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T. R. NO. 127

Technical Report

WP127
WP
1976
(127)

IIM
WP-127



विद्याविनियोगादिकासः
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**INDIAN INSTITUTE OF MANAGEMENT
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FORMAL VIS-A-VIS INFORMAL CREDIT
SUPPLY SOURCES IN TRIBAL AREAS :
A CASE OF DHARAMPUR TALUKA

by
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T.R.No.127
July 1976

Indian Institute of Management
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FORMAL VIS-A-VIS INFORMAL CREDIT SUPPLY SOURCES
IN TRIBAL AREAS : A CASE OF DHARAMPUR TALUKA

B.M. Desai

Introduction

The inhabitants of Dharampur taluka as of other tribal areas in India receive credit from both formal and informal credit supplying agencies¹. The formal sources of credit in Dharampur are village co-operatives, the Land Development Bank (LDB), a commercial bank, the taluka panchayat, and the forest labourers' co-operatives. The informal sources of credit are traders, money-lenders, grass land-owners, and other big farmers. However, it is the co-operative banking institutions and the informal sources of credit which play the major role. An implicit objective of public policy behind organizing co-operative and other formal credit sources is to substitute the informal sources of credit by the formal ones.

This paper first discusses the main features and operations of both the sources of credit supply in Dharampur. It then presents a framework that conceptualizes the substitution process from the standpoint of the inhabitants of Dharampur. Finally, in the light of this framework, an attempt is made to briefly identify the objectives of new policies on credit servicing in a tribal area like Dharampur.

The methodology adopted for the study consisted of observations with an insider's perception—both the credit suppliers' and users; collection of data from the records of the formal sources of credit, and discussions with various agencies of credit supply. Both structured and unstructured interviews were therefore used. Before discussing the objectives of the paper, an overview of economic life in Dharampur is described.

Economic Life in Dharampur Taluka

Dharampur taluka in Valsad district is considered to be the most backward in Gujarat. It is an erstwhile princely state. It has more land under forests (43 per cent) than under crop cultivation (35 per cent) in its geographical area of 4.04 lakh acres. Over 90 per cent of the population is tribal, Dhodia, Kokna, and Varli being the main tribes. About 50 per cent of the 237

villages have more than 50 per cent of their land under forests. Unlike the agricultural land, all the forest land is state owned. Most of the forests have yet to be converted from natural into man-made forests.

The agricultural activities of the people of Dharampur are unevenly distributed over the year². Agricultural work is concentrated mainly in the periods just before and after the rainy season, i.e. from May to July and September to October. Their seasonal migration fits well into the agrarian cycle. However, they become victims of persistent patronage and exploitation through this activity which often enable them to obtain "Khavati" (literally, meant for eating) loans³. The inhabitant families also depend on forests for their livelihood. Some of them earn wages in June and from November to March by working in the coupes for plantation, exploitation, and other logging work in the forests. Only about 3 per cent⁴ of their employable days are, however, utilized in these activities. "During summer and some parts of winter, when the larder is empty which is usually the case with Varlis, Koknas and other poorer groups, they eat whatever is readily available from the jungle"⁵.

The poverty and hunger of these people are so keen that the inhabitant farm families generally allocate some land to early maturing but low yielding varieties of paddy, nagli, and vari, despite the fact that they know and practice the cultivation of late maturing but high yielding varieties of these crops. Most of the crops are grown for family consumption and to repay loans. The productivity of these crops is very low. Loans are taken even for seeds and consumption, "In short, majority of the people are poor, trapped in debilitating cycle of khavati-low-production-more khavati"⁶.

Informal Sources of Credit Supply

The informal credit suppliers' operations in a static and low productivity economy like the one in Dharampur reveal their entrepreneurship. They are entrepreneurs in the sense that they unlike the formal credit suppliers undertake risks of credit business. However, their entrepreneurship may not be free from monopolistic exploitation. These credit suppliers virtually dominate in the life of inhabitants by their ingenious functioning in the credit, product and factors including labour markets. Such functioning is largely facilitated by the lack of alternative opportunities in these markets for the people in the taluka. It is also facilitated by their dismal poverty and

extreme isolation. Both these also explain the failure of legislation regulating money lender's activities in Dharampur. What is, therefore, needed is the vigorous programmes of developing alternative opportunities of employment, marketing and credit outlets. In what follows an attempt is made to elucidate this position.

The informal credit business is practiced in Dharampur taluka by traders, grass landowners and other fellow-farmers. These groups of moneylenders are in addition to the four moneylenders who are legally permitted to undertake the business. The four registered moneylenders supplied credit of about 3.86 lakhs from 1969-70 to 1972-73⁸.

Shopkeepers who live in the villages and others who have a permanent establishment in Dharampur and Silvassa towns and who also operate in the weekly "hats" are examples of informal moneylenders. Grass landowners and other fellow-farmers often operate in collusion with the "hat" traders. These moneylenders supply credit for various purposes including consumption and social ceremonies to anyone who can provide a tangible or intangible collateral. They charge interest rates⁹ varying from 25 to 100 per cent depending on the purpose. For example, according to the users of this credit, the interest rate for a consumption loan is about 50 per cent, whereas that for a seed loan is about 100 per cent.

The informal credit suppliers recover loans either in cash or grains or even in the form of labour. At one time, in the past, they recovered credit largely in the form of labour. Such credit is called "khavati", i.e., an advance payment in money or in kind for work to be performed. Credit of such nature has been so pervasive in the life of the tribals that they refer to any credit, either informal or formal¹⁰, as "khavati". In fact the term seems to have lost its traditional connotation, and "khavati" is given with an understanding that it will be repaid either in cash or grain or labour. It is this ingenious flexibility of moneylenders which enables them to still flourish in their credit business.

The terms and conditions, particularly the repayment terms of the informal credit suppliers, can be interpreted as performing two distinct services for the users of credit: a) providing them with an assured marketing network for the produce and the inputs, primarily seeds and b) providing them with assured employment or rather work. Thus, for the credit suppliers, recovery of credit and future credit business are ensured. Similarly and simultaneously, for the credit users, receipt of future credit,

a very dear good in their perception, is ensured. In other words, both the suppliers and the users of credit have established an assured credit transaction for the future.

The certainty of these transactions matters very much to both the parties in an economy like Dharampur's where they are so isolated and where only limited alternative opportunities for livelihood exist. However, on the seller's side, this certainty in the credit market seems to have been availed of by a few dominant and relatively well off suppliers. Such sellers can easily outweigh the bargaining strength which might accrue to the buyers from the certainty of their receiving credit in the future. Indeed, the informal credit suppliers tend to perpetuate their monopolistic power by manipulations like fixing a disadvantageous price for grains of farmers or a low wage rate, and cornering the funds of co-operatives for their business. Thus, in the Sutharpada "nat", some traders offered to their borrow-clients prices that were 20 to 30 per cent lower than the market prices in the same "hat" (table 1). Similarly grass landowners and other big farmers of Narvad village offered to their borrower-clients a daily wage rate of Rs. 2.50 (all cash) as against the market wage rate of Rs 2 in cash plus food valued about Rs 1. In Narvad, all the five "khatedars"¹ who were members of the credit co-operative were big farmers. Some of them were traders in the weekly "hats". In the past, they had utilized co-operative credit obtained by them to supply loans to other farmers in the village. Similarly, some people in other villages used "khavati" received from the forest labourers' co-operative to supply "khavati" to their fellow villagers. Yet another credit supplier who operated two rice mills in Silvassa gave "khavati" for two consecutive years to the tribals in Meghal where he also owned and managed about 20 acres of land. He recovered the loans in cash, grain (including paddy for his rice mills) and labour (on his farm and in his rice mills).

Table 1 : Disparity in Prices of Moneylenders and of the Market
in Sutharpada "hat" in Dharampur : November 1975

Foodgrains	Market's sale price (Rs/kg.)	Moneylenders' sale price (Rs/kg.)	Percentage difference between the market price and the moneylenders' price
Nagli (up to 5 kg.)	1.00	0.75	25
Nagli (more than 5 kg.)	1.05	0.75	28
Vari	1 to 1.10	0.75	25 to 32
Navabi Kolam paddy	1.35 to 1.50	1.00	26 to 33
Kada and Khadashi paddy	1.00	0.75	25
Bangali, late variety of paddy	1.60 to 1.80	1.15	28 to 36
Kharsani (Niger)	1.50 to 1.75	1.20 to 1.25	20 to 29

Formal Sources of Credit Supply

While informal sources of supply have played a variety of roles in the life of the tribals, the formal sources, with the exception of the forest labourers' co-operatives, have performed a stereotyped role. Until 1973-74, these co-operatives simply acted as agents of the forest department to exploit and market mainly the timber from the forests. However, in 1974-75, for the first time some of the co-operatives supplied "khavati" to its members to purchase foodgrains from the government authorized ration shops in the villages.¹² These loans were disbursed in late May, June, and August when the inhabitants of the taluka have little food and employment. The co-operatives recovered the loans from the wages of the members employed in the forest plantation and exploitation coupes. Very soon similar operations will be undertaken by other forest labourers' co-operatives. Thus, the forest labourers' cooperatives¹³ appear to have aimed to perform the two functions performed all these years by the informal credit supply sources. Since this being a recent phenomenon, no data is available to evaluate the spatial spread and the organizational efficiency of the new operations. What follows, therefore, is a description of the policies and operations of co-operative banking in Dharampur. Even the activities of the Dena Bank branch are not discussed here because the bank opened its branch only in 1969. Moreover, the bank's advances of Rs 1.71 lakhs to 19 farmers in six years have been stereotyped in nature.

Cooperative Credit

The primary co-operatives at the village level supply short term and term loans, mainly for agricultural production. The short term loans are for meeting crop production expenses and are supplied under the crop loan system evolved by the Reserve Bank of India. The crop loans are disbursed both in cash and kind, mainly fertilizers, from May to July and are recovered mainly in cash¹⁴ after the harvest, some time between January and March in the following year. The loan amount for an individual farmer-member is determined on the basis of his anticipated crop pattern and the scale of finance prescribed for different crops by the District Central Co-operative Bank (DCCB). The interest rate for crop loans is about 12 per cent. The anticipated crop produce is taken as security, but the co-operatives also require the prospective clients to deposit the title deeds of their land.

The primary societies also supply medium term credit for wells, diesel engines, electric motors, minor agricultural implements and equipments, land improvement, poultry, and animal husbandry. The loan amount for an individual farmer is determined on the basis of the value of land mortgaged and the acquisition price of an asset. Fifty per cent of the total value so obtained is considered as the eligible loan amount. Medium term loans for the acquisition of diesel engines, electric motors, wells, and underground pipelines are supplied only to those who operate atleast five acres of land. The interest rate for medium term loans is almost 10 per cent. These loans are recovered in annual cash instalments which vary according to the purpose.

Long term credit is supplied by a branch of the Gujarat State Co-operative Land Development Bank, located in Dharampur town. It supplies credit for the same purposes for which village co-operatives supply medium term credit. Its policies on security, eligible loan amount, interest rates and recovery of credit do not differ much from those of village co-operatives.

Of the 237 villages in the taluka, 186 (78 per cent) are under the fold of 35 village co-operatives. On an average, for every five villages there is one society¹⁵. Over 50 per cent of the villages covered received services of cooperative only during 1956-60. Another 20 per cent of them received the services during 1960-65. 97 of the 237 villages had received long-term credit from the LDB.

Cooperatives do not at present aim at mobilizing membership among landless. Further they have relatively more members from farmers with small holding (See table 2). However, the picture is just the opposite when the proportion of borrowing-members to total members is examined. Thus, in 1973-74, 69 per cent of the members with larger holdings were supplied credit while the corresponding percentage for small farmers was only 59.

These members were advanced about RS 25 lakhs by the village cooperatives and a branch of the land development bank in 1973-74. Of this, as much as 90 per cent was advanced by way of short-term credit. A large part of this credit was given in cash.

While the short-term credit was advanced for crop production purposes, the long-term credit was supplied mainly for well irrigation. Between 40 to 50 per cent of loans were supplied just for the construction of new wells. Another 35 to 42 per cent was distributed for the purchase of oil engines and electric motors (See Table 3).

In 1973-74, only 41 per cent of the current and past short-term advances were recovered. This percentage declined to 21 in 1974-75, the second consecutive draught year in Dharampur taluka. The recovery of credit from the small as compared to the large holders as elsewhere in rural India was better in both the years

Table 2 : Distribution of Agricultural and Non-agricultural Members of Co-operatives in 1973-74 and 1974-75.

Membership categories	Total Number	Of whom members in		Of these members, borrowing members	
		1973-74	1974-75	1973-74	1974-75
<u>Agriculturists i.e.</u>					
<u>Khatedars</u>					
less than 5 acres	8674	6,972 (89.6) ^a	7,540 (86.9) ^a	4,136 ^b (59.3)	4,752 ^b (63.0)
Above 5 acres	8268	5,840 (70.6)	5,709 (69.0)	4,021 (68.9)	3,795 (66.5)
Sub-total	16942	12,812 (80.4)	13,249 (78.2)	8,157 (63.7)	8,547 (64.5)
Non-agriculturists [@]		803	1,108	202 (25.2)	179 (16.2)
Total		13,615	14,357	8,359 (61.4)	8,726 (60.8)

a Figures in parentheses in these columns are percentages with respect to Total Number

b Figures in parentheses in these columns are percentages with respect to Members

@ Mainly includes tailors, weavers, khadi gramodhyog etc. Percentages with respect to this category are not worked out because data on non-agricultural households are not available.

Table 3 : Long-term Loan Supply in the Years 1973-74 and 1974-75

Items	1973-74		1974-75	
	Amount	% Share	Amount	% Share
	Rs in lakh		Rs. in lakh	
Construction of new wells	0.96	39.7	0.91	50.2
Repairs of old wells	0.23	9.7	0.01	0.7
Oil engines	0.49	20.3	0.59	32.6
Electric motors	0.29	11.8	0.19	10.5
Tractor	0.28	11.5	-	-
Dam bunding	0.02	0.7	0.02	1.0
Land improvement	0.04	1.6	-	-
New ryari	0.11	4.7	0.05	3.0
Gobar gas	-	-	0.04	2.0
Total	2.42	100.0	1.81	100.00

Table 4 : Recovery of Short and Medium Term Co-operative Credit in Dharampur Taluka, 1973-74 and 1974-75

Membership category	Percentage of credit repaid to the current & past advances					
	1973-74			1974-75		
	S.T.	M.T.	Total	S.T.	M.T.	Total
<u>Agriculturists:</u>						
upto 2.5	45.8	44.8	45.8	64.3	11.8	55.0
2.5 to 5.0	45.1	35.9	44.4	64.5	100.0	66.1
Above 5.0	44.9	31.4	43.6	41.1	21.7	40.0
Sub-total	45.0	32.6	43.9	45.9	25.0	44.5
Non-Agriculturists	28.5	33.9	29.2	4.1	16.4	2.9
Total	40.5	33.1	39.9	21.0	21.2	21.1

S.T. = Short Term

M.T. = Long Term

Government Credit

The Dharampur taluka panchayat supplies credit from its state government and other grants. However, its role is rather restricted and it primarily aims at providing relief in scarcity and famine years. Hence, government credit is referred to as "taccavi" loans. It is subsidized in its interest rate. Depending on the purpose of loan the interest rate varies between 2 and 9 per cent. In the past, "taccavi" loans were given for "khavati", for improving the economic condition of the agricultural labourers, for the purchase of seeds and implements, and for sinking wells, etc. The total amount of such loans supplied during 1963-73 was Rs 7.24 lakhs. Of this, only 10 per cent has been recovered so far. Recovery of "khavati" loans which alone accounted for about 50% was the least as compared with other loans. This is largely because such loans were advanced without integrating them with any meaningful employment and income-generating programme which is so essential to build a repayment capacity of the recipients of loans. Under such conditions, the government's credit operations appear to have been interpreted by the people as relief operations. Even the government officials tend to approach the work related to this activity thus.

Substitution of a Formal Source of Credit Supply for an Informal Source

At the outset, it is not unreasonable to argue and even believe that substitution of one source of credit for another is an irrelevant issue from the viewpoint of the people of Dharampur, because they have hardly any choice in the credit market. Perhaps this is true in other tribal areas also. However the public policy appears to have aimed at creating such a choice. This can be gathered if not supported, from the following quotations from the following quotations from the Report of the Agricultural Finance Sub-Committee, 1945 (the Committee was led by Professor D R Gadgil).

.... we recommend a strict regulation of the business of the moneylender.....the regulation attempted so far has not been quite successful and.... the money lenders have adopted many ingenious methods to get round the provisions of the law. The experience of almost all countries including those where the standard of literacy is very high and where the public is in a position to deal with the moneylenders more or less on an equal footing, is that regulation

is seldom a success unless institutional credit is developed on a wide scale; institutional credit alone, by force of competition, can prevent the moneylenders from deviating from the fair dealings prescribed by the law.¹⁶ We have stated that co-operative credit is most suited for agricultural needs and have therefore stressed the need for developing it.

A co-operative credit society should aim at financing all the short-term needs of its members. Loans for current agricultural needs such as seed, manure, etc., and for consumption should be strictly repayable at the end of the agricultural season each year. Loans for intermediate periods for productive purposes such as the purchase of bullocks and implements, etc., and for certain non-productive purposes such as ceremonial expenditure, which are rendered necessary by the special circumstances and the psychological make-up of the farmer, might be advanced by a society....

These proposals have been subsequently reiterated as can be seen from the following quotations (one of these relates to a requirement which the reorganized system of institutional credit should satisfy and the other relates to the clarification which Professor Gadgil gave on the role of moneylenders and co-operatives):

It should be an effective alternative to- though not necessarily a complete substitute for - the private agencies of credit.¹⁷

.....there are some minor recommendations regarding the modification of the money lending legislation. But it is not proposed that the private agencies shall be dealt with in any other manner than by a strengthening of the cooperative agency. All that is meant is that if you make the cooperative better, the moneylender would recede in the background.....¹⁸

Given these objectives of the public policy, again it would not be unreasonable to argue that a close look at the question of substitution is not merely an academic exercise. In fact, such a look would facilitate formulation of the objectives and content of an alternative organizational tasks for credit supply in tribal areas. The aim here is, however, a modest one to describe the hypothetical substitution process.

In Dharampur as in other tribal areas, practically every agricultural year, the inhabitant families' lives begin with some gainful work for a month or so, then a lean season of about two or three months followed by harvesting work for about a month or two. While this is true in those villages where the land under forests and the irrigation¹⁹ resources are very limited, in other villages where forests predominate, the life of every monsoon begins with some gainful work in the first month, followed by a long spell of small or even perhaps uncertain gainful employment opportunity. This spell lasts until about September when some people migrate to neighbouring areas where grass cutting work is available. From November onwards, in some of the villages, exploitation, other logging work, and forest related activities begin and continue albeit with some irregularity until February or March. April and May bring to these villagers some opportunities to work with mango orchard owners in the neighbouring areas. The life of these villagers in the remaining period until the onset of another monsoon in the late June meets with the same fate as of others in the other villages where forests and irrigation resources are very limited. Such is the employment opportunities cycle in villages where forests are dense or where crop cultivation is technically feasible. However, in some villages neither of these two typologies applies. These are villages where crop cultivation is technically infeasible and/or where forests are degraded and thin. It can, non the less, be assumed that inhabitants of these villages will seek work wherever employment opportunities exist.

Visualize now a typical tribal family of Dharampur which aims at substituting trader-cum-landowner credit by co-operative credit, to meet its demand for grain credit of Rs 100/-. This rather hypothetical family would reject our proposition because the co-operatives in Dharampur²⁰, under their present policies, cannot fulfill the family's demand for grain credit. However, assume our family rationalizes its aim on the grounds that it can utilize the cash credit from co-operatives to buy grains from say, a ration shop or a "hat" trader. Also assume that the family knows that a co-operative would expect it to repay the credit and an interest of 12 per cent in cash, while a trader-cum-landowner would accept the repayment of the loan and an interest of say 25 per cent in any one of the three forms - cash, grain or labour. Further assume that this family takes the prices of both grains and labour — work as given although it may form some expectations about these prices. Finally, assume that our hypothetical family takes its decision to substitute one credit source for another on the basis of the criterion of incremental benefit. The family defines its incremental benefit as opportunity gains expected to be realized as a result of substitution of one credit source for another. Conversely, incremental loss is defined by the family to include opportunity gains expected to be lost due to this substitution.

The incremental benefits and losses that the family may perceive under the above assumptions are basically related to a) interest rates, b) grain prices, c) wage rates, d) availability of a market to sell grains, and e) availability of wage-paid employment. Assuming that factors other than the interest rate are equal, obviously, our family would substitute co-operative credit for trader-cum-landowner credit because it would perceive an incremental net benefit of Rs 13 by way of saving in interest cost on its borrowing of Rs.100 from a co-operative. However, the family would reject this decision when it perceives the loss of this gain on account of its lower expectations from one or more of the remaining four factors under the co-operative credit alternative. Given the features (described earlier) of the Dharampur economy in general and of the credit market in particular the family would have the least expectations about these factors, more specifically about the employment opportunities and the access to the grain market network. As a result, the family would tend not to substitute co-operative credit for trader-cum-landowner credit.

Credit Policies - Their Objectives and Rationale

The foregoing discussion highlights the inadequacies of role of both credit and its formal suppliers as they exist in Dharampur, even though there is an acute demand for subsistence credit. Credit either for consumption or production as commonly understood has a limited role to play because it cannot be a structural cause of poverty. A future credit supply programme in tribal area like Dharampur must therefore aim at integrating credit supply with the programme of employment generation and creation of marketing network.

While the objective of integrating credit supply and marketing is not now, what is needed is the fresh perception and the long range of foresight on the rationale for this integration. The rationale is not only to recover credit but to provide alternative product and input market services which are severally limited in Dharampur. It is true that in such an area at present, little, if at all, marketed surplus exist, and the demand for marketing services are extremely limited. However, until this demand develops, there would exist the demand for receiving as well as repaying subsistence credit, and also for marketing temporary grain and cash surpluses. Servicing these demands as a commercial proposition should be the ultimate goal of integrating credit supply and marketing.

As regards the objective of integrating credit supply and employment generation, it is indeed both new and complex. And yet it is essential because what people need is an agency which not only provides credit but also accepts the repayment in the form of labour as that is the only surplus which these people own. In as much as cooperatives except the forest labourers' cooperatives cannot themselves organize employment programmes, it is necessary that their operations are directly integrated with the agency that organizes such programmes. More importantly, the cooperatives need not restrict themselves to integrating credit and marketing network on the one hand, and credit and employment creation on the other hand. They can as well integrate all three that is, credit, marketing and employment creation, by financing such economic activities as poultry, dairying and cottage industries, besides financing employment programmes for soil conservation, irrigation and afforestation. These objectives appear a tall order. Nonetheless, they are essential to encourage competition among various, both formal and informal, credit supply sources.

A Summing - Up

In Dharampur taluka as in many other tribal areas in India, informal sources of credit supply and co-operatives form the main channels of credit supply. The informal credit supply channels play a variety of roles in the economic life of the tribals through their amazing flexibility in evolving terms and conditions for credit. In particular, these suppliers give credit both in cash and grain, and for any purpose. They recover credit either in cash or grain or labour. Such terms and conditions suit most to the credit users whose demand for subsistence credit is acute and who have extremely limited and even stagnant opportunities to develop their economic activities in the agriculture and forest sectors. Under such conditions, the stereotyped functions of formal credit suppliers prove thoroughly inadequate. They can rarely meet the implicit policy objective of substituting a formal for an informal credit supply sources.

The credit source substitution process is a decision-making process of the borrowers. And it is influenced by the incremental gains perceived by them. Incremental gains are defined as opportunity gains expected to be realized as a result of substitution of one source of credit for the other. Conversely, incremental losses are defined as opportunity gains expected to be lost in this process. Under the existing terms and conditions of the two types of credit sources, the incremental gains and

losses are basically affected by (a) availability of an access to grain markets, (b) availability of employment, (c) interest rates, (d) grain prices and (e) wage rates. If interest rates alone were relevant, a family would perceive an incremental benefit of Rs 13 on every Rs 100 borrowed from a cooperative instead of from a trader-cum-landowner, assuming interest rates of 12% and 25% respectively. However, the other factors particularly (a) and (b), have such a dominating influence that this gain would be wiped out and the family would tend not to substitute cooperative credit for moneylender credit. Policy makers' goal is to encourage and strengthen the alternative but competing opportunities for marketing grains and for employment and income generation. To achieve this, formal credit servicing programme in Dharampur must be integrated with the employment generation and creation of marketing network. Organizing such programme would require entrepreneurial approach to and commercialization of the rural finance business. These elements in credit servicing programme are essential to encourage sustained competition among various credit supply sources.

Annexure 1 : Activities Other Than Advancing Loans of Primary Cooperative Societies in Dharampur

Items	<u>'Talat villages</u>		<u>'Non-talat' villages</u>		<u>All villages</u>	
	1973-74	1974-75	1973-74	1974-75	1973-74	1974-75
Sale of agricultural inputs						
Seeds (qtl.)	225 (62)	220 (100)	135 (38)	-	360 (100)	200 (100)
Fertilizers (qtl.)	5106 (85)	3821 (86)	867 (15)	638 (14)	5973 (100)	4459 (100)
Pesticides (kg)	160 (100)	161 (100)	-	-	160 (100)	161 (100)
Pesticides (ltr.)	7127 (100)	16307 (100)	-	-	7127 (100)	16307 (100)
Implements (no.)	35 (100)	10 (100)	-	-	35 (100)	10 (100)
Sale of consumer items (Rs in lakhs)						
Foodgrains	24.21 (90)	31.79 (91)	2.50 (10)	2.98 (9)	26.71 (100)	34.77 (100)
Others	12.02 (93)	6.47 (83)	0.92 (7)	1.31 (17)	12.94 (100)	7.78 (100)

Note : Figures in parentheses are percentages.

Notes

- 1 This is a revised version of the paper presented to the Seminar on Integrated Tribal Development Planning organized at the Indian Institute of Management, Ahmedabad (IIMA). Data presented in this paper were collected for 'Rural Development for Rural Poor' Project conducted by VS Vyas, TK Moulik, Ranjit Gupta and BM Desai at IIMA. The author thanks his Project-Colleagues for this facility. He is thankful to GM Desai and VS Vyas for their comments on an earlier draft. He is also grateful to SC Bandyopadhyay, BL Tripathi and MV Raut for their assistance in the preparation of this paper. To Jyotika Ramprasad, who edited this paper, he is grateful. The author alone, however, is responsible for this paper.
- 2 Rural Development for Rural Poor : Dharampur Project, Part I: The Setting VS Vyas, TK Moulik, BM Desai and Ranjit Gupta, (Ahmedabad: Indian Institute of Management, 1975), (mimeographed), Chapter III.
- 3 "Khavati" means an advance payment in money or kind on work to be performed. It is one of the instruments by which the commonly understood bonded labour is mobilized.
- 4 This is a provisional estimate; however, it is not likely to exceed 6 per cent.
- 5 VS Vyas, et al., op.cit. p. 103
- 6 A Village in South Gujarat, Technical Report No. 102, Girja Sharan, (Ahmedabad : Indian Institute of Management), p.3
- 7 This intuitive interpretation of the economic nature of informal suppliers' operations is judged largely on the bases that (a) most of the villages where shopkeepers exist are extremely isolated from each other and also from Dharampur and Silvassa towns, (b) generally only a very few, often only two or three, such suppliers operate in a village, (c) usually the same traders move from one "hat" to the other held on different days in different places in the taluka and (d) the total number of shopkeepers and merchants in 1954 was 207 as against a population of 1.42 lakhs in 1961 in Dharampur. These rather indirect empirical evidences are used mainly because of non-availability of data to examine the monopoly element in the profits of the informal credit suppliers. For a rigorous framework on this subject see, "The cost of Administering Private Loans in Underdeveloped Rural Areas", A Bottomley, Oxford Economic Papers, 16, No. 2, July 1963,

"Interest Rates Determination in Underdeveloped Rural Areas", A. Bottonley, American Journal of Agricultural Economics, 57 No.2 May 1975, and "The Relationship Between Formal and Informal Credit Markets in Rural Chile" C.T. Nisbet, Land Economics, 45, No.2, May 1969.

- 8 This figure is taken from District Statistical Book, 1969-70 to 1972-73, Valsad Zilla Panchayat.
- 9 In an economy where non-monetary forms of exchange exist, it is difficult to calculate interest rates.
- 10 Even the credit supplied by a devoted medical doctor who has been voluntarily working in the taluka is referred to as "Khavati". This doctor supplied grain loans to about 2000 families who are regularly served by him for their illnesses and health problems. He supplied these loans every monsoon since 1972-73 and recovered them in grains soon after harvest.
- 11 "Khatedars" are those who hold titles of land in government records.
- 12 There are at present 63 fair price shops in the taluka. 23 of these shops are owned by traders who sometimes also act as informal credit suppliers, while the 40 are run by co-operatives including forest labourers' cooperatives.
- 13 At present, there are 9946 members in nine forest labourers' cooperatives. In 1973-74, these members and 20375 non-members were employed by the co-operatives in their felling and logging operations on behalf of the forest department. The labourers were paid a wage bill of Rs 26.06 lakhs.
- 14 Although most of the primary co-operative societies are multi-purpose societies, they rarely perform functions other than supplying credit and selling grains and other commodities to ration card holders (Annexure 1) .
- 15 Dharampur can be divided, on the basis of its geophysical features, into "talat" (plain) and 'non-talat' or 'dunger' (hilly) tracts. See the map of Dharampur which also shows location of "hats", credit co-operative and forest labourers' cooperatives. Villages in "non-talat" tract where two-third of the taluka population inhabit are very poorly served.

- 16 The history of the attempts made in USA to control unscrupulous lending shows that "legislative restriction is not the only method of meeting the problem and that economic competition, if effective, is a far more satisfactory solution; the low-rate lender, if his facilities are adequate and his terms constructive, can drive out the high rate lender".
- 17 The General Report of the Committee of Direction, All India Rural Credit Survey, Abridged Edn., (Bombay : Reserve Bank of India) p. 60.
- 18 Discussion on "Reorganization of Rural Credit in India" Gadgil et. al. Indian Journal of Agricultural Economics, IX, 2 (April - June 1956) p. 123.
- 19 Only 556 acres in the taluka receive irrigation.
- 20 It is expected that this constraint of the cooperatives in Dharampur would be solved soon under the most recent credit policies prescribed by the Sivaraman Committee. However, the import of the conceptual framework developed in this section would continue to hold.