ACCESS OF BANK CREDIT TO VULNERABLE SECTIONS:
A CASE STUDY OF KARNATAKA

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Abstract

During last couple of decades, the credit from formal banking institutions has shown tremendous growth in volume and complexity, yet, a large segment of the population, especially the poor, is still excluded from the formal banking services, which led affecting income inequity. In India despite of expansion of formal credit, still large segments of the population, especially the poor are excluded from the formal banking services. The performance of the entities created to support the excluded segment also not impressive, though many people have different opinions on this. Therefore, there is need to establish the relationship empirically and examine whether such institutions indeed provide credit support for improving household economy of excluded group as well as poor households of other groups.

Section 1

Introduction

Access to finance provides access to essential services that are needed to sustain life; it is therefore a reliable indicator of social inclusion. It almost automatically leads to financial inclusion, which is defined as a process that reinforces the ability to counter social exclusion. Financial access allows the poor to utilise their varied talents to intensify their livelihood activities. A number of studies have marshalled evidence to prove that *the poor need financial services to help them, manage their lives (Morduch and Rutherford 2003).* The credit from formal banking institutions has shown tremendous growth in volume and complexity in recent times, yet, a large segment of the population, especially the poor, still remains excluded from the formal banking services, which has given rise to acute income inequity (Baldacci et al 2002). *Considering these facts,* developed and developing countries are emphasising on credit accessibility through banking sector to the vulnerable sections as a part of promoting *inclusive growth*.

Despite of the tremendous growth of the financial sector both in volume and complexity during the last few years, large segments of the population, especially the poor are still excluded from the formal banking services. Various measures are underway to provide access to the marginalised sections of the society. Towards this, the first step was nationalisation of the banks (1969 and 1980), the extension of to the rural sector and also vulnerable sections by way of introducing preferential lending as well as subsidised rates of interest by banks. Further, the credit policies were reviewed and revised regularly to minimise the inequity in credit accessibility across the social groups. In this context the Working Group constituted under K S Krishnaswamy on Implementation of Priority Sector Lending and the Twenty Point Economic Programme recommended fixing sub-targets for agriculture and weaker sections of society, with subsidised interest rates. The subsequent consolidation of poverty alleviation

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programmes/schemes[1] such as *IRDP, TRYSEM, NREP, etc.* has contributed to increase access to formal credit for the marginalised groups.

The state's continuous policy intervention in favour of the poor and the marginalised has brought about considerable increase in credit deployment from formal banking institutions, which in turn has resulted in an increase in the share of institutional credit in the rural sector As can be seen from Table 1, the share of credit from formal banking institutions increased from a mere 7 per cent in1951 to 66 per cent by 1991. Thus, credit policy and development of banking institutions has contributed to the increase in the density of financial services which in turn contributed to the growth of the non-farm sector, reducing rural poverty (Burgess and Pande, 2003), strengthening formal credit base in rural areas, etc. (Veerashekharappa, 1999) . The schematic lending under poverty alleviation programme to the scheduled castes/tribes has been enabling these groups to access formal credit through formal credit institutions.

Table 1: The Share of Credit by Credit agencies to cultivators:1951-2002

Credit Agency	Years					
	1951	**1961**	**1971**	**1981**	**1991**	**2002**
Institutional	7.3	18.7	31.7	63.2	66.3	61.1
Co-operatives	3.3	2.6	22.0	29.8	30.0	30.2
Comm.Bank	0.9	0.6	2.4	28.8	35.2	26.3
Other fin inst ©	3.1	15.5	7.3	3.6	1.1	4.6
Non-institutional	92.7	81.3	66.3	36.8	30.6	38.9
Moneylenders	69.7	49.2	36.1	16.1	17.5	26.8
Others	23.0	32.1	30.2	20.7	13.1	12.1
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Reserve Bank of India Bulletin, All India Rural Credit Survey, 1951-52;
RBI All India Rural and Investment Survey, 1961-62 and NSSO, All India debt and Investment Survey, 1971-72, 1981-82 and 2003.

Note: © includes insurance and provident fund.

Policy changes in 1990s

The Government of India wanted to bring in structural adjustment and reforms as part of liberalization, privatization and globalization in the early nineties. In this context, Government appointed a committee (Narsimham Committee 1991), and based on the recommendations of the committee, reforms were introduced, which resulted in dilution in the targeted credit programmes as well as preferential lending to the poor (Ramachandran and Swaminathan 2002, 2005). In the given situation, the implementation of reforms resulted in reversal of the earlier pro-poor credit policies and making way for a market-based credit policy. The Government argued that, 'there is no alternative' (TINA), but to adopt a market based credit policy to enhance the stability and the efficiency of financial institutions[i] and compete in a globalized market..

[1] Integrated Rural Development Programme (IRDP), the Massive Agricultural production programme (MAPP), the Special Scheme for Sericulture (SSS), Dry land Development Projects (DDP), the Self Employment Programme for Urban Poor (SEPUP) and the Differential Rate of Interest.

[i] Report on Currency and Finance (2001-02)

Strategically, banks began to give importance to efficiency and profitability, as result of which loan accounts for agriculture and other priority sector dropped and credit provision to vulnerable sections was downsized. This provided an opportunity for the re-emergence of moneylenders in the rural credit scenario (NSSO, 2006)[2]. Similarly, the share of credit from banking sector in total rural credit has fallen subsequently, 2002 (Table 1). Thus, it is clear that the share of formal credit to rural households – particularly to the poor and marginal groups -- has been declining. This reminds us of the early definition of financial exclusion by Leyshon and Thrift (1993), as the process which serves to prevent certain social groups and individual from gaining access to the formal financial system.

Change in Credit Policy

The change in credit policy has had a negative impact on credit access to priority sectors as well as the household economy of the poor. The Government's TINO stance and its negative impact came to be debated in academic and policy circles. As a result a committee was constituted in 2006 (Committee on Financial Inclusion) by Government of India to suggest remedial measures and to extend credit access to vulnerable groups. In fact, committee's recommendations have already been embedded in Indian credit policies since decades, but without the same nomenclature (Rao, 2007). In fact, the recommendation of schemes like tie-up with post offices had proved to be very insignificant in the credit delivery (Priya Basu 2006), no frill accounts were also operated by about 10 per cent (Sameer Kochar, 2009). To overcome the problem, diversified microfinance[3] credit approaches were integrated with formal banking institutions to include the convenience and flexibility that are typically associated with informal finance (Basu and Srivastava 2005; Karmakar 1999) and micro finance institutions. In fact, the 'Micro-credit' or more broadly 'Microfinance' approach was innovated and institutionalized in the Indian rural credit system. This aimed at overcoming the twin problems of formal credit system – non-availability and poor recovery performance of existing rural credit institutions. This has become an answer to the dilemma at the 'bottom of the development pyramid' (Nair, 2000) or a viable alternative to reach the hitherto un-reached (Sriram 2004). However, the ethics, functioning and interest rates of MFIs too are subjected to scrutiny here.

In the context of the above development, the issue of credit flow towards the poor, including scheduled castes is examined in this chapter. And this exercise examines credit accessibility of Scheduled castes across financial institutions in the country in general, and Karnataka in particular. Access to bank credit normally depends on three factors, viz., Societal, supply and demand. The socio-economic factors of scheduled caste are adverse as most members of community are illiterate and lack assets and therefore incapable of providing collateral as required by financial institutions for obtaining

[2] Marginal farmer households constitute 66 per cent of total farmer households. Only 45 per cent of these households are indebted to either formal or non-formal sources of finance. About 20 per cent of indebted marginal farmer households have access to formal sources of credit. Among the non-cultivator households, nearly 80 per cent do not have access to any sources of credit.

[3] Microfinance is a provision for savings, credit and insurance facilities to the poor, to help them set up or expand Income Generating Activities (IGAs) relating to agriculture, allied activities and non-farm sectors, and thereby to increase household income security. Originally, it was confined to Microcredit – it can be defined broadly as the dispersion of small collateral-free loans to jointly liable groups in order to foster income generation and poverty reduction through enhancing self-employment.

loan, which acts as a supply-side constraint. On the demand side, demand for loans from scheduled caste population is very weak as most of them have now out migrated in search jobs due to the uncertainty of economic security they face in their place of origin

Nevertheless, the study critically evaluates the functioning of formal credit institutions and extension of credit to vulnerable sections in general, and scheduled castes of Karnataka in particular. The required data for this study was collected mainly from secondary sources, i.e. from, RBI publications, NABARD, NSSO, Dr Ambedkar Development Corporation and other published and unpublished sources.

Structure of the Chapter

This chapter is structured into four sections; section two examines the credit policies towards priority sector as well as marginalised groups/vulnerable sections in general. Third and fourth sections discuss different credit policies at state level vis-a-vis credit access to schedule castes, and the last section tries to analyse to what extent the formal banking institutions, including specialised corporations designated are able to provide economic support to scheduled castes.

Section 2

Credit Policies and credit access to weaker sections

Introduction

In India, the urgency of providing credit to poor was realized after the recommendations of All India Rural Credit Review Committee (RBI 1969), which highlighted that formal banking institutions have a credit deployment strategy favouring the rich and the industrialists. To arrest this trend, the 'target approach' strategy was adopted after nationalisation of banks by earmarking specific proportion loans to weaker sections like small and marginal farmers, small industries and small business ventures (SIBs). Subsequently, numerous government subsidised schemes were also implemented to support anti-poverty programs. The subsidised credit schemes such as the Differential rate of Interest (DRI) Scheme charge only four per cent rate of interest and 40 percent of the total amount is earmarked for SCs / STs.

Credit provided to Weaker Sections

However, with the implementation of reforms in banking sector, the reform measures like pro-poor credit policies have now been replaced by a rather pro-rich and market-based credit policy. The purported intention of government is to enhance the stability and efficiency of financial institutions[4] to enable them to compete in globalized market place. In the process of bringing efficiency and returns, the RRBs have been allowed to lend to non-target groups, in addition to deregulating their deposit and lending rates and allowing amalgamation of bank branches which measures have resulted in the reduction of credit to weaker sections from 14 per cent to 9 per cent (Table 3). Further, the very concept of priority sector

[4] Report on Currency and Finance (2001-02)

has been diluted by including commercially viable activities and neglecting the important sectors that were vital for economic development and alleviation of poverty. Thus, the introduction of reform measures has had a negative impact on credit accessibility of the poor; this impact is apparent in the entire nation, including the Karntatka state. The so called reform in last couple of years was just redefining of the priority sector by diluting the word ‘weaker sections’. In fact, given the institutional credit structure, it was difficult to reach the poorest of the poor whose credit requirements were very small, frequent and unpredictable. Further, the emphasis was on just providing credit rather than financial products and services (Ansari, 2007).

Table 2: Commercial Bank's Credit to Weaker sections

Commercial Bank's Credit to Weaker sections (Amounts in Rs crore)									
Year	**Public Sector Banks**	**Percent of Net Bank Credit**	**Private sector bank**	**Percent of Net Bank Credit**	**Year**	**Public Sector Banks**	**Percent of Net Bank Credit**	**Private sector bank**	**Percent of Net Bank Credit**
1991	10260	9.7	246	5.2	2004	41589	7.4	1495	1.3
1992	10881	9.7	269	4.5	2005	63492	8.8	1913	1.2
1993	11865	8.9	283	4.0	2006	78373	7.7	3909	1.6
1994	12779	9.1	300	3.1	2007	94284	7.2	5228	1.6
1995	13918	8.2	339	2.5	2008	126934	9.3	7227	2.1
1996	15579	8.4	381	2.1	2009	5010	10.1	3573	6.6
2001	24889	7.2	959	1.7	2010	6150	10.5	4764	6.6
2002	28974	7.3	1142	1.8	2011	7547	10.5	4654	5.0
2003	32303	6.7	1223	1.5					

Sources: Report on Trend and Progress of Banking in India, Published by R B I,

The institutional credit structure was neither profitable in rural lending nor in serving the needs of the poorest. In short, it created a structure, which was ‘quantitatively impressive but qualitatively weak’ (Mishra, 2006). Thus, the credit flow to weaker sections, including scheduled castes declined, which in turn forced them to go for borrowing from informal financial institutions. A brief account of credit decline to scheduled castes/tribes is provided in the following section.

Credit Access to Scheduled Castes

After the reforms, the pattern of borrowing by scheduled caste has changed due to various policy decisions. As can be seen from table 3, the profile of the lending source of credit has changed over the years. The table makes it clear that, during 1992 only 18 per cent of the total credit came from money lenders, including agriculture money lenders. By the year of 2002, the same had increased to 43 per cent; this shows that there had been an extensive increase in borrowing from moneylenders by scheduled castes. Of the total borrowing by scheduled castes, 43 per cent came from money lender, including agriculture money lenders. This shows that within ten years of initiating reforms and restructuring of credit strategies, the banks reduced the credit to scheduled castes. Not only the share of bank credit but also the assistance in the form credit provided by the government also declined during these years. From the table it can be ascertained that during 1992, Government's share was 9.2 per cent, but by 2002, this came down to just 2.9 per cent. The decline in credit outflow to SCs was relatively high compared to scheduled tribes. What it signifies is that, when demand for credit increased, the government as well as banking institutions did not make corresponding increase in credit supply, but instead reduced the quantum of credit supply. It is an undisputed fact that the scheduled caste groups have less assets compared to scheduled tribes; even their holding often received under the various government schemes are small and most of them do not have proper titles, and therefore not accepted as collateral.

Table 3: Distribution of Outstanding Total Debt by Credit Agency (Percentage)

Credit Agencies	**1992**			**2002**		
	ST	**SC**	**Others**	**ST**	**SC**	**Others**
Govt	7.2	9.2	5.5	3.6	2.9	2.3
Co-operatives	17	15	23.3	29.4	18.3	34.9
Commercial &RRBs banks	37.8	34.6	33.3	33.8	21.6	27.3
Insurance	0	0.2	0.3	0.2	0.1	0.1
Others	2.9	1	2.3	1.5	1.9	3.0
All institutions	64.9	61.1	64.6	68.5	44.8	67.7
Land lord	3.8	8.5	3.1	0.3	2.3	0.7
Agriculture M Lender	**7.5**	**8**	**6.8**	**9.4**	**15.1**	**8.3**
Professional M Lender	**11**	**10.4**	**10.5**	**10.7**	**27.6**	**11.7**
Traders	2.2	2.4	2.5	3.1	1.4	1.7
Others	9.3	7.3	8.8	8.0	8.8	10.1
All non-institutions	33.7	36.6	31.8	31.5	55.2	32.3
Unspecified	1.4	2.3	3.6	0	0	0
All agencies	100	100	100	100	100	100

Source: AIDIS (2003)

This was due to the permission accorded to RRBs under the Reforms to lend non-target groups, deregulating their deposit and lending rates and also allowing them to park funds in more profitable avenues. Further, many RRBs went for amalgamation of bank branches to enhance profit through cost effective operations which resulted in low density of bank branches, shrinkage in area of operation and number of people served. The RBI defended these steps by saying that there was a need to eliminate financial repression, which is inherent in credit allocation and interest rate structure (RBI, 1999). This shift in the credit policy resulted in the exclusion of the poor from institutional credit. In total, the caste-wise distribution of outstanding total debt by credit agencies show that institutional credit to SCs has declined over time, particularly credit from commercial and RRBs sources. In contrast, institutional credit to STs increased due to the intervention of cooperative banks. In brief, at the national level, a major proportion of SC and ST households are still financially excluded from formal sectors and their dependence on non-institutional has increased only.

Section 3

Credit Access from formal banking institutions: in Karnataka

Introduction

Karnataka state has done well in the expansion of banking intuitions; similarly it has also performed well in promoting financial inclusion programmes in the state. According to the Report by Crisil called *Inclusix Index (2012)*, Karnataka ranks ninth with a score of 61.4 among all the 35 States and Union Territories, which is above the all-India average of 42.8. The major parameters considered for this rating are number of bank branches, deposit and credit penetration.

Karnataka state has presently 6653 bank branches, of which 80 per cent are commercial banks and 20 per cent regional rural banks. In addition, there is a large network of cooperative credit institutions, which provide short and long term credit for farm and non-farm activities. Due to high density of the bank branches, the population per branch is less compared to other states. Their performance, district-wise, is evaluated by using the composite index. The composite index is developed based on number of branch offices, population, area and density of villages. It is revealed that Udupi district has highest density of branch offices and high C-D ratio, followed by Bangalore Urban. Across the state, the districts of Bidar, Chamrajnagar, Gulbarga, Bangalore rural, Koppal and Raichur stand in descending order in regard to poor performance in density of branch net work as well as C:D ratio.

The state's intervention in credit policy at different levels has helped to design various credit related development programmers for weaker sections, including scheduled castes/tribes. In addition to this, the state has created an exclusive institution i.e. Dr B R Ambedkar Development Corporation limited in order to provide credit exclusively to scheduled caste and tribes. This section begins with a discussion on, the credit flow across sectors will be discussed, which will be followed by a review indebtedness of households of various social groups in the state, and what follows that will be a discussion on credit accessibility.

Credit Advance to Priority Sector and Weaker Section

In order to balance credit flow to various sectors and stakeholders, the Apex bank, i.e. the National Bank for Agriculture and Rural Development (NABARD) prepares the credit plan from time to time keeping in mind all the stake holders, and the plan so prepared channelizes the available credit across banking institutions to the sectors. Further, it monitors credit flow to priority sectors and vulnerable sections. Similarly, State Level Bankers' committee (SLBC) reviews credit flow to the different sectors through its lead bank offices at the district level. From the following table (table 4), it can be observed that in the six years (2006 to 2011), the credit advanced to priority sector was more than 40 per cent of the total credit advanced by the banks in the state. Within the priority, sector the credit provided to weaker section varied from 9.7 per cent to 11 per cent. Thus, around 10 per cent of the total credit was provided to weaker sections. Similarly, the credit provided to Scheduled caste/tribes varied from 2.4 to 3.8. However, the subsequent years witnessed a slight decline in its share in total credit, in spite of the financial inclusion programmes (Veerashekharappa 2011).

Table 4: Distribution of Credit Across Purpose

Purpose	Year					
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
SC/ST Adv	2.9	2.4	3.8	3.4	3.0	3.1
MSME	6.4	6.0	10.6	10.9	14.0	15.8
Weaker Section	11.0	10.2	10.4	10.4	9.7	10.7
PSA	45.3	43.7	44.1	46.2	42.4	41.3
Total Credit (Crs)	85714	107724	131500	155409	213983	255983

Source: RBI Annual Report

Sources and Purpose of Borrowings

In spite of the better status of banking networks and expansion of credit by the formal banking institutions in the state, borrowing from informal credit institutions still continues and the volume of informal credit is also going up. . From the following table (table 5) it can be observed that the share of formal banking institutions in total credit is 52.2 per cent and that of informal sources 47.8 per cent. This is very low compared to the national level average. Within the formal sources, the commercial banks have a larger share, followed by cooperative banks. Among the informal sources, a major portion, i.e. about one-third is sourced from money-lenders and the rest from relatives and friends.. The average amount of loan outstanding from formal banking institutions is Rs 41 thousand or more, whereas the average loan from informal sources is Rs 16,000, which is less than half the former though the cost of servicing was found to be is expensive. For instance, the interest rate charged by the commercial banks is 12 per cent PA, whereas, the informal lenders charge 36 to 60 per cent, which is almost three times the commercial bank interest rate. Thus, while the proportion of loans from the informal lenders is much lower than from formal sources, the interest rates they charge is quite high. Also, an unholy nexus between loan and labour seems to exist.

Table 5: Loans Outstanding from Different Sources: Karnataka

Loans Outstanding from Different Sources : Karnataka				
Sources of Credit	**Shares of Loans**	**Average amount of loan outstanding (in Rs)**	**Median loan outstanding by sources (in Rs)**	**Model rate of interest (in Percent)**
Government	1.51	31044	20520	14
Co-operative banka	21.23	19698	10235	18
Com. Bank	29.48	41989	15000	12
Formal Source	**52.22**	**32620**	**14985**	**12**
Money lenders	29.74	16599	10000	36
Trader	4.33	10631	6350	36
Relative and friends	10.37	16119	5000	0
Others	2.61	20349	11000	36
Informal Sources	**47.78**	**16074**	**8240**	**36**
Total	**100**	**24707**	**10000**	**36**

Sources: Nature and Dimensions of Farmers Indebtedness in India and Karnataka, ISEC, working paper 267

Generally, the purpose of borrowing can be classified into two types:; income generating activates (IGA) and non income generating activities (NIGA). Of the total borrowing, 78 per cent was being borrowed for the purpose of IGA and rest was for NIGA. Out of the total borrowing from formal banking institutions, the largest share was used for IGA, but this was reverse in the case of informal credit sources. Seventy-seven per cent of funds for income generating activities were borrowed from formal institutions and the remaining 23 per cent from informal institutions, whereas for NIGA it was the reverse, i.e. 60 per cent was borrowed from informal credit agencies.

Table 6: Purpose of Loan Borrowed

Purpose for which loan has been used: Karnataka						
Purpose	Share of Loans	Sources of Loan from (in %)		Average amount of Loan outstanding (in %)	Median Loan Outstanding (in %)	Modal interest rate (%)
		Formal	Informal			
Income Generating Activity	78.04	77.16	22.84	27795	12500	12
Non Income generating activity	21.96	39.48	60.52	17713	8000	36
Total	100	68.89	31.11	24707	10000	36

Credit access to Scheduled castes

Earlier in the paper, we have already deliberated on the share of credit provided to SC/STs in the total bank credit. In this section, we specifically examine the credit accessibility of scheduled caste population in the state by drawing comparison with the credit accessibility other castes. The incidence of debt reflects the household economy of the borrower. From table 7, it can be observed that the incidence of indebtedness is lowest among the scheduled castes compared to the other caste households including women headed households (WHhs). Why it is so? Normally, most scheduled castes households make borrowing either for consumption or investment purposes. Borrowing from formal banking institutions needs pledging of assets as collateral; informal lenders also examine the repayment capacity of the persons prior to providing loans. As most of the scheduled caste households are wage labourers, they neither have assets nor surplus from wages to meet the repayment schedule of the loan. Due to this reason they are unable to access credit from formal banking institutions.

The incidence of indebtedness across the social groups shows that around 69 per cent of backward classes are indebted, followed by 59 per cent in general category followed by STs, WHhs and SCs in descending order. For both the backward class category and the general category, the incidence of indebtedness is high. Therefore it can be surmised that asset holding households have better access to credit and also high incidence of indebtedness. Similarly, the amount outstanding per loan is highamong the general group households while it is low among the scheduled caste households (about Rs 11,455). Regarding the sources of borrowing, it is seen that 31 per cent of borrowings are from informal credit agencies and 69 per cent are from formal banking institutions, but this proportion is found to vary across social groups. The other caste have only 18 per cent of borrowings from informal credit agencies, and the proportion increases in ascending order: OBC, followed by WHhs, Sts and SCs. Across the social groups, a relatively high percentage of borrowings of scheduled caste is found to be is from informal credit agencies compared to other social groups. The borrowings are generally used for both Income Generating Activities (IGA) and Non Income Generating Activities (NIGA). It is seen that 31 per cent of the total borrowings was used for NIGA and 69 per cent for the IGA, though this percentage varied across social groups.. The scheduled caste and women headed households used 41 per cent of the borrowings for NIGA, whereas households belonging to other social groups used only 22 per cent for NIGA. It is therefore clear from the above that Scheduled caste households have high incidence of indebtedness, have relatively high borrowings from informal credit agencies and also incur high cost for using credit, which is high compared to others.

Table 7: Debt Structure Across Deprived Class: Karnataka

Debt structure across deprived class: Karnataka							
Social groups	**Incident of indebtedness**	**Sources of loan**		**Loan used for**		**Amount outstanding per loan**	**Model interest rate**
		Formal	**Informal**	**IGA**	**NIGA**		
ST	57.16	61.42	38.58	65.3	34.7	16579	0
SC	51.88	51.94	48.06	59.5	40.5	11455	36
OBC	68.96	53.67	46.33	65.3	34.7	21142	36
Others	58.7	81.86	18.14	77.6	22.4	34238	12
W Hhs	54.4	53.23	46.77	59.4	40.6	19389	36
Total	**100**	**68.89**	**31.11**	**69.4**	**30.6**	**24707**	**36**

Sources: Nature and Dimensions of Farmers Indebtedness in India and Karnataka, ISEC, working paper 267

Note: St=Scheduled Tribes; SC: Scheduled Caste; OBC: Other backward class;
W Hhs: Women headed households. IGA: Income Generating Activities; NIGA:
Non-income generating activities.

Landholding Pattern of Social Groups

Land ownership gives security for livelihood activities at the household level as well as economic and social status in the society. According to table 8, 71 per cent of the households have small and marginal land holding and 29 per cent households have medium and large landholdings. Across social groups, 88 per cent of scheduled caste households have small and marginal land holdings and around 12 per cent have medium and large land holdings. Again, the number of households having small and marginal land holdings is high among scheduled castes compared to other social groups. Among the total SC land holding households, 70 per cent have marginal land holdings whereas the others social groups have only 33 per cent households with marginal land holding.

Table 8: Share of Deprived Class Across Different Groups of Farmers: Karnataka

Share of deprived class across different groups of farmers: Karnataka						
Land holding size	**Schedule Caste**	**Scheduled Tribes**	**Other Backward class**	**Others**	**Women headed household**	**Total**
Marginal	70.3	66	53.3	33.25	37	48.6
Small	17.8	17	22.5	25.59	46	22.68
Medium and Large	11.9	17	24.1	41.15	16	28.72
Small + Marginal	88.1	83	75.9	58.85	84	71.28

Sources: Nature and Dimensions of Farmers Indebtedness in India and Karnataka, ISEC, working paper 267

Dr Ambedkar Development Corporation Ltd

With a view to uplift the scheduled caste and tribes economically, Government of Karnataka (GOK), had established the Scheduled caste and scheduled Tribes Corporation in 1956 under the Companies Act which was renamed as Dr. B.R.Ambedkar Development Corporation Limited in 2005. At present this Corporation is implementing development programmes exclusively for the Scheduled Castes. Under this scheme, economic assistance in the form of credit is provided to take up a Self employment Programme, ISB activities; NSCFDC also provides direct loans for these activities. Similarly for development of land, schemes like Ganga Kalyana community irrigation scheme, Micro finance and the scheme for identifying and rehabilitating are integrated with livelihood programme. Thus, the corporation is financing both farm and non-farm activities. The activities identified for financial support under self-employment vending of Fruits, Vegetables, and flowers. In recent years the mobile repair shops also being given economic assistance.

Gangakalyana Irrigation Programme

This is a novel irrigation scheme designed for small & marginal farmers by providing irrigation facility for dry lands. This scheme provides free financial assistance to both individual and community irrigation schemes. The community irrigation schemes are provided for the benefit of the marginal and small farmers. According to table 10, in 12 years period around 10,000 bore wells were drilled, benefitting around 30,000 farmers and covering 50,000 acres. However, it has been observed by studies that the community wells could not become successful; hence it is replaced by individual bore well scheme.

Table 10: Irrigation Provided under Gangakalyan

Year	Bore wells drilled	Acres covered	Share of achievement since beginning	Share of the amount spent in the year	Average beneficiary per bore well	no of acres per bore well	expenditure per bore well
1995-96	633	3795	6.7	1.4	3	6	27093
1996-97	3423	19546	36.3	15.4	3	6	55545
1997-98	3836	18776	40.6	23.1	2	5	74398
1999-2000	176	1250	1.9	14.1	3	7	992398
2000-2001	483	2116	5.1	21.0	3	4	537855
2001-2002	245	980	2.6	6.4	2	4	322535
2002-2003	157	628	1.7	3.7	3	4	294229
2003-2004	188	776	2.0	2.3	1	4	148005
2004-2005	199	671	2.1	3.0	2	3	189090
2005-2006	32	131	0.3	0.7	3	4	273344
2007-2008	28	50	0.3	0.1	4	2	58036
TOTAL	**9400**	**48719**	**100.0**	**100**			

Conclusion and Suggestions

The paper bring out that, under repression approach, the state intervention has brought a change in functioning of the banking system and accessibility of credit facilitated to the marginal groups as well as scheduled castes. But with the introduction of reforms in the banking sector, credit is now skewed towards the better off section to the neglect of the poor sections.. In the process the gap between demand and supply of credit to the poor households has widened. It is seen that within the poor, the scheduled caste groups have comparatively low indebtedness, particularly with formal institutions. This is understandable given the fact that their access to credit from formal institutions has always been lower than that of other groups. . The indebtedness of the scheduled castes is largely due to borrowing from informal credit institutions with high interest rates. The performance of the entities created to support the scheduled castes economically is not impressive, though many people have different opinions on this. Therefore, there is need to establish the relationship empirically and examine whether such institutions indeed provide credit support for improving household economy of scheduled caste as well as poor households of other groups.

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