

# CREDIT DISBURSEMENT THROUGH SABCCO TO DIFFERENT SOCIAL CATEGORIES AND ITS IMPLICATIONS IN SIKKIM

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**ABSTRACT:** Credit market has today become a very popular and convenient instrument for economic deliberations in developing countries, especially for the upliftment of poor. Sikkim SC, ST & OBC Development Corporation Limited (SABCCO) is a State Channelising Agency (SCA) which avails financial assistance by way of loan from Apex Corporations, viz. the National Scheduled Tribes Finance and Development Corporation (NSTFDC), National Scheduled Castes Finance and Development Corporation (NSFDC), National Backward Classes Finance and Development Corporation (NBFDC) for financing income generating schemes for the STs, SCs, OBCs and handicapped persons. Corporation identifies beneficiaries, disburses loans, monitors the utilization of loans by the beneficiaries and timely recovers of the loans. This paper discussed on the loans sanctioned and disbursed by the SABCCO from 1996-97 to 2012-13 to different social categories in Sikkim. It also deals about the district-wise analysis of assistance sanctioned from 1996 to 2010. This paper also sought to identify caste category which had availed the maximum benefits and try to find out the social and economic exclusion and discrimination if exist. Secondary sources have been utilised to analysed the results through descriptive and statistical tools. It is found that an overall SABCCO had provided maximum loans to STs than other social categories and there is some sort of credit discrimination among the different social categories in Sikkim.

**Keywords:** Credit, Financial Assistance, Beneficiaries, SC, ST and OBC,

## I. INTRODUCTION

Credit market has today become a very popular and convenient instrument for economic deliberations in developing countries, especially for the upliftment of poor. Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation (SABCCO) under the aegis of Welfare Department; Government of Sikkim was established under the Companies Act (Sikkim, 1961 on 27th February, 1996. The Corporation is a fully owned Government Undertaking having an authorized share capital of Rs. 10 cores.

It is a State Channelising Agency (SCA) which avails financial assistance by way of loan from Apex Corporations, viz. the National Scheduled Tribes Finance and Development Corporation (NSTFDC), National Scheduled Castes Finance and Development Corporation (NSFDC), National Backward Classes Finance and Development Corporation (NBFDC) for financing income generating schemes for the STs, SCs, OBCs and handicapped persons. The Corporation identifies beneficiaries, disburses loans, monitors the utilization of loans by the beneficiaries and timely recovers of the loans. SABCCO is the only bank in Sikkim that mainly focuses the social categories for providing credit facilities for their upliftment. It gives small amount of credit at a lower rate of interest of about 6 percent than any other commercial and cooperative banks. It provides loan for various purposes such as agriculture and allied activities, artisan and traditional occupation, technical traders, small business etc. to low income groups in the rural and urban areas of Sikkim by providing special emphasis to local unemployed youth and women for promoting social and economic development.

**Following are the objectives of SABCCO**

- To promote economic and development activities for the benefit of scheduled castes, scheduled tribes, other backward classes and handicapped persons.
- To assist individuals or groups of individuals belonging to scheduled castes, scheduled tribes, other backward classes and handicapped persons by way of loans and advances for income and employment generating activities.
- To extend loans to scheduled castes, scheduled tribes, other backward classes and handicapped persons for pursuing general/professional/technical education or training.
- To help in promoting government policies and programmes for the development of scheduled castes, scheduled tribes, other backward classes and handicapped Persons.
- To enter into any agreement with central government/state government or any state or local authorities or other-wise for the purpose of carrying out objects of the company and to obtain from and such government, state authorities or persons, any charters, subsidies, loans, grants etc.

**Target Groups:**

Scheduled castes, scheduled tribes, other backward classes and handicapped persons belonging to low income groups in the rural and urban areas of Sikkim with special focus on educated unemployment and women for promoting economic development activities.

**Schemes for Assistance:**

- Agriculture and Allied: Agriculture production and related field such as purchase of agricultural machinery and implements, animal breeding, poultry, dairy, piggy, bee-keeping etc. horticulture, floriculture, mushroom cultivation, cash crops like cardamom, orange, apple, potato, ginger etc.
- Artisan and Traditional Occupation: These include handicrafts, tailoring, weaving, knitting, carpet weaving, jeweler, carpentry, blacksmith, bakery, beauty parlor etc.
- Technical Trades: All self employment schemes such as electrician, plumber, steel fabrication works, TV/Radio repair, motor mechanic, book binding, clinical labs, xerox/fax/typing, lamination centers, STD/PCO booths etc.
- Hotel/Guest House/Lodging/Restaurant: The loan facility is available to ST/SC/OBC beneficiaries only for conversion of, renovation of rooms, kitchen etc. of existing building to guest house/lodging in areas having tourism potential.
- Small Business: Loans for setting up small business ventures such as tea shops, general provision stores, grocery shops, readymade garments shop, news paper/magazine shop etc.
- Transport Services: Purchase of commercial vehicles for self employment.

**II. REVIEW OF LITERATURE**

Any type of proper research activity requires the consideration of the work in the related areas so as to identify the research gap, if any, and/or to establish the focus of the present activity. In case of the present work, there is no dearth of interesting work in this area especially in the context of Sikkim. The following section identifies some of the more relevant research output in the present area.

Zaman Hassan (2001) examined the extent to which microcredit reduces poverty and vulnerability through a case study of Bangladesh Rural Advancement committee (BRAC), in Bangladesh. The data collected from 1072 households found that there are several channels by which microcredit services can reduce vulnerability and also poverty.

Borooh, Dubey and Iyer (2007) explicitly address the effectiveness of job reservations on the economic opportunities of persons belonging to the SC and ST, finding that the boost provided by job reservations in raising the proportion of SC and ST individuals in regular salaried employment is 5 percent.

Gang et al. (2008) argued that affirmative action has been at the heart of public policies towards the socially disadvantaged in India. Compensatory discrimination policies which have been adopted for the Scheduled Castes (SC) and Scheduled Tribes (ST) since independence were recommended for Other Backward Classes (OBC) by the Mandal Commission established by the Indian government in 1979. They examined why OBC have lower living standards, as measured by per capita household consumption expenditures, relative to the mainstream population, and whether these reasons are similar to those observed for SC and ST. They found that while the causes of the living standard gap for the OBC are broadly similar to those for the SC and ST, the role of educational attainment in explaining the gap is higher in importance for the OBC.

Bera (2011) identified the remarkable improvement in the income level and employment generation by the member beneficiaries and found significant increase in savings of the member households. At the end, the study highlighted the issues concerning the functioning of SHG groups.

Mitra (2013) found that cooperative banks discriminate against lower caste borrowers, and find weak evidence that commercial banks instead bias lending in their favor in accordance with affirmative action policies. He compared the organizational structures of the two types of bank, and explained discrimination by cooperative banks in terms of interest group capture at the district level by showing that discrimination takes place in those districts where higher castes dominate.

Sharma (2013) made an attempt to evaluate the functioning of the schemes as well as pattern of schemes, by evaluating its impact on different aspects. i.e. impact of these schemes on social, economic development of Himachal Pradesh. The study analysis that the maximum rural beneficiaries of the scheme is about 87.4% were due to loan scheme given by R.R.B in priority and non priority sector their standard of living has been increased up to the mark and even 92.9% are that due to advances given by RRB infrastructure and rural assets have been increased remarkably .although 28.4% are the opinion that bank has failed to achieve the involvement of groups i.e women's, ST, SC, OBC of society.82.3% of the beneficiary are in the favour of RRB has contributed in economic development of the Himachal Pradesh economy.

### III. OBJECTIVES AND METHODOLOGY OF THE STUDY

The basic objectives of the present study include the following:

1. To study the credit provided by the SABBCO to different social categories since 1996-97 to 2012-13 in Sikkim.
2. To understand the different schemes of the SABCCO that has been implemented for the upliftment of the different social categories.
3. To examine the district-wise analysis of assistance sanctioned from 1996 to 2010.
4. To know which particular category has received maximum benefits.

The study is based on secondary data. The data has been collected from different secondary sources like DESME, SABCCO, State Statistical Profile, Govt. of Sikkim, NSSO, Govt. of India etc. The data has been analyzed by both descriptive and various statistical tools such as time series analysis, pie chart and bar diagram and descriptive analysis.

### IV. RESULTS AND DISCUSSIONS

#### 1. Credit Provided by SABCCO from 1996-97 to 2012-2013

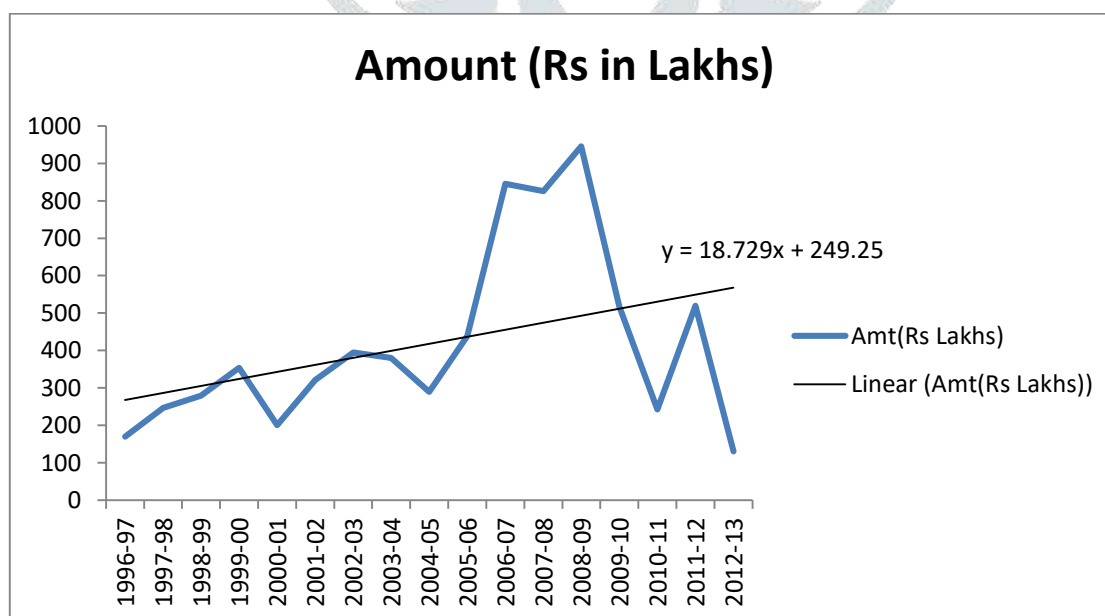
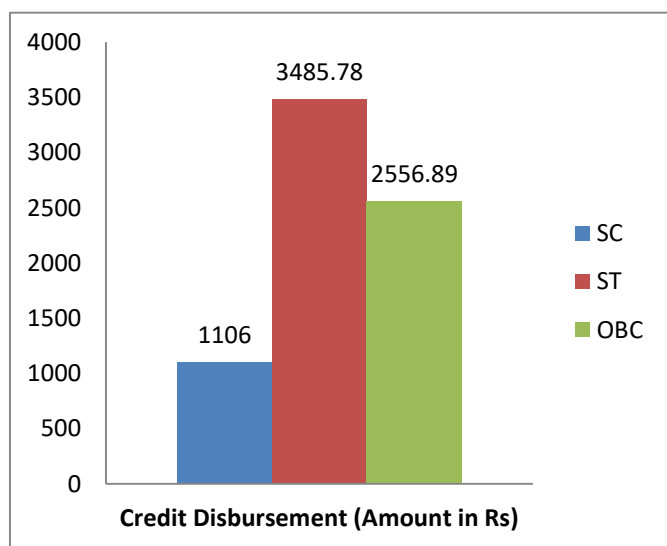


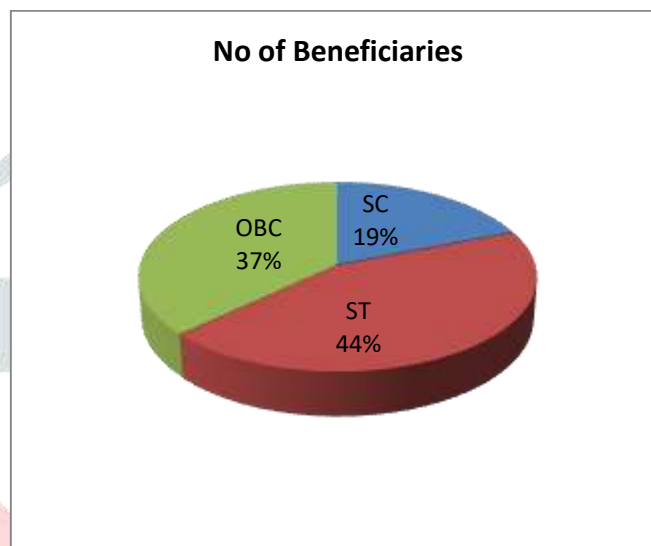
Figure 1

The figure 1 shows the line diagram and trend line that the loan sanctioned and disbursed by the SABCCO in Sikkim to different social categories such as SCs, STs and OBCs/MBCs that has been slowly increasing over the years. The SABCCO had disbursed the maximum amount of loan during 2008-09 of Rs 945.03 lakhs followed by Rs 845.73 lakhs in 2006-07 and 826.02 lakhs in 2007-08 and so on. In the same way it is also clear from the above figure that the minimum amount of loans sanctioned and disbursed by it was Rs 130.76 in 2012-2013 followed by Rs 170.18 lakhs in 1996-97, Rs 201.03 in 2000-01 and 243.63 in 2010-11 respectively.

**2. Total Credit Disbursed to SC, ST and OBC and Number of Beneficiaries in Sikkim since 1996-97- 2012-2013.**



**Figure 2**



**Figure 3**

Figure 2 shows the total amount disbursed to different social categories' viz. SC, ST and OBC since 1996-97 to 2012-13 by SABCCO in Sikkim. The amount sanctioned to SC was Rs 1106 lakhs; ST to Rs 3485.8 lakhs; OBC to Rs 2493.89; PWD to Rs 17 lakhs and total amount disbursed was Rs 7102.69 lakhs. It implies that the maximum amount was disbursed to ST followed by OBC and SC. Figure 3 illustrated that the total beneficiaries covered were 6166 out of which 44 percent beneficiaries were ST, 37 percent beneficiaries were OBC and 19 percent beneficiaries were SC communities. The corporation also started to provide loan to PWD since 2008-2009 and till date 17 persons were benefited under this scheme. In Sikkim ST has got the maximum benefits than OBC and SC because ST was the highest credit recipient. Here we observed that there is discrimination among these social categories in terms of credit mobilization by SABCCO in Sikkim. In other words, we can say that credit is not equally received by the social categories in Sikkim.

**3. District-wise Analysis of Assistance Sanctioned from 1996 to 2010**

Category	EAST		WEST		NORTH		SOUTH	
	No. of Beneficiary	Amount (Rs in lakhs)	No. of Beneficiary	Amount (Rs in lakhs)	No. of Beneficiary	Amount (Rs in lakhs)	No. of Beneficiary	Amount (Rs in lakhs)
SC	614	505.36	156	125.95	19	12.82	187	111.54
ST	1364	1680.89	343	454.03	317	350.29	333	443.30
OBC/ MBC	1192	1342.54	459	516.54	16	12.23	469	453.06
TOTAL	3170	3528.79	958	1096.52	352	375.34	989	1007.90

Source: DESME, Govt. of Sikkim, Statistical Journal 2013.

The above table shows the district-wise analysis of assistance sanctioned by SABCCO in four districts of Sikkim viz. East, West, North and South from 1996 to 2010. The table clearly illustrated that SABCCO had sanctioned and disbursed maximum loans in East which amounts to Rs 3528.79 lakhs followed by West

with Rs1096.65 lakhs, South with Rs 1007.90 lakhs and Rs 375.34 in North Districts respectively. East is the most populous whereas North is the least populous districts of Sikkim. So from the result it can infer that East district has got the maximum financial assistance from SABCCO. The number of beneficiaries in East, West, North and South districts were 3170, 958, 352, 989 respectively. The table also shows the district wise amount of financial assistance disbursed and the number of beneficiary among the different social categories in Sikkim. In East district, the maximum amount of loan was allocated to ST with 2364 beneficiaries whereas the minimum amount was allocated to SC with 614 beneficiaries. In West district, the maximum amount was disbursed to OBC with 459 beneficiaries while the minimum amount was sanctioned to SC with 156 beneficiaries. Moving towards North district, the largest district in terms of area but smallest in terms of population, we see that the maximum amount of loan was sanctioned to ST with 317 beneficiaries whereas minimum amount was sanctioned to OBC with 16 beneficiaries. In South district, the maximum amount of loan was sanctioned to OBC with 469 beneficiaries and the minimum amount was sanctioned to SC with 16 beneficiaries.

## V. Concluding Observations

It is observed from the preceding results that the corporation had disbursed ample of credit to the educated unemployed youth of Sikkim during 2006-2009. On the other hand, credit supply has declined in 2010-2011 due to the default of loans supplied in the previous years. From the year 2012-13, the corporation couldn't provide credit to all the categories except to SC and PWD, although the demand for credit is increasing day by day. The SABCCO is located only in the state capital i.e. at Gangtok having limited funds for disbursing credit, so as a result all the needy people could not get opportunities to avail loans. Hence many needy people have been excluded from the credit supplied by the corporation. Overall picture showed that ST is the most beneficial class than the other social categories in Sikkim. District wise analysis confirmed that the numbers of ST beneficiaries were higher in East and North districts. The study revealed that there are some sorts of credit discrimination among the different social categories in the state, though; SABCCO has made available financial assistance to many people in Sikkim which helps to strengthen their livelihood and make them socially and economically strong.

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