SRSC Seminar Proceedings

SR SANKARAN CHAIR

Research on Rural Labour Matters • Through the Prism Equity Matters

CHANGING PERSPECTIVE OF RURAL FINANCE AND FINANCIAL INCLUSION OF RURAL POOR

शग्राविपंरासं
NIRDPR

S. R. Sankaran Chair (Rural Labour)

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NIRD&PR's VISION

- The vision of NIRD&PR is to focus on the policies and programmes that benefit the rural poor, strive to energise the democratic decentralisation processes, improve the operation and efficiency of rural development personnel, promote transfer of technology through its social laboratories, Technology Park and create environmental awareness.
- As a “think-tank” for the Ministry of Rural Development, NIRD&PR while acting as a repository of knowledge on rural development would assist the Ministry in policy formulation and choice of options in rural development to usher in the changes.

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- To examine and analyse the factors contributing to the improvement of economic and social well-being of people in rural areas on a sustainable basis with focus on the rural poor and other disadvantaged groups through research, action research, consultancy and documentation efforts.
- To facilitate the rural development efforts with particular emphasis and focus on the rural poor by improving the knowledge, skills and attitudes of rural development officials and non-officials through organising trainings, workshops and seminars.

OBJECTIVES

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- Organise training programmes, conferences, seminars and workshops for senior level development managers, elected representatives, bankers, NGOs and other stakeholders;
- Undertake, aid, promote and coordinate research on its own and / or collaborate with State, national and international development agencies;
- Analyse and offer solutions to problems encountered in planning and implementation of the programmes for rural development, decentralised governance, panchayati raj and related programmes;
- Study the functioning of the Panchayati Raj Institutions (PRIs) and rural development programmes across the States;
- Analyse and propose solutions to problems in planning and implementation of the programmes for rural development; and
- Develop content and disseminate information and transfer technology through periodicals, reports, e-modules and other publications.

SRSC Seminar Proceedings

Proceedings and Policy Brief

National Seminar
on

CHANGING PERSPECTIVE OF RURAL FINANCE AND FINANCIAL INCLUSION OF RURAL POOR

April 28-29, 2017

S. R. Sankaran Chair (Rural Labour)
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Foreword

Of late policies relating to effective access to rural and inclusive finance have attracted the attention of different stakeholders. Recognising the significance of the credit in rural development, several policies through priority sector lending and other schemes are in operation by the government of India, the RBI and NABARD. Despite witnessing substantial progress in access to finance to rural area and to rural poor, a lot has to be achieved in reaching the unbankable areas and poor households.

The National Institute of Rural Development & Panchayati Raj (NIRD&PR) under the auspices of S. R. Sankaran Chair (Rural Labour), organised a two-day National Seminar on "Changing Perspective of Rural Finance and Financial Inclusion of Rural Poor" during 28-29 April, 2017 to discuss ways and means to widen the access to credit to rural poor.

The seminar brought together academia from across disciplines, policy makers, NGOs, and development practitioners to discuss in detail the functioning of financial institutions and find a way forward for their effective implementation. I thank and richly complement my colleagues at S.R. Sankaran Chair, NIRD&PR, both faculty and staff for the success of the seminar.

I have no doubt that the deliberations of the seminar offer wide ranging recommendations in a number of areas to improve access to inclusive finance for rural poor.

This publication is placed in the public domain for wider dissemination and discussion. I hope it will prove to be a valuable document for different stakeholders designing and implementing schemes of rural finance.

Dr W.R. Reddy, IAS
Director General,
NIRD&PR

Acknowledgements

Developed and inclusive financial system is a necessary condition for faster growth and better income distribution in an economy. Access to timely credit and at affordable costs, especially to poor help to improve their level of living through increasing output, smoothening consumption and increasing their ability to invest in human capital augmenting activities like schooling of children or making medical treatment available to them. Rural finance is thus one of several essential tools to be used in combating rural poverty and rural economic growth. In view of this the Government of India, the Reserve Bank of India and NABARD have initiated several programmes for the development of inclusive rural financial system.

In order to have a holistic understanding of the functioning of rural financial institutions the S.R Sankaran Chair, NIRD&PR, Hyderabad had organised a two-day national seminar during 28-29 April, 2017. We are grateful to Dr. Arvind Mayaram, IAS (retired), Former Finance Secretary, Government of India and Shri G.R Chintala, Chief General Manager in NABARD, Shri Vijay Mahajan, for accepting our invitation and delivering the keynote address, inaugural lecture and valedictory lecture, respectively. We are grateful to Dr. W.R Reddy, IAS, Director General, NIRD &PR for chairing the inaugural session. It was graced by a number of eminent scholars, civil society organisations and policy planners. We thank all of them for their valuable contribution.

We have received generous support and encouragement from NIRD&PR authorities and advisory committee members of S.R. Sankaran Chair. We are thankful to Dr. W. R. Reddy, IAS, Director General, Professor R. Radhakrishna, and other members of Advisory Committee, for their continuous support and encouragement for the activities of the Chair.

We also thank Shri A. D. Manikandan, Ms. N.S. Deepa, Ms. Puja Mehta and Shri Anand Meher for their contribution, before and after the seminar.

Kailash Sarap
Professor, S.R. Sankaran Chair

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CHANGING PERSPECTIVE OF RURAL FINANCE AND FINANCIAL INCLUSION OF RURAL POOR

I. Background

It has been well recognised that developed and inclusive financial system helps faster growth and better income distribution in an economy. Given that the majority of poor live in rural areas, access to timely credit and at affordable costs help to augment agricultural production, poverty reduction and also their level or standard of living by smoothening consumption and increasing their ability to invest in human capital augmenting activities like schooling of children or making medical treatment available to them. Thus, there is a link between the growth of rural credit market and human capital achievement. Of late, there is a growing appreciation of empowerment dimension of finance.

Rural finance is one of the several tools to be used in combating rural poverty and enhancing rural economic growth. Rural finance helps significantly to augment income of rural farmers and other rural entrepreneurs and their employees. It helps create opportunities for self employment and reduces the vulnerability of the poor to economic swings by offering opportunities to save in good times and to withdraw in bad times. But lack of access to formal financial institutions is still a major concern in financial services delivery to rural producers/ poor, an issue that results in a rural financing gap limiting agricultural investment by limiting timely access to credit.

Credit is a major component of rural financing. Recognising the significance of credit in agriculture sector development, policies were introduced and reviewed by the government of India and the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) a number of times. The institutional expansion of credit flow to agriculture, expansion of Kisan Credit Cards (KCCs), financing of new investments, rescheduling and restructuring of loans in areas affected by natural calamities, one-time settlement (OTS) for farmers in distress and redemption of loans from informal sources or priority sector lending has been an important policy followed by the

RBI to enhance credit to rural sector. A multi-agency approach comprising scheduled commercial banks, co-operative banks and regional rural banks (RRBs) plays an important role in providing credit to agriculture and allied sectors. As of now, 18 per cent of net bank credit of scheduled commercial banks (SCBs) has been stipulated for the agriculture sector in India. Of this 8 per cent is earmarked for small farmers but still their access is limited to formal credit.

Non-agricultural sector has been playing a key role in combating poverty and providing jobs in rural areas. But a major concern is that the share of MSME (micro, small and medium enterprises) in the Indian economy has been declining and its contributions to total manufacturing and to GDP have declined in recent years. One reason for this is low growth of MSME and abolition of reserved items for this sector. There is a need of strengthening MSMEs in rural areas by giving purchase and price preference and by assuring timely credit and raising its volume.

Crop insurance is an important component of rural financing. It helps significantly to reduce rural distress. One of the major reasons of increasing coverage of crop insurance is the anticipation of crop loss/damage by bad climate or drought or disease. Government initiatives like Pradhan Mantri Fasal Bima Yojna (PMFBY), Weather Based Crop Insurance Scheme (WBCIS), National Agriculture Insurance Scheme, etc., over the years helped to increase the coverage of crop insurance. But the coverage of these schemes is low and they are besieged with a number of problems. One of the major concerns is that many available insurance products are supply-driven and not affordable by the poor/ producers and less related to savings and credit demand of the target group. Also another concern is unsuitability of similar product all over India.

In order to improve the credit access to poor, there have been attempts in the1990's and later by linking banks with informal institutions: self-help groups and microfinance institutions. The SHG bank linkage model has emerged as the most celebrated among these, which mobilise the poor households, with the help of state/para state agencies, aggregate small demands and manage timely repayment of loans by these groups. The SHG-bank linkage programme has expanded drastically and has become a hybrid credit delivery strategy to serve the needs of the poor. Similarly, government initiatives like Swabhiman and later replaced by Prime Minister Jan Dhan Yojana (PMJDY) are also playing a key role in making rural finance inclusive. As of now, the Small Banks and Payment Banks are expected to be important instruments of FI, though district central cooperatives are drowning due to small size and region specific operations.

In this background, there is a need to have a holistic understanding of the changes that are taking place in rural financial markets and its dynamics. It is desirable to broaden our understanding on a variety of factors that are linked to the changes in rural financial markets especially in the context of nature, structure and growth of formal credit and functioning of schemes related to financial inclusion and crop insurance. There is also a need to know the factors contributing for improving financial inclusion of the poor.

Keeping this in view S.R. Sankaran Chair organised a two-day National Seminar on the above-mentioned themes during 28-29 April, 2017. The broad objective of the two-day seminar was to understand and analyse the recent developments relating to rural credit market structures, crop insurance, inclusive finance and related issues, including access to microfinance and financial literacy in rural areas. The participants came out with several innovative ideas, policy inputs and suggestions for improving these schemes.

Organising such a seminar under the S.R Sankaran Chair is a purposeful event. Shri Sankaran was a legendry civil servant, a crusader for social justice, a civil rights activist, a perceptive critic of development and public policy with extraordinary sensitivity, clarity, and above all an epitome of compassion. A single social goal of his entire life's work was the reduction of contradiction between political and socio-economic inequalities and to improve the well-being of the marginalised groups.

II. Inaugural Session

The inaugural session was chaired by Honorable Director General, Dr. W.R. Reddy, IAS, NIRD&PR, Shri G.R. Chintala, the Chief General Manager, NABARD and is presently heading the Micro Credit Innovations Department of NABARD at its Head Office, Mumbai delivered the inaugural address. The keynote address was delivered by Dr. Arvind Mayaram, IAS(R), who was the former Finance Secretary, Government of India and is currently Chairman, CUTS (Consumer Unity & Trust Society) Institute for Regulation & Competition. It was followed by a brief conversation about the themes of the seminar by Dr. Kailash Sarap, Professor, S.R. Sankaran Chair.

Welcome Address: Dr. W. R. Reddy

Extending a warm welcome to the guests, Dr. W.R. Reddy said that the topic of the national seminar was of utmost importance. Credit - whether from formal financial institutions or in the form of own funds or equity - is the most important part of the economy, especially of the rural financial system. But, there are certain challenges relating to credit that need to be addressed. Is the current flow of credit into the country adequate? Does credit flow on a timely basis? Is there enough credit to meet the needs of the clients or customers? It is true that the responsibility lies with both the lender and the borrower, but is the credit flow reliable, especially in rural areas? Despite the improved performance of banks, certain concerns continue to persist which need to be addressed to arrive at appropriate solutions.

Another important area is priority sector lending, which plays an important role in the development of the countryside. The priority sector lending scheme provides timely and sufficient loans to important sectors of the economy, such as agriculture and small-scale industries. But despite the intention of expanding banking reach and focusing on the vulnerable groups, priority sector lending has left a large segment of the population untouched. It could be because we have spent our energies in finding out how to meet that target, not how to achieve the purpose for which the model was envisaged. For instance, as per the Reserve Bank of India (RBI) norms, banks can count investments made in the Rural Infrastructure Development Fund (RIDF) as part of their indirect agriculture lending under the so-called priority sector lending target. Of the 40 per cent loans that are required to be lent to agriculture, small-scale industries and other economically weak sectors, 18 per cent should be for agriculture. However, in spite of pioneering efforts of the RBI in this direction, much needs to be done.

Though the agriculture sector is in distress, there is no doubt that it is changing. However, the rural non-farm sector has become an increasingly important source of employment, given the vulnerability of agricultural activities. There is diversification of sources of income among the households that is happening which is very good. But are credit institutions able to meet and are they suitable for the multipurpose requirements of households? Are we able to come up with a multi-sectoral product which can fit into that particular household?

Thus, there is a need to rethink and reinvent our approach and promote comprehensive household-based activities and enable the poor to take initiatives to secure their livelihoods. There are so many other issues including loan waivers for which we have to find out solutions. Of course, problems will crop up, but we have to live with them and find out solutions to overcome them.

Lastly, there is a need for emotional connectivity between financial enterprises (be it cooperative societies or commercial banks) and customers who are in a position to help them to come up with solutions. Though many institutions have come up there is still a long way to go.

Dr. Reddy said that he was hopeful that the two-day seminar will give some insights and probable solutions which can be policy prescriptions for various stakeholders and for various bodies through which policy transformation can be accelerated.

Inaugural Address: Shri G.R. Chintala

Shri G.R. Chintala in his inaugural address talked about several issues including the rural finance, agrarian system, debt waiving problems and topics related to financial inclusion of poor. He said that one has to look into the entire rural financing – the rural financing gamut which covers may be quite a lot of areas and it is not agriculture alone. It contains agriculture, MSME financing and microfinance. Naturally these are the three segments of people who reside in the rural areas and all three are inter-dependent.

Farm credit is a major part of rural finance. Actually there are three things: timely credit, adequate credit and affordable credit. Timely credit is the one which everybody wants – both RBI and NABARD in collaboration with the finance institutions are trying to push credit as soon as possible when production season starts. As far as adequacy of credit is concerned, are we able to ensure it? Because, if you look at the scales of finance (SoF) and also credit limit given, then the situation is different. The scales of finance are fixed based on crop parameters. A customer of a commercial bank may get about ₹ 5 lakh per acre or may be around ₹ 3 to ₹ 5 lakh per acre of certain crops. A cooperative bank customer may get about ₹ 1.5 lakh per acre and an RRB customer will get similar kind of amount. As the cost of cultivation has increased rapidly farmers have to depend on somebody else. It may be friends or relatives who charge zero interest rate. Likewise, the people can go to MFIs, which are doing an important job, but at the same time they leave the customers with little surplus.

He asked: "juxtapose this entire agriculture production with the other externalities and see that we are not looking into it as banker. There are several issues. First thing is the problem of weather uncertainties and its impact on production. Are we really factoring the climate change? Second, whether really the markets are able to ensure adequate return to the producers? Similarly Minimum Support Price (MSP) only covers few crops. So there are a host of factors which affect in reality the rates of return to producers. Now this is the reason again rural financial institutions have their own problem because when we look into rural sector ultimately repayment will have to come from the crop production and market realisation.

One has to think how the institutions have to cope up with all these uncertainties. Similarly, the occasional debt waiving by the States will have an adverse impact on the formal financial institutions and one has to find out solution for this. He hoped that the delegates would discuss all these issues during the two-day seminar and suggest a way out to find solutions.

Keynote Address: Dr. Arvind Mayaram

In his keynote address Dr. Arvind Mayaram discussed about the progress relating to financial inclusion in India and the challenges and ways forward in providing affordable credit to the rural poor. He said that the Indian economy is dependent on monsoons with high uncertainties and as per latest census data, 80 per cent of the rural poor belong to SCs and STs and the number of landless agricultural labour rose to 14.43 crore in 2011 from 10.67 crore in 2001. The major cause of poverty in rural India is rural India is lack of access to productive assets and financial resources. One of the most critical factors contributing to the reduction of poverty is financial inclusion as brought out earlier in many studies and he hoped that discussions during the seminar will further enhance our understanding on these issues.

In India, "financial inclusion" gained importance since the early 2000s and there are solid evidences on the correlation between financial inclusion and poverty alleviation. The United Nations has defined the goals of financial inclusion to provide access to a full range of financial services, including savings or deposit services, payment and transfer services, and affordable credit and insurance for all households and so forth. Financial inclusion has been an explicit policy objective of the Government of India for more than ten years. Given that the banks are entrusted with the responsibility to deliver services to the poor, the underserved and the unserved populations. In 2010 the Reserve Bank of India (RBI) and the Government of India gave a target to the banks to prepare and implement a three-year financial inclusion plan aimed at identifying and capturing the unbanked areas across the country, including opening of big and modern branches in villages, appointing business correspondents, and providing credit support to entrepreneurs and farmers through Kisan Credit Card/general card schemes. From the Annual Reports of the RBI one can observe an impressive outreach of banking services as there has been a significant increase in the number of branches in rural areas—from 33,378 in March 2010 to 51,830 in March 2016. The real connect has been through branchless banking; the number of branchless banking outlets in rural India rose from 34,316 in March 2010 to 5,34,477 in March 2016. The Pradhan Mantri Jan Dhan Yojana (PMJDY)—the biggest financial inclusion initiative of the government—has not only set a very ambitious target of opening one bank account per Indian household in 5 months, but also it sets new standards for service delivery and more effective monitoring. The beneficiaries of the PMJDY will have access to assured services like issuance of Aadhaar and RuPay cards, usage of overdraft facility, payment of Bank Mitra remuneration, and transaction readiness of Bank Mitras. Thus, there has been emphasis on usage of banking services, especially those of the private banks.

While microfinance institutions continue to play a role in financing, it has continuously diminished the rural base and they have increasingly become more active in the urban areas. In fact, now 60 per cent of microfinance institutions are working in the urban areas. The micro credit organisations while building up flexibility require dealing with peculiarities of rural credit demand which could not make themselves affordable. But Self-Help Groups, which linked to the banking system, have evolved rapidly and they have been able to do so. The SHGs primarily target women and have great potential to contribute to their economic, social and political empowerment. It is interesting to know that 90 per cent of the SHGs are run and operated by women who avail loans for a wide range of activities. These include investment and production purposes such as purchase of land, education of their children, purchase of sewing machines and purchase of a cow and so forth. It is considered a huge achievement in attaining financial independence for women. It has immensely improved their standard of living as well as helped gain greater access to health and education services. But most importantly, SHGs have enabled and enhanced the accessibility of the poor to the banks and led to social uplifting of marginalised sections. The erstwhile State of Andhra Pradesh is a pioneer in setting up these SHGs, demonstrating that the chance of generating significant income increases through joint action rather than individual efforts.

India has been a savings-oriented society, with the ratio of gross savings to GDP currently pegged at around 30 per cent. However, despite the efforts at financial inclusion, including the pioneering role played by SHGs, the benefits thereof have not percolated down to large segments of the population, especially in rural India. Various reasons may be attributed to this state of affairs, such as lack of collateral with the poor, interest rate structure, rigid repayment schedule, earnings of the seasonal workers that are linked to the agricultural cycles (they do not have a steady monthly income), and, the vagaries of nature like failure of monsoons and droughts. Besides, lack of better technology and risk management techniques have aggravated the situation.

Of late waiving off the firm loans by certain States has created cascading effect for such demand by farmers in other States. This has created a vicious cycle (in terms of credit structure), wherein formal lenders impose harsh penalties on the poor for default, throwing them to the loan sharks (private moneylenders) who charge huge rates of interest. Failure to repay loans to the banks and loan waivers affect the ability of the credit system to meet the objective of financial inclusion. Today, nearly half of the rural households do not have any access to funds, institutional or otherwise. Hardly one-fourth of the rural households are assisted by the banking system. Hence, the major task before the government is to bring more services under the banking forte. Further, there is an urgent need for improving banking oversight and ensuring better access to financial services for the rural poor. At the same time, the RBI must find ways to increase access to affordable credit to the rural poor, with fewer and milder cyclical downtowns, so as to facilitate financial inclusion.

Despite witnessing substantial progress in financial sector reforms, there is a long and hard road ahead. The problem is real and big. It is up to us to resolve all of these issues to create a real, vibrant, result-oriented and sensitive financial inclusion system for the poor in rural areas.

About the Seminar

The keynote address was followed by a brief converse about the themes of the seminar by Dr. Kailash Sarap. He said that rural finance is one of several essential tools to be used in combating rural poverty and enhancing rural economic growth. Given that majority of poor live in rural areas, access to timely credit and at affordable costs to the producers help to augment agricultural production, poverty reduction and also their level or standard of living by smoothening consumption and increasing their ability to invest in human capital augmenting activities, like schooling of children or making medical treatment available to them. While throwing light on financial inclusion, he said a distinct step to include the rural and the small and the weaker sections was ushered around the early 1990s by linking banks with informal institutions such as self-help groups (SHGs) and microfinance institutions (MFIs). A multi-agency approach comprising scheduled commercial banks, co-operative banks and regional rural banks (RRBs) has been worked to increase access to credit in agriculture sector in India. But it is to be assured that credit is going to farmers, especially, marginal and small farmers and producers. They should get credit timely with low transaction cost and without exploitation of middlemen and bank officials. Besides credit, crop insurance is important. The goal of ensuring crop insurance to significant proportion of farmers has not been achieved. Crop insurance needs to be paid timely to rural producers. There is need for strengthening MSMEs in India. Keeping this in view, the broad objective of the seminar was to understand and analyse the recent developments relating to rural credit market structures, crop insurance and inclusive finance and related issues, including financial literacy in rural areas. He informed that more than 30 participants, including distinguished scholars, policy planners, civil society members and eminent administrators working and practicing on these issues, have attended the seminar. The inaugural session concluded with a vote of thanks proposed by Dr. Radhika Rani, head in-charge, Centre for Agrarian Studies, NIRD&PR.

III. Rural Credit – Structure, Changing Trends & Patterns

This first technical session was chaired by Dr. D.N. Reddy and comprised three paper presentations. It began with a paper titled "Priority Sector Lending: Wanted -New Definitions and Strategies" written by Dr. K.G. Karmakar. In his paper, Dr. Karmakar had talked about the theory of banking. He said that for achieving optimum profitability, banks would require access to funds, good quality staff with high productivity levels and equip with the best of computerised systems to reduce drudgery for the staff and low operational costs. And then banks should have operational freedom to ensure that credit intermediation costs are low and also allocation efficiency is high so that scarce financial resources are directed to the desired sectors and areas of the economy that are most productive and efficient. However, now-a-days the priority sector became merely a long list of eligible activities of lending by banks to corporate sector, MFIs, etc., and the needs of the economy and especially that of the smallholder farmers, cottage industries, etc., have been neglected. The expansion of the list and the inclusion of indirect lending to agriculture should be corrected and a re-definition of norms is overdue.

Dr. Karmakar then discussed about the various committees and their recommendations. The RBI has a penchant for following up certain recommendations made by earlier Committees and the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households headed by Nachiket Mor appears to have done a good job, incorporating various recommendations by the Raghuram Rajan Committee, M.V Nair Committee and the C. Rangarajan Committee. He asserted that even this report has not served the purpose of providing credit to poor producers except suggesting some reform measures. However, the scope of this report was on priority sector lending and the 14 recommendations made by this Committee on the priority sector, have been studied in depth. The Committee members should have studied the K S Krishnaswamy's report (Working Group Report on Priority Sector Lending and Twenty Point Economic Programs–Role of Banks 1989) while analysing the reasons for choking of credit to the neglected sectors as under 'the finance extended by the banks to the more affluent sections were included in the priority sector, which was not justified'. The Working Group report also concluded that 'the maximum benefit should invariably be available to the weaker sections'. But in the post-reform period after 1992, all this has given short shrift by successive RBI Working Groups and Committees with RBI concentrating on "enlargement of the coverage of the sector" so as to nullify what Dr. Gadgil and Dr. Krishnaswamy set out to do. The expansion of the list and the inclusion of indirect lending to agriculture should be corrected and a re-definition of norms is overdue.

Finally, Dr. Karmakar highlighted some of persisting issues such as the lack of quality MIS in reporting priority sector credit flows of banks, especially for agriculture lending. With the core banking solutions in place for all banks, why is this critical priority sector credit flow not being properly monitored? Besides, many changes have to be incorporated including new jobs creation, financial inclusion, ensuring credit availability for JLGs, SHG women, and SCs / STs on favourable terms. The interests of smallholder farmers have been sacrificed to shore up the balance sheets of various banks and the tragedy is that there is no pro-farmer lobby to challenge these RBI's handling the situations.

Dr. Pallavi Chavan and Dr. R. Ramakumar presented a research paper on "Recent Trends in Agricultural Credit in India". In this paper they said that the growth of agricultural credit in India, which slowed down in the 1990s, revived after 2000. This paper examined the changes in growth and distribution of agricultural credit from commercial banks during the phase of revival. The paper noticed two major components of the revival: an increase in the number of bank branches in rural areas, and accelerated growth of the volume of agricultural credit. In both cases, growth was characterised also by greater inequality in the distribution of benefits. The paper also noted that the distribution of bank branches and agricultural credit had six major features. First, even though the number of bank branches in rural areas rose after 2005, this growth did not keep pace with the growth of rural population. The reduction of total population per branch was faster than the reduction of rural population per branch, suggesting a greater penetration of branches in urban areas than in rural. Secondly, after 2000, indirect agricultural credit constituted a bigger share than previously to the growth of overall agricultural credit. Thirdly, there was a sharp increase in the share of large-size loans in agricultural credit. Fourthly, there was a substantial increase in the share of agricultural credit outstanding from urban and metropolitan branches of banks in the 2000s. Agricultural credit was increasingly diverted away from rural areas, particularly from the marginal and small farmers, and towards large business interests based in urban areas. Fifthly, there was a concentration of disbursal of agricultural credit from January to March, which is generally not the normal periods of borrowing by farmers. Sixthly, there was a sharp fall in the share of long-term credit in total agricultural credit after 1991. Consequently, the portion of agricultural credit that was used for fixed capital formation in agriculture became smaller. This paper concluded that the major beneficiaries of the revival in agricultural credit in the 2000s were corporate groups and other organisations indirectly involved in agricultural production, and not farmers who were direct producers in agriculture. Agricultural credit in the 2000s moved away from production *per se* into post-production functions. In the 2000s, banks increasingly financed activities that aid the growth of specific sub-sectors within agriculture that are large-scale, commercial, capital-intensive, and export-oriented. These activities were promoted in the 1990s and 2000s as part of a conscious shift of public policy in agriculture.

Dr. P. Satish had talked about alternatives and innovative approaches for enhancing credit to marginal and tenant farmers. The central argument of his paper is that most rural households lack access to reliable and affordable finance for agriculture and other livelihood activities. Many agricultural households are located in remote parts of the country and were often so widely dispersed that financial institutions find it challenging to provide cost-effective and affordable services. While the last two decades have indeed witnessed some innovations in rural financial markets, the state's responses were at best ambivalent. The state's policy response consisted of major initiatives viz., the programme of doubling of agricultural credit in three years (announced in 2004), the scheme to provide short-term credit to agriculture at 7 per cent interest and the agricultural debt waiver and debt relief scheme. Government of India had envisaged accelerated expansion of Kisan Credit Cards, financing of new investments, rescheduling and restructuring of loans in areas affected by natural calamities, one-time settlement (OTS) for farmers in distress and redemption of loans from informal sources. The programme also posed a number of questions with regard to the quality and equitability of the credit flow. There has not been a serious effort to go beyond figures and look into the quality of credit. They are silent on issues such as regional disparities and access to credit by small and marginal farmers and the most marginalised sections of the peasantry.

The cooperative credit system had become dysfunctional and moribund due to political and administrative interference, its structure and size and issues of governance. The reform package by the Central government consequent to the Vaidyanathan Committee Report sought to introduce legal and institutional reforms necessary for the democratic, self-reliant and efficient functioning and take measures to improve the quality of governance and management and provide financial assistance to bring the system to an acceptable level of financial health.

However, the State governments were largely lukewarm to the reform package. As a result, the structural changes were not addressed and the three tiers and small size of DCCBs are the greatest hindrance in applying pan India central banking solutions (CBSs) and complying with RBI norms as applied since July 2014.

Further, the long-term cooperative credit structure was not touched in this reform package.

Thus, the institutional framework which was available for improving access to credit for small and marginal farmers, tenant farmers, etc. was not leveraged to the full extent due to lack of appreciation of the strengths of these entities and an absence of empathy to the issues facing these set of farmers.

Dr. Satish also discussed about non-leveraging of innovations viz., Rythu Mithra Groups (RMGs) and the Kerala Horticulture Development Programme (KHDP) model. The State government formed RMGs with a view to facilitate technology dissemination, harness the collective advantages of group approach and extension of credit facilities to farmers, who have not been able to access credit for various reasons. They were of the opinion that if properly implemented this programme will enable them to ensure timely and adequate credit to farmers and also reduce their transaction cost. KHDP is a unique and innovative approach where the production activity is organised through farmers mobilised in groups based on the concept of SHGs. These SHGs manage their own affairs and select members in the group, take the role as Master Farmers who serve as the link for technology, market and information. The spirit of self-help enabled them to share information, inputs and other resources for the betterment of crop management practices and post-harvest handling and thus enabled improvement of their income levels. These two innovations-the Rythu Mitra Groups model and SHG-contract farming model were successful in a limited area and manner for a limited period of time. But the policy to mainstream them across the country to derive benefits from them was not really undertaken.

Dr. Satish concluded his paper by noting that the credit flow to agriculture is increasing year-on-year with the banking sector achieving its targets with ease but a substantial portion of cultivator households remains outside the purview of institutional credit. The overwhelming emphasis of the policy makers on the supply side aspects is not contributing to resolve this issue.

Discussion

There was lively discussion relating to the theme of the session. The participants were concerned about the dilution of the definition of priority sector lending by inclusion of number of activities which are not directly related to agriculture sector. Further, loan size for priority sector lending has increased in recent years. Moreover, there is merger of direct and indirect financing of activities coming under priority sector lending. All these have led to widening of funding of priority sector lending to activities like agricultural inputs and crops like plantation, tea, coffee, etc., irrespective of size of holdings. But all these have led to diversion of credit to such activities with large size loan especially to corporate sectors dealing with agri-business. Further, evidence show that small size loans (up to ₹ 50,000 or so) have declined especially after mid-1990's and later.

It was noted that the proportion and quantum of long-term credit to agriculture sector has been reduced significantly in recent years, which would affect crop productivity adversely.

Moreover, there was concern about the ways commercial banks report agricultural loan in recent years. Some participants felt that the banks have been adjusting figures to show increase in the growth of credit to agricultural sector. It was suggested that the commercial banks should look at these aspects seriously.

Some participants pointed out about excess reporting of marginal and small farmers' access to credit and indebtedness situation in States like Andhra Pradesh and Telangana. Going by official reports it has been found that the coverage of different categories of farmers as evidenced from their indebtedness position has been very high. But it was clarified by Dr D.N. Ready that high incidence of indebtedness in some of these areas was due to high incidence of tenancy and reporting of debt from informal sector. The incidence of indebtedness from the formal sources was low.

But independent studies from field and other sources from several areas, including from Central and North Eastern States showed that small farmers' access to formal credit (both in terms of number of households getting credit and amount of loan obtained) is low. This is also true for tenant households (who are mostly informal and oral in nature).

A number of factors including lack of tangible collateral such as ownership land, political intervention in the modification of policies such as merger of direct and indirect finance, and diversion of credit to corporate sectors dealing with agri-business, etc., have contributed to such a situation. Even those who are able to get some amount of loan from these institutions, it was much below the scale of finance fixed in the region they are located.

In view of this there is a need to design alternative policies to reach to small farmers and tenants. While designing policies it is to be remembered that the households living in rural areas no longer confine to only agricultural activities. Most of these households are engaged in diversified activities. In such a situation the formal institutions, to meet the credit needs related to different activities carried out by the households, have to review the policy of the scale of finance fixed for crops and location depending upon the cost of production.

Several speakers pointed out that in order to improve the access of credit for poor and tenant farmers, there is a need to follow the Kerala experience with some changes suitable to local conditions in different regions of the country. A number of innovative institutions including Horticulture Bank of Kerala have come up recently to cater to the needs of the poor and tenant farmers. The newly restructured Kerala fruits and vegetables council appears to function very effectively. It is a cooperative of small and marginal farmers federated into a council structure. Similarly the functioning of more than three lakhs Rythu Mitra Groups in Andhra Pradesh was a great hope earlier but it was felt that there is no vibrancy of its working at the ground level now.

Dr. Satish emphasised that when it comes to the question of small, poor borrowers, and tenants or marginal farmers unless there is some kind of a group and a kind of a liability and the structure evolves federally, which would lead to a working kind of an organisation, it would be difficult to provide adequate credit to them individually to such borrowers. Of course there has been some progress relating to the provision of credit to JLGs through NABARD. But the number of groups and the coverage of such borrowers are limited.

There was concern among several participants about the initiatives taken by some private commercial banks for formation of Joint Liability Groups (JLGs). But the question is what factors motivated them for taking such initiatives. One of the reasons is that they have to meet priority sector target to credit. But the other reason is very problematic. Now they are forming the liability groups and providing credit to them at 24 per cent of interest even for loan meant for agriculture purpose. They are also doing so in order to get an incentive of ₹ 2,000/- per group provided by NABARD. But now NABARD has put a condition that if they would take ₹ 2000/- then the interest charges have to be reduced from 24 per cent to 18 per cent.

Shri Chintala asserted that the government and the other policy makers have to come out with a caveat that if the JLGs are formed to cater to the farmers, then they cannot charge interest beyond 18 per cent.

There was consensus among the participants that there is a need to improve the credit delivery system to the agricultural sector for crop and term loan in order to meet the crop cost and investment needs of cultivators. Similarly for the JLGs groups, to set adequate credit for a variety of activities they are engaged in, there is a need for political, administrative and policy supports through training and then look at them as a package whether they have own small pieces of land or no land. At the end the chairperson of the session Professor D.N. Reddy thanked the paper writers and all the participants for their fruitful and energetic discussions and suggestions as to how to improve the access of credit to rural poor.

IV. Rural Formal Credit Institutions – Performance and Challenges

This second technical session was chaired by Dr. P. Satish and consisted of six presentations. It began with a paper by Dr. Tara Nair on “Banking Sector Restructuring in India: Implications for Rural Finance”. This paper reviewed critically the initiatives at reforming and restructuring the banking structure of India in the light of the country’s experiences with differentiated /niche banking in the past. It has also discussed the plausible implications of these initiatives for effective financial inclusion, especially of the rural sector, which would require diverse institutional resources and operational models - old and new, pro market and community centric – to play coordinated roles. This paper is based largely on the critical review of reports including, Narasimham, Raghuram Rajan and Nachiket Mor Committees' reports and some other committees' reports.

Restructuring of banking system for better efficiency and economic growth is the prime objective. Till now our idea of banking is savings and credit and other products are part of the same institutional arrangement. For the first time, we were told that these three products must be seen independently of each other. She said that financial inclusion is now coterminous with financial deepening and expansion in whichever way it happens, it does not necessarily happen by reaching out to smaller and poor people. That could even be a corporate, that could be a small kind of enterprise or that could be a poor person. Anybody who does not have a bank account is an excluded entity. The terrain of exclusion has definitely expanded quite a bit which actually makes more of a deepening of an expansion agenda rather than an inclusion agenda. The paper also noted that PMJDY is a big push strategy of the state to accelerate the phase of financial inclusion. But she pointed out that one has to be conscious while accelerating financial inclusion – the problem of dormancy. It is a gap between opening an account and losing an account. The paper noted that dormancy is a big issue in rural areas, including in Maharashtra.

Dr. Karmakar had looked into cooperative reforms in India. He argued that all grassroot level initiatives were weakened as the Registrar of Cooperative Societies (RCS) performed as per government directives. Another important change was that the cooperatives became the breeding/training ground for fledgling politicians of various political parties. Party politics and vested interests invaded the cooperatives and weakened the very spirit of the cooperative movement. Among various problems, the major problem which had baffled the short-term cooperative credit structure for decades was how to reduce the "imbalances" at the higher accounting levels – the District Central Cooperative Banks (DCCBs) and the State Cooperative Banks (SCBs). This problem arose due to the failure of the Primary Agricultural Credit Societies (PACS) to recover overdue loans from the farmer members.

The paper has suggested several measures to revitalise the cooperative credit societies. The measures are: Consolidation of Cooperative Banks, Revisiting the Deposit Insurance Scheme, Technology-Oriented Banking or Relationship-Based Banking the New Cooperative Models, and Training and Selection. The paper identified some of the common factors for failure of the cooperative banks such as lack of transparency in governance, lack of professionalism, placement of non-professional CEOs, undue interest by the directors in financing vested interests. The failure of the state cooperative banks have had a major negative impact on the operations of all cooperatives in general and thereby the credibility of the structure has been weakened significantly.

Dr. S.S. Sangwan's paper analysed farmers' indebtedness in Punjab. The main objectives of the study were to measure the magnitude of O/S bank credit to farmers in India in general and the State of Punjab in particular. It has critically examined the extent of coverage of farmers and credit intensity. It is based upon the secondary data taken from State Level Bankers Committee of Punjab. It has compared the extent of bank credit availed in Punjab as compared to all India level. Access to agricultural credit in recent years has increased in the entire country and much more in Punjab. Farmers are expecting loan amount as per the value of their land as against the time tested concept of loan as per acre. The paper also brought out that more outstanding loan against a farmer was mainly due to his assured higher income and better assets which assure the payment of loan to the lender. The author has found that the surplus after crop expenses and domestic expenditure was more than adequate to service the debt for the farmers in Punjab except the small and marginal, who are just 35 per cent in the State. Two of the suggestions of the paper were the small and marginal farmers' families should also be covered under Rashtriya Swasthya Bima Yojana with payment of premium @ ₹ one per day. Such families may also be allowed to work under MGNREGS in their own field for certain days per unit of area.

He also raised conceptual issues about indebtedness. As per his analysis of Punjab, O/S bank loans may be more appropriately termed as better access to credit instead of higher indebtedness. All O/S loans are not debt especially when the available surplus income with farmers after meeting crop and all household expenses is more than the O/S loans. The misinterpretation of all O/S loans as debt instead of access to credit explains the dilemma that higher developed States have higher indebtedness as per NSSO.

Dr. P.P. Sahu had presented a paper on "Financial Constraints for Small Manufacturing Enterprises in India: Continuity and Change". In this paper, Dr. Sahu sought to analyse how SME sector continues to get excluded from the formal financial networks. Then he discussed about the factors contributed for such exclusion. Earlier studies have argued that the SME sector gets a disproportionately low share in the total amount of credit disbursed to industrial sector. This sector also suffers from multiple forms of deficiencies and denial in terms of their access to credit and even within the sector there are significant variations in access to credit across type and location of enterprise, scale of operation, caste, gender and educational background of the owner and a host of other characteristics of a firm and the firm owner. One of the major arguments of the paper is that finance is all the more important for SMEs as compared to large firms, because, a) they already have weaker financial structure; b) they have low or (no) credit rating; c) their dependence on credit is higher and d) they have limited financing options. But various available data sources suggest that more than 90 per cent of enterprises reported of not getting finance from institutional sources. The public sector financial institutions are not helpful to them, and it deters many of them to start new business or go in for expansion of their existing ones. Enterprises located in rural areas fare worse in terms of education and skill as compared to their urban counterparts. Several initiatives have been undertaken by the state. These include Micro Units Development Refinance Agency (MUDRA), with special provision towards greater access to funding for small enterprises owned and operated by SC and ST entrepreneurs and women. But there is no evidence of any visible improvement.

Anand Meher had looked at opportunities and challenges of formal credit market in one of the backward districts (Balangir) in Odisha. The study has used both primary and secondary data. The author has observed connivance among the cooperative officials, middle men and borrowers. It was found that a substantial amount loans are repaid only by adjusting amount in the account of the borrowers and not through repayment. In such adjustments, bank officials (middlemen) are charging 9 per cent of loan as rent from the borrowers. The local socio-political institutions are actively involved in such illegal transactions for their own benefits. The paper provided a number of suggestions including provision of credit to landless labourers through linkages of their MGNREGS work.

Taking a case study from the district of Odisha, Anand Meher has found interesting finding in the governance structure of formal credit market. It was found that there was nexus between banking officials, middlemen and the borrowers. A significant proportion of loan is repaid through adjustment in the loan account of borrowers. The cooperative officials adjust the loan of the borrowers in their loan accounts by sanctioning new loans of higher size. In lieu of it the officials take bribe of about 10 per cent of the new loan. Given that the level of literacy and awareness among the farmers is low and there is urgent need for loan middlemen and bank officials exploit them while seeing credit from the cooperative societies. This situation is relatively higher in tribal areas.

Taking a case study from honey producing cluster from Malda, West Bengal, Dhritiman Bhattacharyya has discussed as to how access to credit and the livelihood condition of beekeepers has undergone changes. In the absence of funds activity for livelihood in rural India has been a tough ask especially for marginalised rural households. But with the introduction of MSME scheme, the scenario is starting to improve, no matter how small the change is. The members of the beekeepers have been engaged in the trade for almost half a century. Initially, the main source of their fund has been the local moneylenders. These informal lenders financed them prior to production of the honey and in turn the beekeepers were bound to sell their products to that particular money lender at a very low price. The scenario has started to change gradually as the cluster was taken up by MSME in 2006.These beekeepers received credit from the formal institution. The study is based on data collected from 523 beekeepers. The paper has discussed the extent of the availability of institutional credit and other aspects of credit market. It has provided a comparative picture of formal and informal sources of loan received by the beekeepers and traced the changes in their livelihood after availing of loan from formal source. It has been found that the borrowers have not repaid any loan to the MSME lender. It has been suggested that there is a need to have cumulative efforts from all concerned (Banking Personnel, Administrative Officials, Cooperative Society Representatives and the Borrowers) so that there would be recovery of the loan, which will provide incentive to the formal lenders to provide further loan.

Discussion

Paper presentations were followed by observations and comments from discussants and participants. The discussion centred on banking structure, re-structuring of cooperative sector, credit market functioning in the States like Punjab and Odisha, and MSMEs in rural areas.

Professor Tara Nair emphasised that in recent years the government and the RBI are trying to merge together two conflicting objectives: financial inclusion and financial liberalisation. But these institutions are not able to combine it successfully. Interest rates have been deregulated and in view of it MFIs and other entities involved in financial inclusion are given complete freedom in charging the rates they want to do. In the process of financial inclusion these institutions are trying to make maximum money out of it by charging usurious rates from the borrowers. This situation was also pointed out by

Shri Chintala during his inaugural address. Similarly the whole idea of priority sector liberalisation needs to be seen as a part of this because the government and the credit institutions are trying to fix huge targets. But, commercial banks find it difficult to meet. In such a situation then they end up by making it easier for them by providing large-sized loan for few borrowers who are mostly dealing with indirect finance to corporate activities relating to agri-business. As a result large numbers of small and marginal borrowers have been left out from getting formal credit.

There was lively discussion on the operation of primary agricultural societies in the country. As PACS are within the reach of majority of borrowers in the rural areas, there is need to revitalise and strengthen these institutions. It was pointed out that recommendations Vaidyanathan Committee's suggestions were not implemented by different States. No concrete steps were taken to revitalise them. The rural as well as urban cooperative banking sector is in problems and they are not functioning well. Rural cooperative structure has been highly politicised. A number of reasons have contributed for the failure of the cooperative system. Inefficient staff, and the changing technology adopted by commercial banks, have worked against the cooperatives.

Further, it was stressed that in the age of competition several types of cooperative institutions are coming up and competing in the market. However, cooperatives without community management, in contrast to the presently controlled by the state and elite capture will not sustain.

In order to revitalise the cooperative societies there is a need to design policies for proper community management. One can learn lessons from the restructuring of Regional Rural Banks (RRBs) in which it has been proposed to have one RRB at one State level. There is a need to consolidate the cooperatives in each State into one cooperative bank with different branches working in different parts of the State. In that case the customers can operate their accounts from anywhere as is the case with commercial banks. The government of Kerala has initiated such restructuring of the cooperatives in the State.

There was also discussion about the waving of loan borrowed from different formal credit institutions. In such a case the borrowers as compared to non-borrowers and the owner operators as compared to tenant farmers get benefits out of it and it weakens the functioning of financial institutions.

There was lively discussion about financing and indebtedness situation in northern regions of the country, especially Punjab by public sector as well as private sector banks. It was found that in Punjab certain private commercial banks have been providing finance to the rural borrowers on the basis of value of land owned by the prospective borrowers and not on the basis of scale of finance fixed by the State at the district and State level. The banks are guided by recovery of loan from the borrowers and high value of land as well as crop productivity are indices of credit worthiness of borrowers. Because of this, the private commercial banks are able to monitor the borrowers properly due to having relatively higher number of staff as compared to the public sector banks and are providing higher amount of loan beyond the scale of finance and able to recover the loan. The author has found that beneficiaries are now using credit not for agriculture purpose alone but also education and health and other household consumption purposes. The very idea of agricultural credit is changing now.

Evidence from micro studies in Odisha has found that the officials of cooperative societies in connivance with some borrowers adjust the loan borrowed by them through granting a new loan of higher size. In such a case the repayment is done through adjustment in the account of the borrower. In lieu of this the cooperative officials get some favour in the form of some percentage of loans sanctioned as rent. Such rent-seeking behaviour on the part of cooperative official is not unusual.

There was also discussion on functioning of MSMEs and about the factors contributing for lower access to both formal and informal credit by these tiny and micro enterprises. One reason for the low performance of small and medium enterprises is lack of access to formal credit by majority of these enterprises. There is a need of strengthening of MSMEs in rural areas by assuring timely credit. So the link between rural financing and MSMEs is to be improved in combating rural poverty and enhancing rural economic growth.

On the whole the chairman of the session Dr. P.Satish observed that paper writers covered a wide range of issues looking into rural financial institutional framework and the way they have been able to function or the ways they have not been able to function to fulfill the demand of credit needs of agriculture and allied sectors as well as MSME sector. There was consensus among the participants that the institutional credit institutions must reach the borrowers through the provision of crop loan and term loan which are outside the purview of institutional lenders. Innovative policies including community/group lending approach have to be strengthened by different stakeholders.

In the ultimate analysis the approach of the financial institutions has to provide credit at reasonable terms and conditions to producers to undertake a range of productive activities to generate income and repay the loan out of income generated. The chairman thanked all the paper writers and participants for the lively and fruitful discussion.

V. Financial Inclusion of Rural Poor

This third technical session was chaired by Dr. K.G. Karmakar and contained four paper presentations. It began with a paper on "Factors Contributing Financial Inclusion of the Indian States: An Empirical Analysis" by Dr. Chandralekha Ghosh and Ms. Payel Roy. The paper has noted that in today's world, financial inclusion is considered as one of the most important policies for the development of an economy, especially for uplifting the poor. The paper has followed a modified version of Sarma (2008). The paper has used data on formal traditional and modern banking services as used by the previous studies and also data related to all the transactions of Self-Help Groups (SHGs) linked with banks. It has tried to re-examine the position of different States in terms of the success achieved by each State of India regarding financial inclusion, using multi-dimensional index and Principal Component Analysis (PCA) for determining the most important factors accelerating this process. Formal banking services are proved to be main factors in including the financially excluded. On an average, most of the States have achieved a very low rate of financial inclusion. Western and Southern regions, and some States of Northern region have ranked better whereas north-eastern region has been proved to be in worst position. The paper concluded by noting that the Indian Government has adopted several steps to improve the supply of financial services through banking and/or by opening MFIs or by linking SHGs with banks especially in the areas where banking services are not available to a desired level. The success achieved regarding those other services is too low and has failed to improve the financial inclusion position of the States. In those areas, the lack of banking services is still dominating. The paper has suggested that government should improve all the financial services together in each State to accelerate the process of financial inclusion.

Dr. Abhijit Sharma had presented a paper on “Financial Inclusion of poor in North East Region”. It is evident that north-east region is a very diverse area in the country and situated in one end of the country. Broadly, it can be categorised into hill and plain regions. Whilst most of the regions are financially excluded, the situation is more starker in hills where it is thinly populated and the settlements are scattered. Despite opening of large-scale savings accounts under the financial inclusion initiatives, most of them are dormant. Thus, large sections of the population, particularly in the rural areas are financially excluded. All the banking indicators clearly show very poor usage of banking services in the region. Yet the informal finance is vibrant in the region. There are many local institutions which are providing financial services and their reach is extensive. They rely on their extensive information network available locally since they are embedded in the system. The regional rural banks which are embedded in the system are better placed than the commercial banks to exploit this to their favour.

Consequently, they have much lesser defaults, especially for MSME and SHG loans. The paper emphasised that in order to meet different needs of a diverse region, it is important to recognise that local entities (MFIs, traditional institutions, CBOs) can play a vital role in financial inclusion because of their domain strengths. These institutions need to be given space to grow and their potential, therefore, need to be harnessed. This needs to be promoted to expand the outreach significantly. This would increase multiple channels for sourcing of clients for the banks rather than restricting themselves only to the government channels for sourcing of their clients. There is also a need to look at the region with two distinct entities – hills and plains and devise policies appropriately. It also suggested that in order to engage with the local financial intermediaries, it is important to have a supporting ecosystem of an assessment tool, capacity building and appropriate policy initiatives from the central bank, Government of India and the respective State governments.

Ms. Bhavna Pandey et al paper titled “Freedom from Predatory Loans - For Better Financial Inclusion of Rural Farmers: Maharashtra”, has focused on the agrarian credit markets in Maharashtra, where predatory lending has emerged as the most salient public policy issue in financial services today. Predatory lending typically refers to loans that carry unreasonable fees, interest rates and payment requirements The State of Maharastra is now caught up in a severe agrarian crisis, with huge indebtedness of farmers and suicides of farmers occupying centre stage. This is indicative of the alarming dominance of informal lenders and the failure of the institutional credit set up to thwart such practices. The study has traced the growth trajectory of the agrarian credit structure in Maharashtra, while also reflecting on the presence of interlinked credit transactions. Over the years informal credit has certainly declined as a percentage of total debt, and the share of credit coming from both professional and agricultural moneylenders has been reduced over time. However, the important reason for continuation of informal rural credit market is that the existing financial institutions tend to restrict their lending activities to more risky field of lending to the agricultural sector. Many borrowers prefer to use informal sources of credit despite the fact that the interest rates are much higher because informal lenders do not insist on timely repayment as formal lenders. The paper has suggested several measures including, cyclical credit, formalisation of informal credit, inclusion of 'financially' excluded, project-based lending, credit counselling for farmers, simplifying procedures to reduce transaction costs, and computerisation of records.

The last paper of this session was on "Impact of Self-Help Groups on Development of Rural Women - A Study in Kanyakumari District of Tamil Nadu" by Rojin Jeba and Dr. Hylin Reba. The focus of the paper was to highlight the nature and growth of self-help groups, evaluate the employment and income generation opportunities of the respondents after joining the self-help groups. It has also analysed the utilisation of loan amount availed by the members. This study has used both secondary and primary data collected from193 members belonging to 230 SHGs. It was found that enterprises and livestock rearing members are using loan for their enterprise and livestock development. Clearly loan is the backbone of their enterprises. The enterprises and livestock rearing members have provided a variety of employment opportunities to SHG members. But it was also found that a part of the loan availed by SHG members has been diverted for other purposes. This has to be checked for effective use of loan for productive purposes.

Discussion

The paper presentation was followed by brainstorming discussion among the discussants and participants. The participants sought clarification in regard to methodology used in different studies, presentation of the findings and methods of data analysis carried out by the paper writers. The participants and discussants have made suggestions on methodological and other issues for improvement of the papers, especially on the papers presented by Ms. Payel and by Rolin Jeba on Tamil Nadu. There was appreciation for carrying out district level studies on financial inclusion. It was pointed out that although the progress of SHG movement in Tamil Nadu was high the women members of groups were demanding more training programme and effective training revealing that the quality of training provided to SHGs in the regions was not satisfactory. In such a situation the SHG federation and other stakeholders in the areas have to take active interest in this regard.

Dr. Abhijit Sharma's presentation attracted lot of discussion among the participants. It was clear that the functioning of SHGs in North Eastern States is not satisfactory. A number of reasons including rent-seeking behaviour of bank officials in the process of loan contributed for this. In view of this the formal credit institutions especially the commercial banks have to make lot of efforts in expanding their branches and reaching to the poor with commitment, especially in rural areas as most of the commercial banks are located in urban areas of North Eastern States.

The chairman of the session Dr. Karmakar appreciated all the paper writers for their enthusiastic efforts in the presentation of papers and tried to answer the queries made by the participants. He also hoped that with several suggestions given by the participants the authors will come out with important findings relating to financial inclusion of rural poor in different regions of the country. Dr. Karmakar thanked all the participants for their noble efforts to make the session lively and fruitful discussion on such relevant and important issues for the poor.

VI. Access to Microfinance and Financial Literacy for Poor

The fourth technical session was chaired by Professor Tara Nair. There were five papers for presentation. It began with the paper on "Factors Influencing the Financial Sustainability of MFIs in Rural India: An Analysis of Madhya Pradesh and Chhattisgarh" by Nenavath Sreenu. Given the relationship between the well-being of the microfinance sector and the goal of poverty eradication, the main objective of this paper was to empirically investigate the determinants of financial sustainability of microfinance institutions. Specific objectives of the study were to: establish the relationship between MFI outreach and financial sustainability, and study the assessment and analyse the extent of financial sustainability of MFIs. In order to understand the factors influencing the financial sustainability of MFIs in the studied areas, the paper has used binary probit and ordered probit regression models for the analysis of data. It has found that majority of microfinance institutions, in both States, are not financially sustainable when measured by the return on assets or return on equity. It was found that the average size of saving amount had a positive influence on return on assets and the relationship was positive in the financial sustainability of MFIs variable. The study has suggested expansion of MFIs in rural areas for a wider reach to poor households. But while doing so these MFIs must conform to the rules and regulations and charge reasonable rates of interest from the borrowers.

The focus of Dr. K.V. Gouri's paper was to understand the contribution of SHGs towards financial inclusion and empowerment of women in Andhra Pradesh and Telangana. Both primary and secondary data have been used for the study. Based on research works conducted through four case studies of SHGs the study has found steady growth of SHGs, and these groups have come a long way since their inception in early 1990s. As a part of self-help groups and Community Based organisations (CBOs) rural women are experiencing empowerment. SHG members have benefitted from different schemes (whether it is pavala vaddi or interest-free loans) which were funded by States. The group members have actively participated in the meetings and training programmes conducted by VO/ Mandal Samakhya. This exposure helped the women to seek innovative ideas and new livelihood opportunities. This has improved their status in their families and community decision-making. But it was found that several SHGs do not have accounting or bookkeeping knowledge and had to take help from knowledgeable persons in the villages to maintain their accounts. In view of this it has been suggested that members should be motivated and trained to maintain the accounts of their groups. The groups also should be encouraged to start group enterprises wherein all members of the group can work together.

Dr. B.K. Swain's paper on "Jan Dhan Yojana: An Effective Scheme for Financial Inclusion" has looked at the effectiveness of Prime Ministers' Jan Dhan Yojna (PMJDY) for financial inclusion. As inclusive growth is the panacea for sustainable development, it is desirable that financial inclusion of the poor should take precedence over other strategies. But in reality, the picture was far from encouraging. The percentage of the population without access to formal banking channels was unreasonably high, also the actual figure through any assessment is much higher than the expectation. The paper has discussed the following issues: present strategies on implementation, progress of JDY in both rural and urban areas in the States as well as Union Territories, overdraft disbursed under PMJDY, challenges (such as RBI has to accord approval to banks so as to enable them to establish more branches keeping in view the number of villages and the population, making every village a Swavalamban village is considered to be an advantage but the lack of infrastructure may become a major hurdle for effective implementation, etc.) and opportunities of JDY including, Swabhiman campaign with business correspondents needs to be enlarged so as to enable reaching the unreached households and expansion of financial literacy by bringing more areas and households. It was observed that success or failure scenarios and the factors responsible on response to opening of Jan Dhan accounts were different from region to region or State to State or bank to bank depending on several exogenous and endogenous factors like geographical and topographical conditions, gender composition, caste and tribal mix, socio-economic and cultural systems, banking and financial network and similar factors.

Shri P.V. Bhandare has examined financial literacy in India with special focus on Pune. Financial literacy has been a prominent feature of financial reforms worldwide. This attracted policy makers' attention for the strategic actions and adequate efforts to launch financial literacy initiatives. He noted that in India, bank-led financial literacy model is implemented which included programmes offered and conducted by the banks through designated training organisations such as financial literacy and credit counseling center (FLCCC). Then the study critically explored the bank-led financial literacy model and the policies regarding the financial literacy in India. Keeping this in view, the paper has analysed the operational significance of the bank-led financial literacy model and its alignment with the policies regarding financial literacy in Pune. Purposive sampling technique and logit regression were applied to study financial literacy. One of the major findings is that the nodal agencies are playing a significant role in financial literacy initiatives. It is always not necessary that the (improved) financial behaviour is followed by the increased financial information. SHG women members are less likely to attend the financial literacy training. People belonging to the joint family are still privileged to attend the training programme as they have a chance to outsource their responsibilities to other members of the family during the financial literacy training. This study concluded with some policy suggestions such as maximum usage of the resources; transparent communication, autonomy of the FLCs, funding for new FLCs, effective delivery mechanism, distributed efforts and monitoring and evaluation of the programes.

Dr. N. Deepa, et al paper on "Micro-Financial Services to the Poor Members of SHG: A Study on the Process of IVRS Mode Credit Delivery of Stree Nidhi" has emphasised that microfinance is an instrument for reaching the poor for raising their well-being. In this context, technology under digital India programme is facilitating the internet services to the poor people in the remote areas of the country. IVRS solution enables Village Organisation of the SHGs to send loan request and access the loan amount directly through bank account of SHGs. The loan sanction and appraisal through IVRS and web portal are communicated to SHG members through SMS. By taking a case study from 50 SHG members of village Gajagatlapally in Medak district,Telangana, the paper has focused on ascertaining the awareness levels of SHG members on financial services and perception towards IVRS mode of credit delivery. It has been found that the majority of SHG members have appreciated the IVRS mode of credit delivery. But as majority of the members are illiterates, lack of financial literacy and not having required awareness on availing the financial services through debit cards are making them unable to read the SMS. As a result they had to depend on the bookkeeper and cluster coordinator. In view of this there is a need to mobilise the SHG members on financial literacy for effective utilisation of microfinancial services.

Discussion

Paper presentation was followed by discussion on the issues raised by the paper writers. The discussion was related to conceptual, methodological, and empirical and policies for working of microfinance institutions. A number of participants including Dr.Karmakar, Dr.Pallavi Chavan, Dr.P.Satish as well as discussants Abhijit Sharma, S.S.Sangwan and Rama Mohan Rao took part in the discussion. It was suggested that the paper writers need to carry out the analysis at disaggregated level and carefully use the concepts while analysing the data. From the paper on the functioning of SHGs in Andhra Pradesh the participants noted that even now many women SHGs in AP have no knowledge of simple book-keeping despite functioning of these groups for many years.It was felt that the training imparted to these groups by NGOs or other entities is not effective. About the functioning of Jan Dhan Yojana in the country it was pointed out that the participation of private sector banks was negotiable. Many participants felt that for effective financial inclusion there is a need for acquisition of financial literary and skill by the potential beneficiaries. The chairman of the session Dr. Tara Nair thanked the paper writers and the participants for bring out lot of clarity on conceptual, analytical and policy issues for inclusive finance. The suggestions will help the paper writers to refine the papers.

VII. Credit and Insurance Intake in Rural Areas and their Functioning

This fifth and last technical session was chaired by Professor Indrakanth. There were two presentations. Dr. B.K. Sahu’s paper has made an attempt to highlight on nature, pattern and types of low segment credit insurance links, particularly among microcredit members of some MFIs. Based on primary household data collected from 10 villages, randomly selected from Tamil Nadu and Odisha States, the paper discussed some basic features, constraints and prospects of micro insurance while analysing households' risk perceptions and priorities and their need and demand for credit and insurance. One of the major reasons for borrowing among the poor is to stabilise consumption and other critical expenditures in the face of fluctuation in household income. Despite the presence of multiple risks household demand for insurance products found abysmally low mainly due to lack of awareness, inadequate access and poor product design. In general households' demand for insurance is neither voluntary nor much related to their credit demand. Insurance demand to cover risks of health, mortality, market, crop failure, assets and livestock found diverse and prominent with inadequate supply of affordable credit that might discourage demand for insurance. Unmet credit demand, poor information and understanding and high transaction costs are the key factors for low uptake and renewal of insurance among the rural poor. On the supply side, low product customisation, poor arrangement and delivery, high administrative costs hinder growth of low segment insurance markets. However, strong preference among low income households for customised insurance products, mostly non-life insurance type, such as full family health cover, livestock and crop insurance, meeting social expenditure and security etc., reported in the study areas remain unmet. On the basis of empirical analysis, the author argued that low segment insurance products designed and managed by credit lending institutions tend to be mandatory and closely related to their credit services to protect their loans than meeting insurance needs of the clients. Diversification of portfolios, delivery and distribution, transaction cost, client base and regulations remain key factors for the suppliers. On the other hand, many available insurance products are supply-driven, not affordable and less related to savings and credit demand of the target groups. The paper concluded that micro insurance can be an important tool to reduce household shocks and stabilise income flows to build security for the poor and it can also benefit MFIs and other supply side institutions. Both demand and supply side constraints need specific attentions not found in practices. There are huge needs for insurance with credit but customised insurance products, better pricing, good delivery and distribution, wider awareness and understanding along with adequate and affordable credit supply will help in development of low segment insurance markets across regions.

Dr. Mamata Swain and Sasmita Patnaik's paper titled "Efficacy of Crop Insurance Schemes in India: Need for Inclusive Micro-insurance" has attempted to analyse the effectiveness of various crop insurance schemes being implemented in India at different points of time. The paper examined especially the comparative performance of two major agricultural insurance schemes: the National Agricultural Insurance Scheme, NAIS (area-based crop yield insurance) during 1999-2015 and the Weather Based Crop Insurance Scheme, (WBCIS) area-based rainfall insurance during 2007-2015. While analysing secondary time series data on performance of these two schemes, the paper observed that the insurance schemes have failed in achieving the objectives of sustaining agricultural production and rural livelihood due to lower coverage, poor financial performance and less effectiveness. However, a comparison of the two schemes revealed that WBCIS performs better than NAIS because of larger percentage of farmers benefited, lower premium, faster and more frequent compensation payment and more transparency. But WBCIS covered only weather related risk and the sum assured and the compensation amount are lower.In the case of NAIS, there is an undue delay in claim settlement, as collection of yield data through crop-cutting experiments is a time-consuming process. Thus, both the schemes have advantages and disadvantages. Therefore, instead of having two schemes, a hybrid product combining the advantages of both the schemes need to be offered. Also, to increase the penetration of insurance in rural areas and make it more inclusive, insurance companies should be asked to provide priority insurance services to farmers just like priority sector lending to agriculture sector. At the same time, the policy makers must encourage micro-insurance, i.e., insurance for the poor, through the participation of banks, non-governmental organisations and microfinance institutions (MFIs). The paper suggested that there is a need to integrate micro-finance with micro-insurance to proactively manage the risks of micro-enterprises promoted through SHGs. This will help in alleviating poverty and sustaining rural livelihoods in India.

Discussion

The paper presentation was followed by discussion by the participants. Several participants sought clarifications from the paper presenters. The discussion related to both conceptual issues relating to coverage of crop insurance policies and number of crops covered under the various schemes of crop insurance. An important problem with crop insurance is that of reliability of available data. There is no data for number of years which is prerequisite for insurance. Without proper data insurers cannot arrive at a premium level. Because of lack of reliable and long-term data premium for crop insurance are high.

The success of the prime minister's Fasal Beema Yojana is very farmers friendly. But its success is a question mark as long as we operate on the uncertainty of the data. Intervening in the discussion Shri Vijaya Mahajan pointed out the limitations of micro insurance product designed by IRDA in 2005.While interacting with IRDA functionaries during that time Shri Mahajan pointed out them two major points. One is life insurance sector and another is non life. IRDA will never allow these two sectors to be merged. So that they were absolutely very clear. The second point is that everything cost adds up. If you force a farmer to take all the packages which come with micro insurance, it is costly. But what we told them is that we have made seven different segments. And also we have put these segments into two: life, accident and health will be one component that will be under life: and the remaining four- asset, livestock, vehicle and crop should come under the non life. So two different insurance agencies can provide these and the farmer or whoever it is can select whichever component he wants or does not want. That sort of choice should be available because everything is costly. If you can take this have a micro insurance product of seven different components and give it to the borrower. Or you link it with the loan or you link it with the customer given the chance he can select what he can afford or what he feels is important for him. Let him have the choice. Going for such insurance is the only chance of survival. Otherwise you load so many things and you give him what he does not really require. In that case it is a waste of money for the person who does not want it. Shri Mahajan thought this is only micro insurance product which can work. Anything else can be superfluous or too costly. Professor Indrakant, the chairman of the session thanked the paper writers and participants for lively and useful discussions and suggesting way forward for such an important issue of crop insurance for rural finance and development.

VIII. Valedictory Session

The valedictory session was chaired by Dr. P. Satish. The valedictory address was delivered by Shri Vijay Mahajan. Dr. Satish said that this two-day seminar has brought academicians and practitioners together to sit down and do some background research on both formal financial institutions and the informal sector and find out the deficiencies in policies and their implementation procedures as well as to discover new ways to enable both the Central and the State governments to further increase financial inclusion. Since NIRD&PR is a premier institution in this area, its policy recommendations will no doubt attract the attention of relevant regulatory authorities. During the course of the seminar, several issues such as credit, savings, insurance and financial services in rural areas were covered with the intention to mark core issues and shed light on opportunities and challenges. It was observed that in spite of some good policy interventions, there is one challenge which needs to be addressed at the level of formal financial institutions. That is to enhancing our field level services, especially deposit services. To serve the purpose, we can combine and leverage the strengths of both the informal institutions and the semi-formal institutions with those of the formal institutions in order to deliver improved services in the financial sector.

Valedictory Address: Shri Vijay Mahajan

Shri Vijay Mahajan said that rural financing plays a key role in enhancing agricultural productivity. Of the various segments of the population, about half of the rural workers are engaged in cultivation and the discussion on farmers, generally, focuses on how to reduce interest rates. But these issues have been discussed many a time. Therefore, this address will focus on three major financial needs that remain unmet.

The first is the life cycle approach to finance. The life cycle approach is completely absent in our financial thinking, financial offering, and financial regulation. Though demographic shifts are happening in the country, unless we adopt this approach we will be in deep financial trouble as a nation. The fact is that all human beings need various kinds of financial assistance throughout their lives. Because of the imbalance between low-earning and high-consumption, the youth (till 18 years of age) and those belonging to the age group of 60 to 80 years, traditionally, receive finance from the family and from their own savings (pension), respectively. But now the demographics are changing in such a way that unless we handle this in a planned manner, the last aspect (pension scheme) is going to be a mere burden. Though there are a plethora of pension schemes, including various other coverage options for the elderly, yet schemes are being sold as standalone offers, i.e., without following a lifecycle approach. Moreover, regulators and regulations play a crucial role, both in the way they frame rules and the way they are enforced. This means that because of the different regulatory requirements, the schemes have certain inherent limitations. On the other side, those in the middle group, i.e., 19 to 59 years, have the ability to earn more than they need to consume. But, if proper financial products and systems are in place, then they can improve their financial security by saving and investing more. Also, the joint family system acts as a social insurance and support for the elderly but there is a limit to how much society can respond voluntarily. Thus, from the afore-mentioned it becomes obvious that there is a need to create a balance between the two scenarios.

The second major financial need which is hardly addressed is investment finance. It is well-known that capital formation and agriculture have been declining steadily, while long-term finance has more or less dried up. But the fact is that it has now reached alarming proportions where maintaining the productivity level attained so far has become difficult in Indian agriculture, let alone enhancing productivity. Financial support for the purpose of diversifying within agriculture from crop cultivation to jobs like horticulture, floriculture, dairy, poultry, etc., as well as diversifying out of agriculture to non-farm enterprises is totally missing. There are a few instrumentalities like composite loans and MUDRA loans, most of which are absorbed by the urban areas. The reason why Indian farmers are distressed is because India's farms—the primary source of living for farmers—are starved of investment. Eighty per cent of the farms are owned by small and marginal farmers who are unable to sustain themselves; for them further investment is just unthinkable. The question here is: How to handle this? We need to come up with financial instruments like long-term loans, say five to seven-year loans, so that uncertain cash flows and smaller cash flows can be used to repay these loans. Farmers can at least do small things like restoring soil health and water resources, use micro-irrigation techniques like drip irrigation, or construct a poly house to prevent post-harvest losses. But there is a limit to how much farmers can do to improve productivity by just working on their own farms. In such a case, we will need a watershed approach. We have to empower our Panchayats with financial products like bonds (with 10–15 years of maturity) so that they can invest in watershed development in tank and canal rehabilitation, desilting, groundwater recharge, etc. The National Bank for Agriculture and Rural Development (NABARD) and Rural Industrial Development Authority (RIDA) have taken some initiatives in this direction, which have brought in incremental finance as well as better technical planning, better implementation, and better monitoring. Nevertheless, there is still scope for more work; the government must find out ways to improve rural access to finance.

The third major need is risk management, especially yield risk. Managing risks in agriculture is very challenging because most of the risks are interrelated. The risks may stem from a range of catastrophic factors such as frequent cyclones, unseasonal hailstorms, severe droughts, and heat waves. And, given the nature of the losses incurred, financial recovery becomes difficult; it is so because insurance companies do not cover losses caused by natural disasters. India has floated many risk management and agricultural insurance schemes, but due to inherent limitations, the schemes did not really benefit the farmers. But, after nearly forty years of experimentation, India has come up with an answer to the failure of the previous schemes—the Pradhan Mantri Fasal Bima Yojna (PMFBY). The PMFBY is an insurance scheme which incorporates the best features of all previous schemes and has successfully amended past shortcomings and weaknesses.

Having said that, there is another issue which requires attention—price risk. The country has many government support programmes for farmers like the Minimum Support Price (MSP) plan. The MSP is an important part of the government's policy to insure agricultural producers against any sharp fall in farm prices. But over the years, the increases in MSP have not proved as effective as originally hoped, especially with farmers struggling to keep up with rising demand. Thus, following the example of the PMFBY, policymakers and academicians must continue to look for ways and means to enhance rural credit to farmers in order to help them earn sustainable incomes and invest in useful assets for better returns. One important step in this direction could be the integration of the agricultural commodity market with the Goods and Services Tax (GST) regime. GST will benefit farmers by ensuring better returns, promoting transport efficiency and easing complexity of trade transactions.

Today, we are the world's youngest nation in terms of youth population, but in the next twenty years we will be a nation of many old people. Recognising this fact, there is a need to frame appropriate health insurance and pension policies for the future. Women, in particular, must be empowered. Every woman must not only have a bank account, but also learn to effectively manage her financial resources. Similarly, the youth must enrol in compulsory pension programmes like the provident fund or National Pension System (NPS) to ensure a secure future. Thus, in view of the above, it can be said that the task ahead is big but achievable.

Concluding Remarks by Dr. W.R. Reddy

Thanking Shri Vijay Mahajan and Dr. Satish for their insightful comments, Dr. Reddy said that there is still hope and a way forward as far as the future course of action with regard to rural banking services is concerned. But for this to happen, appropriate policies will have to be devised and implemented to correct the shortcomings inherent in our approach. Dr. Reddy was hopeful that the discussions will throw up a lot of options that would trigger a lasting transformation of the rural financial system.

The two-day national seminar concluded with a vote of thanks proposed by Professor Kailash Sarap.

IX. Policy Brief

The participants cutting across different disciplines and background ranging from researchers, policy makers and practioners identified a number of key issues and suggested a number of measures to improve access to credit, insurance and other rural financial services to rural producers and other poor from formal financial institutions. Suggestions from the deliberations of the seminar are given below.

1. Strategies to Improve Priority Sector Lending

- There is a need to improve credit, both crop loan as well as term loan to small and marginal producers including tenant farmers by prioritising allocation of credit to these groups.
- As per the RBI norm, 18 per cent of net bank credit of scheduled commercial banks has been stipulated for the agriculture sector, of which, 8 per cent of the bank credit should go to small and marginal farmers. This norm should be strictly followed.
- There is a need to earmark a certain per cent of institutional credit to tenants.
- Women producers should also get priority from formal credit institutions.
- Encourage and integrate micro insurance with microfinance which will help in advancing loans for establishment of microenterprises
- Share earmarked for SME sector under priority sector lending should be strictly adhered to.
- Quality of Management of Information System (MIS) in reporting priority sector credit flows of banks and especially for agriculture lending should improve.
- The RBI did away with service area monitoring and information system (SAMIS) but alternative mechanism should be in place to review credit flow at the block/district level as the Lead Bank Scheme is virtually dead. The basic statistical return (BSR) branch level data from banks should be matched with the data provided by banks as part of priority sector lending returns.

2. Strategies to Improve Agricultural Credit

- As the cooperatives and RRBs are at the grassroot level, there is a need to revitalise and reorganise these institutions with a renewed focus on small/marginal/tenant farmers.

- Joint liability group mode of financing is to be mainstreamed with more emphasis on marginal and tenant farmers.
- The ability of doorstep delivery of collateral free loans by MFIs needs to be leveraged for agricultural credit, especially to the marginalised groups and those farmers still are deprived of access to formal credit.
- There is a need to reduce MFIs' credit costs to its borrowers by extending concessional refinance to them.

3. Strategies to Improve the Functioning of Formal Institutions Especially CBs.

- Need to improve accounting practices using technology in cooperatives.
- Reorient cooperative banks per the customer needs.
- Select staff in cooperatives based on professionalism and provide proper and effective training to them.
- Appoint CEOs in cooperatives.
- Promote relationship banking in cooperatives.
- Introduce deposit insurance scheme for cooperative deposits.
- Create adequate number of Rural Credit Bureaus on a district-wise basis to assist early credit decisions and smooth operations of RRBs, Cooperative Banks and Commercial Banks, to track all money transactions in a district.
- Reorganise the cooperatives into one cooperative bank at the State level with branches at village and block levels.

4. Strategies to Improve Crop Insurance

- There is a need to encourage micro-insurance i.e., insurance for the poor through the participation of banks, non-governmental organisations and MFIs.
- Several stakeholders including SHGs and MFIs should play a leading role to educate households in rural areas about the need for and benefits of agricultural insurance.

5. Strategies to Improve Financial Inclusion of Rural Poor

- Widen the coverage of PMJDY and Micro Units Development Refinance Agency (MUDRA) in non-banking areas.

- Expand financial literacy and awareness among financially excluded people.

- There is a need for cyclical credit by a system of treating crop loan as a weather cycle long intervention rather than as an annual feature.

- Urgent need for updating and computerisation of land records in the names of actual land owners. This would facilitate and improve the availability of credit from formal lenders.

6. Strategies to Improve Financial/ Functional Literacy

- Improve financial literacy by promoting the participation of different stakeholders including primary stakeholders.

- The target-driven approach to the Financial Literacy Campaign (FLC) programmes should improve the dissemination of the quality financial education.

- Use regional/local languages in the education materials relating to financial literacy and use these programmes involving different stakeholders.

- There is a need for the qualitative assessment of the financial literacy programmes.

- Mobilise SHG members on financial literacy for effective utilisation of microfinancial services.

- Improve financial literacy of youth by investing in human resources.

7. Development of New Products for Unforeseen Situations

- Widen and increase the coverage of old age pension.

- Need to develop climatic models of climate change or risk which can predict catastrophic risks like frequent cyclones, unseasonal hailstorms, severe droughts, heat waves, etc. Climatic models help to reduce yield risk.

- Design and develop proper financial products and systems to mobilise savings from the age group of 19-59 years.

- Need to provide credit by formal credit institutions for diversifying crops and non-farm enterprises.

- Need to design long-term credit package to farmers for capital formation in rural areas.

- Design and develop products that will cover life-long universal health insurance programme using the experience from RSBY.

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S. R. Sankaran Chair (Rural Labour)
National Institute of Rural Development and Panchayati Raj, Hyderabad
National Seminar on
"Changing Perspective of Rural Finance and Financial Inclusion of Rural Poor"
28-29 April, 2017

Programme Schedule

Day 1		**28th April, 2017 (Friday)**
9.30 AM to 10.00 AM	:	**Registration (S.K. Rau Conference Hall)**
10.00 AM – 11.30 AM		**Chairperson: Dr. W.R. Reddy, IAS**
		Welome Address-Chairperson About the Seminar – Prof. Kailash Sarap Inaugural Address – Shri G.R. Chintala Keynote Address – Dr. Arvind Mayaram, IAS (Retired) Vote of Thanks – Dr. Radhika Rani
Technical Session I		**Rural Credit: Structure, Changing Trends & Patterns**
11.45 AM – 01.20 PM		**Chairperson : Professor D.N. Reddy**
	1	Priority sector lending – Dr. K.G Karmakar
	2	Recent trends in agricultural credit in India – Dr. Pallavi Chavan and Dr. R. Ramakumar

	3	Enhancing credit to marginal and tenant farmers: Alternatives and innovations – Dr. P. Satish Discussant : Dr. B.K. Sahu
Technical Session II		**Rural Formal Credit Institutions: Performance & Challenges**
2.05 PM – 5.45 PM		**Chairperson : Dr. P. Satish**
	1	Banking sector restructuring in India : Implications for rural finance – Dr. Tara Nair
	2	Cooperative reform in India – Dr. K.G. Karmakar
	3	Indebtedness of farmers from banks in Punjab and Haryana –Dr. Sher Singh Sangwan
	4	Credit in rural manufacturing sector – Dr. P.P Sahu
	5	Working of formal credit institution: Field view from a backward area of Odisha- Shri. Anand Meher
	6	Institutionalisation of rural credit with respect to MSME run cottage industry cluster: Beekeepers of Malda – Shri Dhritiman Bhattacharya Discussants : Dr. Pallavi Chavan, Shri R.N. Dash, Dr. A. Debapriya
Day 2		**29th April, 2017 (Saturday)**
Technical Session III		**Financial Inclusion of Rural Poor**
9.20 AM to 01.20 PM		**Chairperson : Dr. K.G Karmakar**

	1	Factors Contributing financial inclusion of the Indian States : An Empirical analysis – Dr. Chandralekha Ghosh and Ms. Payel Roy
	2	Financial inclusion of poor in North East Region – Dr. Abhijit Sharma
	3	Freedom from predatory loans: Financial inclusion of rural farmers: Maharashtra – Ms. Bhavna Pandey, Shri P. K. Bandyopadhyay and Ms. Manju Singh
	4	Functioning of SHGs in Tamil Nadu - Mr. Rojlin Jeba and Dr. Hylin Reba
		Discussants : Dr. P.P Sahu, Dr. S.S Sagwan
Technical Session IV		**Access to Microfinance and Financial Literacy for Poor**
11.25 AM – 1.30 PM		**Chairperson : Dr. Tara Nair**
	1	Factors Influencing the financial sustainability of MFIs in rural India: An analysis of M P and Chhattisgarh – Dr. Nevanath Sreenu
	2	Financial inclusion and empowerment of women: A case study of SHGs in A.P and Telangana – Dr. P.V. Gowri
	3	Jan Dhan Yojana as an effective scheme for financial inclusion – Dr. B.K. Swain
	4	Policies regarding financial literacy in India-Case study of Pune – Shri P.V Bhandare
	5	Micro financial services to SHG members – Dr. N. Deepa, Dr. V. Lalitha and

		Dr. T. Vijay Kumar Discussants – Dr. Abhijit Sharma, Dr. S.S Sangwan and Shri Ram Mohan Rao
Technical Session V		**Credit and Insurance Intake in Rural Areas and their Functioning**
2.15 PM - 3.15 PM		**Chairperson – Professor Indrakanth**
	1	Rural credit and insurance interlinks – A note of micro insurance in India – Dr. B.K. Sahu
	2	Efficacy of crop insurance schemes in India: Need for inclusive micro Insurance – Dr. Mamta Swain & Dr. Sasmita Pattanaik Discussant : Dr. Sher Singh Sangwan
3.30 PM – 4.40 PM		**Valedictory Session**
		Chairperson : Dr. P Satish
		Valedictory Address : Shri Vijay Mahajan Concluding Observations: Dr. W.R. Reddy, IAS Vote of Thanks : Kailash Sarap

Organising Committee

- Dr. W.R. Reddy, IAS, DG, NIRD&PR
- Dr. Radhika Rani, Head, In-charge, Centre for Agrarian Studies
- Dr. Kailash Sarap, Professor and Convener & Secretary, S.R. Sankaran Chair (Rural labour)

Coordinator

- Professor Kailash Sarap, S.R. Sankaran Chair (Rural Labour)

Shri S. R. SANKARAN

S. R. Sankaran, a Civil Servant, is known for his commitments and actions for the upliftment of the poor and the marginalised. The seamless integrity between his life, ideas and work was the unique dimension of his personality. As a civil servant he took Constitution as a mandate and made every opportunity to put in practice the fundamental principles of equality, non-discrimination, justice and affirmative action in favour of the economically backward sections. He believed that his true vocation as a civil servant was to serve the people where the poor occupied the primacy of position. Within the poor his concern was about SCs and STs as they have been at the lowest rung of the social hierarchy, wallowing in chronic misery and deprivation and subjected to daily acts of injustice and indignity.

The transformative role that Sankaran as a civil servant played in the lives of the poor is exemplary to date. His deep understanding of the social environment of the poor is remarkable. In his view, the poor are typically unorganised, hard to reach, inarticulate and often invisible by residing in periphery. Along with lack of access to land and other natural resources, lack of access to education makes them vulnerable to manipulation by adversaries leading them to internalise the ideology of dependence and submission. The conditions of poor can be compressed into five disabilities: (i) lack of access to land and employment, (ii) unfree labour, (iii) low wages, (iv) institutionalised discrimination, and v) deprivation in social services. His work during his career and after retirement devoted to uplifting the poor by relieving them from such adversaries and organising them. While working for the poor he had not only used his professional skill but also brought to bear on the problem of human touch.

Sankaran was a legendry civil servant, a crusader for social justice, a civil rights activist, a perceptive critic of development and public policy with extraordinary sensitivity, clarity, and above all, an epitome of compassion. A single social goal of his entire life's work was the reduction of contradiction between political and socio-economic inequality.

S. R. Sankaran Chair (Rural Labour)

S. R. Sankaran Chair (Rural Labour) is instituted at the National Institute of Rural Development and Panchayati Raj (NIRD&PR), Hyderabad by the Ministry of Rural Development (MoRD) with the objective of promoting research on issues that would enhance understanding and help in improving the world of work and the life worlds of rural labour. Collaborative research, seminars, workshops and policy dialogues involving institutions, organisations, policy makers and other stakeholders with similar objectives, and placing the results in the larger public domain through working papers, articles in learned journals, books and policy briefs are part of the activities set out for the Chair.

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