

# RESEARCH SUMMARY

## The Maharashtra Rural Credit Programme: A Field Level Reconnaissance

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### INTRODUCTION

The most recent estimates on poverty in India have identified nearly 320 million people, or 36 per cent of the population to be below the poverty line (World Bank 1997; 1998). This is despite the fact that poverty in India is defined rather modestly, in terms of a monetary equivalent required to consume 2400 calories per capita per day.

There are several studies that have assessed poverty and unemployment and have made judgements based on long-term trends. Some recent results suggest that the number of unemployed persons do not seem to have reduced over time (Parthasarathy and Reddy, 1996), there has been an increase in land alienation of small and marginal farmers (Parthasarathy, 1998), and the incidence of local food security emerging from labour redundancy appears to have risen (India, 1999). Dubey and Gangopadhyay (1998), while analysing the structure of the population below the poverty line using National Sample Survey (NSS) 1993-94 data, note that poverty in India is predominantly rural, and has become more so in the post-reform (that is, the 1990s) period. Within rural areas, the worst-off economic group is that of landless casual labourers, both in the agricultural and non-agricultural sectors. There are distinct social dimensions to deprivation as well. Female-headed households record a much higher incidence of poverty. Poorer households have a higher representation of adult females or dependents. Dalit and tribal populations too record a

higher extent and severity of poverty. Poverty alleviation is, thus, re-emerging as a key concern on the governance agenda.

Anti-poverty programmes in India were initiated in the late 1970s, but both credit and sectoral programmes have been supply-driven, meaning that these are top-down dispensation schemes with no overt assessment of the needs of the target groups. Only the Employment Guarantee Scheme in Maharashtra (EGS) and the Employment Assurance Scheme (EAS) at the all-India level are, to an extent, demand driven. But then, programmes aimed at providing unskilled work at minimum wages can provide temporary relief, but cannot pave the way for a new life to those below the poverty line. It is in this context that the current thinking on poverty has undergone a change.

The Report of the Independent South Asian Commission on Poverty Alleviation (1992: 50-53) succinctly summarises the lessons learnt till so far. Some key propositions are listed below:

- Building organisations of the poor is an essential prerequisite.
- The process has to be catalysed.
- The poor can save and invest efficiently.
- There is need for sensitive support mechanisms.
- Empowerment is the means to poverty alleviation.

The implications of these for an effective anti-poverty programme could be listed as below:

1. The approach should be flexible to cater for all financial needs, whether for savings or credit and for both small and large investments and supplementing cash flows.
2. The programme should have flexible, cost-effective mechanisms to meet the demands and the needs of target group.
3. The effort should be to readily provide access to funds to genuine borrowers; and
4. The plan of credit should encourage ongoing, efficient and effective use of credit to enable the borrowers to progressively expand the scale of their enterprises.

The Maharashtra Rural Credit Programme (MRCP) is based on this thinking. It attempts to design and implement a project that could lead to a sustainable improvement in the delivery of credit services to the rural poor. This research summary attempts to present the findings of a state-wide field survey launched to make an assessment of the impact of the MRCP on the target groups.

## **The MRCP Project**

The National Bank for Agriculture and Rural Development (NABARD) and the Government of Maharashtra (GoM) have been implementing the MRCP since 1994, with financial assistance from the International Fund for Agricultural Development (IFAD) and the Government of India (GoI), on a pilot basis in four districts of Maharashtra: Pune, Yavatmal, Chandrapur and Nanded. Its reach was extended to seven more districts in 1998-99.

The project's ultimate goal is to contribute to poverty alleviation among the rural poor through improved financial services. The purpose is to develop, through extended field implementation, an efficient and cost-effective system for delivering rural financial services for the poorer elements of the rural population. It is expected that the successful elements of the project would be replicated through their incorporation into the nation-wide Integrated Rural Development Programme (IRDP) and other similar credit services.

The project has three major components, each having several sub-components.

- Development of formal financial services to assist participating commercial banks (CBs) to improve delivery of credit to the rural poor and their managerial and financial performance.
- Setting-up of informal (non-institutional) savings and credit that promote savings mobilisation to create funds for lending among self-help group (SHG) members.
- Implementation of support systems to assist all participating agencies to carry out their responsibilities.

Some key features of the MRCP strategy are:

- People's participation in credit planning and implementation;
- Coordination among various implementing agencies at the district level;
- Bankers' outreach at the village level;
- A combination of credit and non-credit support to the rural poor (individuals and groups).

Various organisations like the NABARD, the National Institute of Bank Management (NIBM); Mahila Arthik Vikas Mahamandal (MAVIM); Maharashtra Industrial and Technical Consultancy Organisation (MITCON); Maharashtra Institute of Entrepreneurship

Development (MIED); and the GoM have been involved in the MRCP in various capacities.

### **Outline of the Study**

The present study is an assessment of the impact of this programme on credit delivery institutions, on people and other social impacts. The objectives of the study are to assess:

- the impact of MRCP on credit delivery institutions;
- the impact of MRCP on project borrowers; and
- the social impact of MRCP.

The methodology used was a combination of quantitative and qualitative methods. The primary method of data collection was the survey conducted during March-June 1999. A sample of 600 direct borrowers from banks as well as SHGs was selected for interviews. The sample was selected on criteria laid down in Table 1.

**TABLE 1: Selection Criteria of the MRCP Study Sample**

<i>Sample Size</i>	<i>Basis of selection</i>
10 villages per district in 4 districts	<ul style="list-style-type: none"> <li>• Ecological Criterion</li> <li>• Socioeconomic features</li> <li>• Size and location</li> </ul>
Total = 4 villages	<ul style="list-style-type: none"> <li>• Number of nature of operational credit institutions (banks, MAVIM, NGOs)</li> </ul>
15 interviewees per village	<ul style="list-style-type: none"> <li>• Type of borrower (BPL/non-BPL, male/female)</li> <li>• Point of loan access (SHG, bank, and so on.)</li> </ul>
Total = 600 interviewees	

*Note:* BPL: below poverty line

The sequencing of research activities itself was a learning process. The initial few weeks consisted of familiarisation with the programme through reports and documents as well as interaction with participants and beneficiaries. The team also pre-tested the survey tool through these interactions. Familiarisation with institutional set-ups in all project districts and obtaining data to identify the sample were the next steps. The survey was carried out first, after which the team undertook qualitative studies. This meant that the choice of villages and individuals for case studies was guided by the prior experience during the survey

## PROFILE OF THE PROJECT AREA

Chandrapur, Nanded and Yavatmal are located on the eastern side of the state. All three districts share a part of their border with Andhra Pradesh on the southern, eastern and southern sides respectively. Pune district, on the other hand, is located closer to the western part of the state. All four districts are located on the Deccan Plateau. The districts fall into differing agro-climatic zones. Pune district has an average annual rainfall of around 1,170 mm, ranging from up to 2,500 mm in the west to around 600 mm in the east. Yavatmal lies principally in the moderate rainfall zone with average annual rainfall of 1,000 mm and Chandrapur, in the high rainfall zone, has an annual rainfall of around 1,690 mm. Nanded has average annual rainfall of 898 mm.

Agriculture is the main source of employment (cultivators and agricultural labourers) in all four districts with the proportion of workers in this sector ranging from 68.10- 80.55 per cent in the eastern districts. The only district with a proportion lower than the state average of 59.62 per cent was Pune with 45.39 per cent.

The BPL families in the project districts totalled around 540 thousand (almost 50 per cent of rural families) with Yavatmal (64 per cent) and Chandrapur (52 per cent) having the highest proportions, according to state government surveys pertaining to the early 1990s. Nanded (35 per cent) and Pune (39 per cent) had much lower proportions of BPL families.

### **Population**

The population of the four districts totals around 11.7 million (close to 15 per cent of the state). The proportion of rural population ranges from 49 per cent in Pune district to 83 per cent in Yavatmal. The proportion of Scheduled Caste (SC) population ranges from 10.92 per cent in Yavatmal to 18.15 in Nanded, as compared to the state average of 11.09. The highest concentration of Scheduled Tribes (STs) are in Yavatmal (21.46 per cent) with the lowest in Pune (3.91 per cent), as per the 1991 Census.

Land holdings are dominated by small (1-2 ha) and marginal (less than 1 ha) categories, which account for 21 per cent and 28 per cent respectively, of all holdings. Pune has the highest incidence of small and marginal sized holdings, accounting for 57 per cent of the total. Yavatmal has the lowest, accounting for 32 per cent of total holdings, with marginal holdings representing only three per cent.

Chandrapur and Nanded have 51 and 46 per cent of marginal land holdings respectively. Irrigation coverage in the project districts is highest in Pune (20 per cent) and lowest in Yavatmal (two per cent), with Chandrapur having 18.83 and Nanded having 4.21 per cent of irrigation coverage

The numbers of agricultural labourers, defined as persons earning more than 50 per cent of their income from wage labour and used as an approximation of landlessness, indicate that landlessness is the highest in Yavatmal, where labourers account for more than 50 per cent of the total agricultural workers (including cultivators), and the lowest in Pune (around 14 per cent). The high incidence in Yavatmal is partly due to the presence of significant numbers of tribal people who are traditionally itinerant and rely on wage labour.

A major constraint on livestock development, particularly dairy, is the shortage of improved stock, with nondescript animals accounting for a very large proportion of the breedable cows. Sheep and goat rearing is concentrated in the rain shadow and scarcity zones, and is undertaken mostly by nomadic shepherds.

Pune has a higher level of off-farm activity, reflecting the higher degree of urbanisation in this district. These figures are likely to understate the real situation, as many informal businesses may not have been recorded. The principal, traditional village industries in the project districts include leather, carpentry, blacksmithing, pottery, cane and bamboo, fibre processing and oil seeds. Sericulture is being developed in Akola and Yavatmal to the cocoon rearing stage but as yet there has been little development of reeling or spinning.

### **MRCP Project Organisation**

The MRCP organisational structure is complex with several implementing agencies at different levels (see Figure 1). While NABARD and GoM are the two main agencies responsible for project implementation, a major role is played by the participating commercial banks (PCBs)

At the district level, this consists of a District Programme Coordination Committee (DPCC), which is expected to ensure that the implementation of the project is on track and also to assist with any problems that may arise with regard to the same. The Chief Executive Officer (CEO) of the *Zilla Parishad*, in all four districts, chairs the

DPCC. The Member-Secretary is the Lead District Manager (LDM) of the district.

It was visualised that a Block Level Task Force (BLTF), comprising Field Officers (Fos) of PCBs and block level DRDA officials, would be formed to facilitate coordination. The DPCCs and BLTFs have been constituted in all the districts, with the latter comprising Branch Managers/FOs of PCBs, and block level government officials. The BLTF meetings are held on a quarterly basis. In the re-constituted BLTFs, the Block Development Officer (BDO) is the chairperson of the BLTF and the LDM is the convenor. In Phase I, Village Development Council (VDC) members are also invited for the meetings on a rotational basis. Discussions with bankers and MAVIM representatives, however, indicated that coordination with the development machinery was initially difficult.

The VDC has been a more active and effective body in assisting the PCBs in beneficiary selection, project/trade identification and loan recovery. The FOs of PCBs play a crucial role in the formation and functioning of the VDCs.

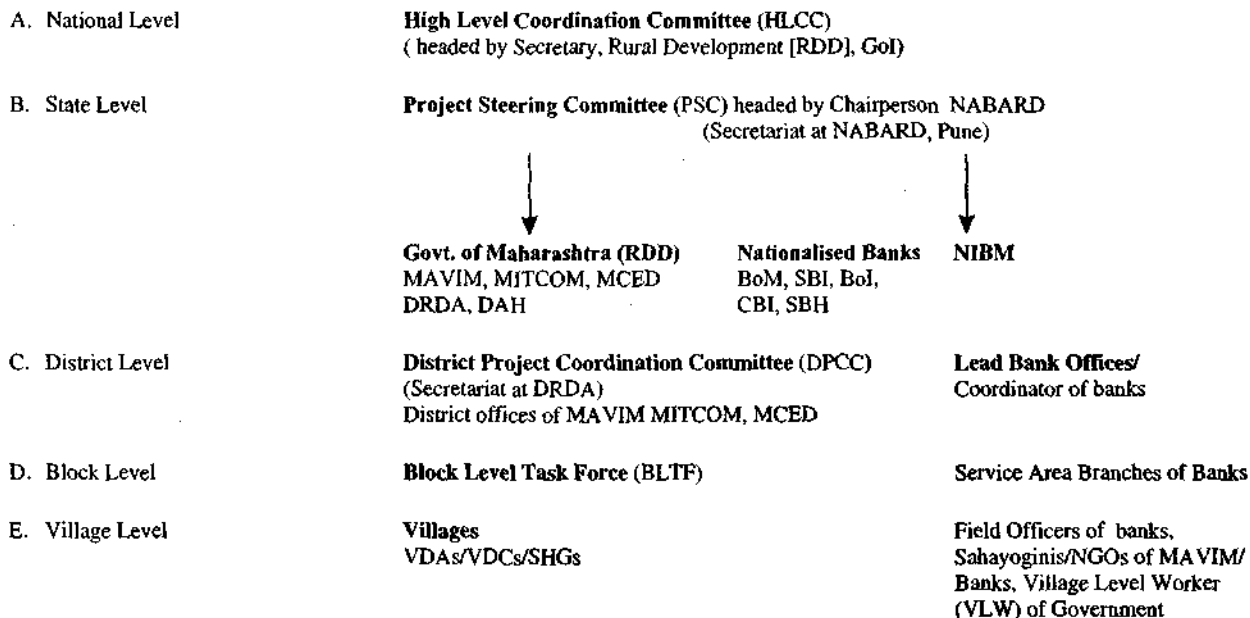
The SHGs form the core of the programme. Some of these had come into existence before the MRCP, through the Integrated Child Development Scheme. However, most have been initiated and sustained through efforts of MAVIM and NGOs.

The *Sahayogini* (female village level worker) is the key village level functionary of MAVIM. Covering around four to five villages, she is responsible for the initiation of SHGs, their regular meetings, and making SHGs vibrant and dynamic entities.

The SHGs are provided training in bookkeeping at the village cluster level by MAVIM. Some training in leadership is also provided. Also cluster, block and district level meetings are organised from time to time. Discussions with MAVIM representatives indicated that they have been encouraging active SHG members to get involved in VDCs. In Chandrapur, for example, 30 per cent of the VDC members are members of SHGs as well.

NGOs are involved in this programme only moderately. There are two categories of NGOs involved: bank-contracted and MAVIM-contracted. There are a maximum of four NGOs in a district, each covering four to five villages as project implementers. There is NGO representation in the DPCC as well as in the Project Steering Committee (PSC) at the state level.

FIGURE 1: Organisational Structure



Source: IFAD: Mid-Term Review/Evaluation Report, October 1997



## IMPACT OF MRCP ON INDIVIDUAL PARTICIPANTS

At the level of individual participants, the MRCP is a package consisting of several dimensions: inculcation of thrift through SHGs, inter-lending in SHGs, direct credit from banks, entrepreneurial and vocational training, participation in village level forums and infrastructure development in the village. While some of these are expected to have tangible economic impacts, others are expected to contribute to an overall sense of involvement and empowerment.

### Profile of MRCP Participants

#### *Social Status*

According to the programme guidelines, 90 per cent of the credit issued through the MRCP is expected to reach poor groups (though not necessarily those identified as 'poor' in BPL lists), with an emphasis on women. Poor families are generally also characterised by low social status. Table 2 describes the representation of various social groups among the respondents.

**TABLE 2: District-wise Representation of Social Groups in the Study Sample**

<i>Social Group</i>	<i>District</i>				<i>Total</i>
	<i>Chandrapur</i>	<i>Nanded</i>	<i>Pune</i>	<i>Yavatmal</i>	
Scheduled Caste	35 (23.5)	40 (25.8)	16 (11.0)	37 (24.7)	128 (21.37)
Scheduled Tribe	24 (16.1)	17 (11.0)	19 (13.1)	38 (25.3)	98 (16.36)
De-notified and Nomadic Tribes (DNT)	15 (10.1)	17 (11.0)	12 (8.3)	24 (16.0)	68 (11.35)
Other Backward Castes (OBC)	72 (48.4)	16 (10.3)	50 (34.5)	48 (32.0)	186 (31.05)
Muslims	3 (2.0)	6 (3.9)	8 (5.5)	2 (1.3)	19 (3.17)
Others	—	59 (38.0)	40 (27.6)	1 (0.7)	100 (16.69)
Total	149 (100.0)	155 (100.0)	145 (100.0)	150 (100.0)	599 (100.0)

*Note:* Figures represent number of households; figures in parentheses are column-wise percentages.

Table 2 shows that OBCs formed the single largest category of participants in Chandrapur, Pune and Yavatmal. In Nanded though, 'others' formed a significant proportion of the sample.

Almost 50 per cent of the MRCP study sample consisted of depressed caste groups (that is, SC/ST/DNT).

### *Education Levels*

Almost 70 per cent of the study sample consists of literate persons, of whom, more than 85 per cent have had some exposure to the formal education system. Given established inverse correlations between literacy/education and poverty, the first two categories, that is illiterate and literate (non-formal), have been clubbed as the poorest for purposes of comparison of representation across districts. This correlation is also a likely explanation to the fact that the proportion of graduates in the sample is insignificant. There are no major variations in educational levels in the sample across districts.

The implications of these low educational levels for participation in various forums and design of various training programmes are tremendous. It calls for non-literacy-based activities and methods of imparting skills.

### *Economic Characteristics*

In Chandrapur and Yavatmal districts, over 50 per cent of the respondents are landless; their major source of income is labour or non-agricultural self-employment. In Nanded and Pune, while the proportion of landless in the sample is relatively low (around 35 per cent), the proportion of marginal farmers is quite significant (more than 25 per cent). There are hardly any large farmers in the sample. Given the conditions of agriculture and the representative character of the sample it would be safe to conclude that the sample stands for the priority target group of the MRCP.

Almost all the interviewed households are engaged in more than one occupation. Several studies have demonstrated that multiple occupations represent a key survival strategy of poor households.

Non-agricultural self-employment is a source of income for all households in Chandrapur, Nanded and Yavatmal. In Pune however, only 59 per cent households are engaged in non-agricultural self-employment. Pune also shows a relatively lower number of households engaged in wage labour and a little lower proportion in agriculture. This perhaps indicates that households in Pune are able to derive livelihood from a single source in contrast to the other districts. This may be related to the overall opportunities for socioeconomic development in Pune as compared to other districts.

The overall picture indicated by the variables is one of vulnerable social groups with low educational levels, landless or having marginal landholdings, weak assets and resource base and a significant number of dependents. In terms of targeting, therefore, the MRCP can be termed effective.

## Implementation of MRCP as Experienced by Participants

### *Mobilisation Processes through SHGs*

The study covered a sample of 599 MRCP participants who had availed of credit, either through SHGs or banks directly. Of the total participants, 60 per cent (358) were SHG members and 40 per cent (241) were non-SHG members. The SHG members, by virtue of their meetings, could be expected to undergo an intensified mobilisation process that is venturing out of the household, savings, handling cash, accessing credit in their own name, and participating in community activities, which are expected to be empowering. On the other hand, the non-SHG members' interaction may be only with the VDC or VDA. Table 3 shows that among SHG participants, a very large majority (91 per cent), had taken up SHG membership after the initiation of MRCP. In some villages, SHGs were started earlier by agencies like Chaitanya, Pune, but their proportion is very low in the sample. The SHGs are, thus, a new experience for most participants.

TABLE 3: SHG Membership Before and After Project Initiation

	<i>Number of Households</i>	<i>Percent of total SHG Households</i>
Pre-MRCP	25	7.0
Post-MRCP	327	91.3
No Response	6	1.7
Total	358	100.0

The participants interviewed during the study represent a total of 147 SHGs over the four project districts: 44 in Chandrapur, 32 in Nanded, 37 in Pune and 34 in Yavatmal. Among the interviewed participants, 54 per cent were part of SHGs initiated by MA VIM, another 22 per cent belonged to groups initiated by NGOs, and quarter of the participants belonged to groups initiated by banks (6 per cent), ICDS (4 per cent) and others (14 per cent).

There are variations in the project districts. In Pune, MA VIM and NGOs have played an equally significant role; (NGO 33 per cent,

MAVIM 30 per cent). In Chandrapur too, the proportion is somewhat equal (NGO 34 per cent, MAVIM 36 per cent). In Nanded and Yavatmal, NGOs have hardly played a significant role. In the study sample, 80 per cent of the respondents belong to SHGs initiated by MAVIM.

The formation of a group is an extremely critical factor in SHGs. While several studies have highlighted the importance of homogeneity, the basis for homogeneity differs. Secondly, group processes can tend to either reinforce or subdue certain aspects of homogeneity. An expectation in MRCP is that gender awareness of SHG members be heightened through interaction in the group.

The mean monthly contribution in SHGs is Rs 23.50 per participant. The district mean contributions per month per participant are Rs 25 in Chandrapur, Rs 23 in Nanded, Rs 24 in Pune and Rs.21 in Yavatmal. The monthly contributions range from Rs 10 for newer groups to Rs.50 in case of a few groups.

Self-help Groups are not just financial mechanisms, but are intended to be means of development of consciousness for its members. The members' perceptions of functions of SHGs could thus be indicative of the nature of group processes initiated (Table 4).

**TABLE 4: Functions of SHGs as Perceived by Participants**

Functions	Districts				Total
	Chandrapur	Nanded	Pune	Yavatmal	
Collection/recovery	40	8	53	-	101 (28.2)
Provide loan	71	82	62	31	256 (71.50)
Get together	51	42	51	6	150 (41.8)
Village development	12	-	3	14	29 (8.10)
Personality development	1	3	4	1	9 (2.51)
No response	-	6	2	24	32 (10.61)

*Note:* These are multiple responses; hence figures are not cumulative.

Table 4 reveals that the most common function of SHGs is perceived to be provision of credit (71.5 per cent), followed by 'getting together' (41.8 per cent) and then, collection/recovery (28.2 per cent). The emphasis thus, seems to be on financial functions. In Yavatmal,

the provision of loans is perceived to be the singular function. The figures indicate that while a beginning has been made in terms of 'getting together', the mobilisation has so far not been effective to generate a consciousness for 'getting together'. It is apparent that greater efforts need to be made to utilise SHGs as vehicles of change. The potential for SHG members to play a role in rural transformation till so far seems to remain largely untapped.

### *Village Level Mobilisation Processes: VDA, VDC and PAP*

The MRCP attempts to engage, primarily the women in a process of empowerment through SHGs. It also attempts to engage the village as a whole in the process of its development and seeks their involvement in credit planning through VDA, VDC and PAP. Bank officials are expected to play a key role in this process of mobilisation by understanding the village, building rapport with people, constituting a VDC, attending VDA/VDC meetings and assisting with the formulation of the PAP. The study tried to assess these instruments and their role as perceived by participants.

### *Awareness of VDA/VDC*

Table 5 indicates that only 22 per cent participants were aware of the VDC and VDA in Nanded, 47 per cent in Pune, 58 per cent in Yavatmal and 65 per cent in Yavatmal. Overall, the awareness about these agencies is surprisingly low. It indicates that VDCs and VDAs yet need to be established as effective forums in the village.

**TABLE 5: District-Wise Positive Awareness of VDA and VDC**

<i>Functions</i>	<i>Districts</i>				<i>Total</i>
	<i>Chandrapur</i>	<i>Nanded</i>	<i>Pune</i>	<i>Yavatmal</i>	
VDC	86 (57.7)	34 (21.9)	68 (46.9)	97 (64.7)	285 (47.57)
VDA	82 (55.0)	33 (21.3)	41 (28.3)	93 (62.0)	249 (41.57)
Total	149	155	145	150	599

*Note* : Figures in parentheses indicate percentages within districts

### *Interaction with VDC*

There is a need to understand the nature of interaction of participants with the VDC as it plays a critical role in credit planning in the village. Table 6 reveals that there are very few cases where the VDC is

inactive or it does not interact. However, this finding needs to be seen in the context of overall low awareness about the VDC.

**TABLE 6: District-Wise Nature of Interaction of Participants with the VDC**

District	People Initiated		Vdc Initiated			
	We Approach if there is need	We can suggest	VDC consults us	VDC interacts extensively	VDC not active	VDC doesn't interact
Pune	61 (42.1)	35 (24.1)	30 (20.7)	40 (27.6)	5 (3.4)	4 (2.8)
Chandrapur	81 (54.4)	54 (36.2)	54 (36.2)	64 (43.0)	13 (8.7)	8 (5.5)
Nanded	26 (16.8)	25 (16.1)	24 (15.5)	23 (14.8)	9 (5.8)	10 (6.5)
Yavatmal	89 (59.3)	78 (52.0)	79 (52.7)	76 (50.7)	3 (2.0)	9 (6.0)
Total	257 (42.9)	192 (32.05)	187 (31.22)	203 (33.89)	30 (5.0)	31 (5.18)

Note : Figures are not cumulative row wise. Percentages have been drawn for each response against the total number of respondents in each district

#### *Involvement with Poverty Alleviation Programmes*

Poverty Alleviation Programmes (PAPs) is an important element of village level processes. It is expected to stimulate wide debate on village needs, plan credit and relate credit to the overall process of development.

Table 7 shows that majority of participants are not aware of PAPs. Also, amongst people who know of it, the percentage actually involved in its formulation, ranges from four to six in all districts. There is, therefore, a need to make concerted efforts for wider involvement of villagers in PAPs.

**TABLE 7: Reported Involvement in Formulation of PAPs**

District	Yes	No	Not Aware/Don't Know	Total
Pune	8 (5.5)	8 (5.5)	129 (89.0)	145 (100.0)
Chandrapur	9 (6.0)	43 (28.9)	97 (65.2)	149 (100.0)
Nanded	7 (4.5)	10 (6.5)	138 (89.0)	155 (100.0)
Yavatmal	9 (6.0)	29 (19.3)	112 (74.7)	150 (100.0)
Total	33 (5.51)	90 (15.03)	476 (79.46)	599 (100.0)

## **Participating Agencies**

At the level of individual participants, the MRCP is a programme that integrates credit services with project inputs and entrepreneurial skills through coordination between different participating agencies such as PCBs, MAVIM, NGOs, MCED, MITCON and the Animal Husbandry Department (AH). Some of these, such as banks, are primary agencies, while others such as MCED, MITCON, and the AH have a specific, but limited role. What is more, all these agencies are not involved in all villages. The experience of people with respect to these agencies is influenced by these factors Banks are identified as service providers by almost all participants in Chandrapur district, which could be an indicator of their activeness. In other districts too, majority of the participants have identified banks as service providers though two-fifths of the sample consists of SHG participants who may not have direct contact with bankers.

MAVIM is identified by roughly half the participants in Nanded and Yavatmal as an MRCP service agency. It is surprising to note that only 30 per cent participants in Chandrapur identify MAVIM although it is one of the key agencies in that district. In Pune, MAVIM works in 70 per cent of the villages and yet less than 15 per cent of the respondents identified it as a service provider.

The identification of NGOs, MCED, MITCON and AH as service providers may be indicative of the low spread of their activities in the sample villages. The number of people utilising credit for animal husbandry purposes is quite high, yet the number of people able to identify AH as part of MRCP is low.

Nearly 90 per cent of the participants do not perceive or are quiet about the role of NGOs in MRCP. Similar percentages for MITCON, MECD and AH are 93, 90 and 86. Even discounting for SHG participants in the sample, the spread of services by MITCON, MCED and AH seems to be low and indicates the limited number of borrowers who avail of services of these agencies. People who have experienced these services, however, seem to be largely satisfied with their quality. Participants' experiences with respect to all agencies reveal that the training sessions organised by MITCON, MCED and AH are quite useful and relevant.

Two key agencies in the implementation of MRCP are banks and government development machinery. The PCBs are involved in processing applications, VDC guidance, and loan disbursal. The

development machinery at the district and block levels prepares a BPL list, organises training and processes subsidies.

### Credit and its Utilisation

The MRCP is most importantly, a financial scheme that provides a flexible line of credit relevant to the needs of the poor. Understanding the patterns of credit and its utilisation by people is therefore, vitally important.

Table 8 indicates that a significant proportion of people, that is around 27 per cent, have accessed credit more than once under MRCP. This proportion is highest in Nanded (around 40 per cent) and lowest in Yavatmal (around 16 per cent). Nevertheless, MRCP has yet not assumed the position of a demand-led credit agency, which the customers visit whenever there is need.

TABLE 8: District-Wise Distribution of Number of Loans Taken by Respondents

District	Number of Loans						Total
	1	2	3	4	5	6	
Chandrapur	110 (73.8)	33 (22.1)	3 (2.0)	1 (0.7)	-	2 (1.3)	149 (100.0)
Nanded	94 (60.6)	46 (29.7)	9 (5.8)	4 (2.6)	2 (1.3)	-	155 (100.0)
Pune	104 (71.7)	27 (18.6)	9 (6.2)	3 (2.1)	2 (1.4)	-	145 (100.0)
Yavatmal	126 (84.0)	23 (15.3)	1 (0.7)	-	-	-	150 (100.0)
Total	434 (72.45)	129 (21.5)	22 (3.67)	8 (1.3)	4 (0.66)	2 (0.3)	599 (100.0)

There are varied patterns of credit utilisation across districts. In Pune and Nanded, the highest number of loans was for productive purposes. The process seen common in both districts is the move from one productive purpose to another. Within productive loans, there has been upgradation of enterprises, initiation of new ones, diversification, and so on. Next, credit has been accessed for a variety of needs and it demonstrates the ability of MRCP to meet the multi-dimensional character of rural credit needs.

A common experience in conventional PAPs is that credit is not utilised for the purpose for which it has been given, and assets are



disposed off. The experience of MRCP with respect to this is illustrated in Table 9.

TABLE 9: District-Wise Utilisation of Credit for Purpose Given

Utilisation	Districts				Total
	Chandrapur	Nanded	Pune	Yavatmal	
100 per cent	139 (93.3)	137 (88.4)	133 (91.7)	147 (98.0)	556 (92.8)
Average rate when utilisation is less than 100 per cent	63.5	55.3	55	60	58.5

The experience can be said to be mostly positive. The proportion of full-utilisation of credit for the purpose is comparatively low in Nanded. However, even there, the participants have used only part of the credit for purposes other than those originally intended. Given the fact that in a poor household the use of credit is usually determined by priorities immediate at that time, the general lack of deviation from purpose in the utilisation of credit is a commendable achievement.

### Loan Recovery

The experience of several ongoing PAPs with respect to recovery is extremely poor. The MRCP is distinct from other programmes in this aspect as is apparent from Table 10.

TABLE 10: District-Wise Default in Payments

District	Number of Defaulters	
	Bank	SHG
Chandrapur	76 (51.0)	19 (12.8)
Nanded	60 (38.7)	24 (15.5)
Pune	31 (21.4)	7 (4.8)
Yavatmal	82 (54.7)	18 (12.0)
Total	249 (41.6)	68 (11.4)

Note : Asking participants whether they have missed paying any instalment has identified defaulters

The table shows that the proportion of defaulters in SHG is extremely-low, that is less than 15 per cent. The proportion of default in bank repayments is relatively higher - 3-5 times higher. However, compared to the IRDP recovery rate in these districts, the default rates are low. For example, in Chandrapur, the IRDP recovery rate in March 1999 was 25 per cent whereas it was double that figure in the MRCP. The MRCP defaults also do not necessarily mean a conversion of investment into non-productive assets (NPAs) as seen in other programmes. Our investigations show that the extent of disposal of assets is negligible. The SHGs have played a vital role in retaining the assets and sometimes in their enhancement. Therefore, these proportions need to be looked at in the wider context.

### **IMPACT OF MRCP ON INDIVIDUAL BORROWERS AND THEIR HOUSEHOLDS**

The MRCP expects the following impacts:

- The overall impact of the project will be seen in terms of improvement in income of participants and repayments made to banks, in the change in attitude of banks towards borrowers from the target group and the change in the perception of these borrowers towards the bank. These changes will finally lead towards the development of a rural credit system in which the poor rural households have continued access to institutional credit.
- Women are expected to account for over half of the project participants. Apart from the income benefits increasing the welfare of their families, women themselves will derive considerable benefits in terms of improvement in their social status, awareness and in their confidence to cope with the constraints which society imposes on them

### **Occupational Shifts**

Poor households often engage in a variety of tasks to eke out a livelihood. Occupations are multiple and stable. A shift towards single occupations, self-employment, and larger number of days in employment are therefore, some effective indicators of poverty alleviation.

A quarter of the participants in Pune, 31 per cent in Chandrapur, 14 per cent in Nanded and 20 per cent in Yavatmal have upgraded from their earlier work through MRCP credit. Among all the participants,

16.8 percent people in Chandrapur, 6 per cent in Nanded, 13 percent in Pune and 10 per cent in Yavatmal have been able to give up their earlier work after accessing MRCP credit. These people have shifted from wage labour to self-employment. There are many more people who have not experienced remarkable shifts in occupations but have shifted away from wage employment towards self-employment. Table 11 shows this aspect.

TABLE 11: People's Opinions on whether they have experienced a shift towards Self-employment

<i>Extent of Shift Towards Self-Employment</i>	<i>Districts</i>			
	<i>Chandrapur</i>	<i>Nanded</i>	<i>Pune</i>	<i>Yavatmal</i>
A great deal	45 (30.2)	28 (18.1)	27 (18.6)	7 (4.7)
Somewhat	63 (42.3)	54 (34.8)	49 (33.8)	107 (71.3)
Not significant	16 (10.7)	14 (9.0)	18 (12.4)	8 (5.3)
Not at all	4 (2.7)	56 (36.1)	14 (9.7)	4 (2.7)
Not applicable	21 (14.1)	3 (1.9)	37 (25.5)	24 (16.0)
<b>Total</b>	<b>149</b> <b>(100.0)</b>	<b>155</b> <b>(100.0)</b>	<b>145</b> <b>(100.0)</b>	<b>150</b> <b>(100.0)</b>

The table indicates that between 50-75 per cent households in all project districts have experienced at least some shift towards self-employment. Correspondingly, between 50-75 per cent households in all districts, have reported a decrease in the unemployment in the family. The extent of migration among respondents in Pune and Chandrapur was already low (at nine and five per cent respectively). However, in Nanded and Yavatmal, it was quite significant, at 23 and 20 per cent respectively. In these latter districts respondents have reported that the extent of migration had reduced after MRCP (to 11 per cent in Nanded and 20 per cent in Yavatmal)

### Access to Credit

One of the key issues linked to rural poverty is poor people's limited access to sources, which makes their dependency on moneylenders inevitable and accentuates their vulnerability. A major objective of

the MRCP is to improve access to credit. It is, therefore, interesting to examine the existing sources of credit, seen as 'available' by the MRCP participants (Table 12).

**TABLE 12: Credit Source Status of MRCP Study Sample, March 1999**

<i>Source of Credit</i>	<i>District</i>				<i>Total</i>
	<i>Chandrapur</i>	<i>Nanded</i>	<i>Pune</i>	<i>Yavatmal</i>	
MRCP	93	85	8	87	273
Bank	49	70	70	60	249
SHG	16	1	48	Nil	65
Relatives	9	4	6	3	22
Cooperatives	2	15	1	Nil	18
Money lenders	Nil	10	2	2	14
Government schemes	Nil	1	1	Nil	2
Others	2	Nil	Nil	Nil	2
None	16	9	17	17	59
No response	6	3	19	7	35
Size of study sample	149	155	145	150	599

*Note* : Credit source categories are not mutually exclusive.

The respondents identified 'MRCP' and the 'Bank' as the key sources of credit. SHGs emerge as a significant source of credit only in Chandrapur and Pune districts, where about 16 per cent and 48 per cent respectively, mentioned this as a source of credit. This is perhaps due to a perception that SHG loans are synonymous with MRCP credit. One cannot also ignore the possibility of a bias that may have occurred due to the respondents' misunderstanding regarding the purpose of the study and its implications for respondents' access to MRCP credit in the future. These findings would need to be crosschecked with secondary data available with the banks, cooperatives and the DRDA.

### **Shifts in Incomes**

Table 13 shows that there is an increase in incomes from all sources (agricultural, non-agricultural, wage labour and self-employment) in all the four project districts. In Chandrapur, the increase in income is

marked. In Yavatmal and Nanded too, increase in income is substantial. In all these three districts, the levels of incomes from this source prior to MRCP were low. In Pune, where incomes were high even before MRCP, the percentage increase in income source is not as high as other in districts.

TABLE 13: District-Wise Pre- and Post Project Mean Household Incomes by Source (Increase in per cent)

Income Source	District				Mean Total
	Chandrapur	Nanded	Pune	Yavatmal	
Agriculture	59.3	13.9	12.8	25.3	24.7
Non-Agricultural Self-Employment	92.6	46.4	31.9	57.8	59.4
Total	66.5	15.3	43.7	53.0	44.3

### Consumption Patterns

For households who are poor or near poverty, the incomes are rather difficult to assess accurately. It is easier to gather data on consumption patterns, which usually reflect a lot of income (proportionately) spent on food and sheer survival. Expenditure on social goods and services such as education and health usually has a much lower priority. An enhanced income is, therefore, more accurately expressed in the changes in consumption patterns. Table 14 reports the frequency of changes reported in the participant households.

The above table indicates that there have been definite upward shifts in consumption patterns of participant households. The areas where more than 60 per cent respondents have recorded a definite increase are cereals, pulses, edible oil, milk, clothes, health and education. Areas of moderate impact (between 40 -60 per cent) are expenditure on non-vegetarian food items, fuel, house repairs and utensils. Impact on investment in jewellery and durables is very little.

It is significant to note that while MRCP credit has helped participants (especially the very poor) to increase expenses on priority consumption items like food and fuel as well as education and health, they find themselves unable to invest in durables. It is an indication of the fact that poverty alleviation of households is a long-drawn process, and that there is a long way ahead.

**TABLE 14: Changes in Consumption Patterns of Participant Households**

<i>Items</i>	<i>Changes In Expenditure</i>			<i>Total</i>
	<i>Increased</i>	<i>Decreased</i>	<i>No Change</i>	
Cereals	453 (75.6)	11 (1.8)	135 (22.5)	599 (100.0)
Pulses	380 (63.4)	12 (2.0)	127 (21.2)	599 (100.0)
Edible Oil	399 (66.6)	12 (2.0)	188 (31.4)	599 (100.0)
Milk	373 (62.3)	9 (1.5)	217 (36.2)	599 (100.0)
Eggs/Fish/Meat	269 (44.9)	49 (8.2)	281 (46.9)	599 (100.0)
Fuel	297 (49.6)	21 (3.5)	281 (49.9)	599 (100.0)
House Repairs	206 (34.4)	18 (3.0)	375 (62.6)	599 (100.0)
Utensils	208 (34.7)	14 (2.3)	377 (62.9)	599 (100.0)
Clothes	393 (65.6)	14 (2.3)	192 (32.0)	599 (100.0)
Jewellery	76 (12.7)	70 (11.7)	453 (75.6)	599 (100.0)
Durables	131 (21.9)	44 (7.3)	424 (70.8)	599 (100.0)
Education	394 (65.8)	30 (5.0)	175 (29.2)	599 (100.0)
Health	428 (71.5)	12 (2.0)	219 (36.5)	599 (100.0)

### Empowerment of Participants

The MRCP utilises a variety of mobilisation processes and village level institutions, recognising that these need to go hand-in-hand with income generating or saving activities. These processes are expected to impart a variety of skills to the participants, enhance their self-esteem and increase awareness, so that they are able to improve their mobility in the community and influence the inequitable access to resources and services within the household and community. One important area where MRCP is expected to contribute is that of skills. Table 15 illustrates the skills gained by MRCP participants.

TABLE 15: Acquisition of Skills Through MRCP as Reported by Participants

<i>Areas of Skill Development</i>	<i>Districts</i>				<i>Total</i>
	<i>Chandrapur</i>	<i>Nanded</i>	<i>Pune</i>	<i>Yavatmal</i>	
Technology	41 (27.5)	19 (12.3)	13 (9.0)	1 (0.7)	74 (12.4)
Marketing	96 (64.4)	81 (52.3)	76 (52.4)	102 (68.0)	355 (59.3)
Cash Handling	123 (82.6)	140 (90.3)	99 (68.3)	130 (86.7)	492 (82.1)
Legal	22 (14.8)	7 (4.5)	21 (14.5)	66 (44.0)	116 (19.4)
Literacy	57 (38.3)	74 (47.7)	35 (24.1)	60 (40.0)	226 (37.7)
Public Dealing	124 (83.2)	140 (90.3)	88 (60.7)	144 (96.0)	496 (82.8)
Purchase of Material	74 (49.7)	63 (40.6)	73 (50.3)	110 (73.3)	320 (53.4)
Machine Handling	15 (10.1)	10 (6.5)	16 (11.0)	10 (6.7)	51 (8.5)
Occupational Health	33 (22.1)	59 (38.1)	16 (11.0)	9 (6.0)	117 (19.5)

This table reveals that most significant gains have been made in the area of cash-handling and public dealing, followed by marketing and purchase of material. These skills are important, when it is borne in mind that around 56 per cent of the participants are women, who have extremely limited opportunities, exposure and involvement in household decision-making (economic and otherwise). There is a regional and activity-specific skew though: gains in terms of technical skills were reported by only one-fourth participants in Chandrapur, and even less in other districts. Yavatmal is the only district where more than 40 per cent participants reported an increase in legal skills. These differences need to be understood in the context of varied inputs of the programme in different districts.

## Summation

The various examples given above as well as the earlier discussion on institutions illustrate the impact that MRCP has had on villages. These are summarised below.

- MRCP is definitely seen as a scheme distinct from other government programmes or poverty alleviation schemes.

- It is primarily seen as a scheme intended for women. The focus on poverty-stricken groups does not emerge as sharply.
- MRCP has provided several opportunities to women. Those who have initiative and some level of education have benefited the most. There are, however, others who are not as involved and several who are left out of this process.
- The nature of opportunities is multifaceted - economic, social, personal. The impact has therefore been seen most in creation of confidence and positive self-esteem among women.
- MRCP has also succeeded in creating a more people-friendly credit system, distinct from co-operatives and moneylenders.
- The SHGs are the most promising institutions set up under MRCP. There are many which have become vibrant collectives, but there are many more that need further sustenance and inputs in order to be viable.
- The VDCs too are quite active but their role has so far been narrowly defined. Their linkage to other village institutions too needs a re-look.
- The VDAs are the weakest institutions. This is also because no agency defines 'VDA' within their area of work; for example MAVIM works with SHGs and banks with VDCs. Eliciting wider people's participation requires more efforts and therefore, the activity needs to be 'owned' by an agency.

### **CREDIT DELIVERY INSTITUTIONS' PERCEPTIONS OF MRCP**

Nationalised banks in India carry out around 95 per cent of lending to the priority sector. Under the new economic environment, priority sector lending, which has always been more of an obligation than a voluntary commitment, has taken on the dimensions of a burden. Bankers are not interested in giving loans under PAPs due to poor recovery, which in turn contributes to an increase in unproductive assets. The tendency then is to extend a substantially lower quantum of loan and to institute other kinds of checks on beneficiaries. The relationship of rural people with bank suffers the most in this approach; banks are seen as institutions of the well-off people.

The expects banks to participate and initiate a process of outreach to villages by understanding the village and its people, organising non-credit social programmes and evolving credit plans in consultation with people. The people directly responsible for these activities



are the FOs. The support available to them is through the Lead Bank in the districts, their coordination with government machinery and inputs of agencies like MAVIM and NGOs.

One of the major contributions of the project is expected to be the 'institutionalisation of processes, to improve the image of the poor as credit-worthy borrowers in the eyes of bankers so as to ensure that the poor are not cut off from access to credit in a liberalised credit framework' (MRCP Project Appraisal, 1995).

Understanding the impact of the MRCP on these institutions and their motivation is, therefore, extremely crucial. This section is based on observations in this aspect as well as an analysis of schedules filled up by 11 bank officials and the research team's informal discussions with a selected number. It attempts to understand perceptions of bankers and their experiences of MRCP.

The common observation of all these branches in rural lending has been that

- recovery is difficult,
- there is a general lack of credit discipline, and
- renewal of time-based documents is difficult.

Their experience of PAPs, in particular, is that in several cases there is no asset formation, and recovery is very poor (on an average around 30-40 per cent). There is also a lot of political interference. Only a handful felt that the IRDP and other programmes lead to income enhancement of the poor.

Linking SHGs is one of the most critical innovations of MRCP in terms of improving access to credit for the poor, particularly women. Table 16 focuses on some dimensions of the SHG experience of banks. The table reveals that Chandrapur has almost double the number of SHG as compared to the other three districts. It also matches our observations related to the pace of the programme in Chandrapur being the highest. The proportion of linkage to banks in Pune and Chandrapur is 60 per cent each, which seems to be in keeping with SHGs being at various stages in their evolution. In Yavatmal and Nanded, however, this proportion is significantly lower, indicating some difficulties in the functioning of SHGs. The same observation also applies to the relationship between cumulative SHG savings and the amount of refinance made available to them. In Nanded especially, the total amount of re-finance is lower than savings, though in Yavatmal too the ratio is relatively low. In Pune and Chandrapur, the quantum of cumulative savings is almost similar, but the amount of

re-finance in Chandrapur is more than four times that in Pune, indicating that bankers in Chandrapur have perhaps more confidence in SHGs, or that SHGs in this district are more vibrant and have moved on to larger credit requirements for collective enterprises.

**TABLE 16: Experience of Banks with Reference to SHGs District-Wise**

<i>Features</i>	<i>Districts</i>				<i>Total</i>
	<i>Chandrapur</i>	<i>Nanded</i>	<i>Pune</i>	<i>Yavatmal</i>	
Number of SHGs.	63	25	25	26	139
Number of SHGs given credit	38	11	15	9	73
Per cent linked	60.3	44.0	60.0	34.6	52.5 (mean)
Savings of SHGs. (Cumulative) (in Rs.'000s)	304.6	591.55	152.3	367.63	1416.05
Amount of refinance to SHGs (cumulative) (in Rs.000s)	1002	211.0	249.0	160.1	1622.1
Recovery Rate (in per cent)	100	100	120	100	105 (mean)

*Note* : Complete data could not be obtained from one branch in Yavatmal.

The SHG experience of bank officials in MRCP is quite positive; the experience of credit given to individuals under MRCP is mixed but still much better when compared to the IRDP experience of the same banks. This is an encouraging finding, indicating that

- bank officials have begun to develop confidence in participants' willingness and ability to repay, and
- the nature of enterprises has been changing.

The number of accounts being extended services however is decreasing. In order to prevent concentration of credit resources in favour of a few at the cost of restricted or reduced access to other, more vulnerable and disadvantaged, the scheme needs a re-look.

The experience of banks with respect to recovery in direct credit given to individuals is mixed. In the case of some branches, there has been substantial improvement. For example, at a branch in Yavatmal the recovery increased from 11 per cent in 1995 to 77 per cent in 1999. Among branches where data were available, the lowest recovery for MRCP was 35 per cent and the highest was 96 per cent. The average recovery every year has been around 66 per cent. While this is a substantial improvement over the IRDP experience; there is considerable scope for improvement keeping in mind the target of 96 per cent as set up in the Mid-Term Review/Evaluation mission.

In spite of the continual increase in the savings of SHGs, re-finance to SHGs and credit to individual participants, the total quantum of MRCP business in proportion to all transactions of the bank branches is low (between one to six per cent, as reported by officials).

The bankers are most impressed with the SHG concept. The reasons given are that SHGs make a 'real' difference in the living standards of people, the costs are low, and recovery is good. Besides as observed by one official, SHGs also help to reduce other problems. There are a significant number of people who feel that a combination of SHG and direct credit is essential to cover all segments of the rural population. It is interesting to note that in Yavatmal, all three bank officials felt that 'only SHGs' was the desirable route to credit. This is perhaps also related to bankers' experience of recovery from individual credit, which is the lowest in Yavatmal.

The bank officials interviewed attend almost all VDC meetings. The activities conducted by these branches in villages included health camps, road construction through *Shramdan*, and cultural and social activities. Two bank officials made specific mention of such activities. One field observation is that activities very rarely include a component of infrastructure development, which requires greater coordination with the DRDA/BDO. All bank officials felt that they initiated discussions on village needs in VDC meetings .

It has been observed by the research team that the interaction with villagers was limited to FOs. The bank managers very rarely got involved in village meetings or in other aspects of the MRCP. Some FOs have experienced discomfort, when commitments to villagers made by branch managers, not involved in MRCP, are not fulfilled.

The FOs expressed some difficulties, as stated in Table 17 in the functioning of the MRCP. The research team, during data collection, observed that the process of constituting the VDC, its representative character and its functioning, all need a lot of improvement. It also felt the need for coordination among participating agencies and greater involvement of DRDA officials and bank managers.

The SHG concept thus, seems to be well received by bankers. However, MRCP is much more than a SHG plus individual credit programme. Also, currently it is being implemented on a low scale. Bankers' views on its 'bankability' are critical from the point of view of sustaining the programme. They feel that the initial costs of MRCP are high. However, it could be made more bankable in the future. For

this, the continuation of escort services and the enthusiasm of the VDCs are considered important.

TABLE 17: Difficulties Experienced by Bank Officials in Implementing MRCP

<i>District</i>	<i>Nature Of Difficulties</i>
Chandrapur	Lack of cooperation from BDO All training programmes arranged centrally.
Nanded	Other MRCP workers not involved in recovery Have to spend a lot of effort in countering earlier culture of non-repayment.
Pune	Non-credit inputs not provided effectively.
Yavatmal	Poor response from VDA/VDCs BPL list is considered a 'forever' list

### **Bankers' Views on MRCP**

Presented below are some comments of bank officials on the perceived impact of the MRCP. These are important as they have come directly from the 'horse's mouth'.

- Through participation of people, good quality work at less cost is made possible.
- A programme genuinely working for village development.
- MRCP is the only feasible long-term approach.
- Helps establish good relations with people.
- People's participation helps in asset verification and in sharing responsibilities.
- Recoveries are regular.
- VDCs do not cooperate with us.
- Other MRCP people also need to feel involved in the programme.

The bankers expressed a lot of satisfaction about the MRCP. It has generated enthusiasm among people and received a lot of acceptance. They feel it is low-scale but gives good and tangible returns. The VDC, in the opinion of the bank officials, is a genuine forum but the SHGs were more impressive. The number of SHGs, their savings, credit extended to them, and individual accounts are on the rise. Field officials are taking an active interest in the MRCP and have demonstrated a lot of motivation. The quantum of business is, however, minuscule compared to the total bank business. Most importantly, the scale of the MRCP and its relation to the involvement of the bank is the most crucial issue in sustaining the programme. It needs to be

addressed headlong as the MRCP cannot continue on a pilot basis forever.

## CONCLUSION

This research summary reports the findings of a survey launched to *assess* the functioning of the MRCP, a credit scheme launched in the 1990s to reach credit to the rural poor for poverty alleviation. It has made several improvisations over the IRDP, essentially through trying to replace a supply-led top-down approach with one that becomes demand-led. It works through village committees, stakeholders and SHGs, who work in close co-operation with government and bank staff to not only provide credit but to ensure its optimal use and repayment. Training and organisation form an integral part of the programme.

This survey, the first of its kind to cover the broad range of issues and the whole geographic span of the programme, found that the programme is more effective in its reach than almost all its predecessors, and that it has been able to raise the levels of incomes and well being of the clientele. Following the principles of popular participation in designing and implementing rural development schemes, it has aimed to set up committees and local organisation systems to achieve the goals. Limitations of achieving targets, however, are increasingly realised when programmes that are essentially designed for small-scale operation, are multiplied on the large scale, and institutionalised in the existing bureaucratic system.

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