transaction of sale and purchase, avoid cheating by money lenders, liquor vendors, contractors etc., in tribal areas. In this context, the organized financing institutions have come to acquire a significant role in providing development credit to the tribal communities for their economic upliftment.

Disbursement of Rural Credit : Recent Trends

Under the co-operative umbrella PACS cover almost all villages in India and mainly provide short-term loans for seasonal agricultural operations and also to some extent medium-term loans mainly for acquisition and replacement of farm assets. District Central Co-operative Banks (DCCBs) provide long-term loans to PACS apart from directly financing marketing, consumer and processing cooperatives etc. The PLDBs and the SLDBs provide long term loans for various economic development activities in agriculture and allied sectors. In addition, so this, the rural and semi-urban branches of commercial banks provide both short-term working loans and term finance for periods ranging up to 15 years for investment capital to agricultural and rural producers for various activities covering farm and non-farm activities. The lending of RRBs is confined to the specific target groups consisting of small/marginal farmers, agricultural laborers, rural artisans, etc. At the apex level, active financial support is provided by both the Central and State Governments and at the national level by financing institutions such as the National Bank for Agriculture and Rural Development (NABARD) and the Reserve Bank of India (RBI). The refinance facilities to the institutional credit agencies are provided by the National Bank of the country, which plays a crucial role in the development of agriculture and rural credit agencies and provides them all the necessary financial support in their operations through the National Bank. It is heartening to note that co-operatives have played a dominating role in the distribution of maximum amount of total rural credit till the end of the seventh Five Year Plan.

New Strategy for Rural Lending In India

The new strategy for rural lending in India is presented as follows

District Credit Plan (DCPs): Planning for credit has not received serious attention in development planning for the agriculture sector prior to nationalization of commercial banks. The scheme of social control, of banks was initiated by Government of India to bring about wider diffusion of banking facilities and changes in the pattern of lending. The system of credit planning became an integral part of the credit policy and the Lead Bank Scheme (LBS) introduced by RBI sought to make the banking system function as an instrument of development. The Lead Bank was assigned the role of a consortium leader for co-orienting the efforts of all credit institutions in the district including branch expansion and meeting of credit needs.

Potential Linked Plans (PLPs): Taking advantage of the experience and expertise available to DCPs in the preparation of projects for long-term investment in agriculture, the National Bank took a major initiative in 1987-88 by preparing Potential Linked Credit Plans (PLPs) for agriculture and rural development. The PLP attempt was towards potential mapping to facilitate systematic and planned exploitation of these potentials over a specified time frame. These plans present an effort in making financially and technically vetted projections of credit requirements in different sectors of the districts, taking into account, *inter alia,* and the long-term physical potential, availability of infrastructure, marketing support, credit/refinance absorption capacity and other strengths and weaknesses of the rural credit institutions.

Service Area Approach (SAA): RBI introduced in April 1989 a new strategy of micro credit planning with bottom up approach popularly known as Service Area Approach (SAA). Under this approach, all the villages in the country are allocated amongst the existing rural and semi-urban branches of commercial banks and RRBs, who would be responsible for credit planning and development in the allotted villages. The co-operative banks which form an integral part of the rural credit delivery system are also brought into the mainstream under SAA although they continue to operate in their existing area of operation.

Revised Service Area Monitoring and Information System (SAMIS): The RBI, in consultation with National Bank introduced the new system known as Lead Bank Return (LBR) System in 1991, substituting the existing LBS system. This system is based on the computerized processing of information at the district level. With the help of computerized data/information, the progress in the implementation of Service Area Plans, implementation of priority sector and special government programmes and progress in the recovery of rural credit are designed with comparative ease and precision.

Comprehensive Crop Insurance Scheme (CCIS): The Comprehensive Crop Insurance Scheme introduced throughout the country in April 1985 is being implemented by the General Insurance Corporation of India on behalf of the Government of India in collaboration with the state governments. Half of the premium payable by small and marginal farmers is subsidized equally by the Central and State Governments concerned in the ratio of 2:1.

Development of Viable Co-operative Credit Structure: In view of the poor financial position of PACs, the Government of India has embarked upon a programme of business oriented development of primary level credit institutions as recommended by the ACRC. The programme envisages preparation of Business Development Plans (BDP) for selected PACs for implementation in a phased manner during 1991-95 and aims at development of selected districts in certain states into viable units to serve all socio-economic groups in their area of operation through economically viable activities.

Committee on crop loan system: The committee on crop loan system constituted by the national bank to review the policies and procedures governing disbursement of crop loans, to make recommendations for improvement in the system and for revision of crop loan manual had approved the modalities for conducting field studies by agricultural finance corporation (AFC). Accordingly, the AFC has carried out field surveys in different agro-climate zones to cover various aspects of the crop loan system. Reports on the scope and usefulness of normal credit limits statements, methods for fixation of scale of finance, adequacy of crop loans, innovation in crop financing etc., were discussed at the meeting of the committee held in 1993.

Task Forces on Credit-Deposit Ratio: The Reserve Bank of India has constituted six separate Task Forces in rice growing states viz., Bihar, West Bengal, Rajasthan, Uttar Pradesh, Kerala and Union Territory of Pondicherry to review the reasons for low credit-deposit ratio; to assess the performance of banks with a relatively large share of business in their respective areas; and to make recommendations for a time- bound improvement in credit-deposit ratios.

Setting Up of Small Farmers Agri-business Consortium (SFAC): The Government of India constituted a Small Farmers' Agri-Business Consortium in 1993 as an autonomous corporate entity funded by the Reserve Bank of India, National Bank for Agriculture and Rural Development and Industrial Development Bank of India. The consortium includes representation from various Development Boards dealing with individual crops and public sector corporations dealing with agriculture and agro-industries, private sector companies, banks, scientific organizations and farmers' associations.

Establishment of Rural Infrastructural Development Fund: There are many rural infrastructural projects, which have been started but are lying incomplete for want of resources. This represents a major loss of potential income and employment to the rural population. To encourage quicker completion of projects in rural infrastructure, the Government of India has announced setting up of new Rural Infrastructural Development Fund within the National Bank for Agriculture and Rural Development from April, 1995. The fund will provide loans to state governments and state owned co-operations for completing ongoing projects relating to medium and minor irrigation, soil conservation, water-shed management and other forms or rural infrastructure.

Institutional Finance Disbursed to Beneficiaries: This information is presented in Table-1. This table shows the institutional finance disbursed to the beneficiaries during the year 2005 to 2010 at Mahaboobnagar district by the financial institutions. The number of beneficiaries is classified into male and female. The number of male and female beneficiaries covered under the institutional finance is showing the increasing trend except last year of the study. The average number of male and female beneficiaries is 386 and 433 respectively. The number of male and female beneficiaries is less than their average over the study period expect in the fourth year of the study. The financial institutions are offering the more number of schemes to the female beneficiaries than the male beneficiaries. It can be concluded that the more number of female beneficiaries are covered under the institutional finance. This is a good sign for the development of tribals in the Mahaboobnagar district. The average amount disbursed to the male and female beneficiaries by the financial institutions are Rs. 0.83 crores and Rs. 0.88 crores respectively. Finally, it can be concluded that the institutional finance offered by the financial institutions to the female is more than the male.

Table-No-1
Institutional Finance Disbursed to the Beneficiaries During the Year 2005 to 2010 At Mahaboobnagar District

Year	No. of Beneficiaries			Amount Disbursed to Beneficiaries (Rs. Cr)		
	Male	Female	Total	Male	Female	Total
2005-06	300 (50%)	300 (50%)	600 (100%)	0.55 (50%)	0.55 (50%)	1.10 (100%)
2006-07	320 (49%)	330 (51%)	650 (100%)	0.64 (49%)	0.66 (51%)	1.30 (100%)
2007-08	325 (46%)	375 (54%)	700 (100%)	0.70 (46%)	0.80 (54%)	1.50 (100%)
2008-09	648 (45%)	785 (55%)	1,433 (100%)	1.25 (45%)	1.50 (55%)	2.75 (100%)
2009-10	335 (47%)	375 (53%)	710 (100%)	0.89 (47%)	1.00 (53%)	1.89 (100%)
Total	1,928	2,165	4,093	4.13	4.41	8.54
Mean	385.60	433.00	818.60	0.83	0.88	1.71
SD	147.24	199.33	346.25	0.27	0.38	0.65
CV	38.18	46.03	42.30	32.90	43.49	38.15

Source: Data collected from the various financial institutions.

Institutional Finance Disbursed by the Banks: The relevant information is presented in Table-2. It shows the institutional finance disbursed by the banks to the tribal community during the year 2005 to 2010 at Mahaboobnagar district. The data relating to institutional finance is collected from ten banks. They are State Bank of India, District Credit Co-operative Bank, Sanghameshwara Grameena Bank, Punjab National Bank, Vijaya Bank, Canara Bank, Indian Overseas Bank and Vysya Bank. These banks are actively involving in the disbursement of institutional finance for the development of tribal community over the years. Out of selected banks the highest and lowest amount of institutional finance disbursed by the State Bank of India and Andhra Bank respectively. The State Bank of India, State Bank of Hyderabad, District Credit Co-operative Bank and Sanghameshwara Grameena Bank are playing an important role in the development of tribal community by disbursing the higher amount of institutional finance to them over the period of study. The other banks should involve actively for the development of tribal community in the near future. It can be suggested that the Government has to take initiation to make them to involve all the financial institution actively for the tribal development.

Table No-2 The Institutional Finance Disbursed by the Banks During the Year 2005 to 2010 at Mahaboobnagar District (Rs. Cr.)

	SBI	DCCB	SGB	AB	SBH	PNB	VB	CB	IOB	VYB	TOTAL
2005-06	0.30 (27%)	0.11 (10%)	0.11 (10%)	0.06 (6%)	0.11 (10%)	0.07 (6%)	0.10 (9%)	0.06 (6%)	0.08 (7%)	0.10 (9%)	1.10 (100%)
2006-07	0.32 (25%)	0.13 (10%)	0.13 (10%)	.07 (5%)	0.13 (10%)	0.09 (7%)	0.13 (10%)	0.07 (5%)	0.10 (8%)	0.13 (10%)	1.30 (100%)
2007-08	0.37 (25%)	0.15 (10%)	0.15 (10%)	0.09 (6%)	0.15 (10%)	0.10 (7%)	0.15 (10%)	0.09 (6%)	0.11 (7%)	0.14 (9%)	1.50 (100%)
2008-09	0.67 (24%)	0.27 (10%)	0.27 (10%)	0.16 (6%)	0.27 (10%)	0.19 (7%)	0.27 (10%)	0.16 (6%)	0.22 (8%)	0.27 (9%)	2.75 (100%)
2009-10	0.48 (25%)	0.18 (10%)	0.18 (10%)	0.11 (6%)	0.19 (10%)	0.13 (7%)	0.18 (10%)	0.11 (6%)	0.15 (8%)	0.18 (10%)	1.89 (100%)
TOTAL	2.14 (25%)	0.84 (10%)	0.84 (10%)	0.49 (6%)	0.85 (10%)	0.58 (7%)	0.83 (10%)	0.49 (6%)	0.66 (8%)	0.82 (10%)	8.54 (100%)
MEAN	0.428	0.168	0.168	0.098	0.170	0.116	0.116	0.098	0.132	0.164	1.708
SD	0.15	0.063	0.063	0.040	0.063	0.047	0.065	0.040	0.055	0.066	0.652
CV	35.56	37.27	337.27	40.43	37.20	40.25	39.18	40.43	41.98	40.12	38.15

Source: Data collected from the various financial institutions.

Institutional Finance Disbursed in Revenue Divisions: This information is presented in Table-3 shows the institutional finance disbursed in five revenue divisions of Mahaboobnagar district during the year 2005 to 2010. The total amount disbursed in Nagarkurnool, Wanaparthy, Narayanpet, Mahaboobnagar and Gadwal revenue divisions is Rs.2.562, Rs.2.135, Rs.1.281, Rs.1.708 and Rs.0.854 crores respectively. The highest and lowest amount of institutional finance disbursed in Nagarkarnool and Gadwal revenue divisions. With this analysis it can be concluded that the beneficiaries in the five revenue divisions are not getting similar institutional finance.

Table No-3: Institutional Finance Disbursed in Revenue Divisions During the Year 2005 to 2010 (Rs. Cr.)

Years	Revenue Divisions of Mahaboobnagar District					Total
	Nagarkurnool	Wanaparthy	Narayapet	Mahaboobnagar	Gadwal	
2005-06	0.330 (30%)	0.275 (25%)	0.165 (15%)	0.220 (20%)	0.110 (10%)	1.10 (100%)
2006-07	0.390 (30%)	0.325 (25%)	0.195 (15%)	0.260 (20%)	0.130 (10%)	1.30 (100%)
2007-08	0.450 (30%)	0.375 (25%)	0.225 (15%)	0.300 (20%)	0.150 (10%)	1.50 (100%)
2008-09	0.825 (30%)	0.687 (25%)	0.412 (15%)	0.550 (20%)	0.275 (10%)	2.75 (100%)
2009-10	0.567 (30%)	0.472 (25%)	0.283 (15%)	0.378 (20%)	0.189 (10%)	1.89 (100%)
Total	2.562 (30%)	2.134 (25%)	1.281 (15%)	1.708 (20%)	0.854 (10%)	8.54 (100%)
Mean	0.512	0.427	0.256	0.342	0.171	1.708
SD	0.195	0.163	0.098	0.130	0.065	0.652
CV	38.15	38.11	38.09	38.15	38.15	38.15

Source: Data collected from the various financial institutions.

Scheme-wise Institutional Finance Disbursed in Mahaboobnagar District: The relevant information is presented in the Table-4. This table shows that the different schemes, subsidy, margin money and loan offered by the financial institutions. The selected schemes are broadly classified into agriculture, irrigation, handicrafts, animal husbandry and self-employment. The financial institutions are offering more number of schemes in the area of self-employment and agriculture. These self-employment schemes are targeting the unemployed ST population. By the agricultural schemes, the ST farmer's needs are satisfying up to the certain extent.

Table No-4: Scheme-wise Institutional Finance in Mahaboobnagar District as on March 2005

Sl.No.	Name of the Scheme	Subsidy	Margin Money	Bank loan	Total
A.	Agriculture & Irrigation:				
1	Lime making	6000	3600	8400	18000
2	Bullock Carts	6000	2400	9600	18000
3	Bore well	10,000	6,000	25000	41000
4	Bore motor	10000	5000	25000	40000
5	Pipe Line	6000	2400	3600	12000
6	Plough bullocks	6000	2400	9600	18000
7	Well	10000	5000	20000	35000
8	Land Dev.	15000	15000	70000	100000
B.	Animal Husbandry				
9	Sheep	6000	2400	9600	18000
10	Milk Animal	6000	2400	3600	12000
C.	Self Employment & Handicrafts				
11	Tractor	6000	30000	344000	380000
12	Basket Making	6000	2400	3600	12000
13	Auto	6000	20000	84000	110000
14	Crane	6000	5000	17000	28000
15	Centering material	6000	5000	17000	28000
16	Kiranam	5000	2000	23000	30000
17	Brick Making	6000	2400	3600	12000
18	Hotel	5000	2000	13000	20000
19	Tata Sumo	6000	30000	439000	475000
20	Veg. Vending	6000	2400	3600	12000
21	Tea Stall	6000	2400	3600	12000
22	Cycle Tax	6000	3600	8400	18000
23	Stone Cutting	6000	3600	8400	18000
24	Silver Store	6000	2400	3600	12000
25	Tailoring	2500	1000	2500	6000

Pocket-wise No. of Beneficiaries: This data presented in the Table-5. It shows that the pocket and mandal-wise distribution of beneficiaries from the year 2005 to 2010. The total number of beneficiaries is registered with 4093 over the study period. Out of total beneficiaries 1638 and 2455 beneficiaries are identified as male and female beneficiaries respectively. The more number of men and women beneficiaries are registered under DTG. Hence, this analysis shows that the DTG is playing an important role in covering the beneficiaries and by granting loans to them.

Table No-5: Pocket-wise No. of Beneficiaries from the Year 2005 to 2010

S. No.	Name of the Pockets	Male	Female	Total
1	MADA	565 (40%)	846 (60%)	1411 (100%)
2	CLUSTER	54 (40%)	81 (60%)	135 (100%)
3	D.T.G	1019 (40%)	1528 (60%)	2547 (100%)
4	Total	1638 (40%)	2455 (60%)	4093 (100%)

Conclusion

It is necessary to take some policy decisions not only to improve the operational efficiency of existing financing institutions but also to relieve the tribal people from the clutches of the unorganized sector. This is possible with the help of simplification of lending procedure by all financial institutions, encourage for formation of self-help tribal groups, institutional credit should be external for development of tribal viable marketing system, regulation of unorganized tribal marketing activities, long term credit should be extended for upgrading tribal agriculture, Government should promote cottage and small scale industries, banks should offer the loans with low interest rates and to strengthening resources base of credit cooperatives.

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