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**SCOPE FOR NABFINS INTERVENTION IN FINANCING
LIVELIHOOD ACTIVITIES: A STUDY OF TWO
WATERSHEDS IN THE STATE OF ANDHRA PRADESH**

by
ABRAHAM JOJI
(2014-31-113)



MAJOR PROJECT REPORT

Submitted in partial fulfillment of the
requirement for the post graduate degree of

MBA IN AGRIBUSINESS MANAGEMENT

Faculty of Agriculture

Kerala Agricultural University



COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR- 680656

KERALA, INDIA


2016

Declaration

DECLARATION

I, hereby declare that this project report entitled “SCOPE FOR NABFINS INTERVENTION IN FINANCING LIVELIHOOD ACTIVITIES: A STUDY OF TWO WATERSHEDS IN THE STATE OF ANDHRA PRADESH” is a bonafide record of work done by me during the course of project work and that it has not previously formed the basis for the award to me for any degree/diploma, associateship, fellowship or other similar title of any other University or Society.

Vellanikkara
18-08-2016


ABRAHAM JOJI
(2014-31-113)

Certificates

CERTIFICATE

Certified that this project report “**SCOPE FOR NABFINS INTERVENTION IN FINANCING LIVELIHOOD ACTIVITIES: A STUDY OF TWO WATERSHEDS IN THE STATE OF ANDHRA PRADESH**” - A study with reference to NABFINS, Bangalore is a record of project work done independently by Mr. Abraham Joji under my guidance and supervision and that it has not previously formed the basis for the award of any degree, diploma, fellowship, or associateship to him.

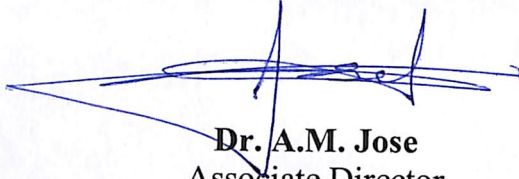
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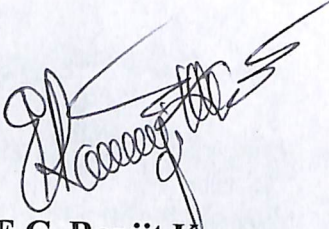
Dr. A.M. Jose
Associate Director
MBA (ABM)
College of Co-operation, Banking and Management
Kerala Agricultural University
(Supervising Guide)

CERTIFICATE

We, the undersigned members of the advisory committee of Mr. Abraham Joji, a candidate for the degree of **MBA in Agribusiness Management**, agree that the project work entitled **“SCOPE FOR NABFINS INTERVENTION IN FINANCING LIVELIHOOD ACTIVITIES: A STUDY OF TWO WATERSHEDS IN THE STATE OF ANDHRA PRADESH”** may be submitted by Mr. Abraham Joji, in partial fulfilment of the requirement for the degree.



Dr. A.M. Jose
Associate Director
MBA (ABM)
College of Co-operation, Banking and Management
Kerala Agricultural University
(Supervising Guide)



Dr. E.G. Ranjit Kumar
Director, MBA (ABM)
College of Co-operation, Banking & Management
Kerala Agricultural University



Dr. A. Sakeer Husain
Institutional Co-ordinator
Center for E-Learning
Kerala Agricultural University
(External Examiner)



Date: May 26, 2016

Course Completion Certificate

This is to certify the Mr. Abraham Joji from Kerala Agricultural University, Kerala has satisfactorily completed their summer internship project titled "Scope of Exploring Possibility of Financing in Livelihood Activities for the Member in the Successfully Completed Watershed Project at NABFINS" from 28th March to 26th May 2016 at NABARD FINANCIAL SERVICES LIMITED, Bengaluru.

With Best Wishes.

For NABARD Financial Services Limited



Gopalan S

Assistant General Manager - HR & Admin



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For any errors or inadequacies that may remain in this work, of course, the responsibility is entirely my own.


Abraham Joji

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ABBREVIATIONS

- APEM – Agriculture Product Expansion and Marketing**
- APGB – Andra Pragathi Grammen Bank**
- APMIP – Andra Pradesh Micro Irrigation Project**
- CBP – Capacity Building Phase**
- CMSS – Committee Managed Seed System**
- DM – District Manager**
- FES – Foundation of Ecological Safety**
- FIP – Final Implementation Phase**
- FSA – Field Service Assistant**
- FSO – Field Service Officer**
- FSR – Feasibility Study Report**
- GDP – Gross Domestic Product**
- IFAD – International Fund for Agriculture Development**
- IWDP – Integrated Watershed Development Programme**
- IWMP – Integrated Watershed Management Programme**
- JLG – Joint Liability Group**
- KCC – Kissan Credit Card**
- LH – Livelihood**
- MACS – Mutually Aided Co-operative Society**
- MASS – Mitra Association for Social Services**
- MF – Maintenance Fund**
- MF – Marginal Farmers**
- MFI – Micro Finance Institute**
- MI – Micro Irrigation**
- NABARD – National Bank for Agriculture and Rural Development**

NABFINS – NABARD Financial Services.

NBFC – Non- Banking Financial Company

NGO – Non-Governmental Organisation

NHWDP – NABARD supported Holistic Watershed Development Programme

NPA – Non Performing Assets

NREGP – National Rural Employment Guarantee Programme

PAS – Praja Abhinava Samskar

PTSLP – Post Tsunami Sustainable Livelihood Programme

RBI – Reserve Bank Of India

SBI – State Bank of India

SF – Small Farmers

SGB – Sathagiri Grammen Bank

SHG – Self Help Group

SLI – Second Level Institutions

SSO – Support Service Officer

SWDP – Somarajukunta Watershed Development Project

USB – Ultra Small Branch

VWDC – Village Watershed Development Committee

VWDP – Veernamala Watershed Development Project

WDF – Watershed Development Fund

WDP – Watershed Development Programs

Chapter - 1

Design of the Study

Chapter - 1

DESIGN OF THE STUDY

1.1 Introduction

This chapter gives a brief idea on the various aspects like Watershed, Integrated Watershed Development Project, Village Watershed Development Committee and NABARD initiatives in Watershed programs. This chapter also includes background to the study.

1.2 Background of the Study

As per the Survey of India, 60 percent of total net sown area in India comes under rainfed lands. The rain water is the primary source of water for all its irrigation and allied activities. Thus, in India agriculture is largely depending on the monsoon it gets every year. If the monsoon is less, then it will reduce the agricultural productivity of the country. This will further result in the increase in the price of agricultural products and thereby leads to inflation. This creates more trouble to the economy due to the stringent measures from RBI and other regulatory agencies. The possible solution for all of these is to conserve water for the agriculture by constructing watersheds in drought areas. This will help the people in getting water even in summer seasons by refreshing the water bodies nearby.

A watershed is a basin-like landform defined by highpoints and ridgelines that descend into lower elevations and stream valleys. A watershed carries water "shed" from the land after rain falls and snow melts. Drop by drop, water is channeled into soils, groundwaters, creeks, and streams, making its way to larger rivers and eventually the sea

The NABARD is the funding agency for most number of watersheds in the country. As per the NABARD supported Holistic Watershed Development Programme (NHWDP) more than 80 per cent of watershed programs funded by NABARD became successful in many parts of the country with the help of many NGO's who worked as the implementing agency for the same. Through the success of watersheds each and every family in the watershed is benefited by getting more water for their agriculture purposes. Thus, with the watershed projects, NABARD constructed good infrastructure in these areas, which is helpful for the overall development of the watershed community. In order to get the

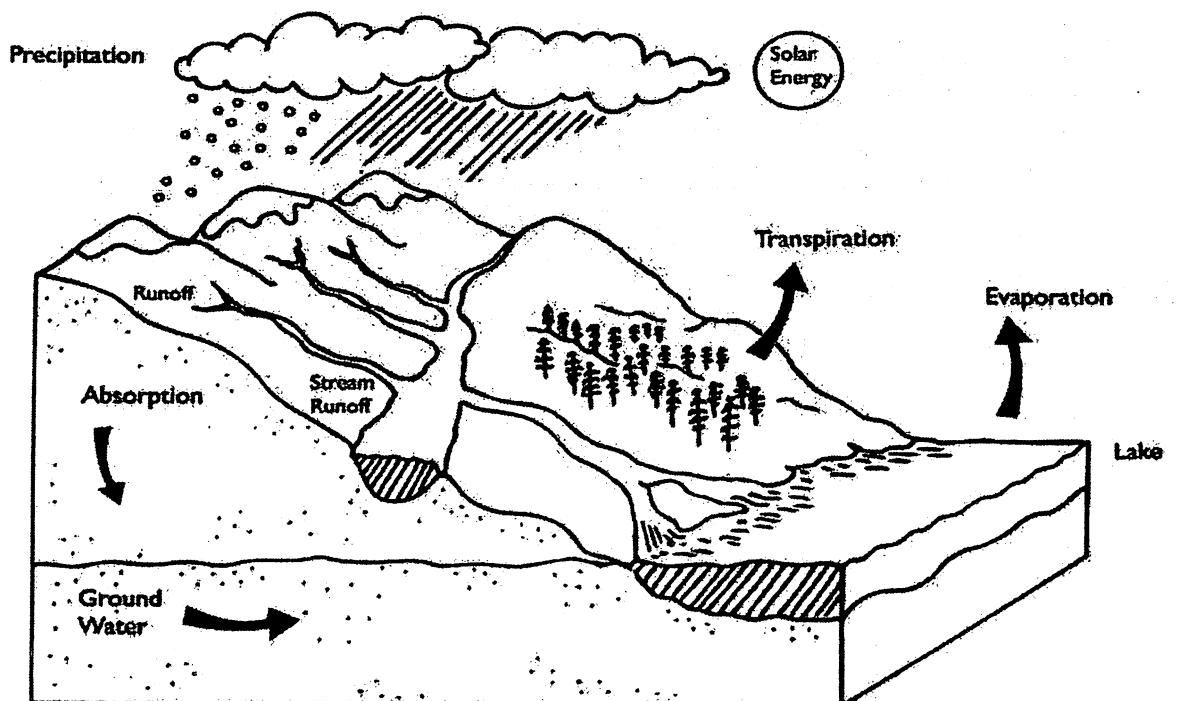
maximum advantage from the watersheds, people need to expand their agriculture and allied activities. For this finance is a great concern for the individuals as well as the SHG's in this area.

The NABFINS which is the leading Micro Financing (MF) institution in the country can make use of this opportunity by providing them adequate credit facilities. This will be beneficial to both the parties. The farmers will be benefited by getting a good source of fund at an affordable rate within their reach. The NABFINS which is currently running with just three products can utilize this opportunity in getting more business. The risk on lendings will be comparatively lesser in these regions because of the steady cash flow of farmers from agriculture

1.3 Watershed

A watershed is synonymous to catchment area and it is an independent Hydrological unit. It can be defined as the drainage basin or catchment area of a particular stream or river. Simply stated, it refers to the area from where the water to a particular drainage system, like a river or stream, comes from. A watershed may be small, consisting of a few hectares or huge, covering several thousands of hectares.

Figure 1.1: Structure of a Watershed



Watershed development refers to the conservation, regeneration, and the judicious use of human and natural (like land, water, plants, animals) resources within a particular watershed. Watershed development attempts to bring about the best possible balance in the environment between natural resources on one side and man and grazing animals on the other. It requires people's participation because conservation is possible only through the whole hearted involvement of the entire community.

Watershed development involves the following components / sectors:

- i) Human resource development (community development);
- ii) Soil and land management (conservation and use);
- iii) Water management (conservation and use);
- iv) Afforestation;
- v) Pasture(Fodder) development;
- vi) Agricultural development;
- vii) Livestock management; and
- viii) Rural energy management

Watershed development involves continuous interaction and exchange between various sectors e.g. the livestock that can be maintained is dependent on the availability of fodder, which in turn is related to soil and water management. The availability of firewood and other fuel is related to the extent of forest cover, the livestock in the area and the productivity of the land. The development of all the above sectors is crucially dependent on the development of the human population inhabiting that watershed.

When the environment gets degraded, the quality of life of the human community within that region also deteriorates. Watershed development thus aims at the rejuvenation of the environment in an integrated and comprehensive manner.

The consequences of environmental degradation are all too well known. Activities of man like deforestation, wrong farming techniques, livestock over-grazing and faulty land use lead to the destruction of plant and tree cover exposing the earth to the natural forces

like heavy rains, direct sunshine and high velocity winds. These in turn lead to environmental problems such as soil erosion, floods or water scarcity. Agricultural yield is lowered and this results in decline in the income levels of the community resulting in poverty and eventually leading to migration of labor from rural to urban areas in search of livelihood.

Watershed development, therefore, involves not only regeneration of the environment, but also the management of needs of the human community in such a way that their demands match the resources viz land, water and vegetation available within that particular watershed. This equilibrium between need and availability of resources will lead to a better and increased resistance to drought and increased agricultural production augmenting food supply, fodder, fuel and, timber. Thus standard of living improves leading to reduction in poverty-induced migration.

There is a pervading influence of the environment on the human community living within that region, as they depend on it for food, water etc. When the economic condition of a community deteriorates, it leads to over-exploitation resulting in degradation of natural resources. People, for whom agriculture is a low return and risky activity, expand their cattle herds for financial security. This leads to overgrazing and in turn to soil deterioration and erosion, especially in ecologically sensitive upper reaches of the watershed.

It is necessary for people to understand the relationship between their poverty and the degraded environment in which they live in. They must also be provided with an equally good, if not better, economic alternative. Only then they will willingly let go their claims on the environment in favour of possible benefits that will accumulate in the long run from environmental regeneration through appropriate management. Environmental regeneration is therefore possible only when the local community feels the need for it and they are fully in control of all aspects of resource mobilisation, management and conservation

Human beings and their activities are the root cause of environmental destruction, and hence restoring of the health of the environment is their responsibility and only they can do it. There can be no sustainable natural resources management unless it involves the participation of all inhabitants of the concerned environment/area in an active manner.

1.4 Integrated Watershed Development Programs (IWDP)

Watershed Development Programs (WDPs) have been accorded high priority in India's development plans (Singh, 1991). These programs have been initiated in India to improve and sustain productivity and the production potential of the dry and semi-arid regions of the country through the adoption of appropriate production and conservation techniques. It is a holistic approach which improved the economic and natural resource base of dry and semiarid regions. After the implementation of Final Implementation Phase (FIP) stage, potential for growth, improvement in income levels and augmenting the natural resource base of the disadvantaged regions of the country is evident. Byproducts of watershed activities are as follows; quality of water harvesting structure, reduction of soil erosion, increase in surface water and ground water, change in land use pattern, reduction in work burden, reduction in migration and women empowerment. But some of the landless communities and weaker section of the society are not recognized by the financial institutions and the majority of them are reluctant or shy to approach financial institutions for availing credit facilities. The money lenders explored this gap and they are exploiting this community.

The main objective of the Integrated Watershed Management Programme (IWMP) is to restore the ecological balance by harnessing, conserving and developing degraded natural resources such as soil, vegetative cover and water. The outcomes are prevention of soil run-off, regeneration of natural vegetation, rainwater harvesting and recharging of the ground water table. This enables multi-cropping and the introduction of diverse agro-based activities, which help to provide sustainable livelihoods for the people residing in the watershed area. In addition, there is a Scheme of Technology Development, Extension and Training (TDET) is also being implemented to promote development of cost effective and proven technologies to support watershed management. Till 1st April 2008, Government implemented 3 watershed programmes viz. Integrated Wastelands Development Programme (IWDP), Drought Prone Areas Programme, Desert Development Programme. Since then, they have been brought under a comprehensive programme named IWMP to enhance the effectiveness of the earlier programs.

1.5 Statement of Problem

The people in the Watershed are largely coming under middle or lower income group. Due to this reason financial institutions are feared to extend their operations in watershed areas. The people in watershed area need to travel a lot of distance to get banking facilities. The private money lenders are utilizing this opportunity and exploiting the poor farmers in the region. Thus the benefits from the watersheds are not utilized by the people at the expected level due to the inadequate credit facilities. Some legal problems regarding the title of the property prevent the farmers in accessing the crop loans or Kissan Credit Card (KCC).

The Mutually Aided Cooperative Societies (MACS), Village Watershed Development Committee (VWDC) etc. are having revolving funds from NABARD and other governmental and non-governmental agencies. But this is not enough to cater the needs of the entire population or household in the watershed. Thus there arises a huge credit gap between the actual credit need of the people and the available credit. Due to all these reasons farmers can't expand their agricultural activities and livelihood activities which is already inactive in these regions.

At the same time NABFINS, which is currently running with limited products like Post Tsunami Sustainable Livelihood Program (PTSLLP), Second Level Institutions (SLI) and Self Help Group (SHG) loans, can expand their business in the watershed areas. Thus the study addresses the needs of both NABFINS as well as the people in the watershed

1.6 Objectives of the study

1. To study the feasibility of NABFINS entering into financing watershed development by means of new bank products.
2. To identify the areas of credit requirement or credit gap among the households in Watershed Committees.

1.7 Methodology

1.7.1 Sampling

Watershed projects are selected from Andhra Pradesh – Chittoor & Anandapur district. The Somarajukunta watershed in Anantapur district with 270 families and Veernamala watershed in Chittoor district with 1170 families was the sample for this study.

1.7.2 Type of Data

The primary data were collected from the households living in the watershed areas and SHG's. The officials of implementing agencies and the financial institutions near to watersheds were also interviewed. The secondary data were collected from the NABFINS Ltd. and other published sources

1.7.3 Research Design

A survey research design was used to conduct the study. The credit requirement of the Somarajukunta and Veernamala Watershed is unknown to any financial institutions or NGO's nearby. Thus I went into the heart of both watersheds to explore the real value of credit needed by the households.

1.7.4 Method of Data Collection

Interview schedules were used to collect data from various sources. The details of the sample population and the surveyed people is as per the table below

Table 1.1: Method of data collection

Sources	Somarajukunta		Veernamala		Total	
	Sample Population	Sample Size	Sample Population	Sample Size	Sample Population	Sample Size
Household's	270	71	1170	135	1440	206
SHG's	28	3	69	5	97	8
Financial Institutions	3	1	5	0	8	1
Implementing Agency	1	1	1	1	2	2

1.7.5 Data Analysis

For the study statistical tools like percentage analysis is used. The financial information is analyzed using credit and risk analysis. The comparative analysis of two watersheds is also made for the study

1.8 Observations

- i. Demographic data of the households in watershed areas
- ii. Infrastructure facilities (Transportation, Banking, etc.)
- iii. Common requirements of the people
- iv. Details of Financial inclusion/ Bank account
- v. Banking habit of the households
- vi. Details of crop loan availed
- vii. Credit sources for households
- viii. Non-Performing Assets (NPA) among the households
- ix. Land holding of households
- x. Livelihood of the people
- xi. Details of livestock's
- xii. MACS & SHG loan disbursement history and repayment status of the individuals
- xiii. Details of funding to the VWDC
- xiv. Potential areas of growth
- xv. Areas of credit requirement
- xvi. Pattern of agriculture activities
- xvii. Repayment capacity of the people
- xviii. Availability of irrigation facilities
- xix. Availability of external supports (Government and Non-governmental)

1.9 Scope of the study

The study helped NABFINS as well as the VWDC or MACS in understanding each other's needs and wants. The study helps NABFINS to identify whether it is feasible to go for new product and the areas where it need to be focused etc. It helps NABFINS in understanding the way through which it should enter in watersheds. The qualitative data can be used for understanding the risk and opportunities associated with the lending's in watershed. As far as the risk management is concerned, this study can help in assessing the risks associated with the new product and it can suggest some risk free techniques to NABFINS.

1.10 Limitation of the study

1. The people responses might have been influenced by the implementing agencies or VMDC
2. The negative attitude of people towards the banks affected the survey
3. The people perception on various questions may be different

1.11 Chapterisation

The chapter wise distribution of the project will be as the following

- i. Chapter 1 Design of the Study
- ii. Chapter 2 Review of Literature
- iii. Chapter 3 NABARD Financial Services Limited – A Profile
- iv. Chapter 4 Scope of Financing for Livelihood in Watersheds – An Analysis
- v. Chapter 5 Summary of Findings, Suggestions and Conclusion

Chapter - 2

Review of Literature

Chapter - 2

REVIEW OF LITERATURE

2.1 Introduction

Review of literature has not only widened the horizon of understanding the themes related to the study, but also has sharpened the method of arranging the components in the framework of the study. For the study there are few but excellent literature reviews are available. Since the project deals with many aspects including watersheds, livelihood activities, priority sector lending and micro finance etc., an attempt is made to review the existing literature. The review on watershed gives an idea about the past research done on this topic, whereas the review on livelihood activities specifies the study conducted in rural areas for reducing the exploitation of poor people from various external threats. The review on microfinance and priority sector loan gives the secret behind the success in various parts of the world. Financing in rural areas is a challenging task; when it comes to the priority sector it is beyond the control. The review made is clearly explaining how to overcome those hurdles in rural financing.

2.2 Reviews on importance of watersheds

Atheeq and Venkatram (1989) examined the existing land use pattern by the farmers of the Kabbalanala Watershed project in Karnataka in the year 1988. The study revealed that the land use pattern of the farmers in the watershed was closer to the optimum. The pattern of land use of both small and large farmers, which was found to be similar, was subsistence oriented. The institutional borrowings of both large and small farmers were insignificantly low. And the normative land use plan with existing technology could accommodate only 37 to 40 per cent higher cash. Therefore, the scope for infusing more institutional funds in the area was limited to adoption of recommended crop practices.

Bendtsen and Sthapit, (1999); Petersen, (1999) observed that during the past decade, the social and economic aspects of watershed management have been given high priority in India. In addition, people's participation has been recognized as one of the keys to successful management of natural resources. The integrated concept has expanded to include

community needs and problems as part of a holistic watershed management development scheme.

Kerr and Pangre (2002) evaluated the participatory watershed management. Watershed management in India had undergone change to include greater stake holder's participation for management of natural resources in a sustainable way. It was increasingly recognized that community participation was central to watershed development. More participatory approaches have achieved greater success in enhancing livelihoods in an equitable fashion.

Dutt. (2009) in his study on Role of groundwater for the development of agriculture in India, pointed out that the groundwater development in conjunction with surface water in the command areas could be planned to achieve optimum development of water resources, and ultimately to improve the agricultural situation in our country achieving self-sufficiency and creating export potential in food grains and other agricultural commodities. With the use of modern technology and high speed computers, it is now possible to study the water resources and management problems in a broader perspective and evolve solutions for the optimum benefits taking into consideration the simple and complex problems along with economic, social and environmental aspects.

2.3 Reviews on livelihood activities

Galab (1993) examined the functioning of Rural Employment Programmes in Anantapur district, a drought-prone and backward one in Andhra Pradesh. According to the guidelines the community works should be executed by the local village agencies such as village panchayats, parental/school committees and village development council that would ensure the full benefits of wages to the local workers and the quality of assets. This study revealed exploitation of labour by the professional contractors and the problems faced by the first generation contractors. It recommended that the inclusion of NGOs in the implementation of the programmes would ensure the flow of benefits to the deserving target groups in full; simultaneously, the process would motivate, organize and strengthen the grassroots level machinery. All the possible and required materials for the programmes could be manufactured with the total participation and coordination of the beneficiaries.

Anheier (1998) Since the inception of the concept of NGOs, voluntarism and non-profit making processes have constituted the core of the reality. And in today's context of NGO phenomenon, the Explanatory Theories of Voluntary Action by Helmut Anheier (1998) enlighten on the most relevant and appropriate theoretical perspective related to the study. The above theories have affirmed the four key roles of NGOs as service provider, value guardian, advocate and vanguard. Thus, the Self-Help Groups which are of recent origin have the potentials of blossoming into a 'Self-Help Movement' - a democratic organization of women, by women and for women

Anil and Sudarshan (2001) A study on the contributions of NGOs to development by comparing the performance of the Aga Khan Rural Support Programme (AKRSP) and the government in watershed management programme was undertaken by Anil C. Shah and Sudarshan in about 35 villages in Savarkundla taluk of Bhavnagar district, Gujarat. This case study identified the reality that NGOs, with appropriate and professional inputs and training, could contribute to rural development through quality of work and their sustainable impact on the processes; in spite of resources, expertise and power, the government programme on watershed was not able to make much of an impact.

2.4 Reviews on micro finance

Rutherford (2000) and Armendáriz & Morduch (2005) explained the difference between microfinance and micro-credit. Micro-credit referred specifically to small loans given to the poor people but microfinance was a broader term embraced efforts to collect savings from low-income households, provide consumption loans and insurance along with micro-credit. It also helped in distributing and marketing clients' output. Microfinance embraced a range of financial services that seek to meet the needs of poor people, both protecting them from fluctuating incomes and other shocks and helping to promote their incomes and livelihood.

Singh (2001) conducted a study on the socio-economic impact of microfinance programme in Uttar Pradesh. In order to study the impact, rural areas of Kanpur district were selected on account of highest number of credit linked SHGs as compared to other districts in the state. For the purpose of the study, out of 11 SHGs linked with RRB, one group in Beridayria village was selected. It was found that in pre-SHG situation most of the

members were dependent on income from labour but in the post-SHG situation their main source of income was dairy. The survey showed that simple and quick credit delivery with lower interest rates in SHGs replaced the money-lenders. During pre-SHG some of the loans were taken for consumption purpose but in the post-SHG situation the loans were mainly taken for income generating purposes. The study showed that the average value of assets increased by 46 per cent and the annual income per household increased by 28 per cent in post-SHG periods. The most interesting feature of SHGs was compulsory savings even by cutting the necessary expenditures. Recovery rate was quite high which ranged from 95 to 100 per cent. The study also revealed that the commercial banks were not prompt in linking SHGs for loans.

Yunus (2006) in a study explained the differences between Grameen Bank and conventional banks. He explained that the Grameen Bank methodology was almost the reverse of the conventional banking methodology. Conventional banking was based on the principle that the more you have, the more you get. As a result, more than half of the population of the world was deprived of financial services of the conventional banks as conventional banking was based on collateral, focused on men, located in urban centers and owned by rich with the objective of profit maximisation. On the contrary, the Grameen Bank started with the belief that credit should be accepted as a human right, where one who did not possess anything get the highest priority in getting a loan. Grameen Bank methodology was not based on the material possession but on the potential of a person. Grameen Bank, which was owned by women, had the objective of bringing financial services to the very poor, particularly women to help them fight poverty, stay profitable and financially sound. Yunus described poor people as a 'human bonsai'. They were poor because society had denied them the real social and economic base to grow on. Grameen Bank's effort was to move them from the flowerpot to the real soil of the society.

2.5 Reviews on agriculture and priority sector loan

Khemani and Balakrishnan (1981) are of the opinion that if the borrower selected under IRDP is made to approach the money lender for his very genuine consumption needs, then the very objective of institutional finance for priority sector will be defeated. Consumption credit granted on the basis of specific needs of the target groups are not going

to cause problems. The actual consumption loans will have to be related to their minimum needs and their capacity to repay.

Raut (1984) conducted a study on the scope and problems of financing tribal farmers and concluded that the problem of overdues was mainly due to the misutilisation of loans by the tribal farmers. The tendency to misutilise the loan was due to the fact that the consumption priorities of tribal farmers were of more urgent nature than asset building priorities.

Kulkarni (1999) pointed out that SSI sector deserves liberal institutional credit due to its unique contribution in terms of creation of employment, foreign exchange earnings, reduction in regional disparities etc. But in reality such supply of institutional credit is too meagre and often delayed. Hence the banks have to overcome these difficulties and make bank lending organisationally effective. This will strengthen the bank borrower relationship and SSI units will prosper.

Suresh Mehta (2000) noticed that though the banks are flush with surplus funds, they do not find it profitable and safe in lending to the SSI sector because they are already saddled with high NPAs in this sector. To reduce the NPAs level, banks have to strengthen their appraisal system and credit monitoring mechanism; and SSI units have to develop capabilities to manage borrowed funds more prudently and more transparently in business operations. These arrangements will help both the banks and entrepreneurs to remain happy and prosperous.

Yashwant Sinha(2001), the Union Finance Minister, while addressing the chief executives of public sector banks, advised that banks should proceed against large and wilful defaulters. He also asked the banks to increase their lending to the agriculture and rural sectors so as to reach the stipulated target of 18 per cent of their total lending going to these sectors.

Swami Agnivesh (2001) delivering the keynote address at a symposium on "New Economic Policy and Problems faced by Agricultural Sector in Kerala" alleged that while the banks have given the farmers a raw deal, it had written-off the loans availed by top industrialists to the tune of rupees one lakh crore as nonperforming assets. The poor

farmers' house and properties are auctioned for recovering the loan amount by the banks even though it would be a meagre amount.

2.6 Conclusion

The watershed is a highly potential area for development. Micro-financing is an important tool that can be used to accelerate the growth potential. The Agriculture loan which is available from the various financial institutions is not reaching the needy farmers in watershed areas. Thus there arises a huge credit gap among the people in watersheds. Since the watersheds are having large number of weaker sections, the livelihood enhancement of the people in watersheds is highly essential for the overall development of our country

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Chapter – 3

Profile of NABFINS

Chapter - 3

NABARD Financial Services Limited – A Profile

3.1 Introduction

NABARD Financial Services Limited, (NABFINS) established in March 2003, is a subsidiary of National Bank for Agriculture and Rural Development (NABARD), NABFINS is located in Bangalore with the equity participation from NABARD, Government of Karnataka, Canara Bank, Union Bank of India, Bank of Baroda, Dhanalakshmi Bank and Federal Bank. It is a non-deposit taking NBFC registered with the Reserve Bank of India and shall operate throughout India. The main objectives of the Company are to provide financial services in two broad areas of agriculture and microfinance. NABFINS provides credit and other facilities for promotion, expansion, commercialization and modernization of agriculture and allied activities. NABFINS shall engage in the business of providing micro finance services (with or without thrift) to needy and disadvantaged sections of the society for securing their prosperity in both rural and urban areas.

3.2 NABFINS an overview

In an environment where micro finance largely lost its stardom, where future policy was still unfolding and uncertainty reigned, where investors were concerned with re-scheduling loans rather than increasing exposure, and where potential clients were faced with reduced choices, NABFINS managed to grow in terms of outstanding from Rs 42.7 Crores in 2010-2011 to Rs 183 Crores in 2011-2012. It was able to achieve this progress due to the support of its partners, including 67 Business Correspondents/ Facilitators, 3 Producer collectives and 8969 SHGs. The growth during 2011-12 was partly due to the staff and infrastructure setup in late 2010 which became operational during 2011-12. As on March 31, 2012, NABFINS did establish offices in 31 Districts in 3 States, with 87 staff. It availed of Rs 200 Crores refinance from NABARD during the year; the average cost of funds in 2011-2012 was 8.08%; its net owned funds stand at Rs 48.47 Cr.

NABFINS and the SHG-Bank Linkage program are required in order to offer the client a choice. NABFINS on its part does not enter areas where the SHG-Bank Linkage program is doing well due to pro-active Bank managers who visit the SHGs regularly and

mentor them. Unfortunately such areas are declining. There are also large areas where people find it difficult to access a bank due to distance and lack of transport facilities; NABFINS operates in these areas. Over all, Banks' involvement in the SHG-Bank Linkage program is decreasing, as reports clearly indicate (RBI, 2010). The reasons for this decline are many ranging from acute staff shortage at Branches to amalgamations of Banks which tend to make small loans required by SHGs unviable.

3.3 Organisational policies

NABFINS policies are pro-poor as like the company itself. The companies policies is entirely different with that of other financial institutions,' money lenders etc. These unique policy made by the company helps in achieving a good relationship with their customers. The policies of NABFINS are as follows;

- i) Good governance leading to transparency in accounting, remuneration and disclosure,
- ii) Lend loan at a reasonable rates of interest and other costs which earn a profit but do not maximize profits or profiteer at the expense of the clients at the bottom of the pyramid,
- iii) Investment in activities that generate income in the short, medium and long term and increase capital with the poor family; since these activities chosen by the group members are not only diverse in terms of sectors/categories but also in purpose, size, and repayment periods within a sector/category, it requires a business model which is able to customize loans and repayment schedules in order to respond to the diversity of livelihood situations; standardization therefore cannot be the main driver even though it results in higher profits for the NBFC-MFI, and
- iv) Fair practices which ensure that there is no over / multiple lending or coercion in a collection which, experience has shown, results from business models driven by speed and scale to maximize profits and in many cases to provide space for quick exits of investors.

Keeping in mind these guiding norms, NABFINS decided in 2010 to promote a culture, organizational and financial systems and software which would balance business with the inclusion in growth. Inclusion here focuses on the poor and marginalized population. To maintain this balance is the prime responsibility of the Governing Board. As a for profit entity, it endeavours to earn enough to cover all costs related to management and expansion, to design

and absorption of appropriate technological support systems, to training and reasonable incentives to staff and management and to cover its risks especially arising from investment in second level institutions like producer collectives. All this is well accepted in the for profit sector but NABFINS also seeks to promote inclusion of the poor and marginalised in growth - not only financial inclusion which has been reduced to opening no frill accounts. Inclusion of the poor and marginalised in the growth sector in a sustained way, requires support from a variety of institutions involved in building confidence and management skills of the poor and their ability to lobby for change and build linkages with others; it also requires technical, organisational and infrastructure support in production, aggregation and marketing of products; these in turn require financial support like grants, term loans, cash credit, working capital, revolving funds and appropriate infrastructure. In the field of dry land agriculture- a high risk operation - where a large part of the loans of SHGs/JLGs are invested, support is required to reduce the clients risks and make her/his investment productive and sustainable. They need to be insured against crop failure - but even more the production risk has to be reduced.

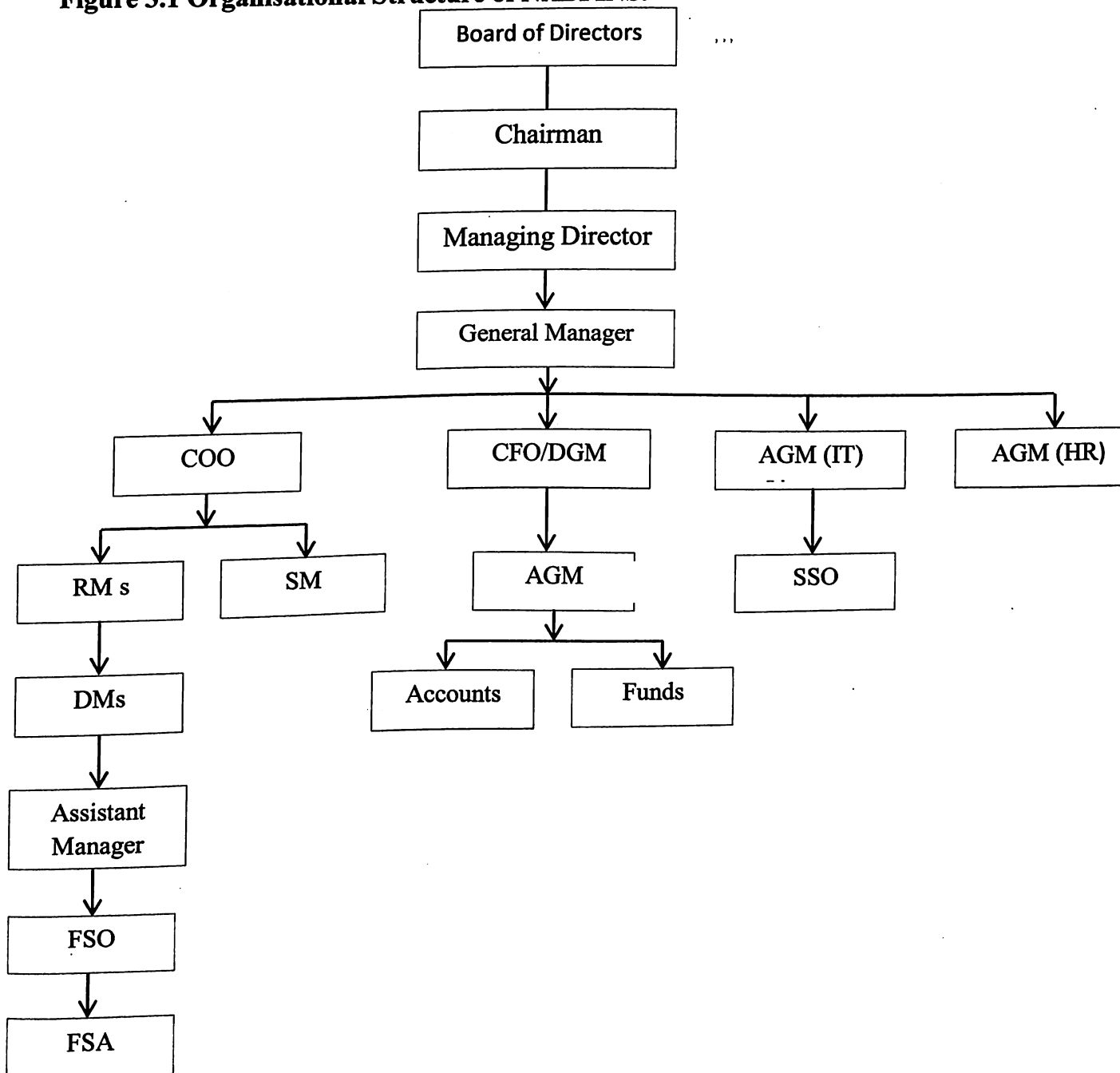
To build confidence and management skills, NABFINS provides grants sourced from NABARD for institutional capacity building and to improve the organizational and financial management of SHGs, JLGs and Producer collectives. Likewise, where investment is in livestock, it partners with an institution that has the expertise and outreach to provide animal health care. It responds to diversity in livelihood needs instead of standardizing loan sizes and products and stagger repayment schedules to cope with (customize) different cash flows of income generating activities; developing a software to support this diversity took time as those available of the shelf suited a standardised model which largely benefits the NFC-MFI not the client. All these interventions require extra investment and a longer period of gestation, thus reducing profits to NABFINS; but they also help to develop a network and support system for the poor client to build a sustainable livelihood base and to be included in the growth sector

As a business model which promotes development finance, it levies interest at reasonable rates but also ensures that the overall cost to the client remains low by providing door step services and quick turnaround. Up to March 31, 2012 the rate of interest to SHGs/JLGs was 13.5%; to second level institutions, like producer collectives, it was 11.5% ; the margin cap was 4.66 % both well below the RBI norms of 26% (interest) and 12% (margin cap) respectively . The average cost of funds, thanks to NABARD, was 8.08%.

3.3 Organisational structure

An organizational structure defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment. The organizational structure of NABFINS is as described in figure 3.1

Figure 3.1 Organisational Structure of NABFINS.



Source: Compiled from Primary Data

3.4 Important features of NABFINS

There are seven important features that distinguishes NABFINS;

i) Governance- it plays a critical role in promoting inclusion of the poor especially in for profit NBFC-MFIs. History of the large NBFC-MFIs provides adequate evidence that the transformation from not for profits to for profits which was assisted by various institutional mechanisms held up as innovations , was also accompanied by a transformation from standard salary packages to pay packages higher than earned by the CEO of the largest private sector bank, high bonuses, stock option plans and stock purchase schemes at highly preferential rates which when en-cashed brought in super profits in a very short period. If the Chairman and Directors create an environment where profit maximization at any cost is rewarded; others in the organization follow and the objective of providing adequate and customized credit at reasonable costs as well as other support to enable the poor client to build a sustainable livelihood base is forgotten. NABFINS Board is aware of this danger and is taking steps to ensure that it's chairperson and independent board members are not eligible for bonuses, loans or any payment arising from performance and related to incentives, which however the staff and BCs are entitled to. It is expected that these decisions will have an impact on the quality of overall governance.

ii) Staffing: NABFINS has a staffing pattern which helps it to reduce costs resulting largely from salaries, training and housing. Head Office is staffed by a team aged between 25 and 45 years drawn from other financial institutions and by three senior staff on deputation from NABARD, two of whom remain in NABARD's payroll. At the Districts Office, it recruits just retired commercial bankers who have worked in the district and have a sound reputation, who have experience in working with the SHG Bank - Linkage program and relate well with NGOs; they need to have a house in the District headquarters in which they reside. A separate NABFINS office is provided; they are assisted by 2-4 Field Service officers. This team headed by the District officer deals with the first vertical, namely with SHGs/JLGs. This is a small team and is adequate since NABFINS lends directly to groups/institutions, not to individuals. The other vertical dealing with second level institutions like Cooperatives, Producer Collectives is managed by Institutions with experience in this area that function as Business Facilitators. During 2012-13 decentralisation will also take place through regional offices in Karnataka and Tamilnadu, which, among other outcomes, will also reduce costs.

iii) Working in partnerships: The poor cannot be included in growth only through provision of credit and other financial services. To promote inclusion in growth NABFINS decided to work in partnerships. with NGOs, Co-operatives, producer collectives, federations which not only function as Business Correspondents and Facilitators, but more importantly are able to provide technical and other support services critical to make investment productive and/or to reduce production risk, to aggregate, add value and market commodities. NABFINS does not propose to take on all these activities when others can do them more efficiently.

NABFINS believes that this risk must be shared by supporting the partners to become more organizationally and financially sustainable, by maintaining a transparent relationship, responding to their justifiable demand, rewarding them for good performance and at the same time by ensuring that its own staff maintain a close relationship with the groups. This is easier said than done. NABFINS has taken the first steps in this direction and will continue to expand its support to BCs by mobilizing funds for organizational and financial management and, by introducing incentives for good performance. As on March 31, 2012 the average yield on NABFINS' loans was 14.74% out of which 2% was passed on to its BC partners leaving 12.74% with NABFINS (Annual Report 2015).

iv) Personal interaction between staff and SHGs/JLGs: NABFINS staff together with the BC staff assess the SHGs/JLGs together and those eligible are advanced loans directly by NABFINS staff who later keep in touch with the groups. The responsibility for ensuring repayments lies with the SHG itself; the responsibility for the collection of repayments lies with the BC. Personal contact with the groups helps in maintaining and building mutual trust.

v) Support for second level institutions like Producer Collectives, Co-operatives: If the poor are to be integrated in growth in a sustainable and incremental manner, provision of Credit to the SHGs/JLGs and support for production is not enough. Since most of them are small and marginal farmers their produce needs aggregation, value addition and marketing. As on March 2012, NABFINS invested Rs 2.42 Cr cumulatively in second level institutions as working capital to support aggregation, value addition and marketing in cotton, handicrafts and fisheries. The risk increases and diversifies with second level institutions. Efforts are being made to cover this risk through mobilizing support from financial institutions as well as through building a risk fund from profits. Investing in second level institutions has taken time to take off because there are few functioning and the experience and expertise to support and

mentor them is limited. NGOs who have devoted time and effort in promoting this sector find it difficult to mobilize financial support to build these institutions. Unfortunately there is no integrated organizational and financial scaffolding in the country to support aggregation value addition and marketing of agricultural commodities the only example where such integration functions is in milk. NABFINS intends to give priority to support the formation and functioning of second level institutions. It has sought NABARD's support to achieve this objective.

iv) Respect for diversity is a major requirement for inclusion in growth. Inclusion in growth demands customization to cope with the variety in purposes, sizes and repayment schedules. Recognising this diversity, in the early 90s before the SHG Bank Linkage program was launched; a major policy decision was taken by NABARD and supported by RBI to allow banks to lend one loan (bulk loan) to the SHG allowing the SHG to decide on the size, purpose and repayment schedule of the loans. This major policy decision enabled the SHG members to ask for what they could manage and the training provided to the group as well as their local knowledge equipped the group to decide whether the member was serious and able to manage the loan effectively. This was a major reason why the poor respond so well to the SHG program. Briefly NABARD did not mainstream the functioning of the SHGs by imposing pre-determined products and a cost structure. It left these decisions to the group and this resulted in innovations which no bank could have coped with. Since NABARD respected this diversity, it did not prescribe or plan products in the context of the SHG-Bank Linkage program. Recent communications from NABARD however are asking NABFINS for its products. Savings is listed as a product of NABFINS. It is really a product of the SHG. Studies of SHGs formed by NGOs show that members save and invest in the SHG common fund up to a certain point and then opt to open individual Bank accounts and deposit their savings there. What also emerged from the decision to allow the group to decide was that a family had a livelihood strategy comprising of several small activities and not of one or two large activities which many of our anti-poverty programs assume they have. Loans from the SHG provided finance for these small activities some of which expanded while others were dropped after a year or so. The group also knows whether some unexpected event has taken place which interrupts the cash flow or channels it elsewhere to meet an emergency, hence it is best suited to decide whether and how to reschedule the loan. Unfortunately this is where most financial institutions hesitate to respond since it demands time and reduces their profits. Standardisation of sizes, purposes

and repayment periods is easy to monitor no matter what its impact on the client or customer. NABFINS realizes, as NABARD did in the early 90s, that inclusion in growth demands that the last mile has to be an institution which can cope with this diversity. ICT (which has been accorded a role far above its potential in this last mile) can help to collate and analyse the data after the SHG has decided. The data on the decisions taken by the group on the purpose, size etc. of the loans to individuals must be taken from the Minutes Book of the SHG and not asked for in advance (before the loan is given) by the MFI-NBFC. In most cases the latter is the case, and experience has shown that this data does not give the real picture. Since NABFINS gives one bulk loan to the SHG/JLG (as in the SHG-Bank Linkage program) it reduces transaction costs as well as enables the member to borrow according to her/his requirements. The tenure of loans is not uniform or standardised; it ranges from 12 months to 36 months depending on the purpose of the loan and the cash flow. However as of 1st April, 2012 the shortest tenure will be 24 months in compliance with RBI norms.

Vii) Institutional Capacity Building (ICB) If the poor are to acquire skills to manage their own institutions (the last mile) like SHGs/JLGs/Producer collectives etc, they need training in institutional capacity building (ICB). Modules comprising how to meet, resolve conflict, foster participation, how to analyse the causes of poverty, how to build linkages etc. have been designed by NABARD and other NGOs and put to use. But conducting this ICB training takes time –at least 4- 6 months before loans are extended. Few for profit NBFC/MFIs will agree to provide this space even though funds are available from NABARD, Government programs and from institutions like IFAD and the World Bank. Even the private sector is now providing grants for ICB. NABFINS hopes that when SHG-2 is launched, adequate funds will be provided for ICB and NGOs with experience in ICB selected to train the groups. Looking back, however, what is more relevant is to go back to the basics on which the SHG movement was built.

3.5 Conclusion

The NABFINS are having a good relationship with its external environment which is essential for a MFI. The company is ready to put maximum effort in maintaining those relationships. The NABARD's organizational behavior can be seen in its subsidiaries like NABFINS. This will improve the overall outlook of the organization.

Chapter – 4

*Scope of Financing for Livelihood in
Watersheds - Analysis*

Chapter 4

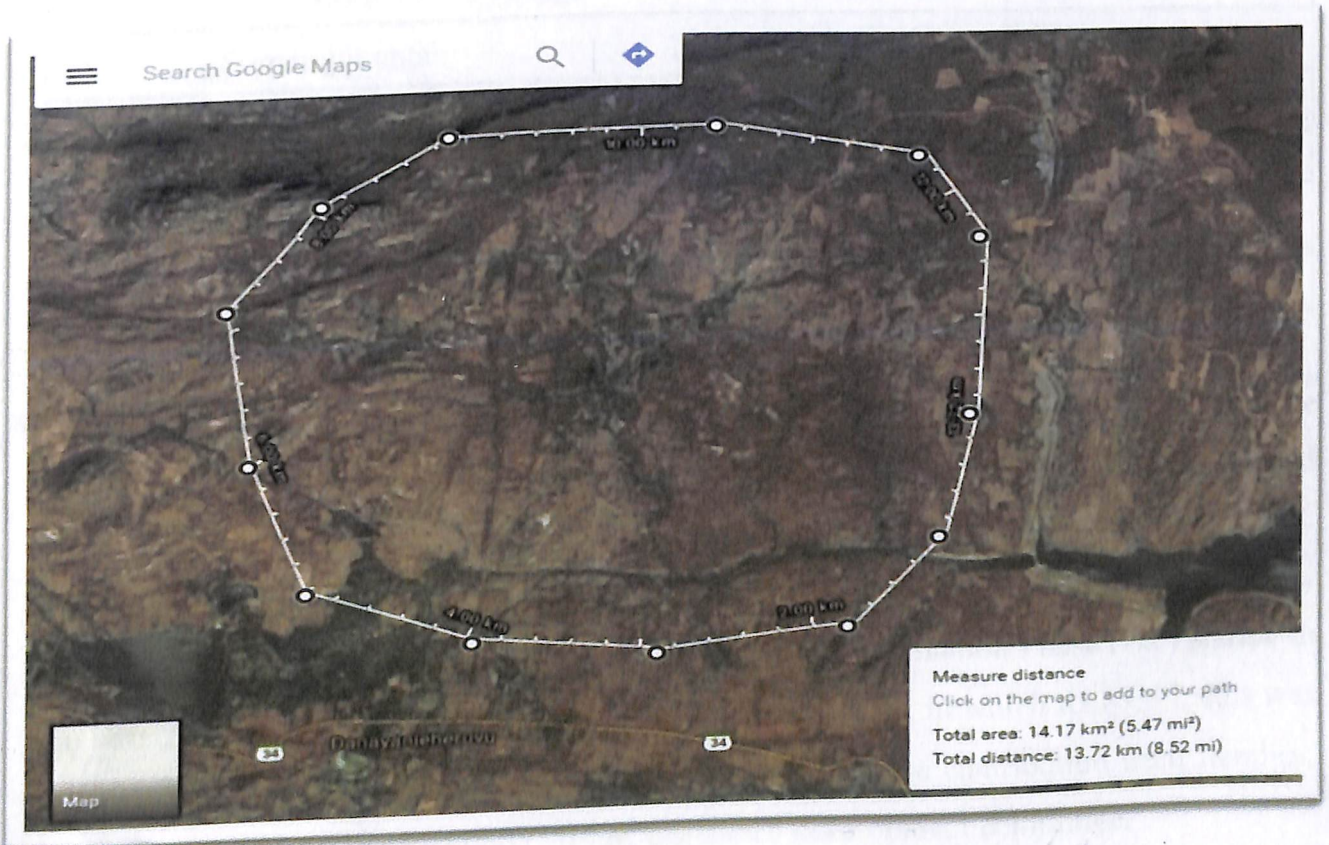
SCOPE OF FINANCING IN LIVELIHOOD OF WATERSHEDS – AN ANALYSIS

4.1 Introduction

This chapter includes the analysis and its interpretation of both the watersheds. The credit requirement of the watershed was assessed as per the survey conducted in both the Somarajukunta and Veernamala watershed. Both the watersheds were found to have different requirements and needs. The risk assessment was based on their requirements, income level and the researcher's observations. The people and their requirements are one of the important characteristics that differentiate two watersheds. The availability of natural resources is high in Veernamala watershed in comparison with the Somarajukunta since it is located in the middle of a forest.

This chapter is divided into two parts; Part A and Part B containing the analysis and interpretation of Somarajukunta and Veernamala watershed respectively

Part A – Somarajukunta Watershed



4.1 Brief profile on Somarajukunta watershed

Somarajukunta is located in Dhaniyanicheruvu Panchayat in NP KuntaMandal in Anantapuram district, Andhra Pradesh. Somarajukunta watershed includes four habitations namely Somarajukunta, Gollaplle, Kuntlavaripalle and Kotireddyvaripalle. The total area under the watershed project is 837 hectares. This watershed is located in Papagni river sub-basin and Pennar river basin. Agriculture, animal husbandry and agriculture labor are the main livelihood options for the people. The average annual rainfall of this area is 585mm. Borewell is the most common source of irrigation. The entire region is classified as Semi-arid due to the climatic and geographical conditions.

There are 270 families residing in the watershed area. As per the table 4.1 the total population in the watershed is 937, which includes 472 Males and 465 Females. The Somarajukunta habitation is the most populated area in this watershed having more than 70 percent of the total population in the watershed. Backward Communities (Vaddi, Sakala, Mangala, Ekila and Boya) constitute more than 80 percent of the total population. There are six ST families in the village. Kapu and Baliya are the other communities. Kadiri, which is located 27 Kms away from the watershed is the closest town.

Table 4.1: Population in Somarajukunta watershed

Sl. No.	Name of the village	No of house holds	Total population
1	Somarajukunta	193	656
2	Kotireddygaripalle	30	107
3	Golapalle	33	120
4	Kuntlavandlapalle	14	54
	Total	270	937

Source: Project Completion Report, Somarajukunta

The Foundation of Ecological Safety (FES) is the implementing agency for five watersheds in Anantapur district including Somarajukunta. The Somarajukunta Watershed Development Project (SWDP) started its Capacity Building Phase (CBP) in the year 2008. The total grant sanctioned and released by NABARD for CBP is Rs.7.17 Lakhs. The actual utilisation of the fund was Rs. 7.15 Lakhs. The Final Implementation Phase (FIP) started in the year 2010 and Rs.88 Lakhs was released during the phase, in which Rs.87.8 Lakhs was utilised. The Balance amount from both phases along with the contribution from families, transfers to the Maintenance Fund (MF) of watershed development committee.

The Somarajukunta Integrated Watershed Development Mutually Aided Cooperative Society Ltd. has been registered by the Registrar of Mutually Aided Co-operative Societies / District Cooperative Officer, Anantapur together with its byelaws, on 8th December, 2012. After the registration, *gramsabha* was conducted with participation of members from Somarajukunta, Kotireddygaripalle, Kuntlapallevaripalle, and Gollapalle. The Gramsabha decided that the existing WDC would continue to be the Board of Directors of MACS.

Table 4.2: Grant received and available with Somarajukunta watershed

Particulars	Rs. in Lakhs
Grant Received from NABARD	6.96
Other income - Interest from Bank, Loans, MACS Membership	7.72
Expenses as of October - MACS Office Building, Supervisors costs etc.	1.75
Total Fund available with MACS	12.92
Total value of the Loans given to its Members in the last three years :	49.52

Source: Project Completion Report- Somarajukunta

4.2 General analysis

This part of the analysis is dealing with general matters including the income source, bank details and land holding details

4.2.1 Source of income of the households

The source of income literally means where the money is coming from. For an individual income could be from multiple sources.

Table 4.3: Sources of income of households in Somarajukunta watershed

Categories of income source	Frequency	Percent
Labour + Agriculture	16	22.5
Labour + Agriculture + Cattle Rearing	47	66.2
Business + Cattle Rearing	1	1.4
Labour + Cattle Rearing	5	7.0
Skilled work + Agriculture	1	1.4
Labour	1	1.4
Total	71	100.0

Source: Compiled from Primary Data

The Table 4.3 shows the source of income among the people in Somarajukunta watershed. The maximum number of people in the watershed is engaged in cattle rearing. The cattle include milch animals like cows, goat, buffalo, etc. as well as the sheep bullock. The other major source of income is labor works. The farmers with more than 10 Acre land are also going to NREG programs. This is because of the fact that NREG offers a higher payment than the average wage rate in the region. The people who are engaged in Business or Micro enterprise do not engage in any agriculture activities, but all of them are having cattle on their home. The most common agriculture in the areas is Groundnut and Red gram. Both the crops are suitable for the climatic condition and also it gives a fair price to the farmers. The Groundnut is sold at a rate of Rs.55-60/Kg and Red gram at Rs.65-80/Kg. Apart from this the MACS with the support of the State Agriculture Department implemented a scheme in the region called Committee Managed Seed System (CMSS). Under this scheme the good quality seed is collected from the farmers during the harvesting period and it will be distributed to the farmers in the nearby areas.

4.2.2 Bank account details of the individuals

Bank account is the minimum requirement of the households to enter in micro financing world. Usually only one account is maintained by an ordinary individual

Table 4.4: Bank account details of households in Somarajukunta watershed

Bank Account	Frequency	Percent
APGB	69	97.2
APGB+SBI	2	2.8
Total	71	100.0

Source: Compiled from Primary Data

The Table 4.4 indicates the banking habit of the people in Somarajukunta watershed. All the families in the watershed maintain at least one account in a bank. This is mainly for availing funds, subsidies, grant etc. from various departments, who credits the bank account of the beneficiaries directly. The majority of the population is having a bank account in the Andhra Pragathi Grameena Bank since it is the only bank access in 25 Km. radius, which is situated in N. P. Kunta. (15 Kms away). Due to the long distance, the bank services are very limited in the area. For those who are having a bank account in SBI also have a bank account in APGB.

4.2.3 Land holding of the individuals

The land holding of the households will help in analysing the requirement of individual households and their repayment capacity

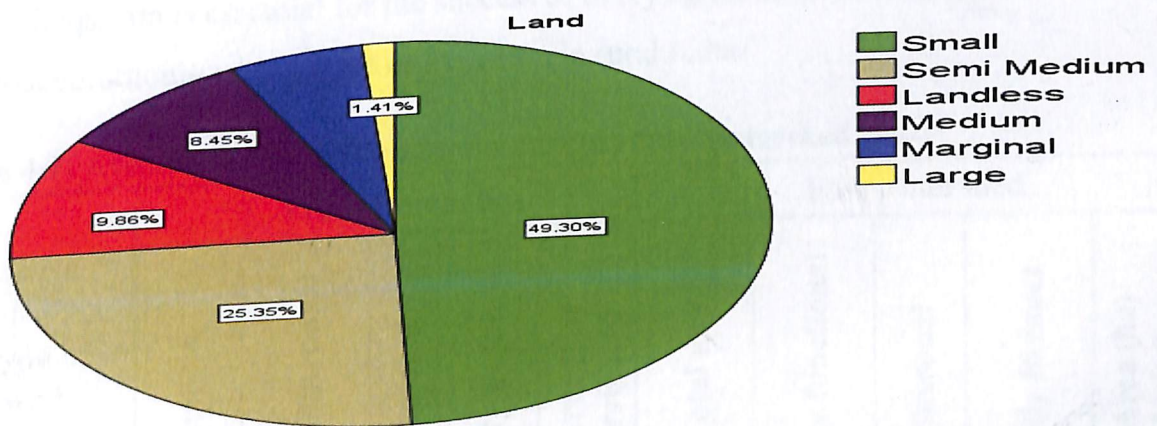
Table 4.5: Land holding details of households in Somarajukunta watershed

Categories of Land	Frequency	Percent
Marginal(Below 1 ha)	4	5.6
Small(1-2 ha)	35	49.3
Semi Medium(2-4 ha)	18	25.4
Medium(4-10 ha)	6	8.5
Large(10 ha and above)	1	1.4
Landless	7	9.9
Total	71	100.0

Source: Compiled from Primary Data

The Table 4.5 shows the category of farmers on the basis of their land holdings. The survey shows that close to 50 percent of the population is coming under the category of small farmers, whereas the marginal farmers occupies hardly six per cent.

Figure 4.1: Land holding details of households in Somarajukunta watershed



Source: Compiled from Primary Data

The Figure 4.1 gives the percentage of farmers in different categories. The small farmers occupy the major part of the chart, followed by semi medium farmers and medium farmers. The marginal farmers with less than 2.5 acre land occupy the second last position. The landless people are almost 10 percent of the total population. The large farmers with

more than 25 acres are 1.5 percent of the population. This figure shows the capacity of the people in the watershed area

4.2.3 MACS Interest rate

The Mutually Aided Co- operative Society (MACS) of Somarajukunta watershed is one of the source of finance available to the people in watershed. Many people in the watershed areas is using the livelihood fund of MACS.

Table 4.6: Interest rate and processing fees in MACS

Loan Amount	Interest Rate	Processing Fee
Up to Rs.10000	12%	100
Rs.10000-Rs.25000	15%	200
More than Rs.25000	18%	300

Source: Compiled from Primary Data

The Table 4.6 shows the interest rate and processing Fee of MACS to their landings. The rate is comparatively higher than the NABFINS which helps them to enter in watersheds.

4.2.4 Area under irrigation

Irrigation is essential for the success of every agricultural activities. Bore wells are the most commonly used source of irrigation in rural India

Table 4.7: Area under irrigation in Somarajukunta watershed

Type of well	Pre watershed					Post watershed				
	Total No.	Fully functional	Seasonal	Fully Defunct	Area (ha) Irrigated	Total no.s	Fully functional	Seasonal	Fully Defunct	Area (ha) Irrigated
Open wells	43	6	18	19	26	43	13	19	11	31
Bore wells	67	19	19	29	34	70	32	25	10	80
Others	18	-	8	10	11	30	20	10	-	12
Total	128	25	45	58	71	143	65	54	21	123

Source : Project Completion Report- Somarajukunta

The Table 4.7 shows the increase in the irrigation after the completion of watershed in Somarajukunta. The increase in irrigation improved the yield and income to the farmers. The Ground water is the main source of irrigation in most of the watersheds. Thus after the completion of watersheds the groundwater level is started increasing

4.3 Credit analysis

This part of analysis deals with analysis of credit needs and availability of the people in Somarajukunta watershed

4.3.1 Total loan requirement

The requirement of the people in watershed is different according to the purpose. I used a scale for identifying the actual requirement

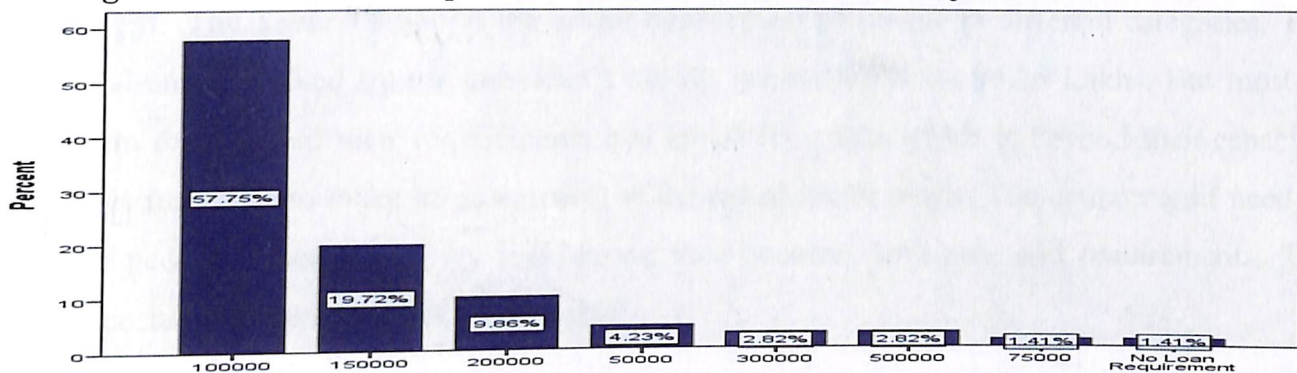
Table 4.8: Total loan requirement of households in Somarajukunta watershed

Loan requirement	Frequency	Percent
No Loan Requirement	1	1.4
50,000	3	4.2
75,000	1	1.4
1,00,000	41	57.7
1,50,000	14	19.7
2,00,000	7	9.9
3,00,000	2	2.8
5,00,000	2	2.8
Total	71	100.0

Source: Compiled from Primary Data

The Table 4.8 shows the amount of loan asked by different peoples. This will help NABFINS in designing the product according the credit requirements of the people. From the survey conducted, we found that almost 98 percent of the population required loan, hardly 2 percent of the population says no loan requirements. This is a positive sign for NABFINS to enter in watersheds

Figure 4.2: Total loan requirement of households in Somarajukunta watershed



Source: Compiled from Primary Data

The Figure 4.2 represents the percentage of loan amount asked by the individuals. The highest amount asked by the individual is Rs. 5,00,000 and the lowest is 50,000. The chart clearly indicates the demand for loan of various amounts. The requirement for Rs. 100,000 is highest among other amounts followed by the requirement of Rs. 1,50,000. This shows the huge volume of business that NABFINS can expect.

4.3.2 Category wise loan requirement

The loan requirement of the people is different for various categories. As per the survey conducted, I categorised the requirements into five broad categories

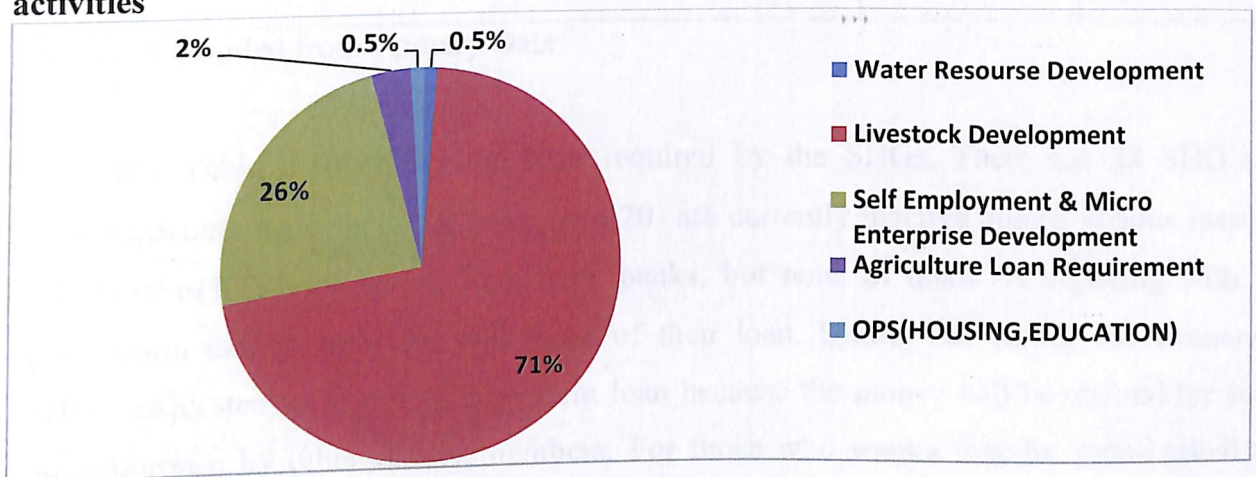
Table 4.9: Category wise loan requirement of households in Somarajukunta watershed

Sl. No.	Categories	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Water Resource Development	1	100,000	75,000
2	Livestock Development	57 + 1	67,25,000	41,00,000
3	Self-Employment & Micro Enterprise Development	10	22,00,000	15,30,000
4	Agriculture Loan Requirement	2	3,00,000	30,000
5	Consumption	1	1,00,000	50,000
	Total	72	94,25,000	57,85,000

Source: Compiled from Primary Data

The Table 4.9 shows the actual requirement of people in different categories. The total amount asked by the individuals during our survey is Rs 94.25 Lakhs. But most of them exaggerated their requirements and asked for a loan which is beyond their capacity. This forced us to make an assessment of the actual credit needs. The actual credit need of the people is determined by considering their income, land area and requirements. The expected requirement is Rs.57.85 Lakhs

Figure 4.3: Percentage of loan requirement in Somarajukunta watershed for various activities



Source: Compiled from Primary Data

The Figure 4.3 gives a clear idea of the credit requirements of people. Almost 71 percent of the population asked loan for buying livestock's like Cow, Sheep, Goat, Buffalo and Bullocks. The Self-employment and Microenterprise development is coming next with 26 percent. The agriculture loan requirement is just two percent, this shows the success of agriculture activities in the region. The people are having money at their disposal for the investments in agriculture and also the availability of crop loan at four percent interest reduced the demand for additional agriculture loan. The least number of requirements is coming under the category of Water Resource Development, where there is only one requirement for Bore Well.

4.3.3 Loan requirement of SHG

The SHG are formed for the purpose of mutually helping the members in it. The SHG are commonly formed by the woman with the view of economic and social improvement.

Table 4.10: Loan requirement of SHG of Somarajukunta watershed

Sl. No	Name of SHG	Village	Activity	Amount	Actual Requirement
1	Gayathri	Somarajakunda	Not active	0	0
2	SrithiSai	Kotireddyvaripalle	Livestock Development	500,000	500,000
3	Ganesh	Kotireddyvaripalle	Livestock Development	500,000	500,000
Total				10,00,000	10,00,000

Source: Compiled from Primary Data

The Table 4.10 shows the loan required by the SHGs. There are 28 SHG's in Somarajukunta watershed, but more than 20 are currently inactive due to various reasons. All these SHG's took group loan from banks, but none of them are repaying with the expectation that government will wave of their loan. During our survey the women of SHG's requested us to not to give them loan because the money will be utilized for some other purpose by other family members. For those who want a loan for cattle asked the possibility of getting the cattle as such instead of money as loan.

4.3.4 Sources of credit and their maximum lending

As part of this project I collected the details of credit that are currently available. The loan from various sources, their maximum possible lending and interest rate is as below

- 1) MACS – Maximum Credit Rs.30,000 @ 18%
- 2) Crop Loan – Maximum Rs 1,50,000 @ 7%
- 3) B.C. Loan – Maximum Rs. 4,00,000 (Including 50% Subsidy) @ 14%
- 4) SHG Loan – Maximum Rs 15,000 @ 12 – 15 %
- 5) Private Money Lenders – Maximum Rs. 80000 @ 24-36%

4.3.5 Estimated requirements

The total money requirement of the watershed is essential for assessing the actual business. Since I didn't able to cover the entire households, estimation is done to assess the total requirement based on the sample collected

Table 4.11: Estimated loan requirement from Somarajukunta watershed

Category	Sample Population	Sample Frame	Factor	Loan Requirements	Estimated Requirement
Households					
Amount Demanded	71	270	3.8	94,25,000	3,58,15,000
Expected Req.	71	270	3.8	57,85,000	2,19,83,000
SHG					
Amount Demanded	3	28	9.3	10,00,000	93,00,000
Expected Req.	3	28	9.3	10,00,000	93,00,000
Total					
Amount Demanded				1,04,25,000	4,51,15,000
Expected Req.				67,85,000	3,12,83,000

Source: Compiled from Primary Data

The Table 4.11 shows the estimated credit requirements of Somarajukunta watershed. This shows the expected business of NABFINS in Somarajukunta. The table shows both the household and SHG requirements. The total requirement of the watershed is estimated based on the factor obtained from the sample size with the sample population. The NABFINS can expect a business worth Rs. 3.1 Crore from Somarajukunta

4.3.6 Water resource development

Irrigation is the main component coming under this category. The water from all the sources need to be developed in order to make proper irrigation

Table 4.12: Loan required for water resource development in Somarajukunta

Sl.No.	Activities	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Bore Well	1	100,000	75,000
	Total	1	100,000	75,000

Source: Compiled from Primary Data

The Table 4.12 shows that there is only one requirement coming under this category. People in the watershed are reluctant to take loan for constructing bore well and open well because of the fear of failure in getting water. There is no requirement for the irrigation activities like drip irrigation, sprinklers etc. Many people tried to dig bore wells and open wells in their land which eventually ends in a complete failure. This prevents the people in asking for more loan under this category.

4.3.7 Livestock development

The livestock development is an important category NABFINS need to look into. More number of people asked loan for various activities like cow rearing goat rearing etc.

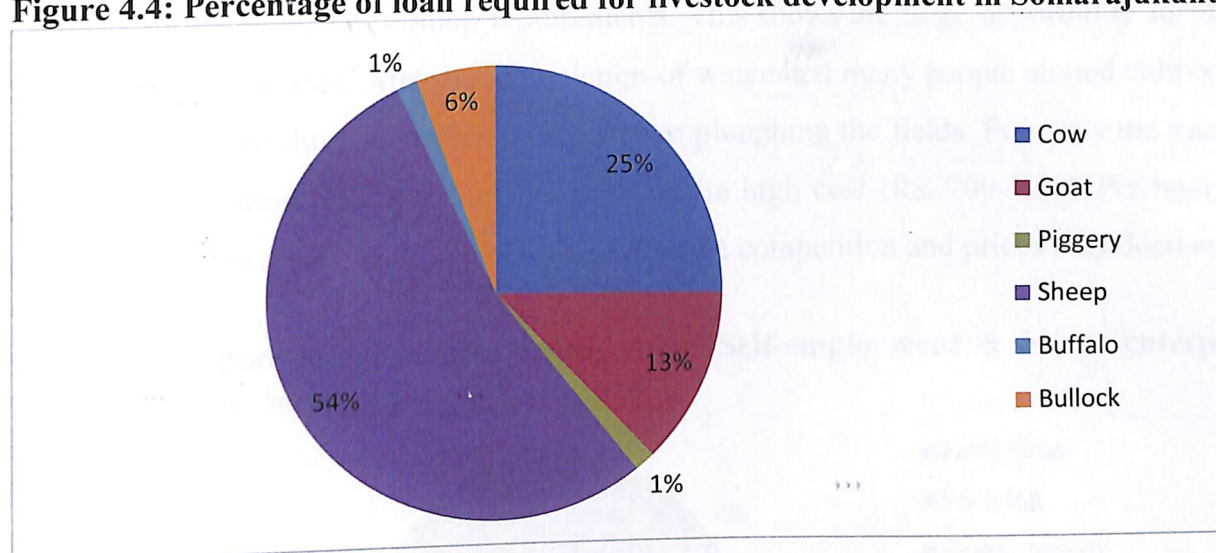
Table 4.13: Loan required for livestock development in Somarajukunta watershed

Sl. No.	Activities	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Cow	15	17,00,000	14,25,000
2	Goat	7	8,50,000	5,75,000
3	Piggery	1	1,00,000	1,00,000
4	Sheep	31	36,00,000	28,00,000
5	Buffalo	1	100,000	100,000
6	Bullock	3	3,75,000	2,00,000
Total		58	67,25,000	41,00,000

Source: Compiled from Primary Data

The Table 4.13 shows the credit requirement of the people in the category of Livestock Development. Large number of people required a loan for sheep, whereas requirement for cows and goat are comparatively less. This is because of the lack of supply chain facilities in the area. The milk in the region is collected and sold in nearby markets by one person who is having a mini truck. He is exploiting the poor farmers by paying less for the milk and selling at a higher price in nearby towns. Due to this reason farmers are showing less interest in taking a loan for milch animals compared to sheep.

Figure 4.4: Percentage of loan required for livestock development in Somarajukunta



Source: Compiled from Primary Data

The Figure 4.4 shows the percentage of credit required by the farmers in different cattle rearing activities. The Sheep is the most demanded loan with 54 percent, followed by cow with 25 percent. The demand for sheep will remain high till the proper implementation of a better supply chain for milk in the region.

4.3.8 Self-employment & Micro enterprise development

This category deals with the requirement of the people who are engaged small scale business like petty shop and also the requirements of self employed people

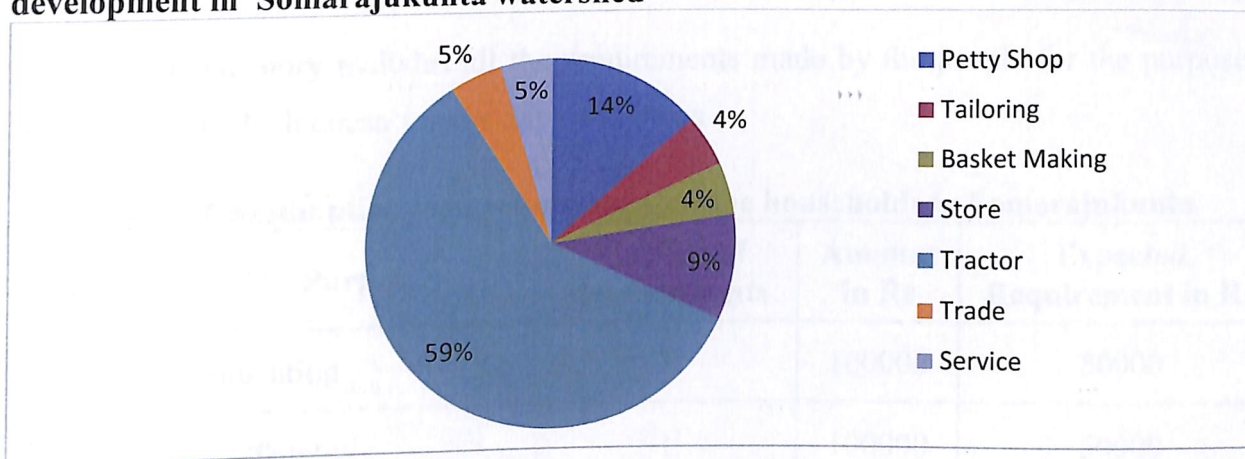
Table 4.14: Loan required for Self-employment & Micro enterprise development

Sl. No.	Activities	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Petty Shop	2	3,00,000	1,75,000
2	Tailoring	1	1,00,000	50,000
3	Basket Making	1	1,00,000	30,000
4	Store	1	2,00,000	1,75,000
5	Tractor	3	1,30,0000	9,00,000
6	Trade	1	1,00,000	1,00,000
7	Service	1	1,00,000	1,00,000
Total		10	22,00,000	15,30,000

Source: Compiled From Primary Data

From the Table 4.14, it is understood that the tractors are the most demanded in this category followed by Petty Shop requirements. This shows the huge opportunity for Agri-machineries in this area. After the completion of watershed many people started cultivating more which creates huge demands for tractors in ploughing the fields. Presently the tractors are very rarely used by the farmers because of the high cost (Rs. 700-1,000 Per hour). If more people are coming with tractors it will create a competition and prices may decrease.

Figure 4.5: Percentage of loan required for Self-employment & Micro enterprise development in Somarajukunta watershed



Source: Compiled from Primary Data

The Figure 4.5 gives a clear idea on the percentage of loans demanded by the people in this category. The tractor requirement is the highest with 59 percent. The petty shop requirement comes next with 14 percent, followed by stores at 9 percent. The other requirements occupies just five percent each

4.3.9 Agriculture loan requirement

This category includes all the requirements made by the people for the purpose of agriculture activities as well as agriculture expansion

Table 4.15: Agriculture loan requirement of households in Somarajukunta

Sl. No.	Purpose	Number of Requirements	Amount in Rs	Expected Requirement in Rs
1	Groundnut	1	100000	100000
2	Fish farming	1	200,000	200000
Total		2	300000	300000

Source: Compiled from Primary Data

The Table 4.15 shows the agriculture needs. Since groundnut is the most profitable and successful agriculture activity in the region, the farmers are having savings for the expansion of groundnut. Due to this the requirement for groundnut is less. The fish farming is another requirement which is new to this area. At present the fish availability is very rare in the area, therefore it poses a huge demand.

4.3.10 Consumption

This category includes all the requirements made by the people for the purpose of consumption which doesn't make any cash flows

Table 4.16: Consumption loan requirement of the households in Somarajukunta

Sl. No.	Purpose	Number of Requirements	Amount in Rs	Expected Requirement in Rs
1	Education	1	100000	50000
Total		1	100000	50000

Source: Compiled from Primary Data

The Table 4.15 shows the requirement for education loan. The people in the watershed give more priority to the education of their children just like MACS. The MACS gives more priority to education and loan requirement of landless people and emergencies like medical purposes.

4.4 Risk assessment

The risk assessment part includes the analysis on various aspects which are related to the repayment of loans

4.4.1 Loan status of Mutually Aided Co-operative Society (MACS)

The MACS is one among the many source of credit available for the people. It is essential for the NABFINS to study about their credit requirement history to plan the products

Table 4.17: MACS loan status of Somarajukunta watershed

Frequency of Loan	Number of Individuals	Repaid	Running	Due
No loans	7	00	00	00
One time	18	15	2	1
Two times	27	20	7	0
Three Times	11	8	3	0
Four Times	8	4	4	0
Total	71	47	16	1

Source: Compiled from Primary Data

The Table 4.17 shows the status of MACS Loan availed by the people in the watershed area. The MACS distributes loan from livelihood fund it maintains in the Andhra Pragathi Grameena Bank. It is one of the important sources of credit to the people in watershed areas. Most of them have taken loan for more than one time. Almost 10 percent of the population didn't take MACS loan till the date. During the survey, we found one loan which has become bad for the person who takes the loan expire. From the MACS chairman we came to know that there is three NPA cases are reported till the date. Except those NPA everything is going well in MACS loan

The MACS loan has to be paid before 5th of every month. If the payment is made after the 5th, the Rs. 10 will be charged as fine up to 10th of the same month. Beyond that the borrower has to pay Rs. 100 as fine. Likewise MACS will wait for 3 months to get the payment from the borrower. If a borrower is not paying after 3 months also, then MACS will form a committee and inquire about the reason for overdue. If the reason is genuine MACS will allow some concession in repayment

Table 4.18: MACS loan history in Somarajukunta watershed

Purpose of MACS loan	Frequency	Percent
No Loan	7	9.9
Cow	7	9.9
Sheep	6	8.5
Agriculture	27	38.0
Irrigation	2	2.8
Business	3	4.2

Consumption	15	21.1
Goat	2	2.8
Agri Machineries	1	1.4
Carpentry	1	1.4
Total	71	100.0

Source: Compiled from Primary Data

The Table 4.18 shows the purpose for which MACS granted loans. The MACS granted a number of loans for seeds in the category of Agriculture. This is because of the Committee Managed Seed System (CMSS) program, where every farmer who cultivate groundnut uses the groundnut seeds supplied under this scheme. The consumption is the next important category in which MACS distributed loan. The MACS provides most of the consumption loan for education and medical emergencies.

4.4.2 Age and loan requirement

The age and loan requirement will helps the business to understand the risk involved by age factor of the borrower.

Table 4.19: Age and loan requirement of households in Somarajukunta

Age	Total Loan Required								Total
	No Loan Requirement	50000	75000	100000	150000	200000	300000	500000	
30-39	0	1	0	9	5	1	0	0	16
40-49	0	0	0	8	4	2	0	1	15
50-59	0	0	1	14	3	3	2	1	24
60-69	1	1	0	5	2	0	0	0	9
70-79	0	1	0	5	0	1	0	0	7
Total	1	3	1	41	14	7	2	2	71

Source: Compiled from Primary Data

The Table 4.19 shows the credit requirements of the people at different ages. This is important during loan assessment, because aged people are more vulnerable. Large number of people who have applied for a loan is coming below 59 years of age. It will be risky to lend loans to people who are above 60 years.

4.4.3 Income source and loan purpose

The income source and loan requirement is an analysis that helps in easy identification of the loan and the risk involved

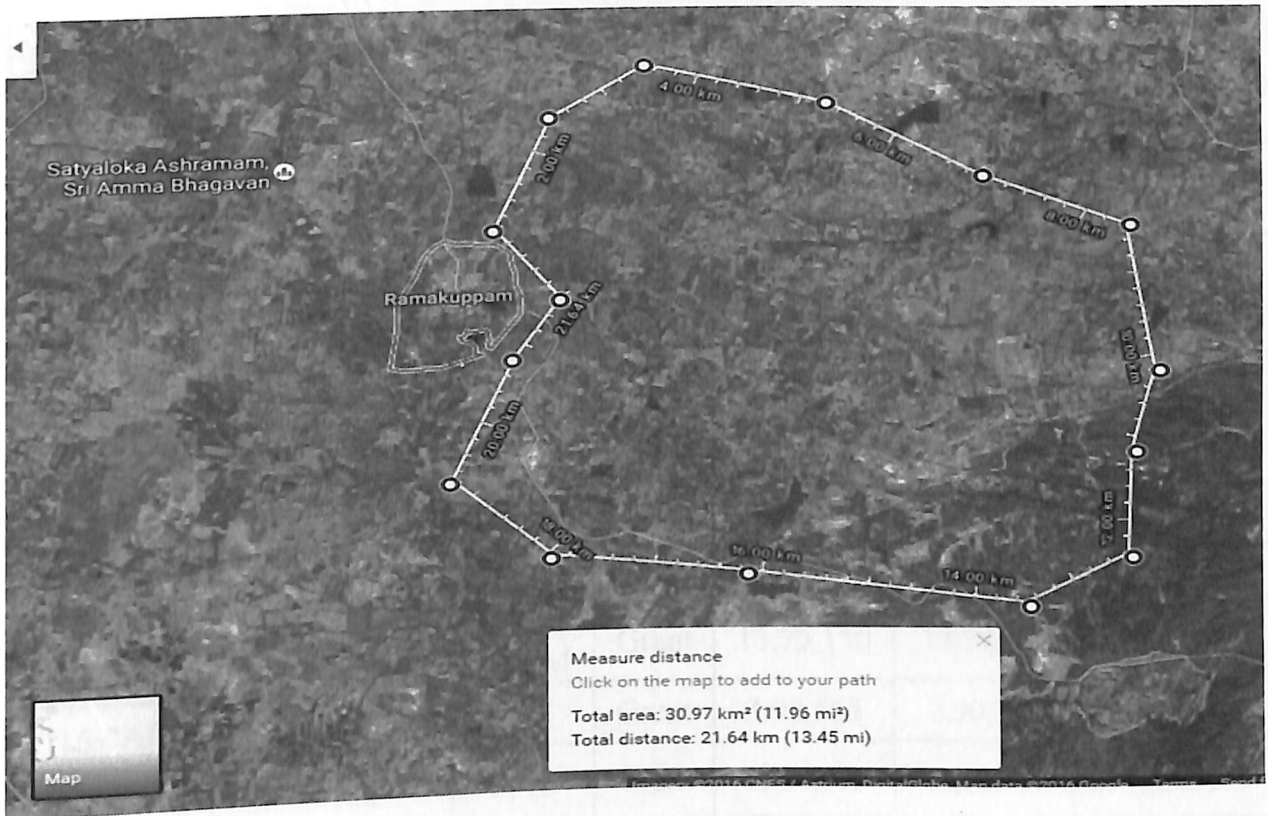
Table 4.20: Income source and loan purpose of households in Somarajukunta

Income source Requirements	Labour + Agriculture	Labour + Agriculture + Cattle Rearing	Business + Cattle Rearing	Labour + Cattle Rearing	Skilled Work + Agriculture	Labour
Education	0	1 (N)	0	0	0	0
Petty Shop	1 (N)	1 (N)	0	0	0	0
Tailoring	1 (N)	0	0	0	0	0
Basket	0	0	0	0	0	1
Store	0	1 (N)	0	0	0	0
Trade	0	1 (N)	0	0	0	0
Service	0	0	0	0	1	0
Tractor	0	3	0	0	0	0
Cow	1 (N)	13 (E)	0	1 (E)	0	0
Sheep	6 (N)	21 (E)	1 (E)	3 (E)	0	0
Bullock	1 (N)	1 (E)	0	1 (E)	0	0
Goat	3 (N)	4 (E)	0	0	0	0
Piggery	1 (N)	0	0	0	0	0
Buffalo	1 (N)	0	0	0	0	0
Bore well	1	0	0	0	0	0
Groundnut	0	1 (E)	0	0	0	0
Fish Farm	0	1 (E)	0	0	0	0
Total	16	48	1	5	1	1

Source: Compiled from Primary Data

The Table 4.20 shows the loan requirement and the source of income of the individuals. This will help in understanding the details of loan needed for the expansion activities (E) and the loan need for the new activities (N). During our survey 19 people asked for a loan which is new to them and 47 people asked loan for expansion purposes

Part B – Veernamala Watershed



4.5 Brief profile on Veernamala watershed

The Veernamala watershed is located in the middle of a forest area in Ramakuppam Mandal of Chittoor district. The total area of the watershed is 732.99 hectares and the treated area is 673.78 hectares out of which 284 hectares is under cultivation with 153.78 hectares are under irrigated and 385.66 hectares are under un-irrigated. The average rainfall of this watershed area is 774mm. The watershed is located in palari river sub-basin and Pennar river basin.

Veernamala watershed includes 18 habitations with 1173 households. The total population in the watershed is 6076, which includes 3047 male and 3029 female. The landless people are 9.11% of the total population and about 45% of the total population belongs to the SC/ST category. Around 754 farmers are coming under the category of small and marginal farmers in this watershed area. Their main occupation is agriculture, sericulture and cattle rearing. Major crops cultivated are Paddy, Mulberry, Groundnut and Tomato.

Mitra Association for Social Service (MASS) a registered Non-Governmental is the implementing agency for the project. Veernamala Village Watershed Development Committee though it has a majority of Sugali tribes and backward caste population, it has

demonstrated a high degree of involvement. MASS has started facilitating of implementation of the project through qualifying Shramadan and implementation of CBP in 2005, preparation of FSR in 2009 and started implementation of Full Implementation Phase from 2010 onwards.

Table 4.21: Grant received and available with Veernamala watershed

Funding agency	Implementing Agency	Phase	Grant /Loan	Amount sanction. in Rs	Amount received in Rs	Per cent of completion of the phase
NABARD	PAS	CBP	Grant	3,38,933	3,38,900	100%
NABARD	MASS	FSR	Grant	1,05,700	1,05,700	100%
NABARD	MASS	FIP	Grant	51,55,871	50,67,838	100%
NABARD	MASS	Devices	Grant	1,50,000	91,200	95%
NABARD	MASS	LH& APEM	Grant	13,75,150	13,75,150	100%
NABARD	MASS	MF	Grant	3,92,565	3,90,766	
NABARD	MASS	PMC	Grant	13,80,908	11,82,540	100%
Total				88,99,127	85,52,094	

Source: Mitra Association for Social Service (MASS)

4.6 General analysis

This part of the analysis is dealing with general matters including the income source, bank details and land holding details

4.6.1 Source of income for households

The source of income literally means where the money is coming from. For an individual income could be from multiple sources.

Table 4.22: Sources of income of households in Veernamala watershed

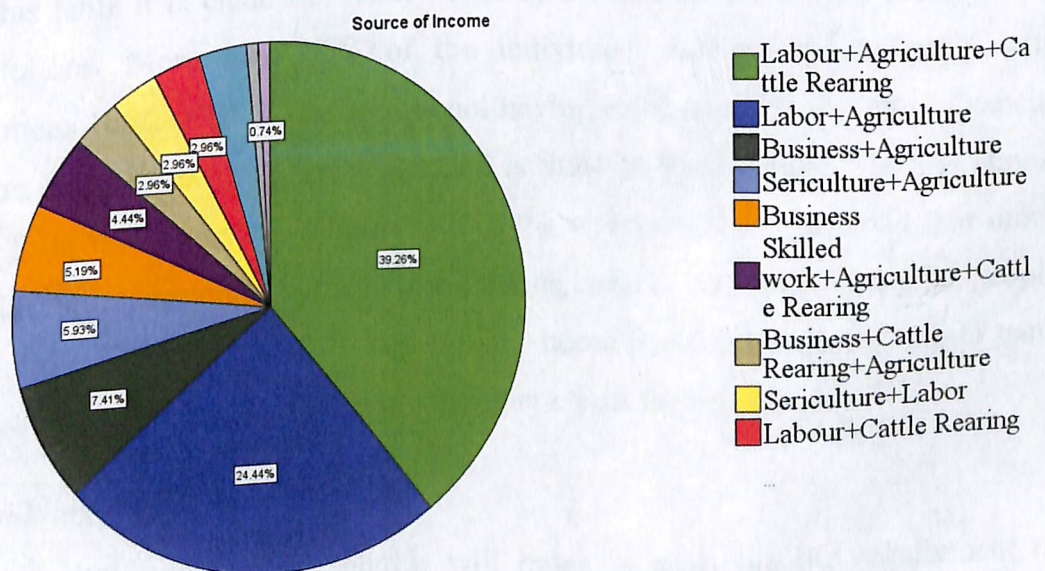
Sources of Income	Frequency	Percentage
Labour + Agriculture	33	24.4
Labour + Agriculture + Cattle Rearing	53	39.3
Business + Cattle Rearing + Agriculture	4	3.0
Skilled work + Agriculture + Cattle Rearing	6	4.4

Sericulture + Labour	4	3.0
Labour + Cattle Rearing	4	3.0
Skilled work + Agriculture	4	3.0
Fish Farming + Floriculture +Agriculture+Cattle Rearing	1	0.7
Sericulture + Agriculture	8	5.9
Business + Agriculture	10	7.4
Business	7	5.2
Labour	1	0.7
Total	135	100.0

Source: Compiled from Primary Data

The Table 4.22 shows the details of the source of income among the peoples in Veernamala watershed. The watershed area is having large diversified crops, starting from Groundnut to Floriculture and Fish Farming. Sericulture is most attractive agriculture activity in the region mainly because of the good earnings from it (Rs. 400 Kg). Even though milch animals are high, the milk is sold at a rate of Rs.22/Liter. The most common agriculture activities in the region are Groundnut, Raggi, Paddy and millets. The paddy is cultivated mainly for the own consumption, this is because of the less price for the rice. The NREG program is the next most important source of income. Sericulture also provides income to many people in the region

Figure 4.6: Source of income of households in Veernamala watershed



Source: Compiled from Primary Data

The Figure 4.6 shows the percentage of people engaged in different income source. Agriculture and livestock development is the major activity done by the individuals. Nearly 90 Percent of the individuals are experienced in either agricultural activities or livestock development. So credits for those activities will be useful for both the NABFINS as well as the farmers.

4.4.3 Bank account details

Bank account is the minimum requirement of the households to enter in micro financing world. Usually only one account is maintained by an ordinary individual

Table 4.23: Bank account details of individuals in Veernamala watershed

Bank Account	Frequency	Percentage
No Bank account	1	.7
SGB.	83	61.5
SBI	10	7.4
SGB + SBI	33	24.4
SGB + SBI + Canara Bank	3	2.2
SGB + Vijaya Bank	4	3.0
SGB + KarurVysya Bank	1	.7
Total	135	100.0

Source: Compiled from Primary Data

From this table it is clear that nearly 99% of the individuals having access to the financial institutions. More than 90% of the individuals holding account only with Sathagiri Grameen Bank (SGB). The area is not having any branch of any other financial institutions. The nearest branch to this watershed is SGB in Vijalapuram, which is almost 15 Kms away from the watershed. The people in the watershed have to travel that much distance to make bank transactions. Due to this banking habit is very poor among the people and many of them are keeping their savings in their home itself. People are going to bank only at the times when they required loan or any other credit facilities.

4.4.4 Land holding of the households

The land holding of the households will helps in analysing the requirement of individual households and their repayment capacity

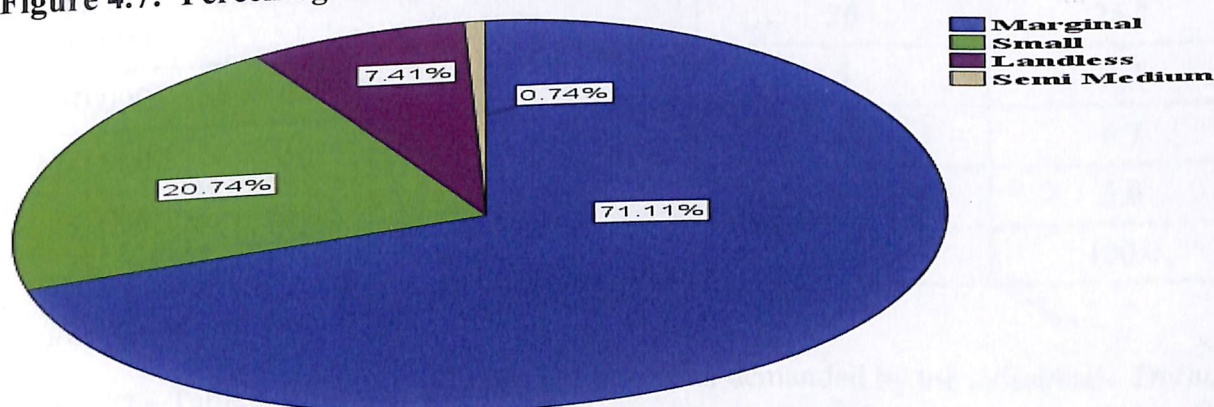
Table 4.24: Land holding details of households in Veernamala watershed

Categories of Land	Frequency	Percentage
Marginal	96	71.1
Small	28	20.7
Semi Medium	1	.7
Landless	10	7.4
Total	135	100.0

Source: Compiled from Primary Data

The above table shows the landholding of the people in the watershed. Most of them are coming under the category of Marginal farmers. This is mainly because of the population density in the watershed. The land in the name of the ancestors is passed down to their legal heirs at an equal rate. This reduces the land holding among the individuals

Figure 4.7: Percentage of land holding by households in Veernamala watershed



Source: Compiled from Primary Data

The figure 4.7 explains that the majority of the individuals belong to the category of marginal and small. Many farmers are having problems with the land title deed. This causes the farmers in getting difficulties to access the Kissan Credit Card (KCC) from the banks.

4.4.5 Source of credit and maximum lending

As part of this project I collected the details of credit that are currently available. The loan from various sources, their maximum possible lending and interest rate is as below

- 1) MACS – 30000 @ 12%
- 2) SHG Loan – 10000 @ 12-15%
- 3) Crop Loan – 150000 @ 7%

4.5 Credit analysis

This part of analysis deals with analysis of credit needs and availability of the people in Somarajukunta watershed

4.7.1 Total loan requirement

The requirement of the people in watershed is different according to the purpose. I used a scale for identifying the actual requirement

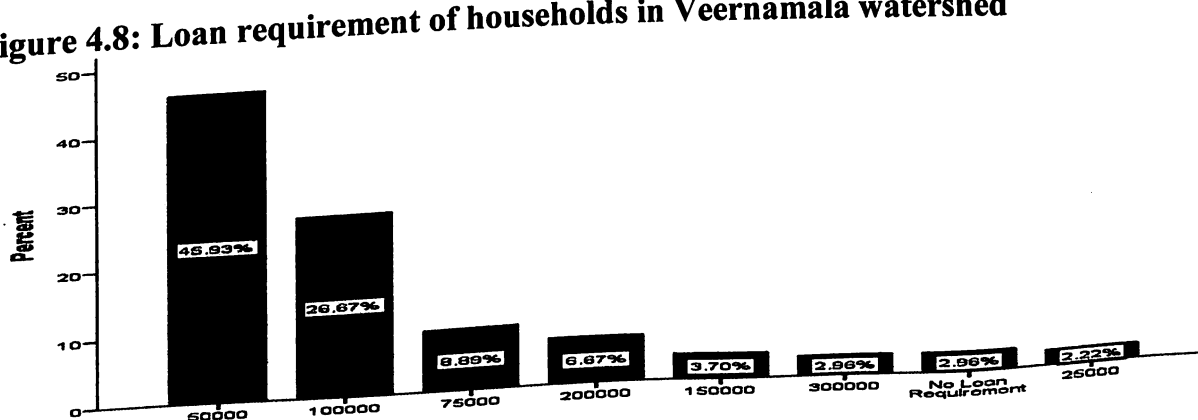
Table 4.25: Total loan requirement of households in Veernamala watershed

Loan requirement	Frequency	Percent
No Loan Requirement	4	3.0
25,000	3	2.2
50,000	62	45.9
75,000	12	8.9
1,00,000	36	26.7
1,50,000	5	3.7
2,00,000	9	6.7
3,00,000	4	3.0
Total	135	100.0

Source: Compiled from Primary Data

The Table 4.25 shows that amount wise loan demanded by the individuals. During our survey, 45% of the individuals demanded loan multiple of 50,000 and only 3 % of them don't have any credit demand . This table is useful for knowing the demand of credit range of the individual that is 50,000-1,00,000

Figure 4.8: Loan requirement of households in Veernamala watershed



Source: Compiled from Primary Data

The Figure 4.8 shows the demand for different amount of loan that the individuals have mentioned during our survey. The majority of them demand range is from Rs.50,000 to Rs.100,000 which reveals that some of them demand is genuine and thereby we can understand that recovery of this kind of loan amount won't be difficult both to the individuals as well as the financier.

4.5.2 Category wise credit requirements

The loan requirement of the people is different for various categories. As per the survey conducted, I categorised the requirements into five broad categories

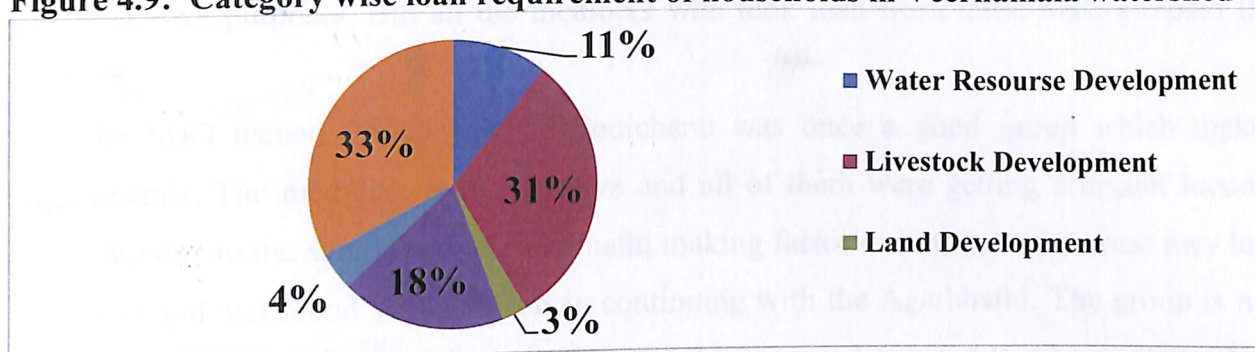
Table 4.26: Category wise loan requirement of households in Veernamala watershed

Sl. No.	Categories	Number of Requirements	Amount in Rs	Expected Requirements in Rs
1	Water Resource Development	17	12,25,000	745000
2	Livestock Development	57	35,50,000	21,40,000
3	Land Development	5	325,000	250,000
4	Self-Employment & Micro Enterprise Development	22	21,25,000	13,00,000
5	Agriculture Loan Requirement	8	500,000	410,000
6	OPS (housing, education)	40	37,50,000	21,30,000
Total		149	1,14,75,000	69,75,000

Source: Compiled from Primary Data

The Table 4.26 shows the actual requirements of the people in different categories. The total amount demanded by the individuals is Rs.1.14 Lakhs. But the amount which is demanded by them is an exaggerated. So by considering their income, land holding, etc. we made an assessment and found that the expected requirement will be approximately 40% less from what they have demanded. The expected credit requirement will be Rs. 69.75 Lakhs

Figure 4.9: Category wise loan requirement of households in Veernamala watershed



Source: Compiled from Primary Data

The Figure 4.9 shows the credit requirement of people in broad categories. The majority of loan requirement is coming under housing purposes (30 percent). The requirement for livestock follows with 31 percent of the total requirement. The demand for consumption loan is high because of the unavailability of credit for the consumption activities. During our personal interview we observed that many are exaggerating their credit requirements. Thus we forced to prepare an expected requirement based on their actual requirements and repayment capacity.

4.5.3 Loan requirement of Self Help Group

The SHG are formed for the purpose of mutually helping the members in it. The SHG are commonly formed by the woman with the view of economic and social improvement.

Table 4.27: Loan requirement of SHG of Veernamala watershed

Sl. No.	Activities	Amount in Rs.	Expected Requirement in Rs.
1	Livestock Development	13,50,000	1,24,000
2	Land Development	2,40,000	1,90,000
3	Agriculture Loan Requirement	1,50,000	1,25,000
4	OPS (housing, education)	300,000	200,000
5	Water Resource Development	75,000	75,000
Total		21,15,000	18,30,000

Source: Compiled from Primary Data

There are 69 Self Help Groups in this area. We met Five SHG's in the area during our survey. The majority of them formed SHG just for the sake of getting loan from a bank or from other sources. Once they get a loan, it will be divided equally among the members



for their own purposes. But all the members who took loan from these SHG's repaid the amount.

The SHG named Bhuvanagiri in Podichenu was once a good group which makes Agarbhathis. The members were so active and all of them were getting a decent income also. But due to the emergence of Agarbhathi making factories in the nearby areas they lost their demand and found very difficult in continuing with the Agarbhathi. The group is not active now and the group members were engaged in some other agricultural activities. They are not willing to start Agarbhathi making again with new machines.

4.5.4 Estimated requirements

The total money requirement of the watershed is essential for assessing the actual business. Since I didn't able to cover the entire households, estimation is done to assess the total requirement based on the sample collected

Table 4.28: Estimated loan requirement from Veernamala watershed

Category	Sample Population	Sample Frame	Factor	Loan Requirements	Estimated Requirement
Households					
Amount Demanded	135	1173	8.7	1,14,75,000	9,98,32,500
Expected Req.	135	1173	8.7	69,75,000	6,06,82,500
SHG					
Amount Demanded	5	69	13.8	21,15,000	2,91,87,000
Expected Req.	5	69	13.8	18,30,000	2,52,54,000
Total					
Amount Demanded				1,35,90,000	12,90,19,500
Expected Req.				88,05,000	8,59,36,500

Source: Compiled from Primary Data

The Table 4.28 shows the estimated credit requirements from Veernamala watershed. This shows the expected business of NABFINS in Veernamala. The table shows both the household and SHG requirements. The total requirement of the watershed is estimated based on the factor obtained from the sample size with the sample population. The NABFINS can expect a business worth Rs.8.6 Crore from the Veernamala Watershed

4.5.5 Water resource development

Irrigation is the main component coming under this category. The water from all the sources need to be developed in order to make proper irrigation

Table 4.29: Loan required for water resource development in Veernamala

Sl. No.	Activities	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Open Well	4	3,00,000	2,00,000
2	Bore Well	11	7,75,000	4,20,000
3	Drip Irrigation	2	1,50,000	1,25,000
Total		17	12,25,000	7,45,000

Source: Compiled from Primary Data

The Table 4.29 shows the credit requirements for the irrigation activities. Even though the watershed area is getting 750 mm rain they are not having water in the summer season. This is mainly due to the elevation of watershed from sea level. Most of them who asked loan for open well and bore well wanted to deepen their water source. The state government is also encouraging micro irrigation projects in this area. Under the Andhra Pradesh Micro Irrigation Project (APMIP), all SC/ST Farmers under Small Farmers/Marginal Farmer (SF/MF) category and all other SF/MF Farmers in a Revenue Village are eligible for Micro Irrigation (MI) Systems up to a maximum subsidy of Rupees one lakh or maximum 5 acres, whichever is less, per family, irrespective of their economic status.

The scarcity of water in the open well caused irrigation problems. Due to this many farmers are unable to go for second cropping when water scarcity is severe. Some of the farmers are facing difficulty to continue their cultivation due to water scarcity. This forced the farmers to demand more loan for the construction of bore well, which is found to be effective to manage drought condition in this area. The bore wells helps the farmers to continue second cropping by providing sufficient water.

4.5.6 Livestock development

The livestock development is an important category NABFINS need to look into. More number of people asked loan for various activities like cow rearing goat rearing etc.

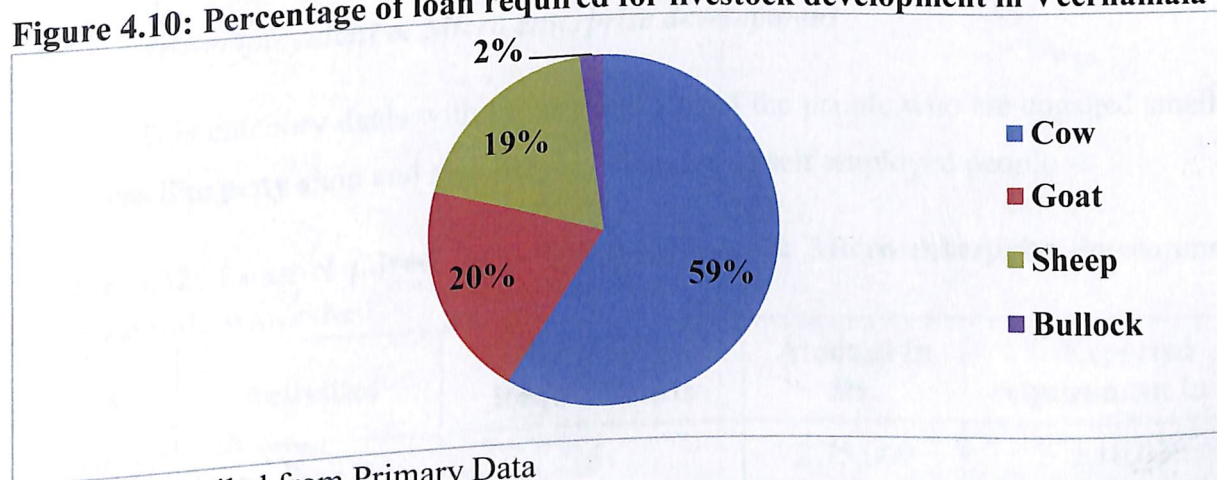
Table 4.30: Loan required for livestock development in Veernamala watershed

Sl. No.	Activities	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Cow	30	20,75,000	14,75,000
2	Goat	13	7,00,000	5,55,000
3	Sheep	13	6,50,000	6,00,000
4	Bullock	1	75,000	50,000
Total		57	35,50,000	21,40,000

Source: Compiled from Primary Data

The Table 4.30 shows the details of credit requirement of the individuals regarding livestock development. Many of them are having cows and goats with them. There is a milk collection centre run by Thirumala milk, which provides them faster market, but the price they are getting for the milk is comparatively low. The milk cooperatives in the region are doing a great job in collecting milk and providing a fair amount to the farmers.

Figure 4.10: Percentage of loan required for livestock development in Veernamala



Source: Compiled from Primary Data

This figure 4.10 shows that the individuals have high demand for milch animal. The MACS also provides most number of loans for the purchase of cow. The MACS is actually providing cattle instead of loan as cash, to avoid the diversion of funds. The MACS is providing cattle insurance along with the cattle. Thus, many of the farmers are having cattle insurance and very few are demanding cattle insurance in the region.

4.5.7 Land development requirements

The land development requirement of the people deals with the requirement for expansion of land as well as land leveling

Table 4.31: Loan required for land development in Veernamala watershed

Sl. No.	Activities	Number of requirements	Amount in Rs.	Expected requirement in Rs.
1	Land Leveling	4	2,75,000	2,00,000
2	Lease Land	1	50,000	50,000
Total		5	3,25,000	2,50,000

Source: Compiled from Primary Data

This Table 4.31 shows the details regarding the credit requirement for their land development activities. Most demanded loan in this category is for land levelling. This will increase the water availability in the agricultural land which results in agriculture expansion and enhancement of their cash flows. Here some of the landless farmers have plans for taking land on lease for agricultural purpose. The lease amount is charged based on the water availability in the land.

4.5.8 Self-employment & Micro enterprise development

This category deals with the requirement of the people who are engaged small scale business like petty shop and also the requirements of self employed people

Table 4.32: Loan required for Self-employment & Micro enterprise development in Veernamala watershed

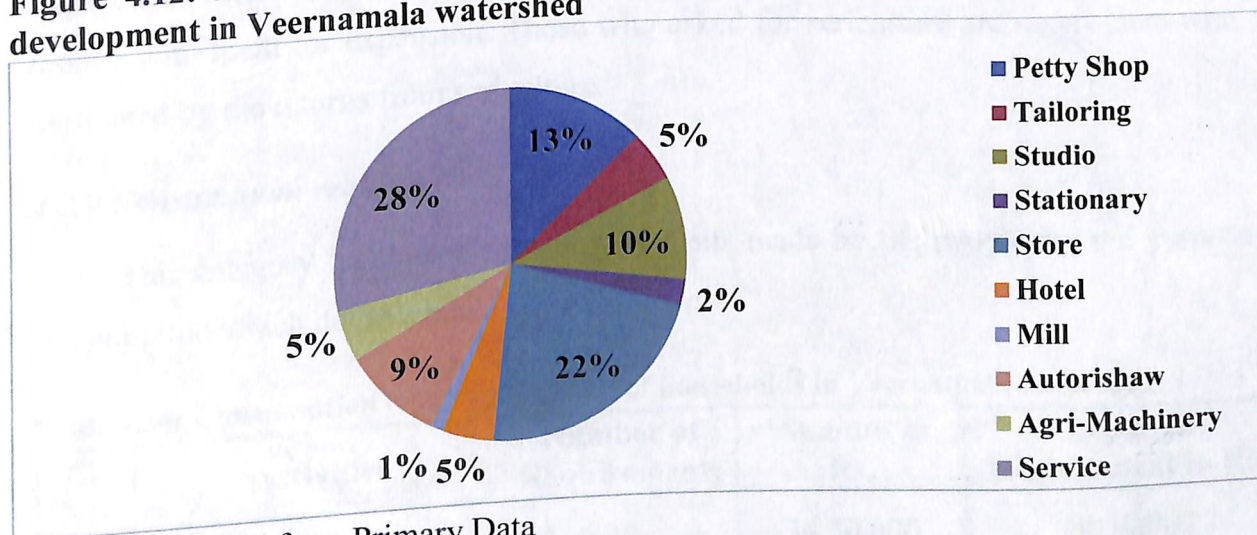
Sl. No.	Activities	Number of Requirements	Amount in Rs.	Expected requirement in Rs.
1	Petty Shop	5	2,75,000	2,10,000
2	Tailoring	2	1,00,000	60,000
3	Studio	1	2,00,000	2,00,000
4	Stationary	1	50,000	50,000
5	Store	3	4,75,000	3,75,000

6	Hotel	2	1,00,000	80,000
7	Mill	1	25,000	25,000
8	Autorishaw	2	2,00,000	2,00,000
9	Agri-Machinery	1	1,00,000	1,00,000
10	Service	4	6,00,000	2,00,000
Total		22	21,25,000	13,00,000

Source: Compiled from Primary Data

From Table 4.32 it is clear that the individuals have more demand for self-employment & micro enterprise development. This category of credit will be safer as this ensures regular return and the further credit requirement will also be generated as they get initial financial support. The people here engage in diversified livelihood activities, this provides more opportunity for the expansion, since there are few competitors. The requirement under this category is high and they are willing to take any amount of loan. Most of them already availed MACS loan and all of them repaid the loan. But the requirement is more than the MACS capacity to lend. This provides a huge opportunity to NABFINS

Figure 4.12: Percentage of loan required for Self-employment & Micro enterprise development in Veernamala watershed



Source: Compiled from Primary Data

This figure resembles the actual requirement of the individuals while the survey was conducted. The majority of them demanded credit for having a store, petty shop, service, etc. After the survey we came to know that the villagers are very much interested in involving self-employment activities.

4.5.9 Agriculture loan requirement

This category includes all the requirements made by the people for the purpose of agriculture activities as well as agriculture expansion

Table 4.33: Agriculture loan requirement of households in Veernamala watershed

Sl. No.	Activities	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Groundnut	4	2,00,000	1,80,000
2	Vegetables	1	50,000	30,000
3	Seed	1	50,000	20,000
4	Sericulture	2	1,50,000	1,30,000
5	Fish Farming	1	50,000	50,000
Total		8	5,00,000	4,10,000

Source: Compiled from Primary Data

The Table 4.33 shows that the individuals having more credit demand for groundnut cultivation. The farmers are having more trust on Groundnut which provides them a steady income. The sericulture is really is cash cow for this watershed. The people who are already engaged in sericulture activities don't need a loan for expansion since they are having money with them for expansion. Those who asked for sericulture are newcomers who are motivated by the returns from sericulture.

4.7.9 Consumption requirement

This category includes all the requirements made by the people for the purpose of consumption which doesn't make any cash flows

Table 4.34: Consumption loan requirement of households in Veernamala watershed

Sl. No.	Activities	Number of Requirements	Amount in Rs.	Expected Requirement in Rs.
1	Housing	36	34,50,000	19,30,000
2	Education	4	3,00,000	2,00,000
Total		40	37,50,000	2130000

Source: Compiled from Primary Data

The Table 4.34 shows the credit requirement for consumption purpose of the individuals. The housing loan is the highest demanded loan in this watershed. The Andra Government constructed house for many poor people in the area. Many people in the watershed are having houses which are constructed by the Government. Few of them were destroyed in the winds and many of them required maintenance. Due to this reason people are demanding more loans. The MACS is not providing credit to the consumption needs of the people since it is not for any income generating purpose. Thus, there is huge demand for the housing and education loans in this watershed.

4.6 Risk assessment

The risk assessment part includes the analysis on various aspects which are related to the repayment of loans

4.8.1 Loan status of Mutually Aided Co-operative Societies (MACS)

The MACS is one among the many source of credit available for the people. It is essential for the NABFINS to study about their credit requirement history to plan the products

Table 4.35: MACS loan status of Veernamala watershed

Loan Status	Frequency	Percentage
No Loan	63	46.7
Repaid	57	42.2
Running	14	10.37
NPA	1	.75
Total	135	100.0

Source: Compiled from Primary Data

The Table 4.35 shows the status of the MACS loan. This is essential to the NABFINS since MACS loan is the largest source of credit to the people. As of now there is only one due to the history of MACS. This is due to the criminal activity committed by the particular individual and the JLG members were not willing to take that responsibility, which was written off later by the MACS. Except that incident the MACS is enjoying almost 100 percent repayment. This shows the efficiency of MACS as well as the attitude of people.

Table 4.36: MACS loan history in Veernamala watershed

Loan Purpose	Frequency	Percentage
No Loan	63	46.7
Cow	24	17.8
Sheep	6	4.4
Agriculture	8	5.9
Bore well	2	1.5
Sericulture	2	1.5
Business	15	11.1
Consumption	7	5.2
Goat	7	5.2
Bullock	1	0.7
Total	135	100.0

Source: Compiled from Primary Data

The Table 4.36 shows the MACS loan given to the individuals for various purposes. MACS loan was mainly disbursed for livestock development and self-employment. The MACS wants to make their assets secure so that they were giving loans mostly for the income generation purpose which is safe and secure.

4.6.2 Loan requirement by age – group wise

The age and loan requirement will helps the business to understand the risk involved by age factor of the borrower.

Table 4.37: Age and loan requirement of individuals in Veernamala watershed

Age	Total Loan Required								Total
	No Loan Req.	25,000 – 50,000	50,000 – 75,000	75,000 – 1,00,00	1,00,000 – 1,50,000	1,50,000 – 2,00,000	2,00,000 – 3,00,000	More than 3,00,000	
20-29	1	0	5	1	1	1	1	1	11
30-39	1	1	19	3	11	2	4	0	41
40-49	2	0	16	5	13	2	3	2	43

50-59	0	2	11	2	6	0	1	1	23
60-69	0	0	10	1	3	0	0	0	14
70-79	0	0	1	0	1	0	0	0	2
80-89	0	0	0	0	1	0	0	0	1
Total	4	3	62	12	36	5	9	4	135

Source: Compiled from Primary Data

The Table 4.37 shows the credit requirement of the individuals at different age category. Mainly the loan is demanded by middle aged people who are below 30-49 age group. This is a positive factor as far as lending is concerned, because of the less possibility of illness and death. The individuals under this category are risk conscious and they are demanding loans worth Rs. 50,000, 75,000 and 1,00,000. The requirements above the age of 60 are comparatively very less.

4.9 Comparative analysis

The comparative analysis is for comparing the two watersheds which I have visited. This will help in easy understanding of the watersheds

Table 4.38: Comparison of Somarajukunta and Veernamala watershed

Sl. No	Criteria	Somarajukunta	Veernamala
Basic classification			
1	Land Holdings	Majority are small & semi medium	Majority are marginal
2	Population / Family	937 / 270	6076 / 1173
3	Elevation	500 mt	650 mt
4	Area	800 ha.	740 ha.
5	Implementing Agency	FES	MASS
6	Rainfall	550 mm	774 mm
7	WDC members	12	11
8	Project Completion	July 2015	2015
9	Major Drainage	KondalaVanka	-
10	Sub- Basin	Papagni	Palar river
11	Basin	Pennar	Pennar

12	Major Crops	Groundnut, Redgram, Castor, Horde Gram, Jower, Coriander and Raggi	Paddy, Mulberry, Vegetable, Ragi, Somalu
14	SC/ST	2.96%	45%
15	Landless	0.01%	9.11%
16	Habitation	4	18
17	CBP Amount Received	7,17,382	3,38,900
18	FIP Amount Received	88,08,594	50,67,838
19	LH & APEM Grant from NABARD	6.95 Lakhs	13.75 Lakhs
20	KCC / Crop Loan Penetration	80 %	30 %
21	Major Banks	APGB, SBI	SGB, SBI, Canara Bank, Vijaya Bank, Karur Vysya Bank
22	Source of Irrigation	Borewell	Borewell & Open well
23	No. Of SHG's	28	69
Observations of the researcher			
24	Cash Flows	Good	Poor
25	Requirements	Not Urgent	Very Urgent
26	MACS Status	3 NPA	1 NPA
27	Credit Requirement of Individuals (Expected Requirement)	94,25,000 (57,85,000)	1,14,75,000 (69,75,000)
28	Credit Requirement of SHG	10,00,000 (10,00,000)	21,15,000 (18,30,000)
29	Source of credit	MACS, SHG, BC Loan, Crop Loan, Money lenders	MACS, SHG, Money Lenders
30	Water Resource Loan	100,000 (75,000)	12,25,000 (7,45,000)
31	Water Resource Requirements	Bore well	Open well, Bore well, Drip Irrigation
32	Livestock Development	67,25,000 (41,00,000)	35,50,000 (21.40,000)
33	Livestock Requirement	Cow, Goat, Piggery, Sheep, Buffalo, Bullock	Cow, Goat, Sheep, Bullock
34	Land Development Requirement	-	3,25,000(2,50,000)

35	Land Development Activity	-	Land levelling, Lease land
36	Self Employment & Micro Enterprise Development	22,00,000 (15,30,000)	21,25,000 (13,00,000)
37	Self Employment & Micro Enterprise Development Purpose	Petty Shop, Tailoring, Basket Making, Store, Tractor, Trade, Service	Petty Shop, Tailoring, Studio, Store, Tractor, Stationary, Service, Hotel, Mill, Auto
38	Agriculture Loan Requirement	300,000 (300,000)	5,00,000 (4,10,000)
39	Agriculture Loan Purpose	Groudnut, Fish Farming	Groundnut, Vegetables, Seed, Sericulture, Fish Farming
40	Consumption Requirement	100,000 (50,000)	37,50,000 (21,30,000)
41	Consumption Purpose	Education	Housing, Education
42	No. of loan for expansion	47	66
43	No. of loan for new activities	19	37
44	MACS Loan Rate	Up to 10,000 – 12 % 10,000-20,000 – 15% >25,000 – 18%	12 % for all loan

Source: Compiled from Primary Data

This Table 4.36 gives a quick understanding on both the watersheds. The basic information about the watersheds collected from the primary source is shown at the beginning of the table. The second part of the table shows the classifications based on my observations. This will help the NABFINS in quick understanding about both the watersheds and helps in making easy decisions.

4.10 Conclusion

The data analysis of both the watersheds reveals that there is a lot of differences between these two watersheds, even though its structure physical work etc are almost similar. The difference is happening mainly because of the peoples attitude in the watershed. The veernamala watershed having large population is demanding more of consumption loans whereas the somarajukunta watershed with low population is demanding more loan for livelihood purposes

Chapter – 5
Summary of Findings, Suggestions
and Conclusion

Chapter - 5

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

Part A – Somarajukunta Watershed

5.1. Introduction

This chapter gives a bird eye view on the entire project. The summary of the project, the findings from the study, and the policy implication are incorporated in this chapter. The findings of the study is prepared in such a way that findings favorable to financing and findings unfavorable to financing the Veernamala and Somarajukunta watershed

5.2 Summary of the study

This particular study is made for the NABFINS to identify the possibility in lending to the people in watershed areas. The watersheds are largely constructed with the funds from NABARD and Government Departments. These watersheds resulted in increasing the ground water level in the area. Thus the overall agriculture productivity in the area is increased because of the increased water availability. The NABFINS which is a subsidiary of NABARD wanted to take this opportunity to fund for the agriculture development needs of the people, thereby increasing the business of the NABFINS and satisfying the credit needs of the people.

The watersheds are mainly located on remote areas where the water availability is less. The watersheds are normally less populated and a large number of the people is coming under low income category. Due to all these factors the banks and financial institutions are completely avoiding the watersheds. The private money lenders who are prominent in the region is exploiting the poor people by charging higher interest rate and forcing them to sell their agriculture products at a reduced rate. All these are happening in the watershed area mainly because of the inadequate credit availability of Watershed committees and the lack of proper financial institutions. It is in this point the NABFINS were showing interest to come in watershed areas targeting the livelihood enhancement of the people in watershed as well as a business opportunity for the company.

5.1 Findings

The major findings from this watershed is as follows;

5.1.1 Scope for financing

- i. The entire sample population asked loan for income generating activities like Agriculture, Sheep rearing, Dairy etc.
- ii. The increase in the water availability leads to the cultivation of more crops including Paddy, which is widely used for own consumption
- iii. Majority of the families are coming under small and semi medium based on the land they holds, this indicates good cash flows, which will ensure repayment
- iv. Every family in the watershed is having a bank account. The Majority of them maintains their account in Andhra PragathiGrameena Bank (APGB)
- v. Almost 100 percent of the population repaid the loan which is taken from MACS
- vi. The Private money lenders in the region are charging high interest rate
- vii. All the respondents are willing to contribute against the total loan proposal
- viii. MACS is the only source of loan available to the people with normal interest rate. But it carries more interest than what NABFINS offers

5.1.2 Issues in financing

- i. There is more credit available to the people in this watershed. The credit from MACS, SHG, Crop Loan, BC Loan etc.
- ii. The possibility of diversion of funds is high since they have more credit availability.
- iii. The Women SHG are not so active in the region, most of the SHG becomes inactive
- iv. Most of the respondents who have takes a loan from the SHG, have not yet repaid the loan. This is mainly because of the expectation that government will waive their groups loan
- v. Many of the farmers are struggling to find markets for their products, especially dairy farmers. This will affect the cash flows of people
- vi. Most of the people are exaggerating their credit requirement

5.2 Suggestions

- i. It will be difficult for the NABFINS to start its operation in the Somarajukunta watershed without the support of MACS. Because MACS is having a good influence among the people of the watershed, which is highly essential for the disbursement and recovery of loans. We recommend NABFINS to use the help of MACS for a period of minimum 5 years in order to get a good influence among the people. MACS offered full support to NABFINS to start its operating in the watershed. They even allowed to use the MACS building for the operations of NABFINS
- ii. The possibility of fund diversion is high in this area, since there is enough credit availability. To avoid this NABFINS have to appoint a person within the watershed as a monitor for the loan requirement. He should check the usage of funds by the borrowers.
- iii. The area of operation and scope of expansion is very limited in Somarajukunta since there are only 270 families in 4 habitations. Due to this reason it is better to lend loans to the people outside watershed to get a good business
- iv. For those who asked loans for the cattle rearing purpose are willing to take insurance also. If NABFINS able to collaborate with some insurance company it will be useful for the farmers as well as the NABFINS. The United Insurance in N. P. Kunta is the nearest insurance company. So NABFINS should make an agreement with United Insurance company before going to Somarajukunta
- v. It is better to give the cattle to the people who ask for cattle loan rather than lending in cash. This will avoid the diversion of funds, and can assess the actual requirement
- vi. It is better to lend those who are having a clear track record of loan repayment. Don't lend loans to any person in a family which is already having a loan from any other sources. Suppose an individual from a family is applying for a loan, then we have to check the loan status for the entire family. If any of them is having a running loan, then it is better to avoid those loan requirements or else we have to put a condition. This will prevent the loan diversion to higher interest loans.
- vii. Many individual asked loans for activities which are new to them. To avoid risk it is better to provide some training facilities on those activities.

- viii. If the person applying for a loan is more than 60 years of age, then it is better to find someone else in the family who are younger. This will reduce the risk and ensure safety of funds.

Part B – Veernamala Watershed

5.3 Findings

The major findings from this watershed is as follows;

5.3.1 Scope for financing

- i. The Requirements of the people are very urgent. So NABFINS can get a good business in the initial year itself.
- ii. The entire population feels that their cash flows increased after the implementation of watersheds.
- iii. There is 100 percent repayment among individuals as well as groups.
- iv. The credit needs of the people are high.
- v. The large population in this area indicates good business to NABFINS.
- vi. The requirement and needs of the people are diverse.
- vii. The credit available with the MACS for lending is very limited to cater the needs of the entire households.

5.3.2 Issues in financing

- i. There are families which still don't have any account in banks.
- ii. The watershed is located in a remote area which is difficult to access. There is no road connectivity to many habitations in the watershed. Very limited transportation facilities are available in this area.
- iii. Most number of people are demanding consumption loans.
- iv. The income level of the people is still below lies below the poverty line, even though watershed enhances their income.
- v. KCC is not known to many people and those who knows are having trouble with the title deeds of land .
- vi. The people are expecting 12 percent interest for credit since the MACS is lending at the same rate.
- vii. Group cohesiveness is very rare among the people.

5.4 Suggestions

- i. The MACS is having 100 percent repayment on their lending's mainly because of the personal relationship or influence among the people. Thus, it is very much essential for NABFINS to establish a personal relationship. Due to this we recommend NABFINS to use MACS as a B&DC model.
- ii. The MACS is providing loans at a rate of 12 percent. Due to this people are demanding loans with the same interest rate. So it is better to start lending at a reduced rate (12%-14%) initially in order to get the best response and NABFINS can increase the interest rate after 6 – 12 months. This concession should not be allowed to the housing requirements.
- iii. Even though Andhra Pradesh government is supporting the people by the house construction programs and micro irrigation program. The people in the watershed are demanding more loans for the same. This means that people will be taking loan in the name of irrigation and using the amount for other purposes. Thus, there is a good chance for diversion of funds. To prevent this thorough enquiry should be done. It is better not to lend those who already availed grants from the government under the same category.
- iv. Many JLG's and SHG groups are having good potential to grow. If NABFINS would encourage and fund them it will help in enhancing the livelihood of the people. The Bhuvanagiri group in Podichenu habitation is a good SHG. The people in those groups should be encouraged to take the risk.
- v. Since there is no banking facility in the nearby area, people are keeping their savings in their own home. Many people want a bank to come to keep their small savings safe and secure. Thus, if NABFINS can provide this facility with the support of any banks or financial institutions, it will benefit all the parties.
- vi. The income level of the people should be considered before lending loans. This is because of the low income level of the people. Many are coming under the category of marginal farmers. Thus, it is better not to lend an amount more than twice their annual incomes.

5.5 Conclusion

The watersheds in the country are essential for addressing the future adverse climatic conditions. The Government, NGO's, and many other organizations and departments are keen in constructing watersheds. But there are no regulatory departments to monitor the development and functioning of watersheds. Due to this many watersheds become unsuccessful and people are not getting any benefit by those watersheds. Thus the government should take steps to monitor the watersheds more than funding the watersheds. Even though there are many funds available for the watershed construction, there is nothing available for the livelihood enhancement of the people in watershed. The livelihood enhancement of the people in watershed area is essential for the overall development of the watershed area. Thus it opens a huge opportunity to Micro Financing Institutes like NABFINS to enter in watershed areas for small scale lending's.

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Appendix

APPENDIX

COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT KAU, VELLANIKKARA

INTERVIEW SCHEDULE - 1

For the individuals of watershed

1. Name of the watershed:

State:

District: ...

2. Name of the farmer:

3. Age:

4. Sex:

5. Education:

6. Name of the village:

7. Contact Number:

8. Economic Status

APL BPL

9. Annual income:

<20K 20K-35K 35K -50K 50K-75K 75K-100K 100K-150K

10. What are the sources of Income?

Sl.No.	Category	Source/Institute	Earnings	Satisfaction

11. Monthly Expenses

Sl.No	Expense	Purpose	Amount
	Recurring		
	Non-Recurring		

12. Number of family members

- Head of the family-
- Dependent-
- Non-dependent-

13. Do you have any insurance coverage?

Sl.No.	Type of insurance	Insurer	Insured item	Premium	Period	Satisfied	
						Y	N

14. Do you have electricity connection?

15. Electronic appliances?

Sl. No.	Particulars	Yes	No	Wish to have
i.	Television			
ii.	Mobile phone			
iii.	Refrigerator			
iv.	Mixy / Grinder			
v.	Washing machine			
vi.	Iron box			
vii.	Motor pump			
viii.	Fan / Cooler			

16. What is the type of your house?

RCC Tiled Thatched Other

17. Would you like to get fund for modification or maintenance of your house?

Yes No

18. Do you have a bank account?

- i. If no, reason for not having a bank account?
- ii. If yes, specify the name
- iii. Do you have ATM card?
- iv. Frequency of Visit to Bank?

v. How many members in your house have bank account?

vi. Satisfied with the service from Bank?

19. Do you have a KCC?

i. If Yes, Which bank?

ii. Amount:

iii. Repayment status:

iv. If No, Reason

20. Did you find this watershed useful or not?

Yes

No

a. If Yes, What all are the benefits?

i. Employment opportunities -

ii. Irrigation -

iii. Water availability -

iv. Agriculture expansion -

v. Any Other.....

21. Which of the following documents do you have

Sl.No.	Documents	Yes	No
i.	Aadhar		
ii.	Election I.D.		
iii.	Ration card		
iv.	Driving license		

22. Did you ever avail any term loan?

i. From what source?

ii. What is the time gap in sanctioning loan?

iii. Did you find any difficulty in getting loan?

iv. Loan Details

Sl. No	Institution or source	Loan amount	Int	Purpose	Security	Period	Actual req.	Repayment status

If borrowed from banks, which of the following reasons led to this choice?

- i. Low rate of interest
- ii. Was offered/arranged by the banks
- iii. It is easy
- iv. Trustworthy lender
- v. If others, (please specify) _____

If No, What are the reasons for not getting loan from bank?

23. Did you take loans under livelihood component of Watershed?

Sl.No.	Loan amount	Interest rate	Purpose	Security	Period	Actual requirement	Repayment status

24. Did you find any difficulty in getting revolving fund?

25. Are you a member of any of the Committee, Groups, Club etc. in the village?

Sl.No.	Type of body	Name of the body	Period

26. Are you willing to form a group (JLG) to get loans?

27. Occupation:

a. Non-Agriculture

b. Agriculture

i. Total Land Holding: Irrigated : Unirrigated:

ii. Sources of Irrigation:

iii. Details of agriculture

Sl. No.	Name of crop	Area under cultivation	Cost/Acre	Total credit required
Kharif				
Rabi				

iv. Do you have own land or lease land

1. Own land Area

2. Lease land Area

v. If leased land

1. Oral/Written Agreement

2. lease rent

3. lease period

4. Nature of rent payment

Monthly Quarterly Half Yearly Yearly

Seasonally Others...

vi. Machines used for agriculture?

Sl.No	Machine	Purpose	Cost	Subsidy	Owned/Leased	Would you like to buy	
						Y	N

vii. Agriculture inputs

Sl.No.	Inputs	Supplier	Cost	Source of fund		Credit gap
				Own	Borrowed	

viii. Market source for the agriculture products and its price?

28. Future plan on income generation?

- i. Whether you require fund for that purpose?
- ii. What is your estimated fund requirement?

29. Have you ever attended any training/skill development program?

- i. If yes, what is the training is all about?
- ii. Who conducted the training program
- iii. How long was the training?
- iv. Do you think that it is beneficial?

29. Whether revolving fund/bank loan/KCC loan etc. is not sufficient?

30. Details of credit requirements

Sl. No.	Purpose	Total cost involved	Farmers equity	Loan amount required	Amount to be met from subsidy availed under any scheme (If applicable)
i.					
ii.					
Total					

INTERVIEW SCHEDULE - 2

For the SHG's of watershed

1. Name of watershed :
2. Name of the SHG:
3. Village: Thaluk :
4. Name of organization, which promoted the SHG:
 Bank or Financial institution NGO Govt. Dept. Cooperative Society
 Self Any other....
5. Total Number of members:
6. Date of SHG formation?
7. Members details

No	Name of members	Educational Status	Skills available	Occupational Status*	No of children		Economic Status	
					M	F	BPL	APL

8. Savings of each members:
9. How frequently you conduct the meeting?
 Daily Weekly Thrice Weekly Twice Weekly once Monthly
 Others...
10. Do you maintain any minutes or book of record?
 - i. If Yes, Which all are the registers/books?
 - ii. Who verify the accounts?
 - iii. Important registers being maintained?
 - iv. Whether auditing is done?

11. What are the economic activities of SHG?

Sl. No.	Group /Common economic activity taken up	No of members taken up the Activity	Average investment	Average annual profit	Remarks
i.					
ii.					
iii.					

- i. What rate you are selling your products?
- ii. Which all are the markets for selling of produce?

12. Annual return of SHG?

13. Does the group have bank account?

14. Source of Funds

Sl. No	Source of funds	Name of the organization or bank	Purpose of revolving fun/Bank loan/Cash credit	Subsidy /Grant amount	Loan amount	Interest rate %	Period
i.	Savings						
ii.	Revolving						
iii.	Fund.						
iv.	Bank Loan						
	Total						

15. What are the different loans availed by SHG

- a) Max and Min amount:
- b) Security:

c) Loans details in SHG

Sl. No	Particulars	Numbers
i.	No of members who have taken loan	
ii.	No of members who have taken loans more than once	
iii.	Number of non SHG persons who received loans	

d) Loan Utilization and repayment

Sl. No.	Loan category	Amount	No of members	Repayment status	Rate of Interest
	Consumption loans				
i.	Consumption (Domestic)				
ii.	Emergencies				
iii.	Farm sector				
iv.	Agriculture				
v.	Animal Husbandry				

16. Number of defaulters and measures of recovery?

17. What is the Cash Credit Limit (CCL) to SHG?

18. Average credit need for a month?

19. Did you ever conducted or attended any training programs?

If Yes, Specify the program and its usefulness

Sl. No.	Name of Trainings	Duration dates	No of SHG members attended	Sponsored/conducted by

20. Frequency of Savings

Monthly Weekly Daily Others.....

21. Are the group members also making extra saving (Seasonality of income)

22. What all are the future plans of SHG?

23. Do members save in cash or non-cash form

If Non-Cash, what are the savings in lieu of cash?

24. Any requirement of fund

INTERVIEW SCHEDULE - 3

For the implementing agency of watershed

1. Name of the watershed:
2. Total area of the watershed:
3. Name of the implementing agency?
4. Number of villages:
5. Area under irrigation:
6. Area under unirrigate
7. Forest area:
8. Treated area:
9. Name of the WDC?
10. Date of Formation
11. Registered as - Registration Date Registration No.
12. Structure of the Committee?

Sl.No.	Name	Position	Responsibilities	Contact No.

13. How many members in this committee?

Male Female

14. Total population in the watershed?

15. What are the books maintained?

SI No	Names of the books /ledgers	Yes	No
i.	Admission book		
ii.	Minutes book		
iii.	Attendance register		
iv.	Cash book		
v.	General ledger		
vi.	Savings ledger		
vii.	Loan ledger		

viii.	Bank pass book		
ix.	Individual pass book		
x.	Receipt vouchers		
xi.	Stock book		
xii.	Any other (specify)		

- a) Who maintains the book?
- b) How frequently auditing is done?
 Monthly Quarterly Half yearly Annually
- c) Who is auditing the books of account?

16. Financial details of watershed

Sl. No.	Funding agencies	Intermediaries/ Implementing agency	Grant /Loan	Amount sanctioned	Amount received	Per cent of completion

17. President of the committee:

18. Total Number of members/families in this watershed:

19. How frequently you conduct the meeting?

- Daily Weekly Twice Weekly Once Monthly Others....

20. Common place for meeting?

21. What is the agriculture inputs commonly needed among members?

Sl.No.	Inputs	Cost	Supplier

22. Details of economic activities in the watershed?

Occupation	Products/Services	Quantity/Number/Unit	Per cent of population
Agriculture	Pulse		
	Cereals		
	Vegetables		
	Fruits		
Allied activities	Dairy		
	Sheep and goat		
	Poultry		
	Fisheries		
	Plantation and horticulture		
Non- Agriculture	Dal/flour/Oil mills		
	Artisans		
	Handlooms		
	Housing		
	Processing activities		
	Pottery		
	Carpentry		
	Tailoring and garments		
Self Employment/Service sector	Small shops		
	Petty trading		
	Saloons		
	Autos, etc		

23. Total area under cultivation?

24. Number of farmers?

25. Number of Small and Marginal farmers?
26. Number of farmers covered under crop loan?
27. Major Crops grown?
28. Did the farmers go for second cropping?
29. Cropping pattern?
30. No of SHG;s in the watershed?
31. Bank account of the committee?
32. How far is bank from committee office?
33. Which all are the banks and financial institutions nearby?
34. Loan availed under revolving fund

Sl. No.	Loan category	Purpose	No of members	Repayment status	Rate of Interest
	Consumption loans				
1	Consumption (Domestic)				
2	Emergencies				
	Farm sector				
3	Agriculture				
4	Animal husbandry				
	Non-Farm sector				
5	Income generation activity				
6	Asset purchasing				
	Service sector				
	Total				

- i. What are the parameters used to assess the actual requirements?
 - ii. For what purpose loans are most commonly disbursed?
 - iii. Number of defaulters?
 - iv. What are the procedures for recovering loan amount?
35. What all are the highly demanded loans?

36. Do you have any financial support from other trusts/MNC as part of their CSR activity?

- If yes, specify the name:
- Amount received:
- Purpose for which it is given or utilized

37. Water requirements at different periods?

Period	Average rain	Average water requirement	Agriculture activities during the period

38. What all are the services provided by the committee to its members?

39. Is there is any scope for JLG model of lending for purchasing farm equipment, tractor etc. ?

40. If NABFINS come here, how can you help us?

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