

Chapter 6

Credit Availability and Government Programmes

Micro-Enterprise Development Programmes

The government has several poverty alleviation programmes based on providing the people with wage employment and development of self-employment opportunities. However, the emphasis on the creation of wage employment has been more than creation of sustainable self-employment opportunities. Between 1980 and 1995, two-thirds of the rural development budget of Rs 523 billion⁷ was allocated for generation of wage employment under schemes such as the *Jawahar Rozgar Yojana* and Employment Assurance Scheme (GOI). On the other hand, the national self-employment programme, namely, the Integrated Rural Development Programme (IRDP), had a total budgetary allocation of Rs 99 billion for subsidies which was to be matched by a bank credit of Rs 176 billion.

Training of Rural Youth for Self-employment (TRYSEM), a component of IRDP conceived with the objective of equipping rural youth from poor households with basic entrepreneurial and technical skills and extending the necessary support in terms of project counselling, credit, and market assistance in order to enable them to seek self-employment was provided at a cost of under Rs five billion.

Efforts to encourage micro-enterprises often resulted in a lower level of success than expected. It is often because of lack of assistance from the banks, or due to use of the bank loans for non-project purposes. The enterprises are found to have a short lifespan, often closing down within a year or two of establishment due to causes such as the lack of appropriate markets, labour problems, etc. Hence, one of the biggest challenges for any micro-enterprise devel-

⁷ There are 42.10 Indian rupees to the U.S. dollar (April 1999).

opment project is correct assessment of the availability of financial credit and support from government departments/ other agencies in the initial phases of the enterprise. The following section analyses the availability of credit and support for the micro-enterprises proposed in the West Garo Hills.

Government Programmes

The District Rural Development Agency (DRDA) at Tura is a society registered under the Societies' Registration Act 19 and functioning under the Community and Rural Development Department, Government of Meghalaya. The Agency has been implementing a number of self- and wage-employment schemes such as the Integrated Rural Development Programme (IRDP), Training for Rural Youths for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), supply of modern kits and tools to Rural Artisans, *Jawahar Rozgar Yojana* (JRY), *Indira Awas Yojana* (IAY), Million Well Scheme (MWS), Operation Black Board, and Employment Assurance Scheme. Besides these regular schemes, some special task schemes, such as the Rural Sanitation and Construction of low-priced schools under the 8th and 9th Finance Commission, are being implemented.

IRDP is one of the main poverty alleviation programmes taken up by the Government to directly tackle poverty in rural and semi-urban areas by providing income-generating assets to families below the poverty line. The programme assists a target group of families in procuring economic assets from government subsidies and term credits from the banks. The families assisted are expected to generate income and eventually cross the poverty line of Rs 11,000/-

per annum. The subsidy varies from 25 per cent to 50 per cent with a maximum limit of Rs 6,000/-. For growing pineapple plantations, the subsidy offered is Rs 5,650 per person.

The DWCRA, a sub-component of IRDP, commenced with the primary objective of focussing on the rural and semi-urban women and families below the poverty line and providing them with means of self-employment on a sustained basis. Strategic groups of 10 - 15 women are formed and assisted through the creation of a revolving fund used for the procurement of productive assets. Under this programme, a one time grant of Rs 25,000/ per group is provided.

The TRYSEM is another supporting component of the IRDP. It was launched by the government to provide technical training to rural youths between the ages of 18-35 years from poor families to provide them with technical and entrepreneurial skills to facilitate self-employment in the field of industry, agriculture, and allied activities. However, independent research studies suggest that the success rate in this programme has been only between 12-16 per cent (Galab 1993, Purushotham 1990, Soundarapandyan 1991).

The JRY aims to generate additional employment for unemployed and under-employed persons in rural areas and to ensure community assets to help improve the overall quality of life in rural areas. The IAY provides free housing to members of the scheduled castes and scheduled tribes. The MWS was launched with the objective of providing open irrigation wells free of cost to poor, small, and marginal farmers belonging to the scheduled castes and scheduled tribes.

Under various programmes, funds are available for both cultivation and processing of crops. At present, however, there are no entrepreneurs using such funds for value-adding activities for ginger or pineapple. The district administration and the project director (DRDA), however, support the concept of developing ginger-based enterprises, especially at the community level. As per the availability of funds under the various schemes, there would be sufficient financial support for such enterprises, if implemented properly. Implementation through societies or cooperatives could be encouraged.

Government Organizations

District Industries' Centre

The DIC has been in existence since 1978, and it endeavours to raise the standard of living by setting up small-scale industrial (SSI) units as well as village industries. Its main role is to create awareness about the importance of industries. Several government-sponsored and bank-funded micro-enterprise development programmes, such as Self-employment for Educated Unemployed Youth (SEEUY) and the Prime Minister's Rozgar Yojana (PMRY) are implemented throughout the country by the District Industries' Centre (DIC). To achieve its goal, the DIC organizes Entrepreneurship Development Programmes and assists beneficiaries under the PMRY scheme.

For manpower development in technical areas, the DIC carries out training at various training institutes within and outside the state. A minimal assistance of Rs 180-250 per month is given to the trainees. The areas in which training is provided include carpentry, cane and bamboo craft, knitting, tailoring, beekeeping, woollen carpet weaving, etc.

Credit assistance of Rs 100,000 under the PMRY is made available to youths generally in the age group of from 18-35 years, with prescribed educational qualifications and incomes below Rs 24,000 per annum. The DIC also assists new entrepreneurs with marketing through exhibitions and through the North Eastern Handloom and Handicraft Development Corporation.

An entrepreneur wanting to start an industry has to register it with the District Industries' Centre. However, no clearance is required from authorities where capital investment does not exceed Rs 50,000 in towns and Rs 100,000 in rural areas. Industrial units beyond this limit of capital investment have to obtain clearance from the Deputy Commissioner, District Council/Municipality/Associate Town Planner and Civil Surgeon.

Meghalaya Industrial Development Corporation (MIDC)

The MIDC provides technical consultancy as well as financial assistance. A branch of MIDC has been set up in Tura in order to provide financial assistance and technical guidance to local entrepreneurs. The areas in which help is provided include:

- preparation of schemes,
- sponsoring bank loans,
- training facilities,
- managerial problems, and
- selection, purchase, and installation of machinery.

Financial assistance from the MIDC is provided to local entrepreneurs to acquire fixed assets such as plants and machinery, factory sheds, and power connections and also to provide them with working capital.

The SISI

A branch of the Small Industries' Service Institute (SISI), Government of India, Ministry of Industries was set up at Tura during 1993 with the aim of accelerating industrial growth in the district through Small Scale Industrial (SSI) units. The principal services offered by this Institute are:

- consultancy (technical, managerial and economical),
- training (motivation programme, entrepreneurial development, and short-term practical training),
- assistance to state development agencies (implementing the PMRY, JRY, and IRDP),
- economic and statistical (product feasibility study, industrial potential survey),
- technical (preparation of project profile/report / status report, and detailed feasibility report), and
- modernisation (technical assistance to small-scale units, organization of workshops/ seminars).

The Khadi and Village Industries' Commission (KVIC)

The KVIC is responsible for planning, promotion, organization, and implementation of programmes for the development of *khadi*⁸ and other village industries in the rural areas in coordination with other agencies engaged in rural development activities. It keeps a reserve of raw materials and implements for supply to producers, creating a common service facility for production of raw materials as semi-finished goods and provision of facilities for marketing

KVIC products. In addition, it organizes training for artisans engaged in these industries. To promote the sale of village industries' products, KVIC also builds a link with established marketing agencies.

The KVIC can also provide financial assistance to institutions or persons engaged in development and operation of village industries, guiding them through the supply of designs, prototypes, and other technical information.

The following industries are under the KVIC.

- Mineral-based industries: cottage pottery, limestone, stone cutting, fuel briquetting, paints and pigments, slate and pencil making, etc
- Forest-based industries: hand-made paper; manufacture of gums and resins; bamboo and cane work; match industry; and manufacture of plates, bags, and other paper containers, etc
- Agro-based and food industries: processing, packing and marketing of cereals, pulses, spices, beekeeping, fruit and vegetable processing, preservation and canning, cashew processing, collection of forest plants and fruits, etc
- Polymer and chemical-based industries: flaying; curing and tanning of hides, skins, and ancillary industries; soap industry; manufacturing of rubber goods; etc
- Engineering and non-conventional energy: carpentry, forges, biogas, solar and wind energy implements, bell metal utensils, stoves, pins, clips, motor winding, rural transport vehicles, etc.

⁸ *Khadi* = handloom

- Textile industries: hosiery, poly *vastra*, readymade garments, fibre yarn, cotton and silk or woollen yarns, etc
- Service industries: laundries, barbers, plumbing, etc

The KVIC provides financial assistance to these activities and the various categories under which assistance is made available are as follow.

- Capital assistance for purchase of land, construction of godowns, worksheds, buildings, tools and implements, working capital assistance, etc
- Managerial and technical assistance
- Training: assistance in the form of grants is provided to training institutions
- Marketing: funds are sanctioned in the form of grants and loans for non-recurring expenditure. In addition, recurring grants to meet management expenses are sanctioned on a decreasing scale. The rate of grants vary according to the category of sale depot.

Currently, there are no ginger or pineapple products being marketed by KVIC outlets. However, it would be willing to provide financing and marketing support, especially for dry ginger, ginger candy, pickles, etc.

Banking Institutions

Among the credit institutions in the district are several banks and cooperative societies with different mandates. There are 26 branches of the State Bank of India, two branches of the Union Bank, and one Central Bank. In addition, there are 10 branches of the Meghalaya Cooperative Apex Bank Ltd and 152 cooperative societies in the district. Some of these institutions described

below have within their mandate credit facilities for small-scale entrepreneurs and business activities.

The State Bank of India and the Union Bank

The State Bank of India and the Union Bank and their branches offer the usual banking facilities on receipt of deposits in savings and government bills. It also provides loans to small business concerns and agriculturalists as well as personal loans. Since the experience of the banks in loan recovery has not been very encouraging, they are reluctant to provide assistance without sufficient guarantee.

Meghalaya Cooperative Apex Bank (MCAB)

The MCAB bank provides the usual banking facilities to the public in addition to financing trade and agriculture. It is also playing a vital role in giving credit to cooperative societies. The loans to cooperative societies are channellised through the Cooperative Department after the loan applications are thoroughly examined by the department or through the person deputed by the bank. The bank thereafter forwards the applications to the head office located in Shillong.

Cooperative Credit Societies

With the use of the Credit Revitalisation Scheme by the State Government, assistance to Cooperative Societies is provided through contribution of shares and various types of loans, grants, subsidies, etc. State assistance has been provided to industrialists and agriculturists through the district authorities by means of agricultural and industrial loans.

The different types of society include Consumer's Cooperative Societies, Handloom Cooperative Societies, Credit Cooperative Societies, Thrift Cooperative Societies, Multi-purpose Cooperative Societies, Farming Cooperative Societies, etc.

Marketing Units for Agro-Products in the State

Tribal Cooperative Marketing Development Federation of India Limited (TRIFED)

The TRIFED is an apex-level federation of the State Tribal Development Cooperative Federations and the State Forest Corporations. Its headquarters are in Delhi, and there is a branch office at Guwahati for the North Eastern Region. The TRIFED has its own national network for procurement, processing, and marketing of forest and agricultural commodities produced in tribal areas and aims to establish a comprehensive marketing network for natural produce in tribal areas by improving the marketability, providing better earnings and employment, and also by generating awareness of market forces in order to optimise incomes.

The TRIFED has undertaken procurement and marketing of 50 items from minor forest products and from surplus agricultural products. Minor forest products include *Shorea robusta* (sal) seed, *Schleichera oleosa* (kusum) seed, *Azadirachta indica* (neem) seed, *Pongamia pinnata* (karanj) seed, mango kernel, cashew, large cardamom, and bayleaves and surplus agricultural products such as soyabeans, mustard seed, sunflower seed, sesame seed, castor seed, maize, pulses, red chilli, turmeric, ginger, etc.

North Eastern Regional Marketing Corporation Ltd. (NERAMAC)

The NERAMAC has its headquarters in Guwahati and is under the administrative control of the Department of Food, Government of India. It is funded through the North Eastern Council (NEC). The NERAMAC has taken up marketing of fruits and vegetables to encourage the small fruit and vegetable growers in the region. Procurement of agro products is carried out through private suppliers, cooperative societies, and at times through its own network. At present the NERAMAC has leased three cold storage units in Assam from the government to improve its marketing facilities.

To support pineapple growers in Tripura, the NERAMAC has set up a fruit juice concentration plant at Nalkata within the pineapple and orange growing belt. The estimated cost of the project is about 375 hundred thousand rupees. The plant is capable of consuming about 2,000 pineapples per hour, the end product being pineapple juice concentrate of 65 degrees Bx .

Pineapples are fed to an in-feed conveyor which takes them to a washing machine where they are thoroughly washed and then passed through an inspection conveyor. They are then taken to the extractor through a flight elevator. The extractor cuts the pineapples into halves and extracts the juice. Coarse juice and skin are automatically separated out. The fine juice is then extracted in a helicoidal extractor, the juice is clarified by Alfa-lava VNPX separators, de-aerated, and pasteurised in the Alfa-Lava pasteuriser. After pasteurisation the juice goes either to the aroma recovery unit or

to the centritherm or to the bulk aseptic packing machine.

Recommendations of the TRIFED and NERAMAC for the Promotion of Ginger and Pineapple Processing Enterprises

- Time lag between harvests and market supplies must be kept to a minimum, possibly to within a day.
- Infrastructure, which may be in the form of cold storage, drying units, or processing units, has to be set up by the government. Such units should be handed over on lease to private parties for operations in order to lessen the overhead costs of production and for smooth functioning.
- Establishment of a mother unit within satellite units for marketing at the local level. These mother units should be responsible for marketing and should tie up with the international market.
- There should be strict adherence to quality as the international market requires quality products.
- Given the present uncertain political environment, private investment may not be forthcoming; the government needs to look into this.
- Because of the absence of specific future plans for the development of agro-based enterprises, organized planning for

production and marketing needs to be initiated.

Prerequisites for Financial Assistance

While financial resources for an individual enterprise could be available from a number of sources, as mentioned in the preceding sections, the actual use of funds is subject to several prerequisites. Some of them are summarised here.

Processes under the proposed activity would have to be based either on proven technologies, or a demonstration project undertaken to evaluate the same under local conditions. This is especially important for food products, as the technology used would determine whether the quality of the finished product is acceptable or not. The activity would have to be undertaken on a minimum scale – either by a single enterprise or by sufficient a number of people on small scales — to ensure a market for the output, as characteristically a single average farmer's ginger produce would be insufficient to constitute a marketable lot. Hence, the funding agency would normally prefer such an activity to be implemented through cooperatives or through NGOs such as the Mothers' Union. Alternatively, the Department of Agriculture could provide the infrastructure for large-scale operations of processing units and the local people could use it by paying for the processing costs.

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In another programme (Food and Nutrition Programming of the Government of Andhra Pradesh), a three-year action research project was initiated by the Central Industries Development Bank of India. Their findings were that, even in the regions of high incidence of poverty where low

development was the main concern, the prerequisites that would be required for a micro-enterprise development programme based on ginger drying