

Worsening Economic conditions of Weaker Sections-Benefits of Economic Reforms bypassed them : K.Ramasubba Reddy

ABSTRACT

Economic development does not necessarily result in equitable distribution of the fruits of development. It often results in sectoral disparities, rural urban disparities, regional disparities and disparities among social groups. While some divergence in income distribution can be explained rationally in economic terms, continued widening of disparities is a cause for concern. The extent and reasons for the disparities should be gone into meticulously before they assume intolerable proportions and result in social tensions, economic deprivations and political upheavals. Timely and appropriate remedial measures need to be initiated to bring the national income distribution system back to the justifiable levels, before it is too late. Wise Statesmen do it, ensure economic equity and govern for longer time; unwise rulers ignore the danger signals and bring ruination unto the economy as well as unto them selves. In this paper, economic disparities that have occurred in the course of economic development in India, among social groups, are analyzed, conclusions arrived at suggestions for correcting gaping disparities are made.

SUMMARY

***Ownership of wealth in the form of income generating assets and employable education are the twin engines, driving production and acquisition of needed skills leading to self employment or getting into wage employment, which largely determine income levels.**

***In the survey of economic disparities in the social groups (SCs,STs,OBCs) wide variations are observed in incomes, expenditures, wealth, debt /bank credit and educational areas.**

i) Incidence of poverty is found to be highest for ST/SC group, BCs rank next in incidence of poverty. Poverty Incidence-1987-88 to 2004-05, STs/STs together are most poor with poverty ratio of 41% in rural areas 46% in urban areas; 88 per cent of the Scheduled Castes and Scheduled Tribes and 80 per cent of the OBC population belong to the poor and vulnerable group. Growth process has bypassed overwhelming population of the SCs and STs and OBCs. Common People, constitute more than three-fourths of the population consisting of all those whom the growth process has, by and large, bypassed

- ii) There is a rapid growth of middle class and the rich.
- iii) In the rural as well as in the urban areas, average asset-holdings per household are substantially higher for the 'Others' group than for the SC/ST group. The average monthly expenditure of a farmer household at Rs.2770 is higher than the monthly income of Rs.2115 indicates that the expenditure levels are higher than the income, especially for the small and marginal farmers.
- iv) Among the socially and economically backward groups such as SCs and OBCs, majority of the holdings are of less than a hectare. The SCs in particular have more than half of their holdings of less than half a hectare.
- v) Scheduled Castes and Other Backward Classes are more dependent on informal sources and loans are used more for consumption purpose than the "other" group.
- vi) The SC and OBC farmers are more likely to rely on informal sources of credit.
- vii) SCs have the highest share of loans for marriages, social functions etc; which are non-productive in nature, followed by the OBCs and the STs.
- viii) Banks' Finance for weaker sections up to March 2008 was only about Rs 1,34,000 crore against a target of Rs1,80,000 crore. The shortfall was Rs 46,000 crore. As many as 14 out of 28 public sector banks and 17 out of 23 private sector banks have not achieved the 18% target of agricultural loans as at the end of March 2008; likewise, as many as 15 public sector banks and all the 23 private sector banks have not achieved the 10% target of lendings to Weaker Sections. Shortfall of IDBI and ICICI Banks alone works out to 37%. Shortfalls in Agricultural and Weaker Section Loans is estimated at Rs 77,000 crore.**
- Small and micro enterprises are neglected too in dispensing credit. The National Commission for Enterprises in the Unorganised Sector (NCEUS) has recommended that loans to Small and Micro Enterprises (SME) should be enhanced to 10%. Presently the actual achievement is a mere 4.5% of NBC. **The shortfall works out to a huge amount of Rs 102,760 crore. These shortfalls in lendings to Agriculture, Weaker Sections and SME segment together add up to a whopping sum of about Rs 180,000 crore – roughly 8% of non-food credit outstanding as at the end of March 2008.**
- ix) **83% of households, having primary education, are in the poor and vulnerable group.** Among SCs/STs, the ratio of graduates and diploma holders is very low compared to the overall average ratio, resulting probably in lower income ratio too.

x) Unemployment rate is higher among SC/STs, both in rural and urban areas compared to the overall average rate of unemployment.

**** (Please see Annexure for detailed data analysis)**

Conclusions:

The analysis made brings out very vividly continuing widening of differentials in income levels among various social groups. Income is a function of possession of productive assets, education imparting needed skills either for self employment or wage employment. It is evident that the weaker sections' asset levels and educational levels are woefully inadequate to generate better incomes. Lack of availability of adequate credit from institutional sources, over dependence on non-institutional sources at high rates of interest and high level of borrowings for consumption purposes, are resulting in further erosion in incomes and these vulnerable social groups are entering into debt trap. Rural incomes being lesser than urban incomes for similar work and efforts and economic activities is quite evident with no rational explanation other than studied neglect of people living in rural areas since Independence. These undesirable characteristics and trends are likely to continue unless corrective action is taken promptly and decisively and adequately. Any delay might lead to economic erosion of real incomes thereby leading to social tensions and political upheavals.

Suggestions to better the economic conditions of the weaker sections

Solutions to improve economic conditions are to be based on enhancing the capacity of weaker sections' for self employment and wage employment. Capital and skills are needed to be self employed. And they don't have both. We will discuss measures needed to provide capital for self employment first and then discuss enhancing skills acquisition & capabilities subsequently.

(A) Measures to provide capital for self employment

We are now confronted with the problem of finding capital and are reminded of the famous saying of the noted economist and Nobel Laureate Ragnar Nurkse that "Poor are poor, because they are poor"! According to Prof. Ragnar Nurkse "the vicious circle of poverty" that runs from low income to low savings to low investment to low productivity and then back to low real income can be broken by an increase in savings and investments". The import of the statement is poor are poor because they lack savings and therefore can not infuse investments in income generating assets like land, production facilities and marketing arrangements*. So the

solutions start with finding money for buying income generating assets and as they are poor they can not buy these from out of their own savings.

(i)What then is the solution? The money is to be borrowed and institutions have to loan them funds. This is exactly the objective in introducing a sub limit of 10% for loaning to weaker sections*, in 1985, which sub limit covers, inter-alia, social groups of SCs and STs as well as economic activities by small & marginal farmers and rural artisans where preponderant majority of disadvantaged social groups get self employed. The intention is to provide finance by banks direct to help the weaker sections to buy income generating assets enabling them to improve their earning levels.

(ii)But the expected intention did not materialize as 14 out of 28 Public sector banks and all the private sector banks not reaching the target and private sector banks giving only a meagre amount of 2%. The outstanding credit to weaker section showed an increase from Rs.99,000 crore to Rs.1,34,000 crore only by March2008. Consequently there was a shortfall in lendings to weaker sections to the extent of a whopping Rs46,000 crore. **If the trend continues the deficit could be Rs 50,000** crore by March 2009. The RBI also observed that” the performance of banking system in general and the private sector banks in particular, in meeting the sub-targets set for agriculture and **weaker sections** is far from satisfactory”. The internal working group of the RBI observed that “there is a need for a change in the mind set of all concerned. As banks have exhibited a sense of reluctance, even due to reasons beyond their control, there appears to be a need for putting in place a mechanism of incentives and disincentives to persuade banks to step up the flow of credit to this segment of borrowers. **The IWG suggests that RBI may consider measures to penalize banks for failure to reach the sub target of 10.0 per cent set for weaker sections.** This would probably act as an effective factor to prompt the hitherto unwilling bankers to step up their efforts to channel more credit to the unorganized sector rather than earmarking a particular target under the priority sector. Such a disincentive mechanism may be conceived by Reserve Bank, so that assured flow of credit may be provided by the banks to small and marginal farmers, micro enterprises and weaker sections”. The RBI is yet to act on the recommendations.

(iii) Advances to weaker sections of Scheduled Commercial Banks

(a)The small and marginal farm holdings account for 42% of agricultural land; but the share in credit of small and marginal farmers, who form part of weaker sections, was only 21% in the total advances to agriculture at end March 2007. The credit to this sub-segment should have been double of what has been given.

Category	% of net	Bank credit	(as at end March)	
	2004	2005	2006	2007
#Small and Marginal Farmers	2.5	3.4	3.3	3.1 *(NST) @ {10}
#Spl Cat Micro Enterprises(Invest inP&M up to Rs 5 lakh)	2.1	1.6	1.4	1.2 *(NST) @ {{4}}
Weaker sections	6.1	6.5	6.5	5.6 *(10) @ {12}
Source: Report on Trend and Progress of Banking in India (Various issues) and RPCD, RBI.	Note: ANBC: Adjusted Net Bank Credit	*Extant guidelines on priority sector lending (in %).NST means no specific target	@Recommended by Sengupta Comt Rept (in %)	

(b)Size of Credit Limit-wise Classification of Outstanding Credit of SCBs (end-March)

The share of small loans of Rs 25,000 and below reduced to 11% from 50% in 1996, where as the share of big loans has more than doubled, from 25% to 55% during the same period.

(Rs in Crore)

(Accounts'000s)

Year	Rs 25,000 A/Cs	And below Amount	% share	Rs25000 to Rs 2lakh % share	Above Rs 2 lakh % share	Agri No. of a/cs	Culture Amount	% share
1996	23141	14,253	49.5	25.4	25.1	24188	28,809	11.3
2001	16428	16,931	32.7	33.3	34.0	19843	51,730	9.6
2006	17802	22,979	13.3	31.4	55.3	29068	172,684	11.4
2007	18577	25,116	10.9	31.7	57.4	33216	230,191	11.8

Source: Banking Statistical Returns, RBI various issues. RBI IWG-2008

(iv) In the Report on “Conditions of work and promotion of livelihoods in Un Organised Sector” Submitted to the Prime Minister in August 2007, by the National Commission for Enterprises in the Un Organised Sectors, (Chairman, Arjun Sengupta), the Commission’s observation on changes in credit policies adversely affecting availability of credit to small people is worth mentioning here: ‘A close look at RBI guide lines/directives to banks, reveal that apathy either deliberately or by mistake also exists at the top and policy planning level...as the credit system operating under the existing guidelines of RBI. It emerges that small borrowers are competing with large and strong borrowers. The coverage under priority sector lending (*which includes lendings to weaker sections*) has increasingly been diluted, enabling big borrower loans at the direct expense of small borrower loans.

As part of the so-called process of” aligning bank credit to the changing needs of the society”, the scope and definition of the priority sector, once dominated by small farm related loans ,were fine-tuned by including new items and enhancing credit limits of constituent sub-sectors to more than Rs.40 lakh. **Over the years particularly after the mid-nineties, relatively high credit worthy activities like housing, education, transportation and loans to professionals have been included in the priority sector.**

This has affected unfavourably the credit flow to the needy sector.

(v) In order to increase credit flow to weaker sections, the ‘Report on Conditions of Work and Promotion of Livelihoods in the Un-organised Sector’ (Chairman: Dr. Arjun K. Sengupta), has made some definite recommendations. The Internal Working Group of the RBI to Review the Recommendations of the NCEUS Report on Conditions of Work and Promotion of Livelihoods in the Un-organised Sector made, in May 2008, certain recommendations on the recommendations of the Arjun Sengupta commission.

A summary of the recommendations and action points emerging out of the Internal Working Group is presented below along with our suggestions.

1) *Revision in the weaker sections Targets:*

(a) NCEUS has stated that, of the 18.0 per cent credit earmarked for agricultural sector, 10.0 per cent may be exclusively set aside for small and marginal farmers. It has also suggested shifting the small and marginal farmers from the present weaker sections category to agriculture sector. Currently, small and marginal farmers are covered under the weaker sections. The weaker section quota for small and marginal farmers may then

be released for other socio economically weaker segments. It advocates allocation of 12.0 per cent to socio-economically weaker sections for purposes of housing, education, *etc.*, with a loan ceiling of Rs. 0.5 million. This would amount to an increase of 2.0 per cent additional quota in priority sector lending for weaker sections from current level of 10.0 per cent.

(b) The IWG suggests that RBI may consider measures to evolve a system of disincentive to banks for failure to reach the sub target of 10.0 per cent for weaker sections. The RBI is yet to act on this suggestion. As of March 08, the shortfall is was Rs 46,000 crore.

Policy change

(c) In the Annual Policy for the year 2008-09, it has been announced that the shortfall in lending to weaker sections also to be reckoned for the purpose of allocating amounts for contribution to RIDF, with effect from April 2009.

(d)ADVERSE IMPACT: *This allowance enables banks to avoid lending to weaker sections by conveniently transferring the required amount to RIDF which will not directly benefit weaker sections by any stretch of imagination. This leads to avoiding purposive duty to finance weaker sections and this easy facility of transfer to RIDF should not be allowed.*

This will reduce total finance to weaker sections and still facilitate showing that the target of lending is achieved. This concession in no way increases production and investment finance to weaker sections. Therefore this is incorrect and weaker section's unfriendly. Only direct finance extended to weaker sections for production purpose should be reckoned for the purpose of achieving the target. On the other hand, If the target credit to weaker sections is increased from 10% to 12%, **additional credit availability will increase by Rs 66.000 crore more, ie, from outstanding level of Rs 1,34.000 crore as on March 2008, to Rs 2 lakh crore, by March 2009.**

2. Explicit Target for Small and Micro Enterprises:

(a)*The Commission recommends that an explicit target of 10 per cent be set for lending to small and micro Enterprises. Furthermore, within the 10.0 per cent quota set for the small and micro enterprises, the Commission has recommended the following.*

A 4 per cent target be set with respect to micro enterprises with capital investment (other than land and building) up to Rs.0.5 million, which is to be gradually enhanced to 8 per cent of the net bank Credit-to be achieved in a phased manner in 5Years.

(b)The IWG is broadly in agreement with the intent of this recommendation. Within the aggregate loans to small and micro enterprises sector, banks are

required to allocate 40.0 per cent to micro enterprises with investments in plant and machinery up to Rs 5 lakh under the present policy.

ADVERSE IMPACT: Presently (Mar 2008), the actual achievement is a mere 4.5% of NBC. Additional funds to the extent of Rs1,02,000 crore would have been available for MSE sector if the recommendation was implemented would be over Rs 1,02,000 crore. But the RBI is yet to act on this recommendation.

3. Monitoring of Credit Flow:

(a) The NCEUS recommends that: the Reserve Bank should separately monitor the credit flow to marginal and small farmers and to the micro-enterprise sector, with capital investment up to Rs.0.5 million and between Rs.0.5 to 2.5 million.

(b) The IWG agrees with the NCEUS and recommends that RBI should make available in timely fashion detailed information on the flow of credit to weaker sections. No action is initiated so far to monitor credit flow to weaker sections.

4. Setting up of Credit Guarantee Fund in NABARD:

(a) In order to reduce the perceived risk of default of the larger segment of marginal and small farmers, due to which the banks do not approach them actively, the Commission has recommended that the Government may set up a Credit Guarantee Fund in NABARD, on the lines of the CGF set up by the Ministry of Micro, Small and Medium Enterprises, which provides guarantee cover on loans to small units.

(b) An alternative proposal has been mooted by RBI to offer a credit guarantee scheme through the DICGC to distressed farmers, but not yet implemented.

(vi) CIFA proposals

It is unfortunate that the RBI continues to dilute the norms for achieving direct finance to weaker sections even after Sengupta commission pointed out such dilutions in the past and cautioned against moves to water down the spirit of extending credit to disadvantaged and unorganized groups. **CIFA strongly demands that policy dilutions made by the RBI as detailed above in paragraph 1 should be withdrawn and only direct credit to weaker sections for the purposes of generating incomes should be reckoned toward weaker sections finance target. The target should be increased to 12% as recommended by the commission.** CIFA further urges the RBI and the Government to implement the recommendations of the Arjun Sengupta Committee (detailed in paragraphs 2 to 4) and also

recommended by the IWG of the RBI, to accelerate credit flow to weaker sections. **The IWG suggestion that RBI may consider penal measures on banks for failure to reach the sub target set for weaker sections should be made operative forthwith.**

Loans to weaker sections should be given on composite basis covering credit needs for purchase of machinery, equipment etc, working capital and consumption needs for one year repayable from out of net income generated over period of 10 years. D.I.R scheme of interest rate at 4% should be charged for loans given to weaker sections up to Rs 1 lakh.

(B)Enhancing skills acquisition & capabilities

(i) Provision of credit for a small/micro enterprise, is a necessary condition but not a sufficient condition for the enterprise to generate income. The person should be equipped with the necessary skills and capabilities. By equipping a person with the skills and capabilities, he can chose either to start an enterprise on his own by availing bank loans and government assistance or chose to be gainfully wage employed. Many studies have shown that net income derived from small land holdings is not sufficient for family expenses. One study (2003) puts the monthly income of a small farmer at Rs1578 which is woefully inadequate It is therefore essential that their income is augmented by their simultaneously engaging in activities allied to agriculture like dairying, mini poultry, bee keeping vegetable, fruits and flower growing etc; In order to ease pressure on land and to prevent further fragmentation it should be the objective of Rural Planning that at least one member from each small land holder family comes out and engages in non-farming rural activities. Composite loans covering all these activities should be provided by banks repayable from net income, over a period of 10 years at DIR interest rate of 4%.

(ii) Establishing mini rural agro processing and rural service centres for selected clusters of villages, with provision of infrastructural facilities like, roads, water, power sheds and godowns and marketing linkages is the ideal solution for providing non farm employment in rural areas. Big industrial units, banks, insurance agencies and philanthropic institutions can adopt these rural processing and service centres and provide man power, material and monetary resources. A system of reservation of items manufactured in rural centres should be evolved to ensure assured market for the products. **Mega agro processing centres are capital intensive and can provide employment for only a few hundreds, where as for the same investment, rural mini agro processing and rural service enterprises with simple machines can engage many thousands of semi skilled people.**

(iii) Young rural people should be provided vocational training in various manufacturing processes and crafts for which there are raw materials available locally and this vocational training can start immediately after a person completes VII standard. At the end of vocational training, they should also be imparted training in entrepreneurial capabilities the absence of which is resulting in failure of many self employed enterprises in the un-organized sector. After these kinds of trainings, they should be encouraged to be taken as apprentices in established processing and service units. Meritorious students should be provided opportunities for higher learning. There can be a **system of reservations up to say, 25% for these rural meritorious candidates in higher learning centres**. Thus trained and equipped, they are ready either to start their own unit or be gainfully employed. The need of the hour is to train lakhs of rural people by enhancing and equipping thousands of rural ITIs than pour thousands of crores of rupees in establishing a few IITs/ IIMs which train only a few thousands. The priority should be changed towards **training rural youth for employment than pour thousand of crores of money to benefit already highly qualified people who go abroad anyway and get employed and the investment in IITs/IIMs is a loss to the nation. Training rural youth is a gain to the nation.**

(iv) **Providing grading facilities and godowns for storage as well as marketing arrangements** and linkages with retail chains are the neglected areas so far and to make any rural employment to be successful, these arrangements are essential and the government and Producers' organizations have an important role to play in making these arrangements.

(v) Rural youth have the same potential as urban youth. If necessary facilities and opportunities are provided they will prove equal to their urban bred and urban educated cousins. What is required is change in the mind set of the Governments, Planning Bodies with focus on employment and income generation than on mere Macro GDP numbers. So **our Planning Mandarins should change their mind set and have as objective, providing opportunities for employment and income generation, and not macro level increase in GDP which benefits only a few who already have wealth and higher education anyway. Top down planning should be replaced by bottom up planning.**

If focus is changed from mere GDP growth to employment growth and growth in incomes of the lower half of the populace, then we can see a SHINING INDIA where most of the people are smiling, than the present India where 25% are smiling and 75% are weeping.

(vi) We conclude this paper with the soul stirring observations of Prof. M.S. Swaminathan in his Report of National Commission on Farmers-2006.

“Economic growth which bypasses a large population is joyless growth and not sustainable in the long run. What then is the future for India’s rural population numbering over 700 million? **We cannot be silent onlookers to a situation where 30% of India is shining and 70% is weeping.** Equity considerations can not be ignored for too long. Faster growth in agriculture with improvement in welfare of the rural population is important. The need is not only to register increase in agriculture (rural) production in million tons but actual improvement in rural incomes” (which will benefit millions of weaker sections)

REAL INDIA LIVES IN VILLAGES - OUR AIM IS GRAM SWARAJ

***A note on Advances to priority Sectors and Weaker Sections: Genesis and subsequent changes**

At a meeting of the National Credit Council held in July 1968, it was emphasised that commercial banks should increase their involvement in financing the priority sectors, viz., agriculture and SSIs. The description of the priority sectors was later formalised in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the priority sectors constituted by the Reserve Bank in May 1971. Although initially, there was no specific target fixed in respect of priority sector lending, in November 1974 the banks were advised to raise the share of these sectors in their aggregate advances to the level of 33 1/3 per cent by March 1979. Subsequently, on the basis of the recommendations of the Group on the Modalities of Implementation of Priority Sector Lending Policy and the Twenty Point Economic Programme, all commercial banks were advised to achieve the target of priority sector lending of 40.0 per cent of aggregate bank advances **by 1985. Broad sub-targets were also specified for lending to agriculture and the weaker sections within the priority sector.** Since then, there have been several reviews and changes in the scope of priority sector lending and the targets and sub-targets applicable to various bank groups. that priority sector advances constitute 40.0 per cent of Adjusted Net Bank Credit⁸ (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

Advances to weaker sections: 10.0 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

(KRSR/Rev-17-02-09)

****ANNEXURE: Detailed data analysis relating to weak economic position of weaker sections**

1) Differentials in Poverty levels

Educational levels and access to better jobs are higher for “others” group than for STs, SCs to OBCs . A similar pattern is observed in the poverty ratios also with SCs/STs being the worse off, in both the rural and urban areas. The poverty ratio of the OBC workers is closer to the SCs.

In 2004-05, the Extremely Poor constituted 6.4 per cent, the Poor 15.4 per cent, and the Marginally Poor 19.0 per cent. These three constituted 41 per cent of the population.

The percentage of population below the poverty line has come down, at a slower rate though, during the nineties and until recently compared to in the eighties.

a) Poverty Incidence-1987-88 to 2004-05-(Sachar Comt Reprt -2006)

STs/STs together are most poor with poverty ratio of 41% in rural areas 46% in urban areas.

Differentials in Aggregate Levels of Poverty

An aggregate all India level analysis suggests that overall 22.7 % of India's population was poor in 2004-05. In absolute numbers, this amounts to over 251 million people spread across India. The SCs/STs together are the most poor with a Head Count Ratio (HCR) of 35%. The OBCs hold the intermediary level HCR of 21 %, which is also close to the all-India average. The intensity of poverty is higher in urban areas compared to rural areas. The situation of OBCs is better than these two STs/SCs.

Poverty Incidence across in 2004-05

All	SC/STs	OBCs
22.7	34.8	19.5

Poverty Ratios among Social Groups 2004-2005

Social group	Rural	Urban
ST	35.7	48.6
SC	26.2	38.9
OBC	15.8	27.5
Others	8.4	10.2

b) Estimates of Income inequalities

	% share in population	Share of BPL* population(%)	Per capita APL**	Income BPL	Per annum Ratio (APL/BPL)
SC/ST	22.9	31.8	10,854	3,431	3.16
OBC	35.6	19.8	13,388	3,734	3.59
Others	27.7	12.0	18,602	4,032	4.61

*BPL below Poverty Line.

**APL above Poverty Line

C) Monthly Per capita Expenditure: MPCE

The all India average MPCE for the year 2004-05 is Rs. 712 with a high of Rupees 1023 for others followed by Rs. 646 for OBCs, Rs. 635 and Rs. 520 for the SCs/STs . The average MPCE varies across considerably in Urban areas - from Rs. 1469 for others to about Rs. 800 for SC/STs . The MPCE of the others is about 80 per cent more than the MPCE of SCs/STs

d) SCs and STs have a higher incidence of poverty than daily wage workers both in rural and urban areas. For all other social groups poverty ratios are lower than that of daily wage workers. **SC/ST daily wage workers have the highest incidence of poverty.**

e) Socio-economic Profile -Poverty among weaker sections

The poverty ratios vary substantially across social groups. Nearly 40 per cent of the STs engaged as agricultural labourers are below the poverty line and SC at 31 per cent. The ST farmers are the most vulnerable with one-third of them being in poverty. About one-fifth of the SC self-employed agricultural workers are in poverty. The STs landless farmers had an overwhelming poverty ratio of 68 per cent. More than one third of the tribal communities with sub-marginal, marginal and small holdings were poor, i.e., there is little variation across land size classes.

The small and marginal farmers are economically worse off. Those belonging to SCs and STs are especially vulnerable even among this group of farmers.

f) Poverty ratios have declined in rural as well as urban areas during 1987-88 /2004-05, but the relative levels of poverty ratios between total figure and figure of SCs/STs remain almost constant.

		Rural			Urban	
	1987-88	93-94	2004-05	87-88	93-94	04-05

SCs/STs	54	50	41	55	51	46
Total	39	37	28	38	33	29

g) Percentage share and average consumer expenditure per capita per day in Rs. (pcpd)

Expenditure Class	1993-94	1999-00	2004-05
Poor Up to PL	30.7	26.1	21.8(11)
Marginal PL to 1.25	18.8	19.9	19.0 (15)
Vulnerable 1.25 to 2 PL	32.4	34.8	36.20 (20)
Middle 2PL to 4PL	15.5	16.7	19,3 (37)
High >4 PL	2.7	2.6	4.0 (93)
Total	100	100	100 (23)

Note:

1. Figures in bracket denote average consumer expenditure per capita per day in Rs.

2. PL refers to Poverty Line.

Source: Computed from unit level data of NSS 61st Round 2004 - 2005, NSS 55th Round 1999-2000 and NSS 50th Round 1993-94, Employment-Unemployment Survey.

The percentage of population below the poverty line has come down, at a slower rate though, during the nineties and until recently compared to in the eighties. However, the movement is within the group of broadly poor (41 per cent) or the poor and vulnerable (77 per cent) of the population.

h) As will be seen from the table below, 79 per cent of the informal or un-organised workers, 88 per cent of the Scheduled Castes and Scheduled Tribes and 80 per cent of the OBC population belong to the poor and vulnerable group.

Percentage Distribution of Expenditure Classes by Social Identity, Informal Work Status and Education, 2004-2005

Economic Status	Social categories	% share in	% of unorg	Education
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			own total	workers		
	STs/SCs	OBCs	Others		Illiterates	Primary
Poor	32.4	20.3	8.5	20.8	27.1	19.2
Marginal	22.4	20.4	11.1	19.6	22.2	19.4
Vulnerable	33.0	39.2	35.2	35.2	38.4	36.9
Middle	11.1	17.8	34.2	18.7	12.8	18.9
High	1	2.4	11	2.7	1.0	2.5
All	100	100	100	100	100	100
All(Mn)*	302	391	258	423	270	164

*in Millions

Note: 1. Refers to persons aged 15 and above.

Source: NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

They have remained poor at a bare subsistence level throughout this period of high economic growth since the early nineties. There have been some *inter se* changes within this total group, such that the proportion of the Extremely Poor and the Poor has come down, while the number of marginally poor and the vulnerable groups have increased. But the percentage of population suffering from poverty and vulnerability has remained substantial. **The illiterates have a very high probability of being poor or vulnerable, almost nine out of ten, and they are predominantly unorganised workers.**

Even with education up to only primary level, 83 per cent are in the poor and vulnerable group.

There is a rapid growth of middle class and the rich. There is no doubt that this "Shining India" has expanded in the past and is still expanding at a very high rate. But this picture is spoiled by a virtually stagnant consumption expenditure of the 77 per cent of our population who are poor and vulnerable. This group includes the overwhelming population of the *SCs and STs and OBCs*. **Common People, constitute more than three-fourths of the population consisting of all those whom the growth process has, by and large, bypassed**

2) Differentials in land holdings

There are substantial differences among castes in respect poverty levels. There continues to be a significantly different level of asset holdings for scheduled castes/scheduled tribes (SC/STs) vs others. For the 2002-03 survey that collects data on other backward classes (OBCs) and "others" apart from SC/STs, there are differences in wealth holdings across these

groups with “others” being the wealthiest, SC/STs being the poorest, and OBCs falling in the middle. The wealth hierarchy matches the caste hierarchy.

a) Average asset-holdings, inequality: scheduled castes and tribes, and ‘others’, 1991-92 Assets like land, buildings, machinery, financial assets etc; per household-All India

In the rural as well as in the urban areas, average asset-holdings per household are systematically and substantially higher for the ‘Others’ group than for the SC/ST group.

(In Rs)

All	Rural 1,07,007	Urban 1,44,330
Others	1,34,501	1,59,746
Sc/St	50.363	58,873

Source: calculations based on data in NSSO (1998) 48th Round.

b) Household characteristics wealth disparities (in Rs.) Source AIDIS 2002

		1991			2002	
	Overall	Rural	Urban	Overall	Rural	Urban
SC	10,013	9,693	11,588	13,750	13,024	16,746
ST	10,575	10,233	14,352	15,377	14,380	24,450
OBC				27,255	26,137	31,149
OTHERS	26,907	24,512	32,977	47,583	42,963	55,408

c) Percentage Distribution for Social Groups of Farmer Households by Land Size (Hectares) Categories 2003

Social Group	Sub-m	M	Small	Medium	Large	Total
STs	24.8	37.4	19.7	12.1	6.0	100
SCs	56.4	26.5	9.9	4.8	2.4	100
OBCs	35.2	32.3	16.9	9.5	6.0	100
Others	29.3	29.2	19.6	12.1	9.1	100
Total	35.9	31.1	16.8	30.0	6.2	100

Note: Sub-Marginal (< 0.4), Marginal (0.40 - 1.00), Small (1.01 - 2.00), Semi-Medium (2.00 - 4.00), Large (> 4.00) Hectares.

Source: NSS 59th Round 2002 -2003, Situation Assessment Survey of Farmers. Computed.

d) Poverty Ratios among Farmers by Social Groups and Land (Possessed) Size Classes, Rural 2004 - 2005

Land size	ST	SC	OBC	OTHERS	ALL
Landless	68.4	29.1	18.1	1.6	22.0
Sub-marginal	41.5	24.8	18.8	10.3	20.2
Marginal	34.4	21.5	17.5	6.4	18.1
Small	33.2	18.0	12.3	6.9	14.8
Medium-Large	29.7	14.5	6.8	6.1	9.8
All	33.3	20.8	13.0	6.9	15.2

Among the socially and economically backward groups such as SCs and OBCs, majority of the holdings are of less than a hectare. The SCs in particular have more than half of their holdings of less than half a hectare. Over nine-tenths of SC farmers are either sub-marginal/marginal or small land holders. The economically vulnerable groups of small and marginal farmers thus mainly comprise the socially relegated groups such as SCs, STs and OBCs, while the higher castes enjoy a better asset ownership in terms of land.

3) Differentials in income and expenditure

Average Monthly Expenditure and Income by Farm Size for Rural Farmer Households: All-India 2003

Holding size(Ha)	Income	Expenditure
1 and less than 1	1809	2672
1-2	2493	3148
2-4	3589	3685
4-10	5681	4626
+10	9667	6418

Pattern of average monthly consumption expenditure by farm size further confirms the economic status of the small and marginal farmers compared to

the medium and large farmers. The average expenditure levels increase with size of land holding, being above Rs.6000 for large farmers.

The average monthly expenditure of a farmer household at Rs.2770 is higher than the monthly income of Rs.2115 indicates that the expenditure levels are higher than the income, especially for the small and marginal farmers. The threshold of land size where monthly income of farmer household is higher than the monthly expenditure is 2 hectares. The income levels of farmers below this land-size group are not able to meet the consumption needs of the household.

4) Differentials in indebtedness

a) Prevalence Rate of Indebtedness by

Social Groups: All India (Percentages) (2003)

Social group	Formal	Informal	Both	Total
ST	16.6	16.8	2.9	36.3
SC	17.1	28.3	4.7	50.2
OBC	19.8	25.6	6.0	51.4
OTHERS	25.1	18.6	5.7	49.4
TOTAL	20.4	23.0	5.3	48.7

b) Prevalence Rate of Indebtedness by

Farm Size, All India (Percentage) 2003

Land size(Ha)	Formal	Informal	Both	Total
Sub-marginal	12.7	30.3	3.5	46.5
Marginal	18.8	21.7	4.6	45.0
Small	25.9	17.9	7.0	50.8
Medium-Large	34.7	14.4	8.6	57.8
Total	20.4	23.0	5.3	48.6

- 2.00), Medium-Large (> 2.00) Hectares.

Source: NSS 59th Round 2003, Situation Assessment Survey of Farmers. Computed.

About 48 per cent of farmer households had loans outstanding in 2002-03. The prevalence of outstanding loans was the highest among medium and large categories of farmers (58 per cent). Prevalence rate for formal sources

among marginal and small farmers was much lower than for large farmers, while in the case of informal sources the reverse was true. **The medium and large farmers have better access to institutional sources as they are better endowed in terms of assets to offer as collaterals for loans than marginal and small farmers.**

Among the social groups the debt prevalence rate was the lowest among Scheduled Tribes. While no more than 20.4 per cent of the farmer households had loans outstanding from formal sources, their percentage was the highest among higher groups (25.1 per cent) and lowest among STs (16.6 per cent) and SCs (17.1 per cent). Among the Scheduled Castes and Other Backward Classes the prevalence rate was high for informal sources. It is thus evident that the economically and socially backward groups including small and marginal farmers and **Scheduled Castes and Other Backward Classes are more dependent on informal sources** compared to the higher castes and medium and large farmers.

c) Quantum of Loans by Source

It is observed that institutional sources account for more than half the outstanding loans in the case of all categories of farmers, other than sub-marginal ones. Among the formal sources, banks and co-operatives are the most important. The importance of institutional sources increases with farm size. But moneylenders continue to be a very important source of loan among all categories, and account for a third of the total quantum of loans to sub-marginal farmers.

Loans for productive capital and current expenditure as percentage of total loans outstanding increase with farm size. Loans for consumption and unproductive purposes such as marriages, medical and consumption expenditure are higher among the marginal and small farmers. **SCs have the highest share of consumption and unproductive loans, followed by the OBCs and the STs .**

d) Percentage of Outstanding Loans by Purpose and Social Groups 2003

Social group	Productive	Consumption(non-productive)
ST	68	31
SC	50	50
OBC	63	37
OTHERS	71	29
Total	65	35

Source: NSS 59th Round 2003, Situation Assessment Survey of Farmers

Loans for productive capital and current expenditure as percentage of total loans outstanding increase with farm size. Loans for consumption and unproductive purposes such as marriages and consumption expenditure are higher among the marginal and small farmers. **SCs have the highest share of consumption and unproductive loans, followed by the OBCs and the STs.**

5) Shrinking credit support for weaker sections by banks

Banks are required to extend credit to weaker sections unto 10% of their net bank credit. Weaker sections comprise of SCs/STs, Small and Marginal farmers, Tenant Farmers, Agri. Labourers, Rural artisans, etc.,

Financing of Weaker Sections (Rs in Crore) Figures in brackets-loans given as % to net bank credit

Year	Pub Loans	Sector shortfall	Pvt Loans	Sector shortfall	Total Loans	Total shortfall
2004	41,589 (7.44%)	14,310	1,495 (1.34%)	9,661	43,084 (6.49%)	23,971
2005	63,492 (8.85%)	8,250	1,914 (1.20%)	14,036	65,406 (7.52%)	22,286
2006	78,374 (7.70%)	23,410	3,909 (1.60%)	20,522	82,283 (6.50%)	43,932
2007	94,285 (7.20%)	36,666	5,229 (1.55%)	28,506	99,514 (6.02%)	38,060
2008	1,26,934 (9.3%)	9,554	7,228 (2.10%)	27,191	1,34,162	36,745

Public sector banks have increased their lendings over a period to about 9% by 2008. As many as 12 out of 28 banks have lent less than 9% IDBI Bank lendings were at a very low of 0.4% with a shortfall of Rs 5,200 crore. Private sector banks lendings continue to be very low at 2% with a very huge shortfall of Rs 27,000 crore. Out of 23 private Banks, as many as 7 banks lent even less than 2%. For example ICICI Bank which is the second biggest bank after SBI, the lendings work out to a mere 0.72%, with a whopping shortfall of Rs 11,870 crore. ICICI Bank and IDBI Bank together account for more than one third of the aggregate shortfall of Rs 46,000 crore.

Aggregate shortfall of all banks, taking each bank's shortfall into account, works out to about Rs46,000 crore. Finance provided for weaker sections up to March 2008 was only about Rs 1,34,000 crore against a requirement of Rs1,80,000 crore. As many as 15 out of 28 public sector banks and ALL Private sector banks did not achieve the norm of 10% lending to weaker sections and the loaning by Private sector banks was meagre at 2%. As many as 14 out of 28 public sector banks and 17 out of 23 private sector banks have not achieved the 18% target of agri credit. Shortfalls in both Agricultural and Weaker Section Loans is estimated at Rs 77,000 crore.

Small and micro enterprises are neglected too in dispensing credit. The National Commission for Enterprises in the Unorganised Sector (NCEUS) has recommended that loans to Small and Micro Enterprises (SME) should be enhanced to 10%. Presently the actual achievement is a mere 4.5% of NBC. **The shortfall works out to a huge amount of Rs 102,760 crore. These shortfalls in lendings to Agriculture, Weaker Sections and SME segment together add up to a whopping sum of about Rs 180,000 crore – roughly 8% of non-food credit outstanding as at the end of March 2008.**

Category	Percentage	Of	net	Bank Credit
	2004	2005	2006	2007
Small&Marginal Farmers	2.5	3.4	3.3	3.1
Micro Enterprises(Invest Upto RS.5 lakh)	2.1	1.6	1.4	1.2
Total Weaker Sections	6.49	7.52	6.50	6.02

Credit extended to small & marginal farmers was only 3.1% and credit to micro enterprises a mere 1.2% of net bank credit. The recovery of loans advanced to weaker sections at 95% is excellent. By March 2009, banks have to extend loans to weaker sections to the tune of Rs 2,20,000 crore. If the present trend continues, there will be huge shortfall of Rs 50,000 crore in financing weaker sections resulting in loss of income generation, estimated at Rs20,000 crore, to the economically most vulnerable people. The Policy change recently announced by the RBI to

deposit the default amount in RIDF makes it easy to avoid lending to weaker sections by banks thus the defeating the purpose of the scheme

6) Educational Disparities

a) Education, with ownership of productive assets, determines income levels to a large extent. Ratio of graduates and diploma holders is one indicator of potential income differences. Among SCs/STs, the ratio graduates and diploma holders are very low compared to the overall average ratio, resulting probably in lower income ratio too.

Graduates and Diploma Holders Census 2001

	Distribution % of 20 years			
	Graduates		Diploma Holders	% of 20 years
SC/ST	8.2	2.4	10.2	0.3
TOTAL	100	6.7	100	0.7

b) Asset Holdings by educational and occupational Characteristics (in Rs) 2002-Source NSSO-AIDIS 2002.

	Overall	Rural	Urban
Illiterate	19,101		
Middle school	26,380		
Secondary School	49,565		
Graduate	91,282		
Self employed in non-agri		20,610	
Agri labour		8,728	
Other labour		13,695	
Self employed in agri		42,638	
Others		34,669	
Self employed			47,534
Casual labour			10,961
Others			69,688

Educational and occupational differences also are strongly correlated with average wealth holdings. Wealth levels rise with the educational level of the head of the household with individuals from households with a graduate head having about twice the average wealth as those from one with a head who has a secondary school certificate (Rs 91,200 vs Rs 49,500) and nearly five times that of individuals from a household with an illiterate head.

Individuals in households classified as self-employed in agriculture in rural areas have the largest amount of wealth by occupational category in this sector, with an average wealth of Rs 42,000. In contrast, individuals from households classified as performing agricultural labour have an average wealth of only Rs 8,700. In urban areas, the self-employed and “others” have the highest average wealth, while those individuals who are classified as providing casual labour have the lowest average wealth.

c) Unemployment Rate by Social Categories

Unemployment rate is higher among SC/STs, both in rural and urban areas compared to the overall average rate of unemployment.

	SC/ST	OBC	ALL
Rural	10	7.4	8.2
Urban	10.5	8.2	8.3

Sources; NSSO-AIDIS, RBI. NCAER 2007, NCEUS, Sachar Committee Report