

CHAPTER - V

CHARACTERISTICS OF SAMPLE BORROWERS

In the rural credit market, lenders and borrowers are the two main players. As the focus in our study is on impact of credit, it becomes necessary to examine the characteristics of borrowers and their influence on the end use of credit. Our literature review shows that borrower's literacy level, caste, gender, occupation and headship of the household have significant influence on access to and impact of credit.

For example if some amount of credit is given to an upper caste borrower and a scheduled caste borrower for purchase of farm inputs, the impact of credit on these two borrowers will be different. The upper caste borrower may have better impact than the other borrower, because being more resourceful he usually has better access to other factors which help in increasing the production from the asset/activity financed.

This chapter examines the major characteristics of sample borrowers. The stratification of borrowers into categories is then used for establishing and understanding the relationship between borrowers' characteristics and access to credit.

Given the rural class structure in India, the socio-economic status of a person has a direct relationship with his resource base and vice-versa. The social status, in some cases might be

influenced by the caste factor also. A larger proportion of the population in rural India comprises of the small farmers, marginal farmers, landless agricultural/casual labourers and rural artisans. These groups together, are often referred to as the 'poorest of the poor'. They have very little access to the mainstream formal credit system and are mainly covered under the special schemes/ programmes initiated by the Government.

A large proportion of the credit requirements of the backward and poorer section of the population comes from the informal sector, which despite its drawbacks comes handy at the time of need. In case of developing economies there is enough empirical evidence to prove that informal credit substitutes the formal credit in the absence of the latter.

The big and the medium farmers form only a small percentage of the rural population but are better endowed in terms of resources, particularly land; they usually enjoy a better social status also. This group has a better access to the formal credit as the bankers are eager to lend to those who can offer securities and are well endowed in terms of resources. It is therefore imperative, that any differences in the access to and impact of credit on these groups might be influenced from the differences in the socio-economic status of the borrowers. Hence, the socio-economic characteristics of the borrowers should be given due importance while conducting impact studies in developing countries where high inequality of income and wealth are a dominant feature.

BORROWERS' PROFILE

The sample for the study comprised of 260 borrowers spread over ten villages of rural Baroda. All the borrowers relate to the reference year 1986-87. The average family size for the sample borrower households was 5.50, which is very near to the average family size of 5, for the state of Gujarat.

Table 5.1 presents the agewise classification of borrowers.

TABLE 5.1

BORROWERS' CLASSIFICATION: AGEWISE

AGE GROUP IN YEARS	NO.	PERCENT OF TOTAL
20 - 40	99	38.08
41 - 60	125	48.08
ABOVE 60	36	13.84
TOTAL	260	100.00

As shown in table 5.1, over 38 percent of the borrowers were in the age group of 20-40 years, 48 percent were between 41-60 years and the remaining 14 percent were above 60 years. The findings suggest that most of the borrowers were in the working age group and at least one member in most of the borrower households was in the non-dependent age group. Borrowers' classification according to the marital status revealed that 248 (ninty five percent) borrowers were leading married life at

the time of interview. Remaining, 12 (five percent) included those who were either single, widowed, divorced, or seperated.

Information related to the type and status of house of the sample borrowers revealed, that 163 (sixty three percent) borrowers lived in pucca (bricked) houses, 79 (thirty percent) lived in Kucchha (mud) houses and the remaining 18 (seven percent) lived in semi pucca (partially bricked) houses. About 229 (eighty eight prcent) borrowers, owned their houses and 20 (eight percent) had rented accomodation. The remaining had rent free houses, given by the land owners/wealthy farmers to their labourers.

Occupation

Occupational classfification of the borrhrowers is presented in table 5.2.

TABLE 5.2

BORROWERS' CLASSIFICATION: ACTIVITYWISE

ACTIVITY	NO.	PERCENTAGE OF TOTAL
FARMING	155	59.62
AGRICULTURAL LABOUR	68	26.15
OTHERS (Including Petty Business, Tailoring, Dairying etc)	37	14.23
TOTAL	260	100.00

As revealed by table 5.2, majority of the borrowers came from the farming community and constituted about 60 percent of the sample. More than one fourth of the borrowers were agricultural labourers and the remaining 14 percent included those pursuing small business, dairying, manufacturing and other vocations. The data reveals that about 86 percent of the borrowers earned their livelihood from agriculture which reflects the high dependency ratio of the rural population on agriculture as a source of livelihood and the absence of alternative means of employment in the rural area of an otherwise highly developed industrial state. It is important to analyse the occupational pattern of the borrowers in order to capture any activity shifts in the post-loan period.

Caste

Considering the castewise classification of the borrowers, 188 (seventy two percent) borrowers belonged to the general category and the remaining 72 (twenty eight percent) included members of the backward castes. The latter group comprises of scheduled castes and scheduled tribes and backward classes. They were mostly covered under the special poverty alleviation programmes (PAPs) usually with small size loans.

Literacy

Table 5.3 presents the educational status of the borrowers.

TABLE 5.3

BORROWERS' CLASSIFICATION
ACCORDING TO EDUCATIONAL STATUS

EDUCATIONAL LEVEL	NO.	PERCENTAGE OF TOTAL
ILLITERATE	28	10.77
PRIMARY (Std.1-8)	97	37.31
SECONDARY (Std.9-12)	108	41.54
COLLEGE (UNDERGRADUA- TES AND ABOVE)	27	10.38
TOTAL	260	100.00

As shown in table 5.3, majority of the borrowers were literate and constituted about 89 percent of the total sample, Illiterates formed only about 11 percent of the sample. About half of the borrowers recieved secondary or college education. Compared to the national literacy rate of around 53 percent (1991 census), the literacy standard of the sample borrowers was far better. This indicates the better accessibility of credit in case of literates.

Gender

The genderwise classification of the borrowers indicated, that, of the total borrowers, 240 (ninty two percent) were males and females borrowers were only 20 (eight percent).

Though women constitute almost half the population in India their representation in the formal credit system is extremely poor. A number of socio-economic constraints are responsible for womens' poor participation in the formal credit system. An important reason for restricted credit supply to women in the rural sector is that women are usually co-workers on the farms but are not considered farmers due to the male dominated land ownership pattern and thus are not entitled for the land based agricultural loans. They are mostly covered under PAPs, which are target oriented programmes. Further inability to offer security and complicated lending procedures followed by the banks deter them from approaching banks. Other constraints such as, household roles, lack of formal education and professional training also restrict womens' access to credit.

Household Headship

Several research studies point out that female headed households (FHHs) are much poorer and more deprived compared to households headed by men. Absence of adult male in FHHs put them to several disadvantages in a male-dominated society. Bankers need to understand their problems and develop a special lending strategy for them. In our sample, 243 (93 percent) households were male headed and female headed households (FHH) which were 17 formed only about 7 percent of the sample.

Conclusion

The above analysis of borrowers' characteristics can be summarised as follows: firstly, about 86 per cent of borrowers were from agricultural sector. Secondly, women and Female-headed households had very limited access to credit. Only 8 per cent of borrowers were women and FHHs accounted for a similar percentage of borrowers. Thirdly, high literacy was a major characteristic of borrowers: nearly 90 per cent of them had received some type of formal education. Lastly, more than 70 per cent of the borrowers were from higher classes. The scheduled castes and tribes and backward classes accounted for just 28 percent of total borrowers.

In sum, the borrowers' analysis reveals that the formal credit still continues to be predominantly agricultural, gender-biased in favour of men and favouring the upper castes of the community. It also shows that literates have much better access to credit than illeterates. These findings of our study imply that the declared goal of our lending policy, viz, diversification of credit and reaching out credit to women and backward classes has not been achieved. Our study proceeds to examine the access to and impact of credit on borrowers in the following chapters.