

CHAPTER 'IV'

FINANCE FOR I.R.D.P

While considering the importance of I.R.D.P. as an direct attack on the below poverty line household in rural areas the sixth and seventh five year plan has accorded the highest priority in terms of public sector investment. The sixth plan has an outlay of Rs.1500 crores for I.R.D.P. and 2657.76 crores Rs. an outlay in the seventh five year plan for I.R.D.P.

The Financing of I.R.D.P. has posed a challenge for a banking sector both public sector banking and co-operative banking system have been asked to meet the credit support for the I.R.D.P. which was to the Rs. 3000 crores during the sixth five years plan and 4000 crores during the seventh five year plan. This credit is to be provided to the poorest of the poor not on the base of the security but on the need itself.

The Central Government and the Reserve Bank of India have taken a number of steps in this duration in the sixth five year plan this includes the following decisions and measures.

- i) 50 percent of direct agricultural advances to go to the weaker sections by 1983.
- ii) 40 percent of priority sector lending or 16 percent of total lending to go to agriculture by 1985.
- iii) 12.5 percent of total lending to go to the small scale industries sector, including village and cottage industries and rural artisans by 1985

- iv) 1 percent of the total aggregate advances of commercial banks in the previous year to be available for lending at 4 percent rate of interest under the differential rate of Interest (DRI) Scheme.
- v) Simplification of loan application forms.
- vi) Non-insistence on security for small loans upto Rs. 5000.
- vii) Weaving of security/guarantee requirement for composite loans upto Rs. 25000 for village and cottage industries and rural artisans.
- viii) Branch expansion policy favouring opening of branches in rural and semi-urban centres and giving priority to Rural Regional Banks.

During the seventh five year plan an outlay of Rs. 2657.76 (crores, to be shared equally by the central and state Govt. This outlay would include provision for subsidy, funds for infrastructure, training stipends etc. to the extent of 20% of the subsidy fund, setting up of CRTTC and the special livestock Breeding programme and certain other programmes like strengthening of Block Administration, computerised district rural Information System, strengthening of Extension Training Centres etc. of the total outlay Rs.1888.65 crores would be available for subsidy, Rs. 388.50 crores for infrastructure etc. and Rs. 280.61 crores for other developmental schemes as mentioned above. Besides, credit to the tune of Rs. 4000 crores would be provided by the financial institutions.

Funding Pattern and Financial Procedures Criteria
for Allocation of Funds to the States.

Funds were allocated to the states on a uniform basis according to the number of blocks in the sixth plan. Allocation in seventh plan will be done in relation to the incidence of poverty in the state. Funds will be provided in proportion to the percentage of families below the poverty line in a state. Allowances in the first two years of the seventh plan will, however, be on selectivity-cum-uniformity basis with equal weightage to both as large number of beneficiaries assisted in the sixth plan are proposed to be additionally assisted in these two years to enable them to cross the poverty line.

The economic activities under the programme are financed through a package of subsidy and credit. Funds for the expenditure on subsidy and other items related to the administrative and infrastructural expenditure as described in the succeeding paragraphs, are provided in the budget of centre and states.

Eligible items of Expenditure:

The items of expenditure charged to the budgetary provisions are -

- i) Subsidy for the economic activities.
- ii) Programme infrastructure.
- iii) Administrative infrastructure
- iv) TRYSEM

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Release of Funds:

The funds are released to District Rural Development Agencies. The principles governing the releases are, is that the expenditure should be equally shared by the centre and the states; and ii) the expenditure should not be repugnant to the objective and the needs of the programme.

The funds are released in two instalments by the Centre. In the case of cold snow bound district viz. Lahul & Spiti, Leh and Kargil, where the working period is limited to a few months, the entire central share of assistance can be released in one instalment. These releases should be matched with the releases by the states.

Release of First Instalment:

The release of the first instalment can be made without any formal request from the DRDA. If the second instalment in the previous year had been released without any condition. If this instalment was not released at all, or was released with some conditions, formal requests are required from the DRDAs after the conditions have been fulfilled/reasons for non-release of the second instalment have been met.

The release of the first instalment should ordinarily be completed by the end of the second month of a year.

Release of Second Instalment:

The second instalment of the funds is released on the request of the DRDAs on the fulfilment of the following conditions.

- i) An audited statement of accounts and the utilisation certificate for the proceeding year should be made available.
- ii) The matching share of the state government against the releases of the Central Govt. in the past should have been released.
- iii) More than 50% of the funds available with the DRDA, inclusive of the carry over balance of the previous year, should have been spent.
- iv) The Annual Action plans for the running year should have been approved by the state level co-ordination committee.
- v) Any other terms and conditions, imposed at the time of the last release, should have been met.

It should be the endeavour of the states that they get the release of the second instalment latest by the end of the month of October.

Subsidy:

The subsidy is provided for economic activities on the following pattern .

1.	Individual/Family: Small farmers marginal farmers Agricultural labourers Non-agricultural labours, rural artisans of these Tribal families.	25% 33.33% 50%	Subject to a ceiling of Rs. 3000/ per family In non DPAP area and Rs. 4000/ in DPAP Areas. Rs. 5000/ per family in all rural areas.
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2. Community Minor Irrigation

More than 50% landholders in the ayacut should be I.R.D.P. small and marginal farmers and they should own not less than 25% of the land.

Cost apportionment for each group member will be in proportion to their land as a % of total land in ayacut. Of this cost each I.R.D.P. family will get 50% subsidy without the absolute ceiling limit referred to at Sr.No. 1 above.

3. Co-Operative Society of beneficiaries

Assistance under I.R.D.P will, however, be restricted to projects costing upto Rs. 2 lakhs per block.

50% of the capital cost subject to individual ceiling as 1 above.

The above pattern of subsidy applies to the groups of women from families below poverty line formed under development of women and Children in Rural Areas (DWCRA) Programme also.

The subsidy should be linked to credit and should be given in kind except the working capital component, which may be given in cash, to provide economically viable projects to the beneficiaries. However, for Capital investments upto Rs.- 1000/- credit-linkage is not obligatory. This provision should be resorted to only in exceptional circumstances.

It is assumed that on an average, the subsidy credit ratio should be 1:2.

The major part of the total cost of the IRDP Programme has to come through institutional credit such as primary - Agricultural Credit Society (PACS) through D.C.C. bank, Nationalised bank and regional rural bank like Solapur Gramin Bank. The following special arrangements and provisions have been made for the IRDP loanees .

Norms of Lending

- i) INTEREST RATE - The credit is available to the beneficiaries on concessional rate of interest of 10%. The participating credit institutions got a refinance from NABARD for the activities under IRDP. These activities include primary, secondary and tertiary sector activities.
- ii) SECURITY COVER - IRDP borrowers are not required to furnish any security for investment loans upto Rs.5000/- They are only required to hypothecate the assets created by the loan in cases where movable assets are created.

The norms for security are as under -

Table No.4.1

Type of credit facility.	Loan Amount	Security to be furnished
1) Crop loan	i) upto Rs. 1000/-	Demand Promisory
	ii) Rs.1001 to Rs.5000/	Note/Loan agreement.
	iii) Over Rs. 5000/-	Only. Hypothecation of Crops.
		a) Hypothecation of crops and

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1.	2.	3.
		b) Mortgage of loan or Third Party guarantee
2) Investment loan	i) upto the cost of economic unit where applicable or Rs. 5000/- whichever is lower.	Hypothecation of assets.
i) where movable assets are created out of loan.		a) Hypothecation of assets
	ii) for amount higher than Rs. 5000/-	b) Mortgage land (at Bank's discretion)
		OR
	ii) where movable Rs. 1000 and over	Third Party Guarantee
		Mortgage of land (at Bank's discretions)

REPAYMENT - Loans under IRDP are treated as medium term loans. The repayment period, therefore, should ordinarily be 3-5 years. The repayment schedule should be so drawn as to provide a recovery holiday during the gestation period of the project. A circular issued by RBI to the Chairmen of all commercial banks

The Purpose of Loan

Generally the loans under IRDP are given for the following purposes to the identified beneficiaries crop loan, Sugarcane, other crops, Horticultural well, pumpset, pipeline, composite loan, milch animals Goat, Sheeps, Fishers, Poultry Piggery/ Donkies, Land Development, Bullock cart/Part, Agricultural Machinery, Gobar gas. Sale of fertiliser and Non Agricultural purposes on Retail Trade, Prof. self. employed Business, Enterprise, - Transport operate, Small Scale Industries and loan against T.D.

Procedure for Administration of Subsidy -

i) Principles - The basic Principles governing the Administration of subsidy are -

a) The subsidy should not be passed on to the beneficiaries in cash. The financing institution on prior authorisation by the DRDA, should make payment on behalf of the beneficiary to the approved supplier or body of organisation supplying goods and services or to an agency authorised by the sanctioning authority (DRDA) to execute the work.

b) The subsidy should be disbursed along with the loan amount to ensure that the interest liability of the beneficiary is limited to the loan amount.

ii) procedure - The funds received by the DRDA are to be kept in savings bank accounts. The DRDA can open these accounts with the Principal participating member bank branches in the field. The final authority to open/close there accounts with banks rests with the Chairman/President of the DRDA. A funds deposited in the Savings Bank accounts will earn interest at usual rates. The DRDA should prepare a list and these accounts indicating the bank branches and the amounts kept therein and circulate to the blocks. The banks should debit subsidy amounts from these accounts at the time of the disbursement of the package of assistance.

The banks should give a statement of these cases to the BDOs in 15 days time positively up till now the banks were expected to send this 15 days notice to the DRDA and wait for an authorisation from DRDA- This resulted in delays in some

cases and disbursement without authorisation in others. Therefore the involvement of block office in this exercise has been considered necessary.

Care is to be taken that no burden of interest falls on the beneficiaries for a time lag in the credit of subsidy from one bank branch to another. In the event of a time lag in the debit of subsidy from one branch to the credit of the financing bank branch, the interest burden on the beneficiary for the increased amount of loan will be paid by the Bank. But if the increased burden is on account of the fact that the DRDA does not have any subsidy in its credit, the interest burden will be borne by the DRDA.

After the transaction has been completed, the participating bank should provide the particulars of the beneficiary, the project and the amount of subsidy adjusted in his favour, for the record of the block/D R D A . These details should be made available in the monthly Report on the adjustment of subsidy prepared by the bank and sent to the block/DRDA.

IRDP in Solapur District -

Solapur district is one of the drought prone area of Maharashtra. According to latest statistical information provided by the Solapur District. There are family below the poverty line in rural areas at the end 1983-84. 1,13,6,43 families under below poverty line.

As stated in the table No.4.2 there are 1,3,4,640 BPL households in the Solapur District. The Malshiras taluka & Barshi taluka are having the maximum number of BPL household of 20805 and 19768 respectively. It is observed that out of 1,3,4,640 BPL households 47,304 BPL households were benefited at the end of June 1988. Thus since the beginning of IRDP 35.13% beneficiaries were covered in the scheme. In Akkalkot taluka.

The performance of IRDP in respect of budgeted grants, actual expenditure and the number of beneficiaries is given the following table No. 4.3

The following observation should be made

- 1) In fact to the IRDP was started in year 1978-79 which included small farmers, marginal farmers, Agricultural Labourers and other weaker section of the Society of the rural area till the year 1982-83.
- 2) The IRDP programme was made exclusively for BPL households with 50:50 percent financial assistance from the central Govt & the state Govt.
- 3) The performance of IRDP in terms of actual expenditure and beneficiaries was at the low level from 1978-79 to 1981-82.

- 4) It is very remarkable and plausible to note that the achievement of IRDP have exceeded the target more than 100% continuously every year from 1983-84 to 1987-88.

Table No.4,5

The talukwise performance of IRDP is presented in the following table no.1 to 11.

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LADP IN SOLAPUR DISTRICT

TABLE NO 4.2

Sr. Features No. (Taluka)	Total BPL Population	The end of March assistance population	Unutilise BPL Population
1) Akkalkot	15760	4623	11137
2) Barshi	19768	5276	14492
3) Karmala	11150	3838	7112
4) Madha	15727	4393	11334
5) Malshiras	20805	6992	13813
6) Mangalwedha	5964	3184	2780
7) Mohol	8118	3443	4675
8) Pandharpur	12403	4296	8107
9) N. Solapur	6180	3385	2895
10) Sangola	12634	4062	8572
11) South Solapur	6131	3913	2219

TOTAL 134640

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LABEL NO. 4.3

TARGETS & ACHIEVEMENT OF IRDP IN SOLAPUR DISTRICT

Year	Sanction Amount (rs. Lakh)	Expenditure in rs. Lakhs	Percentage 2 to 3	Target of beneficiari- es population	Population of actual bene- ficiaries	Percentage
1978-79	50.00	37.58	75.16%	4205	2440	57.20%
' 1979-80	75.00	71.82	95%	7878	7007	88.94%
1980-81	80.00	45.48	56.85%	6889	4839	70.24%
1981-82	66.00	36.11	54%	5449	3636	61.22%
1982-83	85.64	85.66	100%	10024	9877	98.53%

TABLE NO. 4A

Targets and achievements of IADP in Solapur District.

Year	Sanction amount (Rs. in Lakh)	Expenditure (Rs. in Lakh)	Percentage	Target of beneficiaries population	Population of Actual bene- ficiaries.	Percentage
1983-84	90.15	96.38	106%	7500	9014	120.18
1984-85	98.18	103.57	105%	7500	7665	102.20
1985-86	89.18	91.47	102%	4665	5335	114.36
1986-87	129.34	145.09	112%	8191	8204	100%
1987-88	142.00	142.00	100%	1160	12193	1051.12

TABLE NO. 4.5

I. R. D. PROGRAMME

Talukwise performance of IRDP

Taluka	Year	Outlay Rs. (Lakhs)	Expenditure Rs.	Percentage	Target of beneficia- ries	Actual use of benefi- ciaries	Percentage.
Akkalkot	1983-84	8	9.35	116	697	937	134
	1984-85	9	9.29	103	714	718	100%
	1985-86	6.60	5.35	81%	330	419	126
	1987-88	5.74	5.89	103	329	393	119

I. R. D. PROGRAMME

Table No.2

Taluka	Year	Outlay Rs(lakhs)	Expenditure Rs.	Percentage	Target of beneficiaries	Actual use of benefi- ciaries.	Percentage
Barshi	1983-84	8.00	9.82	122%	690	983	142%
	1984-85	9.00	9.37	104%	778	781	100%
	1985-86	8.56	7.09	82%	428	525	122%
	1987-88	7.45	7.46	100%	427	522	122%

I.R.D. PROGRAMME

Table No.3

Taluka	Year	Outlay Rs. (Lakhs)	Expenditure Rs.	Percentage	Target of benefici- aries	Actual use of benefi- ciaries	Percentage
Karmala	1983-84	10.15	10.28	101%	683	767	112%
	1984-85	10.00	5.94	59%	785	454	57%
	1985-86	4.50	8.84	196%	225	556	247%
	1987-88	3.78	5.06	133%	217	307	141%

I. R. D. PROGRAMME

Table No.4

Taluka	Year	Outlay Rs. (lakhs)	Expenditure Rs.	Percentage	Target of benefici- aries	Actualuse of bene- ficiaries	Percentage
Mauha	1983-84	8.00	8.41	105%	684	732	107%
	1984-85	9.60	11.02	114%	715	720	100.6%
	1985-86	6.68	10.00	149%	334	455	136%
	1987-88	5.79	5.80	100%	332	351	105%

I. R. D. PROGRAMME

Table No.5

Taluka	Year	Outlay Rs.lakhs	Expenditure Rs.	Percentage	Target of beneficiaries	Actual use of benefi- ciaries	Percentage
Malshiras	1983-84	8.00	8.00	100%	664	688	103%
	1984-85	8.08	17.16	212%	594	1100	185%
	1985-86	8.46	11.74	138%	423	850	200%
	1987-88	7.20	10.62	147%	410	586	142%

I. R. D. PROGRAMME

Table No. 6

Taluka	Year	Outlay Rs. (Lakh)	Expenditure Rs.	Percentage	Target of benefici- aries	Actual use of benefi- caries	percentage
Mangalwedha	1983-84	8.00	8.08	101%	698	831	119
	1984-85	9.00	9.00	100%	654	654	100
	1985-86	1.68	4.96	263	94	374	397
	1986-87	1.50	3.23	215	86	221	256

I.R.D. PROGRAMME

Table No.7

Taluka	Year	Outlay Rs. lakhs	Expenditure Rs.	Percentage	Target of beneficiaries	Actual use of benefici- aries	Percentage
Mohol	1983-84	8.00	9.44	118%	639	1168	182%
	1984-85	9.00	9.00	100%	686	688	100%
	1985-86	2.88	3.92	120%	144	377	470%
	1987-88	2.39	2.64	110%	137	202	147%

I. R. D. PROGRAMME

Table No.8

Taluka	Year	Outlay Rs.lakhs	Expenditure Rs.	Percentage	Target of beneficiaries	Actual use of benefi- ciaries	Percentage
pandharpur	1983-84	8.00	8.02	100%	735	670	91%
	1984-85	8.50	8.02	94%	626	630	100.6%
	1985-86	4.90	4.81	98%	245	367	149%
	1987-88	4.22	4.83	114%	242	327	135%

I.R.D. PROGRAMME

Table No.9

Taluka	Year	Outlay Rs. (lakh)	Expenditure Rs.	Percentage	Target of beneficiaries	Actual use of benefi- ciaries	Percentage
North Solapur.	1983-84	8.00	8.01	100%	644	656	101%
	1984-85	8.00	8.04	100%	615	616	100%
	1985-86	2.04	5.29	259%	102	412	403%
	1987-88	1.62	4.19	258%	93	246	264%

I.R.D. PROGRAMME

Table No.10

Taluka	Year	Outlay Rs. (lakh)	Expenditure Rs.	Percentage	Target of beneficiaries	Actual use of benefi- ciaries.	Percentage
Sangola	1983-84	8.00	8.79	109%	703%	765	108%
	1984-85	9.00	7.73	85.8%	652	617	94%
	1985-86	5.08	6.18	121.6%	254	339	133%
	1987-88	4.39	6.04	137%	252	338	134%

I. R. D. PROGRAMME

Table No. 11

Taluka	Year	Outlay Rs. (Lakhs)	Expenditure Rs.	Percentage	Target of benefici- aries	Actual use of benefi- ciaries	Percentage
South Solapur.	1983-84	8.00	8.18	102%	663	817	129%
	1984-85	9.00	9.00	100%	689	682	100%
	1985-86	1.76	3.89	229%	88	259	194%
	1987-88	1.30	3.17	243%	75	183	244%