

**CRED IT SYSTEMS IN RURAL AREAS:  
A STUDY IN BHARUCH DISTRICT OF GUJARAT (INDIA)**

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## **CREDIT SYSTEMS IN RURAL AREAS:**

### **A STUDY IN BHARUCH DISTRICT OF GUJARAT (INDIA)**

Credit is a device facilitating the temporary transfer of purchasing power from one individual or organization to another. Whenever income is less than consumption, there is a need for credit. In rural areas, people take loans for purchasing food and medicine, for agriculture purposes and for socio-cultural responsibilities.

#### **PURPOSE OF CREDIT**

##### **Consumption Credit**

Consumption credit is normally defined as loans used to purchase items for family consumption such as food, medicines, festival celebration and marriage. Generally, landless and small farmers income is less than their consumption, therefore these are the main groups who require credit for home consumption. However, the majority of studies show that the amount of credit accessed by leaseholding and marginal farmers is very low. Also, the proportion of leaseholding farmers who access loans is very low. This does not mean that they do not require loans. The reality is that they always need credit for their home consumption, but their accessibility to credit is very low as they do not have any resources to provide guarantees against the loan.

On an average in rural Bharuch district, family income per year is Rs.15,395 (Household Study by AKRSP for Baseline Monitoring, 1995). Though their requirement is very small, they still face a great deal of difficulty in getting credit. They always have to depend on informal sources such as money lenders, where they have to pay much more interest in the absence of assets as a guarantee. Another reason for the difficulty in getting loans is because of their low repayment capacity.

##### **Production Credit**

Production credit normally refers to loans used for the purchase of inputs for production. Farmers, for example, take credit for the purchase of seeds, fertilizers, water, labour etc. Availability and timeliness of credit for inputs can help farmers lessen many risks.

#### **SOURCES OF CREDIT**

##### **Formal**

Formal sources of credit are those which follow predetermined rules which are applicable to all borrowers. Banks, cooperative societies, and government departments are some of the formal sources of credit.

Formal credit agencies tend to have a much more bureaucratic form of administration. The borrower has to fill up forms and get many certificates. It is also necessary to get a witness who gives a guarantee for the loan. Many times, these procedures are beyond the understanding and reach of the rural villager.

##### **Informal**

Informal sources include people such as money lenders, shop keepers, friends, and relatives, where word of mouth has much more influence. Credit is given as per the wishes of the giver on her/his terms and conditions, looking at the repayment capability of the borrower. Usually, in the informal credit market, the rate of interest is quite high.

The money lender is most frequently a small trader who sells and buys goods to farmers and extends credit as part of those operations. Often, he is a prosperous peasant farmer. While formal institutions hesitate to give loans to the landless labourers, money lenders readily give them loans at any time without any formal conditions and guarantees. They are able to do this because they have other simultaneous relations with the landless. They keep landless labourers for work and they buy their product and sell goods to them. This enables the money lender to have some control over them. Also, the money lender belongs to the same geographic area, and therefore he/she has full information about the borrower.

The money lenders' way of operation is generally simple. Often the loan is made on the spot, perhaps on an oral basis. Later on, some type of note is taken. The procedure is simple and quick. However, as far as informal credit systems are concerned, the rate of interest is usually very high.

## **THE CREDIT PROGRAMME OF AKRSP (I)**

The Aga Khan Rural Support Programme (India) [AKRSP (I)] realized the credit needs of rural society, especially the poor classes, during the formation of Village Institutions (VI) for men (Gram Vikas Mandals - GVM) and for women (Mahila Vikas Mandals - MVM). Through village institutions, credit programmes were implemented in all three of AKRSP(I)'s programme areas: Junagadh district (salinity ingress, depleting ground water, degradation of forested land), Surendranagar (drought prone, low fertility soil), and Bharuch (high soil erosion due to dwindling forest cover, undulating terrain). This report will focus on credit in Bharuch district. To address credit and savings needs, credit programmes along with savings programmes were introduced in Bharuch region, which can provide sustainable support for this purpose (see table 1 A).

Over a period of time it is proven that if efforts are made, even the poorest of the poor can save some amount which can become a source to avail credit in the critical periods (Annual Progress Report, AKRSP (I), 1996, p.16, 17). There is a realization among rural communities in Bharuch that the habit of saving can help them to start their journey towards sustainability. Saving at the institutional level provides them credibility with banks and other formal government institutions. Individual small savings in a group can become large assets with which to acquire extensive loans from the formal sources. In the AKRSP managed cooperative societies, credit is advanced against their savings. The amount of money an individual can draw is up to 80% of their savings. Also, if an individual does not have savings on her/his own name, he/she can have another member of the GVM/MVM apply for a loan on his/her behalf. This person will guarantee the loan on his/her name. However, if he/she takes out a loan on behalf of another person, then he/she cannot also take out a loan for himself/herself as well.

In rural areas of Bharuch, where illiteracy is a major handicap for women, savings and credit programmes are usually looked upon as men's programmes because these programmes require some basic knowledge for counting. There is a myth that men can handle the money more efficiently than the women, while in reality, women play a very important role in the total scenario. Women have the habit of saving some money from the household expenditure to face unexpected calamities. Their ornaments are a form of savings which can be encashed any time. The majority of rural women are involved in economic activities, and they contribute significantly to the household income. They also have to take care of household members (particularly to provide food and to look after household members during sickness) and make arrangements for the celebrations of festivals.

Also, they are a part of the production process. They have to make arrangements for inputs. To an extent, they have control on homestead fields where they often grow vegetables and fruit trees. Many times they need inputs for vegetable crops and inputs for fruit trees. Besides common household needs, they have personal needs as well, such as helping their friends and relatives, purchasing assets, and buying new technology which may improve the quality of women's life. Thus, it is crucial to understand the credit and savings needs of women. AKRSP(I) encourages women to save even amounts as small as Rs.1 0 through Mahila Vikas Mandals (Women's Groups), so that they can have access to credit. Their savings are an asset with which to avail loans. In the past, women were able to utilize loans from Mahila Vikas Mandals for consumption and production purposes. The potential exists for women to use their savings for income generating activities, and this needs to be encouraged.

**Table 1 A**  
**Credit Programme of Village Institutions in Bharuch District, 1987-1995**

Year	No. of persons	Credit (in Rs.)	%	Repayment
1987	143	58215	89	51811
1988	162	500971	86	430835
1989	245	630680	96	605452
1990	207	689446	80	551556
1991	131	669032	60	401419
1992	209	518486	72	373309
1993	425	824000	70	576800
1994	1400	800000	30	240000
1995	1539	1554000	100	1554000
Total	5461	6244830	76	4733371

#### **OBJECTIVES OF THE STUDY**

Having understood the background and context of the credit situation in Bharuch, it was felt that there was a need for further investigation into the existing credit systems in rural areas. The Eastern part of Bharuch district of Gujarat is a tribal area, where the majority of the population live below the subsistence level. AKRSP(I) is working in this area. The objective of the study are as follows:

1. The examine sources of loans for the rural communities, particularly the underprivileged.
2. To examine the purpose of loans.
3. To understand decision making processes for the availability and utilization of the loan.

4. To examine the role of women in the rural credit system.
5. To examine the impact of AKRSP introduced credit programmes.

### **RELEVANCE OF THE STUDY**

This study should help in understanding the credit needs of people, priorities and time limits for availability of loans, and repayment systems. These issues will help to modify and expand the programme in the right direction.

### **STUDY AREA**

The study area is predominantly a tribal area with an 85 per cent tribal population. The remaining 15% of the population are non-tribal traders and shopkeepers. The majority of tribals are living in poverty. They are either landless or small farmers. The area is mainly rainfed and often provides only one crop in a year. Most of the population migrates seasonally to nearby towns or sugarcane areas to work as daily wage workers. The benefits of educational institutions and government jobs have gone to a few, relatively well-off tribals. Diamond polishing centres and stone quarries are new sources of income, particularly for youths in the area.

In agriculture, right from the cleaning of the land up to the storage of different farm products, the labour component constitutes around 80% of the total cost required. However, much of it is borne by the labour from the family of a farmer for which necessarily no payment is given. Only for weeding and haNesting is labour from outside of the family hired and paid wages. The wages are paid in both cash (Rs.15- Rs.20) as well as in other material goods i.e. food, tobacco or Bidi (Chungi) for the day the work is on. The expenses incurred in hiring labour from outside is also marginal as most of the wage component is not in the form of cash payment. The monetary component of the wage is rotary, so that labour is exchanged within households and consequently, wages which are paid in the present are earned back again in the future. The labourers hired during haNest operation are mostly paid in terms crops. People preseNe some of the last year's crops for seeds, except in the case of new high yielding hybrid varieties, which they seek from the market. The members of the AKRSP(I) managed institutions at the village level take out loans against their savings for meeting their inputs (seeds, fertilizers and pesticides) needs.

The various sources from which people seek credit are GVMs, MVMs, jewellers, shopkeepers, banks, friends and relatives, and neighbours. The system of borrowing within villages has been prevalent in this area for many years. The system followed depends on the requirement of an individual. When their income is not enough to fulfill their needs or necessities, people tend to borrow money. Generally, it is for agriculture purposes that people borrow. However, consumption, health, education, and social customs also figure among the reasons.

Including all sources, the average per family annual income of the sample is about Rs.15,395 (Household Study by AKRSP for Baseline Monitoring, 1995). In small quantities, local people, need credit to fulfill their day-to-day needs. Often ornaments, utensils and land are kept as security for availing loans, Women also borrow money on their own during emergencies such as sickness or scarcity of food.

The villagers in this area suffer from a cash flow problem. Due to the nature of the agricultural economy, farmers are short of cash during certain times of the year and thus borrow money to fulfill their requirements. These loans will be paid back in the future. Whenever farmers are in need of cash, they will take out such loans and then pay them back at a later time. It is important to note that an indefinite accumulation of debt does not occur. The agricultural economy in this district causes a cyclical phenomenon whereby loans are taken out when needed, paid back, and then taken out again.

## METHODOLOGY

"This study was conducted in eight villages located in AKRSP (I) programme areas: Patikheda, Kabripathar, Bedada, Moskut, Sajavar, Ghanikut, Mojara. The purposive sampling method was used for the selection of villages in order to get a representation of all physical locations. From each village five members from Village Institutions (VI) and two non-members were selected. Both members and non-members come from similar economic backgrounds. To get the women's view on the credit system, 10 women members from three women's groups (MVM) and 7 non-member women were interviewed. These sample women are part of the total sample. A total of 40 VI members and 16 non-members were interviewed. Quantitative information was collected through schedules, while discussions and qualitative information were collected through informal discussions and key person interviews.

**Table 2**  
**Sample Size**

Type of farmers	Members	Non-members	Total
Leaseholding & Marginal farmers	13	10	23
Small farmers	16	6	22
Medium & Large farmers	11	--	11
Total of all classes	40	16	56

Source: Fieldwork for "Credit Systems in Rural Areas", 1996.

## FINDINGS OF THE STUDY

### Source of Loan

Formation of Vis by AKRSP have provided an easy source of credit with low interest rates to the members. Members use Vis as a major source of credit. Table 3 shows that 40 sample members have borrowed money 183 times during last five years (1991-1996) of which 79 (43 per cent) times loans were taken from Vis. Interestingly, out of 79 instances, MVMs provides loans 23 times. VI members also became aware a\_out banks, and in comparison to non-members more frequently received loans from these banks.

**Table 3**  
**Source of Loan in Percentage to Total Frequency (1991-1996)**

Source of Loan	Members	Non-members	Total (Members & Non-members)
GVM	30.5	0	24.7
MVM	12.5	0	10.1
Jeweller	12.0	27	15.0
Grocery Shop Keeper	21.0	23	21.5
Bank	10.0	2	8.4
Friends & Relatives	14.0	48	20.3
Total Percentage	100	100	100
Total frequency of credit	(1 83)	(44)	(227)
Average frequency of credit	4.5	2.8	4.1

Source: Fieldwork for "Credit Systems in Rural Areas", 1996.

Table No.3 shows that members used Vis (GVM & MVM) as a source of credit. During the last five years 40 members availed loans 183 times, of which 43 per cent were Vis. Members also became aware about banks. From the table, it can be seen that the bank's contributions were 10 per cent against 2 per cent in the case of non-members. However, members still seek help from jewellers, grocery shopkeeper and friends and relatives. Only two per cent took credit from the formal institutions like banks. About half the time, non-members borrowed from their relatives and friends. Members used this source only one-seventh of the time. The trend shows a shift from friends and relatives to the village institutions (GVM & MVM). Women have separate village institutions called Mahila Vikas Mandals, where they do regular savings and rotate credit among themselves. As an extension of village institutions, Self help Groups (SHG) for males and females separately were also formed. These SHGs are linked with banks, which provide them with credit facilities.

Loans are availed from informal sources such as local traders and jewellers by mortgaging jewellery, brass utensils and land. The person who has commodities to mortgage pays comparatively less interest (5 per cent per month) than the person who borrows money without mortgaging anything (10-12 per cent per month). When people fail to avail loans from any sources, they make arrangements by selling utensils, ornaments, animals or birds. Whenever people have extra money, they invest in the above items so that they can be cashed if necessary.

## Utilization of Loans

The total frequency of borrowing money for sample members and non-members was 227 times. As far as the amount of the loan was concerned, 56% of the total borrowed amount was utilized for purchasing agricultural inputs, and 44% was used for consumption (see Table 4). Loans taken for consumption purposes were mainly used for the purchase of food and sometimes for social purposes such as marriage, religious obligations and performance of rituals after the death of a relative. Rarely was the loan money used for health and there are very few cases when money, was borrowed for the purpose of education. Table 5 indicates that the main priority for loans is to purchase agriculture inputs and food.

**Table 4**  
**Purpose of Loan**

Purpose of Loan	Frequency of Loan	Total Amount of Loan (in Rs.)
Production	117 (51 %)	105563 (56%)
Consumption	110 (49%)	83437 (44%)
Total	227 (100)	189000 (100)

Source: Fieldwork for "Credit System in Rural Area", 1996.

**Table 5**  
**Purpose of Loan for Consumption**

Type of Consumption	Frequency of Loan
Food	67 (61 %)
Social	27 (24%)
Health	10 (9%)
Education	6 (6%)
Total	110 (100%)

Source: Fieldwork for "Credit System in Rural Area", 1996.

## Land-Holding Size and Amount of Credit

The area is rainfed and the farmers use a very small amount of chemical fertilizer and pesticides. However, even to apply a small quantity of fertilizers they have to borrow money. Usually, farmers save some portion of their previous years' crops to use as seeds in the coming year. In critical years, though, they fail to do so and have to borrow money even to buy local seeds. Loans are taken from the local traders in the form of agricultural inputs or in cash. Farmers also borrow for long term investments such as digging of wells, levelling their fields, buying livestock or agricultural implements.

Money is also borrowed for home consumption such as buying food, medicines and celebrating social occasions. For food purposes, people get items such as grain, flour, sugar, oil etc. on credit and pay later on with interest. Usually women go to get food items in the evening when they come back from the fields. At night, they cannot see the quantity and grocers measure less than what is expected. Illiterate women especially cannot keep account, and therefore many times pay more money than they should.

Generally, large landowners were found to be utilizing their loans to purchase agricultural inputs. Small landowners and landless villagers, in contrast, use their loans to fulfil domestic consumption. However, if a landless villager is able to lease land from a large or medium landowner, then he too will begin to spend more of his money on agricultural inputs (see Table 6a).

**Table 6a**  
**Landholding-wise Amount of Credit During Last Five Years (1991-1995)**

Type of farmers	Number of sample families	Total amount borrowed (in Rs.)	Per family average amount of loan
Lease holding and marginal farmers	23	51384	2234
Small	22	76600	3482
Medium & Large	11	61016	5547
Total	56	189000	3375

Source: Fieldwork for "Credit System in Rural Area", 1996.

**Table 6b**  
**Landholding-wise Frequency of Credit During Last Five Years (1991-1995)**

Type of Farmers'	Frequency of Loan (Frequency! Farmer)	Average Frequency	Average Amount of Loan Borrowed at One Time (Total Amount Borrowed! Frequency)
Leaseholding & Marginal	84	3.65	612
Small	110	5	696
Medium & Large	33	3	1850
Total	227	4.1	832

Source: Fieldwork for "Credit System in Rural Area", 1996.

Table No.6a shows that farmers with larger land holding are receiving more credit than those farmers with smaller land-holdings. While a leaseholding farmer borrowed only Rs.1,883 in five years, a large farmer borrowed Rs.5,547. This shows that there is a big gap between lower and higher economic classes. As mentioned earlier, larger farmers need loans for higher investments, such as well-digging

or the purchasing of pumps, while lease holding and small farmers require loans for day-to-day needs such as food and medicines. The marginal farmers borrowed less amounts than the small farmers as they needed less inputs. There is not a great disparity between the amount borrowed at a time by lease holding, marginal and small farmers. Large farmers, however, borrowed three times as much, on average, than the other three classes.

Table No.6b shows that small farmers borrowed more frequently than the leaseholding and the large farmers. The reason for this is that the smaller farmers do not have as much access to credit while large farmers do not need credit more frequently. On average, per year, a village family borrows Rs.832 at one time. Large and medium landowners obviously borrow much more at one time (Rs.1850), in order to fulfil their greater demands for agricultural inputs.

For a poor person, it is always difficult to get credit because he or she does not have any security to be granted for the credit. This does not mean that they do not have credit needs. In fact, their needs are very crucial and urgent. Their limited access to credit facilities leads to a lower frequency. of credit. Their needs is mainly for household consumption and medicines.

### **Requirement and Receipt of Credit**

There is a large gap between the requirement of loan and actual receipt of the loan. On an average, people received 50 per cent of the actual requirement from all sources. 30.2% of this 50% comes from GVMs, while 12.5% comes from MVMs. As per the sample study of all categories, average per year per family loan requirement was Rs.1660, while the actual receipt of the loan from all sources was Rs.822 (Fieldwork for Credit Systems in Rural Areas, 1996). Obviously, measures need to be taken to increase the percentage of the actual requirement that is received by these farmers. This will be discussed in later sections.

### **Interest Rate on Credit**

AKRSP(I) formed Village Institutions charge only two per cent simple interest per month which comes to 24 per cent per year. On the contrary, local jewelers and grocers charge 5 to 7 per cent compound interest per month. Even if the borrower cannot pay the principle amount at the end of the month, he/she has to pay interest. In the case of a failure to pay the interest, payments of interest will be compounded. This way, the borrower ends up paying per annum 80-125 per cent interest on the principle amount. In the informal system, interest rates are different. If a villagers' possessions are mortgaged, then he/she is required to pay 5-7 per cent interest per month, and if credit is taken without mortgaging anything, the borrower pays 50 per cent interest for six months.

Most of the time, loans are given by the local money lender on 50 per cent simple interest for six months. Even if the borrower wants to repay earlier, she/he still has to pay 50 percent interest. Early repayment does not reduce interest rates. On the contrary, if the person pays after six months, she/he has to pay double the principle amount and the interest rate for the extra period. Many farmers borrow bullocks from their neighbours based on the understanding that instead of direct payment, the bullocks will be fed for the duration of their use. The borrower also has to spend money on transport when he/she goes to receive and pay the credit. If the transportation cost is also considered, the borrower ends up paying more than just the interest rate.

## Decision Making for Utilization of Credit

Table No.7 indicates that women play a major role for deciding the utilization of credit for food and health while men play a strong role in the utilization of loans for investments and agriculture inputs. In the purchasing of clothes, both have almost equal participation.

**Table 7**  
**Role of Men and Women in Decision Making for Utilization of Credit**

Expenditure Items	Percentage of Cases When Decisions Were Taken By		
	Men	Women	Both (Men & Women)
Food	11	55	34
Clothes	20	18	62
Health	9	52	39
Agriculture	46	17	37
Investment	50	7	43

Source: Fieldwork for "Credit Systems in Rural Area", 1996.

## Credit Cycle

Except for emergencies and sickness, people need credit only during certain period of the year. This study indicates that from April to May credit is required for agricultural inputs for Kharif crops. During this period the farmers start exploring sources for purchasing good seeds and fertilizers; sometimes they require money for ploughing the field. In this period, credit is required all at once. From mid-July to Mid-September loans are required for weeding purposes, for which farmers have to hire labourers. These loans can be taken in installments. October and November are harvesting period, and till January and early February the products are marketed. At this juncture, people usually repay the major portions of their loans. In the case of crop failure, however, they have to postpone repayment of loans. In November and December, loans may be required again if the farmer is planning to take Rabi crops. After Rabi crops, minor repayment of loans take place. During the year, loans must also be taken out for non-agricultural purposes. From May to September, when the farmer has finished their food grain from the previous year and the new crops have not yet come, credit is required for food consumption. At the same time, sickness is very prevalent at this time of year due to the monsoon season. Thus, credit is also needed to purchase medicine. October to March is the festival and marriage season. Loans are taken out in case of marriage or other religious functions which have to be performed.



## LESSONS LEARNED

Unless and until consumption needs are fulfilled it is difficult to encourage people to use loans for production purposes.

External credit systems have had negative effects on many villagers. Borrowers end up paying very high amounts of interest, which results in a low rate of saving and thus, a renewed need for credit. This causes many borrowers to be trapped in a vicious cycle of borrowing. Villagers who have become members of village institutions use these institutions as a source of loans. Village institutions provide members with loans at a much lower interest rate. Also, for the villagers, these loans are much easier to access. AKRSP can form many such village institutions for easy access to credit. By doing so, dependency on private money lenders for loans can be reduced.

As per the mission statement, AKRSP works for the underprivileged. Thus it is extremely important for AKRSP to continue creating systems which can provide credit to the underprivileged (leaseholding and small farmers) in an accessible, efficient way.

Within each of these village institutions, the actual requirement of credit and its purpose should be studied so that the credit amounts can be provided effectively and precisely, as per requirements. Many times, because villagers have not received precisely the amount of money which they need, they end up utilizing their money for different purposes. The original credit need is not fulfilled. For example, a farmer required Rs.7,000 for a diesel pump. If this farmer only receives Rs.6,000, then he cannot afford the pump, and he may end up spending the money on some other item such as social festivity or a luxury item.

Women are the main decision makers for the utilization of loans for food and health purposes. This indicates that there is a need for an increased number of women's groups which provide the facility for savings and credit. Women will then be able to have easy access to loans. Since health expenditures form a major part of women's spending decisions, basic health and hygiene should be discussed in these women's groups meetings. Traditional knowledge of medicine, where effective, should be encouraged since it is one means to reduce women's monetary expenditure on medicine. Additionally, in order to save more money, women should be educated (in these women's groups) as to the proper means of measuring and weighing goods so that they aren't cheated by local shopkeepers.

People should be encouraged to save the maximum amount possible so that their dependency on outside credit will decrease. If they can take out loans from their own savings within the village institutions, then the interest rate they will be required to pay will be much less, and these villagers can avoid external credit systems (outside of the village). Villagers who have the tendency to spend more money when they have extra income should be encouraged to save this additional money within village institutions. This will reduce their credit needs, and provide funds for them in case of contingencies such as lack of employment in the lean employment season.

Uncertainty of agricultural production leads to a low repayment of loans. Credit programmes should be supported by an intensive agricultural extension programme.

Decision about the utilization of loans for production activities are mostly taken by men, while decisions about utilization for consumption are taken by women. There is a need to increase the awareness of women and men both so that women can actively participate in the decision-making process for production activities, and men can increase their participation in consumption activities.

The credit cycle of each region should be studied thoroughly before introducing credit facilities so that loans can be made available in time.

#### **CASE STUDY ON CREDIT AND BORROWING**

Narottam Damania, a resident in Khabji village in Dediapada Taluka of Bharuch district, own 1.5 acres of land. His life has been filled with hardships. Managing a family of four (two children, along with his wife), has not been easy. Occasionally, migration to distant places like Surat, Ankleshwar, and Bordeli have provided a means of disposable income.

AKRSP provided employment opportunities by means of SWC programmes in his village. Consequently, he was able to save Rs.1500. Narottam thought of opening a shop as means of earning a living, but financing this venture was the major constraint.

Attempts were made by Narottam to finance his business through the SBBB(SuratBharuch Gramin Bank) at Sejpur. However, this was unsuccessful. When he contacted bank officials, they were reluctant to advance loans on account of the fact that his village had a poor repayment capacity. A loan had been taken out by residents of the village in 1992 for buying milch animals, but these loans had yet to be paid back.

Ultimately, Narottam contacted the local GVM secretary. The matter was discussed with the chairman and committee members. They agreed to advance Narottam a loan of Rs.5,000.

Narottam has now opened up a tea stall in Thawa, a nearby market place (5 km from the village). He earns an income of around Rs.80-100 every day. He is no longer migrating to find labour, and he has started sending both of his children to school. He hopes to repay the amount in the next three months.

#### **CONCLUSION**

Borrowing is a crucial part of the rural, agricultural economy. In Bharuch district, low incomes and high uncertainty of rainfall for cultivation do not allow people to properly carry out their economic planning. For most people, earnings are just "hand-to-mouth", and thus it is difficult for them to save money. Also, they do not have a safe and reliable place to deposit their money, and therefore, they invest in assets. A simple, efficient, and accessible system is not available to most of these villagers, and thus they cannot invest their money in bank accounts. If such a banking system were available, then they could gain interest on their savings, and withdraw the required amounts of money rather than selling off assets. People simply do not have information and access to affordable sources of credit. If such private sources are available, then procedures are very complex and the rates of interest extremely high. This discourages people from taking out loans. Additionally, women's need for credit has to be addressed and realized. They play a major role in household expenditure decisions, and thus, they need to have an increased say in credit decisions as well.

AKRSP has formed village institutions in Bharuch district. It is evident from this study that these village institutions can provide efficient and effective credit to local villagers. The overall impact of these institutions on improving credit and savings within rural villages cannot be overstated. Such village institutions are integral to the rural economy in Bharuch district. This is a starting point. Concentrated, intensive efforts must be directed towards creating more and more village institutions which cater to the credit needs of rural villagers. AKRSP must continue their present efforts and increase the proportion of village institutions within Bharuch district. Additionally, it is crucial that the amount of credit which is provided within each VI be increased so that the requirements of local villagers are met. The rural credit problem is an extremely complex one which must be addressed immediately and carefully. The human element is a critical factor, and village institutions must be structured accordingly, so that the specific needs of the local villagers are addressed.

Credit has historically been a problem in Bharuch district. If AKRSP continues its development of village institutions in the region, then it is undoubtable that steps will be taken to overcome the "credit challenge".

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