Published in J.K. Gogoi (ed.) *Rural Indebtedness in North East India*, Dibrugarh University, Dibrugarh, Assam, India, pp.185-200.

LIMITS OF MICRO CREDIT FOR RURAL DEVELOPMENT: A CURSORY LOOK

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Abstract

In recent years, most of the countries across the globe are in a sweeping mood to promote micro finance institutions not only as a positive rural development intervention but also as a rural development panacea. Allured by the success of micro credit institutions in developed countries, the developmental economists in under developed and developing economies have increasingly become enthusiastic in the promotion of micro credit as a rural development intervention by tying it neatly with post-liberal development ideology. In the Indian context, the frenzied promotional activity of the micro credit institutions derive in part from the political slogan of 'Garibi Hatao' of the Union Government in mid 70's by the establishment of Grameen Banks which were the offshoot of the putative success of Developmental Financial Institutions in the West. Although the basic philosophy behind the micro credit movement is to eradicate poverty as it stimulates the growth of micro enterprises by developing new markets and by promoting a culture of entrepreneurship, it involves minimal state intervention, thereby shifting the focus of attention away from the society towards individuals. The experience of micro credit schemes in Asia, Africa and South America describes altogether a different story by negating this particular aspect of development intervention. This serves the starting point of the present paper in considering micro credit as the limiting factor of rural development intervention. No doubt, the limits arise from the individualistic focus of the intervention. Keeping consistency with the title of the paper, it not only explores the limitations of micro credit as a rural development intervention through a survey of literatures but also makes an attempt to bring to the focus the concept of rural micro finance in which the issues of credit markets and the poor are explored. The objective of bringing the above discussion to the forefront is to assess the potential impact of micro finance institutions as development interventions. Finally, attempt is made to look at the conditions which limit the effectiveness of micro finance institutions as development interventions in different parts of the globe including India.

Introduction

Micro credit as a tool of rural development through the development of micro enterprises was introduced to the economy because formal credit institutions (capital markets) and informal lending system either failed to deliver the goods or not very much conducive to the growth of micro enterprises. As we know the economic giants of the world developed their economies by relying on formal credit institutions through the development of their capital markets. But these formal credit institutions have on the whole failed to provide credit to the poor in the underdeveloped countries for many obvious reasons (Von Pischke 1991, pp.143-168):

> *Firstly, formal financial institutions are removed, in a number of respects, from the lives of the people. One need simply enter the foyer of any commercial bank to get an immediate sense of this. For instance, formal financial institutions tend to require literacy and often have little knowledge of how business operates in rural areas, i.e. the complex interaction of business and social obligations. For the rural poor, transacting with formal financial institutions often involves time consuming journeys away from the village and transactions conducted during office hours with unfamiliar faces in unfamiliar surroundings (Devereux et al 1990).*

When the formal financial institutions are a state run organization, it may be driven by a range of socio-political organizations, in addition to considerations of the client's ability to repay. Credit provision for development of rural micro enterprises may not be an appropriate way of facilitating rural development, and if the provision of credit is determined mostly by factors other than ability to repay the loan, it is unlikely that the micro-enterprise will be self-sustaining. In such a circumstance micro credit institution is likely to cease providing credit.

The transaction cost of the provision of credit to rural micro enterprises may prove prohibitive to large formal financial institutions. Rural micro enterprises are dispersed over large areas. Transactions involve relatively small amounts and they require relatively large amounts of on-interest earning cash to serve their clients (Von Pischke 1991, p.147). Von Pischke claims that, "Obligations to formal institutions may not be accorded very high priority …. especially when institutions are not responsive to clients". In some instance, the opposite may be true. For example, when a non-government organization (NGO) that was known in the past for providing grants moves into providing loans, the recipients often see the NGO as a soft target. Loan recipients recognize that the NGO would be unwilling to put pressure on lenders who defaulted and would certainly be unwilling to force the sale of collateral (Imagine the furors that would occur if commercial/micro credit institutions sold the household implements of rural women who defaulted on their loan).

Formal credit institutions deal frequently with a large number of clients who are often unknown to them. They rely on well developed financial and legal markets to obtain information about their clients, for example, institutions that collect information on bad debts and organisations that give credit ratings. Such institutions do not exist in rural areas where information about credit worthiness needs to be extracted on a more personal basis. In assessing an enterprise, formal financial institutions tend to rely on financial profitability and cash flow analyses. These are expensive and are often inappropriate ways of assessing rural micro enterprise projects. They do not take account of social factors influencing production and distribution in rural enterprise projects in developing countries.

Unlike their larger formal counterparts, entrepreneurs who start micro enterprises typically lack assets, especially marketable ones to use as collateral for loans (Otero et al 1994, p.13). Many rural micro enterprise projects tend to be agricultural enterprises that are dependent on vagaries of nature and are therefore risky. The loans are often used for purchasing seeds, fertilizers, pesticides and herbicides which can not be recovered in case of crop failure. Because of all these reasons formal credit institutions have tended to stay away from lending to rural micro enterprises.

The vast majority of societies with money lending economies including India has, or has had, some form of informal money lending. Very often the money lenders have been despised members of the community. In all societies with malicious money lenders are usually believed to extract exorbitantly high interest rates because of the weak bargaining position of the borrower. Highly publicized cases of high interest rates have very often prompted governments to outlaw informal money lending through the passing of usury laws which set the ceiling on interest rates. These actions of the governments have gone, of course, against the thought of Ohio School (Von Pischke, et al) which argued high interest rate to be a real reflection of the opportunity cost of the loan. Even they tried to justify their arguments by stating that high interest rate often included payment for a range of services such as storage facilities for the produce, payment of market taxes, etc provided by the money lenders.

Emergence of Innovative Micro Credit Institutions

In the initial stage many state or donor sponsored DFIs proved successful in assisting rural people to start and profitably maintain rural micro enterprises. It was possible on the part of DFIs by evolving a few methods to take care of the problems faced by the formal financial institutions under the categories- access, screening and incentive (Hulme et al 1996, p.8). In respect to access problems, two methods were evolved to ensure that the poor were targeted. The first was to supply very small loans that the poor only would be interested in borrowing. The second was to allow loans only on the basis of a minimum amount of assets and/or income. This approach was taken by a number of DFIs, most notably the *Grameen Bank.* As far as screening was concerned, three methods were evolved to assess the borrowers' credit worthiness. The most common was to lend to members of a group who were jointly and severally liable for the repayment of loans made to each member of the group. Screening was facilitated by self selected groups. This ensured that only people who the rest of the group took to be credit worthy were allowed in. Such groups have been euphemistically called 'solidarity groups' (Berenbach et al 1994, p.127). This was by far the common approach, although it did not necessarily attest to its efficacy. Charging market interest rates and obtaining character references were the other two selection tools commonly employed by DFIs. Perhaps the greatest innovation in providing financial services to the rural poor came with respect to the manner in which the DFI ensured repayment. Most of the DFIs reviewed by Hulme et al supervised their clients so intensively that the *Grameen Bank* was criticized for acting paternalistically. In addition to close supervision of borrowers, some banks even offered incentives in the form of rebates to borrowers who repaid loans regularly and lent greater amounts of loans to them for repaying their loans on time. Finally almost all groups insisted on their borrowers saving money, at least initially. This was designed to provide evidence of financial management skills and to provide a small amount of collateral in some cases.

Problems Associated with Micro Credits in Developing Countries

Credit is one of the many infrastructural needs of a micro entrepreneur. To respond to a potential demand for a good or service, a rural micro entrepreneur requires one or more of the following: transport, communications, power, irrigation, storage facilities etc. Infrastructural needs may be less important for some non-agricultural rural entrepreneurial activities such as cycle repairing, tailoring, etc but they are very important for agriculture which being one of the most significant rural micro enterprises in developing economies. No amount of accessible credit could induce an Indian subsistence farmer to cultivate land for cash crops, if for instance, there is no place to store crops or there is no marketing authority to market the crops or there is no way of getting the crops to the market place. Besides, market in developing countries is highly imperfect and unstable. Small farmers may not want to change from subsistence crop to cash crop and become entrepreneurs, even if cash crops could provide a significantly higher income in the absence a good transportation system and potential consumers.

Literacy, numeracy and formal education levels in most of the developing countries are extremely low. Non-numerate people find difficulties to start enterprises by themselves as it is extremely difficult for them to keep track of the flow of income in their enterprises. Those entrepreneurs who are numerate but not literate can often go some way in developing their enterprises, but their enterprises are severely limited. For example, they do not have access to information from the print media and can not enter into written contracts. They often have to act on trust and can not easily engage with the State and formal private sector who normally work with written documents.

Problems Associated with the Schemes of CGAP

The Consultative Group to Assist the Poor (CGAP) was established by the World Bank to finance and facilitate the development of an enormous number of micro credit schemes that set themselves up to be judged by their impact on the 'poorest of the poor'. The results of the few empirical studies that have assessed the impact of micro credit schemes seem to suggest that they benefited the richest segment of poor. The most comprehensive study of the impact of a variety of micro credit schemes is provided by Hulme and Mosley in their book (Hulme et al, 1996). The results of their study of the impact of 13 micro credit schemes in Asia, Africa and South America in improving incomes, indicate unanimously that the benefits of those schemes under study were not scale neutral, i.e., the upper and middle income poor tended to benefit more than the 'poorest of the poor'. This was due to a number of factors as outlined below (Hulme et al 1996, p.109 and Johnson et al 1996, p.84):

1. The wealthier the individual/household the greater the range of investment opportunities. The poorest households/individuals are often only able to invest in the least lucrative entrepreneurial activities.

2. The richer poor have the ability to take on riskier and more rewarding investments, without threatening their minimum needs for survival.

3. Those with higher income have greater access and ability to buy and assimilate market information.

4. The richer poor are liable to invest more (in absolute terms) and thus reap much bigger rewards.
5. If the use of the loan is not specified, the 'poorest of the poor' will always have a tendency to use a greater proportion of the loan for consumption purpose than that of the middle or upper income poor.

6. The 'poorest of the poor' often exclude themselves from larger loans, "not wanting to jeopardize their access to future credit by gaining a reputation for being un-credit-worthy".

7. Rural markets have a limited capacity to absorb new products. These markets relatively saturate quickly with current goods and services. Poor entrepreneurs are often not able to trade their goods and services in urban centers because of their limited funds.

Regarding reduction of vulnerability of the 'poorest of the poor', the study by Hulme et al found the following from their survey of 10 micro finance institutions (pp.116-117):

1. Over half the institutions simply excluded the 'poorest of the poor' outright or allowed only a very small percentage to take part in their schemes.

2. Of those who engaged with the poorest, the result of the loans in respect of increases in asset holdings seems inconclusive. There has been a mix of increased asset holdings and high rates of enterprise failure.

3. None of the institutions influenced investment in risk reducing activities.

4. Less than a third of all the institutions provided accessible savings/storage facility.

5. Only two of the recorded institutions gave additional entitlements during crisis periods.

Whether these trends are global and inherent to micro finance institutions in developing countries is open to debate. However, for reasons mentioned above, the 'poorest of the poor' always benefit the least and always are regarded as the riskiest clients. There is always a trade-off between the financial success of micro finance institutions and the number of clients they draw from the 'poorest of the poor'. Perhaps the most worrying finding of the study is that there is a trend of many of the micro finance institutions to exclude the ‘poorest of the poor’, in spite of all the lip service paid for serving this group.

Power Relations and the Limits of Micro Credit

The poor often remain poor not because of lack of access to credit but for their relative powerlessness. In attributing the cause of poverty to insufficient access to credit, micro finance evangelists obscure the generative mechanism behind much poverty------ an unequal distribution of powers at the local, national and international level. The success of a micro finance scheme hinges critically on the social context and the particular set of power relations that prevail. Let us take first an example how a national level politics can entrench poverty and undermine the success of micro finance interventions. In this connection it may be cited that the British-based donor organization, Co-operation for Development, together with Palestine NGOs and the Bank of Palestine, established a micro finance project in Palestine (Cooperation for Development, 1996). The programme provided loans to Palestine entrepreneurs ranging from $2000 and $30,000 to launch new business, expand existing businesses, and re-finance businesses having short of working capital and purchase new equipments. While the scheme was well devised and innovative, it floundered in part as listed below due to the Israeli occupation of Palestine:

1. The University which supplied logistical support to the programme was shut down by the Israeli authorities.

2. Buildings used by the micro entrepreneurs were fell down and the participants were arrested as part of Israeli occupation policy.

3. The area was often sealed off which impeded the flow of goods and services into it.

4. Palestinian migrant workers were refused entry into Israel which reduced their income and hence purchasing power.

At the local level people with social power can also ensure economic returns to their social power by appropriating all the benefits obtained from micro credit schemes. Let us take the example of Baluchistan in this regard. In rural Baluchistan, most of the land is owned by a few landlords. There is almost no market for land because land is rarely sold. In addition the transaction costs involved for a tenant farmer moving off the land are by and large prohibitive. This is partly due to indebtedness and partly because of their inability to accumulate enough to afford for a movement. Thus a few landlords act as oligopolies and take full advantage of capital market. A micro finance project was launched in Baluchistan in the early 1990s. The project lent money to tenant farmers to grow crops of high yielding varieties. While the project successfully allowed high yielding variety crops to be grown, there were few benefits left for the tenant farmers because they were simply appropriated by the landlords through increased rent. The tenant farmers could not resist the rent increases because the transaction cost of moving were too high and there were no competing land owners to lend or buy land at a cheaper rate. Thus micro finance did little to improve the lot of the tenant farmers in Baluchistan.

Problems Associated with Micro Credits in India

A large number of studies in this regard were undertaken in India in different States by several authors. The findings of these studies are many and varied. While some authors including Agarwal, A.K., Bhuyan, K., Dhillon, D.S., Goswami, A & Gogoi, J.K., Goswami, P.C, Mahajan, R.K., Shankar, K., Swaminathan, M. et al found the programme to be effective others like Agarwal, A.K., Dreze, J., Goswami & Gogoi, Rath, N. and Swaminathan, M et al got different results. The survey of these studies revealed that the procedure followed for the selection of beneficiaries in the North Eastern States, Bihar, Gujarat, Kerala, Punjab and U.P. were not proper and monitoring, follow up action and supervision of the program were totally absent (Das, Dreze, Goswami & Gogoi, Hirway, Mahajan).

P.C Goswami made a study on associated problems of IRDP in its implementation in the State of Assam in 1986. The various shortcomings of the programme as identified by him were the political biasness in the selection of beneficiaries, lack of involvement of the officers in the programme due to their urban bias, absence of horizontal and vertical integration among and within the various implementing agencies, lack of supervision and follow-up action, inertia and immobility of the people, delay, red tapism and corruption in disbursement of funds etc. To make the programme successful in the State and in the entire region he highlighted the need for a band of dedicated workers both at villages and at State level who could implement the programme through their efficient leadership at the political and social level by imbibing a spirit of dedication (Goswami, P.C. 1986). Goswami and Gogoi made an assessment on IRDP in the Rampur Block of Kamrup district in Assam along with Maithani and Haloi of NIRD. According to them no generalization about implementation of IRDP for the State as a whole could be made on the basis of the findings but they were indicative of how the programme was implemented in the state. By and large the programme in terms of family coverage, fund utilization and repayment of loans was very unsatisfactory. No uniform method was adopted for identifying the beneficiaries. About 90 per cent of the beneficiaries were well above the poverty line at the time of their selection for assistance and hence they corroborated the findings of NABARD (Goswami and Gogoi 1989).

Agarwal undertook a study on evaluation of IRDP in the State of Mizoram in 1989. The study revealed that the number of families required to be assisted during VIth Plan Period were 60,000 while the actual number of beneficiaries (12,000) was much less than the targeted number. Similarly the amount utilized for the programme was also less than the actual allocation (Agarwal 1989). Agarwal undertook another study on IRDP in Arunachal Pradesh based on year-wise time series data from 1978-79 to 1987-88. The study revealed that there was a wide gap between the funds allotted by the government and the funds utilized. He attributed this gap to poor structural base to implement the programme effectively. The target in terms of beneficiaries could not be achieved till 1981-82 but thereafter it exceeded the target. He also observed that implementation of programme largely took place without its vital credit component due to lack of banking facilities in the large parts of the State (Agarwal 1990).

D.D. Mali in his study highlighted the progress of self employment under TRYSEM. He reported that self employment creation through TRYSEM started its operation in all the States in the North Eastern Region excepting Mizoram since 1979. Mizoram implemented the scheme in 1982-83. Manipur and Nagaland took the advantage of the scheme from the time of its inception. The performance of the scheme in the region was below the national average whereas the achievements in the States such as Maharashtra, Tamil Nadu, U.P, Andhra Pradesh and Gujarat exceeded the target. The percentage of self-employed rural youths in Assam and Manipur were remarkably low in comparison to other North Eastern States in India. In the concluding remarks he opined that initial selection of beneficiaries under TRYSEM on the basis of their aptitude and innovativeness should have been done to create entrepreneurial base in the region (Mali, 1990). Kabita Bhuyan made an attempt to study the credit utilization pattern among the selected beneficiaries of IRDP of Darrang district in Assam. Her finding revealed that 60 per cent of the beneficiaries completely utilized the credit for the purpose for which it was sanctioned; only 20 per cent utilized partially due to delay in disbursement of loan. The repayment performance of the beneficiaries was found to be unsatisfactory (Bhuyan 1997).

Nayak undertook a study on IRDP with an objective to find the extent to which the programme as a strategic measure of economic uplift of the people of Silchar Development Block in the Cachar district of Assam was successful. His study revealed that the government functionaries had grossly violated the IRDP guidelines while identifying the poor people for providing loan assistance. About 62 per cent of the selected beneficiaries in VIIIth plan period were found to be non-poor as against 42 per cent in the IXth plan period. Among the 46 beneficiaries selected for the sample survey by the author only four of them were found to be unemployed at the time of getting assistance under IRDP. Middlemen were found to be encouraged at the time of selection of beneficiaries, sanctioning of loans and subsidy and even during repayment of loans. At every stage the middlemen exploited the beneficiaries. Besides, there was widespread diversion of loans from the purposes for which loans were sanctioned to other productive purposes. This implied that the concerned authorities were not competent enough to identify the productive schemes in the region. However, the beneficiaries were intelligent enough to divert their loans from the schemes such as rearing of cow, fishing, vegetable vending, tailoring and other trading businesses including cane, bamboo, and grocery items to productive ventures like betel nut and fruit trading. As far as the effectiveness of the programme was concerned it was possible to lift 85 per cent of the beneficiaries (belonging to poor group) above the poverty line. The annual income of beneficiaries was increased by 60 per cent from the pre assistance period to post assistance period. There was nearly 51 per cent increase in wage employment. The standard of living of the beneficiaries also improved in the form of increased per capita consumption expenditure from Rs. 300 to Rs. 450. However, the performance of repayment of loan was not satisfactory mainly because of political interference and laxity in adherence of rules. Only 30 per cent of the beneficiaries repaid the loans. Those who did not repay the loan, among them 69 per cent were willful defaulters. The author in the concluding remarks of his study expressed optimism over the effectiveness of the programme in poverty alleviation and asset creation and lamented for its wrong implementation (Nayak 2002).

Indira Hirway made a study in four selected villages in Gujarat. She found 55-75 per cent of the beneficiaries selected for getting assistance belonging to non-poor group. According to her, the programme accentuated inequalities among the people in the villages (Hirway 1984). Jean Dreze conducted three different surveys in three States such as Uttar Pradesh, Gujarat and West Bengal. In the light of fresh evidence from his survey and of the findings of earlier studies, he provided an assessment of the functioning of IRDP. His main objective was to find if the programme reached the poor and if so to what extent it enhanced their living conditions. According to him, Hindi-belt States failed miserably in achieving the targets mainly due to wrong selection of beneficiaries. His survey conducted during 1983-84 in Palanpur village of Moradabad district in western Uttar Pradesh revealed that poor households were largely excluded from the IRDP assistance. The reasons for low involvement of the poor in IRDP were identified by him as follows: (1) the poor were at a disadvantage in the competition for institutional loans; they were not well placed to pay large bribes, fill complicated forms, and were unable to influence the village headman and find themselves ‘guarantors’; (2) the bank officials themselves were often reluctant to deal with poor borrowers due to risk factors; (3) Surprisingly poor had a lack of interest for the programme because they were afraid of being cheated or of not being able to repay. Besides poor people, the other categories of excluded people from credit assistance were landless labourers and households without adult male members. Dreze conducted his second survey in three villages of Bhiloda taluka in Sabarkantha district in Gujarat. In comparison with the area where Palanpur is situated, the government administration in Bhiloda was relatively efficient. There was stricter adherence to the rules, less evidence of systematic corruption and greater involvement of women and Scheduled Caste population. However, some kind of biasness was common to both Uttar Pradesh and Gujarat. For instance, in spite of a substantial number of landless households living in the study areas not a single landless household was benefited in these States. His third survey in Raipur village of Birbhum district in West Bengal revealed a completely different picture. About 70 per cent of the beneficiaries were landless and a large majority was casual labourers. The fact was that the IRDP loans were apparently more fairly allocated in West Bengal than in Gujarat and Uttar Pradesh. Regarding the effects of IRDP on living standards of beneficiaries he opined that it would be hard to claim that firm conclusions were reached in the earlier studies mainly because of data limitations and methodological flaws in the approaches that had been used by several scholars to estimate the effects of IRDP. Although he suggested a different approach after criticizing the three available approaches, he never used the same for analyzing data to draw necessary conclusion (Dreze 1990).

A.K. Singh conducted a survey of 100 beneficiaries belonging to 12 villages of Nalanda district in Bihar during 1983 to study the types and nature of various problems associated with implementation of the programme. Not only had he attributed the failure of the programme in the district to inadequacy of loan amount in creating asset but also delay in disbursement of subsidy attached to loan. Besides he pointed out some scheme specific problems, particularly in cases of milch cattle, minor irrigation, weaving, etc. His findings also revealed that only less than 9 per cent of the beneficiaries could cross poverty line (Singh 1991).

Kripa Shankar made a sample survey of 35 IRDP beneficiaries in seven villages in Shankargarh Block of Allahabad district in U.P in the year 1991. According to his findings, fairly large numbers of beneficiaries were not eligible for assistance because selections were not made in open general meeting of the villagers. Although there were many landless persons, mostly agricultural labourers in the sample villages, only 6 of them were selected for loan assistance. The poor people in general were even not aware of the scheme. Loans were mostly given to the beneficiaries in kinds like loudspeaker, goat, bullock buffalo, rickshaw etc which were of inferior quality, and hence, could not yield expected returns and in most cases the assets created for them were not intact. Very small percentage of beneficiaries succeeded in crossing poverty line (Shankar 1991).

In contrast to the findings of Shankar, Swaminathan reported that there was a fair selection of beneficiaries and satisfactory allocation and distribution of loans in West Bengal. His study was based on a sample survey of nine villages in Bankura district and Onda block in 1988-89 as part of a project on Rural Poverty, Social Change and Public Policy in West Bengal (Swaminathan 1990). According to him SC and ST households were well represented among IRDP assisted households. About 27 per cent of women beneficiaries were selected as against a target of 33 per cent. In terms of caste, gender and assets (land) the degree of leakage was remarkably low. There was differential increase in income on different schemes such as betel-vine cultivation, welding, carpentry, weaving and making of hurricane lanterns, etc under IRDP in West Bengal. The schemes, which had generated minimum income (less than Rs. 2000 annually) were goat rearing, rice processing, mat (*chatai*) making and making of bamboo baskets. Some of the schemes which generated relatively higher income (more than Rs. 4500 annually) included fisheries, poultry farming betel-vine cultivation, welding, carpentry etc. As regards repayment of loan, 75 per cent of beneficiaries had no over dues at the time of survey. However, repayment of loan was low in some schemes like animal husbandry and cycle rickshaw (Swaminathan 1990). Another study was undertaken by Swaminathan in Tamil Nadu by surveying two villages in Madurai district. The study revealed that 24 per cent of the beneficiaries were not eligible for assistance. The degree of leakage varied from 10 per cent to 50 per cent depending upon the nature and type of scheme. The animal husbandry scheme although received highest allocation of fund yielded low returns and was thus insufficient to bridge the gap between the actual earnings and the poverty line income for most of the households. Repayment of loan was less satisfactory among those who received loans for the purchase of sheep and bullock carts. Thus the programme was more successful in West Bengal in terms of selection of poor people and initial cost involved in acquiring a loan than in Tamil Nadu. A common factor underlying the failure of specific schemes in both the States was the absence of serious and imaginative local level planning such as excessive promotion of cycle rickshaw schemes in Onda block in spite of insufficient demand for the services and the failure to provide cross-bed high-yielding milch cattle in Tamil Nadu to meet the demand for cattle created by IRDP (Swaminathan 1990).

Punjab witnessed an increasing average income of both the landless and landholder beneficiaries. But the increased income was not sufficient to push the poor beneficiaries well above the poverty line. The program had also marginal impact on the reduction of income-inequality among the beneficiaries. About 40 per cent of the beneficiaries were defaulters in the repayment of loans (Mahajan 1991). D.S. Dhillon also conducted a study based on data collected from 300 beneficiaries distributed over twelve Blocks in three Districts of Punjab. His findings revealed that the beneficiaries were mostly illiterate; about 81 per cent of them either belonged to SC or backward caste, 76.3 per cent were landless, 15 per cent marginal farmers and 7 per cent small farmers. When 69 per cent of beneficiaries were selected by officials of implementing agencies and 8 per cent by landlords in the villages only 23 percent was selected by Gram Sabha. Adequate loan assistance was not given to cover the entire cost of the assets to be generated. In 97 per cent of the cases, the assets created were insured but the policies were never handed over to the beneficiaries. However, more than 50 per cent of the beneficiaries were able to cross the poverty line due to assistance under IRDP in the study area in Punjab (Dhillon 1999).

Syed Ali made a study with the objective to analyse the income and employment generated through IRDP in Nalgonda district of Andhra Pradesh by interviewing a total of 57 beneficiaries from three villages. According to him there was a good representation of S.C and backward caste population among the beneficiaries. The programme led to moderate increase in income and employment in Andhra Pradesh. The ratio of increased income and employment to investment were found to be high in service sector and low in agricultural sector but incremental capital output ratio (ICOR) was high in Bullock-cart scheme (7.3:1) and *chappal* making (6.89:1). The percentage of beneficiaries who cloud retain assets was 63.2 per cent as against national average of 72.0 per cent but it was higher in the service sector of the study area compared to national average (Ali 1998). A.C Kutty Krishnan in his study conducted in Kerala found 80 per cent of the beneficiaries to be non-eligible for assistance under the programme. According to him, the targets were fixed without realistically understanding the magnitude of poverty in a specific region resulting in benefits liberally passed on to the well-off sections.

Conclusion

The survey of literature on micro credits for rural development through various schemes both in India and abroad has mixed findings. In some situations and in some States it has been successful while in some others it has miserably failed. Thus the success or failure of any scheme largely depends on how best it is conceived, organized and implemented. Micro credit scheme in this regard for the development of rural areas through micro enterprises either in agricultural or non-agricultural sector is no exception. The literature reveals that provision of micro credit is a necessity but not a sufficient condition to ensure the success of rural micro enterprises. It depends upon a large number of factors. It requires an enabling environment for being successful. Even where it does succeed in stimulating the growth of micro enterprises, the developmental impact of this on the poorest members of the target communities varies. The wealthier segments of the target group seem to benefit most. The non-poor also take the advantage of the scheme when they are politically and socially in advantageous position. The impact of the scheme is also limited by the political framework in which it is implemented. Over and above of all these factors, the additional limiting factors in the case of North Eastern Region are the lack of political will, static mindset of the people, societal value system, and lack of entrepreneurship, limited market and absence of a sound infrastructural footing. Thus, it can be concluded that micro credit scheme as such is not a failure by itself. What matters most is how best micro credits are being utilized and in what conditions. Therefore, institutions of micro credit should address itself to its implantation and limiting conditions for its revival and make it economically viable if they have to play a greater role for developing rural areas in a region or in a country.

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