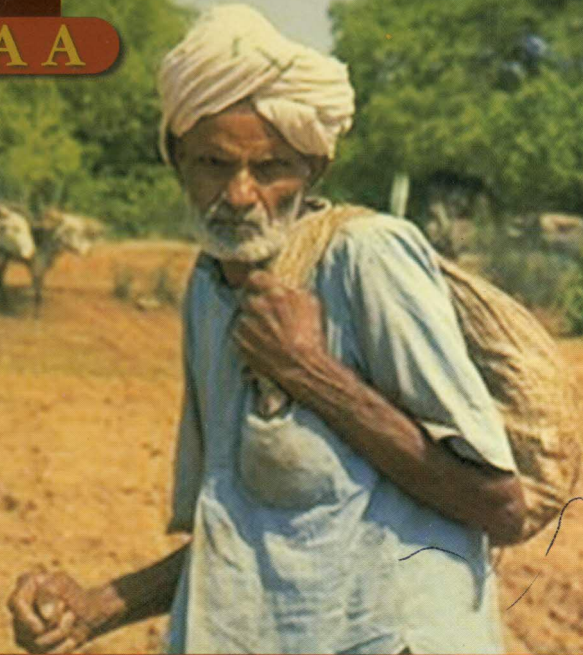


LBSNAA



CREDIT MARKET IN TRIBAL AREAS
A STUDY of
JHARKHAND

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FOREWORD

The issue of credit remains an area of concern for financial institutions, planners and policy makers. Credit will continue to play an important role in improving economic growth and reducing the incidence of poverty.

The Study "Credit Market in Tribal Areas: A Study of Jharkhand" conducted by the Centre for Rural Studies is a modest attempt to explore the structure, pattern and functioning of the credit system in the tribal belt of Jharkhand. It is a pioneering exercise as it deals with the credit system practiced in tribal societies that continue to be dependent mainly on moneylenders and traders. It also highlights the fact that recent efforts to set self help groups have still to take off in these areas as literacy is still a big hurdle in the process of implementation.

I am happy that the Centre for Rural Studies has brought out this publication with the collaboration of the Institute for Human Development, Delhi. I am sure the findings of this study will prove useful, particularly to those who are dealing with the critical issues of credit, savings and expenditure.

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PREFACE

As per 2001 Census, tribals in India constitute 8.2 per cent of the total population. Traditionally tribals have been marginalized and remained backward in many cases, untouched by growth and development. According to a school of thought, the development of tribals should be done in isolation so that they could maintain their cultural identity whereas others believe their assimilation in the mainstream. However, transformation of tribal people remained the special concern of the administration. It is considered that the tribal's development is possible by reducing poverty which is possible through raising productivity, increasing off-season employment opportunities and by providing credit facilities.

Credit plays an important role in tribal society. They need small but regular and timely credit for carrying out the cultivation, animal husbandry and to sustain the family consumption. Although most of their borrowing goes to meet unproductive expenses. Saving capacity of tribal is very low perhaps the phenomenon is culturally inherited.

Indebtedness is one of the critical problems and is a major constraint towards growth of economy in tribal areas. Due to low literacy level, tribals are less familiar with the environment of formal financial institutions as it involves procedural complexities and time consuming processes. Also, it does not provide credit for consumption purposes. Thus, there are structural constraints in ensuring a regular and sustained flow of credit required by them for productive as well as non-productive purposes. Absence of adequate formal financial credit system increases their dependency on the informal financial institutions particularly moneylenders and traders who exploit to them by charging exorbitant interest rate. Sometime they are forced to sell or mortgage their land and become land less which further leads to their impoverishment.

After post independence period, several measures have been initiated by the Govt. to improve the deplorable conditions of the tribals. Integrated Tribal Development Project (ITDP), Dispersed Tribal Development Programme (DTDP) and Scheduled Castes & Scheduled Tribes Commission are some of the initiatives in this direction. However; it could not bring much difference in their conditions.

Jharkhand carved out of the state of Bihar in 2000 is a region of great unevenness consisting of a succession of plateaus, hills and valleys drained by several large rivers. This is one of the states of the country where tribal population is quite large constituting 26.3%. The people below poverty line (BPL) in the state remained 57% of the total population. The meager impact of the development policies in the Jharkhand region has not been able to reduce the existing socio-economic conflict. It is realized that tribals and other such groups living in resource rich regions such as Jharkhand have been adversely affected. Development programmes introduced for tribals in Jharkhand such as Modified Area Development Approach (MADA) and Tribal Sub Plan (TSP) have still to make a dent in the economic growth and tribals development. They have poor access to education and health schemes.

The present study titled "Credit Market in Tribal Areas: A Study of Jharkhand" is basically an empirical study conducted with the basic objectives to assess the credit needs, the sources and the terms on which credit is available to the people particularly tribals and its impact on the borrowers and their economy. The study also attempts to identify constraints and shortcomings of the present rural credit system and identify policy recommendations for making the rural credit set up effective, appropriate and adequate for the tribal communities of the state. The field survey was done in twelve villages of three districts of Jharkhand. These districts were Ranchi, Palamau and Dumka. Total 490 households were covered for the purpose.

I am sure that the findings of the study will be found useful by the planners, policy makers, administrators, academicians and the researchers as it can provide an insight for introduction and implications of development programmes in general and credit related programmes in particular for the state Govt. of Jharkhand.

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At the very outset, I would like to acknowledge my sincere thanks to the Ministry of Rural Development, GoI for extending financial support to conduct this study. I express my gratitude to Shri Rudhra Gangadharan, Director, Lal Bahadur Shastri National Academy of Administration, Mussoorie who has provided support in bringing out this volume. My special thanks are due to the Institute for Human Development, Delhi which has conducted the field survey in Jharkhand and gone through several rounds of corrections in the draft.

I would be failing in my duty if I do not express my thanks to Sh. Subranshu Tripathy, the then Asstt. Professor, Centre for Rural Studies who has initiated the process for conducting this study and played a significant role in shaping up this report. I express special thanks to Saroj Arora, Sr. Research Officer, Centre for Rural Studies, who has significantly contributed to bringing out this study. I must also record my word of appreciation to Sh. Adesh Kumar and Sh. Dalip S. Bist of the Centre for Rural Studies for providing the secretarial support by typing, formatting and taking print out of the manuscript. Last but not least, I feel obliged to the people who have provided valuable information on credit related issue during the field survey.

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Chapter I

INTRODUCTION

Rural credit markets, especially informal markets are characterized with several mechanisms of interlocking and enforcement that often leaves the poor households asset less and often lead to bondage and servitude. While the formal credit markets are supposed to address the credit needs of the poor, their performance vis-à-vis provision of financial services to the poor has been dismal, inspite of several measures of the governments to address issues of access to credit by the poor. This is especially so in the northern and eastern states of the country which has high concentration of poor and marginal communities like tribals, dalits and minorities. There are both supply and demand related issues for this observed low credit off-take and poor access in the backward states. Apart from demand and supply factors, institutional aspects and policy also play a critical role in addressing the imbalance in access to rural credit in India. All these aspects warrant an in-depth analysis of the current situation and the present study attempts to understand the rural credit markets in the state of Jharkhand, which houses large number of tribal and marginalized communities of the country.

The objectives of the study are to assess the credit needs of the people, the sources which meet them, the terms on which it is available, the impact it has on the borrowers and their economy. The study also attempts to identify constraints and shortcomings of the present rural credit set up and identify policy recommendations for making the rural credit set up effective, appropriate and adequate for the tribal communities of the state.

The tribals live in villages and suffer from twin problems of deprivation and exploitation. The measures directed towards ameliorating their conditions, therefore, should aim at both their protection and development. Rural credit if provided in adequate quantity and appropriate form can serve the above two purposes. The absence of it on the other hand not only perpetuates their exploitation and deprivation but also aggravates them.

This study is divided into six chapters. The second chapter, which follows this introduction and review of literature, discusses the socio-economic conditions of the sample households. The villages of this state are usually small in size and are usually multiethnic. It has a small concentration of Upper Caste. Tribals are in substantial number. Some of the tribals are Christian. OBC-I, OBC-II and Muslims are other communities, which are present in large number in this area. This area like the other parts of India show close caste class relation. The socio-economic condition of the Upper Caste and Tribal Christian and OBC-II is better than the other social groups. They have larger land holding, and higher literacy rate.

The third chapter discusses the availability of institutional credit in the area. Institutional credit though is highly desired by the people of this region, has been given to very few people. The commitment of the institutional agencies to give preference to the socially weaker sections of population has resulted into selection of relatively higher percentage of Scheduled Caste and Scheduled Tribes by them. But within them the preference seems to be those who are better off among them. Credit has mostly been given in form of subsidized IRDP/SGSY. The most important purpose for such credit is for procurement of agricultural machines and implements. Despite the fact that a large number of people face problem in getting loan and its repayment and they have grievance against the bank and block officials a large number of the households are desirous of taking loan.

The fourth chapter discusses the situation of non-institutional credit in Jharkhand. Jharkhand has a long history of existence of non-institutional credit market but it has expanded in recent times. Rural moneylenders and friends/relatives/fellow villagers are the main sources of non-institutional credit. More than two thirds of the non-institutional credits are supplied by these two agencies. The access to different sources differs on the basis of socio-economic conditions of the borrowers. Very few of the socially marginalized SCs get credit from friends/relatives/fellow villagers; they therefore mostly have to depend on moneylenders. Though such credit is available for all types of need, it has mostly been taken for medical treatment. Such loan has mostly been given on exorbitantly high rate of interest. Loans have

mostly given without any collateral. Despite high rate of interest people have preference for this source because it is available for all purposes and getting it is easier than institutional credit.

The fifth chapter discusses the micro credit scenario in Jharkhand. Micro finance is one of the important emerging forms of rural credit system of the day. It does not only meet the credit requirements of the poor but also leads to their empowerment. Jharkhand though had a long tradition of informal SHG in form of "Pancha System" micro finance in the present form is very new to this state. It has gained momentum in last few years. It however has started delivering positive impact like improvement in the income of the villagers, improvement in the quality of their life, and development of financial market. Though it has good prospect in the state it faces several constraints, which require to be removed.

The sixth chapter highlights the findings of the study. It also makes a modest attempt to give suggestions and policy recommendations for improvement of the condition of rural credit market.

Rural Credit - Review of Existing Literature

Dynamic Role of Rural Credit

The chief function of credit is to relax the constraints of balanced budget (Gupta, 1990, pp-20). It enables the producers to bridge the gap between investment and production on the one hand and between production and sale of goods on the other. It thus helps them to switch over to a superior production function. Credit also enables the consumers to purchase goods out of their future income. The rural households demand/desire for credit thus is related to consumption smoothening, human capital formation, off farm income generating activities, investment in farm sector and insurance services (Zeller, 1995).

Adequate and appropriate credit thus has been widely recognized as an important instrument of promoting growth and equity. It facilitates investment, production, consumption acquisition and expansion of assets and human capital formation (Zeller, 1995). Adequate and timely

availability of credit at appropriate price and favourable terms and conditions is an important instrument in promoting growth with reduction of poverty in the rural areas while absence of it in desired amount, form and price not only perpetuates poverty, inequality, exploitation and stagnation in rural areas but also aggravate them.

There are two strands of thought on the impact of finance on the poor producers. One assumes almost a linear relationship between credit and economic welfare of the poor. Credit leads to productive investment, which in turn generates self-employment opportunities and reduces poverty. Hulme and Mosely's work comes in this category. They say that credit is potentially a prime weapon against rural poverty (Hulme and Mosely's 1996, P-202). Realizing its potentiality Ahluwalia and Chenery argue that credit should be targeted to the self-employed poor to help ameliorate the unequal distribution of assets within LDCs and contribute to growth (Ahluwalia and Chenery, 1974).

The second strand of thought derives its origin and support mainly from Ohio School whose main exponents are Von Pischke, Dale Adams, and C. Gonzalvez Vega. It says that economic and quality of life dimensions are affected by wide range of factors of which finance is only one (Rhyne, 1994). They believe that credit is just a facilitating factor in poverty reduction and economic development. A host of factors other than credit like market, competition, physical health and natural conditions directly affects borrowers economic well being and may limit the use of credit in bringing improvement in their economic and social well being.

Thus proper credit facility is bound to have positive impact on the villagers in general and the poor living there in particular. Credit creates demand in the economy (Rakshit, 1993). It enables people to spend out of their future income and increase their future income through credit-induced investment. The demand thus generated and expanded through its multiplier effect increases the income, output and employment.

Credit helps farmers and also the non-farm producers to get right price for their product. It saves them from distress sale of their product. If they get credit at right time, in right amount and of right type they can wait for right price for selling their product. At the micro level it will increase the income of these micro enterprises and at the macro level it will remove seasonal fluctuations in prices

Rural economy suffers from seasonality and uncertainty of production and consumption caused mainly because of the seasonal nature of rain and economic activity and their uncertainty because of vagaries of monsoon. A proper credit facility helps the villagers not only to save them from seasonal, irregular and uncertain production and consumption but also enables them to fight them out. Credit induced investment for development of irrigation, development of non- farm enterprises, and application of fertilizer, pesticide, drought resistant varieties of seeds etc. are some of the steps, which may help the villagers to find their long-term solution.

Problems of indebtedness and land alienation are the two most serious problems of the tribal (Husnain, 1986 pp.79-80). A proper credit facility can save the tribal from the clutches of the moneylenders and can improve their economic condition so that they will not fall into the trap of the moneylenders again. Problem of land alienation is also closely related with indebtedness. So if the first problem is solved the other will get solved automatically.

A proper credit facility thus performs the protector as well as the promotional role. For the very poor, credit is a crucial resource for sustaining the existing family routine, consumption and low returns, for not so poor credit has an essentially promotional role in capital deepening and enhancing returns on investment (Nair, 1997).

Issues in Institutional Credit Delivery

The economy of newly formed State Jharkhand is mixed in nature, comprising agricultural and industries. According to government sources approximately 75% of the total population lives in rural areas. The total below poverty line population in the state remained at 12.42

million forming 57% of the total population. The state is rich in terms of mineral deposits, forest resources and industrially too. In such conditions, it can be probably true that institutional factors are mostly responsible for existence of such a high proportion of people below poverty line. Credit plays a vital role in boosting up the economic activities by removing the obstacles of resource gap and encouraging new Investments. The saving capacity of people in tribal dominated areas is very low. Low saving capacity of tribal people is a culturally inherited phenomenon. So credit market from the supply side is very depressive in nature in rural Jharkhand but credit requirements are very high. Existing literature on the subject indicates that the credit available from the formal sources to the tribals living in the rural areas is both inadequate and unsuitable (Dayal, 1999). The rural credit available in the tribal areas from formal sector is inadequate in relation to need, requirement and also there appears to be low demand for credit in aggregate terms. The banks commercial as well as RRBs have consistently not been able to meet the priority sector targets in the state of Jharkhand, which is 25%. By the year 2001, the credit deposit ratio was 23 % taking whole the state Bihar (Bihar & Jhrkhand) into account, where as at all India level it was 41%. During the first quarter of 2004 (Jan. – March 2004), there are 349 RRBs in Rural Jharkhand and the total deposits and credit disbursed by them were Rs. 1072 crore and 294 crore respectively. The performance of RRBs in the state Jharkhand is far below as compare to the performance of RRBs at all India level as the credit deposit ratio in the rural areas of the state and whole country of RRBs in the first quarter of 2004 were 27.42 % and 48.75 % respectively. The co-operative societies in large parts of the tribal areas have either stopped lending or making only marginal contribution. The credit deposit ratio of the banks is very low. This leads to a situation where a large part of the population has to depend on exploitative non-institutional sources of credit.

The level of investment credit in Jharkhand has been quite low over the years in comparison to other states in the country. The increase in advance by commercial banks has not been commensurate with the increase in deposit. The CD ratio of Central Co-operative banks across the districts varies from as high as 102 to as low as 32.3. From the table given below it can be observed that in two districts such as Ranchi-

Khunti and Singhbhum, the central Cooperative banks are not able to meet the priority sector lending criteria.

District-wise Aggregate Deposits and Credit of District Central Co-operative Banks in Jharkhand (As on March 2003, in Rs. Lakh)

District Central Co-operative Banks	Deposits	Credit	Credit Deposit Ratio
Deoghar Jamtara	1760	1543	87.7
Dhanbad	10547	5121	48.6
Dumka	1720	1181	68.7
Giridih	990	1014	102.4
Gumla Simdega	3711	1556	41.9
Hajaribagh	2239	1782	79.6
Ranchi-Khunti	3963	1440	36.3
Singhbhum	12294	3966	32.3

Source: Banking Statistics (Quarterly Handout-March, 2004), RBI

With the participation of NGOs in providing or facilitating rural credit (through self help groups, thrift societies or saving credit societies) the distribution of credit is likely to improve but still it appears to be far below the demand for credit in rural areas of the state. These recent developments need to be documented and analyzed as there are no systematic studies so far on the growth and use of credit from NGO sector by the poor communities.

One critical observation is that the form of institutional credit in rural areas especially among tribals is not appropriate for their needs. The villagers especially poor among them need small but regular and timely credit while institutional sources provide lumpy and irregular credit after considerable processing - which is a time taking affair. The institutional credit is also not available for many of the purposes for which the villagers need credit urgently. It is not available for consumption purposes (for medical treatment, for current consumption and for expenditure in social functions and festivals) for which poor villagers mostly need credit. It is also not available for purchase/ repurchase of land or construction and repair of houses. The non-institutional credit, as

is well-known, charges exorbitant rate of interest and indulge in several forms of exploitation.

The spread of formal sector and its outreach in the state of Jharkhand is presented in the following table:

State/ Districts	No. of bank branches in rural areas	No. of branches in semi urban areas	Lead Banks
Jharkhand	982	271	Bank of India
Bokaro	50	33	Bank of India
Chatra	30	3	State Bank of India
Deochar	49	17	Bank of India
Dhanbad	46	29	Allahabad Bank
Dumka	60	9	State Bank of India
Garhwa	33	5	Bank of India
Giridih	84	12	Allahabad Bank
Godda	52	6	Bank of India
Gumla	58	9	Bank of India
Hazaribag	65	40	State Bank of India
Jamtara	25	6	Bank of India
Koderma	19	6	State Bank of India
Latehar	18	4	Bank of India
Lohardagga	12	5	State Bank of India
Pakur	33	3	State Bank of India
Palamau	64	15	Bank of India
Paschimi Singhbhum	97	25	Bank of India
Purbi Singhbhum	60	14	Bank of India
Ranchi	85	14	State Bank of India
Sahebganj	41	7	Bank of India

In Jharkhand out of total 1482 bank branches, 982 are located in rural areas. Bank of India is the lead bank in cases of most of the Districts. There is no doubt that rural banking branch expansion has taken place in a rapid manner, but their presence in rural credit market is not substantial. According to Banking Statistics published by RBI, total deposits of commercial banks in Jharkhand was 19087 crores by the year 2002, where as only 10 crores were financed by commercial banks for fertilizer and other inputs in the state. This was also lower than amount financed by the commercial banks for fertilizer and other inputs in the year 2001 (24 crores). This generally implies priority sector lending particularly lending to agriculture sector by commercial banks is declining.

Various entities of formal banking sector are one of the major suppliers of credit. Apart from banks, agriculture co-operatives, regional rural banks form important sources. In order to improve the performance of the banking sector and to make them efficient many changes have been introduced in the banking sector during the past two decades. 'Service Area Approach' was adopted as a new innovation in the area of rural credit in April 1989. Under this scheme every rural/ semi urban branch has been allocated 15 to 25 villages to cater to their credit requirements in better and efficient manner. It involves five distinct stages in its implementation-identification of the service area for each bank branch, survey of the villages in the service area for identification of beneficiary and assessment of development and lending potential, preparation of credit plans on an annual basis for the service area, co-ordination between credit institution on one hand and field level developmental agencies on the other for the effective implementation of credit supported projects and continuous system of monitoring the progress in implementation of the plans and individual schemes. Villages are allocated by lead banks on the basis of proximity to the branch and contiguity of villages. Co-operatives have been kept out from this scheme. RRBs have also been freed from SA obligation since December 1993. Annual credit plan is made at various levels (from village to state level) through a decentralized process. For this purpose every branch manager is required to prepare village profile of the villages within its service area. In order to ensure

proper end use of credit and in ensuring its recovery 'Service Area Monitoring and Information System (SAMIS)' has been introduced.

The post 1991 (New Economic Policy or Structural Adjustment Programme) period is a period of confusion and contradiction in the field of rural lending. Two different lines of developments are taking place in this field. On the one hand changes have been proposed or brought about which are in line with liberalization and mercerization (improvement in rate of interest, SHG formation and lending through it, LAB, reduction of NPA, removal of service area approach for SHG lending etc.) while on the other hand they are to safeguard the poor against the adverse impacts of market forces (RIDF for example).

New innovative measures have been introduced or are being introduced or are proposed to be introduced for improving the quality of credit, efficiency of credit delivery system, credit absorptive capacity, credit monitoring and guidance facilities, availability of complimentary inputs and services, and credit repayment environment. Plans to involve voluntary agencies (NGO), formation of self-help groups and Krishak club are steps in this direction. Locating specific Banking with people's schemes, Bank participation and government facilitation is another step in right direction.

Globalization of the economy and curtailment of interventionist role of state since July 1991 have put forth need for an alternative strategy of credit deployment, which stimulates a new spirit of sustainable economic growth and social development. The concept of location specific banking has been developed as such an alternative strategy. It is combinations of three inter supportive concepts viz. People's schemes, Banks participation, and government facilitation. It emphasizes that development has to be initiated by the people on the basis of their own potential, perception, and priorities. The developmental projects undertaken by the people on above basis will be contextually relevant, environmentally compatible, socially acceptable, economically viable and sustainable. Banks in this scheme will play an active and creative role and will be user friendly in character. It will help people concretize their schemes and offer them financial help.

Government under this scheme will work as facilitator and help people and Banks through policy and administrative support in realization of the developmental goals of the people.

Another innovation in banking sector is proposal for setting up Local Area Banks (LAB). On the recommendation of the committee on Financial Reforms (1991) RBI made the proposal for setting up private local area banks in the rural areas, which would mobilize rural savings and make them available for investment locally. These banks can be set up by big private banks or by local entrepreneurs or by the villagers themselves on the line of self-help group. The villagers can also transform their self help groups into local area banks for fulfillment of their banking needs and to look after their area development (Shivamaggi, 1997). LABs have however been opposed vehemently by bank unions. According to them "the aim of local area banks will be to snatch a share of the rural savings and divert them into profitable investment in cities. The weaker sections of the society living in rural areas will be starved of bank credit as a consequence" (Times of India, Sept. 11, 1997). But many of the scholars think that the apprehensions of bank unions are baseless. The LABs are required to operate only in the rural areas and they are also required to meet all the stipulations on lending prescribed for RRBs. They therefore will increase competition in rural banking and will fulfil the banking requirements of all class of villagers. (Shivamaggi, 1997).

Informal Credit in Jharkhand

A most striking feature of the village data from Jharkhand was that the people at large had no access to the formal sector of credit. In each of the two study villages, only one household received any formal-sector credit in the year preceding the survey (Ramachandran and Surjit, 2004). The formal sector had virtually washed its hands of any responsibility to the villages. The rates of interest on loans from the informal sector, particularly from moneylenders, remain very high. In Rural Jharkhand traders/Money lenders were the major source of credit, explicit interest rates were not easy to unearth or compute though rates between 36 and 120 per

cent per annum. Despite over three decades of systematic expansion of the banking infrastructure in the country, the village studies indicate that informal sources of credit – including usurious moneylenders -- remain important, and often dominant and growing, sources of credit for rural households. The village studies also indicate the gross inadequacy of credit, especially for crop cultivation and other productive activities. The growing and unmet demand for credit, both for direct production as well as for demands of health, education, and other needs, is resulting in what S. L. Shetty terms “credit starvation” among rural households.

This picture is confirmed by the latest report of the Rural Labour Enquiry, which shows both the weakening of banks in rural areas as well as the consolidation of moneylenders. In 1983, the formal sector, comprising government, co-operatives and banks accounted for 44 per cent of the debt of agricultural labour households. The share of the formal sector fell to 36 per cent in 1993 and further to 31 per cent in 1999-2000 (GOI, 2004). Over the same period, the share of moneylenders in the total debt incurred by agricultural labour households went up from 18.6 per cent in 1983 to 34 per cent in 1999-2000. During the period when the share of formal credit in total debt of rural households fell, the share of debt taken for productive purposes also fell sharply, from 41 per cent in 1983 to 21.5 per cent in 1999-2000. Despite over three decades of systematic expansion of the banking infrastructure in the country, many empirical studies indicate that informal sources of credit – including usurious moneylenders – remain important, and often dominant and growing, sources of credit for rural households.

In summary the existing literature on developments in the formal sector credit to the rural and poor indicate some what mixed signals. While on the one hand the existing supply network is sought to be strengthened and innovated upon, the credit off take is still an issue. The effective demand for credit requires enabling local economy, infrastructure development including marketing, price stability and macro economic stability and entrepreneurship development among the rural poor in order to engage them in production activities. At the same time some sections of the poor

require credit for meeting the consumption needs and emergencies which means appropriate institutional structures that are relevant to their needs have to be established to meet credit demand of the poor households. This brings us to the issue of studying the demand for credit and characteristics of such demand in a micro context and attendant supply side analysis for the development of appropriate policy directions that would enable meeting such demand.

Study Methodology

The current study is mainly based on primary collected from 12 villages selected through a multi-stage sampling method from the state of Jharkhand.

Selection of Districts

A cluster of the erstwhile districts of Jharkhand was undertaken on the basis of six variables: i) forest coverage (1991-92); ii) ratio of ST population to total population (1991); iii) incidence of urbanization (1991); iv) population growth rate (1981-91); v) yield of paddy (1988-91); and vi) the ratio of irrigated area to gross cropped area (1991-92). The first two variables capture the district topography and social structure of Chotanagpur region. The incidence of urbanization is used as a proxy for the level of industrialization and availability of infrastructure. The last two variables capture the performance of agriculture. The population growth rate indicates the human endowment of the region.

To form the clusters the variables have been first corrected into standard variables using mean and standard deviation of the variable. Using the procedure outlined above, we get the following five clusters: i) Deoghar; ii) Dhanbad; iii) Giridih, Hazaribagh and Palamau; iv) Dumka, Shahebganj and Godda; and v) Gumla, Lohardagga, Ranchi, Singhbhum.

Deoghar and Dhanbad do not form any cluster while Giridih, Hazaribagh and Palamau form a distinct cluster. They are characterized by a very high level of forest coverage, low percentage of ST population, moderate level of urbanization, high population growth, average paddy yield and relatively high irrigation coverage. The fourth cluster is characterized by low forest coverage, high ST population percentage,

very low level of urbanization, low population growth rate, moderately high paddy yield and low irrigation. The fifth cluster features average forest coverage, high proportion of ST population, moderately high incidence of urbanization, low population growth rate, very low paddy yield and irrigation coverage. Deoghar is characterized by low forest coverage, low proportion of ST population, low level of urbanization, high population growth rate, high paddy yield and moderately high irrigation coverage. Dhanbad is characterized by low forest coverage, low percentage of ST population very high incidence of urbanization, high population growth rate, average paddy yield and very low irrigation coverage.

Since the first two clusters included only one district each, these were left out for the random selection of the districts. From the other three clusters, one district each was selected purposively. These are Palamau from cluster III, Dumka from cluster IV, and Ranchi from cluster V.

Selection of Blocks

Within each of the above three districts two blocks were selected in such a way that they could largely represent the distinctive features of their respective districts. For this purpose a set of five different socio-economic variables was used. These variables were: i) percentage of ST population, ii) percentage of forest area, iii) percentage of urban population, iv) percentage of net irrigated area, and v) density of population. There were two main considerations for adopting any particular block as a representative of the district. First, the values of the above mentioned five variables should be closer (either way) to those of the district, and second, the blocks should have the maximum modal values in terms of the proximity with the district values based on these five variables. In this way, a block could get a maximum modal value of 5 if all the five variables were closer (in comparison to other blocks) to the values of the district. Based on this procedure two blocks from each of the three districts were selected. The blocks are: Karra and Mandhar from Ranchi; Lesliganj and Hussainabad from Palamau; and Jarmundi and Kathikund from Dumka.

Selection of Survey Villages

For the selection of villages a mixture of random and purposive sampling was adopted. Here an important criterion taken into consideration was that the villages should be of an ideal size in terms of the number of households, i.e., it should be neither too big nor too small. In view of the comparatively sparse population of this region, a village of 100 to 300 households was taken as of an ideal size. Further, those villages, which have less than 10 per cent tribal population, were not considered. A list of villages was prepared in each block taking into account these two criteria and two villages were selected randomly from each block. Table 1.1 presents the list of selected villages with their respective districts and blocks.

Table 1.1: Selected Study Blocks and Villages

Sl.	District	Block	Village
1.	Ranchi	Karra	Timra
2.			Tapesara
3.		Mandhar	Murma
4.			Chatwal
5.	Palamau	Lesliganj	Basaura
6.			Kanauda
7.		Hussainabad	Kamat
8.			Khargara
9.	Dumka	Jarmundi	Bedia
10.			Khurd Belgaon
11.		Kathikund	Fitukuria
12.			Kolha

Selection of Households

The survey has been conducted among sampled 490 independent household units in the selected villages of the three districts. Independent households meant households with all those family members sharing common kitchen. From every household key informer of the households was contacted for interview. The key informer used to be head of the households, wife, son, brother of the head of the household.

Chapter II

SOCIO-ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

Social structure in rural areas of Jharkhand is not homogenous. Besides caste and tribe based heterogeneity the region is also marked by intra-tribal heterogeneity¹, in terms of social structure, demographic pattern, occupational pattern, etc². This chapter, after presenting a broad contour of social structure in rural Jharkhand, also identifies some socio-economic and demographic characteristics of the sample households; such as family size, composition of the households, age structure of the population, types of families, etc. and analyses these characteristics as well as others such as the availability of land cultivated and incidence of migration in respect of caste/tribes groups in the three selected districts.

I. The Social Structure

The villages of Jharkhand are usually small in size consisting of less than hundred to three hundred households, divided into different *tolas*. A village usually consists of two to five tolas situated at a distance of half to one and half kilometre from each other. Villages are usually inhabited by a number of caste/ tribe, with generally one dominant caste/tribe in terms of number and influence. The tolas may be single or multi caste one. The caste/ tribe composition of the village depends on the history of their settlement i.e. who cleared the forest (*khuntkatti*) and made the land fit for cultivation, which other caste were allowed by the village's traditional headman, village community or the *zamindar* to settle in the village and who else settled there to take advantage of the economic activities taking place in the village. The sample villages

¹ For a detailed discussion over heterogeneity of tribal community see Sharma, K.L., (1997).

² The tribals of Jharkhand are mainly of three types-the agricultural tribe, the artisan tribe and the primitive tribal groups. There is variation in the social economic status of the tribal groups belonging to different groups. We in our study because of insufficiency of numbers of some tribal groups in our sample have not classified them separately.

were found to be inhabited in large number by agriculturist tribe/ caste like *Santhal, Munda, Oraon, Kharia, Kherwar, Chero*, (all ST) *Mahto, Mandal* and *Ansari* (OBC); and agriculture based artisan communities like *Mahli* (ST), *Kosta* and *Kumhar* (OBC) and in smaller numbers by *Chik Baraik, Lohra* (ST), *Lohar, Bania, Yadav, Koeri*, (OBC) *Dusadh, Dom, Bauri* (SC). Scheduled Castes came to settle in this region to avoid caste based discrimination and exploitation prevalent at other places and settled here as dependent caste, dependent on agriculturist caste/ tribe (Sharan and Dayal, 1996). A few upper caste families (*Rajput, Brahmin, and Kayasth*) were also settled here and given land grants by the *Zamindars* and so are found in small number in some of the villages.

Since the purpose of this study was to investigate the credit market condition of the tribal areas only those villages were selected which had sizable number of tribal population. But the selected villages were inhabited by the households of other communities also and represented the social milieu of Jharkhand state. Of the 493 households selected in the sample (166 from Ranchi, 168 from Dumka and 159 from Palamau) around seventy percent were tribals (around 7 percent Christian and 63 percent non-Christians), rest of them belonged to different other social groups (caste/ religion) groups classified as upper caste, OBC, SC and Muslims (table 2.1 and 2.2). The upper caste and SC concentration in Palamau is mainly because of its feudal past and its geographical proximity to Bihar. While the upper caste were the *Zamindars*, their agents or had received the land grants from them; the Scheduled Castes were the subordinate caste, which provided different types of services to them.

Some of the tribals have adopted Christianity. The social economic condition of the converted tribals is different from the non-converted ones. This religion however has spread more in Ranchi and its adjoining districts than in Dumka and Palamau³.

³ The percentage distribution of different social groups may not be representative estimation of the social groups living in the villages of Jharkhand because the sample size is small and selection of villages were

Table 2.1: Caste Composition of the Sample Households

Caste	Ranchi	Dumka	Palamau	Total
Upper Caste			19	19
OBC	11	11	40	62
SC	1	23	27	51
ST Non-Christian	116	127	70	313
ST Christian	27	7		34
Muslims	11		3	14
Total	166	168	159	493

Table 2.2: Caste Composition of the Sample Households
(As percentage of all the households)

Caste	Ranchi	Dumka	Palamau	Total
Upper Caste	0.00	0.00	11.95	3.85
OBC	6.63	6.55	25.16	12.58
SC	0.60	13.69	16.98	10.34
ST Non-Christian	69.88	75.60	44.03	63.49
ST Christian	16.27	4.17	0.00	6.90
Muslims	6.63	0.00	1.89	2.84
Total	100.00	100.00	100.00	100.00

Type of Family

The type of family, besides social and cultural factors, also depends on circumstances and economic conditions of the households. In our sample, nuclear family appears to be the most prevalent form of family type, except among the upper caste and the Muslims. Because of the small size of sample it is difficult to draw any valid conclusion out of it, but it can however be presumed that the prevalence of joint family among upper caste may be because of joint ownership of landed property. Circumstances like migration of family members and conflict among members could also have made

biased towards tribal inhabited villages they no doubt represent the social structure of the area.

some of the families among other communities fragmented and led to nuclear families.

Table 2.3: Type of Families

Caste	Nuclear	Joint	Others	Total
Upper Caste	9	10		19
OBC	42	18	2	62
SC	36	15		51
ST Non-Christian	244	66	3	313
ST Christian	28	5	1	34
Muslims	4	9	1	14
Total	363	123	7	493

Table 2.4: Type of Families
(As percentage of all the households)

Caste	Nuclear	Joint	Others	Total
Upper Caste	47.37	52.63	0.00	100.00
OBC	67.74	29.03	3.23	100.00
SC	70.59	29.41	0.00	100.00
ST Non-Christian	77.96	21.09	0.96	100.00
ST Christian	82.35	14.71	2.94	100.00
Muslims	28.57	64.29	7.14	100.00
Total	73.63	24.95	1.42	100.00

1.1 Social Relations

The tribal dominated villages have Tribal Self-Governance Institutions (TSGI), whose decisions by and large are still respected by the villagers both tribals and non-tribals living in those villages. In some of the villages they are authorized to collect revenue from the villagers and deposit them to the treasury. The head of TSG called *Pahan* or *Pradhan* get certain land as reward for this function. The relations among different caste/ tribe groups however are not cordial everywhere. Caste/ tribe based conflict; tension and distrust were found in some of the villages on issues like land, loan and interest, low wage and other socio-economic issues. A large part of this area is

affected by the left wing extremist activities. Their activities have affected the social and economic conditions of these villages especially due to their mobilization of poor and marginalized communities along class lines in order to address rights and justice.

1.2 Caste/Tribe – Class Linkage

Like other parts of the country some kind of caste/tribe – class linkage is found in this region as well. Although the tribal community of the region is not homogenous in terms of land and other resource endowments majority of them, along with SCs, belongs to lower class. The economic condition of upper caste and OBC does not differ much therefore they have been put into one class called general (the economic condition of OBC-I is comparatively worse in comparison to upper caste or OBC-II but since it has a low representation in the sample so has been clubbed together with the upper caste and OBC-II). Since land distribution is less inequitable and system of wage labour is less prevalent in tribal areas in comparison to other parts of the country, typical peasant–labour class relationship is not applicable in the region. Here class linkage of the households belonging to different castes/tribes has been identified on the basis of land ownership of the households. Tables 2.5 and 2.6 show ownership of land by different social groups.

Table 2. 5: Distribution of Households by Land Class and Caste

Land size (in acres)	Caste groups					Total
	General	SC	ST	ST (Ch)	Muslim	
Nil	11	20	25	1	4	61
Up to 1	31	15	131	9	6	192
1 to 3	12	11	97	15	4	139
Above 3 acres	27	5	60	9	0	101
Total	81	51	313	34	14	493

Table 2. 6: Percentage Distribution of Households by Land Class and Caste

Land size (in acres)	Caste groups					
	General	SC	ST	ST (Ch)	Muslim	Total
Nil	13.58	39.22	7.99	2.94	28.57	12.37
Up to 1	38.27	29.41	41.85	26.47	42.86	38.95
1 to 3	14.81	21.57	30.99	44.12	28.57	28.19
Above 3 acres	33.33	9.80	19.17	26.47	0.00	20.49
Total	100.00	100.00	100.00	100.00	100.00	100.00

It can be seen from the above tables that landlessness among the sample households is only around 12 per cent but most of the households who own land have very small plots. More than 38 per cent of the households own less than 1 acre of land and only around 20 percent own more than 3 acres of land. Landlessness is highest among the Scheduled Caste (around 40 percent) followed by Muslim (around 28 percent)⁴. Among Scheduled Tribes, although landlessness is very low, most of them have only small size plots. Only around one fifth of the non-Christian Scheduled Tribes households and one fourth of the Christian tribal households own more than 3 acres of land. The general, who includes the upper caste and OBCs and the Christian Scheduled Tribes (ST Ch) are better endowed with land. More than one fourth of the ST-Christians and one third of the General have more than three acres of land.

II. Demographic Characteristics

The size of family depends on the nature of family (i.e. whether the family is joint or nuclear), the extent of permanent migration and the birth and the death rate. All of them differ on the basis of socio-economic status of the households. The effects of the

⁴ Muslims in this area are mainly involved in trading and artisan work. There dependence on cultivation is very low. Though only 14 Muslim families were part of the sample but the conclusion regarding high incidence of landlessness and very few households of this community having large size holding does not seem unrealistic.

above mentioned variables couldn't be assessed in a small sample like ours. By our sample the average size of family is around 6. It is high among General Castes (Upper Caste and OBCs) and Muslims and low among the Scheduled Castes and Scheduled Tribes (both Christian and non-Christians). The small size of family is mainly because most of the families are nuclear. High incidence of joint families among Upper Caste and Muslims is the reason for large size of their family.

Table 2.7 Average Number of Members

	Total Population		
	Male	Female	Total
General	4.25	3.56	8.06
SC	2.80	2.73	5.53
ST Non-Christian	2.98	2.59	5.58
ST Christian	3.38	2.85	6.24
Muslim	4.29	3.36	7.64
Total	3.24	2.81	6.04

There is some district wise variation in the size of family as well. The average size of family is smallest in Dumka and large in other two districts.

**Table 2. 8: Average Number of Persons per Family-
District -wise**

	All Age Group		
	Male	Female	Total
Ranchi	3.39	2.93	6.32
Dumka	2.62	2.25	4.87
Palamu	3.74	3.26	6.99
Total	3.24	2.81	6.04

Age composition: The age composition determines the proportion of dependent population and the labour force/ work force participation rate. It also determines the openness to new ideas and innovations, the risk taking capacity of the population, the level of awareness and assertiveness, the capacity to make efforts and willingness to travel, commute or migrate. These attributes are usually high among the

young people. The old age people generally lack them and the children and early teenagers do not have sufficient awareness, opportunities and freedom to exercise them. Other things being given, the age structure therefore, besides determining the well being of a region, society and community also determines their credit absorptive capacity and both desire and demand for institutional credit.

The age composition of population, which depends on the birth rate, the average life expectancy at birth and mortality rate at different age group, shows high concentration of population at low age among the sample households. Only around 3 percent of population have been found to be above 60 years of age, while more than two third of the population is up to 30 years of age. Around half of the population is in the working age group of 16 to 60 years. There is not much difference in the age structure of males and females. There is slightly higher concentration of females in the age groups of 16 to 60 years in comparison to their male counterparts. In the younger and older age groups the proportion of female is less than the proportion of males. This is evident from the 'gender difference in age composition ratio'⁵.

Table 2. 9: Age Composition of Population

Age Group (In completed years)	Male	Female	Gender Difference in age composition*	Total
0 to 4 years	11.78	11.28	1.04	11.55
5 to 15 years	30.14	28.49	1.06	29.37
16 to 30 years	27.44	28.56	0.96	27.96
31 to 60 years	27.57	28.85	0.96	28.16
61 years & above	3.07	2.82	1.09	2.95
Total	100.00	100.00	1.00	100.00

⁵ This has been done by calculating the ratio of percentage of male and female in each age group. If the value of the ratio is 1 it means no gender difference in that age group, if less than one means higher concentration of female in comparison to male in that age group, and if greater than one means opposite. Higher divergence of this ratio from one shows higher concentration of male/ female on that age group.

*Gender difference in age composition has been calculated by dividing the percentage of male in an age group by the percentage of female in the same age group.

Literacy

Literacy and Social Class: Literacy in this region is low. Only around half of its population is literate. Literacy rate depends on the socio-economic status of the households. There is therefore variation in literacy among different social groups. High literacy has been found among upper caste, Christian Scheduled Tribes and Muslims while it is very low among the Scheduled Caste and non-Christian tribals. While around 70 percent of the upper caste, Christian Scheduled Tribes and Muslims are literate, only around 30 percent of the Scheduled Caste and 44 percent of the non-Christian tribals are literate. There is gender discrimination in the level of literacy. The female literacy rate is much lower than that of the male in all the social categories except Christian tribals. The Christian missionary has done commendable work in spreading education in this area. They both created awareness among the people in favour of education and developed good educational infrastructures even in remote areas of this region. The Christian tribals, both male and female, were greatly benefited by the activities of the Christian missionaries.

The gender discrimination in literacy has been calculated in terms of literate females as a percentage of literate males. Higher is this percentage less is the discrimination. The female literacy in the state is almost half of the male literacy. The gender discrimination is usually low among those communities, which have high total literacy, and high among those, which have low literacy. While among Christian tribals the female literacy is as high as that of the male and is more than seventy percent of the male literacy among the upper caste and Muslims, it is less than 50 percent of the male literacy among Scheduled Caste and non-Christian tribals and slightly more than 50 percent among the OBC-I and II. Among the ST-Christian our data reveal a higher percentage of female literacy than that of male, but because of low frequency we can only conclude that there is low or no gender discrimination among them.

Table 2. 10: Literacy Rate Social Class-wise

	Literacy rate Male	Literacy rate female	Literacy rate - Total	Gender discrimin- ation
Upper caste	83.33	65.00	74.71	78.00
OBC-I	68.66	34.92	52.31	50.86
OBC-II	70.05	37.93	56.02	54.15
SC	43.36	20.14	31.91	46.45
ST Non- Christian	58.57	27.71	44.22	47.31
ST Christian	66.96	70.10	68.40	104.69
Muslim	81.67	59.57	71.96	72.94
Total	61.84	34.56	49.18	55.89

Note: Gender discrimination in literacy has been calculated as female literacy as a percentage of male literacy (i.e. $[F/M] \times 100$)

Regional Variation in Literacy: Literacy rate of a district/region mainly depends on the level of their development including that of the school infrastructure and the social composition of its population. As a result the sample districts also show variation in literacy rate. Ranchi, which is more developed than the other two districts, has highest literacy rate among the sample districts while Palamau, which is less developed has the lowest literacy rate. Around 55 percent of the people of Ranchi are literate, while only around 40 percent of them are literate in Palamau. In all the three districts the female literacy is much less than the male literacy. Gender discrimination in literacy is however very high in Dumka and Palamau than in Ranchi. While the male literacy in Dumka is as high as that of Ranchi-around 65 percent, the female literacy is very low. The female literacy in Dumka is less than half of the male literacy; it is around 70 percent in Ranchi. In Palamau also the female literacy is slightly less than 50 percent of the male literacy. Palamau is not only less developed but also has a high proportion of highly deprived Scheduled Caste population. This community is less conscious for education and faces several types of social and economic constraints. This district has poor education infrastructure and in most of the village schools the teachers seldom visit the school in pretext of threat to their life from extremist outfits (Jha and Jhingran, 2002).

Table 2. 11: Literacy of Male and Female by District

	Male	Female	Total	Gender Discrimination
Ranchi	64.77	44.76	55.48	69.11
Palamau	53.64	26.72	41.20	49.81
Dumka	65.15	30.69	49.10	47.11
Total	61.84	34.56	49.18	55.89

Literacy in Different Age Group: The awareness for education however has increased these days and so are the educational facilities. As a result the literacy rate has improved. It is evident from the age wise classification of literacy rate. Literacy rate is higher in the lower age group than that in the higher age group. While more than three-fourths of the people in the age group 5 to 15 are literate, around one third of those in 31 to 60 years of age and less than one fourth of those in the 61 and above age group are literate. Gender discrimination in education has also declined. This too is evident from the fact that gender discrimination is low in lower age group and high in higher age group. While female literacy is only around 13 percent of the male literacy in 61 and above age group and around one fourth in 31 to 60 years age; it is 80 percent in 5 to 15 years age.

Table 2. 12: Literacy of Male and Female Age- wise

Age Structure	Male	Female	Total	Gender Discrimination
5 to 15 years	83.99	66.50	76.11	79.17
16 to 30 years	74.66	38.23	57.38	51.20
31 to 60 years	51.59	13.53	33.49	26.23
61 yrs & above	38.78	5.13	23.86	13.23
Total	61.84	34.56	49.18	55.89

Gender discrimination in literacy has also declined in all the social groups. The age group 5 to 15 shows least gender discrimination in all the social groups than the higher age groups. Gender discrimination is low in high literate castes and high in low literate castes in all the age groups. There is no gender discrimination among the upper caste and ST Christian in 5 to 15 years age group but among the Scheduled Caste the female literacy is only around 60 percent of the literacy of the male of the same group. Gender discrimination

is high among the non-Christian tribals as well but has declined drastically. While the female literacy is only around 20 percent of the male literacy in the 31 to 60 years age and around 40 percent of male literacy in the age group 16 to 31 it is 70 percent of male literacy in the age group 5 to 15 years age.

Table 2. 13: Gender Discrimination in Literacy Age and Social Class wise

	5 to 15	16 to 30	31 to 60	61 & above
Upper Caste	107.14	89.96	59.43	0.00
OBC-I	86.84	15.38	43.18	0.00
OBC-II	94.02	35.01	23.11	50.00
SC	63.57	62.12	10.07	0.00
ST Non-Christian	70.87	40.76	19.03	0.00
ST Christian	102.90	104.05	52.73	60.00
Muslim	92.25	83.33	28.89	0.00
Total	79.17	51.20	26.23	13.23

Literacy and Land Size: The literacy rate of the different land owning class also reveal positive relationship between social and economic status and literacy rate Both the male and the female literacy rates are higher among those owning higher size of holdings than those having lower size. Around three-fourths of the males and half of the females of the households owning more than five acres of land are literate. On the other hand, around half of the males and one fourth of the females of the households owning less than 1 acres of land are literate.

Table 2. 14: Literacy of Male and Female Land Size wise

Land Size	Male	Female	Total	Gender Discrimination
Nil	48.50	21.60	35.26	44.54
Up to 1 acre	56.63	25.61	42.73	45.22
1-3 acres	68.30	43.53	56.32	63.74
3-5 acres	61.93	31.52	48.83	50.89
5-10 acres	71.86	48.13	60.24	66.97
10 acres & above	73.68	56.10	66.33	76.13
Total	61.84	34.56	49.18	55.89

Gender discrimination in literacy is negatively related to the size of land owned by the households. The class owning large size of land shows less discrimination against its women in providing literacy than those owning small size holdings. The female literates as a percentage of male literates is around two third in the class owning 5 to 10 acres of land and three fourth in the class owning more than ten acres of land; while it is less than forty five percent among the landless and those owning up to 1 acre of land.

Level of Education: SCs, S.T-non-Christians and OBC-I are not only relatively less literate in comparison to Upper caste and Christian tribals but their level of educational attainment is also relatively low.

Table 2. 15: Level of Education Social Class and Land Size-wise

Caste Group	Illiterate	Below Primary	Primary & Middle	High School/ Matric	Intermediate & Pre-Graduation Diploma	Graduates	PG/Diploma & Technical Degree	Total
Upper Caste	25.29	22.94	20.00	12.94	15.29	3.53	0.00	100.00
OBC-I	47.69	33.85	11.54	3.85	0.00	3.08	0.00	100.00
OBC-II	43.98	26.20	13.86	7.83	6.33	1.20	0.60	100.00
SC	68.09	23.76	7.45	0.71	0.00	0.00	0.00	100.00
ST Non-Christian	55.78	26.75	11.91	3.84	0.97	0.46	0.29	100.00
ST Christian	31.60	35.85	14.62	10.85	5.66	1.42	0.00	100.00
Muslim	28.04	39.25	19.63	5.61	5.61	0.93	0.93	100.00
Land Size								
Nil	64.74	27.05	5.78	0.30	1.22	0.61	0.30	100.00
Up to 1 acre	57.27	27.89	10.48	3.07	1.19	0.10	0.00	100.00
1-3 acres	43.68	29.24	15.76	6.38	3.01	1.44	0.48	100.00
3-5 acres	51.17	26.63	12.27	6.53	2.87	0.26	0.26	100.00
5-10 acres	39.76	27.22	14.68	10.70	5.50	1.83	0.31	100.00
10 acres & above	33.67	17.35	25.51	6.12	12.24	4.08	1.02	100.00
Total	50.82	27.59	12.62	5.07	2.75	0.87	0.27	100.00

While none of the Scheduled Caste, only around one and half percent of Non-Christian Tribals and around 3 percent of OBC-I are educated above matric/ high school, around 20 percent of the upper caste and

8 percent of the Christian tribals have education above matriculation. The relationship between land size and level of education also speaks similar story. While around 16 percent of those having 10 acres and above land and 7 percent of those having land between 5 and 10 acres are educated above high school only less than 2 percent of those having no land or those having up to 1 acre of land have above high school education.

Economic Characteristics

Land Distribution- The distribution of land in this region has been found to be not very uneven. Slightly more than one tenth of the population is landless and those owning land have mostly small land holding. Only 8.32 percent of the sample households own between 5 to 10 acres of land, and less than two percent own land of size 10 acres and above. Around eighty percent of the land owning households own less than five acres of land and more than sixty percent them own up to 3 acres of land.

The incidence of landlessness is highest in Palamau and lowest in Ranchi. While around one fifth of the households are landless in Palamau only around one twentieth of the households in Ranchi and one tenth in Dumka are landless. High incidence of landlessness in Palamau is because of its feudal past. Palamau experienced a very severe form of feudal exploitation (in form of rack renting, eviction and beth bagari) because of which the arable expansion remained very low. The distribution of land is also highly uneven in Palamau. The inequality in distribution of land, which has been measured through 'gini coefficient', is highest in Palamau and lowest in Ranchi. Gini coefficient is 0.679 for Palamau, while it is 0.463 for Ranchi and 0.547 for Dumka⁶. Low unevenness of distribution of land in Dumka is evident from the fact that around 80 percent of the population of this district has land between more than 0 and 3 acres of land. Subdivision of holding because of increase in population, high dependence on agriculture and lack of occupational mobility and legal restriction on transfer of land and therefore near absence of land market are the reasons why most of the households in this state has small size holdings.

⁶ Gini coefficient equal to zero means perfect equality and equal to one means perfect inequality.

Table 2. 16: Percentage Distributions of Households by Different Land Size and District

	Nil	Up to 1 Acre	1-3 Acre	3-5 Acre	5-10 Acre	10 Acre & Above	Total	Gini Coefficient
Ranchi	5.42	20.48	38.55	18.07	15.06	2.41	100.00	0.463
Dumka	11.90	53.57	26.79	4.76	2.98	0.00	100.00	0.547
Palamu	20.13	42.77	18.87	8.18	6.92	3.14	100.00	0.679
Total	12.37	38.95	28.19	10.34	8.32	1.83	100.00	

Chotanagpur Tenancy Act (CNT) and Santhal Pargana Tenancy Act (SPTA) have restricted transfer of tribal land in this region and thus tried to keep their land intact. Though instances of alienation of tribal land are not unheard off but these laws to some extent have succeeded in keeping landlessness in this region low.

Distribution of Other Durable Assets: A large section of the population of this region lives a very modest living. Only around 12 percent of the sample households own durable assets (other than the value of land and house) worth twenty-five thousand and above and sixty percent own assets of less than Rs. two thousand and less in value.

Different social class/ castes however, show wide variation in distribution of durable assets. The Upper Caste is well off. Around one fourth of the Upper Caste households own assets of less than five hundred value and only 5.26 percent own assets of value 500 to 2000. On the other hand around thirty percent of the households of this caste own assets of the value 15000 and above. OBC-II and Tribal Christians are also better off than the other communities- less than one fourth of them own assets of less than rupees 500 and around 20 percent of more than rupees15000 values. The condition of the SC is worst among all the communities living in this area. Around 70 percent of the SC households own assets of less than two rupees 500 value. None of the SC households have assets of more than rupees 40000 in value and only less than 8 percent of the households own assets of the value between five and fifty thousands.

Table 2. 17: Percentage Distribution of Households by Value of Assets

Caste groups	Durable asset (in Rs.)								Total
	< 500	500 to 2000	2000 to 5000	5000 to 10000	10000 to 15000	15000 to 25000	25000 to 40000	> 40000	
Upper caste	26.32	5.26	15.79	15.79	5.26	5.26	5.26	21.05	100.00
OBC I	76.19	14.29	0.00	0.00	4.76	4.76	0.00	0.00	100.00
OBC II	24.39	21.95	14.63	12.20	7.32	4.88	9.76	4.88	100.00
SC	70.59	17.65	3.92	0.00	1.96	3.92	1.96	0.00	100.00
ST	40.89	16.93	4.15	6.39	7.35	11.50	7.03	5.75	100.00
ST Christian	20.59	14.71	5.88	8.82	26.47	8.82	8.82	5.88	100.00
Muslim	42.86	7.14	14.29	7.14	14.29	0.00	7.14	7.14	100.00
Total	42.19	16.43	5.68	6.49	8.11	9.13	6.49	5.48	100.00

Types of Dwelling: Kacha-khprail i.e. houses with mud wall and roof of earthen tiles is the most common form of houses in which rural people of this area live. Around 65 percent of the sample households have been found to be living in such houses. There is some spatial variation in the type of dwellings. More than forty percent of the houses of Dumka are mud houses with thatched roof only around three percent of the houses of Palamau is of this type. More than one fourth of the houses of Palamau are Semi Pucca or Pucca variety, around ten percent of the houses of Ranchi and only less than two percent of the houses of Dumka are of these types.

Table 2. 18: Percentage Distribution of Households by Type of Dwellings

District	Type of Dwelling				Total
	Phush/ Thatched	Kucha - khprail	Semi - Pucca	Pucca	
Ranchi	18.67	70.48	6.02	4.82	100.00
Dumka	44.05	54.17	1.79	0.00	100.00
Palamu	3.16	70.89	15.19	10.76	100.00
Total	22.36	65.04	7.52	5.08	100.00

Type of housing is partly traditionally determined and is related with the social economic status of the households. While none of the Upper caste and around 5 percent of the OBC-II households have Phus/thatched type of houses substantial proportion of other community people live in such houses. Around one third of the SC and ST Christian households and one fourth of OBC-I and ST-non-Christian households have such houses. Around three fourth of the upper caste households live in pucca or semi pucca houses (slightly less than half in pucca and one fourth in semi pucca) around twenty percent of Muslims, less than 15 percent of OBC-I and SC and around 7 percent of the Scheduled Tribes live in such houses. While in some of the indices of well being the ST Christians appear better than the non-Christian tribals in types of houses they appear to be similar.

Table 2. 19: Percentage Distributions of Households by Type of Dwellings

Caste groups	Type of Dwelling				
	Phush/ Thatched	Kucha- khaprail	Semi- Pucca	Pucca	Total
Upper caste	0.00	26.32	26.32	47.37	100.00
OBC I	28.57	57.14	4.76	9.52	100.00
OBC II	4.88	70.73	17.07	7.32	100.00
SC	32.00	56.00	12.00	0.00	100.00
ST	23.00	69.33	4.79	2.88	100.00
ST (Ch)	32.35	61.76	2.94	2.94	100.00
Muslim	21.43	57.14	14.29	7.14	100.00

The upper caste and OBC-II households not only live in well-built houses but also in spacious ones. More than three fourths of the upper caste and two thirds of the OBC-II households live in houses, which have four and more rooms. Less than 3 percent of them live in single room houses. On the other hand more than fifty percent of the OBC-I, SC and non-Christian Scheduled Tribes live in one or two room houses. While the Christian and non-Christian tribals live in similar type of houses the number of rooms in their houses differs significantly. In this respect the condition of Christian tribals is better than that of the non-Christian-only around eight percent of them live in single room houses in comparison to 18 percent of the non-Christian tribals. On the other hand while around 45 percent of the non-

Christian tribals live in three or more room houses, 56 percent of the Christian tribals have such houses.

Table 2. 20: Percentage Distributions of Households by Type of Dwellings

Caste groups	Number of Rooms in the House				Total
	One Room	Two Rooms	Three Rooms	Four & above	
Upper caste	2.56	10.53	5.26	78.95	100.00
OBC I	28.57	28.57	9.52	33.33	100.00
OBC II	2.44	29.27	17.07	51.22	100.00
SC	20.00	40.00	20.00	20.00	100.00
ST	18.21	42.17	16.61	23.00	100.00
ST (Ch)	8.82	35.29	11.76	44.12	100.00
Muslim	7.14	28.57	7.14	57.14	100.00
Total	16.06	38.21	15.65	30.08	100.00

Sources of Drinking Water: The main source of drinking water is hand pump or tube well. More than seventy percent of the households of this state get drinking water from this source. This is because in every village a few hand pumps have been installed by the government out of which some are at least functional, which fulfil the drinking water requirements of the villagers. There is not much social class based variation in dependence on this source for drinking water requirement-while more than 75 percent of the upper caste and OBC-II households fulfil their drinking water requirements from this source 72 percent of the Scheduled Caste and around 70 percent of the tribals do so. Inter class variation appears pronounced in case of dependence on pond, river or stream for drinking water. While none of the OBC-II and upper caste households depend on pond, river or stream for their drinking water requirements 18 percent of the Scheduled Caste have to do so. Around 10 percent of the OBC-I and 3 percent of the tribals (both Christian and non-Christian) also have to depend on pond, river or stream for their drinking water requirements.

Table 2. 21: Sources of Drinking Water

	Hand-pump/ Tube-well	Protected Dug well	Unprotected Dug well	Pond/River /Stream	Total
Upper Caste	78.95	10.53	10.53	0.00	100.00
OBC-I	71.43	14.29	4.76	9.52	100.00
OBC-II	75.61	17.07	7.32	0.00	100.00
SC	72.00	8.00	2.00	18.00	100.00
ST Non-Christian	70.59	14.71	11.76	2.94	100.00
ST Christian	70.59	14.71	11.76	2.94	100.00
Muslim	64.29	28.57	7.14	0.00	100.00
Total	72.15	16.87	8.33	2.64	100.00

Workers and Occupation

Workers Participation Rate: Workers participation Rate (WPR) is substantially higher in the state. In the age group 15 to 59 years the WPR, on the basis of primary occupation, comes to be around 53 percent; 85 percent for the males and 18 percent for the females. If primary and secondary occupations both are taken into consideration it comes to around 88 percent, there are very few male (only around 7 percent), who does not come under the category of workers (i.e. economically active person). Around 82 percent of the female are worker if both primary and secondary occupations are taken into account.

The higher workers' participation rate in the working age group is essentially a reflection of poverty driven high participation rate within the region. It can be seen from the table that some better off social groups such as Upper caste, OBC-II, Christian ST, and large land size households show comparatively lower participation rates. Although the workers' participation rate increases, when secondary occupation is also taken into consideration, for both male and female, it substantially increases in case of female. This directly means that most of the women are involved in the labour market in their subsidiary capacity. The difference in the workers participation

rates as per their primary and primary plus secondary occupations is lower in case of better off groups.

Table 2. 22: Workers Participation in the age group 15-59 years

<i>Caste</i>	Main Workers			Main + subsidiary workers		
	Male	Female	Total	Male	Female	Total
Upper Caste	76.79	0.00	42.16	87.50	32.61	62.75
OBC-I	94.44	30.30	63.77	97.22	75.76	86.96
OBC-II	76.70	13.64	47.64	86.41	76.14	81.68
SC	93.67	22.08	58.33	94.94	83.12	89.10
ST	89.65	18.29	54.68	94.92	89.02	92.03
ST (Ch)	75.00	28.33	52.42	90.63	76.67	83.87
Muslims	78.79	4.55	49.09	87.88	68.18	80.00
Land Size (in acres)						
Nil	93.18	25.58	59.77	95.45	79.07	87.36
Up to 1	91.13	16.30	55.24	95.90	87.78	92.01
1 to 3	83.13	16.67	50.10	91.57	82.11	86.87
3 to 5	88.18	20.00	57.50	96.36	85.56	91.50
5 to 10	76.70	21.21	49.50	84.47	75.76	80.20
Above 10	77.50	3.70	47.76	87.50	40.74	68.66
Total	86.41	17.97	53.50	92.98	81.91	87.65

Work force participation of women is determined both by social and economic factors. Some of the societies like the Muslims and high caste Hindus (the upper castes and some of the other backward castes) put too much restriction on movement of women. Women work force participation in such societies especially as principal status uses to be very low. The women work force participation is also negatively related with the economic status of their families. The difference in women workforce participation in primary and in primary plus subsidiary capacity is very high, which indicates that though many of the women do not work in primary capacity they are highly active in less recognized secondary occupations.

Old Age Workers: Work force participation of old age people (60 years and above) depends on the health status of the old age person, the

amount of physical labour involved in their occupation, and their economic compulsions. There is also gender-based difference in work participation of the old age persons. Because of the multiplicity of the factors determining the work participation of old age people we do not find a perfect relation between it on the one hand and their social and economic condition on the other. All the old age people of Upper Caste and OBC-I or those having land above 10 acres are economically active. The upper caste and those having land above 10 acres usually work in supervisory capacity where age factor does not put any hindrance. Their health status, which given other things, depends on economic condition of the person is also usually better than those who are less well off. The work participation of old age people of those groups who are relatively deprived (OBC-I, SC and ST-non-Christians or those having less land) is high.

The work force participation of old age female is significantly less from that of male because of difference in their family and work environment.

Table 2. 23: Workers Participation in Old Age

Caste	Main Workers			Main + subsidiary workers		
	Male	Female	Total	Male	Female	Total
Upper Caste	100.00	0.00	57.14	100.00	0.00	57.14
OBC-I	100.00	0.00	40.00	100.00	66.67	80.00
OBC-II	53.85	0.00	35.00	53.85	14.29	40.00
SC	76.92	0.00	52.63	76.92	50.00	68.42
ST	73.81	25.93	55.07	80.95	51.85	69.57
ST (Ch)	57.14	16.67	38.46	71.43	33.33	53.85
Muslims	50.00	0.00	28.57	50.00	33.33	42.86
Land Size (in acres)						
Nil	66.67	0.00	37.50	66.67	28.57	50.00
Up to 1	82.61	40.00	69.70	86.96	80.00	84.85
1 to 3	68.18	9.52	39.53	72.73	38.10	55.81
3 to 5	64.71	9.09	42.86	64.71	27.27	50.00
5 to 10	66.67	14.29	50.00	80.00	28.57	63.64
Above 10	100.00	0.00	60.00	100.00	0.00	60.00
Total	71.91	13.79	49.98	76.40	39.66	61.90

Child Labour: The incidence of child labour depends to a large extent on the socio-economic condition of the households. It is high among deprived communities and low among well off households. Our sample though was very small the conclusion affirmed the general belief regarding the close relationship between the socio economic status and the incidence of child labour. None of the children (neither male nor female) of the upper caste households work in principal capacity and only 5.88 percent of the girl children of this category work in subsidiary capacity. The incidence of child labour in principal capacity is high among SCs and non-Christian STs. The incidence of child labour is high among the Christian STs as well. Since the frequency of child labour is very low therefore the absolute figures have also been given in table 2.24 along with the percentage values (table-2.25)

Table 2. 24: Incidence of Child Labour

Caste	Worker and children in age group 5 to 14								
	Main Workers						Main + subsidiary workers		
	Male		Female		Total		Male	Female	Total
	Total	Worker	Total	Worker	Total	Worker	Worker	Worker	
Upper Caste	15		17		32			1	1
OBC	72	1	53	1	125	2	3	7	10
SC	33	4	37	2	70	6	6	8	14
ST	270	18	199	11	439	29	56	49	105
ST (Ch)	28	1	28	1	56	2	7	3	10
Muslims	18		17		35		2		2
Total	436	24	351	15	757	39	74	68	142

Table 2. 25: Incidence of Child Labour

Caste	Main Workers			Main + subsidiary workers		
	Male	Female	Total	Male	Female	Total
Upper Caste	0.00	0.00	0.00	0.00	5.88	3.13
OBC	1.39	1.89	1.60	4.17	13.21	8.00
SC	12.12	5.41	8.57	18.18	21.62	20.00
ST	6.67	5.53	6.61	20.74	24.62	23.92
ST (Ch)	3.57	3.57	3.57	25.00	10.71	17.86
Muslims	0.00	0.00	0.00	11.11	0.00	5.71
Total	5.50	4.27	5.15	16.97	19.37	18.76

Occupational Structure: People of this region are involved in a variety of occupations ranging from white-collar jobs to collection of fuel and fodder and other products of the jungle. In order to simplify the analysis the occupational structure of the people, however, has been classified into five major categories. These are: agriculture and allied activities, casual agricultural and non-agricultural labour, business, private service and government services. Cultivation along with allied activities is the main occupation of the people of this region. More than half of the workers of this region are involved in this occupation. One fourth of the workers are agricultural and non-agricultural labourers. Only around 3 percent of the workers are in government jobs rest in business and private jobs. The pattern of occupation however differs among different social classes or castes. The selection of occupation depends on the availability of land, opportunity to work and to receive training of a particular vocation and the social tradition of a particular class/caste. Since most of the households have some land at least a large percentage of people of all social groups are cultivators. Except SCs and Muslims more than half of the people of all other social groups are cultivators. Many of the poor people work as agricultural or non-agricultural labourers. While none of the upper caste person work as labourer, one third of the SCs and around one fourth of the STs work as labourer. Around 7 percent of the people of this state are involved in business. While very few of the upper caste and tribal persons are involved in business a significant percentage of other community persons are involved in it. Government jobs provide the employees job security, regular payment of respectable salary and post retirement benefits-

therefore are much in demand. Usually the persons of well off social groups succeed in getting them. They are usually better educated and higher access to those in charge of recruitment than the members of poor social groups. While only around 1 percent of the SCs and a half percent of the no-Christian STs are in government jobs, more than 13 percent of the Upper caste and 8 percent of the Christian STs are in such jobs.

Table 2. 26: Percentage Distribution of Workers in Different Occupations by Caste

Caste	Cultivation & allied activities	Agri+ non-Agri. Labour	Petty Business	Govt. Service	Private service	Total
Upper Caste	56.86	0.00	5.88	13.73	23.53	100.00
OBC-I	56.52	10.87	15.22	2.17	15.22	100.00
OBC-II	65.00	12.00	10.00	4.00	9.00	100.00
SC	45.79	32.71	15.89	0.93	4.67	100.00
ST-Non-Ch	59.58	29.22	3.57	1.46	6.17	100.00
ST-Ch	56.94	25.00	2.78	8.33	6.94	100.00
Muslims	27.59	10.34	31.03	3.45	27.59	100.00
Total	57.30	24.78	6.86	2.84	8.23	100.00

Employment Status: The employment status of the workers is very poor. Most of the workers are engaged in low paid/ less remunerative irregular jobs. Very few of the workers (only 4.6 percent) are regular employees. Around one third of them are temporary/ ad-hoc/casual employees and another one third are self-employed. It is usually the upper caste people who have got regular employment. Around twenty percent of them are in regular employment. Around one tenth of the Christian tribals are also regular employees. Apart from the people of these two communities not more than 5 percent of the members of any other community are in regular employment. The proportion of temporary/ ad-hoc/casual employees is less among the OBC and upper caste persons than the members of other social groups.

In Jharkhand many of the agricultural operations and some of the non-agricultural works are done with the help of exchange labour, locally known as madaiti. The labourers in such case are only offered food and drink for the work. We have treated such labourers as unpaid labour. Some of the attached labourers are also not paid any thing other than food by

their masters; they too have been treated as unpaid labour. In some cases the ploughmen (halwahas) are given a piece of land for which they have to offer free services to their masters. Around one fourth of the workers have been found to be unpaid workers in our sample.

Table 2.27: Employment Status of Workers by Social Class

	Self Employed	Unpaid	Regular	Temporary/ Ad-hoc/ Casual	Total
Upper Caste	35.29	23.53	19.61	21.57	100.00
OBC-I	43.48	28.26	2.17	26.08	100.00
OBC-II	35.00	41.00	5.00	19.00	100.00
SC	44.86	16.82	3.74	34.58	100.00
ST-Non-Ch	37.82	26.30	3.08	32.79	100.00
ST-Ch	31.94	26.39	9.72	31.94	100.00
Muslims	51.72	10.34	3.45	34.49	100.00
Total	38.39	26.25	4.60	30.75	100.00

Migration: A large number of people from this region migrate every year. High incidence of migration from this state is because of the existence of mass poverty and absence of perennial employment opportunities in the villages of this region. At least one of the members of around one fourth of the sample households migrates from this region. Highest level of migration has been found in Palamau. At least one of the members migrates from around 30 percent of the families of this district. Mostly one member of the family migrates-from around two thirds of the migrating families; only one member migrates from two thirds of the migrating families.

Table 2.28: Families with Migrant Labour

(As percentage of all the families. Figures in parenthesis are the percentage of all migrating families)

	With one migrating member	With more than one migrating member	Households with at least one member migrating
Ranchi	16.87 (68.30)	7.83 (31.70)	24.70 (100.00)
Dumka	11.90 (74.05)	4.17 (25.95)	16.07 (100.00)
Palamu	18.24 (60.42)	11.95 (39.58)	30.19 (100.00)
Total	15.62 (66.38)	7.91 (33.62)	23.53 (100.00)

Since from most of the families only one member migrates therefore despite the fact that one fourth of the families are migrating families (families from where at least one member migrates) only around 6 percent of the persons migrate. People mostly migrate for short period. Around two thirds of the migrants of Ranchi and three fourths of the migrants of Dumka migrate for short period only. Only in case of Palamau the long-term migrants far exceed the short-term migrants.

Table 2.29: Percentage of Migrants
(Figures in parenthesis are the percentage of all migrants)

	Temporary Migrant			Long Term Migrant			Total		
	M	F	Total	M	F	Total	M	F	Total
Ranchi	4.27 (57.14)	2.46 (70.59)	6.73 (61.41)	3.20 (42.86)	1.03 (29.41)	4.23 (38.59)	7.47 (100.00)	3.49 (100.00)	10.96 (100.00)
Dumka	4.32 (65.52)	2.91 (91.67)	6.73 (74.08)	2.27 (34.48)	0.26 (8.33)	2.53 (25.92)	6.59 (100.00)	3.17 (100.00)	9.76 (100.00)
Palamau	2.86 (24.29)	0.58 (100.00)	3.44 (27.83)	8.92 (75.71)	0.00 (0.00)	8.92 (72.17)	11.78 (100.00)	0.58 (100.00)	12.36 (100.00)
Total	3.76 (42.55)	1.88 (81.25)	5.64 (50.58)	5.08 (57.45)	0.43 (18.75)	5.51 (49.42)	8.83 (100.00)	2.31 (100.00)	11.15 (100.00)

Women's Migration: Women migration is much less than the male migration. Ratio of female migrants to male migrants is approximately 1:5. Women mostly migrate for short period. Only around twenty percent of the women migrants were found to be migrating for long period.

Indebtedness: More than one third of the families are indebted in the state. Indebtedness is high among SCs and STs than among the families of other communities/ General (it includes upper caste, OBC and Muslims). While more than forty percent of the SCs and STs households

are indebted, indebtedness afflicts only around 25 percent of the households of other community. Around forty percent of the households are indebted to non-institutional sources and around one third to institutional sources. Though SHG movement is a very new phenomenon in Jharkhand around one fourth of the households are indebted to this source. There is variation in access of different social groups to institutional sources. More tribals have taken loan from this source than the households of SC and other communities. Around 70 percent of the indebted households of other communities and 60 percent of that of SCs have taken loan from non-institutional sources. A higher percentage of indebted households of tribals have benefited from SHG than those of SCs and other communities.

Table 2. 30: Indebtedness to Different Source of Credit
(Figures in parenthesis show percentage of households indebted to different sources of credit.)

	Institutional	Non-Institutional	SHG	Total*
General/ Others	5.26 (20.83)	16.84 (70.83)	3.16 (12.50)	25.26 (104.17)
SC	9.80 (20.00)	29.41 (60.00)	13.73 (28.00)	49.02 (108.00)
Tribal	16.14 (39.16)	11.23 (32.87)	12.39 (30.07)	41.21 (102.10)
	13.39 (34.38)	14.20 (41.15)	10.75 (27.60)	38.95 (103.13)

Total is not equal to 100 as some of the households have taken loan from more than one source

Sum up

The undulated terrain of Jharkhand, with wide forest coverage and predominance of tribal culture has to a large extent shaped different aspects of its society and economy. In the urban areas this uniqueness has to some extent disappeared because of large

Total is not equal to 100 as some of the households have taken loan from more than one source.

influx of outsiders caused by the growth of industry, commerce, and urban centres but in the rural areas the features by and large have been preserved. The villages of this state are usually small in size and are usually multi ethnic. The caste/ tribe composition of the village depends on the history of their settlement of the village. It has a small concentration of Upper Caste. Tribals are in substantial number. Some of the tribal is Christian. OBC-I, OBC-II and Muslims are other communities, which are present in large number in this area. Most of the villages have TSGI which command respect among the non-tribal as well.

The people in this region mostly live in nuclear families as a result of which the average sizes their family is small. The life expectancy of the people of this region seems low. Only around 3 percent of the persons are in the 60 years and above age group. Half of the people are in the working age group.

This area like the other parts of India show close caste class relation. The socio-economic condition of the Upper Caste and Tribal Christian and OBC-II is better than the SC, ST-non-Christian and OBC-II. They have larger land holding, higher literacy rate and show less discrimination against their women. There is regional variation in literacy rate also. The literacy rate is high in the districts with better educational infrastructure than the districts where the educational infrastructure is poor. Awareness for literacy however is increasing in all the districts. This is evident from the fact that literacy rate is higher among the lower age group than in the lower age group.

This area however is characterized by mass poverty. Only a negligible percentage of the households have durable assets of more than Rs. 40000 in value or own 10 acres and more of land. Most of these out-migrants are seasonal in nature.

Chapter III

INSTITUTIONAL CREDIT IN JHARKHAND

Institutional Credit is potentially most suitable for the poor and vulnerable sections of society. It may be available adequately at low rate of interest (in comparison to the non-institutional credit). Its repayment period is relatively longer and mode of its recovery less coercive than the other forms of credit especially non-institutional. It may also be non-exploitative and free from fraud. Most importantly, it is not linked to other markets like of land and labour. But one of the limitations of such credit is that it is mostly available for productive purpose. The tribals, who suffer from mass poverty, lack access to the institutional sources for their credit needs on the one hand, and mostly need credit for meeting food deficit or medical expenses or construction/ repair of their house on the other, for which the institutional sources are unwilling to lend to them. The post 91 financial sector reforms too have caused a decline of such types of credit (Narayanan, 1996). Low penetration of Institutional Credit has been therefore reported by a study in rural Bihar (Karan et. al., 2000). Such credits are some times associated with out of pocket costs, payments to middle men, price differences of assets received as loan in kind vs. the cash price in the market etc. (Kaladhar, 1996). Credit by institutional sources has therefore been found to be both insufficient and unsuitable in the tribal region by some of the studies (Dayal, 1999). This is evident from the facts that still many of the poor including tribals remain without credit despite having desire for it or have to depend on exploitative non-institutional credit. This chapter explores the availability of institutional credit in the sample area, the share of different institutional agencies providing credit, the purpose for which it is taken, the condition of such loan, the functioning of the scheme started with the help of such loan, the percentage of loan repaid and the problem in repayment of loan and the suggestions provided by the villagers for improvement of rural credit.

In order to address these issues, the survey questionnaire collected detailed data regarding the availability of institutional credit

in the sample villages the sources and uses of such credit, problems associated in receiving institutional loans, degree of repayment and reasons for non-repayment. Information regarding flow of institutional credit was collected by seeking information on transactions of such credit in last three years. But since in the sample villages the penetration of institutional credit is very low, it is not possible to analyse the whole scenario at much disaggregated level. Because of it many of the observations have been analysed taking broad social and economic classes.

I. Access to Institutional Credit

Access to institutional credit differs on the basis of social and economic class of the villagers. Variation in the access to institutional sources on the basis of the social and economic status of the people is caused by both variations in demand for credit among different section of population and preferential treatment of certain section of population by the institutional credit agencies. The demand for institutional credit depends on the level of enterprise of the people and the credit absorptive capacity of the people. Both of them vary according to social and economic class of the people. The commitment of the institutional credit agencies to lend to the weaker sections of society, its business interest to lend credit to those who have better prospect of repayment/ profitable utilization of credit and the personal preference of the bank officials (which also depends on a variety of social personal factors) determined the selection of beneficiaries by the institutional credit agencies. All these factors improve the access of some of the sections of society to institutional credit.

Our sample survey reveals a very low penetration of institutional credit. Only around one eighth of the sample households had received institutional credit. A social class wise analysis of the beneficiaries reveals that the STs and the SCs have better access to institutional credit than the other sections of population- while only around 5 percent of other social groups (which include Upper Caste, OBC-I and II and Muslims) could get institutional credit around 10 percent of SCs and

more than 16 percent of STs could get such credit. This is partly guided by the commitment of institutional credit agencies to give preference to the weaker section of population. The SCs and STs are not homogeneous groups. Within SCs and STs the preference of such institutions seems to be in favour of those who are well off among them. Analysis of access to such credit on the basis of the land holding of the villagers reveals positive relation between the two. Those having larger land holding enjoy more access to it than those having smaller holdings. While only around 8 percent of those having up to one acre of land could get such credit 24 percent of those having more than 5 acres of land succeeded in getting it (see table 3.2).

Table 3.1: Percentage of Households Indebted to Institutional Sources-Social Class Wise

Social Group	Co-operative Society	RRB	Commercial Banks	Total
SC	1.96	1.96	5.88	9.80
ST	0.86	4.61	10.66	16.14
Others	0.0	2.10	3.16	5.26
Total	0.81	3.85	8.72	13.39

Table 3.2: Percentage of Households Indebted to Institutional Sources-Land Size Wise

Land Size	Co-operative society	RRB	Commercial Banks	Total
Up to 1 acres	0.79	1.98	5.14	7.91
1-3 acres	0.0	7.91	10.79	18.71
3-5 acres	1.96	3.92	9.80	15.69
5 acres & above	2.0	2.0	20.0	24.0

Flow of Credit

It was a general observation that the institutional agencies had reduced its rural lending after the banking sectors reforms on the basis of Narsimham Committee recommendations. We observed that since last one year it has again revived. In last five years the maximum credit has been advanced, to the sample households in the last year i.e. in 2002-03. Around half of the credit advanced in last five years by the Commercial Banks has been given last year. RRB has given

more than two thirds of its credit of last five years only last year. Cooperative credit society too has become active since last one year.

Table 3.3: The Percentage of Credit Given in Different Period of Time

Sources	1998-00	2000-01	2002-03	Total
Co-op Society	13.33	0.00	86.67	100.0
RRB	5.50	24.29	70.20	100.0
Commercial Banks	23.97	26.69	49.33	100.0
Total	18.79	25.83	55.38	100.0

II. Institutional Agencies Supplying Credit and the Type of Credit

Nationalized bank is the most important institutional agency supplying credit to the sample households. Around 65 percent of those households who are indebted to institutional sources have taken credit from nationalized banks. Co-operative credit societies on the other hand are insignificant in the sense as only around one twentieth of the indebted households have borrowed from this source. Around one fourth of the households have borrowed from RRB. The Co-operative credit society, which at one time used to be the most important source of rural credit gradually, lost its importance especially after the nationalization of major commercial banks in 1969. Barring a few regions the co-operative credit society has become almost defunct. The Regional Rural Bank, which was set up for strengthening the rural credit scenario, though has provided credit to many, too has failed to cover all the needy. After nationalization the scheduled commercial banks set up many branches in the rural and semi-urban areas and thus became the most important institutional source of credit for the rural areas.

The supremacy of commercial banks also gets reflected when we analyse the average amount of credit sanctioned by different institutional sources.

Table 3.3: Share of Different Institutional Agencies in Institutional Credit

Sources	Percentage of Beneficiaries	Average amount of credit
Co-op Society	6.06	1875
RRB	28.79	14342
Commercial Banks	65.15	16433
Total	100.0	14948

Nationalized commercial Bank is the most important source of institutional credit for all social and economic groups. Among those tribal and non-tribal households who are indebted to institutional sources 66 percent of the former and 60 percent of the latter have taken credit from this source. Slightly less than one third of them have taken credit from RRB. A classification according to land-size shows that a higher percentage of those having 5 acres and above land has taken credit from Nationalized banks than those having smaller size land holdings.

Table 3.4: Share of Different Institutional Agencies in Institutional Credit-Social Class Wise

Sources	Tribal	Non-Tribal
Co-op. society	5.36	10.00
RRB	28.57	30.00
Commercial Banks	66.07	60.00
Total	100.0	100.0

Table 3.5: Share of Different Institutional Agencies in Institutional Credit-Land Size -wise

Land Size	Co-operative Society	RRB	Commercial Banks	Total
Less than 1 acre	10.00	25.00	65.00	100.0
1-3 acres	0.00	42.31	57.69	100.0
3-5 acres	12.50	25.00	62.50	100.0
5 acres & above	8.33	8.33	83.33	100.0
Total	6.06	28.79	65.15	100.0

III. Scheme of Credit

There are several schemes under which credit is granted by institutional credit giving agencies. Some of them like IRDP and related schemes are meant for providing income-generating durable assets to the poor. IRDP was launched in 1980⁷ and aimed at providing assistance to the beneficiaries (BPL families) in the form of bank credit and government subsidy. Later on TRYSEM (Training Rural Youth for Self-employment), DWACRA (Development of Women and Children of Rural Areas), SITRA (Supply of Improved Toolkits to Rural Artisans), and GKY (Ganga Kalyan Yojna), were started as sub-schemes of IRDP⁸. They all are subsidized credit based programmes directed for creation of self-employment among the poor. They were merged and restructured into SGSY (Swaranjayanti Gram Swarajgar Yojana) in 1999-2000. PMRY (Prime -Minister Rojgar Yojna) is also a subsidy based credit programme for the educated unemployed person for starting an income generating

⁷ It was first mentioned in the budget speech of the Finance Minister in 1976. It was initially started on a Pilot basis in selected Blocks of the country. From 2nd October 1980 it was extended to all Blocks of the country (GOI, 01).

⁸ TRYSEM was started in August 1979, DWACRA in 82-83, SITRA in July 1992, and GKY in 96-97. GKY however had some operational problems in its implementation and was discontinued from 1998-99.

vocation. Besides them there is a Kissan Credit programme of providing credit to the farmers for purchasing agricultural inputs.

The non-poor people are given credit without any subsidy. This type of credit is also given mainly for productive purposes, however credit for construction and repair of houses or personal loan for meeting social and ceremonial expenses or for buying consumer durable is not rare.

In the villages of Jharkhand the institutional agencies have mainly given credit under IRDP/SGSY scheme. No one in our sample villages was given credit under any other poverty alleviation/employment generation schemes. We therefore have categorized the schemes of credit into two IRDP/SGSY and others. Others include all other schemes of rural credit by which the sample households have been benefited.

In the sample villages around eighty-eight percent of those households who had taken credit from institutional agencies had taken it under IRDP/SGSY scheme. The popularity of this scheme is mainly because of the willingness of the institutional agencies to grant loan under this scheme for fulfilling their obligation of meeting priority sector lending. The beneficiaries also might have liked this scheme, as it is a subsidy-based programme.

Table 3.6: Beneficiaries of Credit Scheme-Social Class -wise
(As a percentage of the entire household in those categories)
(Figures in parenthesis show percentage among the beneficiaries of that category)

Social Class	IRDP/SGSY	Others	Total
SC	5.88 (80.0)	3.92 (20.0)	9.80 (100.0)
ST-Christian	23.53 (85.11)	2.94 (14.89)	26.47 (100.0)
ST-Non-Christian	12.78 (85.11)	2.24 (14.89)	15.02 (100.0)
Others	5.26 (100.0)	0.0	5.26 (100.0)
Total	11.56 (86.36)	1.83 (13.64)	13.39 (100.0)

Table 3.7: Beneficiaries of Credit Scheme-Land Size-wise
 (As a percentage of the entire household in those categories)
 (Figures in parenthesis show percentage among the beneficiaries of that category)

Land Size	IRDP/SGSY	Others	Total
Up to 1 acres	7.11 (90.0)	0.79 (10.0)	7.91 (100.0)
1-3 acres	15.83 (84.62)	2.88 (15.38)	18.71 (100.0)
3-5 acres	11.76 (75.0)	3.92 (25.0)	15.69 (100.0)
5 acres & above	22.0 (91.67)	2.0 (8.33)	24.0 (100.0)

The IRDP/SGSY credit is popular in all social and economic class of people. Though meant for the poor it seems that all category of people get themselves enlisted as BPL, without much difficulty. The opinion of the block and bank official also favours it as they consider that most of the villagers, irrespective of their land size or caste/ social class, are poor. In our sample one of the household having more than ten acres of land had got credit under this scheme. The highest percentage of IRDP/SGSY credit has gone to Christian Tribals. Around one-fourth of them (23.53 percent) have benefited from this scheme. This is much higher than other social groups including the non-Christian tribals. Only 13.53 percent of the non-Christian tribal households have got credit from this scheme. The Christian tribals are more educated and aware than most of other social groups specially the non-Christian tribals. So they have higher access to such schemes than the other social groups. The households having 5 to 10 acres of land have received maximum number of credit under this scheme. Around one fourth (24.39 percent) of households of this category have received benefit from this scheme. The households with 1 to 3 acres of land have also been granted credit under this programme in substantial number. Around one sixth (16.55 percent) of such households have received credit under this scheme.

Table 3.8: Beneficiaries of Credit Scheme and the Institutional Credit Agencies Supplying them

Scheme	Co-operative	RRB	Nationalized Bank	Total
IRDP/SGSY	3.45	29.31	67.24	100.00
Others	25.00	25.00	50.00	100.00
Total	6.06	28.79	65.15	100.00

Nationalized bank is the main agency, which has supplied credit under IRDP/SGSY scheme. Around two-thirds of the credits given under IRDP/SGSY schemes have been granted by this agency. Co-operative credit society on the other hand has played only a negligible role- only 3.45 percent of the IRDP/SGSY credit has been granted by it. Though in other types of credit also Nationalized banks have played dominant role granting half of such credit; Co-operative credit societies also have played a relatively significant role-one fourth of such credit has been given by this agency and another one fourth by RRB.

IV. Purpose of Loan

Institutional loan has mostly been taken for agricultural purposes either to meet the input costs or for buying agricultural instruments. More than two thirds of the beneficiaries have taken credit for these two purposes. This seems to be natural, as most of the beneficiaries are agriculturists. Agricultural loan has mainly been taken for buying agricultural assets/implements. More than half of the beneficiaries have taken loan from institutional sources for buying agriculture implements. It is both because of the preference of institutional sources for such loan as well as the desire of the people for it. An agricultural instrument like irrigation pump set, thrasher, power tiller or tractor causes immediate income generation through their hiring out as well as a long term increase in income through improvement in production and productivity in the agriculture sector. Pump set is one of the most popular agricultural instruments for which credit was given in this region. The beneficiaries use it for irrigation as well as lend it out on rent to others on an hourly basis.

Around one eighth of the households have been given credit for livestock and another one eighth for household industry and business. Poultry birds, pigs, goats, dairy and plough animals are the major forms of livestock for which credits have been given to the villagers of this region. [Poultry however is the least popular purpose for which institutional credit has been taken. Only around three percent of the beneficiaries have taken loan for this purpose. It is because many of the villagers carry it on a small scale on their own. They say that carrying it on a large scale is risky because of high frequency of disease and death among the birds and also because it is highly susceptible to theft. The lack of ready market for the poultry products (chickens and eggs) within the village or in nearby areas also discourages them for seeking credit for this purpose.]

An analysis of the amount of credit disbursed for different purposes also shows that the agricultural instrument is the most important purpose for which loan has been taken/ granted. More than sixty percent of the amount of credit has been granted for this purpose. Though equal number of beneficiaries has taken loan for livestock and household industry/business purpose, the amount wise distribution shows that a higher percentage of money has been granted for the latter than the former. This is because of the unit cost of the latter than the former (table 3.9). The mean amount of credit granted for household industry and business is the highest among all the purposes for which credit has been taken. This is because of its higher unit cost especially in comparison to the short-term agriculture or livestock credit.

Table: 3.9: Purpose of Loan

Purpose	Percentage of those taken inst. Credit	Percentage of amount	Mean amount
Short term agriculture loan	13.64	6.13	6722
Agriculture Asset loan	54.55	60.64	16619
Livestock	12.12	9.75	12025
Household Industry and Business	12.12	14.56	17950
Others	7.57	8.92	17600
Total	100.00	100.00	14948

The mean amount of credit is the lowest for the short-term agriculture purpose. This is because it is granted for meeting the variable inputs of agriculture like fertilizer or seed, whose cost is lower than that of the fixed assets bought for household industry and business or agricultural instruments. The mean amount of credit given for livestock is also low as it includes several types of animals both big and small; the price of some of them is very low.

There is inter-institutional variation in the purpose of granting credit. While the co-operative credit society has shown preference for short-term agriculture loan, RRB and Nationalized banks have mostly granted credit for procurement of agricultural implements. Out of four beneficiaries who have got credit from co-operative society three have got it for short-term agricultural needs like buying seeds, fertilizers or other agricultural inputs. On the other hand around three fourths of the credits given by RRB and more than half of the credit given by nationalized banks have been given for agricultural instruments. Nationalized banks have shown some preference for livestock also-one sixth of the credit granted by it has been given for this purpose. Most of those (87.5 percent) who have taken credit for livestock have got it from nationalized banks and the rest from RRBs.

Table 3.10: Purpose of Loan by Source of Credit
(Percentage of beneficiaries) (Figures in parenthesis show row percentage)

Purpose	Co-op. Society	RRB	Nat. Banks	Total
Short term agriculture loan	75.00 (33.33)	5.26 (11.11)	11.63 (55.56)	13.64 (100.00)
Agriculture Asset loan	0.00	73.68 (38.89)	51.16 (61.11)	54.55 (100.00)
Livestock	0.00	5.26 (12.5)	16.28 (87.5)	12.12 (100.00)
Household Industry and Business	0.00	15.79 (37.5)	11.63 (62.5)	12.12 (100.00)
Others	25.00 (20.0)	0.00	9.30 (80.0)	7.57 (100.00)
Total	100.00 (6.06)	100.00 (28.79)	100.00 (65.15)	100.00 (100.00)

The mean amount of credit differs not only from one purpose to another (table 3.9) but also from one source to another. Nationalized bank is not only the major lender of credit but has lent the highest mean amount of credit. While the average amount lent by co-operative credit society is eighteen hundred only, nationalized bank has lent a mean amount of more than sixteen thousand, which is higher than the RRBs' lending whose mean amount is around two thousand less than that of nationalized banks. The mean amount of credit granted by nationalized bank is higher than other agencies for all purposes except the household industry and business. For example for short-term credit need it has lent on an average ten thousand rupees which is twice that of RRB and approximately five and half times that of Co-operative credit society. For household industry and business however, while RRB has lent on an average around twenty three thousand rupees, the nationalized banks around fourteen thousand only. The mean amount lent for agricultural

instruments/assets is substantially high in case of both RRB and Nationalized banks, though may not be the highest⁹.

Table 3.11: Purpose of Loan by Source of Credit
(Mean amount)

Purpose	Co-op. Society	RRB	Nat. Banks
Short term agriculture loan	1833	5000	10000
Agriculture Asset loan	0	13750	18445
Livestock	0	5000	13029
Household Industry and Business	0	23333	14720
Others	2000	0	21500
Total	1875	14342	16433

An analysis of amount of loan sanctioned by the institutional agencies also show that the agricultural instruments/ assets is the most favoured purpose for which RRBs and the Nationalized Banks have granted credit. More than two third of the amount granted by RRB and more than half of the amount granted by Nationalized Banks have been granted for this purpose. RRB has granted around one fourth of the total amount granted by it for household industry and business. This is much higher than the percentage of the beneficiaries who have got loan form RRB for this purpose (see table 3.10). While around 15 percent of all those beneficiaries who have taken credit from it have got it for household industry and business, around 25 percent of the total amount sanctioned by it has gone for this purpose. This is because of higher mean amount of money sanctioned for this purpose by RRB (table 3.11).

⁹ The highest mean amount for RRB is household Industry and Business and for Nationalised Bank it is others, which include credit for Cycle Rickshaw, for consumer durable etc.

Table 3.12: Purpose of Loan by Source of Credit
(Percentage of amount)

Purpose	Co-op. Society	RRB	Nat. Banks	Total
Short term agriculture loan	73.33 (9.09)	1.83 (8.26)	7.08 (82.64)	6.13 (100.00)
Agriculture Asset loan	0.00	70.64 (32.17)	57.43 (67.83)	60.64 (100.00)
Livestock	0.00	1.83 (5.20)	12.91 (94.80)	9.75 (100.00)
Household Industry and Business	0.00	25.69 (48.75)	10.42 (51.25)	14.56 (100.00)
Others	26.67 (2.27)	0.00	12.17 (97.73)	8.92 (100.00)
Total	100.00 (0.76)	100.00 (27.62)	100.00 (71.62)	100.00s (100.00)

As discussed above agriculture is the most important purpose for which credit has been taken (table 3.9). Though it is true for all social and economic class (land size) of people data reveal some inter class variation (table 3.13 and 3.14). For the tribals agriculture (which includes both the short-term agriculture loan and the agriculture instruments/assets loan) is more important purpose of credit than for the non-tribals. While more than seventy percent of the tribals have taken credit for agriculture only half of the non-tribals have got it for this purpose. Forty percent of the non-tribals have taken credit for household industry while around seven percent of the tribals have taken credit for this purpose.

Table 3.13: Purpose of Loan-Social Class-wise
(As percentage of the beneficiaries of each class)

Purpose	Non-Tribal	Tribal	Total
Agriculture	50.00	71.43	68.18
Livestock	10.00	12.5	12.12
Household Industry and Business	40.00	7.14	12.12
Others	00.00	8.9	7.58
Total	100.00	100.00	100.00

Table 3.14: Purpose of Loan-Land Size-wise
 (As a percentage of beneficiaries)
 (Figures in parenthesis show column percentage)

Purpose	Up to one acre	1to3 acre	3 to5 acre	5 acres and above	Total
Agriculture	33.33 (75.00)	35.56 (61.54)	8.89 (50.00)	22.22 (83.33)	100.00 (68.18)
Livestock	37.50 (15.00)	37.50 (11.54)	25.00 (25.00)	0.00	100.00 (12.12)
Household Industry and Business	0.00 (0.00)	75.00 (23.08)	0.00 (0.00)	25.00 (16.67)	100.00 (12.12)
Others	40.00 (10.0)	20.00 (3.84)	40.00 (25.00)	0.00	100.00 (7.58)
Total	30.30 (100.00)	39.39 (100.00)	12.12 (100.00)	18.18 (100.00)	100.00 (100.00)

As discussed earlier the landless and marginal and small landholders (i.e. those having up to 3 acres of land) have benefited more from institutional credit arrangements than those having comparatively larger land holdings. Those having large land holdings (five acres and above) have mainly taken credit for agriculture, a very small percentage of this category of beneficiary (16.67 percent) have taken credit for household industry and business. None of them have taken credit for livestock. The landless and marginal and small landholders have also taken credit for agriculture on a large scale. Three fourths of those up to one acre of land and more than sixty percent of those having one to three acres of land have taken credit for agriculture. Those having no or small land holdings have mainly taken credit for livestock. They have seen it as a source for diversification of earning opportunities and additional income.

V. Condition of Loan

By condition of loan we mean the terms on which the borrowers get loan from these agencies. It includes the rate of interest charged by the agencies, the subsidy component of the credit, the type and value of collateral accepted for giving loan and the problems and difficulties faced by the borrowers. They determine the total cost of

the borrowers for taking loan from the institutional agencies. Though the net interest cost (interest adjusted by subsidy) of institutional credit is low the other costs sometimes become exorbitantly high. The terms of institutional credit differs on the basis of social and economic condition of the borrowers.

Rate of Interest and Subsidy

Institutional agencies charge lower rate of interest in comparison to the other sources (like non-institutional sources and SHG) of credit. Though the rate of interest of such credit varies on the basis of the purpose of credit and the type of beneficiaries the average rate of interest has very little inter agency variation. It varies from 12 percent to 13 percent.

Table 3.15: Average Rate of Interest Charged by Different Institutional Agencies

Agencies	Average rate of interest
Co-op Society	12.00
RRB	13.00
Nationalized Banks	12.16
Total	12.39

Part of the loan given to the poor borrowers by the institutional agencies is subsidised by the government under its poverty/unemployment reducing programmes. The amount of subsidy is fixed as a percentage of total loans sanctioned by these agencies to the BPL/unemployed borrowers subject to an upper limit restriction. The percentage of subsidy and its upper limit depends on the social class of the borrowers. The SC and ST borrowers get half of the amount as subsidy and the other class of beneficiaries one-third as subsidy. The proportion of subsidy received as a percentage of total loan sanctioned by different institutional agencies therefore depends on the proportion of loan given by it to BPL/ unemployed borrowers and the social category of such borrowers.

Table 3.16: Percentage and Average Amount of Subsidy disbursed by Different Institutional Agencies

Agencies	Percentage of subsidy to total amount	Average amount of subsidy
Cooperative Society	16.67	1250
RRB	41.43	7056
Commercial Banks	38.87	7628
Total	39.41	7335

Cooperative credit societies have mostly given non-subsidized loan and therefore subsidy amounts to only around one-sixth of the total loan sanctioned by it. On the other hand subsidy amounts to about two-fifths of the loan given by RRBs and Commercial Banks. This is mainly because these two agencies have mostly given subsidized credit to their borrowers for purchasing income-generating assets. The average amount of subsidy disbursed by Co-operative society is much less than those of RRB and Commercial Banks. It is approximately one sixths of what has been disbursed by the other two institutional agencies.

Since subsidy as a percentage of total loan sanctioned has institutionally been kept higher for the poor of SC and ST than the poor of other social groups, the percentage of subsidy received by the SC and ST is higher than the other social groups (Upper caste, OBC and Muslims). While it is above 40 percent for the tribals¹⁰ and slightly less than 35 percent for the SC, it varies between 30 to 33 percent for the other social groups. Despite low percentage of subsidy in the total amount of credit, the upper caste and OBC have received higher average amount of subsidy than the other social groups. They, on an average, have received higher amount of loan than the other social group.

¹⁰ In our interview of the bank officials it was revealed that the Christian tribals have received slightly more subsidy than the non-Christian tribals as they are more aware than the latter. Because of higher literacy among them, their potentiality for income generation, credit absorptive capacity and probability of repayment have been considered higher than the latter group by some of the bank officials.

Therefore, despite being entitled for lower percentage of subsidy (33 percent of the total loan sanctioned, subject to an upper limit), they have received higher amount of it.

Table 3.17: Percentage and Average Amount of Subsidy Disbursed by Different Institutional Agencies

Caste Groups	Percentage of subsidy to total amount	Average amount of subsidy
Upper Caste	30.00	13575
OBC	33.00	11550
SC	34.43	6267
ST-Non-Christian	40.82	6916
ST-Christian	43.96	7731
Muslim	33.00	6600

Though only the poor are entitled for subsidized credit under government-sponsored employment generating and poverty alleviating programmes, it has been observed that even the better off villagers are successful in getting such credit. Those having 3 to 5 acres of land have received more than 40 percent of their credit as subsidy and those having even more than 10 acres of land have received 30 percent of their loan in the form of subsidy. This is so because even those having large land size have succeeded in getting themselves enlisted in the BPL list. The general perception among the block and bank officials is that most of the villagers, irrespective of the size of their land holdings, are poor and therefore entitled for subsidized credit. In fact the land less have received the smallest percentage of their credit as subsidy and their average amount of subsidy is also least in comparison to other land size groups.

Table 3.18: Percentage and Average Amount of Subsidy disbursed by Different Institutional Agencies

Land Size	Percentage of subsidy to total amount	Average amount of subsidy
Nil	21.85	3300
Up to 1 acre	47.86	7171
1-3 acres	38.29	7370
3-5 acres	35.55	5254
5-10 acres	40.94	7953
10 acres & above	30.00	22380

Collateral

Collateral ensures the security of the loan given by the lenders. Institutional agencies, which do not have personal acquaintance with the borrowers, therefore demand collateral for sanctioning credit to them. A large number of the borrowers, usually the poor ones, however are not in a position to offer any thing as collateral. They therefore prefer collateral free credit. These agencies have provisions of giving credit without any collateral. Around two fifths of the credit given by institutional sources is without any collateral. Co-operative societies have given all its credit to its borrowers without any collateral. Slightly more than one third of the credit given by RRBs and Commercial Banks is without any collateral. Land is the most popular form of collateral accepted by RRBs and the Commercial Banks. While the RRBs have accepted only land as collateral, the Commercial Banks have given around seven percent of its credit on security of fixed deposit and other goods.

Table 3.19: Types of Collateral Accepted by Different Institutional Sources

Sources	None	Land	Fixed deposit	Other goods	Total
Co-op society	100.00	0.00	0.00	0.00	100.00
RRB	36.84	63.16	0.00	0.00	100.00
Commercial Banks	37.21	55.81	4.65	2.33	100.00
Total	40.91	54.55	3.03	1.52	100.00

Though it is the poor and deprived who mostly require collateral free credit, it is usually the relatively well off and those enjoying better connection who succeed in getting such type of credit. A social class wise analysis of it reveals that while half of the non-tribals could get credit without any collateral less than two fifths of the tribals succeeded in getting such credit. Since very few of the tribals have any thing other than land to offer as collateral most of the tribals have got credit by offering land as collateral. While ten percent of the non-tribals have got credit on the collateral of fixed deposit only less than two percent of the tribals could offer fixed deposit as collateral for their loan borrowed from institutional sources.

Table 3.20: Type of Collateral Accepted by Different Social Class

Social Groups	None	Land	Fixed Deposit	Other Goods	Total
Non-Tribal	50.00	40.00	10.00	0.00	100.00
Tribal	39.29	57.14	1.79	1.79	100.00
Total	40.91	54.55	3.03	1.52	100.00

An analysis of the nature of collateral on the basis of the size of the land holding also reveal similar story. A larger percentage of those having larger land holding have succeeded in getting collateral free credit than those with smaller land holdings. Among the recipients of institutional credit, while only one-third of those with less than one acre of land could get loan without collateral, half of those between 3 and 5 acres of land succeeded in getting such credit. More than two fifths of those having 1 to 3 acres of land and having 5 acres and above of land also succeeded in getting credit without any collateral. While none of those having less than one acre of land had fixed deposit to offer as collateral for getting loan from institutional sources, more than 8 percent of those having 5 acres and above land and 3.85 percent of those having 1 to 3 acres of land got credit on the basis of fixed deposit as collateral.

Table 3.21: Type of Collateral Accepted by Different Social Class

Land Size	None	Land	Fixed Deposit	Other Goods	Total
Less than 1 acre	35.00	60.00	0.00	5.00	100.00
1 to 3 acres	42.31	53.85	3.85	0.00	100.00
3 to 5 acres	50.00	50.00	0.00	0.00	100.00
5 acres & above	41.67	50.00	8.33	0.00	100.00

Difficulties Faced in Getting Loan

The borrowers face various types of problems in getting credit from institutional sources. They have to make several visits to the bank and block offices because of which they have to suffer not only in terms of loss of wage and/ or output but also in terms of some avoidable expenditure. The behaviour of the bank and block officials is also bad with these borrowers. Some have to pay hush money to the bank and/ or block officials. All these difficulties increase the transaction cost of the credit for the borrowers.

On an average the borrowers have made four visits each to the bank and block officials for getting their loans approved and sanctioned. Though the wage and production loss and the harassment caused by the visits to bank and block office is an important component of the total transaction cost of the borrowers¹¹, it is difficult to calculate in monetary terms. The borrowers however have to meet some additional cost like payment for transport and for refreshment. It comes out on an average to be Rs. 16 per visit amounting to Rs. 128 per loan approved.

The number of visits made and the amount spent per trip varies with the social and economic class of the borrowers. The SCs reported to have made more visits for getting their loan approved than other social categories of beneficiaries. While they on an average had made 14 visits

¹¹ In the 'Focus Group Discussion (FGD)' the villagers admitted that the wage and production loss and harassment caused by the visits they have to make to the bank and block office for the approval of their loan is a significant component of the total cost of institutional credit and an important factor which has discouraged some of the villagers to borrow from institutional agencies.

for it, the other social category of beneficiaries (the ST and Others) had made 7 visits for this purpose. This may be because the SCs are less socially acceptable than the other social groups. The average number of visits made by the beneficiaries of different land holdings does not show much variation. In fact the landless had to make less number of visits in comparison to higher land holding class. So it seems that the large number of visits, which the SCs had to make, was not because of their economic deprivation but because of the practice of social discrimination followed against them.

Table 3.22: Difficulties Faced by Beneficiaries in Getting Institutional Loan Social Class -wise

Difficulties	SC	ST	Others	Total
Average number of visits to block office	7	4	3	4
Average number of visits to bank office	7	3	4	4
Average expenditure per trip	13	20	16	16

The average amount spent on each trip depends on the distance between the place where the beneficiary lives and the bank / block office, the mode of transport used and the expenditure incurred by them while waiting in those offices. Such expenditure usually varies directly in relation to the economic capability of the borrowers. In our sample the SCs, who are economically more deprived than the other social groups, have spent less money per trip than the other social groups. Similarly those with larger land size reported to have spent more money per trip to bank/ block office than those with lower land size. While the landless have spent Rs. 5 per trip those having 3 to 5 acres have spent Rs. 23 per trip. Beyond a certain economic standard it seems that the expenditure per trip reaches a plateau and the direct relation between economic status/ land holding and the expenditure per trip does not hold good.

**Table 3.23: Difficulties Faced by Beneficiaries in Getting Institutional Loan
Land Size-wise**

Difficulties	Nil	Up to 1 acre	1-3 acres	3-5 acres	5 & above
Average number of visits to block office	2	4	5	4	4
Average number of visits to bank office	2	5	4	3	4
Average expenditure per trip	5	14	15	23	18

Some of the borrowers accepted to have paid hush money for getting their loan sanctioned. They reported to have paid it to the bank officials, block officials and the middlemen. In our sample around 29 percent of the beneficiaries reported to have paid hush money. Payment of hush money also seems to be related with the economic capability of the borrowers¹². A larger percentage of those who are economically well off seems to have paid hush money than those who are relatively deprived. While more than two fifths of the beneficiaries having more than three acres of land holdings have paid hush money, only around one fifth of those having less than three acres of land holdings had to do so. A social class wise analysis reveals that while 60 percent each of SCs and others had to pay hush money for getting their loan sanctioned, only less than one fourth of the ST had do so. Absence of relevant social connections seems to have forced a large percentage of SCs to pay hush money.

Table 3.24: Percentage of Beneficiaries Reporting Payment of Hush Money

Social class	Percentage of beneficiary paying hush money	Land Size	Percentage of beneficiary paying hush money
SC	60.00	Up to 1 acre	20.00
ST	23.21	1-3 acres	23.08
Others	60.00	3-5 acres	50.00
Total	28.79	5 acres & above	41.67

¹² However because of low frequency nothing concrete can be said about it.

Hush money has mostly been paid to the bank officials. More than half of those who reported to have paid hush money have paid it to bank officials; the others were divided in paying it to block officials and the middlemen- around one fourth reported to have paid it to block officials and two fifths to middlemen.

Table 3.25: Percentage Distribution of Hush Money

Social Class	Bank Officials	Block Officials	Middlemen	Total
SC	66.67	33.33	0.00	100.00
ST	53.85	30.78	15.38	100.00
Others	33.33	0.00	66.67	100.00
Land Size				
Up to 1 acre	75.00	25.00	0.00	100.0
1-3 acres	33.33	50.00	16.67	100.00
3-5 acres	50.00	25.00	25.00	100.00
5 acres & above	60.00	0.00	40.00	100.00
Total	52.63	26.32	21.05	100.00

Behaviour of Block and Bank Official

Very few of the beneficiaries were appreciative of the behaviour of the bank and/or block officials. While only 5.41 percent of the beneficiaries told that the behaviour of the bank officials was good more than double of it considered their behaviour bad or very bad. Almost similar was the reaction of the beneficiaries regarding the behaviour of block officials. Most of the beneficiaries regarded the behaviour of the bank and block officials just normal. The behaviour of the bank and the block officials did not vary with social class of land holding of the beneficiaries in their opinion.

Table 3.26: Feelings of Beneficiary Households Regarding the Behaviour of Bank Officials

Social Class	Very Good	Good	Normal	Bad	Very Bad	Total
SC	50.00	0.00	0.00	50.00	0.00	100.0
ST	3.23	25.81	58.06	9.68	3.23	100.0
Others	0.00	50.00	50.00	0.00	0.00	100.0
Land Size						
Up to 1 acre	0.00	0.00	50.00	50.00	0.00	100.0
1-5 acres	5.26	36.84	47.37	5.26	5.26	100.0
5 acres & above	1.11	2.22	5.56	1.11	0.00	100.0
Total	5.41	27.03	54.05	10.81	2.70	100.0

Table 3.27: Feelings of Beneficiary Households Regarding the Behaviour of Block Officials

Social Class	Very Good	Good	Normal	Bad	Very Bad	Total
SC	0.00	0.00	100.00	0.00	0.00	100.0
ST	10.00	26.67	50.00	6.67	6.67	100.0
Others	0.00	33.33	66.67	0.00	0.00	100.0
Land Size						
Up to 1 acre	0.00	22.22	66.67	0.00	1.11	100.0
1-5 acres	10.53	31.58	47.37	5.26	5.26	100.0
5 acres & above	14.28	14.28	57.14	14.28	0.00	100.0
Total	8.57	25.71	54.29	5.71	5.71	100.0

Though the villagers were not very appreciative about the behaviour of the bank and the block officials they admitted that some of them helped in proper functioning of the project. BDO, VLW and the bank officials helped them in various ways. They provided them information regarding the scheme, helped them in applying for the scheme and advised them for the successful functioning of the credit-

financed projects. Some of the beneficiaries were helped by the fellow villagers also.

Table 3.28: Officials Which Helped in Functioning of the Scheme Social Class and Land Size-wise

Social Class	None	BDO	VLW	Bank Officials	Fellow Villagers	Total
SC	0.0	0.0	100.0	0.0	0.0	100.0
ST	20.83	4.17	66.67	0.0	8.33	100.0
Others	0.0	0.0	50.00	25.00	25.00	100.0
Land Size						
Up to 1 acres	1.11		77.78		1.11	100.0
1-5 acres	20.00	6.67	66.67		6.67	100.0
5 acres & above	16.67		50.00	16.67	16.67	100.0
Total	16.67	3.33	66.67	3.33	10.00	100.0

Most of the beneficiaries have received help from VLW. Two thirds of the beneficiaries reported that they were helped by VLW in getting their project or in running them. Very few of the beneficiaries (3.33 percent) on the other hand were helped by bank officials. VLWs helped the poor more than they did the well-off, while the bank officials have mostly provided help to the socially and economically well off beneficiaries.

VI. Desire for Credit

Despite the fact that some of the borrowers face difficulties in getting loan from institutional sources, or they have to pay hush money, or they feel that the behaviour of bank/ block officials is not good; a large number of them were found to be desirous of getting loan from institutional sources. Among our sample households around two fifths were desirous of institutional credit.

Table 3.29: Percentage of Household Desirous of Institutional Credit

Social class	Percentage of Household
SC	47.37
ST	62.75
Others	37.46
Total	41.99

Among those desirous of institutional credit more than half wanted it for agriculture, which included both for buying agricultural instruments/ implements as well as for buying seeds, pesticides etc. Self-business and livestock were the other important reasons for which institutional credit were demanded. Around one fifth of the household wanted credit for self-business and slightly less than one fifth for livestock.

Table 3.30: The Purpose for Which Institutional Credit is Desired- Social Class and Land Size Wise

Social Class	Agriculture	Livestock	Household Industry	Self Business	Others	Total
SC	34.38	21.88	6.25	31.25	6.25	100.0
ST	56.15	20.77	3.08	16.92	3.08	100.0
Others	53.33	8.89	0.0	33.33	4.44	100.0
Land Size						
Up to 1 acre	44.86	20.56	3.74	28.04	2.80	100.0
1-3 acres	52.72	21.82	1.82	18.18	5.45	100.0
3-5 acres	72.73	4.55	0.0	18.88	4.55	100.0
5 acres & above	65.22	13.64	4.35	13.04	4.35	100.0
Total	52.17	18.36	2.90	22.71	3.86	100.0

VII. Suggestions for Improvement of Institutional Credit

When we asked the sample households about their suggestions for improvement in the functioning of institutional credit system more than half of them had no suggestions. Very few of the SCs (17.65 percent) gave any suggestions. But except SCs there was not much social or economic class wise variation in giving suggestions.

Table 3. 31: Percentage of the Households Who Gave Suggestions for Improving the Functioning of Institutional Credit System

Social Class	Percentage of Households	Land Size	Percentage of Households
SC	17.65	Up to 1 acre	38.74
ST	47.55	1-3 acres	53.24
Others	44.44	3-5 acres	47.06
Total	44.01	5 acres & above	42.0

Out of those who gave suggestions one third said that loan should be given to the right persons. By right person they meant that it should be given to those who have the idea and experience of proper investment of the fund borrowed from institutional sources. Adverse selection and moral hazard of the beneficiaries came up as the biggest problem of the institutional credit agencies. Around one tenth of those who gave suggestions opined that credit should be given to the needy persons i.e. those who are deprived and cannot manage money on their own in times of need. The suggestions, it seemed were based on the personal experiences of the respondents. For example, while none of the STs and only 3,7 percent of the others said that the mediators should be removed but around one fifth of SC complained about it. This was mainly because they had to depend on mediator more than any other social groups. Bribe, it seems, has become an accepted norm. Only around 13 percent of the respondents suggested that bribery should be removed. They, too, complained against excessive bribe rather than the normal ones. Around 16 percent of those who gave suggestions asked for awareness of the

institutional credit schemes. This issue was mostly raised by the tribal households. As they are slightly away from mainstream, they fail to get proper information about the nature, availability and repercussions of the schemes.

Table 3.32: Suggestions for Improving the Functioning of Institutional Credit Schemes-Social Class-wise

Suggestions	SC	ST	Others	Total
Bribery removed	18.18	11.52	12.96	12.90
Mediator removed	18.18		3.70	1.84
Loan in kind removed		4.24	3.70	4.15
Timely loan & easy installment	9.09	18.18	18.52	18.89
Regular visit of officials		5.45	5.56	5.53
Awareness of the schemes	9.09	18.18	9.26	16.59
Given to needy persons		9.70	9.26	9.68
Given to right persons	45.45	32.73	12.96	30.41
Total	100.0	100.0	100.0	100.0

An analysis of the suggestions provided by the respondents according to the size of holding shows that those with smaller size holdings were more bothered about the problem of adverse selection and moral hazard of the beneficiaries than those with large size holdings. Similarly elimination of bribery were suggested more by those having less than 5 acres of land than those having more than 5 acres of land.

Table 3.33: Suggestions for Improving the Functioning of Institutional Credit Schemes-Social Class-wise

Suggestions	Up to 1 acres	1-3 acres	3-5 acres	5 acres & above
Bribery removed	15.31	10.81	16.67	4.76
Mediator removed	3.06	1.35	0.0	
Loan in kind removed	4.08	2.70	4.17	9.52
Timely loan & easy installment	15.31	24.32	12.5	14.28
Regular visit of officials	6.12	2.70	12.5	14.28
Awareness of the schemes	12.24	17.57	29.17	33.33
Given to needy persons	11.22	9.46	4.17	4.76
Given to right persons	32.65	31.08	12.5	19.05
Total	100.0	100.0	100.0	100.0

VIII. Sum up

Institutional credit though is highly desired by the people of this region has been given to very few people. The commitment of the institutional agencies to give preference to the socially weaker sections of population has resulted into selection of relatively higher percentage of SCs and STs by them. A land wise analysis of allocation of credit reveals preference of those with higher land size by such agencies. This leads us to the conclusion that such agencies have preferred giving loan to those SC and ST who are relatively well off (have higher land size). Nationalized Commercial banks lead the institutional agencies in giving credit to the villagers of this region. Credit has mostly been given in the form of subsidized IRDP/SGSY. The most important purpose for such credit is procurement of agricultural machines and implements. Adverse selection of beneficiary as been considered as one of the most serious problem of such credit. Therefore selection of right type of person emerged as one of the most important suggestions.

Chapter IV

NON-INSTITUTIONAL CREDIT IN JHARKHAND

Non-institutional sources, which include the moneylenders, the traders, landlords, employers, contractors, friends, relatives and fellow villagers, are one of the main sources of credit for the villagers. These sources are unorganized, unregulated, non-standardized, and are segmented¹³ among themselves. They have informal method of functioning. Most of them also carry out activities other than money lending and charge different types of interests depending on the type of borrower, the purpose and occasion of loan and the type of security offered by the borrower. Indebtedness to non-institutional sources has remained an agonizing part of tribal life. It has been considered as one of the main method of their exploitation (Husnain, 1985). Through interlocking with land and product market it has resulted in their exploitation in other places as well and thus resulted in perpetuation of their misery. Non-institutional credit market has been used as an instrument of the land alienation of the tribals. Despite the attempts of the government for regulating and restricting the activities of this market, it has flourished and works unregulated. Because of its unorganized and segmented nature and informal method of working it is difficult to identify and regulate it. The operators in this market do not maintain a proper account of their activities nor do they submit it to any one for auditing and scrutiny.

Despite its exploitative nature, a large number of villagers depend on it because its informal and flexible nature suits them. The villagers prefer it because it is available to them in times of need and in the amount they need, its easy repayment method and above all,

¹³ Bottomley and U Tun Wai in the IMF Staff papers found them highly segmented. The segmentation of this market on the one hand restricts the free flow of fund from one segment to another and thus efficient utilization of fund and on the other restricts competition and ensures monopoly like situation. Also Quoted in Thomas timberg and Chandrasekar V. Aiyar "Informal Credit Market in India" EPW Vol. 15 Annual Number Feb. 1980.

because it is available for their consumption need and all those pressing needs for which institutional credit is not available.

Jharkhand had a thriving non-institutional credit market in as early as mid nineteenth century (Mohapatra, 1985). Credit was given by moneylenders, landlords, traders and other ryots (peasants) to the needy either through mortgage of land, labour, standing crops, other movable properties (like ornaments, utensils etc.) or at exorbitant rate of interest. In 1928 the Provincial Banking Enquiry committee found that for Chotanagpur division as a whole, roughly 75 percent of the population were indebted¹⁴. The practice still continues. According to the NSS 44th round (July 88 to June 89) 3.4 percent of the tribals and 10.6 percent of the non-tribals of this area were indebted to the non-institutional sources of credit. This data might be under-reported, as many types of credit arrangements might have remained unrecognized and unreported. In our survey around fourteen percent of the sample households were found to be indebted to the non-institutional sources (see section chapter 2).

I. Spread of Non-Institutional Credit

Around 14 percent of the villagers are indebted to non-institutional sources of credit. Indebtedness to this source is more among the poor and deprived communities than those who are better off. A higher percentage of SCs are indebted to the non-institutional sources than others including the tribals. While around 30 percent of the SCs are indebted to non-institutional sources, only around 16 percent of others and 11 percent of the tribals are indebted to it. Similarly a higher percentage of landless are indebted to non-institutional sources than those who have some land (see table 4.1).

¹⁴ Report of the Provincial Banking Committee of Bihar and Orissa, Patna 2 Volumes 1930, Vol 1, pp-43. Quoted from P. P. Mohapatra, 1985.

Table 4.1: Percentage of Households Indebted to Non-Institutional Sources

Social Class	Percentage Indebted	Land Size Class	Percentage Indebted
SC	29.41	Nil	22.95
ST	11.23	More than 0-1 acre	14.06
Others	16.84	1-3 acres	12.23
Total	14.20	3-5 acres	13.73
		5 acres & above	10.00

II. Non-Institutional Agencies Supplying Credit and the Type of Credit

Traders, urban moneylenders, rural moneylenders, land lords, employers and friends, relatives and fellow villagers are the main non-institutional sources supplying credit to the villagers of this area. Rural moneylenders appear to be the most important source of non-institutional credit. More than two-fifths of those indebted to this source had borrowed from the rural moneylenders.

Some of the people have specialized in providing credit to the villagers usually at a very high rate of interest. Money lending is their main occupation; therefore they have been named 'rural moneylenders'. They operate in a number of adjoining villages. They live in nearby locality-usually near block headquarter or near the market place and personally visit the villages for granting fresh loan and recovery of principal, interest or installment of old loans. They maintain personal relation with their borrowers. The first time borrowers usually have to take the help of frequent/ old-time borrowers for introduction. They are also present at weekly haat¹⁵ and contact their borrowers for fresh loan or for recovery.

¹⁵ Weekly haat (weekly market) in tribal area has special importance. The tribals and the non-tribals of the area participate in these haats in large number for sale and purchase of goods and for other social and economic activities.

Table 4.2: Percentage of Households Indebted to Different Non-Institutional Sources-Social Class -wise

Social Class	Trader	Urban Money lender	Rural Money lender	Landlord/ Employer	Friend/ Relative/ villagers	Total
SC	0.0	6.67	60.00	26.67	6.67	100.00
ST	2.56	7.69	38.46	12.82	38.46	100.00
Others	0.0	0.0	37.5	6.25	56.25	100.00
Total	1.43	5.71	42.86	14.29	35.71	100.00

More than one third of those indebted to the non-institutional sources have borrowed from friends, relatives, or fellow villagers. Usually the other social groups (the upper caste, OBC and Muslims) and tribals have taken credit from this source. Very few of the SCs could get credit from this source because of their low social acceptability and poor social relations with other villagers. They have mainly taken loan from rural moneylenders or landlords and employers. Very few of the borrowers (only 1.43 percent) have taken loan from the traders. The village traders of this area, we were told are themselves not very well off. So, though they give goods on a few days credit they do not advance them money. Therefore, only around two and half percent of the indebted tribal households were indebted to this source.

Box-1

The Moneylenders

The South Indians, Pathans and the OBCs locally known as Madrasi, Mugals and Sahu respectively, are some of communities involved in money lending business in this area. Some of them are settled in near by urban settlements (Towns and Kasbas) but maintain relations with their rural borrowers through mortgage of their land or through person contacts. They have been categorized as urban moneylenders. Those who live in villages or block headquarters have been categorized as rural moneylenders.

In Palamau we were told that a Madrasi moneylender lives in the market place. He is operating in this area for approximately last thirty years. Earlier he used to come to this place on every haat day from some unknown destination. He purchased a piece of land and constructed a house approximately twenty years back and has settled

here since then. On every Friday, weekly haat takes place in a nearby area, where the people of this and nearby villages participate for sale and purchase of their products. This Madrasi moneylender also participates in this haat for recovery of his old loan and for giving fresh loan. For every 100 rupee lent he gets refund in ten equal weekly installments of Rs. 12 each. Though the rate of interest is high the borrowers do not realize its burden, as the interest does not accumulate. Borrowers are not unhappy about this type of loan as it is readily available and for every purpose. The moneylender prefers giving loan to his old borrowers. He however gives loan to a new borrower if an old borrower accompanies him.

There seems to be positive correlation between the land size of the households and percentage of households indebted to moneylenders and friends/ relatives and negative correlation between their land size and the percentage indebted to landlord or employer. Those who are better off have mostly taken loan from rural moneylenders and friends, relatives and fellow villagers. Very few of them take loan from landlords or employer. The poor households on the other hand depend on their landlord and employer for borrowing money on a large scale. While none of those indebted to non-institutional sources having 3 to 5 acres of land or those having 5 acres and above land has taken loan from landlords and employers, more than one third of indebted landless and more than one tenth of those having up to one acre of land have done so. This they may be because they enjoy low creditworthiness before the moneylenders and fellow villagers for want of assets. The interlinked land, product and credit markets ensure repayment of the money borrowed by them to the landlord and employer. Lending to poor employees and tenants ensure creditors some extra benefits like regular, cheap and preferential supply of labour and loyalty of the employee and tenants etc.

Table 4.3: Percentage of Households Indebted to Different Non-Institutional Sources-Land Size-wise

Social Class	Trader	Urban Money lender	Rural Money lender	Landlord/ Employer	Friend/ Relative	Total
Nil	0.0	0.0	35.71	35.71	28.57	100.00
Above 0 to 1 acre	3.70	7.41	44.45	14.81	29.63	100.00
1-3 acres	0.00	11.76	41.18	5.88	41.18	100.00
3-5 acres	0.00	0.0	57.14	0.0	42.86	100.00
5 acres & above	0.00	20.00	20.00	0.00	60.00	100.00

There is regional variation in the importance of different sources of non-institutional credit. Rural moneylender is a highly important source of non-institutional credit in Palamau. More than half of those households of this district who are indebted to non-institutional sources have taken credit from rural moneylenders. Friends/relatives are the most important source of non-institutional credit in Ranchi. They provided credit to eighty percent of the indebted households of this district. Only twenty percent of the indebted households of this district have taken loan from rural moneylenders and none from urban moneylenders. Friends/relatives on the other hand make the least important source of credit in Dumka—only 13.79 percent of indebted households have taken credit from this source. Around one fourth of the indebted households of this district have taken credit from landlords and employers and around sixty percent from rural and urban moneylenders. The regional variations in the sources of non-institutional credit are because of the variation in the economic condition of the three districts. Palamau is known for its feudal exploitation (which included exploitation through interlocking of land and credit market) and existence of bonded labour system (which is the result of interlocking of labour and credit market). The emergence of the militant groups like MCC and PWG has reduced the incidence of the above two forms of exploitation but they have not totally disappeared. They are still present in some of the pockets of Palamau. Therefore landlord and employer still provide credit to the villagers of this district. Rural moneylender is another important source in this district. We found 'Madrasī' moneylenders

active in this district on a large scale (see box-1). In Dumka the businessmen of Sahu community are involved in the money lending activity on a large scale. Some of them are settled in the villages and some in the urban areas. Some of them have become landlords also by alienating the borrowers of the land kept as mortgage with them. Thus in Dumka also the rural and urban moneylenders and the landlords and employers are an important source of non-institutional credit.

Table 4.4: Percentage of Households Indebted to Different Non-Institutional Sources-District-wise

Districts	Trader	Urban Money lender	Rural Money lender	Landlord/ Employer	Friend/ Relative	Total
Ranchi	0.0	0.0	20.00	0.0	80.00	100.00
Dumka	3.45	17.24	41.38	24.14	13.79	100.00
Palamau	0.0	0.0	56.67	13.33	30.00	100.00

III. Purpose of Loan

The non-institutional lenders are least bothered about the purpose for which the borrowers take loan. They are concerned about the credit worthiness of the borrowers only. Non-institutional credit, as a result, has been taken for a variety of purposes. It usually complements the institutional credit in the sense that it is available for those purposes for which the institutional credit is not available. It has mainly been taken for non-productive uses. Only around one tenth of the households reported to have borrowed from non-institutional sources for productive purposes. Since credit from this source is made available to the borrowers even in small amount, instantly and without much formality, it has been taken for highly pressing needs like meeting medical expenses or daily consumption needs of the borrowers in food deficit period. More than half of the indebted households reported to have taken credit from this source for the above two reasons. Barring a few very affluent households, most of the households of this area face food deficit for about two to four

months a year. One of the ways they cope up with this deficit is to borrow small amounts of money or food grains from non-institutional sources. Around thirteen percent of the indebted households have taken credit from this source for daily consumption needs.

The poor households usually have poor health status. In absence of proper public health facilities and any health insurance coverage for them they have to bear the cost of treatment themselves. They, however, seldom are in a position to meet the medical expenses. They therefore have to borrow from non-institutional sources. More than one third of the indebted households have taken loan from these sources for meeting medical expenses. Marriage is another important reason for borrowing from these sources. Marriage is an expensive social occasion for both the tribals and non-tribals. The payment of dowry or bride price and the cost of feast given to the friends, relatives and other villagers are too high to be met by their own saving or the contribution of the community. They therefore have to borrow from non-institutional sources. Around 16 percent of the indebted households have taken loan from these sources for meeting marriage expenses. Some of the borrowers have taken credit for repair or purchase of house or land or purchase of land and for repayment of old institutional and non-institutional loans. Though the banks are giving loan for purchase or repair of house and purchase of land in the urban areas they are reluctant to lend to the villagers of this region for these purposes. The villagers have to resort to the non-institutional sources for the above purposes. Some of the borrowers (only around 5 percent) have taken loan for repayment of old debts. They did so because they were constantly pressed for their repayment.

**Table 4.5: Purpose of Loan -Source Wise
(Figures in parenthesis show row percentage)**

Purpose	Trader	Urban Money lender	Rural Money lender	Landlord / Employer	Friend/ Relative	Total
Daily Consumption	0.00 (0.0)	0.00 (0.0)	12.12 (36.36)	36.36 (36.36)	10.34 (27.27)	13.92 (100.00)
Marriage	0.00 (0.0)	0.00 (0.0)	30.30 (76.92)	0.00 (0.0)	10.34 (23.08)	16.46 (100.00)
Medical Expenses	0.00 (0.0)	20.00 (3.33)	42.42 (46.67)	36.36 (13.33)	37.93 (36.67)	37.97 (100.00)
Repair/ purchase of house/ land	100.00 (11.11)	40.00 (22.22)	0.00 (0.0)	18.18 (22.22)	13.79 (44.44)	11.39 (100.00)
Repayment of old debt	0.00 (0.0)	0.00 (0.0)	3.03 (25.0)	0.00 (0.0)	10.34 (75.0)	5.06 (100.00)
Productive purposes	0.00 (0.0)	40.00 (25.0)	6.06 (25.0)	9.09 (12.5)	10.34 (37.5)	10.13 (100.00)
Others	0.00 (0.0)	0.00 (0.0)	6.06 (50.0)	0.00 (0.0)	6.90 (50.0)	5.06 (100.00)
Total	100.00 (1.27)	100.00 (6.33)	100.00 (41.77)	100.00 (13.92)	100.00 (36.70)	100.00

A source wise analysis of the purposes for which loans have been given by non-institutional sources reveals that the landlords/employers have mostly given loan for daily consumption and medical expenses. This has been motivated by their need to ensure regular supply of their services. They know that if they are sick or do not have sufficient to eat they will not be able to work for them. Rural moneylender has given credit mainly for medical expenses and marriage and for productive purposes.

To meet medical expenses and daily consumption needs are the most important purposes for which the poor communities have to take loan from non-institutional sources. Around two thirds of the indebted SCs households and one third of the STs households have taken loan from these sources for meeting medical expenses. Less than one fourth of the 'others', which include prosperous communities have taken loan from these sources for this reason. The other communities have mostly taken loan for marriage, which is an expensive affair for them. They have to pay dowry for the marriage of their daughters and meet other marriage expenses for which they

usually have to borrow from non-institutional sources. More than one third of the indebted households of other communities have taken loan for this reason.

Table 4.6: Purpose of Loan –Social Class-wise
(Figures in parenthesis show row percentage)

Purpose	SC	ST	Others	Total
Daily Consumption	6.67 (9.09)	19.15 (81.82)	5.88 (9.09)	13.92 (100.00)
Marriage	6.67 (7.69)	12.77 (46.15)	35.29 (46.15)	16.46 (100.00)
Medical Expenses	66.67 (33.33)	34.04 (53.33)	23.53 (13.33)	37.97 (100.00)
Repair/ purchase of house land	6.67 (11.11)	10.64 (55.55)	17.65 (33.33)	11.39 (100.00)
Repayment of old debt	6.67 (25.00)	4.26 (50.00)	5.88 (25.00)	5.06 (100.00)
Productive purposes	0.00 (0.0)	14.89 (87.5)	5.88 (12.5)	10.13 (100.00)
Others	6.67 (25.0)	4.26 (50.0)	5.88 (25.0)	5.06 (100.00)
Total	100.00	100.00	100.00	100.00

A land size wise analysis of the purpose, for which non-institutional credit has been taken also reveal similar story. A higher percentage of those households having no or small land holdings have taken loan to meet daily consumption expenditure and medical expenses. While none of those households having 5 acres and above land have taken loan for daily consumption needs, around one third of landless and two third of those having up to 1 acre land have to take loan for this purpose. Similarly more than two fifths of the landless and those up to 1 acre land holding have taken loan for medical expenses; around one fourth of those having 1 to 3 acres of land and 3 to 5 acres of land have taken loan for this purpose. A large percentage of those having bigger land size have taken loan for productive purpose and those having smaller land size for repair houses or purchase of land and house.

Table 4.7: Purpose of Loan –Land Size-wise
(Figures in parenthesis show row percentage)

Purpose	Nil	Up to 1 acre	1-3 acre	3-5 acre	5 acre & above	Total
Daily Consumption	31.25 (45.45)	14.29 (36.36)	4.76 (9.09)	14.29 (9.09)	0.00 (0.0)	13.92 (100.00)
Marriage	6.25 (7.69)	17.86 (38.46)	19.05 (30.77)	14.29 (7.69)	28.57 (15.38)	16.46 (100.00)
Medical Expenses	43.75 (23.33)	42.86 (40.0)	28.57 (20.0)	28.57 (6.67)	42.86 (10.0)	37.97 (100.00)
Repair/purchase of house/ land	18.75 (33.33)	10.71 (33.33)	14.29 (33.33)	0.00 (0.0)	0.00 (0.0)	11.39 (100.00)
Repayment of old debt	0.00 (0.0)	0.00 (0.0)	14.29 (75.0)	14.29 (25.0)	0.00 (0.0)	5.06 (100.00)
Productive purposes	0.00 (0.0)	10.71 (37.5)	4.76 (12.5)	28.57 (25.0)	28.57 (25.0)	10.13 (100.00)
Others	0.00 (0.0)	3.57 (25.0)	14.29 (75.0)	0.00 (0.0)	0.00 (0.0)	5.06 (100.00)
Total	100.00	100.00	100.00	100.00	100.00	100.00

IV. Condition of Loan

Non-Institutional Loan has mostly been given for interest or against mortgage of land. More than half of the indebted households have received credit from such sources under the condition of (a very high rate of) interest payment and more than one fourth against mortgage of income generating assets. Land is the main form of income generating asset against which loans have been taken. There are two types of customary practices regarding mortgage of land prevalent in this area- 'Bhugat Bandha' and 'Jar Peshgi'. Under Bhugat Bandha type of mortgage land is mortgaged for a period of seven years only. After seven year the land is returned back to the borrower. The principal and interest of the loan taken seven years back is recovered from the production of this piece of land over this period. Under Jar Peshgi the land is mortgaged to the lender till the borrower returns the principal. In this case only interest of the money

lent is recovered through the production of mortgaged land. Though only Bhugat Bandha type of land mortgaging is legally approved in this area¹⁶ it is the Jar Peshgi type of land mortgaging, which is more prevalent in this area these days. Small landholders prefer it because it enables them to get more loans with given size of land and the lenders like it because it reduces their risk in case of crop failure. Under Jar Peshgi if crop fails they lose only interest but in case of Bugat Bandha they lose both the principal and interest. We were told that this form of loan was earlier used by the lenders as an important tool of tribal land alienation. Many of the villagers narrated stories of land alienation through this way. But now a days it has stopped because of increased awareness of the tribal borrowers and movements like the 'Sibu Soreng Hul' of Dumka or the activities of militant groups like MCC, MCCI, Lalakhandis and PWGs in the rural areas of Jharkhand. We were told that the lenders these days mostly give the mortgaged land to the borrowers for sharecropping. Thus the lender receives half of the crop as interest under jar peshgi arrangement.

Some of the households get loan interest free as well. Usually the very near and dear ones give such type of loan out of affection or on compassionate grounds for the pressing needs of the borrowers or under customary loan exchange system. There is a customary system of giving help in the form of interest free loan during marriage in almost all the communities. Such loan is usually both in the form of cash and kind and is returned back after some time or at the marriage function in the family of the lender.

One form of loan in this area is against labour services. The agricultural labourers get loan from their landlords in times of need and return the interest through labour services. He/ she has to work for the landlord as attached/ bonded labour till the principal amount gets repaid. This type of arrangement is known as *kamiauti* in this area. Loan is provided to the prospective migrant labour by the labour

¹⁶ Both Chotanagpur Tenancy Act (CNT) and Santhal Pargana Tenancy Act (SPTA), which regulate the land transaction (especially of tribal land) of this area, approve this type of tenancy.

contractors or the employers against their labour. This type of arrangement is called *Dadan*. These labourers return the loan to their employers by their earnings from the migration. The loan against labour was once the most prevalent practice in certain parts of the Jharkhand (like in Palamau and Hazaribag area) [Mohapatra, 1985] but has declined in importance these days. Our survey reported that only around one percent of the borrowers had taken loan under this arrangement.

Table 4.8: Condition of Loan on the Basis of the Purpose for it is Taken

Purpose	On interest	Interest free	Against labour	Mortgaging income generating assets	Total
Daily Consumption	90.91	0.0	0.0	9.09	100.0
Marriage	61.54	15.38	0.0	23.08	100.0
Medical Expenses	53.33	13.33	0.0	33.33	100.0
Repair/ purchase of house land	66.67	22.22	11.11	0.0	100.0
Repayment of old debt	25.00	0.0	0.0	75.00	100.0
Productive purposes	50.00	12.50	0.0	37.50	100.0
Others	50.00	25.00	0.0	25.00	100.0
Total	59.49	11.39	1.27	27.85	100.00

A purpose wise analysis of the condition of loan shows that for daily consumption need money has mainly been borrowed on interest. Usually small sums of money are borrowed for this purpose, which are returned in a short span of time. The borrowers are seldom asked to offer any collateral for such loan. Those loans, which are not supposed to be returned in short time, are usually given by mortgaging income-generating assets/land. Thus the loans for expensive medical treatment¹⁷ or for repayment of old debt or for

¹⁷ Ordinary diseases are usually left untreated or are treated by the quacks of the village called Jhola (Bag) Doctors in local language. Such doctors charges very low fees and are ready to treat the patients on credit. They

productive purposes have mostly been given by mortgaging land. Three-fourths of the loans for repayment of the old debt have been received by mortgaging land. Similarly one third of the loans for medical treatment and slightly more than one third of loans for productive purposes have been received under such condition. Around one fourth of the loans for marriage expenses have also been contracted by mortgaging land.

It is only the 'friends and relatives' who have given interest free loan. While none of the other lenders have given interest free loan around one third of the loan given by them is interest free. The friends and relatives have also given a large number of loans through mortgage of income generating assets. The other types of non-institutional lenders have mostly given loan on interest.

Table 4.9: Condition of Loan Source-wise

Source	On interest	Interest free	Against labour	Mortgaging income generating assets	Total
Trader	100.00	0.00	0.00	0.00	100.00
Urban Money lender	80.00	0.00	0.00	20.00	100.00
Rural Money lender	75.76	0.00	0.00	24.24	100.00
Landlord/ Employer	90.91	0.00	9.09	0.00	100.00
Friend/ Relative	24.14	31.03	0.00	44.83	100.00

Those who enjoy social prestige and have better social capital succeed in getting interest free loan. Therefore the socially and economically well off get such credit in large number. A social class wise analysis of the condition of credit (table 4.10) shows that more

approach medical practitioners in case of some serious disease, which does not get automatically cured or are cured from the medicines of Jhola Doctors.

than one fourth of the socially influential and economically developed communities have got interest free credit. None of the SC and less than one tenth of the tribals on the other hand have succeeded in getting interest free loan. Similarly a smaller number of other community members have got credit by mortgaging their income generating assets than the SCs or STs.

Table 4.10: Condition of Loan Social Class- wise

Social Class	On interest	Interest free	Against labour	Mortgaging income generating assets	Total
SC	66.67	0.00	6.67	26.67	100.00
ST	57.45	8.51	0.00	34.04	100.00
Others	58.82	29.41	0.00	11.76	100.00
Total	59.49	11.39	1.27	27.85	100.00

A land size wise analysis of the condition of loan also reveal similar story. A smaller percentage of those having larger size holding have got credit on interest in comparison to those having smaller size holdings.

Table 4.11: Condition of Loan Land Size- wise

Social Class	On interest	Interest free	Against labour	Mortgaging income generating assets	Total
Nil	93.75	0.00	6.25	0.00	100.00
Above 0 and up to 1 acre	75.00	17.86	0.00	7.14	100.00
1-3 acres	28.57	14.29	0.00	57.14	100.00
3-5 acres	57.14	0.00	0.00	42.86	100.00
5 & above	14.29	14.29	0.00	71.43	100.00

Collateral

Collateral is required by the lenders as security against default of loan. It ensures repayment of loan. The borrowers, under the fear of losing their mortgaged property, try to repay the loan by any means. In case of default the lenders can recover their loan by the sale of the collateral. Some allege that the lenders demand collaterals in order to confiscate them. They are not interested in repayment but in collateral. They manage default and confiscate the collateral. But in Jharkahnd non-institutional credits have mostly been advanced on personal security. Around one third of the loans from such sources have been received without any physical security. The reason for giving loan without any collateral is that a large number of borrowers are so poor that they do not have anything to offer as collateral. The lenders on the other hand know the borrowers personally and the amount of loan in most of the cases uses to be very low. So there is seldom any problem of repayment. The lenders, therefore, in most of the cases do not require any physical thing as collateral.

Table 4.12: Type of Security Social Class Wise

Caste	Land	Orna ments	Others	None	Total
SC	33.33	0.0	0.0	66.67	100.00
ST	31.92	2.13	2.13	61.70	100.00
Others	11.76	0.0	11.76	76.47	100.00
Total	27.85	1.27	3.80	67.09	100.0

One fourth of the loans have been transacted by mortgaging land. More than 30 percent of the SCs and STs and one tenth of the other community members have received credit by mortgaging their land.

Those who have bigger land size have mostly taken loan by mortgaging their land while those who are landless or have smaller size holdings have mostly received loan without any collateral. All the landless and more than one fourth of those having up to 1 acre of land have got credit without any collateral. This percentage goes on decreasing with increase in the size of land (table 4.13). On the other hand there is positive correlation between the size of holding and the percentage of loan received through mortgage of loan (a higher percentage those having large size holding have

received loan through mortgage of land and a lower percentage of those having smaller size holding). While around 70 percent of the loans received by those having 5 acres and above and more than half of the loans received by those having 3 to 5 acres of land were against land as collateral only around 10 percent of the loans received by those having up to 1 acre of land was under such condition. Some of the borrowers have received loan by offering ornaments or a variety of things like cattle, utensils, cycles etc as collateral. The lenders are free to use the collaterals for their personal use till the loan is recovered.

Table 4.13: Type of Security Land Size Wise

Caste	Land	Ornaments	Others	None	Total
Nil	0.0	0.0	0.0	100.0	100.00
Up to 1 acre	10.71	3.57	7.14	78.57	100.00
1-3 acres	47.62	0.0	4.76	47.62	100.00
3-5 acres	57.14	0.0	0.0	42.86	100.00
5 acres & above	71.43	0.0	0.0	28.57	100.00

A source wise analysis of the collateral (table: 4.14) reveals that other than the traders and friends and relatives most of the non-institutional sources have given loan without any collateral. None of the landlord and employers, three fourths of the rural moneylenders and fourth fifths of the urban moneylenders have given loan without any collateral. Among those who have lent against collateral all but traders prefer land as collateral. Around twenty percent of the rural and urban moneylenders and slightly less than half of the friends and relative have taken land as collateral for giving loan. The popularity of land as collateral among the friends and relatives is the Chotanagpur and Santhal Pargans tenancy acts, which prohibit transfer of land to the outsiders.

Table 4.14: Type of Security Accepted by Different Sources of Non-Institutional Credit

Sources	Land	Ornaments	Others	None	Total
Trader	0.00	100.00	0.00	0.00	100.00
Urban money lender	20.00	0.00	0.00	80.00	100.00
Rural money lender	21.21	0.00	3.03	75.76	100.00
Landlord/ employer	0.00	0.00	0.00	100.00	100.00
Friend/ relative	48.28	0.00	6.90	44.83	100.00
Total	27.85	1.27	3.80	67.09	100.00

Rate of Interest

The rate of interest charged by non-institutional sources is not only exorbitantly high but also non-standardized. It varies with source, occasion, borrower and purpose of loan. It also depends on whether the loan is secured. In case it is secured then it varies with the type and value of collateral. The lenders seldom calculate it on annual basis. The urban moneylenders charge interest on monthly basis. They charge interest between 2 to 10 percent per month. The Madrasi moneylenders of Palamau charge interest on weekly basis. They charge 2 percent interest per week (i.e per haat/ weekly market day). Grain loan given by the villagers to the fellow villagers at the sowing season or even later is charged 50 percent in the form of the same type of grain after the harvest. The borrower has to return one and half times the grain received after the harvest. Even the loan received in the form of money at the sowing season has to be returned as one and half times of the principal after the harvest. For comparison we have converted all types of interest on annual basis by simply multiplying it with the number of times it is charged per annum¹⁸. The non-institutional sources have provided credit in this area at an average rate of 55 percent per annum. The friends and relatives, on an average charge

¹⁸ For example a 2 percent weekly interest has been multiplied by 52 (number of weeks per annum) to calculate annual rate of interest.

lower rate of interest than the rural or urban moneylenders and the landlords and employers. While the friends and relatives charge 44 percent average annual rate of interest the rural and urban money lenders or the land lords and employers charge more than 50 percent average annual rate of interest from the villagers of this region.

Table 4.15: Average Rate of Interest of Different Sources of Non-Institutional Agencies

Source	Average Rate of Interest
Trader	10.00
Urban money lender	52.50
Rural money lender	59.52
Landlord/ employer	57.00
Friend/ relative	44.00

There is regional variation in the rate of interest charged by non-institutional sources. It is highest in Palamau and lowest in Ranchi. Palamau is known for its feudal past and exploitative land labour and credit market. The situation has no doubt changed in recent years because of the growth of militant ultra left groups in this region but still the remnants of the old exploitative system is found in large part of the district. A high average rate of interest (more than sixty percent) prevalent in this area is therefore not a surprise. In Dumka also the average rate of interest is above 50 percent while in Ranchi it is less than forty percent. The regional variation in average rate of interest is also found because of regional variation in the sources of non-institutional credit (see table 4.4 above). While in Ranchi the highest percentages of loans have been taken from the relatively cheap source-the friends and relatives; in Dumka and Palamau they have been taken from the relatively costly rural and urban moneylenders and landlords and employers.

Table 4.16: Average Rate of Interest of District Wise

District	Average Rate of Interest
Ranchi	39.00
Dumka	52.75
Palamau	61.26

The rate of interest varies with the class of borrowers also. The socially and economically deprived borrowers generally have to pay higher rate of interest than those who are relatively well off. While the households of other community have to pay an average rate of interest of around 52 percent the SCs have to pay average interest rate as high as 62 percent and the STs around 55 percent. Similarly there seems to be negative correlation between the size of land-holding of the borrowers and the average rate of interest they have to pay. While the landless on an average have to pay an interest as high as nearly 60 percent, those having land between 3 to 5 acres pay interest rate as low as 36 percent. Those having 5 acres and above seem to be an exception as they pay an interest as high as 60 percent.

Table 4.17: Average Rate of Interest of Social Class and Land Size-wise

Social Class	Average Rate of Interest	Land Size	Average Rate of Interest
SC	62.40	Nil	59.47
ST	55.54	Up to 1 acres	55.81
Others	52.67	1-3 acres	53.0
Total	55.02	3-5 acres	36.0
		5 acres & above	60.0

The average rate of interest differs on the basis of the purpose for which non-institutional loans have been taken. The rural non-institutional credit market faces monopolistic situation therefore experiences price discrimination based on difference in the elasticity of demand for such credit. Therefore high rate of interest should be charged for pressing needs (less elastic demand) than those needs,

which can be avoided (highly elastic demand). But since there are many other factors, which determine the rate of interest in this market it is difficult to establish any relationship between the two. For example such credit, demanded for a highly pressing need, some times attract the sympathy of the lender who therefore charge a low rate of interest for it. The rate of interest in such cases therefore depends on the lender and the borrower and the relationship between the two. The results of our sample though fail to establish a perfect relationship between the purpose of loan and the rate of interest charged for it, it suggests that other things being given a high rate of interest has generally been charged for highly pressing needs. A high average rate of interest (more than 55 percent) has been charged for daily consumption, marriage, medical expenses and agriculture purposes. The rate of interest charged for all other purposes is less than 50 percent per annum.

Table 4.18: Average Rate of Interest for Different Purposes

Sources	Average rate of interest
Daily consumption	56.80
Marriage	61.50
Medical expenses	58.13
For purchase of land / house	43.33
For construction/ repair of house	46.67
Repayment of old debt	12.0
Agriculture purpose	57.50
Education	48.00
Others	36.00

The average rate of interest also differs according to the nature and type of collateral. While a high rate of interest is charged for collateral free loan, the rate of interest gets reduced with land or ornaments as collateral. While those who have not given any collateral for their loan have to pay approximately 57 percent interest, those who have given ornament as collateral pay only 10 percent interest and on an average 36 percent interest is recovered from the produce of the land if the land is taken as collateral.

Table 4.19: Average Rate of Interest on the Basis of type of Collateral

Types of Security	Average Rate of Interest
Land	36.00
Ornaments	10.00
None	56.91
Total	55.02

V. Reasons for Preference of Non-Institutional Credit

Despite a very high rate of interest a large number of people still prefer non-institutional credit. They gave various reasons for their preference for such credit facilities. Four fifths of those who prefer this source of credit said that they like it because it can be obtained for any purpose. The institutional credit on the other hand is available for productive purposes only. The institutional agencies like commercial banks and RRBs are even reluctant to give small amount of productive loan for meeting agriculture and non-agriculture operation costs such as for purchase of seeds or fertilizer or for purchase of inputs for village and cottage industries and petty business. The non-institutional sources are ready to provide credit for both production and consumption needs and are ready to lend even small sums of money. Slightly less than one fifth those who prefer non-institutional sources said that they like it because it is less difficult than the institutional credit. They said that both the procurement and repayment of loan of this source is easier than the credit from institutional sources. The loan from this source is made available without much formality or paper work. Unlike the institutional sources they do not have to make several visits to the lender-they mostly get it in one sitting only. The lender is usually available at a convenient location and at convenient time i.e. within the village or at the market place. So the borrowers do not have to sacrifice their wage or other economic work for borrowing money from this source.

Table 4.20: Reasons for Preference of Non-Institutional Credit

Reasons	Percentage of Households
Can be obtained for any purpose	81.25
Less difficult than ins. Credit	18.75
Total	100.00

The repayment schedule of this loan is also easier than the institutional loan. Though the rate of interest of institutional credit is low the repayment schedule is at long intervals. Not much discipline is imposed by such lenders for regular payment of installments. Therefore the installment payment becomes irregular and gets accumulated. We were told by the villagers that they get reminder from such sources only when their loan with interest becomes too high to be paid easily. On the other hand, in this area, the repayment of non-institutional credit is considered easy because its lenders never allow the interest to accumulate. The recovery is done at convenient time and convenient location. The loan is either recovered through easy repayment schedule (weekly or monthly) or through the income of the income generating assets mortgaged for it.

VI. Sum up

Non-institutional source of credit, which is considered one of the main methods of exploitation of the poor villagers in general and the tribals in particular is an important source of credit for the people of this area. Though all sections of people are indebted to it, those belonging to poor and deprived communities depend on it more than those who belong to better off communities. Rural moneylender and friends and relatives are the two most important sources of such credit. The landlords and employers as sources of credit are popular mainly among the landless or marginal farmers (those owning less than one acres of land). Credit from non-institutional sources has been taken mostly for non-productive purposes. This study found out that only ten percent of the credit from this source was taken for productive purposes. Among the non-productive purpose medical

expenditure is the most important reason for taking loan from such sources. The purpose for taking loan differs on the basis of economic class. The better of communities mostly take loan from these sources for meeting marriage related expenses. Loan from these sources have been given mainly on interest or by mortgaging income-generating assets. Around 30 percent of the non- SC - ST communities have got loan without interest also. Land is the most popular collateral in this area. Two third of loan however from this source has been given without collateral. There is wide variation in rate of interest but for most of the loan it is 50 percent per year. Some of the people like this source because it is available for all purposes and is easy to get.

Chapter V

SHG MOVEMENT IN JHARKHAND

Both institutional and non-institutional sources of rural credit have limitations in meeting out the credit requirements of the villagers. They are inadequate, iniquitous and suffer from various other defects. The non-institutional sources of rural credit charge exorbitantly high rate of interest and are exploitative in many other ways. Institutional agencies on the other hand suffer from the problems of high transaction cost and poor repayment performance (Majumdar, 1977). They are becoming reluctant in lending to the rural poor. They do not satisfy the credit requirements of the poor villagers, which are small but timely credit, for all purposes including consumption with simple procedure and without collateral, delay and harassment. The contradiction between the professed social agenda of the state and the economic and financial prudence of the financial institutions, were resolved in the 90s by development of micro finance through self-help group. The first experiment in India was the NABARD-MYRADA Karnataka pilot project 1991-92 of linking SHG with formal banks (Nair, 2000). It fulfilled the bank's twin objectives of reaching out to the poor and achieving operational efficiency. It received an increased impetus after the World Summit for Social Development, held in Copenhagen in March 95. It was institutionalized by RBI in 1996 and has been tried elsewhere also. It is now considered the most effective way of reaching the poor families and has become synonymous with micro finance.

SHG in Jharkhand

Though in nascent stage micro finance through SHG has made some fruitful beginning in Jharkhand. CARE, Swa-Shakti, Rashtrye Mahila Kosh, NABARD and government with their partner NGOs have made remarkable strides in this field. SRI, PRADAN, NBJK, KGVK, Holy Cross, KSRA, Jan Jagran Kendra, Jago Mahila Kendra are some of the leading NGOs working for promotion of SHGs in Jharkhand. A number of initiatives have been undertaken

and experiments made by various agencies in this field. As a result a large number SHGs have been formed through out the states.

I. Spread of SHG in Jharkhand

Self Help Group type of arrangement is not new to the tribal life of Jharkhand. They traditionally had a system of 'grain bank' locally known as '*Pancha system*' where the farmers/villagers used to donate a part of their output to a group fund, which were used by them in case of emergencies. Slowly this practice has disappeared from large parts of the state but in certain parts they have been revived in form of saving fund to which the villagers save certain amount of money regularly to be used in case of needs and emergencies. However the SHG movement in the present form has been going on this region since 1997. This movement is still limited only to certain parts of the state. Out of twelve villages surveyed by us (four each from Ranchi, Dumka and Palamau) SHGs were found in seven of the villages. Altogether thirty-two SHGs, with total membership of 710 persons were found to be working there. The size of a group varied between 15 and 38. The large size groups were found in the villages of Ranchi while the small groups in the villages of Dumka and Palamau. This development by no standard can be considered satisfactory.

Table 5.1: Spread of SHG in the Sample Villages

Districts	Villages	No. Of Groups			No of members			Average No. of members
		Male	Female	Total	Male	Female	Total	
Ranchi	Timra	2	4	6	62	106	168	28.00
	Tapesara	4	2	6	108	40	148	24.67
	Mudma	1	2	3	19	37	56	18.67
	Chatwal	1	5	6	30	127	157	26.17
Dumka	Fitkuria	0	5	5	0	90	90	18.00
	Kolha	0	1	1	0	15	15	15.00
Palamau	Basaura	1	4	5	16	60	76	15.2
	Total	9	23	32	235	475	710	22.19

It is not only that the SHGs have made unsatisfactory development in this state; it is limited to only some of the districts of the state. SHGs were present in all the four villages of Ranchi two of the villages of Dumka and one of Palamau, which were surveyed by us. The number of SHGs and the average number of members also varied from district to district. While the village of Palamau had five groups and the two villages of Dumka had altogether six groups, the three villages of Ranchi had six groups each and only one of the villages (Mudma) had three groups. Similarly the average number of members of the SHGs was higher in Ranchi than that of Palamau or Dumka. While the average number of members of the SHGs of Ranchi, with the sole exception of Mudma village only, was between 24 and 28 (Only in Mudma it was 18.67), in the villages of Dumka and Palamau it varied between 15 and 18. The district wise variation in the spread of SHG has been reported in other studies also. A study done for CARE, Jharkhand (Dayal, 2002) had similar conclusion. It found out that till September 2001 only around eight thousand self help groups were formed out of which more than half (around 56 percent) were formed only in Ranchi and Hazaribag districts.

The limited spread of SHG movement in Jharkhand and district wise variation in its coverage may be because of several reasons. In recent history group based poverty alleviation activities were conspicuous by their absence in this region. So it started from scratch. Its success in the southern states (A.P., Tamil Nadu, and Karnataka) on the other hand was because of the presence of active and successful DWACRA groups there. Many of these groups in fact got converted into SHG groups.

The other reason for its poor spread is lack of awareness and commitment among block and bank officials in this regard. This explains the differential performance of different districts in this regard. The credit for remarkable performance of Hazaribag in both the formation of group and in establishing saving credit linkage with bank has been assigned to the awareness and commitment of its DDM. He organized seminar, workshops, and training and motivated

the bank and NGOs for promoting SHG movement. As a result not only the number of SHGs multiplied but per group financing also increased (Dayal, 2002).

Another reason for the slow spread of SHG movement in this region is scarcity of well-informed, capable, committed and professionally sound NGOs. Its presence or absence also explains the differential growth of SHG movement in different districts of this state

II. Socio-Economic Composition of SHG

The objective of SHG development is to promote the deprived communities and the deprived people by meeting their financial requirements and helping them in setting up micro enterprises. The SHG formed under SGSY scheme of the government, in fact, includes only those villagers, which are from BPL families. In other models of SHG also the self-help promotion institutions (SHPIs) have made groups primarily of deprived people. Since in Jharkhand tribal is the major deprived community many of the SHGs have been formed by including them as member. In the villages surveyed by us we found that most of the self-help groups are tribal groups. Out of the total membership 710 only 84 were non-tribals. Out of seven villages where we found SHGs, non-tribal members were found in only three of the villages; in the other four villages only exclusively tribal SHGs existed.

Table 5.2: Social Composition of Groups

District	Village	SC	ST	Others	Total
Ranchi	Timra	24	144	00	168
	Tapesara	00	148	00	148
	Mudma	00	56	00	56
	Chatwal	00	140	17	157
Dumka	Fitkuria	30	47	13	90
	Kolha	00	15	00	15
Palamau	Basaura	00	76	00	76
	Total	54	626	30	710

Among the sample households around three fourths of the members of the SHGs are tribals, around one seventh of them are SCs and only one tenth are of other communities. An analysis according to land-size reveals that most of the members are having up to 1 acre of land or have land in between 1 and 3 acres. Around two thirds of the members are in this category. Only five percent of the members are landless and around 14 percent each are having 3 to 5 acres and 5 acres and above land.

Table 5.3: Composition of the SHG Members among Sample Households- Social Class and Land Size Wise

Social Class	Percent of the households	Land Size	Percent of households
SC	16.67	Nil	5.00
ST	73.33	Up to 1 acres	30.00
Others	10.00	1-3 acres	37.50
Total	100.00	3-5 acres	14.17
		5 acres & above	13.33

Though the SHGs have attracted the poor and therefore they have become its member in large numbers, the very poor usually have abstained from joining them. The very poor on the one hand find it difficult to make regular contribution required for joining such group and on the other are reluctant to start micro enterprise with the help of money borrowed from it. The very poor are usually not in a position to take risk involved in a micro enterprise. This may be the reason why though a large number of small landholders have joined such group, very few of the landless have done so.

III. Age of SHG

The SHG movement was formally started in this state in 1997. Initially the rate of formation of the groups was very slow. Only twenty-five percent of the groups were formed in the first three years. The reasons for slow group formation in the first three years were the lack of awareness of the villagers about the

benefits of the scheme, and low preparedness (in terms of training, information etc.) of the NGOs in formation of groups. But when a few groups were formed and other villagers as well as the NGOs realized the benefits of the groups the formation of group became easy. It therefore acquired speed later on. Most of the SHGs have been formed in the last four years i.e. between 2000 and 2003. Around three fourths of the SHGs formed in the sample villages were constituted in this period. In the last four years not only the number of SHGs has increased, they expanded geographically also. In Kolha and Basaura village of Dumka and Palamau districts the SHGs were formed in this period only.

Table 5.4: Year of Formation of Groups

District	Village	97-99	2000-01	2002-03	Total
Ranchi	Timra	16.67	83.33	0	100.00
	Tapesara	66.67	33.33	0	100.00
	Mudma	0	33.33	66.67	100.00
	Chatwal	16.67	50.00	33.33	100.00
Dumka	Fitkuria	40.00	40.00	20.00	100.00
	Kolha	0	100.00	0	100.00
Palamau	Basaura	0	0	100.00	100.00
	Total	25.00	43.75	31.25	100.00

IV. Support in SHG Formation

SHGs have been formed with the help of several organizations and individuals. The bank and block officials, the NGOs, the village headman, the fellow villagers and the villagers of other villages running successful SHGs have helped the villagers in formation and management of SHG. The bank and the block officials on their own or with the help of local NGOs help in formation of SHG. They motivate the villagers; organize seminars, workshops, and training programmes for the NGOs as well as the present and prospective leaders of SHGs and thus help in both formation and management of SHGs, their clusters and federations. The NGOs have also helped in both the formation of SHGs and in their management. They too, motivate the villagers, tell them the benefits of this scheme, help them in preparation of their constitution and by laws, take them to exposure trips, organize their training programme and act as

a mediator between the SHGs on the one hand and donor agencies, bank and government on the other. The tribal villages have their traditional leaders, which play important role in decision-making. They too have played important role in formation of SHGs. Around 40 percent of the members surveyed by us told that the village headman motivated them for formation of SHGs. Only around 14 percent of them said that they were helped by NGOs in formation of SHG and around eight percent said that the block officials helped them. The NGOs, however, have helped the SHGs in several other ways. In fact most of the SHGs are associated with one or the other NGO in formulation of its constitution, in management, in forming linkage with banks or in development of micro enterprise. In many of the cases the members told us that some of the villagers took initiative, informed them about successful SHGs, organized them, they held meeting to decide to form a SHG and then approached the NGO to help them in its functioning.

Table 5.5: Persons/ Organisations Help in Formation of Groups

District	None	Headman/ leader	Block officials	NGO	Others	Total
Ranchi	4.88	14.63	2.44	26.83	53.66	100.00
Dumka	20.00	68.00	12.00	0	0	100.00
Palamau	7.69	61.54	15.38	0	15.38	100.00
Total	10.13	39.24	7.59	13.92	29.11	100.00

V. Saving and Borrowing

The members of SHG decide the amount and frequency of saving jointly. They include it in their constitution, which also discusses the fines, which are charged from the members in case of delayed payment and the procedure of borrowing and repayment. The groups surveyed by us save between Rupees 2 and 5 every week. The amount is saved with the leader of the group who keeps it in a box with usually two locks whose keys remain with some other members. Some of the groups are linked with banks and post offices. In case of such linkage the SHGs keep their savings with banks/post offices. Bank linkages improve the efficiency of the SHGs. The banks lend them in multiple of the savings deposited by them, which are further lent to the members to meet their requirements and to develop micro

enterprises. But only around half of the SHGs in our survey were found to have linkages with banks or post office.

Table 5.6: Place of Deposit of Saving

District	Post office	Banks	Leader of SHG	Total
Ranchi	2.86	20.00	77.14	70
Dumka	0	100.00	0	100.00
Palamau	0	38.46	61.54	100.00
Total	1.67	46.67	51.67	100.00

The SHGs lend its members for all types of needs at a rate of interest, which is above the rate of interest charged by the banks. The excess of interest income after meeting all expenses (including the bank rate of interest in case of bank linkage) becomes the income of the group, which is used to meet the group expenses or is equally divided among all the members. In our survey in two of the villages none of the members had borrowed any thing from the group in rest five villages only around half of the members were found to be currently indebted to the group.

Table 5.7: Percentage of the Members Indebted to SHG, the Average Amount of Loan and the Average Rate of Interest

Village	Percentage of the Household indebted to SHG	Average amount of loan	Average rate of Interest
Timra	50.00	677	24
Tapesara	79.17	1508	24
Chatwal	16.67	340	52
Fitkuria	67.65	1047	30
Basaura	46.15	175	48
Total	51.67	983	30

Usually the members have borrowed small amounts of loan to meet their day-to-day requirements. The average amount of loan as a result is less than one thousand rupees. It is as low as Rs. 175 for Basaura village and the maximum is Rs. one thousand and a half for

Tapesra. The average amount is above one thousand in only two of the villages. The SHGs of this area charge rate of interest between 24 and 52 percent a year. The rate of interest of SHG is usually guided by the rate of interest charged by the non-institutional sources in the village; therefore, it varies from village to village.

Table 5.8: Percentage of the Members Taken Loan form SHG and the Purpose of Loan

District	Productive	Consumption	Others	Total
Ranchi	34.21	39.47	26.32	100.00
Dumka	62.50	16.67	20.83	100.00
Palamau	0.00	33.33	66.67	100.00
Total	41.18	30.88	27.94	100.00

Purpose of Borrowing: Two-fifths of the members have borrowed from SHG for productive purposes around thirty percent to meet daily consumption requirement and one fourth for other purpose like marriage, medical treatment etc.

VI. Impact of SHG

SHG has improved the living condition of the members and villagers in several ways. It has organized the members, improved their level of awareness, empowered the women, inculcated the habit of saving among the members, developed micro enterprises, and made them free from the debt trap of the money-lenders.

Impact on the Income and Standard of Living of the Poor

Micro enterprises promoted by SHG have improved the income and standard of living of many of the poor. Around eighty percent of the respondents said that the SHG has increased their income and more than fifty percent believed that it helped in increasing the income of villagers. But its impact is not uniform everywhere and for every one. Income of twenty percent of the respondents increased substantially because of the SHG while that of around 60 percent increased only marginally. There is inter and intra

group variation in the benefits derived by the members. The members of old groups have benefited more than the members of new groups. The capacity to take risk of micro enterprise depends on the saving of the member, which increases with the age of their group. The new groups have smaller saving therefore are not in a position to lend much to their members. Demonstration effect also increases risk-taking capacity of the members. In old groups since some of the members might have started the enterprise successfully the others also get motivated to do so. Besides it has been found that those who are slightly better off or have earlier experience of micro enterprise usually take higher and more frequent loan for productive purpose.

SHG has also caused increase in the income of the other members of the villages. SHG has organized the villagers and made them conscious, vocal and assertive. As a result the villages, which have successful SHGs, are getting more government income and employment programmes than the other villages. The conscious SHG members also ensure effective implementation of the government programmes. Such programmes have increased the income of those villagers also, who are not the members of any SHG.

Table 5.9: Impact of SHG on the income of the Members and the Villagers

District	Percentage of members saying it increased their income			Increased income of the villagers
	Substantially	Marginally	Nothing	
Ranchi	15.38	61.54	23.08	42.86
Dumka	25.00	70.83	4.17	78.38
Palamau	36.36	36.36	27.27	46.15
Total	20.00	61.00	19.00	59.09

Development of Financial Market at the Local Level

Earlier the rural credit market was dominated by non-institutional agencies. The rural and urban moneylenders, the landlords-employers, the shopkeepers and the fellow villagers used to advance credit to the villagers on an extremely high rate of interest

and exploitative conditions. They have now been replaced by SHGs in those villages where SHGs are functioning well. Though the rate of interest of SHG is not much less than the rate of interest charged by the non-institutional sources but in this case the interest income is part of the income of the members/ borrower and is also free from exploitative terms and conditions.

The linkage of land credit and product market has been broken through SHG movement. It thus has helped in development of a true financial market at local level. They earlier had to mortgage their land for taking loan during emergencies and crisis now they get it easily from the group.

Empowerment of Women

There are two indices to measure the empowerment of women- Gender development Index (GDI) and Gender Empowerment Measure (GEM). GDI is measured on the basis of educational level, health status and income level of women while GEM is determined on the basis of participation of women in different walks of life i.e. their participation in decision taking both at the family and social/ village level, in politics, in economic activities and their command over resources which determine their capability to earn income. SHG movement has favourably affected both these indices and thus empowered them. SHG activities involve book keeping and record preparation, which have raised the desire among them to learn reading, writing and preparation maintenance of accounts and records. They have become conscious of the need for educating their children including girl children. Their enhanced income has made them capable of sending them to school and their organized strength has ensured regular attendance of the teacher.

They participate in the theme camps organized mainly by NGOs on health issues. They have now become more conscious about their health and that of their family members. In some of the villages SHGs have imposed a partial prohibition in their village, which too has improved health of the villagers.

It has improved the quality of life in the village. Enhanced awareness, education, income generation etc have resulted in improvement of the quality of life of the villagers. The SHG members in many villages put pressure on their political representatives and block officials for providing more facilities in their village and have succeeded in getting them.

VII. Constraints and Issues

There are several constraints because of which the SHG movement has not performed well in this state. For a proper promotion of this movement there is need to identify these constraints and make concerted efforts both at policy and procedural level.

- **Absence of a Conducive Policy and Regulatory Environment:** Despite some efforts by RBI and NABARD there is still absence of a conducive policy and regulatory environment for MF promotion through SHG. The MFIs still do not have legal sanction for collection of fund. The regulatory environment at places is stringent enough to stifle the movement while are not foolproof to protect the deposits of the poor. There is absence of professional organizations/ associations for accreditation of the MFIs. SRO has also not developed in this state. DCGC does not guarantee the deposits and credits of the MFIs.
- **Limited out reach:** Only around eight thousand SHGs have been formed. If Ranchi and Hazaribag districts are ignored, in other 16 old districts only around 3and half thousand such groups have been formed. It is because of limitations on the part of both the NGOs and of the officials (as has been discussed above).
- **Problem of Sustainability and Sufficiency:** SHG develops in three chronological stages. In the first stage it is formed in the second it is supported with revolving fund through donor agency or bank and in the third stage it becomes self-sustainable. In the last stage it joins clusters and federations and thus improves its access to a larger fund. Self-sustainability is essential for higher outreach of the programme. Though clusters of NGOs have been formed in many areas of this state, formation of federation has still not taken

place. The MF projects of SRI-SIDBI and NBJK-CARE have become 5 year old but still they have not become self-sustainable.

The financial self-sufficiency depends on the spread between the cost of fund and the yield on loan. Many of the MFIs are getting fund from donor agencies at less than the market rate of interest, which they lend to SHGs at higher rate of interest and thus function above break-even point. Their capability to deal with funds available at commercial rate for lending to SHG seems doubtful. They even do not have plan for achieving operational self-sufficiency.

- Limited impact on poor: Only traditional enterprises have been promoted, which have very low value addition and undeveloped market. So they have failed to promote a poor family above poverty line. It has also been found that those members who are slightly better off or have experience of running an enterprise receive more benefit from SHG movement than the extremely poor.
- Organizational limitations- Many of the NGOs suffer from several weaknesses. They have limited number of staff; many of them are neither professionally competent nor committed to the cause of poor. There is problem in their leadership also, who too are neither committed, nor dynamic or honest. They suffer from lack of networking and unhealthy competition among NGOs.
- Problem of Procedure: The existing SHGs insist on regular attendance of its members in its weekly meetings. Fines are charged on absence. It has dissuaded some of the prospective members from joining the group. A large number of the poor including women from this region seasonally emigrate to other areas. They therefore cannot ensure their attendance in the weekly meetings of the groups. Regular attendance in the meeting also becomes a problem for some of the poor in those seasons when the work activity is usually high like the kendu leaf collection period, or sowing /harvesting period.

- Development of micro enterprises:- Income expansion of the poor in sustainable manner through SHG movement depends on the nature and success of micro-enterprise (ME)/ income generating activities (IGA). The skill based IGAs have a better prospect than the traditional ones. But usually it's the traditional enterprises, which have mostly developed. Trade because of its low risk and low skill profile have been found to be the most popular enterprise among the SHG members but petty trading does not provide substantial income and all the members cannot get involved in this activity.
- High rate of interest: Very high interest is charged by SHGs (it is usually 24 percent and in some cases even 60percent a year). There is no upper ceiling on interest being charged by SHGs. The high rate of interest has stifled micro enterprises. It is the reason why most of the members prefer trading in comparison to other enterprises because it ensures quick and easy return.
- Vested Interest: Development of SHG affects the economic well being of those who used to flourish on informal credit (those in money lending business) or on interlocking of land, product, and credit market. They try to create problems and break groups. Scarcity of training centres. There is scarcity of such agencies, which undertake training of NGOs and the members/ leaders of SHGs and develop viable and fruitful micro enterprises.
- Scarcity of good, efficient and committed NGOs. The success and spread of SHG movement depends on good efficient and committed NGOs but they are not present everywhere. The Slow growth of SHGs in some of the districts has been related to absence of such NGOs in sufficient numbers.
- Lack of Committed officials for this purpose. The bank officials in some places are overworked and have manpower problem and so are not interested in linking the SHGs to the banks. They therefore procrastinate the linkage/ credit work causing frustration among NGOs and SHG members. Lacks of motivation and apathy among the bank officials have also caused severe

damage to this movement. Excessive documentation has also created problem.

- **Imposition of targets:** Some of the programmes/ agencies impose targets (mostly high) of SHG formation on the NGOs/ SHPIs/MFIs. In order to achieve those targets such institutions compromise with the quality of group. Too high targets given to NABARD by the government has in some cases caused dilution of the quality of the groups formed by them. A poor quality of a group adversely affects the financial discipline.
- **Cultural constraints-**A large part of the rural population of this state is tribal. They are the son of the soil but have been exploited and displaced by outsiders for considerably long period of time. This has developed in them a feeling of suspicion against outsiders and therefore is difficult to convince.
- **Law and order condition:** A large part of the state is disturbed where penetration of this type of programme is difficult if not impossible.

VIII. Prospects

Though the present state of affairs in Jharkhand in this field might not seem encouraging, and it faces too many constraints; the future prospect seems bright. There are several reasons for this optimism. There are a large number of good and motivated NGOs in this state. Many of them are involved in SHG movement.

The women of Jharkhand are relatively more emancipated than those in many other parts of the country. They do not suffer from the practice of seclusion (purdah) and have a high work participation rate.

The tribals as one of the dominant groups of the rural areas of Jharkhand have a history and culture of community living. So being attuned to group living they can make cohesive and successful SHGs.

IX. Sum up

Though in nascent stage micro finance through SHG has made some fruitful beginning in Jharkhand. The coverage of SHG but is not only inadequate but also spatially unequal. It however has improved though to a limited extent the income and standard of living of the poor, developed the financial market at the local level and empowered the women.

There are several constraints and problems because of which the SHG movement has not performed well in this state. Absence of a conducive policy and regulatory environment, problem of sustainability and sufficiency, limited impact on poor, organizational limitations problem of procedure, inadequate development of micro enterprises, high rate of interest, vested interest acting against it, scarcity of training centres, scarcity of good, efficient and committed NGOs, lack of committed officials for this purpose. Imposition of targets, cultural and attitudinal constraints and poor law and order conditions are some of them.

Despite the constraints and problems the future prospect seems bright. There are several reasons for this optimism. There are a large number of good and motivated NGOs in this state. Many of them are involved in SHG movement. The women of Jharkhand are relatively more emancipated than those in many other parts of the country. They do not suffer from the practice of seclusion (purdah) and have a high work participation rate. The tribals as one of the dominant groups of the rural areas of Jharkhand have a history and culture of community living. So being attuned to group living they can make cohesive and successful SHGs.

Chapter VI

CONCLUSION AND POLICY RECOMMENDATIONS

I. The Focus of Study

Adequate and timely availability of credit at appropriate price and favourable terms and conditions is an important instrument in promoting growth and reduction of poverty in the rural areas while absence of it in desired amount, form and price not only perpetuates poverty, inequality, exploitation and stagnation in rural areas but also aggravate them.

The need for adequate and appropriate credit is highly required in the rural areas of Jharkhand, which is inhabited by a sizeable number of tribal and people of other deprived communities. The villages of this state are usually multi-ethnic and small in size. It has a small concentration of Upper Caste but sizeable number of Tribals (both Christian and non-Christian), OBC-I, OBC-II and Muslims. This area like the other parts of India show close caste class relation. The socio-economic condition of the Upper Caste and Tribal Christian and some of the OBC-II castes is better than that of the other social groups. They have larger land holding, higher literacy rate and show less discrimination against their women. This area, otherwise, is characterized by mass poverty. Only a negligible percentage of the households have durable assets of more than Rs. 40000 in value or own 10 acres and more of land. The land is by and large undulated, less fertile, rain fed and mono cropped. It causes distress diversification of occupation and seasonal emigration, which only reduces their months of distress but do not eliminate them completely. They, as a result, have to take resort to consumption loan, which only the non-institutional sources are ready to supply at exorbitantly high rate of interest and exploitative terms.

Indebtedness to non-institutional sources thus causes perpetual indebtedness and debt bondage, land alienation, forced migration and many other forms of exploitation. They can be saved

from such situation through regulation and improvement of such sources of credit or its substitution by more appropriate form of credit in adequate quantity. This study therefore has explored the need for credit in rural areas, its present condition in Jharkhand and finds out the ways through which the condition can be improved.

II. Importance of Rural Credit

Almost all the scholars who have studied rural credit have outlined its importance in rural economy. Some say that it has the potential to improve the condition of the villagers directly while others emphasize the significance of other factors also. They believe that credit is just a facilitating factor in poverty reduction and economic development. A host of factors other than credit like market, competition, physical health and natural conditions directly affects borrowers economic well being and may limit the use of credit in bringing improvement in their economic and social well being. So whichever opinion we believe it is clear that a proper credit facility is bound to have positive impact on the villagers in general and the poor living there in particular. It facilitates investment, production, consumption acquisition and expansion of assets and human capital formation. Adequate and timely availability of credit at appropriate price and favourable terms and conditions is an important instrument in promoting growth with reduction of poverty in the rural areas while absence of it in desired amount, form and price not only perpetuates poverty, inequality, exploitation and stagnation in rural areas but also aggravate them.

A proper credit facility thus performs the protector as well as the promotional role. For the very poor, credit is a crucial resource for sustaining the existing family routine and low returns, for not so poor credit has an essentially promotional role in capital deepening and enhancing returns on investment. Credit also protects the poor and deprived from exploitation.

III. Main Findings

Institutional credit, though highly desired by the people of this region has been given to very few people. The commitment of the institutional agencies to give preference to the socially weaker sections of population has resulted in selection of relatively higher percentage of SCs and STs by them. But because of their preference for so called credit worthy borrowers, it seems that among the SCs and STs, those who are slightly better off have been more benefited than those who are relatively deprived. A land wise analysis of allocation of credit reveals preference of those with higher land size by such agencies.

Nationalized Commercial banks lead the institutional agencies in giving credit to the villagers of this region. Credit has mostly been given in the form of subsidized IRDP/SGSY. The most important purpose for which such credit has been given is procurement of agricultural machines and implements. Despite the fact that a large number of people face problem in getting loan and its repayment and that they have grievance against the bank and block officials a large number of the households are desirous of taking loan. This is because the rate of interest charged by these agencies is very low and recovery procedure is less coercive in comparison to other agencies. But the procedure of taking loan is highly cumbersome and people in general lack confidence that they will get loan if they try for it. Therefore very few of those desirous of loan have applied for it and among those who have applied very few have succeeded in getting it. Adverse selection of beneficiary has been considered as one of the most serious problem of such credit. Therefore selection of the right type of person emerged as one of the most important suggestions.

Jharkhand has a long history of existence of non-institutional credit market but it has expanded in recent times. Rural moneylenders and friends/relatives/fellow villagers are the main sources of non-institutional credit. More than two thirds of the non-institutional credits are supplied by these two agencies. The access to different sources differs according to the socio economic conditions of the borrowers. Very few of the socially marginalized SCs get credit from friends/relatives/fellow villagers; they therefore mostly have to

depend on moneylenders. Though such credit is available for all types of needs, it has mostly been taken for medical treatment. Such loan has mostly been given at exorbitantly high rate of interest. Loans have mostly given without any collateral. Despite high rate of interest people have preference for this source because it is available for all purposes and getting it is easier than institutional credit.

Micro finance is the "mantra" of the day. It not only meets the credit requirements of the poor but also leads to their empowerment. Jharkhand, though had a long tradition of informal SHG in form of "Pancha system", micro finance in the present form is very new to this state. It has gained momentum in the last few years. It however has started delivering positive results like improvement in the income of the villagers, improvement in the quality of their life, and development of financial market. Though it has good prospect in the state it faces several constraints, which require to be removed.

IV. Suggestions and Policy Recommendations

Supply of institutional rural credit, whatever may be the criteria for its evaluation, is inadequate in quantity and inappropriate in form. There are several reasons for it. Some of them are - Inadequate number and inappropriate type of Bank staff, lack of cooperation and coordination between bank and block staff, poor credit absorptive capacity of the villagers which is because of lack of non credit support facility, low recovery of bank loan, etc. The non-institutional credit charges, exorbitant rate of interest and put exploitative terms and conditions. The rate of interest charged by SHGs is also slightly higher than that charged by institutional sources (approximately between 20 to 35%). Despite the success stories the voluntary agencies suffer from some limitations. They are: limited coverage, limitation in replication, gradual withdrawal of banks, more access of the rich to SHG facilities, etc.

Therefore for making rural credit appropriate and adequate and for making it an instrument for improvement of economic condition and empowerment of the villages certain steps should be taken:

Recommendations for Institutional Credit

1. Proper survey of the potential and credit need of the villages: For proper allocation of credit, ensuring its effective utilisation and ensuring its timely recovery an authentic database of the villagers credit need, the potential micro enterprise for which credit should be delivered and the potentiality of the borrower in successfully running the enterprise is required. It requires a proper survey of the village. Service Area Approach has also made this suggestion and banks are now required to do it. But banks do not have personnel specifically trained and deputed for it. Therefore they depend on the information provided by Village Level Workers, which is not only incomplete but mostly wrong. An alternative arrangement therefore is required for this purpose. The educational and Research Institutions and their students may be involved in this exercise or this work may be assigned to competent NGOs and other agencies. Credit demand assessment should be accompanied by an assessment of financial infrastructure development in the area, especially in relation to the out reach in interior areas.

2. Introduction of a 'land passbook' system: If every villager gets a passbook carrying authentic information regarding his land ownership detail it will be easier for the banks to assess their credibility and grant them loan. It will make loan processing easier and thus reduce both the borrowers' and lenders' transaction cost.

3. Provision of non-credit facility to the villagers: A proper, effective and efficient use of credit requires availability of non-credit facilities like infrastructure facilities (like road, transport, electricity, market etc.), provision of training to the borrowers in loan-financed micro-enterprise, organization of exposure camps for them, dissemination of information etc. They improve the credit absorptive capacity of the villagers and repayment capacity of the borrowers. These are possible within the existing government development programs and also programs initiated by banking sector (like RIDF of NABARD). The credit plans of the districts may be discussed in conjuncture with the other development activities of NABARD in the regions so that effective synergy can be established. The focus on skill up gradation

and entrepreneurship development in schemes like SGSY need to be implemented more seriously in states like Jharkhand where micro enterprise promotion among women is possible. Experiences of NGOs in this connection may be used to scale up. Organizations like CARE, SRI, NBJK, BASIX, Pradan, etc have implemented programs that compliment delivery of credit.

4. Integration of sources of rural credit: While formal sector is major player in credit delivery to the poor, its outreach is limited for several reasons mentioned earlier. One of the creative alternatives is credit delivery through SHGs. However, without appropriate intermediary structures outreach through SHGs and SHG-bank linkage model would be quite limited. Hence there is a need for intermediary structures like MFIs, NGO-MFIs, community based organizations that can facilitate linking poor with finance. They will become complementary to each other and strength of one will make up the weakness of the other.

There is potential to involve fledgling micro finance institutions in the state to expand their outreach and ensure coverage of the poor and marginalized in the rural areas. Organizations like BASIX, Pradan, RGVN, BAIF, NBJK and others need to be encouraged to expand their outreach. Creating conditions for accessing capital from within the formal sector and external borrowings may be encouraged through suitable mechanisms

Apart from these, non-institutional structures like local moneylenders, commission agents and others have major role in credit delivery and one can not wish away their role, even though it is often seen as exploitative. There is a need to develop mechanisms of regulation (especially enforcement of legal provisions) so that they will provide services within the legal frameworks related to interest rates etc. This would possibly help reducing exploitation. One can even think of creatively integrating such non-institutional sources within the ambit of regulation and supervision.

5. Strengthening capacities of rural banking cadre: Improvement in rural credit facility requires a motivated and committed staff.

Therefore there is need for enhancing the skills and motivation of the cadre of bankers working in the rural areas. While RRBs are created to meet the needs of rural populations most often the cultural distance between the bankers and the poor remained the same, be it in rural or urban branch. One of the major hesitations of the people especially educated among them in serving in rural areas is lack of urban amenities in such areas. Apart from this most bankers do not see the potential of rural poor clients as business proposition. There is a need to build capacities among the bankers on how to handle rural poor customers and also their potential. Implementation of PURA (Provision of Urban Amenities in Rural Areas) project, which the government of India has committed to may remove this hesitation from the educated bank professionals as they would find it more meaningful staying in rural areas.

6. More autonomy to the bank and reduction of political interference: Without reducing political/ outside interference correct decision regarding loan disbursement cannot be taken by the bank officials. Such interference also makes supervision of credit supported project and recovery of dues a difficult task. This is especially so in rural areas and lending operations among the poor. Announcement for waiver of loan to the villagers or political promise for it has created a lot of problem for the rural bankers in the past. It has adversely affected proper utilization of borrowed money and the repayment culture of the borrowers. Money, some times, has been borrowed from the institutional agencies in the expectation that it will eventually be waived causing distortion in fund utilization, non-payment of installments, and accumulation of interest and problem for both the bankers and the borrowers. Such waivers do not benefit the indebted poor, as most of them are indebted to non-institutional sources in much larger proportions than the institutional sources. So instead of such waivers direct support should be provided to the poor indebted households in such a manner so as to improve their repayment capability. This calls for lot more proactive support from bankers to the poor, without external pressures.

7. Proper coordination between bank and development bureaucracy who implement development schemes is necessary Such coordination

for proper credit planning, credit disbursement and recovery of loans would help enhancing the discipline in the financial system. Ensuring transparency in the selection of beneficiary, project and supplier of the inputs (machines, cattle, raw materials etc.) and proper supervision of the activities of the bank and development bureaucracy in this respect will go a long way to weed out the incidence of corruption. District level bankers committees, state level bankers committees need to be more effective in synergizing efforts.

8. Improving the repayment culture: Improvement in repayment culture will lead to proper utilization of loan amount and banks capability to lend. It will also remove the banker's hesitation in granting loan to a prospective borrower and thus reduce delay in getting loan. Repayment culture can be improved by combining proper selection of borrower and the project with proper motivation of the borrower and proper monitoring and supervision of the end use of the credit. Peoples' participation in selection of a borrower and his/her project and in recovery of loan may also build up a peer pressure, which may improve repayment culture. Creation of facility for repayment of principal and interest at proper location like creation of this facility in close proximity of the village or its presence in the weekly market can improve the recovery of loan.

Recommendations for SHGs

SHGs are no doubt an effective method to deal with the twin problems of credit delivery i.e. adverse selection and moral hazards and help in the empowerment of the poor and deprived villagers. But, they too suffer from several limitations like limited coverage, limitation in replication etc. They therefore require some improvements such as:

1. Preparation of micro level database regarding the socio economic conditions of the area. It will include the nature and extent of deprivation of different sub-regions and communities of the state. This database will help in selection of the areas and communities for intervention and the type of intervention required. The database and its continuous revision will help in evaluation of the

intervention and subsequent revision of the strategies. Such data should be accurate and reliable.

2. In order to be more useful the SHG movement has to expand both horizontally (expansion in terms of geography and people) and vertically (in terms of activities). An inter-linkage among different voluntary agencies dealing with credit but working in different parts of the country may prove fruitful. It will not only lead to exchange of ideas and experiences but also expand the market for their products.
3. Safeguards against the existing non-formal sources of credit and the parties who are the potential losers of SHG movement need to be provided. Success of SHG in providing rural credit means disappearance of a source of income and influence for them. They, therefore, may create trouble - may try to harm the group or its members.
4. The group members should be provided with complete market information so that they know the type of work, which can succeed in the market and the extent to which a particular product can be absorbed in the market. A macro economic assessment of demand for the product and services at the local and district level is required.
5. The possibility of fission and dissolution of group should be removed. Dissolution of one group discourages others to form groups. The SHGs, get dissolved if members lose their interest in it or they become de-motivated or some of the key members became dishonest or some of them develop grievances against the functioning of the groups. Safeguards are required against these events. Without these safeguards, such groups are likely to meet with failure. Accordingly, there is need for a careful formulation of strategy for formation of SHG groups. Formation of SHG should be preceded by a PRA (Participatory Rural Appraisal) exercise for identifying the issues and location of homogeneous groups. The ABCD (Asset Based community Development) approach can be used for effective group formation. In such an

approach the group is formed on the basis of the similarity of the capabilities of the members.

6. Organization of inter and intra group interaction sessions, motivation and exposure and training camps and ensuring greater participation and transparency in the functioning of SHG is likely to reduce the chances of dissolution of such groups.
7. There is role for MFIs to interface between SHGs and bankers. Apart from bank linkage model of micro financing, there are possibilities of group based lending by several of MFIs who are in nascent stage in the state. The government needs to create enabling environment for MFIs to expand and there should be no interference in their operations. There is a perception that most MFIs are out to make profits, but the reality is that most MFIs reach to the poor with very low costs and the interest rates that they charge reflect real costs of funds as well as the operational costs. The government thus needs to encourage MFI growth under non banking financial sector or under cooperatives.
8. SHGs who mature need to be federated into community based micro finance institutions. This is important to leverage funds from apex institutions and also enhance capacities of SHGS to move from small amounts of loans to big loans for micro enterprise related investments. There is a need to promote federations of SHGs and enhance capacities of women in terms of leadership and other aspects related to governance.

Recommendations for Non-Institutional Credit

So far the government approach towards the non-institutional rural credit has been to remove it from the rural economy and to replace it by formal credit institutions. But it has been realised by some that non-institutional credit cannot be fully removed from the rural economy (Padmanabhan, 1988) and it too has some positive qualities (Sharma and Chamala 2003). We in this study realised that its role has declined but has not disappeared. We therefore make the following recommendations for improving the role of non-institutional sources in area of rural credit.

1. Linking the non-institutional sources with the formal sector so that its activities become transparent, regulated and non-exploitative.
2. Development of institutional sources of credit especially the micro-credit in such a way that competes with credit for non-formal institutions. Such competition will force the moneylenders and other non-institutional sources to reduce their rate of interest and improve the quality of their services. This can happen only when the formal credit is available for the segments and purposes for which non-institutional credit is available.
3. Regulate the activities of non-institutional sources so that their activities become transparent and non-exploitative. Reporting of all the transactions of non-institutional sources can be made mandatory and subject to scrutiny of Gram- Sabha or PRI.
4. Transformation of non-institutional agencies into a formal one by ensuring their participation in LAB (Local Area Bank) or in Micro finance institutions. Such transformation will make it more responsible non-exploitative.

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