

Chapter III

Small Borrowers and Formal Credit Market in India

3.01. Introduction: The financial system in India operated through two types of institutions in the formal sector and informal sector. Formal sector adopted a multi agency approach and includes the cooperative, public sector, commercial banks and regional rural banks. On the other part, the informal sector which operates outside the formal system consists mainly of rotating saving and credit associations (ROSCA), traders, merchants, contractors, commission agents, local money lenders, relatives etc. Formal sector is governed by the existing rules and regulations of the formal financial sector whereas the informal sector functions on their own norms, rules and disciplines.

The credit need of rural areas primarily was entrusted with the cooperative societies up to mid of 1960s and then commercial banks were mostly engaged in agricultural and marketing, though it was expected that the commercial banks would play a good role in rural credit market through bank expansion and flow of formal institutional credit to the poor and to relieve them from the burden of debt (Nair, 2000). The All India Debt and Investment Surveys (AIDIS) show that the outreach of commercial banks (formal) to the rural sector improved between 1971- 1991 and a clear corresponding decline of informal or non institutional source of credit has been observed. The following table shows that the distribution of cash debt of rural household by credit agencies (1971- 1991):

Table 3.1: Cash Debt of Rural Household by Credit Agencies (1971- 1991):

Credit Agencies	1971	1981	1991
Institutional	29.2	61.2	64.0
Co operative	20.1	28.6	21.6
Commercial Bank	2.2	28.0	33.7
Others	6.9	4.6	8.7
Non-institutional	70.8	38.8	32.7

Money lenders	36.9	16.9	17.6
	(13.8)	(8.3)	(10.5)
Traders	8.7	3.4	2.5
Relative/Friends	13.8	9.0	5.5
Others	11.4	9.5	7.2
Unspecified	-	-	3.3
All	100	100	100

Note: percentage within bracket relates to the share of professional money lenders in total credit outstanding.

Source: Reserve Bank of India Bulletin, May 1999.

[Reserve Bank of India (1999b): All India Debt and Investment Survey 1991 -1992-Salient Features, Monthly Bulletin, May.]

In order to assess the extent of assistance offered by the formal banking institutions we must look at the trend in small borrowal accounts.

Table: 3.2: Trends in Number of Accounts and Amount Outstanding of Small Borrowal Accounts in India

Year	No. of Accounts		Share of SBAs (%)	Amount Outstanding		Share of SBAs (%)	Outstanding per account
	All	SBAs		All	SBAs		
June 1984	295	282	95.6	43326	8897	20.5	3154
June 1985	336	321	95.6	49995	10028	20.1	3124
June1986	384	371	95.8	56182	12615	22.5	3400
June1987	434	416	95.8	63727	15444	24.2	3713
June1988	480	459	95.6	71285	17954	25.2	3912
June1989	521	497	95.4	88027	22330	25.4	4493
March1990	539	512	95	104312	24147	23.1	4716
March 1991	619	588	94.9	124203	27323	22	4647

March1992	659	625	95	136706	29945	21.9	4791
March1993	621	585	94.2	162467	32091	19.8	5486
March1994	596	558	93.6	175891	32188	18.3	5768
March1995	581	539	92.8	210939	34060	16.2	6319
March1996	567	519	91.6	254692	36253	14.2	6985

Source: RBI Monthly Bulletin 1999

[Reserve Bank of India (1999a): Salient result of the survey of Small Borrowal Accounts, March 1997, Monthly Bulletin,]

The above table (3.2) shows that the rate of increase in SBAs has not kept pace with the overall growth in credit. Interestingly, the major component of SBA's had been the IRDP loans while the share of Government Schemes, other than IRDP includes programmes like Prime Minister's Rojgar Yojana, Schemes of Urban Micro Enterprises, Integrated Urban Poverty Eradication Programme, etc. The IRDP loans were low interest loans, normally, with an annual charge of interest of ten percent but in certain cases the interest was reduced to four percent per annum (Swaminathan-1990). The tables below have been given to show various poverty alleviation program launched by Government of India and the share in SBAs in Government loan Scheme.

Table: 3.3 Poverty Alleviation Programs Launched by Government of India

Ministry / Department	Schemes	
Ministry of Rural Development	1	SwarnJayanti Gram SwarozgarYojana (SGSY)
	2	Jawahar Gram samridhiYojana (JGSY)
	3	Employment Assurance Scheme (EAS)
	4	SampoornaGrameenRozgarYojana (SGRY)
	5	Indira AwasYojana (IAY)
	6	National Social Assistance Program (NSAP)

	7	Annapoorna Scheme
	8	PradhanMantri Gram SadakYojana
	9	Integrated Wastelands development Program (IWDP)
	10	Drought Prone Areas Program (DPAP)
	11	Desert Development Program (DPP)
Ministry of Urban Development and poverty Alleviation	1	National slum Development Program.
Department of Public Distribution, Ministry of Consumer Affairs	1.	Targeted public Distribution System(TDPS) and Antyodaya Anna Yojana (AAY)
Department of Education, Ministry of Human resource Development	1.	Non Formal Education (NFE)
	2.	National Program for Nutritional Support to Primary Education.
	3.	Operation Blackboard scheme
	4.	SarvaShikshaAbhiyan
Department of Fertilizer	1.	Retention Pricing Scheme (RPS)
	2.	Concession Scheme for de-controlled fertilizers
Ministry of Agro and Rural Industries	1.	Prime Minister's RozgarYojana
	2.	Rural Employment Generation Program (REGP)
	3.	Khadi and Village Industries Commission (KVIC)

Ministry of Social Justice and Empowerment	1.	Special Central Assistance to Special Component Plan for Scheduled Castes
Department of Women and Child Development, Ministry of Human Resource Development	1	Integrated Child Development Services (ICDS) Scheme

Source: Arun Kumar Vaish - 2013

Table: 3.4: Share of SBAs in Government Loan Scheme

Scheme	March 1993		March 1997	
	No of Accounts	Amount Outstanding (Rs)	No of Accounts	Amount Outstanding (Rs)
IRDP	34.2	22.6	34.6	24.2
Other Schemes	8.9	8.5	21.7	21.7
General Loans	56.9	68.9	44.3	54.1

Note: The other schemes include Prime Minister's RojgarYojana, Self Employment for Educated Urban Poor, Self Employment for Educated Youth, Schemes for Micro Enterprises, etc.

Source: RBI Monthly Bulletin, Jan-Feb 1996 and February 1999.

3.02. Changing Priorities:

It is pertinent to point out here that the successive enquiries into the working of agricultural credit system have observed that the banks were showing their disinclination to serve a clientele who are located spatially and emotionally away from them and whose risk profile is difficult to assess. The transaction cost for releasing credit was also very high and the political intervention in the form of loan waiver and write offs are also observed. It must be pointed out that even the Regional Rural Banks which were set up exclusively for meeting the credit need of weaker section had to dilute their obligation to lend to this section of population.

Table: 3.5: Priority Sector Lending of Scheduled Commercial Bank

Year	Total credit outstanding	Agriculture	Retail Trade	Transport Operator	Artisan Village Industries	Other Small Scale Industries	Total
1980-81	3674	3722	801	1078	----	2844	8445
1981-82	29590	5076	1207	1523	----	3530	11156
1982-83	35020	5786	1195	1909	----	3857	12747
1983-84	43326	7655	1748	2257	----	5412	17072
1984-85	49995	8820	2127	2398	----	6629	11974
1985-86	NA	NA	NA	NA	----	NA	-
1986-87	63727	11019	3238	2558	----	7621	24436
1987-88	71285	12517	3997	2765	----	9493	28772
1988-89	88027	15266	5020	2988	----	11821	35095
1989-90	104312	16626	5560	3286	926	11986	38384
1990-91	124203	18573	6803	3639	934	15512	45461
1991-92	136706	20238	7591	3581	945	16409	48764
1992-93	162467	22060	8268	3743	1031	19264	54366
1993-94	175891	22872	9116	3757	1130	19920	56797
1994-95	210939	24948	10526	3957	1130	21722	62283
1995-96	254692	28809	12465	4577	1503	25822	73177
1996-97	284373	31634	16157	5202	1825	26793	81611
1997-98	329944	35262	18323	6468	1942	28628	90623

Source: CMIE, Banking and Finance, February 1997 and December 1998. RBI Basic Statistical Returns, Volumes 26, 27 and 28, March 1996, 1997 and 1998

Table 3.6: Share of Priority Sector in Total Credit Outstanding (in percentages)

Year	Agriculture	Retail Trade	Transport Operator	Artisan Village Industries	Other Small Scale Industries	All
1980-81	15.72	3.38	4.55	----	12.01	35.67
1981-82	17.15	3.47	5.15	----	11.93	37.70
1982-83	16.52	3.41	5.45	----	11.01	36.40
1983-84	17.67	4.03	5.21	----	12.49	39.40
1984-85	17.64	4.25	4.80	----	13.26	39.95
1985-86	NA	NA	NA	----	NA	-
1986-87	17.29	5.08	4.01	----	11.96	38.34
1987-88	17.56	5.61	3.88	----	13.32	40.36
1988-89	17.34	5.70	3.39	-----	13.43	39.57
1989-90	15.94	5.33	3.15	0.89	11.49	36.80
1990-91	14.95	5.48	2.93	0.75	12.49	36.60
1991-92	14.80	5.55	2.62	0.69	12.00	35.67
1992-93	13.58	5.09	2.30	0.63	11.86	33.46
1993-94	13.00	5.18	2.14	0.64	11.33	32.29
1994-95	11.83	4.99	1.88	0.54	10.30	29.53
1995-96	11.31	4.89	1.80	0.59	10.14	28.73
1996-97	11.12	5.68	1.83	0.64	9.42	28.69
1997-98	10.69	5.55	1.96	0.59	8.68	22.18

Note: Artisan and village industries are included in other small scale industries for the period between 1980 – 81 to 1994-95

Source: CMIE, Banking and Finance, February 1997 and December 1998. RBI Basic Statistical Returns, Volumes 26, 27 and 28, March 1996, 1997 and 1998.

From the above two tables (3.5 & 3.6) it becomes clear that the share of priority sector in total credit outstanding was in a declining trend since 1987-88 to 1997-98. In 1987-88, the total share of priority sector was 40.36% of total credit outstanding which declined to 28.73%, 28.69% and 22.18% for 1995-96, 1996-97 and 1997-98 respectively, which is an indicator of the incapacity or the lack of concern of the formal banking sector to serve the need of low income clientele and a gap between the demand and supply of funds emerged. The formal sector thrust even within the priority sector lending framework had been on productive activities, but the poor had the need of credit mainly for the purpose of financing income-consumption gap or tiding over occasional crisis and emergencies. The need and the delivery terms and conditions of the credit did not match. This was one of the prime reasons of increased dependence of the rural poor, more markedly non-cultivator, on informal credit sources like traders, contractors and money lenders (Nair, 2000). To reduce the gap of demand and supply of credit to the poor, interestingly, the formal sector took the initiative to develop a supplementary credit delivery system by encouraging institutional arrangement outside the financial system (i.e., by taking NGOs) to act as facilitators or intermediaries. The beginning was made with NABARD's pilot project in Karnataka (1991-1992) for linking self help group with formal banks, mediated through NGO, Mysore Resettlement and Development Agency (MYRADA). This project known as SHG linking project, was expected to be advantageous to the banking sector from the angle of both fulfilment of its social goals i.e., reaching out to the poor as well as achieving operational efficiency by externalizing a part of its transaction cost. The project success apparently in building a bridge between banks and the poor led to its institutionalization in 1996 by the Reserve Bank of India as a normal activity of banks under priority sector and service area approach. The deployment of loans under SHG linkage scheme can be observed from the following table:

Table 3.7: Deployment of loan under SHG linkage Scheme

Year	Cumulative	
	No. of Groups	Volume of Loans in Rupees (million)
1992-93	255	2.89

1993-94	620	6.53
1994-95	2122	24.45
1995-96	4757	60.58
1996-97	8598	118.36
1997-98	14317	237.59

Source: NABARD, SHG-Bank linkage program status on 31st March, 1998.

With the launching of NABARD's Pilot Project, microfinance, the development buzz word of 1990s, and much publicized magic potion to cure the illness of rural poverty, gained visibility in the Indian development landscape.

3.03: Credit in India for Small Borrower:

The overview of credit to small borrowers begins with the late colonial period. The problem faced by the Indian poor in the colonial period has continued in the period following independence time. Dependence on usurious moneylenders and operation of a deeply exploitative grade of interlocked, imperfect markets afflicts the rural poor. The performance of cooperative societies in India was found to be weak though the dependence on cooperative institutions was on large scale. The nationalization of banks in the year 1969 had some positive impacts on bank projects but their impact on availability of affordable rural credit to the poor and to the backward region was extremely adverse and due to this adverse impact, in rural areas, the moneylenders could make their come back.

3.04. Credit during the late colonial period:

The usurious money lending of the late colonial period can be picturised through many reports of that period. These reports explained that in those days, frequently the debt was not repaid in full and the unpaid part had become pro-note debt. If in any year the full debt was not paid off due to any reason, the part became mortgage debt on next production year. The loan taker due to heavy pressure of previous mortgage debt was unable to repay the debt taken for the current year production and hence the loan giver or the creditor took the bulk of produce and left the ryot unable to repay short term loan and thus the short term loans would become long term loans leading to a "vicious cycle" of loan. The real interest rates were not just the rates they charged but the interest rates were hidden in the

lower price paid for the produced sold (Devaraja-2011). The ryot, being the tenant cultivator who served on hire, was unable to clear his short term debt because of his mortgage and he was unable to cultivate without borrowing again as his crop, on large scale, was taken by the long term creditor. The role of moneylender was then only as a moneylender from whom the ryot could get credit but they also performed the role of a crop buyer, labour employer and landlord.

Repayment of the debt was a major compulsion for the farmers to sell their crop and the creditor usually insisted on repayment in the immediate post-harvest period and for doing this, the farmers were forced to borrow once again. It is found that repayment of prior debt was the single most important reason of borrowing and the most important source of credit was the rich moneylenders who made the mortgage mechanism through the vicious cycle of debt.

It is found that moneylenders often extended grain loans to poor proprietors, tenants and labourers. They charged their higher rate of interest from the poor cultivators as they made greater resort to grain loans and also for the vulnerable position of the too poor people. The lenders used the vulnerable position of the poorer cultivator and cheat them in various ways, showing miss calculation of the deposition, interest, etc., and never provided the receipts to the poorer but if the repayment was not made in instalment as agreed previously, they charged a higher penal rate of interest. In many cases it was found that moneylenders were purchaser of the crops. The moneylender forced his debtors (the poor) to sell the produce at a prearranged time which was normally immediate to post harvest period, at a lower price than the interest on the loan, and they had to buy back the grain again in the peak price period and was trapped again in debt for buying for which they had to borrow.

Another source of exploitation of the tenant was “the rent relationship”. Payment of rent was generally fixed just after the harvest period and which was tough for the tenant who paid rent in cash. The tenants were not allowed to harvest the crop from the ground without paying the rent. Since the lease of land renewed every year, there was an intense pressure on tenants for payment of the rent. In case, rent was not paid in due time, the higher rate of interest was charged and sometimes the rent charged was equivalent to the interest. To face the situation, the colonial administration made several attempts to tackle with it and during this period some Acts were passed for giving some relief to the poor. Low interest loans were provided after the Land Improvement Loans Act of 1883 and

Agriculturist Loans Act of 1884 but these loans remained extremely meagre and ineffective and the statement of the legendary scholar of Punjab, Malcolm Darling that “Indian peasant is born in debt, lives in debt and dies in debt” became the classic reality of the history of Indian economy. But to get rid of the situation, at the later period of colonial rule in India witnessed the Usurious Loan Act in 1918 which applied the *Damdapat* principal i.e., interest cannot be more than principal of debt.

3.05. The Co-operative Movement:

During the phase when co-operative movement was going on successfully in Europe, the then Government (British) encouraged the movement of Cooperative herein India and the Cooperative Credit Societies Act in India 1904 was enacted and cooperative banks were established in almost all major provinces by 1930. But the movement did not have an easy path, rather in India it was hard to continue as the cooperative credit societies were run, in most cases, by the rich landlords and the moneylenders. The cooperative societies were involving themselves in local power politics and were a source of rural patronage and influence. In 1994, All India Rural Credit Survey stated that less than 9% of rural credit needs in India was provided by formal credit institutions and more than 75% credit was supplied in the rural sector by moneylenders, traders and rich landlords though the cooperative credit society had already won its existence over last 50 years with only 5% of their share in rural credit.

From 1950 to 1960, the cooperative societies started to move forward with Integrated Scheme of Rural Credit as suggested by All India Rural Credit Survey, and, in 1970 the share of cooperatives in rural credit rose to 20% and presently India’s cooperative credit structure is one of the largest financial systems in the world covering nearly half of India’s total population. According to the Task Force on Revival of Rural Cooperative Credit Institutions (2004), these owes mainly to “deep impairment of governance”. Cooperative credit society was originally seen as member driven, democratic, self-governing, self-reliant institutes but over the years, for its basic functions, it looked up to the state. The government had become the dominant share holder, manager, regulator, supervisor and auditor. The Cooperatives were involved in conflict of interest and that led to regulatory arbitrage, recurrent losses, deposit erosions, poor portfolio quality and a loss of competitive edge for cooperation and domination of rural people

which was a characteristic of colonial period and was still continuing to be an abiding feature of these institutions even after independence. The following table shows the share of Cooperative in respect of rural household debt:

Table 3.8: Share of Cooperatives and Commercial banks in Rural Household debt in India 1951- 1991

Credit agency	1951	1961	1971	1981	1991
Cooperative and Commercial Bank	5.7	10.3	24.4	58.6	58.8

Source: Various All India Rural Credit Survey

The above data shows that the rural moneylenders share in rural household debt had a decreasing trend during 1951 to 1991 as the share of rural cooperatives and commercial banks reached 58.8% by 1991 showing evidence of displacement of rural moneylenders from their monopolistic market power due to the positive influence of co-operatives and commercial banks and the government (N. Batini *et. al.* 2011, citing Bell 1990).

3.06. Commercial Bank Nationalization:

In 1951, the All India Rural Credit Survey found that the share of banks in rural credit was less than one percent and the 1961 Census pointed out that 50 percent of the towns of India and almost none of its villages had a bank branch. In 1969, fourteen of India's largest scheduled commercial banks were nationalized for a larger social purpose and to serve national priorities and objectives such as rapid growth of agriculture, small industries, raising of employment levels and encouraging the entrepreneurs and development of backward areas. In the year 1969, the National Credit Council was setup to guide branch expansion programme found that the commercial banks served in Indian villages was less than one percent. The RBI created a comprehensive list of no branch locations and directed that all semi urban locations would have to be covered by the end of 1970. In the year 1976, Regional Rural banks were created to develop rural economy by providing rural credit and other facilities particularly to small and marginal farmers, agriculture labourers, artisan and small entrepreneurs. The expansion of bank branches (table No. 3.9) from 1977 to 2017 and the growth of bank office of rural banking in India, 1969-2017 (table 3.9 A) has been shown below.

Table 3.9: Branch Expansion of Scheduled Commercial Banks (1977-2017)

Year	Rural		Semi urban		Urban		Metropolitan		Total	
	No of offices	% change	No of office	% change	No of office	% change	No of office	% change	No of office	% change
1977	9537	----	7248	-----	4542	-----	3475	-----	24802	-----
1978	11806	23.79	7628	5.24	4843	6.63	3739	7.60	28016	12.96
1979	13337	12.97	7889	3.42	5037	4.00	3939	5.35	30202	7.80
1980	15105	13.26	8122	2.95	5178	2.80	4014	1.90	32419	7.34
1981	17656	16.89	8471	4.30	5454	5.33	4126	2.79	35707	10.14
1982	20401	15.55	8809	3.99	5693	4.38	4274	3.59	39177	9.72
1983	22686	11.20	9081	3.09	5917	3.93	4395	2.8	42079	7.41
1984	25380	11.88	9326	2.70	6116	3.36	4510	2.62	45332	7.7
1985	30185	18.93	9816	5.25	6578	7.55	4806	6.56	51385	13.4
1986	29703	-1.6	10585	7.83	7209	9.59	5790	20.4	53287	3.7
1987	30209	1.70	10637	0.49	7218	0.12	5795	0.08	53859	1.07
1988	31114	2.99	11132	4.65	7322	1.44	5842	0.81	55410	2.88
1989	33014	6.11	11166	0.31	7524	2.76	5995	2.62	57699	4.13
1990	34791	5.38	11324	1.42	8042	6.88	5595	-6.67	59752	3.56
1991	35206	1.19	11344	0.18	8046	0.05	5624	0.51	60220	0.78
1992	35269	0.18	11356	0.11	8279	2.90	5666	0.74	60570	0.59
1993	35389	0.34	11465	0.96	8562	3.42	5753	1.54	61169	0.99
1994	35329	-0.17	11890	3.71	8745	2.14	5839	1.49	61803	1.04

1995	33004	-6.58	13341	12.20	8868	1.41	7154	22.5	62367	0.91
1996	32995	-0.03	13561	1.65	9086	2.46	7384	3.21	63026	1.06
1997	32915	-0.24	13766	1.51	9340	2.80	7529	1.96	63550	0.83
1998	32878	-0.11	13980	1.55	9597	2.76	7763	3.10	64218	1.05
1999	32857	-0.06	14168	1.34	9898	3.14	8016	3.26	64939	1.12
2000	32734	-0.37	14407	1.67	10052	1.56	8219	2.53	65412	0.73
2001	32562	-0.52	14597	1.32	10293	2.40	8467	3.02	65919	0.78
2002	32380	-0.56	14747	1.03	10477	1.79	8586	1.4	66190	0.41
2003	32303	-0.23	14859	0.76	10693	2.06	8680	1.09	66535	0.52
2004	32121	-0.56	15091	1.56	11000	2.87	8976	3.41	67188	0.98
2005	32082	-0.12	15403	2.07	11500	4.55	9370	4.39	68355	1.74
2006	29534	-7.94	16184	5.07	12166	5.79	11732	25.21	69616	1.84
2007	29658	0.42	16970	4.86	13009	6.93	12351	5.28	71988	3.41
2008	30173	1.74	18246	7.52	14232	9.40	13315	7.80	75966	5.53
2009	30821	2.15	19569	7.25	15245	7.12	14277	7.22	79912	5.19
2010	31845	3.32	21313	8.91	16621	9.03	15391	7.80	85170	6.58
2011	33315	4.62	23630	10.87	17571	5.72	16403	6.58	90919	6.75
2012	35931	7.85	26392	11.69	18811	7.06	17478	6.55	98612	8.46
2013	39199	9.10	29163	10.50	19874	5.65	18348	4.98	106584	8.08
2014	44676	13.97	32216	10.47	21515	8.26	19589	6.76	117996	10.70
2015	48140	7.75	34526	7.17	23098	7.36	20879	6.59	126643	7.33

2016	50561	5.03	36455	5.59	24395	5.62	22088	5.79	133499	5.41
2017	48806	-3.47	38201	4.79	24574	0.73	26478	19.88	138059	3.42

Note : Data exclude ' Administrative offices'.

1. For data upto 2005, Basic Statistical Returns of Scheduled Commercial Bank.
2. For data from 2006 onwards, Master office file database as on August 3, 2017.
3. '% Change' has been generated.

Source: Reserve Bank of India, Handbook Statistics of Indian Economy, published on September 15, 2017 (Table No. 67)

Table3.9 (A): Growth of Rural Banking in India: 1969-2006

Year	No. of Bank Office	
	Rural	Percent of total
1969	1443	17.6
1972	5274	36.0
1975	7112	35.5
1978	12534	42.5
1981	19453	51.5
1984	25541	52.9
1987	30585	56.2
1990	34867	28.2
1993	35360	56.3
1996	32981	51.2
1999	32840	49.3
2002	32443	47.8

2005	32082	46.9
2006	30572	44.5

Source: RBI: Banking Service: Basic Statistical Returns various issues; Quarterly Statistics on Deposit and credit of Scheduled Commercial Bank: March-2006

3.07. Priority Sector Lending:

Before introducing the Regional Rural Bank in 1976, the RBI was directing the credit to the unbanked geographical region to influence the sectoral orientation of bank lending and in 1972, the definition of certain 'Priority sector' was formalized. In 1975, the target of the priority sector was set up at 33% and in 1979 it was raised to 40%. The sub-targets were also fixed for various sectors. Sub- target for agriculture was set up at 16% and the sub-target for 'weaker section' was fixed at 10%. By 1990, 42% of the agricultural credit went to the marginalized. The differential interest rate was also fixed in 1972. The scheme for providing cheaper credit to weaker section was introduced in 1974. In 1978, RBI directed commercial banks and Regional Rural Banks to charge flat 9% interest for all priority sector loans irrespective of size. Down payment for small rural borrowers was not made mandatory.

As a consequence of all the above, the share of moneylenders, landlords and agriculturist moneylenders in rural credit fell down from an average of over 75% in 1951- 61 to less than 25% in 1991 and the share of formal sector lending had become more than doubled between 1971 – 1990 (M. Shah *et.al.*, 2007).

Table 3.9 (B): Share of Priority Sector Advance in total credit of Schedule Commercial Banks, 1969-2005

Year	Share in Percentage
1969	14
1972	21
1975	25
1978	28.6
1981	35.6

1984	38.1
1987	42.9
1990	40.7
1993	34.4
1996	32.8
1999	35.3
2002	34.8
2005	36.7

Source: RBI Banking Service; Basic Statistical Returns. Various Issues

3.07.01. Priority Sector Lending – Trends

The developed and developing countries in the World have always used relatively preferential terms and conditions for lending to the poorer sections through the priority sector for the direct credit programs. In India, the bank nationalization in 1969 and prior to bank nationalization of banks used to provide loans to the big business, trading houses which were normally operating in urban and metropolitan areas. Corrective measures for releasing loans were taken through bank nationalization so that loans could be released beyond metropolitan and urban areas by the commercial banks and contributing towards the development of the country, considering the activities undertaken in the areas which were considered to be the priority sector.

For meeting the fixed obligation of the priority sector advance / credit for a widespread coverage, certain changes were made in bank licensing policy so that non-bank areas of rural and urban sector could be brought under the purview of bank as well as the benefit of priority sector advance could be extended to a larger section. A target of 40% of net bank credit was fixed for all Indian domestic commercial banks under priority sector with a sub-target of 18% for lending to agriculture and 10% for the weaker sections of the society. The target of lending to the sector was 32% of Net Bank Credit for foreign banks. If there was any short fall for providing loans to the priority sector, the domestic

commercial banks had to contribute to the Rural Infrastructure Development Fund (RIDF) and the foreign banks have to contribute to the Small Industries Development Bank of India (SIDBI).

The categories under priority sector had gone through several changes since 1972. Some new areas have been brought in under the sector. As per the Master Circular – Priority Sector Lending- Targets and Classification, issued by Reserve Bank of India on 1st July 2015, at present, the following categories are under the section:

1. Agriculture
2. Micro small and medium enterprise
3. Export credit
4. Education
5. Housing
6. Social infrastructure
7. Renewable energy
8. Others

The category “others” in priority sector advance includes the weaker section of the society. The following categories have been described as weaker section by the Reserve Bank of India:

Table: 3.10 Categories of Priority Sector

Number	Category
01.	Small and Marginal Farmer
02.	Artisan, village and cottage industries where individual limit does not exceed Rs. 1 lakh
03.	Beneficiaries under Government sponsored Scheme such as National Rural Livelihood Mission(NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
04.	Scheduled Caste/ Scheduled Tribe

05.	Beneficiaries of Differential Interest Rate (DRI)
06.	Self Help Group
07.	Distressed farmers indebted to non institutional lenders
08.	Distressed person other than farmers, with a loan not exceeding Rs. 1 lakh per borrower to repay the debt to non institutional lender
09.	Individual women beneficiaries up to Rs. 1 lakh per borrower
10.	Persons with disabilities
11.	Overdraft up to Rs. 5000.00 under Pradhan Mantri Jan-Dhan Yojana (PMJDY) account, provided the borrower's household income does not exceed Rs. 1,60,000.00 for non rural areas
12.	Minority Communities may be notified by the Government of India time to time
* In States, where one of the minority community notified is in fact, in majority, item (12) will cover only the other notified minorities. These States/ Union territories are Jammu and Kashmir, Punjab, Meghalaya, Mijoram, Nagaland and Lakshadweep	

Source: RBI Master Circular dated 1st July, 2015

From the above two categories: (i) Categories under priority sector and (ii) categories of weaker section in priority sector, it is evident that agricultural activities, small scale industries, export activities, professional and self- employed persons, weaker sections, education, housing, micro credit, consumption loan, agro-based processing unit, software industries, leasing and higher purchase, venture capital, loans to poor and rural and urban sectors have all been included under these categories. This inclusion and the advance of credit under this category is not purely based on commercial terms and conditions and following flexible and liberal approach has been taken for releasing advance under this category. As per the current interest policy where loan is up to Rs. 2 lakh, the interest rate should not exceed the Benchmark Prime Lending Rate (BPLR) of the bank but banks have been given the liberty for determining interest rate freely where loan amount is above 2 lakh.

Private and public sector banks have played a pivotal role in development of economic activities by providing credit/ advance under the priority sector. The following table shows the outstanding credit of priority sector of public and private banks.

Table 3.11: Outstanding Credit to Priority Sector (Rs. in Crore)

Year	PSBs	As % of Adjusted Net Bank Credit	Pvt. Banks	As % of Adjusted Net Bank Credit	Foreign Bank	As % of Adjusted Net Bank Credit	All Banks
2001	146546	43.00	21549	38.2	11835	34.1	179930
2002	171185	43.1	25709	40.8	13414	46.7	210308
2003	203095	42.1	36705	44.2	14848	33.8	254648
2004	245672	44.0	52860	47.4	18276	34.8	316808
2005	310093	43.0	69384	43.3	23843	35.3	403320
2006	410379	40.3	106556	42.8	30439	34.6	547384
2007	521180	39.6	143768	42.7	37835	33.4	702783
2008	608963	44.6	163223	47.5	50301	39.8	822487
2009	719497	42.5	190303	46.8	55483	34.2	965283
2010	864562	41.7	215551	46.0	60290	35.1	1140403
2011	1028615	41.3	248828	46.6	66618	39.6	1344061
2012	1129990	37.4	286420	39.4	80538	40.9	1496949
2013	1284880	36.4	327317	37.5	85011	35.2	1697208
2014	1618971	39.4	464456	43.9	90723	36.0	2174150

Source: RBI, The Report of Progress of Banking in India as reported by Bank

From the above table the following trends can be observed in case of public sector, banks over its preceding year in respect of outstanding credit:

Table 3.12: Trends in Outstanding Credit of Public Sector Bank (PSBs) & Private Banks
(Rs in Crore)

Year	PSBs	Growth/Decline over previous year (%)	Private Bank	Growth/Decline over previous year (%)
2001	146546	-	21549	-
2002	171185	16.83	25709	19.30
2003	203095	18.64	36705	42.77
2004	245672	20.96	52860	44.01
2005	310093	31.72	69384	31.26
2006	410379	32.34	106556	53.599
2007	521180	27.0	143768	34.91
2008	608963	16.84	163223	13.53
2009	719497	18.15	190303	16.59
2010	864562	20.16	215551	13.267
2011	1028615	18.975	248828	15.438
2012	1129990	9.855	286420	15.108
2013	1284880	13.70	327317	14.279
2014	1618971	26.0	464456	41.898

Source: Generated from RBI, The Report of Progress of Banking in India as reported by Bank

From the above two tables some interesting results have come out while analyzing. That in the year ending on 31st March 2002, a growth of outstanding credit over 2001 of public sector bank was 16.83% and the increasing trend continued for the years 2003, 2004, 2005

and 2006 when the growth rates were 18.64%, 20.96%, 31.72% and 32.34 % respectively. Declining trends were observed in 2007 and 2008 when it was 16.84% and 18.15% respectively. In the year 2010 the growth reached 20.16% but again in the year 2011 and 2012 a declining trend was observed as it was 18.97% and 9.85% (being the lowest). In the year 2013 the growth over previous year was found to be 13.70% and in the year 2014 it was found 26% over 2013's outstanding credit. At the same time if the trends of private sector banks are analyzed, one will be able to observe that the growth in 2002's outstanding credit over 2001's outstanding credit was 19.30% and in 2003 and 2004 those were found 53.59% and then a declining trend of growth over immediate past year was observed in the year 2007, 2008 - 13.53% and 16.59% respectively and in the year 2010 the growth was minimum at 13.27% over 2009's credit outstanding but in the year ending on 31st March 2014 the percentage of growth over 2013 was found to be 14.90%. It was also found that the share of priority sector advance was 39.4% by public sector bank which was just below the set target of 40% of Adjusted Net Bank Credit in the year ending on 31st March, 2014 and at the same time the target had been achieved by private sector bank in the year 2014 by achieving 43.9% against the national norm of 40%. It must be mentioned here that the starting of expansion of rural credit was from 1969 after the nationalization of commercial banks and marked expansion of rural credit took place during 1970-1980 but on the declaration of the New Economic Policy in 1991, the priority sector lending was curbed. Bhattacharyya and Bhattacharyya (2007) found that from 1980-1981 and 2002-2003, during this 23 years credit expanded at a rate of 11.1 percent and during 1980-1981 to 1990-1991, the credit expanded at a much faster rate, but during 1992-1993 to 2002-2003, the expansion rate declined to much less figure and this was for the New Economic Policy and curbing the targeted credit particularly the allotment of priority sector lending.

3.08. Weaker Section and Small Borrowal Account in the Priority Sector:

The category of weaker section as defined under priority sector encompasses various socially and economically unprivileged sections. The share of this section followed a pattern that was similar to agricultural and Micro and Small Enterprise sectors. The target of advance to the priority sector has been fixed as:

Table 3.13: Target Advance under the Priority Sector & Weaker Section for domestic Scheduled Commercial Bank and Foreign Bank

Categories	Domestic scheduled commercial bank and foreign bank with twenty branches or above	Foreign banks with less than twenty branches
Total Priority Sector	<p>40% of adjusted net bank credit or credit equivalent amount of off – balance Sheet exposure, whichever is higher.</p> <p>Foreign bank with twenty branches or above have to achieve the total priority sector target within a maximum period of 5 years starting from 1st April, 2013 and ending on 31st March 2018 as per the action plans submitted by them and approved by RBI.</p>	<p>40% of adjusted net bank credit or credit equivalent amount of off- balance Sheet exposure, whichever is higher to be achieved in a phased manner* by 2020.</p>
Advance to weaker section	<p>10% of adjusted net bank credit or credit equivalent amount of off – balance Sheet exposure, whichever is higher.</p> <p>Foreign bank with twenty branches and above have to achieve the weaker section target within a maximum</p>	Not applicable

	period of five years starting from 1 st April, 2013 and ending on 31 st March 2018 as per the action plans submitted by them and approved by RBI.	
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Note:

*Phased manner is as follows:

Year	Total priority sector as percentage of Adjusted Net Banking Credit (ANBC) or credit equivalent amount of off – Balance Sheet exposure, whichever is higher
2015-2016	32
2016-2017	34
2017-2018	36
2018-2019	38
2019-2020	40

Source: RBI Bulletin issued in 1st July, 2015.

3.09. Profile of Small Borrowal Account:

The way we look at the credit distribution to the small borrowers' section is to segregate the loan account with relatively small credit limits. The account with a credit limit up to Rs. 0.2 million i.e., Rs. 2 lakh is referred to as Small Borrowal Account (SBA). The following tables have been shown to give details of the profile of share of credit to weaker sections Small Borrowal Accounts from 1975 to 2014.

Table 3.14: Profile of Small Borrowal Accounts

At the end of	Cut off limit for SBA(Rs.)	Small Borrowal Accounts			All Accounts			Percentage share of small borrowal accounts in all account	
		No. of accounts	Amount outstanding	Avg. amount outstanding per account	No. of accounts	Amount outstanding	Avg. amount outstanding per account	No. of accounts	Amount outstanding
June 1975	10000	5607	831	1482	6180	9011	14581	90.7	9.2
June 1976	10000	7674	1110	1447	8317	11678	14041	92.3	9.5
June 1977	10000	10016	1393	1391	10750	13457	12518	93.2	10.4
June 1978	10000	12137	1816	1496	13007	15961	12271	93.4	11.4
June 1979	10000	14336	2336	1630	15383	19163	12457	93.2	12.2
June 1980	10000	16834	2886	1714	18034	21312	11817	93.4	13.5
June 1981	10000	19307	3553	1840	20747	24875	11990	93.1	14.3
June 1982	10000	21877	4582	2096	23516	29590	12583	93.0	15.5
June 1983	10000	23628	5089	2149	25563	35020	13700	92.6	14.5
June 1984	25000	28211	8797	3154	29537	43326	14668	95.5	20.5
March 1985	25000	32137	10028	3120	33611	49995	14874	95.6	20.1
March 1986	25000	37143	12615	3396	38789	56182	14484	95.8	22.4
March 1987	25000	41610	15444	3711	43436	63727	14672	95.8	24.2

March 1988	25000	45886	17954	3913	47981	71285	14857	95.6	25.2
March 1989	25000	49717	22330	4491	52113	88027	16892	95.4	25.4
March 1990	25000	51180	24147	4718	53851	104312	19370	95	23.1
March 1991	25000	58784	27323	4648	61947	124203	20050	94.9	22.0
March 1992	25000	62548	29945	4788	65861	136706	20757	95	22.0
March 1993	25000	58521	32091	5484	62116	162467	26155	94.2	19.8
March 1994	25000	55810	32188	5767	59651	175891	29487	93.6	18.3
March 1995	25000	53915	34060	6317	58097	210939	36308	92.8	16.2
March 1996	25000	51905	36253	6985	56672	254692	44941	91.6	14.2
March 1997	25000	50094	37446	7475	55618	284373	51130	90.1	13.2
March 1998	25000	46828	41095	8776	53584	329944	61575	87.4	12.5
March 1999	200000	50997	88282	17311	52305	382425	73144	97.5	23.1
March 2000	200000	52856	102745	19439	54370	460081	84620	97.2	22.3
March 2001	200000	50456	106294	21067	52364	538434	102825	96.4	19.7
March 2002	200000	54130	125649	23212	56388	655993	116336	96.0	19.2
March 2003	200000	56527	145057	25662	59491	755969	127073	95.0	19.2
March 2004	200000	61900	162700	26282	66390	880312	132597	93.2	18.5

March 2005	200000	71106	199880	28110	77151	1152468	149378	92.2	17.3
March 2006	200000	77122	248498	32221	85435	1513842	177192	90.3	16.4
March 2007	200000	84347	278895	33065	94442	1947100	206169	89.3	14.3
March 2008	200000	94554	331022	34993	106990	2417006	225909	88.4	13.7
March 2009	200000	95801	349865	36500	110056	2847713	258800	87.0	12.3
March 2010	200000	102632	360745	35100	118648	3345169	281900	86.5	10.8
March 2011	200000	102155	383888	37600	120724	4075647	337600	84.6	9.4
March 2012	200000	109111	456621	41800	130881	4803267	367000	83.4	9.5
March 2013	200000	102305	514833	50300	128286	5525317	430700	79.7	9.3
March 2014	200000	109225	526691	48200	138751	6282082	452800	78.7	8.4

Note : i. No of accounts in thousand and amount in Rs. Million

ii. 2588.8= 258800 in column 8 for 2009

Source: Various RBI Bulletin.

Small Borrowal Accounts are predominant in number and accounted for over 90% of all borrower accounts since 1975 till 2014. The cut off limit of credit for classification of small borrowal accounts was revised upward twice since 1975 to 2020. The starting of the cut off limit was fixed at Rs. 10000 in 1975 and later after June 1983, it was revised to Rs. 25000. In the year 1975, the Small Borrowal Account in All Account in respect of number of accounts was 90.7% and with respect to amount outstanding it was 9.2% with the cut off limit of Rs. 10000 per loan. In the year 1983 (March) the share of SB account in all account was 92.6% and the share of amount outstanding was 9.2%. In the year 1984, after increasing the cut off limit of credit of SB account, the percentage of small borrowal accounts to all accounts increased to 95.5% from 92.6% of 1983. The share of amount

outstanding in all accounts increased to 20.55% from 14.5%. The cut off limit was revised the second time in the year 1998 (April) i.e., the cut off limit Rs. 25000 was further raised to Rs. 2 lakh per account in April 1998 and the ratio of SBAs to all accounts increased to 0.975 from 0.874 i.e., an increase of 10.1 percent (0.975-0.874) in a year.

The share in amount outstanding declined between March 1999 and 2006 by 7 percentage points and share of number of SB accounts in all accounts reduced to 90.3% at the end of March 2006 from 97.5% in March 1999. The average amount outstanding per small borrowal accounts showed a continuous increasing trend from June 1978 to June 1984 when the average amount outstanding per borrower increased continuously. The same is noticeable between 1986 and 1990, and between 1992 and March 2008. However, there was a steep decline in the share of SBA to all accounts from 97% to 78% between 1999 and 2014, but the average amount outstanding per account showed a continuous increasing trend (except 2010) till March 2014. In March 1999, the average amount outstanding per account was Rs. 17.3 thousand which rose to Rs. 48.2 thousand in 2014 in case of SBA and the share of SBAs in outstanding amount had fallen from 23.1% in March 1999 to 8.4% in 2014.

It would be pertinent to mention here the observation of R. Radhakrishna (2008) regarding the loss of momentum in the distribution of bank credit in favour of small borrowers and other vulnerable groups. He stated that *“between December 1972 to June 1983, there were 21.2 million additional bank loan accounts in total, added and nursed by the Scheduled Commercial Banks, of which 19.8 million or 93.1 per cent were accounts with credit limit of Rs. 10000 and less. This trend of focusing on small borrowal accounts continued for another decade up to March 1992, despite the effectiveness of loan waiver scheme in March 1990. Between December 1982 and March 1992, there were 38.1 million additional bank accounts, of which 36.0 million were the redefined small borrowal accounts with credit limit of Rs. 25000/- and less. Between March 1992 and March 2001, there has been an absolute decline of 13.5 million accounts in the aggregate bank loan accounts and this was happened because of a much larger decline of 25.3 million accounts for the redefined small borrowal accounts with credit limit of Rs. 25000 and less. On the other hand, borrowal accounts with higher credit limit of above Rs. 25000 have shown an unusually large increase of 11.8 million as compared with only 2.1 million increases during the preceding decade i.e. during December 1983 to March 1992. Even for the*

period of March 2001 to March 2005, while an addition of 24.79 million in total loan accounts has occurred, small borrowal accounts have experienced an absolute fall 0.49 million until march 2004; during 2004-2005, there was a fractional rise 1.97 million because of the forced expansion in farm loans” (Radhakrishna-2008; pp-123).

3.10. Loans to Weaker Section of Society and Non-performing Assets:

An asset is called Non-performing Assets (NPA) when it ceases to generate income for the lender. It is defined as a credit facility in respect of which the interest and/ or instalment of principal has remained due for a specific period of time. An important aspect of observing the loans to weaker section is by considering the position of loans as NPAs or not. It is important to see whether the NPAs of loan to weaker section has increased or declined. It is a matter of great concern for policy matters as credit (Non- performing loans) is one of the most essential elements of economic growth and higher NPAs or NPLs affect the credit flow. The resource is raised by bank not by taking deposits only but also by giving credit to people and recycling the funds received as repayment of loan from the borrower. The NPAs are the main hindrance to generating resources. The trend in growth of NPAs of PSBs against weaker section loans during 2001 to 2011 can be observed from the table below:

Table 3.15: Loan to Weaker Sections and NPAs of Public Sector Banks

Year	Advance to weaker section (Rs Crores)	Total NPAs (in Crore)	NPAs of Weaker section (in crore)	% to Total	% to loan	Growth rate of loan %	Growth rate of NPAs %
1	2	3	4	5	6	7	8
2001	24899	53184	5606	11	23	-----	-----
2002	26459	56514	5744	10	22	6	2
2003	29655	52790	5749	11	19	12	0
2004	35493	50141	6706	13	19	20	17
2005	51445	47693	5752	12	11	45	-14

2006	59471	41380	5023	12	8	16	-13
2007	79038	38590	5238	14	7	33	4
2008	99994	39750	5388	14	5	27	3
2009	122894	43908	5074	12	4	23	-6
2010	168433	57448	5053	9	3	37	0
2011	220250	71051	7929	11	4	31	57

Note: Column 3 represents total NPAs of PSBs, column 5 represents percentages of weaker sections NPAs to total NPAs of PSBs, column 6 represents percentages of weaker section NPAs to loan amount to weaker sections, column 7 represents growth rate of loans to weaker sections, column 8 represents growth rate of weaker section NPAs.

Source: Najmi Shabbir and Rachna Mujoo (2014)

Interestingly the percentages of weaker section NPAs to total NPAs of PSBs was near to 11 percent in 2001 and hovered around the same till 2011. The lowest NPAs was observed in 2010 when it was at 9% and in the same year the percentages of weaker section NPAs to loan amount of weaker section was at 3%, i.e., both were below two digits. It signifies the marked improvement in respect of NPAs of PSBs with regard to weaker sections. The percentage of growth rate of NPAs was 2% in the year 2002 over 2001 had reached zero percent by 2003, and was found negative in 2004, 2005 and 2010, the situation reversed and there was a sharp rise of 57% in growth rate of NPAs was observed in 2011.

3.11. Distribution of Small Borrowal Accounts by Type of Account:

Table 3.16: Small Borrowal Accounts by Type of Account as on March 2014

Type of Account	Small Borrowal Accounts			All Accounts			Percentage of SBAs in all account	
	No. of accounts	Amount Outstanding	Amount share (%)	No. of accounts	Amount Outstanding	Amount share (%)	No. of accounts	Amount Outstanding
Cash credit	7403	385927	7.3	9692	12332418	19.6	76.4	3.1

Overdraft	4789	121882	2.3	6824	397756	6.3	70.2	3.1
Demand Loan	62656	2957997	56.2	69394	8855380	14.1	90.3	33.4
Of which:								
Kishan Credit Card	20305	1314554	25.0	25131	2265879	3.6	88.8	58.0
Credit Card other than KCC	15716	185645	3.5	17293	304952	0.5	90.9	60.9
Medium term loan	15890	702318	13.3	19459	7973179	12.7	81.7	8.8
Long term loan	18334	1084047	20.6	33013	25817727	41.1	55.5	4.2
Others	153	14742	0.3	369	3868363	6.2	41.4	0.4
All accounts	109225	5266911	100.0	138751	62820824	100.0	78.7	8.4

Note: No. of accounts in thousands and amount in Rs. Million

Source: RBI Bulletin, 11th May, 2015

The above table shows that demand for loans dominated the percentage of share of 56.2% of the amount outstanding, and 57.36% (62656/109225 x 100) of number of account in case of Small Borrowal Account. Kishan Credit Card was holding 25% share of amount outstanding with 20305000 numbers of Small Borrowal Accounts. The participation of women in the Small Borrowal Account can be observed on the basis of account type from the following table:

Table 3.17: Small Borrowal Account by type of account as on March 31st, 2008

Type of account	Percent Share				Average amount outstanding per account(Rs.)	
	No. of account		Amount Outstanding			
	All borrower	Women borrower	All borrower	Women borrower	All borrower	Women borrower
Kishan Credit Card	16.00	14.3	17.7	14.4	38536	34465
Cash credit	4.9	3.6	6.2	3.4	44719	32325
Overdraft	6.2	5.5	4.7	3.4	26682	21171
Demand Loan	17.2	29.1	15.4	24.5	31373	28683
Credit Card	10.2	1.8	3.7	1.2	12743	22862
Term loan	40.7	39.0	47.3	46.5	40631	40845
Medium term loan	20.5	16.2	18.7	17.0	31982	35847
Long Term loan	20.2	22.7	28.6	29.5	49377	44409
Others	4.7	6.8	5.0	6.6	36680	33372
All small borrowal accounts	100.0 (94132)	100.0 (11326)	100.0 (329396)	100.0 (38765)	34993	34226

Note: Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, May 2011.

From the above table (3.17), it is clear that as on March 31, 2008, term loans dominated the type of loan accounts in respect of number of accounts and amount outstanding in small borrowal account. The share was 40.7% of number of accounts and 47.3% in amount outstanding. Again, in the number of account share of 40.7%, women were holding 39% of the number of accounts and in share of amount outstanding 47.3%, women were holding 46.5% in small borrowal accounts in case of term loans. This was followed by demand loans consisting 17.2% of the total small borrowal account and 15.4% of the total outstanding amount. It was observed that 16% loan were released

through Kishan Credit Card and in terms of amount outstanding its share is at 17.7% in which women borrowers were 14.3% and 14.4% respectively in case of number of account and amount outstanding. It was further observed that in terms of average amount outstanding per account, all small borrowal account stood at Rs. 34993 per account where as women borrower stood at Rs. 34226 per account.

3.12. Distribution of Small borrowal accounts by Rate of Interest:

Following tables are given to show the distribution of small borrowal accounts as on the following dates:

Table 3.18 (A): Distribution of Small Borrowal Account by Rate of Interest as on March 31, 2001

Rate of interest (Percent per annum)	Percent Share				Average amount outstanding per account (Rs)	
	Number of accounts		Amount outstanding			
	All borrower	Women Borrower	All borrower	Women Borrower	All borrower	Women Borrower
Less than 11	5.6	5.0	4.8	5.1	18274	17141
11-12	12.2	12.1	11.3	11.1	19617	15655
12-13	38.1	42.0	39.6	40.9	21895	16547
13-14	11.6	12.6	12.1	12.5	21908	16829
14-15	9.8	10.8	9.9	10.8	21148	17056
15-16	9.7	8.6	9.4	10.1	20454	19915
16-17	5.4	4.9	5.5	5.2	21436	17891
17 and above	6.0	2.7	6.2	3.4	21587	20962

Total	100.0 (50456)	100.0 (8005)	100.0 (106294)	100.0 (13605)	21067	16995
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Note: Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, May 2004.

Table 3.18 (B): Distribution of Small Borrowal Account by Rate of Interest as on March 31, 2004

Rate of interest (Percent per annum)	Percent Share				Average amount outstanding per account (Rs)	
	Number of accounts		Amount outstanding			
	All borrower	Women Borrower	All borrower	Women Borrower	All borrower	Women Borrower
Less than 6	8.4	5.2	3.7	2.8	11145	11832
6-10	30.4	32.8	28.5	30.8	24642	20414
10-12	21.5	23.1	28.4	27.8	34654	26092
12-13	19.5	19.5	20.1	19.0	27106	20873
13-14	8.2	8.3	8.3	8.2	26422	21432
14-15	5.3	5.4	5.7	6.0	28221	24185
15-16	2.5	2.2	2.3	2.4	23891	23693
16-18	1.5	1.4	1.4	1.5	24955	22871
18-20	1.4	0.6	0.9	0.5	17587	16384
20 and above	1.3	1.3	0.7	1.1	15475	19086

Total	100.0 (61900)	100.0 (11244)	100.0 (162700)	100.0 (24477)	26284	21769
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Note: Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, 2006.

Table 3.18 (C): Distribution of Small Borrowal Account by Rate of Interest as on March 31, 2006

Rate of interest (Percent per annum)	Percent Share				Average amount outstanding per account (Rs)	
	Number of accounts		Amount outstanding		All borrower	Women Borrower
	All borrower	Women Borrower	All borrower	Women Borrower		
Less than 6	2.8	1.2	2.8	1.5	32184	33465
6-10	40.4	42.1	44.0	45.0	35119	29046
10-12	21.0	23.6	25.0	26.5	38341	30581
12-13	9.0	9.8	9.0	10.7	32420	29663
13-14	3.8	3.9	4.3	4.3	36459	30035
14-15	2.5	2.8	2.7	3.1	35434	29413
15-16	1.2	1.7	1.2	1.3	30558	21182
16-18	1.4	1.1	1.7	1.3	38671	31158
18-20	1.4	0.8		1.1	35561	38425
20 and above	16.6	13.0	7.8	5.2	15153	10830
Total	100.0 (77122)	100.0 (12709)	100.0 (248498)	100.0 (34506)	32221	27151

Note: Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore.

Source: RBI Bulletin, June 2008.

Table 3.18 (D): Distribution of Small Borrowal Account by rate of Interest as on 31st March 2008

Rate of interest (Percent per annum)	Percent Share				Average amount outstanding per account (Rs)	
	Number of accounts		Amount outstanding		All borrower	Women Borrower
	All borrower	Women Borrower	All borrower	Women Borrower		
Less than 6	8.2	4.6	3.7	2.1	15536	15883
6-10	29.5	37.5	31.0	34.6	36836	31566
10-12	18.3	23.5	23.4	27.5	44767	40059
12-13	11.3	15.1	14.8	16.3	45610	37031
13-14	5.7	6.9	7.1	7.2	43339	35384
14-15	3.9	4.1	4.5	4.7	40896	39879
15-16	1.9	1.4	2.2	1.8	40682	44624
16-18	2.9	1.1	2.6	1.5	31146	47627
18-20	3.6	1.4	2.9	1.3	28127	30813
20 and above	14.6	4.5	7.8	3.0	18744	22904
Total	100.0 (94132)	100.0 (11326)	100.0 (329396)	100.0 (38765)	34993	34226

Note: Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore.

Source: RBI Bulletin, May 2011.

Table 3.18 (E): Distribution of Small Borrowal Account by rate of Interest as on March 2014

Interest Rate Range (percent)	Small Borrowal Accounts			All accounts			Percent share of SBAs in all accounts	
	No. of accounts	Amount outstanding	Amount Share (%)	No. of accounts	Amount outstanding	Amount Share (%)	No. of account	Amount outstanding
Less than 6	3553	58547	1.1	3763	989529	1.6	94.4	5.9
6 and above but less than 9	25478	1563271	29.7	29186	3395639	5.6	87.3	46.0
9 and above less than 10	1607	59296	1.1	2115	1067561	1.8	76.0	5.6
10 and above less than 11	11517	490201	9.3	16664	15437693	25.5	69.1	3.2
11 and above less than 12	10372	584878	11.1	14172	9387198	15.5	73.2	6.2
12 and above less than 13	14658	878151	16.7	18913	11160222	18.5	77.5	7.9
13 and above less than 14	8257	463930	8.7	11885	8562304	14.2	69.5	5.4
14 and above less than 15	7475	429284	8.2	10211	5545665	9.2	72.9	7.7
15 and above less than 16	2529	163117	3.1	4506	2391688	4.0	56.1	6.8
16 and above less than 20	8051	303606	5.8	9834	1890091	3.1	81.9	16.1
20 and above	15612	264294	5.0	17193	639985	1.1	90.8	41.3
All accounts	109080	5258574	100.0	138442	60467575	100.0	78.8	8.7

Note: Number of accounts in thousands and amount outstanding in Rs. million

Source: RBI Bulletin, May 11, 2015, small borrowal account of schedule commercial bank: 2014

While analyzing the small borrowal account by rate of interest of the year ending on 31.03. 2001, it was found that about two fifth of the small borrowal accounts (38%) belong to modal interest rate ranges of 12% to 13% and claimed approximately 40% share in amount outstanding. Other important interest rate range were 11% to 12% and 13% to 14% which claim share of approximately 12% and 11.6% with average amount outstanding of Rs. 19617 and Rs. 21908 per account respectively. In case of women small borrowal account, 12% to 13% rate of interest range claimed the highest share of women borrowers which was 42% followed by 13% to 14% and 11% to 12% ranges claiming 12.6% and 12% share of women borrower respectively but highest average amount outstanding per account for women borrower was Rs. 20962 belonging to 17% and above range, pointing to to the hardship of repayment at a very high rate of interest.

About one third of the small borrowal accounts (30.4%) belonged to the modal interest rate range of 6% to 10% and claimed 28.5% share in amount outstanding as on 31st March 2004. Other important ranges of interest rates for small borrowal accounts were 10% to 12% and 12% to 13% holding for 21.5% and 19.5% respectively, in terms of number of accounts and registered 28.4% and 20.1% in terms of amount outstanding respectively. Average amount outstanding per account was highest at Rs. 34654 in the range of interest rates between 10% to 12% and average amount outstanding per account was lowest at Rs. 11545 in the range of interest between 'less than 6%'. In case of women small borrowal accounts, as 31st March 2004, 32.8% share was in between the range of interest 6% to 10%. In case of average amount outstanding per account, it was highest at Rs. 26092 per account in the interest range of 10% to 12% and it was lowest at Rs. 11832 per account in the range of interest rates 'less than 6%'.

In the year 2006, about two fifth of the small borrowal account, i.e., 40.4% belonged to the interest range of 6% to 10% accounting for 44% share in amount outstanding. Other important ranges of interest rate for loans under small borrowal accounts were 10% to 12% and 20% above holding the share of 21% and 16.6% respectively. In case of women borrower, 42.1% numbers of accounts were charged interest rates between 6% to 10%. The average amount outstanding per account was highest for all borrowers and women borrowers at Rs. 38671 and Rs. 38425 in the interest rates range between 16% to 18% and 18% to 20% respectively and the same was lowest

for all borrowers and women borrowers at Rs. 15153 and Rs. 10830 per account respectively in the interest rate ranges between 20% and above.

As on 31st March 2008, 29.5% of the small borrowal accounts were charged interest rates in the range of 6% to 10% accounting for 31% share in amount outstanding. 18.3% of the small borrowal accounts were charged interest rates in the range of 10% to 12%. In case of women borrower, 37.5% numbers of accounts were charged 6% to 10% interest rates holding 34.6% of the amount outstanding. The average amount outstanding per account was highest at Rs. 47627 in the interest rates range of 16% to 18% for women borrowers and for all borrowers; the average amount outstanding per account was highest at Rs. 45610 in the interest range of 12 % to 13%. The average amount outstanding per account was lowest at Rs. 15536 and Rs. 158830 for all small borrower and women small borrower were in the interest rate ranges between 'less than 6%'.

In terms of number of accounts, 94% and 91% credit account in extreme interest rate categories, i.e., with interest rate ranges "below 6%" and '20% and above' respectively were small borrowal accounts as on 31st March 2014. In terms of amount outstanding, in interest range 6% to 9% category, 46% of credit outstanding pertained to SBAs and 41.3% of outstanding credit with interest rate range 20% and above was that of SBAs. 46% was in the interest rate range 6% to 9% and 41% share of SBAs in the amount outstanding was in the interest rate range 20% and above. The total number of small borrowal accounts stood at ten crore ninety lakh eighty thousand with the total amount outstanding to rupees fifty two lakh eightyfive thousand five hundred seventy four millions (5258574 million). It must be mentioned here that the lowest percent share of SBAs in all account for all the interest rate ranges was 56.1% which relates to '15% and above but less than 16% category'.

One can also have a look to see the distribution of small borrowal account depending upon its social group. The following tables show the distribution of SBAs by social group.

3.13. Distribution of small borrowal accounts by Social group:

**Table 3.19(A): Distribution of Small Borrowal Accounts by Social Group as on
31.03.1997**

Social Group	Percent Share		Average amount outstanding per account (Rs.)	
	No. of accounts	Amount outstanding		
1. Scheduled Tribe	8.9 (9.4)	6.6 (8.7)	5956	(6392)
2. Scheduled Caste	17.8 (23.7)	12.7 (17.1)	5739	(4972)
3. Others	72.7 (66.5)	80.1 (73.7)	8855	(7645)
Total @	100.0 (100)	100 (100)	8036	(6897)

Note: i. @: total includes unspecified

ii) Figures in the brackets pertain to small borrowal account of women.

Source: RBI Bulletin, February -19

**Table 3.19(B): Distribution of Small Borrowal Accounts by Social Group as on
31.03.2001**

Social Group	Percent Share				Average amount outstanding per account (Rs.)	
	No. of accounts		Amount outstanding			
	No of Accounts	Amount outstanding	No of Accounts	Amount outstanding	No of Accounts	Amount outstanding
1. Scheduled Tribe	6.1	6.9	3.8	4.3	13150	10460
2. Scheduled Caste (including Neo Buddhists)	12.2	17.8	7.1	10.2	12234	9759
3. Others	80.7	74.3	87.8	84.1	22940	19257

Total @	100.0 (50456)	100.0 (8005)	100.0 (106294)	100.0 (13605)	21067	16995
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Note: i. @: Total includes unspecified

Source: Source: RBI Bulletin, May 2004

Table3.19 (C): Distribution of Small Borrowal Accounts by Social Group as on 31.03.2004

Social Group	Percent Share				Average amount outstanding per account (Rs.)	
	No. of accounts		Amount outstanding			
	No of Accounts	Amount outstanding	No of Accounts	Amount outstanding	No of Accounts	Amount outstanding
1. Scheduled Tribe	3.7	5.3	2.6	3.9	18786	16132
2. Scheduled Caste (including Neo Buddhists)	6.7	10.0	4.6	7.0	18309	15411
3. Others	87.4	83.4	90.0	87.2	27045	22818
4. Unclassified	2.2	1.4	2.7	1.9	32895	29876
Total	100.0 (61900)	100.0 (11244)	100.0 (162700)	100.0 (24477)	26284	21769

Note: Figures in the bracket relate to number of accounts in thousand and amount outstanding in Rs. Crore.

Source: RBI Bulletin, July 2006

Table (No. 3.19 D): Distribution of small borrowal accounts by social group as on 31.03.2006

Social Group	Percent Share				Average amount outstanding per account (Rs.)	
	No. of accounts		Amount outstanding			
	No of	Amount	No of	Amount	No of	Amount

	Accounts	outstanding	Accounts	outstanding	Accounts	outstanding
1. Scheduled Tribe	3.0	4.7	2.1	3.3	22101	19013
2. Scheduled Caste (including Neo Buddhists)	5.4	8.6	3.9	5.8	22964	11403
3. Others	91.6	86.8	94.1	90.9	33102	28494
Total	100.0 (77122)	100.0 (12709)	100.0 (248498)	100.0 (34506)	32221	27151

Note: Figures in the bracket relate to number of accounts in thousand and amount outstanding in Rs. Crore.

Source: RBI Bulletin, June 2008

Table 3.19(E): Distribution of Small Borrowal Accounts by Social Group as on 31.03.2008

Social Group	Percent Share				Average amount outstanding per account (Rs.)	
	No. of accounts		Amount outstanding		No of Accounts	Amount outstanding
	No of Accounts	Amount outstanding	No of Accounts	Amount outstanding		
1. Scheduled Tribe	1.7	2.5	1.2	1.5	29299	20600
2. Scheduled Caste (including Neo Buddhists)	3.3	6.4	2.4	3.8	25560	20452
3. Other backward caste	8.0	11.8	8.0	11.3	35269	32661
4. General	74.0	78.8	74.3	82.6	35121	35861

5. All others	13.0	0.4	14.1	0.8	37672	-
Small borrowal accounts	100.0 (94312)	100.0 (11326)	100.0 (329396)	100.0 (38765)	34993	34225

Note: Figures in the bracket relate to number of accounts in thousand and amount outstanding in Rs. Crore.

Source: RBI Bulletin, May 2011

While analyzing the distribution by social group it is observed for all years that General Category occupied the maximum percentage of the total SBAs, followed by SCs and then STs. The same is also observed in case of average amount outstanding per account. The average amount outstanding of General Category is found more than the overall average of SBAs in all years. Women borrowers held significant position in all the categories. It is interesting to note that average loan outstanding amount per account for women under SC category is less than the average amount of loan outstanding per account under this category. However, it is not so in the case of ST category where loan amount outstanding was higher for women than the average amount for the ST category (table 3.19 A)

It must be mentioned here that Anjani Kumar *et. al.* (2010, pp 253-264) also observed in their studies that the weaker sections belonging to Scheduled Castes, Scheduled Tribes, and Backward castes households received less credit form the institutional sources than general castes households.

3.14. Distribution of Small Borrowal accounts by Population Group:

Another way to look the portion of small borrowers in the society as a whole based in the villages, cities, rural, urban metropolitan areas. The following tables will provide an overview of the distribution of small borrowal account by population group for the various years:

Table 3.20 A. Small Borrowal Account by population group as on 31st March 1997

Population Group	Percent Share				Average amount Outstanding per account (Rs.)	
	Number of account		Amount outstanding		All borrower	Women borrower
	All borrower	Women borrower	All borrower	Women borrower		

Rural	54.9	57.6	45.9	49.6	6723	5933
Semi urban	28.7	28.1	29.3	29.9	8201	7355
Urban	11.3	9.1	13.5	12.7	9637	9574
Metropolitan	5.2	5.2	11.3	7.8	17517	10443
Total	100.0	100.0	100.0	100.0	8036	6897

Source: RBI Bulletin, February 1999

Table 3.20 B: Small Borrowal Account by population group as on 31st March 2001

Population Group	Percent Share				Average amount outstanding per account (Rs.)	
	Number of account		Amount outstanding		All borrower	Women borrower
	All borrower	Women borrower	All borrower	Women borrower		
Rural	44.0	46.0	33.9	33.3	16243	12309
Semi urban	27.0	28.4	28.0	28.1	21825	16778
Urban	14.7	13.8	20.0	19.0	28524	23508
Metropolitan	14.3	11.8	18.2	19.6	26791	28131
Total	100.0 (50456)	100.0 (8005)	100.0 (106294)	100.0 (13605)	21067	16995

Note: Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, May 2004

Table 3.20 C: Small Borrowal Account by population group as on 31st March 2004

Population Group	Percent Share				Average amount outstanding per account (Rs.)	
	Number of account		Amount outstanding		All borrower	Women borrower
	All borrower	Women borrower	All borrower	Women borrower		
Rural	40.1	44.7	34.1	37.5	22343	18252
Semi urban	24.4	23.5	28.7	26.2	30834	24223
Urban	12.4	11.1	19.4	18.1	41063	35492

Metropolitan	22.9	20.7	17.7	18.2	20315	19210
Total	100.0 (61900)	100.0 (11244)	100.0 (162700)	100.0 (24477)	26384	21769

Note: Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, July 2006

Table 3.20 D: Small Borrowal Account by population group as on 31st March 2004 and March 2006

Population Group	Percent Share				Average amount outstanding per account		
	No. of accounts		Amount outstanding				
	As at end of March 2004	As at end of March 2006	As at end of March 2004	As at end of March 2006	As at end of March 2004	As at end of March 2006	Percent (+)/(-) in 2006 over 2004
Rural	40.1	35.8	34.1	30.5	22343	27481	23.0
Semi urban	24.5	25.7	28.7	27.1	30834	34045	10.4
Urban	12.4	14.0	19.4	19.2	41063	44299	7.9
Metropolitan	22.9	24.5	17.7	23.1	20315	30340	49.3
All SBAs	100.0 (61900)	100.0 (77122)	100.0 (162700)	100.0 (248498)	26284	32221	22.6

Note: i. Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore

ii. (+): increase, (-): decrease

Source: RBI Bulletin, June 2008

**Table. 3.20 E: Small Borrowal Account by population group at the end of March
2006 and March 2008**

Population Group	Percent Share				Average amount outstanding per account		
	No. of accounts		Amount outstanding				
	As at end of March 2006	As at end of March 2008	As at end of March 2006	As at end of March 2008	As at end of March 2006	As at end of March 2008	Percent (+)/(-) in 2008 over 2006
Rural	35.8	33.1	30.5	31.5	27481	332706	21.1
Semi urban	25.7	22.9	27.1	26.5	30045	40608.8	19.3
Urban	14.0	11.8	19.2	17.1	44299	50608.9	14.2
Metropolitan	26.6	32.6	23.1	25.3	30340	27179.4	-10.4
All SBAs	100.0 (77122)	100.0 (94132)	100.0 (248498)	100.0 (329396)	32221	34993	8.6

Note: i. Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Crore

ii. (+): increase, (-): decrease

Source: RBI Bulletin, May 2011

Table 3.20 F: Small Borrowal Accounts: Population group wise: March 2014

Population Group	Small Borrowal Accounts			All Accounts			Percent share of SBAs in all account	
	No. of accounts	Amount outstanding	Amount share (%)	No. of accounts	Amount outstanding	Amount share (%)	No. of accounts	Amount outstanding
Rural	41781	2190976	41.6	47896	5246134	8.4	87.2	41.8
Semi urban	30449	1832193	34.8	38290	6640959	10.6	79.7	27.6
Urban	13258	721947	13.7	19801	10053428	16.0	67.0	7.2
Metropolitan	23688	521795	9.9	32764	40880303	65.1	72.3	1.3
All accounts	109266	5266911	100.0	138751	62820824	100.0	78.7	8.4

Note: i. Figures in the brackets relate to number of accounts in thousands and amount outstanding in Rs. Million

Source: RBI Bulletin, May 11, 2015; Small borrowal accounts of scheduled commercial banks: 2014

While analyzing the population group data of March 1997, it was found that the number of small borrowal accounts in rural areas holding 54.9% that was more than half of all the small borrowal accounts covering 45.9% of the total amount outstanding. The metropolitan areas were holding only 5.2% of the number of small borrowal accounts of the total covering 11.3% of the amount outstanding, whereas, the semi urban and urban areas were holding 28.7% and 11.3% of the number of accounts respectively covering 29.3% and 13.5% of the amount outstanding respectively. Though the highest numbers of small borrowal accounts were in rural areas but the average amount outstanding per account was lowest in rural areas, and it was found at Rs. 6723 per account. Despite the fact that the share of small borrowal accounts was lowest (5.2%) in metropolitan areas, the average amount outstanding per account was seen highest at Rs. 17517 in metropolitan areas.

In case of women borrowers same trends had been observed. The difference between the average of all small borrowal account and women borrower account, in rural areas, was Rs. 790 per account, in semi urban areas it was Rs. 846 per account, in urban areas it was Rs. 63 per account and in metropolitan areas, it was found at Rs. 7074 per account.

It was found, while analyzing the data relating to 2001, that though the rural small borrowal accounts were predominant in numbers, i.e., 44%, but those were smaller in amount outstanding per account as compared with those areas and accounted for about one third (33.9%) of the amount outstanding. Semi urban, urban and metropolitan areas followed next with declining shares of number of accounts as well as amount outstanding, these were 27%, 14.7%, 14.3% and 28.0%, 20.0% and 18.2% respectively for semi urban , urban and metropolitan areas. The average amount outstanding per account is highest at Rs. 28524 which was related to urban areas and immediately next one is at Rs. 28131 was related to women borrower account of metropolitan areas. The difference between the average amount outstanding per account for all small borrowal account and women borrower accounts were found Rs. 3934 in rural areas, Rs. 5047 in semi urban areas, Rs. 5016 in urban areas, and Rs. 1340 was found in Metropolitan areas. The interesting thing

was that the average amount outstanding per account of women borrower was higher (Rs. 28131), than the average amount outstanding per account for all small borrowers (Rs. 26791).

In 2004 also, the rural small borrowal accounts were predominant in numbers, i.e., 40.1%, and the share of amount outstanding was 34.1% and the number of women small borrowal accounts were holding 44.7% in rural areas covering 37.5% share of amount outstanding of all rural borrowers. 24.5% share of small borrowal accounts were held by semi urban areas covering 28.7% of amount outstanding. The average amount outstanding per account was lowest at Rs. 20315 in metropolitan areas but it was moiré than double in the urban areas. In semi urban and rural areas the average amount outstanding per account were Rs. 30834 and Rs. 22343 respectively.

The average amount outstanding per account for women borrowers, in all areas, were less than the average amount outstanding per account for all borrowers. The difference between the average amount outstanding per account for all small borrowers and women borrowers were found Rs. 4091 in rural areas, Rs. 6611 in semi urban population, Rs. 5571 in urban areas and it was at Rs. 1105 in metropolitan areas.

Both the shares in number and amount outstanding were of rural small borrowal accounts declined during the period between March 2004 to March 2006. In March 2004, the rural small borrowers were at 40.1% which came down to 35.8% in March 2006. The amount outstanding was also declined from 34.1% in March 2004 to 30.5% in March 2006. But the average amount outstanding per account increased for rural borrowers to Rs. 27481 in 2006 from Rs. 22343 in 2004, i.e., 23% growth over 2004's amount outstanding per account. Between the periods of March 2004 to March 2006, the percentage share of number of accounts for semi urban, urban, metropolitan areas increased by 1.2%, 1.6% and 1.6% respectively and the percent share of the amount outstanding decreased for semi urban and urban areas by 1.6% and 2% respectively. The average amount outstanding per account during March 2004 to March 2006, for rural, semi urban, urban and metropolitan areas increased by Rs. 5138, Rs, 3211, Rs. 3236 and Rs. 10025 per account respectively. The highest percentage of growth in average amount outstanding per account was found 49.3% in metropolitan areas.

The share of small borrowal accounts in rural areas declined from 35.8% to 33.1% during the period between March 2006 to March 2008. At the same time, the amount outstanding in rural areas increased from 30.5% to 31.5%, but in semi urban and urban

areas, both the percent share of number of accounts and the amount outstanding decreased. In metropolitan areas, the share of number of accounts increased to 32.6% in March 2008 from 24.6 in March 2006 and the same trend was observed in respect of amount outstanding. The amount outstanding for metropolitan areas was found at 25.3% in March 2008 which was more than 23.1% of March 2006. The differences between the average amount outstanding per account for rural, semi urban, urban areas during March 2006 to March 2008 increased by Rs 5789.6, Rs. 6563.8 and Rs. 6309.9 and the same, in metropolitan areas decreased by Rs. 3160.6.

In rural population, in March 2014, 87.2% of all credit accounts were SBAs and shared 41.8% of the credit outstanding. In metropolitan areas, 1.3% of the credit outstanding pertaining to SBAs, although in terms of number of accounts, these areas had 72.3% of share. The semi urban areas were holding 79.7% of share of number of accounts covering 27.6% of amount outstanding of small borrowal accounts.

Table 3.21: Percentage distribution of Outstanding Credit of Small Borrowal Account of Scheduled Banks according to broad category of borrowers as on March 2015.

Population Category	Individual				Others		Total	
	Male		Female		No. of accounts	Amount outstanding	No. of accounts	Amount outstanding
	No. of accounts	Amount outstanding	No. of accounts	Amount outstanding				
Rural	77.1	78.5	20.0	18.6	2.9	2.8	100.0	100.0
Semi urban	70.9	72.3	25.8	24.6	3.3	3.1	100.0	100.0
Urban	70.7	70.0	25.3	24.2	4.0	5.8	100.0	100.0
Metropolitan	81.4	77.0	16.7	16.6	1.9	6.5	100.0	100.0
All India	75.4	75.1	21.7	21.2	2.9	3.7	100.0	100.0

Source: Basic statistical return, RBI, March 10, 2016.

From the above table it is clear that the metropolitan areas hold 81.4% of male small borrowal account covering 77% of amount outstanding whereas in rural areas, 77.1% of numbers of account holders were male and 20% were female small borrower covering 78.5% of amount outstanding by male small borrowers and 18.6% was by female small borrowers. The average percentage of male small borrowal account was 75.4%

metropolitan areas (81.4%) and rural areas (77.1%) were higher than the percentages of all India and semi urban (70.9%) and urban (70.7%). The same trend had been seen in case of amount outstanding by these population groups in case of male small borrowers. The percentage of female small borrowers in all India for number of account holding was 21.7%. The rural areas, semi urban areas and urban areas were more than the all India percentage of account holding for women borrowers and metropolitan areas was below the all India percentage. The same trends in case of amount outstanding for these groups were observed.

3.15. Distribution of accounts according to loan scheme:

The small borrowal accounts were sanctioned under various loan schemes like Integrated Rural Development Program (IRDP), Differential Rate of Interest Scheme (DRI), Prime Minister's Rojgar Yojana (PMRY), Scheme of Urban Micro Enterprise (SUME), Prime Minister's Integrated Urban Poverty Eradication Program (PMIUPEP) etc. The distribution of credit to small borrowers under these schemes can be assessed by analyzing the following data.

Table 3.22 A: Distribution of SBAs by loan scheme as on 31st March, 1997

Loan Scheme	Percent Share				Average amount outstanding per account (Rs.)	
	Number of accounts		Amount outstanding			
	All	Female	All	Female	All	Female
IRDP	34.6	42.2	24.2	31.7	5624	5172
PMRY (including SEEUY)	1.4	1.7	2.4	2.7	13775	11172
DRI	1.6	1.9	0.6	0.8	2970	2285
Scheme of urban micro enterprise including SEPUP	2.0	2.1	1.6	2.1	6376	6799
PMIUPEP	0.1	0.2	0.1	0.3	9925	8970

Others	16.0	13.9	17.0	15.8	8508	7821
Loan not covered under any scheme (NUAS)	44.3	38.0	54.1	46.7	9808	8489
Total @	100.0	100.0	100.0	100.0	8036	6897

Note: @: Total includes unspecified.

Source: RBI Bulletin, February 1999.

The interesting observation of the above table was that 54.1% amounts were outstanding under “Loan Not Covered Under Any Scheme (NUAS)” which were holding the major share, i.e. 44.3% of number of accounts of total small borrowal accounts. Female small borrowers of NUAS were holding 46.7% of the total amount outstanding to female under these schemes and 38% of the total female small borrowal accounts. The IRDP scheme also had the major share of 34.6% of all small borrowal accounts in terms of number of accounts and 24.2% of all amount outstanding under these schemes. The average amount outstanding per account for all borrowers and female borrowers were highest at Rs. 13775 and Rs. 11172 which were under the PMRY scheme. Other loans under DRI, SUME, PMIUPEP were found with relatively small share in terms of number of accounts and amount outstanding.

More than two fifth of number of accounts (42.2%) pertaining to women were covered under IRDP which were holding 31.7% of amount outstanding to female under these schemes.

Table 3.22 B: Distribution of SBAs by Loan Scheme as on 31.03. 2001

Loan Scheme	Percent share				Average amount outstanding per account (Rs.)	
	Number of accounts		Amount outstanding			
	All borrower	Women borrower	All borrower	Women borrower	All borrower	Women borrower
IRDP	16.6	24.3	6.9	10.9	8749	7610
PMRY	2.4	2.1	4.2	4.2	37022	33612

SGSY	2.0	2.2	1.5	2.0	15695	15412
Other Schemes	18.3	19.1	17.9	18.8	20547	16649
NUAS	58.6	51.4	66.8	63.0	24013	20836
Total@	100.0 (50456)	100.0 (8005)	100.0 (106294)	100.0 (13605)	21067	16995

Note: i. @: Total includes unspecified.

ii. Figures in bracket relate to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, May 2004

The IRDP, the largest loan scheme for all small borrowers which was holding 16.6% of the numbers of accounts and 9.9% of the total amount outstanding. In IRDP scheme, women small borrowers were holding 24.3% of the number of accounts and 10.9 percent of the total amount outstanding to female borrowers. The average amount outstanding per account, under IRDP scheme, was at Rs. 8749 for all small borrowers, whereas, for the women borrowers, the same was at Rs. 7610 per account. The highest average amount outstanding stood at Rs. 37022 for all borrowers in PMRY scheme and for women borrower, it was at Rs. 33612 per account under the same scheme(PMRY) though only 2.4% of the total amount outstanding was under PMRY. One interesting outcome of the above data was that, in case of IRDP, the percentage of holding number of accounts and amount outstanding, both were highest for women small borrowers than all small borrowers. This implies that more women were engaged in those programmes.

Table 3.22 C: Distribution of SBAs by Loan Scheme as on 31.03. 2004

Loan Scheme	Percent share				Average amount outstanding per account (Rs.)	
	Number of accounts		Amount outstanding		All borrower	Women borrower
	All borrower	Women borrower	All borrower	Women borrower		
IRDP	5.05	8.4	1.9	3.4	9203	8978
PMRY(including	2.1	1.9	3.4	3.2	41987	38260

SEEUY)						
SGSY	2.5	3.8	1.6	2.7	16663	15157
Other Schemes	14.9	17.6	14.4	18.0	25404	22392
NUAS	72.5	66.5	75.9	70.0	27537	23159
Unclassified	2.05	1.8	2.8	2.1	29146	25370
Total@	100.0 (61900)	100.0 (11244)	100.0 (162700)	100.0 (24477)	26284	21769

Note: Figures in bracket relate to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, July-2006

While analyzing the data of 2004 regarding the distribution of SBAs by loan scheme, it was found that NUAS was holding 72.5% of the accounts of all small borrowers covering 75.9% of amount outstanding to all borrowers. The percentage of holding of number of account by women borrowers under NUAS was also very high and stood at 66.5% covering the amount outstanding at 70.0 percent level. The average amount outstanding per account is highest at Rs. 41987 for all borrowers which were under PMRY scheme (including SEEUY). The average amount outstanding per account for women borrower was also highest under this PMRY scheme and stood at Rs. 38260 but interestingly PMRY scheme were holding only 2.1% of total account and 3.4% of amount outstanding for all small borrowers. For women borrowers under PMRY scheme, the percentage of holding of accounts and amount outstanding were stood at 1.9% and 3.2% respectively.

Table 3.22 D: Distribution of SBAs by Loan Scheme as on 31.03. 2006

Loan Scheme	Percent share				Average amount outstanding per account (Rs.)	
	Number of accounts		Amount outstanding			
	All borrower	Women borrower	All borrower	Women borrower	All borrower	Women borrower
IRD P	3.8	5.7	1.5	2.2	12284	10691
PMRY(including	2.5	2.5	3.8	3.8	48381	40852

SEEUY)						
SGSY	2.2	3.7	1.4	2.4	20748	17846
Loans for Agriculture Under Special Agricultural Credit Plan (SACP)	4.6	4.8	5.4	5.6	38231	31826
All other scheme	40.7	39.4	45.8	44.3	36256	30580
NUAS	46.2	43.8	42.1	41.6	29377	25821
All small borrowal accounts	100.0 (77122)	100.0 (12709)	100.0 (248498)	100.0 (34506)	32221	27151

Note: Figures in bracket relate to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, June 2008

The data as March 2006, regarding the distribution of SBAs by loan scheme revealed that the small borrowal accounts, sanctioned under various major loan schemes like IRDP, PMRY (including SEEUY), SGSY and loans under SACP formed 13.1% of the total number of accounts and accounted for about 12.1% of the total amount of credit outstanding. NUAS formed about 46.2% of the total number of accounts covering 42.1% of the total credit amount outstanding under these schemes. The average amount outstanding per account was maximum at Rs.48381 under PMRY scheme. The numbers of account shares and the share of amount outstanding, both were higher in case of women borrowers under the scheme of SACP. The average amount outstanding per account under SACP scheme, for women borrowers, was Rs. 31826 which was lower than the average amount outstanding for all small borrowers.

Table 3.22 E: Distribution of SBAs by Loan Scheme as on 31.03. 2008

Loan Scheme	Percent share				Average amount outstanding per account (Rs.)	
	Number of accounts		Amount outstanding			
	All	Women	All	Women	All	Women

	borrower	borrower	borrower	borrower	borrower	borrower
IRDP	1.3	1.9	0.8	1.1	23607	20113
PMRY(including SEEUY)	1.4	1.5	2.1	2.1	53000	48531
SGSY	1.8	2.8	1.0	1.5	19663	19061
Loans for Agriculture Under Special Agricultural Credit Plan (SACP)	3.1	3.4	3.9	3.7	44337	37495
All other scheme	37.3	39.8	47.1	45.4	44212	39057
NUAS	55.2	50.6	45.1	46.1	28563	31146
All small borrowal accounts	100.0 (94132)	100.0 (11326)	100.0 (329396)	100.0 (38765)	34993	34226

Note: Figures in bracket relate to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, May 2011

The findings from the above table showed that the loans disbursed under NUAS contributed to 55.2% of the total small borrowal accounts and 45.1% of the amount outstanding to all small borrowers. Women borrowers, under the NUAS was at 50.6% for holding number of accounts of all women small borrowers covering 46.1% of the total amount outstanding to women small borrower. The average amount outstanding per account highest at Rs. 53000 was under PMRY (including SEEUY) and lowest at Rs. 19663 was under SGSY for all small borrowal accounts.

The average amount outstanding per account for women small borrowers were highest at Rs. 39057 was under “all other schemes”.

3.16. Interest cost of Small Borrowal Accounts by Occupation:

After Nationalization of fourteen scheduled commercial banks of India in 1969 and formalization of priority sector lending, the differential interest rates were also fixed in 1972 for providing loan to weaker section at relatively low cost of interest than large

borrowal accounts. The following tables will give an overview of the average interest rate (%), occupation wise which was charged to small borrowers as well as large borrowers and the difference of the interest rates (DRI) between them.

Table 3.23 A: Average interest cost according to occupation on small and large borrowal account, March 2001

Occupation	Average interest rate (percent)		
	Small borrowal account (upto Rs. 2 lakh)	Large borrowal account (above Rs. 2 lakh)	Interest rate differential
Agriculture	13	14.7	1.7
Of which : Direct finance	13.0	15.3	2.3
Industry	13.2	14.9	1.7
Transport Operators	13.2	14.5	1.3
Professional and other services	13.3	15.6	2.3
Personal loans	14.1	14.1	0.0
Of which: loans for consumer durable	15.4	16.2	0.8
Loans for housing	11.5	13.0	1.5
Trade	13.2	13.2	0.0
Of which: retail trade	13.0	15.3	2.3
Finance	13.9	14.0	0.1
Other occupations	14.1	14.8	0.7
Total :	13.5	14.4	0.9
Of which: artisan and village industries	13.0	15.9	2.9
Other small scale industries	13.2	15.3	2.1

Source: RBI Bulletin, May 2004

Table 3.23 B: Average interest cost according to occupation on small and large borrowal account, March 2004

Occupation	Average interest rate (percent)		
	Small borrowal account (upto Rs. 2 lakh)	Large borrowal account (above Rs. 2 lakh)	Interest rate differential
Agriculture	10.5	13.3	2.8
Of which : Direct finance	10.5	13.3	2.5
Industry	10.9	13.8	2.9
Transport Operators	13.9	14.0	0.1
Professional and other services	12.7	13.8	1.1
Personal loans	11.0	13.6	2.5
Of which: loans for consumer durable	14.8	16.9	2.1
Loans for housing	8.9	12.5	3.6
Trade	11.5	11.0	-0.5
Of which: retail trade	11.5	13.6	2.1
Finance	10.7	14.0	3.3
Other occupations	10.6	13.5	2.9
Total :	10.9	13.4	2.5

Source: RBI Bulletin, July 2006

Table 3.23 C: Average interest cost according to occupation on small and large borrowal account, March 2006

Occupation	Average interest rate (percent)		
	Small borrowal account (upto Rs. 2 lakh)	Large borrowal account (above Rs. 2 lakh)	Interest rate differential
Agriculture	9.1	12.0	2.9
Of which : Direct finance	9.1	11.5	2.4
Industry	10.1	11.5	2.4
Transport Operators	11.2	13.0	1.8
Professional and other services	11.2	12.6	1.4
Personal loans	13.1	10.7	-2.4
Of which: loans for consumer durable	12.5	15.5	3.0
Loans for housing	8.0	8.5	0.5
Trade	11.5	11.0	-0.5
Of which: retail trade	11.4	12.4	1.0
Finance	9.9	13.4	3.5
Other occupations	11.6	12.0	0.4
Total :	11.4	12.2	0.8

Source: RBI Bulletin, June 2008

Table 3.23 D: Average interest cost according to occupation on small and large borrowal account, March 2008

Occupation	Average interest rate (percent)		
	Small borrowal account (upto Rs. 2 lakh)	Large borrowal account (above Rs. 2 lakh)	Interest rate differential
Agriculture	9.0	11.8	2.8
Of which : Direct finance	9.0	11.8	2.8
Indirect Finance	10.7	11.7	1.0
Industry	13.0	12.4	-0.6
Transport and other support service	14.0	12.3	-1.7
Professional and other services	12.2	12.6	0.4
Personal loans	14.2	12.0	-2.3
Of which: loans for consumer durable	23.9	16.7	-7.2
Loans for housing	9.8	10.5	0.7
Rest	14.9	14.3	-0.6
Trade	11.7	12.5	0.8
Of which: whole sale trade	11.4	12.1	0.7
Retail trade	11.8	12.8	1.0
Finance	10.1	12.7	2.6
All other	9.8	12.6	2.8
Total :	11.5	12.3	0.9

Source: RBI Bulletin, May 2011

Table 3.24: Interest Rate Differential on Small Borrowal Accounts and Large Borrowal Accounts for the years 2001, 2004, 2006 and 2008 .

Occupations	2001	2004	2006	2008
Agriculture	1.7	2.8	2.9	2.8
Of which : Direct finance	2.3	2.5	2.4	2.8
Indirect Finance	-	-	-	1.0
Industry	1.7	2.9	2.8	-0.6
Transport and other support service	1.3	0.1	1.8	-1.7
Professional and other services	2.3	1.1	1.4	0.4
Personal loans	0	2.5	-2.4	-2.3
Of which: loans for consumer durable	0.8	2.1	3.0	-7.2
Loans for housing	1.5	3.6	0.5	0.7
Rest	-	-	-	-0.6
Trade	0	-0.5	-0.5	0.8
Of which: whole sale trade	-	-	-	0.7
Retail trade	2.3	2.1	1.0	1.0
Finance	0.1	3.3	3.5	2.6
All other	0.7	2.9	0.4	2.8
Total	0.9	2.5	0.8	0.9

Note: i. '-' unspecified

Source: Generated from RBI Bulletin, various issues

The following observations can be drawn from the above data of March 2001 that the average rate of interest on small borrowal accounts stood at 13.5% and the large borrowal accounts were at 14.4% when credit limit for small borrowal accounts was upto Rs. 2 lakh. The average interest rate, for all occupations were either same or relatively higher for large borrowal accounts than the small borrowal accounts. The average interest rates for consumer durable was highest for all the borrowers whether small or large and

those were 15.4% and 16.2% for small borrowal accounts and large borrowal account respectively and the interest rate differential was only 0.8%. The highest interest rate differential was observed when loan was taken from 'professional and other services' and for 'retail trade'. In both the cases the difference of average interest rate was 2.3%. The average interest rate for extending loans to 'artisan and village industries' was 13.0% for small borrowers and 15.9% for the large borrowers and the interest rate differential were 2.9%. The average interest rate was at 11.5% and 13.2% for small borrowers and large borrowers respectively when the loans were extended for 'housing' and the average interest rate differential was 1.5%. The average interest rate differential was lowest when personal loans were extended. For both the borrowers the rate was 14.1% and differential was at zero level.

While analyzing the data on March 2004, regarding the interest rate differentials, the following points were observed. The average interest rate for the small borrowal accounts was 10.9% while for large borrowal account it was 13.4% and an interest rate differential of 2.5% was observed clearly. The highest interest rates, for both, small borrowal and large borrowal accounts were for extending loans for consumer durables which were stood at 14.8% and 16.9% respectively and the average interest rate differential was 2.1%. The average interest rate was lowest for small borrowers when loan was extended for 'housing' and it stood at 8.9% and for large borrowal average interest rate was lowest 11.0% when the loan was extended for 'trade'. A negative interest rate differential of 0.5% was observed for small borrowers in case of loans extended under trade as small borrowers had to bear an average interest rate of 11.5% and large borrowers were getting loans, for trade, in an average interest rate of 11%. The average interest rate differential was highest at 3.6% as the average interest rate charged to small borrowers and large borrowers were at 8.9% and 12.5% respectively when the credit was extended for housing purpose. Average interest for personal loans was 11.0% and 13.6% for small and large borrowers respectively and the average interest rate differential was at 2.5%.

At the end of March 2006, the small borrowal accounts were cheaper by about three percent than large borrowal account and those were loans for consumer durables, agriculture and industry as the average differential interest rates in those category were 3.0%, 2.9% and 2.8% respectively. The average interest rate for small borrowal was 11.4% and for large borrowers 12.2% and the small average interest rate differential stood at 0.8%. The average interest rate differential was negative for small borrowers in case of

loan extended for 'personal loans' category and it was stood at -2.4% as the average interest rate for personal loans for small borrowers was 13.1% and for large borrowers, it was at 10.7%. The same negative trend was also observed when loans were extended for trade where the average interest rate differential was at -0.5%, as the average interest rate for trade category for small borrowers was 11.5% and for large borrowers it was at 11%. The average interest rate was highest at 3.5% when the loans were extended for 'finance'. The average cost of loan of small housing and large house were at 8.0% and 8.5% for small and large borrowal accounts respectively.

At the end of March 2008, the average interest rates for personal loans for small borrowal accounts was at 14.2% and for large borrowal account it was 12.0% that implied the small borrowers were to pay a bit high average rate of interest for taking personal loans. The average of interest rate of small borrowal accounts and large borrowal accounts stood at 11.5% and 12.3% respectively and interest rate differential between these two categories of borrowers was 0.9%. The average interest rate differential was highest at 7.2% where small borrowers were to pay average rate of interest 23.9% for consumer durables and large borrowers were paying 16.7% of average interest rates which implied that small borrowers were paying more interest for taking loans for consumer durables.

By considering the average interest rate differentials for March 2001, March 2004, March 2006 and March 2008 it was found that in case of March 2001, small borrowers had a privilege regarding the payment of average rate of interest as all the differentials of positive which implied that small borrowers were paying less rate of interests in all the occupations than large borrowers. In the end of March 2004, the same trends were observed except the case when personal loans were extended. In case of personal loans, small borrowers were paying 0.5% more in rate of interest, on an average. The average interest rate differential between small borrowers and large borrowers were increased from 0.9% in March 2001 to 2.5% in March 2004. The interesting findings, here, was that the average interest rate for small borrowers which was 13.5% in March 2001 had been decreased to 10.9% in March 2004. At the same time the average interest rate for large borrowers were come down to 13.4% in March 2004 from 14.4% in March 2001.

In the end of March 2006, the interest rate differential for personal loan was changed to -2.4% from 2.5% in March 2004. The reasons of this differential of 4.9% was due to the change of average interest rate of small borrowal account which was raised from 11.0% in March 2004 to 13.1% in March 2006 and the downfall of average interest

rate of large borrowal account from 13.6% in March 2004 to 11.0% in March 2006. The average interest rate differential for all borrowers brought down to 0.8% only at the end of March 2006 from 2.5% in March 2004. At the end of March 2006, also the average rate of interests for small borrowers for different occupations was less than large borrowers except in case of extending personal loans.

At the end of March 2008, the average interest rate differential was at 0.9% and negative average interest rate differentials were observed in the cases when loans were extended for industry, personal loans, consumer durable, rest categories (under personal loans) and transport and other services etc. where small borrowers were to pay average interest rate more than the large borrowers. The highest difference was observed against consumer durables, which was at 7.2% more than the average rate of interest of the large borrowers. One interesting observation was that during April 2004 to end of March 2006, the differential of average interest rate was changed by 4.9% [2.5% to -2.4%] for personal loans and for consumer durables it was changed by 10.2% [3% to -7.2%] during 2006 to 2008.

3.17. Distribution of small borrowal accounts by the size of amount outstanding:

Table 3.25 A: Small Borrowal Accounts by the Size of Amount Outstanding as on March 1993 and 1997

Amount Outstanding Size class	Percent share			
	1993		1997	
	No of accounts	Amount outstanding	No of accounts	Amount outstanding
<1000	14.7	1.6	8.3	0.7
1000-2500	22.7	8.2	14.7	3.6
2500-5000	28.0	20.8	24.0	12.7
5000-7500	15.1	18.9	17.1	14.9
Upto 7500	80.5	49.5	64.1	31.9
7500-10000	7.1	12.5	10.8	13.7
10000-15000	7.3	18.2	14.1	24.2
15000-25000	5.1	19.8	11.0	30.2

Total	100.0	100.0	100.0	100.0
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Source: RBI Bulletin: February 1999

**Table 3.25 B: Small Borrowal Accounts by the Size of Amount Outstanding as on
March 31, 2001**

Amount Outstanding Size class	Percent share				Average amount outstanding per account (Rs)	
	No of accounts		Amount outstanding		All Borrowers	Women borrowers
	All Borrowers	Women borrowers	All Borrowers	Women borrowers		
< 2500	12.9	15.5	0.6	1.1	1030	1175
2500-5000	12.4	15.7	2.1	3.4	3450	3723
5000-10000	20.9	23.8	6.7	10.1	6801	7210
10000-15000	13.9	13.5	7.5	9.6	11378	12066
15000-25000	16.5	15.0	14.2	17.0	18165	19206
<25000	76.7	83.5	31.2	41.1	8573	8370
25000-50000	12.6	9.6	18.8	19.0	31570	33717
50000-75000	3.7	2.7	9.8	9.5	56028	59642
75000-100000	2.4	1.5	9.2	7.8	81145	85756
100000-150000	2.6	1.6	14.1	11.4	113067	119214
150000-200000	1.7	0.9	12.8	9.0	161350	171508
Above 200000	0.4	0.2	4.1	2.2	214530	230064
Total	100.0 (50456)	100.0 (8005)	100.0 (106294)	100.0 (13605)	21067	16995

Note: The figure in bracket relates to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, May 2004

**Table 3.25 C: Small Borrowal Accounts by the Size of Amount Outstanding as on
March 31, 2004**

Amount Outstanding Size class	Percent share				Average amount outstanding per account (Rs)	
	No of accounts		Amount outstanding		All Borrowers	Women borrowers
	All Borrowers	Women borrowers	All Borrowers	Women borrowers		
< 2500	8.6	10.0	0.3	0.5	1003	1029
2500-5000	7.9	10.0	1.0	1.5	3327	3359
5000-10000	16.6	17.3	3.6	5.0	5776	6318
10000-15000	11.9	12.2	4.6	6.0	10245	10733
15000-25000	18.1	17.6	10.6	12.5	15443	15492
<=25000	63.1	67.1	20.2	25.6	8433	8297
25000-50000	19.1	19.5	20.6	22.7	27425	25247
50000-75000	6.5	5.6	13.3	13.0	53191	50888
75000-100000	3.8	2.9	11.7	10.1	81690	75738
100000- 150000	4.1	3.1	15.8	14.7	101909	104740
150000- 200000	2.2	1.5	13.0	10.7	155035	154165
Above 200000	0.6	0.3	5.4	3.3	233992	209279
Total	100.0 (61900)	100.0 (11244)	100.0 (162700)	100.0 (24477)	26284	21769

Note: The figure in bracket relates to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, July 2006

**Table 3.25 D: Small Borrowal Accounts by the Size of Amount Outstanding as on
March 31, 2006**

Amount Outstanding Size class (in Rs.)	Percent share				Average amount outstanding per account (Rs)	
	No of accounts		Amount outstanding		All Borrowers	Women borrowers
	All Borrowers	Women borrowers	All Borrowers	Women borrowers		
Upto 2500	19.5	19.5	0.6	0.2	1076	236
2500-5000	5.2	6.6	0.6	0.9	4023	3646
5000-10000	10.7	13.5	2.4	3.6	7415	7255
10000-15000	9.3	11.1	3.5	4.9	12091	11931
15000-25000	14.6	15.6	8.7	11.0	19288	11123
Upto 25000	59.4	66.2	15.9	20.5	8689	8395
25000-50000	18.1	16.9	18.9	21.0	33913	33712
50000-75000	7.8	6.4	13.5	13.5	55933	56780
75000-100000	5.2	4.0	12.4	11.6	77257	79210
100000-150000	5.0	3.6	16.6	14.6	107750	109740
150000-200000	2.9	2.0	13.7	11.7	155779	160339
Above 200000	1.6	0.9	9.0	7.1	212140	220245
All small borrowal accounts	100 (77122)	100 (12709)	100 (248498)	100 (34506)	32221	27151

Note: The figure in bracket relates to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, June 2008

**Table 3.25 E: Small Borrowal Accounts by the Size of Amount Outstanding as on
March 31, 2008**

Amount Outstanding Size class (in Rs.)	Percent share		Average amount outstanding per account (Rs)
	No of accounts	Amount outstanding	

Rs.)	All Borrowers	Women borrowers	All Borrowers	Women borrowers	All Borrowers	Women borrowers
Upto 2500	20.7	16.7	0.4	0.4	639	842
2500-5000	4.8	6.3	0.7	0.9	5032	5103
5000-10000	9.1	12.3	2.3	3.3	8725	9216
10000-15000	8.6	11.3	3.4	4.8	13754	14478
15000-25000	14.3	15.9	8.7	10.6	21397	22801
Upto 25000	57.6	62.5	15.5	20.0	9402	10967
25000-50000	19.7	18.8	20.8	21.9	36876	39973
50000-75000	8.9	8.1	15.3	15.3	60139	64418
75000-100000	5.1	4.1	12.5	11.7	85140	97581
100000-150000	5.4	4.1	18.0	16.0	116611	133880
150000-200000	2.7	2.0	13.3	11.3	175457	197674
Above 200000	0.6	0.5	4.7	3.8	260521	269164
All small borrowal accounts	100 (94132)	100 (11326)	100 (329396)	100 (38765)	34993	34226

Note: The figure in bracket relates to the number of accounts in thousands and amount outstanding in Rs. Crore

Source: RBI Bulletin, June 2008

While comparing the data of distribution of SBAs according to the size of amount outstanding for 1993 and 1997, it was found that in these two periods amount outstanding size “up to Rs. 7500” had the major shares of number of accounts, i.e, 80.5% and 64.1% in 1993 and 1997 respectively with their corresponding share of amount outstanding 49.5% and 31.9% respectively. The top two categories “Rs. 10, 000 to Rs. 15000” and “Rs. 15000 to Rs. 25000” had their shares of number of accounts in 1993 were 7.3% and 5.1%

respectively. It was found 14.1% and 11% respectively with their corresponding holding of average amount outstanding 18.2% and 19.8% respectively for 1991 and 24.2% and 30.2% respectively in 1993.

As on March 2001 about one fifth, i.e., 20.9% of the small borrowal accounts were holding 6.7% of the average amount outstanding in the range of “Rs. 5000 to Rs. 10000”. The amount outstanding ranges “less than Rs. 25000” were holding 76.7% of the total small borrowal accounts with 31.2% share of amount outstanding of small borrowal account and these ranges were holding 83.5% of women small borrowal accounts with 41.1% of the amount outstanding of women small borrowers. The average amount outstanding Rs. 8573 per account and Rs. 8370 per account for all small borrowers and women borrowers respectively under the range ‘less than Rs. 25000’. The overall average amount outstanding per account was Rs. 21067 and Rs. 16995 for all small borrowers and women borrowers respectively.

At the end of March 2004, about 63% of the small borrowal accounts had amount outstanding in the range of “less than Rs. 25000” and accounted for 20.2% of the amount outstanding. The small borrowal accounts formed 19.1% shares in number of accounts and accounted for 20.6% in terms of class size of “Rs. 25000 to Rs. 50000” amount outstanding. The small borrowal accounts, each with amount outstanding Rs. 50000 and above accounted for 59.2% of amount outstanding of all the small borrowal accounts. 67.1% of the accounts of women borrowers were in small size class of amount outstanding of Rs. 25000 or less and accounted for 25.6% of the amount outstanding. Amount outstanding per account for women borrowers in this size class was little lower at Rs. 8297 as compared to Rs. 8433 for all small borrowers.

At the end of March 2006, the small borrowal accounts each with the outstanding amount of Rs. 2500 or less, accounted for 19.5% of total number of small borrowal accounts and accounted for only 0.6% in the total amount outstanding. The amount outstanding ranges “up to Rs. 25000” were holding 59.4% of the total small borrowal accounts covering 15.9% of the total amount outstanding of small borrowal account with Rs. 8689 per account as average amount outstanding. The average amount outstanding per account for all small borrowers was Rs. 32221. The amount outstanding ranges from “Rs. 25000 to Rs. 50000” were holding 18.1% of the total number of accounts covering 15.9% of the amount outstanding for all small borrowers. The small borrowal accounts each with outstanding of Rs. 50000 and above were holding 22.5% of the number of accounts

covering for a bulk 65.2% of the amount outstanding for all the small borrowal accounts. Women borrowers were holding 66.2% of the number of accounts in the amount outstanding ranges “Rs. 25000 or less” covering 20.5% of the amount outstanding. The amount outstanding per account for all women borrowers was Rs. 27151 which was lower than the amount outstanding per account Rs. 32221 for all small borrowers.

At the end of March 2008, the accounts with outstanding amount “up to Rs. 25000”, constituted 57.6% of total number of accounts and only 15.5% of total outstanding amount. The accounts with outstanding amount of “Rs. 150000 to Rs. 200000” each, constituted 2.7% and 13.3% of the total by number of accounts and amount outstanding respectively. For women borrowers the average amount outstanding per account was Rs. 34226 and for all the small borrowers it stood at Rs. 34993.

3.18. Introduction of Non-Banking Financial Company – Micro Finance Institution

A Sub-Committee of Central Board of Reserve Bank of India under the chairmanship of Sri Y.H. Malegam was constituted to study the issues of MFI sector. The committee submitted its report in January 2011 and accordingly a separate category NBFCs i.e., Non-Banking Financial Company – Micro Finance Institution was created and notified by the Reserve bank of India on 2nd December 2011(notification No RBI/11-12/270) and accordingly the NBFC-MFI was defined as a non-deposit taking NBFC (other than a company licensed under section 25 of the Indian Companies Act 1950) that fulfils the following conditions:

- i) Not less than 85% of its ‘net assets’ are in the nature of ‘Qualifying assets’

“The net assets’ is defined total assets other than cash and bank balances and money market instruments and the ‘qualifying assets is meant by a loan which satisfies the following criteria:

A loan disbursed by NBFC-MFI to a borrower with:

- a) Rural household annual income not exceeding Rs. 60000 or urban and semi- urban household income not exceeding Rs. 120000.
- b) Loan amount should not exceed Rs. 35000 in the first cycle and Rs. 50000 in the subsequent cycles.
- c) Total indebtedness of borrower should not exceed Rs. 50000

- d) The tenure of the loan not to be less than 24 months for loan amount in excess of Rs. 15000 with prepayment without penalty.
- e) Loan amount to be extended without collateral.
- f) Aggregate amount of loans, given for income generation, should not be less than 75 percent of the total loans given by MFI.
- g) Loan is repayable on weekly, fortnightly or monthly instalment at the choice of the borrower.

The RBI further stated in their pricing credit regulation that all NBFC-MFI should maintain aggregate margin cap of not more than 12 percent. The interest cost is to be calculated on average fortnightly balances of outstanding borrowings and interest income to is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying asset. The interest on individual loan should not exceed 26% per annum and to be calculated on reducing balance basis and the processing charge should not be more than 1% of gross loan amount and it need not to be included in the margin cap or interest cap.

To maintain the fair lending practice, some directions were also issued by the RBI on the issues of (i) transparency in interest rate (ii) multiple lending, over borrowing and ghost borrowers and (iii) non coercive methods of recovery.

On the issue of transparency in interest rates the following direction was given:

- (a) The interest charges, the processing charges and the insurance premium can only be the three component of pricing of the loan.
- (b) There should not be any penalty for delayed payment.
- (c) No security deposit/ margin money can be taken by NBFC-MFI from the borrowers.
- (d) A loan card is to be provided to borrowers by the NBFC-MFI in which the effective rate charged, all other terms and conditions attached to loan, information for identifying the borrower properly and acknowledgement by the NBFC-MFI of all repayment including instalment received and the final discharged should be written clearly in the vernacular language.

Regarding the issues of multiple lending, over borrowing and ghost borrowers, the RBI issued direction to all NBFC-MFI that:

- (i) NBFC-MFI can lend individual borrowers who were not member of joint liability group (JLG) / self-help group (SHG) or to borrowers those were members of JLG/SHG.
- (ii). A borrower cannot be a member of more than one SHG/JLG.
- (iii). Not more than two NBFC-MFI should lend to the same borrowers.
- (iv). There must be a minimum period of moratorium between the grant of loan and the due date of the repayment of the first instalment and the moratorium should not be less than the frequency of repayment.
- (v) Recovery of loan given in violation of the regulation should be deferred till all the prior existing loans were fully repaid.
- (vi). There should be close supervision of disbursement function involving more than one individuals and all the sanction and disbursement of loan should be done at central location.

Repayment and recovery of loans are most crucial two functions, and considering the importance of non-coercive recovery, the RBI issued directions to all NBFC-MFI that they should ensure about their code of conduct and system of repayment, training and supervision of field staff. This code of conduct should incorporate the guideline on Fair Practice Code issued for NBFCs vide circular CC No. 08 dated September 28, 2006 and its corresponding amendments from time to time. The recovery should normally be made only at a central designated place. If the borrower fails to appear at central designated place on two or more successive occasions then only field staff can be allowed to make recovery at the place of residence or work place of the borrower.

3.19. Bank Loans to MFI for On Lending:

On 1st July 2015, through the master circular (No.RBI/15-16/53, FIDD.CO.Plan.BC.4/04.09.01/2015-16) on Priority Sector lending target and Classification, RBI notified that bank credit to MFI extended for on-lending to individuals and also to members of SHG/JLG would be eligible for categorization as Priority Sector Advance under respective categories viz. Agriculture, Micro, small and Medium Enterprises, Social Infrastructure and others, provided not less than 85 percent of the total

assets of MFI should be in the nature of ‘qualifying assets’. In addition, aggregate amount of loan, extended for income generating activity, should not be less than 50 percent of the total loans given by MFIs. Through the master circular following changes were also made:

1. The loans can be extended to a borrower whose household annual income in rural areas should not exceed Rs. 100000 instead of Rs. 60000 and in non-rural areas, it should not exceed Rs. 160000 instead of Rs. 120000.
2. The loan amount should not exceed Rs. 60000/- in the first cycle and Rs. 100000/- in the subsequent cycle instead of Rs. 35000/- in the first cycle and Rs. 50000 in the subsequent cycles.
3. The total indebtedness of the borrower should not exceed Rs. 1,00,000/- instead of Rs. 50,000/-.

Through this circular, it was also notified that no loan related and adhoc service charges should be levied on Priority Sector Loan up to Rs. 25000. In the case of eligible Priority sector Loans to SHG/JLG, the limit of Rs. 25000 be applicable per member and not to the group as a whole and at the same, the banks were directed to acknowledge the application of loan received under Priority sector and communicate the applicants about the decision in writing.

3.20. Conclusion: From the above discussion on ‘Small Borrowers and Formal Credit Market in India’ based on some sub-topics, the following can be summed-up as conclusion:

- a. The formal credits in India provided to small borrowers have been channelized through multi agency approach and was dominated by the Co-operatives prior to the Nationalisation of Commercial Scheduled Banks. After Nationalization of Commercial Banks, it dominated the credit market by reaching non banking region and opening bank branches there. Due to this nationalization of commercial banks and the policy of opening of many bank branches in un-banked regions, the dependence of poor people on the informal credit provider i.e., moneylender reduced substantially.
- b. As the new bank branches were opened in the un-banked regions, the number of small borrowal accounts increased substantially in the banks. Considering the number of small borrowal account it was found that in 1971, the percentage of small borrowal account in all account was 91% and in the year 2000, the

percentage of small borrowal account in all account increased to 97%, i.e., a steady increasing trend in the number of account as well as in the percentage was observed. But, after the year 2000 and up to 2014, the scenario was found adverse. A steady declining trend in respect of percentage of number of small borrowal accounts in all accounts and the amount outstanding was observed. During 1997 to 2008, a steady declining growth trend in IRDP was also observed. During the year 2001 to 2004, a fall of 10% of IRDP loan account was observed and that can be considered as the major reason of overall fall of number of small borrowal account under various schemes.

- c. As the demand of small loans increased in the formal sector, the amount of loan of small borrowal account was also increased. The limit of loans per account in small borrowal account was increased to Rs. 25000/- per account after June 1983 from Rs. 10,000/- and again the limit was increased to Rs. 200000/- per account in 1998 (April) and since then, it is stand still at Rs. 200000/- per account though there is a vertical increase in Consumer Price Index.
- d. Considering the non-performing assets arising due to the advance given to the weaker section, it can be concluded that the loans to small borrowers did not contribute much to the non-performing assets of banks.
- e. While considering the loans on the basis of social categories, it was found that during 1997 to 2008, there was a downward trend of loan account of small borrowers of reserved categories and it came to only 5% in 2008 from 27% in 1997, though during these phase loans to other social categories was increased to 95% in 2008 from 72% in 1997. From the discussion of this Chapter, it can be concluded that Scheduled Commercial Banks were reluctant to disburse loans to the small borrowers of reserved categories and the major loans, in small borrower's category, were obtained by the other social categories than SC & ST categories.
- f. From the discussion of small borrowal account on the basis of population, it can be concluded that during the year 1997 to 2014, the urban population of small borrowers obtained more loans from scheduled commercial banks than the population group resided in rural, semi-urban and metropolitans of India.
- g. From the study of rate of interest paid by the small borrowers, it was found that the privilege enjoyed by the small borrowers while paying interest for small loans under various categories were delegitimized and the enjoyment of positive rate

differentials by the small borrowers came not only to an end but also had to suffer the consequences of negative interest rate differentials under small borrowal category for loans for industry, transport and other support service, personal loans except house loans. In these loans small borrowers had to pay more rate of interest than large borrowers which can be concluded as the discouragement of loans under small borrowal category.

The above discussion and the referred conclusion are only based on the formal loans in India. But, to understand the position of small borrowers in India and the Indian credit market as a whole, it is required to understand the issues of informal credit market in India. The next chapter (IV) 'Small Borrowers and Informal Credit market in India: Outlining Relevant Literatures and Data Sources' of this thesis deals with various issues of the topic.