

Quadrant II – Notes

Programme: B. Sc. (Hons.) Agri.

Subject: Agricultural Economics

Course Code: ECON-242

Course Title: Agricultural Finance and Cooperation

Module Name: Schemes for financing weaker sections - Differential Interest Rate (DIR), Integrated Rural Development Programme (IRDP), Ganga Kalyan Yozana (GKY), Swarnajayanti Gram Swarozgar Yojana (SGSY), Self Help Groups.

Module No: 10

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Notes :

Schemes for financing weaker sections: Following are the schemes for the benefit of weaker sections.

Differential Rate of Interest Scheme (DIR)

On the recommendations of RBI committee under the chairmanship of Dr. B. K. Hazare, the Ministry of Finance, and the Government of India instructed all the public sector commercial banks to introduce differential rate of interest scheme (DIR). All the commercial banks under public sector implemented DIR scheme since 1975 and private sector banks also volunteered to participate in the scheme from 1977 onwards. The scheme was originally implemented at selected bank branches in 265 backward districts of the country and later on the scheme was extended to cover all parts of the country. Under DIR scheme, loans are being extended to the weaker sections of the society, who do not possess tangible assets to put as security, at a concessional rate of 4 per cent per annum. The DIR loans are covered by Deposit Insurance and Credit Guarantee Corporation of India (DICGC). Under DIR scheme the loans are extended to marginal farmers and

agricultural labourers, schedule castes and schedule tribes engaged in agriculture, people having rural industries and cottage industries, hoteliers, rickshaw pullers, cobblers, basket makers, carpenters, physically challenged persons, orphans and indigent students having higher education etc. From 1981 onwards, the banks were allowed to give their advances under DIR scheme through RRBS in their area of operation on refinance basis and these advances will be kept under lending account of the respective sponsoring banks only. The size of the borrower's holding should not exceed 1.0 acre of wet land and 2.5 acres of dry land. Family incomes of the borrowers should not exceed Rs.24000 per annum in urban and semi urban areas and Rs.18000/- in rural areas as per the revision in 2008-09. However, the restrictions on the loan amounts are relaxed for persons belonging to schedule castes and schedule tribes. The commercial banks are required to advance 0.5 to 1.00 per cent of their aggregate lending towards this scheme and forty per cent of total amount available under the scheme should be made available to SC and ST borrowers. During the April, 1983 a task force was appointed to examine the various provisions of the DIR scheme. As per the task force recommendations, GOI decided the DIR scheme, IRDP and Self Employment Programme for the Urban Poor (SEPUP) would be mutually exclusive (i.e. if a person is assisted under IRDP or SEPUP, he will not be eligible for the benefit under DIR scheme).

Therefore, DIR scheme is a measure to attain “social justice” as it safeguards the interests of the weaker sections of the society.

Integrated Rural Development Programme (IRDP)

Most of the programmes aimed at improving the economic conditions of the rural poor, did not create an expected impact. The reasons for this failure were:

- None of the programmes covered the entire country
- Frequent overlapping of the schemes in the same area

- Lack of coordination among the implementing agencies etc.
- Hence, the Government of India has decided to replace all these programmes

with one single integrated programme, in 1978 -79, with the twin objectives of

- Elimination of poverty and unemployment in rural areas.
- Rural development.

This programme was named as integrated rural development programme. IRDP is basically an action-oriented and time bound programme. Under IRDP other existing programmes like SFDA, MFAL, DPAP, CADA, National Rural Employment Programme (NREP) and Training of Rural Youth for Self-Employment (TRYSEM) etc, have been merged. IRDP scheme is funded by central and state governments in the ratio 50: 50.

IRDP is popularly called as anti-poverty programme. Under this programme in addition to small and marginal farmers, agricultural labourers, landless agricultural workers, artisans, schedule castes and schedule tribes and others living below Poverty line (BPL) are covered. As Per 1976 data a family of 5 members was said to be below the poverty line, if it earns an annual income of less than Rs.11, 600/- in rural areas and Rs.12, 800 /- in urban areas. As per 2005-06 data the same was Rs.22, 080/- and Rs. 33600/-respectively.

Specific Objectives:

1. Increasing the productivity of land by providing the needed inputs in required quantities at right time, thereby raising the productivity and production in agriculture.
2. Creating tangible assets for the rural poor to improve their economic conditions.
3. Augmenting the resources and income levels of weaker sections.

4. Diversifying the agriculture through poultry, dairy, fishery, sericulture etc.
5. Providing infrastructural facilities like processing, storage, organised marketing, milk chilling and collection centres, artificial insemination centres etc.

Identification of beneficiaries:

Those people living below poverty line are eligible to be covered under this programme apart from small and marginal farmers, agricultural and non-agricultural labourers, and rural artisans, schedule castes and schedule tribe families. Each bank branch should finance IRDP scheme in villages falling under its service area.

Purpose of advance under IRDP

Three major kinds of activities capable of income generation on continuous basis have been selected for targeted families. They are

- 1) Primary sector:** The activities are agricultural, animal husbandry, fisheries, farm forestry etc.
- 2) Secondary sector:** Activities like khadi and village industries, handlooms, handicrafts, blacksmith, pottery, carpentry etc., are included.
- 3) Tertiary sector:** Activities like transport, small business and other activities like tailoring, workshops, repair shops etc., are included.

Implementing Agency:

At national level IRDP is administrated by the Ministry of Rural Development. The states and union territories have set up bodies known as DRDAs (District Rural Development Agencies). DRDA identifies beneficiaries, draws up income generating projects for them and brings them into contact with banks. DRDA provides capital subsidy to the identified families and supply the list of such families along with suggested economic activities to the financing institutions for

extending loan assistance. DRDA also ensures backward linkages (supply of inputs, technical advice, etc) and forward linkages (processing facility and marketing arrangements, etc) in respect of the proposed economic activities. Subsidies: The subsidy in the case of small farmers is 25 per cent while for marginal farmers and agricultural labourers 33.33 per cent and for scheduled tribes 50 per cent.

Ganga Kalyan Yojana (GKY)

A central Government. sponsored scheme i.e. Ganga Kalyan Yojana was launched in the year 1997. The objective of the scheme is to provide irrigation through exploitation of ground water by tube wells and bore wells to individual as well as group of beneficiaries belonging to the target groups i.e. small and marginal farmers, falling below poverty line (BPL).

Swarnajayanti Gram Swarozgar Yojana [SGSY]:

SGSY is an ambitious programme launched by Government of India from 1-4-1999 for poverty alleviation through self-employment. It is a holistic programme covering all aspects of self-employment such as organization of the poor into self-help groups, training, credit, technology, infrastructure and marketing. It replaces earlier poverty alleviation programmes viz. Integrated Rural Development Programme, Training of Rural Youth for Self-Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA). SGSY places emphasis on group financing for poverty alleviation by organizing the rural poor into self-help groups (SHGs). Accordingly, the bulk of assistance under SGSY is expected to be provided to SHGs for supporting the group level micro-enterprises established by their members.

The objective of SGSY is to bring the Swarozgaris (poor families) below

The poverty line by providing them with income generating assets through a mix of bank credit and government subsidy by ensuring appreciable sustained level of income over a period of time. The target group under SGSY consists of all families below poverty line. SGSY envisages providing training of basic orientation and skill development, critical infrastructural facilities, revolving fund and credit linked subsidy to SHGs and individuals. The key activities under implementation in the District are dairy development, fisheries, vegetable growing and vending, cane and bamboo work, agarbatti , artistic pottery, pickles and papad, wood carving, etc.,

Self Help Groups (SHGs):

In the year 1992, the National Bank for Agriculture and Rural Development (NABARD) introduced a pilot project for linking 500 Self-Help Groups (SHGs) with banks, after thorough discussions with the RBI, commercial banks and non-governmental organizations (NGOs).

Other Programmes of Rural Development:

Small Farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers Development Agency (MFAL). Small and marginal farmers were however denied to receive the benefits from the nationalization of banks due to

- Cumbersome lending procedures
- Their inadequacy to furnish tangible securities for obtaining loan
- Undue delays in disbursement of loans

As a result, the marginal and small farmers depended mostly on the private money lenders for their credit needs paying high rates of interest.