

Bridging the Gap



Dilasa's vision for Financial Inclusion of rural Maharashtra



Role model for banking

In one of my introductory meetings with Mr. Sanjeev Unhale, I had the opportunity to learn about Dilasa's work in the area of rural sector. The programmes, especially the UPNRM project, where Dilasa played a major role in implementing the drip project and introducing the inter-cropping thereby helping the farmers in generating additional income left a positive impression on me. Dilasa has been striving to replicate micro-irrigation on a large scale and in its efforts to make it sustainable, requires assistance from the scheduled and commercial banks in Aurangabad District.



This booklet, Bridging the Gap- Dilasa's Vision for Financial inclusion of Rural Maharashtra, has effectively portrayed the present situation of the financial inclusion in rural India, followed by the efforts and success achieved by Dilasa through its work in the area of financial inclusion of different rural communities and finally provides the scope of the organization in coming days to achieve the goal of 100% financial inclusion.

Indeed, Dilasa has emerged as a role model regarding providing the provision of micro-irrigation to the farmers with financial support from Ratnakar Bank which is in line with the RBI's goal for opening nearly 600 million new customers' account and service them through a variety of channels by leveraging on IT by 2020. This partnership between Dilasa and Ratnakar bank has helped in bridging the gap between the financial institutions and farmers leading to financial inclusion and thus should encourage other banks functioning in the Aurangabad District to come forward and use this opportunity for achieving the goal of Financial Inclusion.

At this moment, I would like to assure the support and assistance to Dilasa Janvikas Pratishthan for all the future projects in accordance with the goal of financial inclusion and convey my best wishes for their future endeavors.



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With a degree of M.Sc. in Agriculture from Marathwada Agricultural University. Mr. Siddhanti has served as a Bank Manger of the Bank of Maharashtra. As a retired bank manager, he has varied experience in the loan sector and also about the deadlocks present in front of farmers in terms of availing the loans from the banks. Keeping this in mind, he has made all the possible efforts to extend financial support to the poor farmers in the region through his service in Dilasa Janvikas Pratishthan. Mr. Siddhanti has been associated with Dilasa Janvikas Pratishthan for the last four years and has extensively contributed in projects like Better Cotton Initiative (BCI) and UPNRM (Umbrella Project for Natural Resource Management) and has made proposals for the Farmer Producer Organizations (FPO's).

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Introduction

Financial inclusion is the process of ensuring access to financial services and timely & adequate credit wherever needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Broadly, it refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. (Rangarajan Committee on Financial Inclusion)

Present Scenario of Financial Inclusion in India

As per its initiative to promote and achieve full potential of financial inclusion, the RBI has set a threshold to measure financial inclusion - average population (in rural and semi-urban areas) per branch of 19,272 (All India average) and a Credit Gap of 95%. Anything over and above this threshold is a sign of critical financial exclusion. (www.nabard.org/pdf/chap_II.pdf)

In India, there is a stark difference in the outreach of financial inclusion between urban and rural India. The average population per bank branch in urban India is about 11,000 persons, whereas banks in rural India serve more than 26,000 persons per bank branch. The rural bank outreach of 26,000 persons per bank branch is way above the



set threshold, highlighting the huge unmet demand for financial services in rural India. (www.rbidocs.org.in)

The NSSO 59th Round Survey Results reinforce this by showing that 51.4% of farmer households are financially excluded from both formal/ informal sources. The survey further indicates that 73% of farmer households have no access to formal sources of credit. (www.rbi.org.in)

Financial Inclusion in Maharashtra Region

The data depicting the status of financial inclusion in all eight districts of Marathwada region indicates an unpropitious scenario where all the districts fall below the financial inclusion threshold set by RBI, (Table 1). Evidently, there is also a plain difference in the outreach of bank services between the rural and urban Marathwada as well.

Table 1: Average population per bank branch (www.rbidocs.rbi.org.in)

Districts	Census 2011					Bank branches present		Average population per bank branch	
	Rural population	Urban population	Rural (%)	Urban (%)	Total Population	Rural	Urban	Rural	Urban
Jalna	1,581,617	377,429	81%	19%	1,959,046	46	38	34,383	9,932
Latur	1,829,216	624,980	75%	25%	2,454,196	48	57	38,109	10,965
Osmanabad	1,376,519	281,057	83%	17%	1,657,576	38	37	36,224	7,596
Beed	2,070,751	514,298	80%	20%	2,585,049	56	49	36,978	10,496
Parbhani	1,266,280	569,806	69%	31%	1,836,086	34	44	37,244	12,950
Hingoli	998,612	178,733	85%	15%	1,177,345	21	19	47,553	9,407
Nanded	2,447,394	913,898	73%	27%	3,361,292	60	81	40,790	11,283
Aurangabad	2,081,112	1,620,170	56%	44%	3,701,282	68	128	30,605	12,658
Marathwada (Total)	13,651,501	5,080,371	73%	27%	18,731,872	371	453	301,884	85,286

**calculated from RBI branch banking statistics 2009 and Census 2011⁵*

In fact, of all the districts in Maharashtra which are listed under the 'under-banked' category by RBI, five districts fall in the Marathwada region, viz. Jalna, Latur, Nanded, Osmanabad and Parbhani. (www.rbidocs.rbi.org.in)

Dilasa's Mission and Achievements in the area of financial inclusion

Dilasa Janvikas Pratishthan, Aurangabad (Dilasa) as a NGO is engaged in various activities with an aim to uplift the environmental, social and economic status of rural people by implementing sustainable natural resource management and to promote holistic, integrated approaches leading to women empowerment along with conservation and regeneration of nature. During last 5 years, Dilasa has initiated various activities with an aim of Financial Inclusion.

Dilasa believes in capacity building of different sectors of society in order to make them independent, uplift their sense of self-esteem and to enhance their quality of life. As an organization, it continues to make positive, earnest efforts to understand the nature and significance of



prevailing socio-economic relations among the rural community and mobilizes them to take ownership of problems through community action.

Dilasa initially started its work in “Watershed development” in Aurangabad district and has now expanded its area of operation in all the districts of Marathwada, Akola district of Vidarbha, Nasik and Ahmednagar districts of western Maharashtra. It has also expanded its activities in various fields for development of rural population through the process of Financial Inclusion.

Major activities undertaken by Dilasa in this direction

1. **Promotion of Financial Literacy:** Financial literacy has been a major area of thrust. In all the villages where the watershed programs were carried out, Dilasa has taken initiatives to achieve 100% financial literacy by helping people to open bank accounts and be able to sign for themselves. This was carried out in association with Aurangabad Jalna Gramin Bank, where the bank encouraged the rural folk to open bank accounts and emphasized to them the importance of financial literacy.
2. **Promotion of SHGs and its linkage with Banks:** Dilasa is working towards the development of women, particularly the rural women. To make them self-sufficient and economically strong, Dilasa has encouraged group activities through formation of Self Help Groups (SHGs). Dilasa has not only formed SHGs but also provided them knowledge and trainings in their respective activities, maintenance of records, helped them in opening Bank accounts and making available Credit linkage. At the same time, the importance of regular repayment of bank loans was highlighted to the members of SHGs and as a result, as on date more than 2565 SHGs formed by Dilasa are functioning well

and are also repaying the Bank loan regularly. Dilasa has also helped the SHGs in efficiently marketing their products through attractive packaging and display at various exhibitions, malls etc. The SHGs formed by Dilasa are



continuously monitored and facilitated by staff. Dilasa changed the concept of SHG by transforming SHGs into Self Enterprise Groups (SEGs). This result oriented transformation has boosted the concept of the SHGs and given birth to Nirmithi Bachat Gat Bazar in Aurangabad, which has been successful in establishing its own Global Marketing Technique / networks in Pune, Nasik, and Mumbai for SEGs made ethnic products.

3. **Financial inclusion under UPNRM Project:** As part of its profound interest in “Natural Resources Management”, Dilasa has implemented the Umbrella Programme for Natural Resource Management (UPNRM) project “Natural Resource Interventions for Sustainable Agriculture” in Aurangabad district with financial assistance from NABARD and GIZ. The project aimed at creating awareness among farmers regarding the judicious use of available natural resources, mainly soil and water and providing them hassle free Credit for installation of Micro Irrigation system. The project started in the year 2011 and till date 711 farmers, particularly small and marginal farmers from 30 villages have been benefitted under this project and credit assistance of ₹ 350.00 lakhs was provided at their doorsteps. As a result, an area of more than 1000 Acres was brought under Micro Irrigation system.

The salient features of this project are:



Banking with a difference:

- a. **Minimum documentation** (Number of documents required to be submitted to the Bank for getting any type of loan)- Under this project, the procedure was simplified and only three documents related to title of Farm land i.e. 7/12 Extract, Land holding certificate (8A), map showing the boundaries of the field are obtained from the farmers.
- b. **Documentation at doorstep:** The farmers are required to visit the Bank number of times to get any loan. Then, as per the convenience of the Bank staff the loan is sanctioned and released. In this process, the farmers have to spend lot of time and money. Considering this drawback in present banking system, Dilasa adopted the method of obtaining signatures of farmers on loan documents in the villages in the homes of farmers. This also helped in knowing the details of terms and conditions of loan by other members in the family of the farmer.

c. **Non insistence of “No Dues” certificate:** Generally, Banks insist for “No Dues” certificates from other financial institutions in the area which makes most of the farmers ineligible for bank finance as most of the farmers avail short term loans from local Primary Agricultural Credit Societies (PACS). The credit support was extended to all the farmers irrespective of their dues with other financial institutions.

a) **Target Group:** With a view to extend credit facility to poor famers, only Small & Marginal farmers are covered, restricting to cost of installing Micro Irrigation system in maximum 2 Acres of land per farmer.

b) **Imparting Knowledge:** As a part of capacity building of beneficiaries, onsite training programmes were arranged instead of calling the farmers at a place away from their village. The experts along with Dilasa team visited fields of individual farmers and provided solutions for their problems. This also benefitted other farmers in the villages who accompanied them. Apart from field visits, Group meetings were also arranged in the villages. Onsite information was given to farmers on -

- Identification of harmful insects and control measures
- Maintenance of Drip system
- Requirement of fertilizers depending upon the condition of crops & soil testing reports thereby avoiding excessive use of fertilizers
- New crop production technologies.



e. **Transparency:** To make the process transparent, Passbooks with details of loan amount, terms and conditions are given to farmers. At periodical intervals statement of accounts are also given to them. Receipts for all the payments made by them are given for their record.

4. **Establishment of linkages with Ratnakar Bank:**

Another major project implemented by Dilasa is through Ratnakar Bank, Aurangabad branch. Dilasa acted as link between Ratnakar Bank and the beneficiaries in following way:

- Identification of eligible beneficiaries.
- Collection of basic documents.
- Arranging pre sanction visits of Bank representatives.
- Completion of loan documents as required by the Bank.
- Ensuring installation of Drip set in the fields of farmers.
- Assistance in timely recovery of the instalments.

More than 200 farmers from different villages in Gangapur and Phulambri Blocks are covered under this project and credit of Rs. 1.82 Crores is provided for installation of Micro Irrigation system by Ratnakar Bank.

5. **Formation of Joint JLGs & Farmers Club:** Dilasa has also encouraged formation of Joint liability group (JLGs) and Farmers Club in villages. Dilasa acted as link between the members of JLGs and Banks. In Bhokardan Block of Jalna district, 25 JLGs were formed and linked to State Bank of Hyderabad, Bhokardan branch. 100 farmers in this block were financed by the Bank for installation of Drip system.

6. **Under CLDP (Comprehensive Livelihood Development Program):** With the objective to enhance the Livelihood of the SHG women through Entrepreneurship Development Program (EDP's), Dilasa started the program of Livelihood planning for 4 districts of Vidharbha

namely Akola, Amaravati, Gadchiroli and Chandrapur. The duration of this program was from December, 2011 to October, 2012 and the stakeholder involved was MAVIM. To initiate the program a sub-sectorial study was carried out and 12 major sub-sectors were identified. Along with this, under the intensive study strategy, 5 clusters were identified.

The program was commodity based and three commodities viz. goat rearing, dairy development and vegetable cultivation were included for 300 beneficiaries (SHG Women). The objective of this intensive study strategy



was to provide an end to end solution (pre-production to post-marketing stage) for the commodities. In order to gain support in this program Dilasa had meeting with various stakeholders including various technical, financial and the marketing institutions. Under the Financial category, institutions like NABFINS (NABARD Financial Services limited), Regional Rural Banks and Nationalized Banks were approached. Dilasa took major initiative in sensitizing the banks and the field staff regarding the rural needs and the amount to be leveraged under this program. The cost layout of the project is as follows-

The project was sanctioned and approved by the financial institutions and the project was submitted to the project staff. Through the capacity building, establishing tie-ups and sensitization, the way for financial inclusion was paved.

S.No.	Particular	Amount
1.	Credit Component	Rs. 590.39 lacs
2.	Convergence	Rs. 18.46 lacs
3.	Beneficiaries Contribution	Rs. 91.05 lacs
4.	Project Contribution	Rs. 104.15 lacs
Total	Project Cost	Rs. 804.05 lacs

Bridging the Gap

Dilasa Janvikas Pratishthan aims to uplift the environmental, social and economic status of rural people by implementing sustainable natural resource management. Having worked for 17 years in the Marathwada region, Dilasa has developed a strong connection with and an in-depth understanding of the rural communities in this region.

With all the above projects, Dilasa has contributed in the process of Financial Inclusion and is committed to continue its efforts in future also. With this experience, we are sure that NGOs can play vital role in the Financial Inclusion mission of the Government. Dilasa is working at the grass root level and can better understand the needs of villagers and bridge the gap between Government agencies, Financial Institutions and the actual beneficiaries. Dilasa can create awareness among villagers and change their mind set towards self-development and their villages which will ultimately restrict the flow of migration from villages to urban areas. Dilasa continues to link the agricultural communities of Marathwada with

state-of-the-art technology in the agriculture sector to improve their productivity. It is also involved in aggregating producer groups across Marathwada region in order to improve their market linkages, negotiating power and agricultural productivity.

Feed back from beneficiaries

"I grow green chilli on half acre of my land. This requires frequent watering and pest control measures. I have taken drip for irrigating chilli from Dilasa Janvikas Pratishthan. I got a better yield and higher profit. This has helped me to save water and conserve the soil fertility. I am happy that my crop will never wilt again."



Padmabai Narwade, Selud

"I used to earn 15 thousand rupees from cotton crop but now after drip irrigation I earn around 30 thousand per acre. In addition I earned 7000 from inter cropping."



Yashwant Babanrao Padul, Ladsavangi

"Under UPNRM I got Tapak sichayi (drip). Earlier I used to run motor for 3 hours but now after tapak sichayi I run motor for 2 hours only. Water which I save here is being used in my other fields."



Nana Pandurang Padul, Ladsavangi

All these endeavors require bridging the gap through financial services. Many farmer groups have expressed the need for finance to buy and install micro-irrigation systems, refer vans, processing plants, warehouses & other investments to improve their agricultural productivity and profitability. Dilasa is working continuously in this direction and is planning to extend its work in remaining districts of Marathwada through various financial institutions operating in respective areas.

