

0111. 1st Progress Report on the Coolie Credit Funds (Jul 1985)

INTRODUCTION

The CCF was conceived by the Coolies themselves in a grassroots planning exercise. It was the logical development of the increasing strength of the Coolie Sangha Units in the villages and an indicator of the Coolies increased consciousness and belief in the validity of a Coolie mass organisations.

In the beginning of our work 7½ years back the formation of the CSUs was just the “price they had to pay” in order to humour ADATS (for otherwise they would not avail the various services and facilities that ADATS had to offer them); the conception of the CCF has been a watershed in the development of the CSUs, in the lives of the Coolies.

It indicates a final breakaway the Coolies wish to make from the oppressive clutches of Middle Peasant credit structures in the villages, where interest rates range from over 350 percent per annum to bondage to Middle Peasant families, performing the most inhuman tasks, for generations. This village credit system is, however, the lifeblood of village survival. Once a Coolie is cut off from it, the possibility of his being able to continue living in that village are very remote. Coolies who identify issues and struggles against Middle Peasant domination are immediately “punished” by not being given hand loans, and the thought of this “punishment” is enough for a majority of them to abstain from active participation in the CSUs.

Institutional finance is no solution to this problem because the purpose for the loans vary from petty, unproductive, socio-cultural purposes to working capital to cultivate the odd patches of dry land that Coolies possess with out proper title, during the sporadic rains. Another reason for the incapacity of institutional finance to meet this requirement is the time factor. Very often the needs for money are urgent and have to be met in days, if not in hours. Once again the Middle Peasant is able to fit the boots of these requirements by always being available and not needing documentary proof of repayment capacity. Rural banking, however laudable in their recent efforts to reach the poor, is just not in a position to offer any serious threat to rural usury.

Apart from these very obvious and noble needs for Coolie Credit Funds, it is the Coolies faith in it that ADATS recognises as an outstanding achievement. That the Coolies feel, given an opportunity, they can build up alternate credit structures to counter the noxious result of the existing one in their villages. That they are not reacting to an offer made by ADATS to provide this new prototype, but have conceived the idea and planned its various details by themselves. That, in a word, the subjective conditions for the setting up of these CCFs are ready and ripe.

The Coolies did not approach us, asking that ADATS replace the Middle Peasants and in their place ADATS give out hand loans to them under more benevolent conditions. Instead, they approached ADATS for assistance to set up their own credit structure, controlled and managed by them collectively.

One last word to prove the complete validity of the foregoing. ADATS is working in 29 villages and the CCFs were started in 23 of them, 4 months back. In one village where the CSU was not properly developed, the CCF has already stopped. In another village where the Coolies are very hard working and sincere, but not convinced of mass organisation as being an answer to their problems, the CCF is staggering. In the remaining 21 villages, to quote a Coolie, “All the other projects of ADATS may falter, but not the CCF. This fund is ours!”

The CCF must not be seen as just another project undertaken by ADATS, but as the highest stage the Coolies have now reached in the development of their consciousness, political maturity, and mass organisation.

GRASSROOT PLANNING

In December 1984 a Group of Coolies were relating their woes at the hands of the Middle peasantry. They were bitterly complaining that for a bag of seeds they had borrowed, they had to return two. That they had already sold their December harvests in September and October, when they needed the monies very badly, ironically, to manure the fields and ensure better yields! What, they were lamenting, was the use of eagerly awaiting the crops? It was in the course of this discussion that a Coolies youth, renowned in these villages for the songs he composes and teaches, coined the verse:

“As much as you take, that much you return!
When you can, then you return!”

A series of discussions started and lasted till the end of February when ADATS reacted with the setting up of the first CCFs. The Fund, they discussed, should be the very opposite of the credit now available from the Middle peasantry. There should be no interest rate charged and the profiteers should be the borrowers and not the lenders.

They devised a small and simple format that only stated the purpose for which the interest-free loan was required and when the borrower felt that he or she could return it. It had to be attested by two-third of the strength of the CSU, and this, the Coolies thought, was more than enough! The paper need not be legally binding, and there need not be any further security.

What greater security could there be than two-third of the concerned CSU Members making sure that the amounts were properly utilised and returned? The village Coolies knew better than anyone else if the need of the borrower was genuine, his or her true intentions, capacity to utilise, to repay, etc. No amount of documentary attestation could be greater than this collective CSU knowledge.

They also knew that 100% utilisation meant 75% repayment; that it was only when the borrowers did not utilise the borrowed amounts for the stated purposes that they found it impossible to return their loans. The CSU felt that they were in a position to ensure this total utilisation of the monies that they lent out without interest.

In a logical development of this collectivism, they also said that neither ADATS nor the CCF should suffer losses. If a borrower could not return the loan for genuine reasons, or if all the Coolies could not get him or her to repay in spite of their best efforts, then that particular Coolies membership in the CSU would be suspended till he or she apologises, explains, and returns the money. The remaining members of the CSU would equally bear the loss and together repay on his or her behalf, in the meantime. Thus there would be no danger of the CCF shrinking away due to bad debts.

ADATS has its own reservation on this point, and expects that “natural” causes like drought, pest attacks, etc. will tend to lower the repayment performance to about 80-90% per annum. But we appreciate the Coolies stand, as opposed to Institutional Finance’s heavy reliance and banking on papers. In the case of wilful default, we wonder if the CSUs will be strong enough to forcibly recover, specially in the light of their not having any state apparatus support like the law, the police, the courts, etc. On the other hand, it is quite predictable that these same agencies may deliberately support the wilful defaulter in order to weaken the CSUs in the villages.

Whereas, banks can take automatic and full recourse to these state institutions. Our own feeling is that it may become necessary for the Coolies to route the loans through a bank, and

then use the bank's recovery procedure and machinery when the CSU so desires to deal with an individual, wilfully defaulting Coolie. We are not clear and confident enough to recommend this to the Coolies for 2 reasons:

1. The amounts involved are small and the CSUs can easily ensure proper repayment; more ever, with each repayment, ADATS increases the fund size with a matching contribution each time and this is a great inducement for prompt repayment.
2. We are inherently suspicious of the banks and our experience with them has been one bordering on legal deceit specially in the Dairy Development Project we are now implementing. Perhaps the Coolies should be trusted to evolve their own structure and systems ingeniously, without our being too concerned about creating paper perfection!

In the non-crop season the Coolies decided that the CCFs could be used for giving small hand loans. At first the Coolies insisted that these hand loans should be given only for productive purposes and not for consumption. Then, a very illustrative incident took place, which made them change definitions and policies drastically:

In the Shankavarampalli CSU's CCF, a *Vadde Bovi* (stone cutter) got up and asked for Rs 100 to feed his family which was in dire straits because they had just got their son married. The CSU refused, saying that loans would be given for productive purposes only. The *Vadde Bovi* retorted by saying,

- "I have a lamb. I can sell it YESTERDAY and take Rs 100 from the CCF today for buying the lamb.
By rearing it for 6 months, I will make a value of Rs 200 and get a profit of Rs 100. Shall I sell my lamb YESTERDAY and take a "productive" loan of Rs 100 today? Or will you give me a "consumption" loan of Rs 100 to tide over my family problems?"

The CSU Member capitulated under his crushing logic and gave him a "consumption" loan of Rs 100!

It was after this incident that the CSUs decided that consumption loans were as important as productive. That it was not for lack of productive efforts that they were impoverished, but due to the oppressive credit structures. And the criterion shifted from productive Vs. consumption to repayment capacity.

If a prospective borrower could show how he could return the loan in the time he himself said he would, the loan could be given. Then the discussions became very serious. Gone were the assumptions that the Coolie who took an advance for trading in leather hides could return since he could make a profit. Now he had to prove that it was profitable to trade in hides. The Coolies started making some very sound, down to earth viability studies. Similarly no Coolie could get away with a lame "I have some money coming -I'll repay!" he had to show from where the money was due, for what, etc. and then all the CSU members would assess if it was possible for him to return the loan he had asked for.

A very important offshoot of this was that it dispelled the impression in a majority of the Coolies that the CSU discussions were only for ADATS related matters. Now everybody had to lay everything about their finance bare and the CCF meeting would often tangent to other discussions.

The structure that ADATS has helped the Coolies to develop is one that facilitates information quickly travelling from one CSU to another. The rich, particular and often peculiar experience of one CSU can be shared by the other CSUs since these experiences are narrated and discussed in the weekly Cluster Meets and the monthly Bagepalli Coolie Sangha meetings. The particular experience of the Shankavarampalli CSU which made the Coolies realise

the importance of giving consumption loans, for example, profited all the other CSUs with in a few weeks.

It is through these discussions and improvisations make by the Coolies themselves that the CCF has been planned. And this planning-implementation-reflection-planning process is a continuous on going one.....

THE PROJECT

- ADATS has granted to 23 CSUs Rs 36, 950.
- Loan given out by these 23 CSUs to Member Coolies is Rs 59,830.
- This means that the grant has been rotated 1.61 times.
- The total number of Coolie borrowers is 477.
- 35 % of the monies given out have been repaid on time.
- 61 % of the monies given out is still to be repaid.
- 02 % of the monies given out has been wilfully defaulted.

477 loans totalling Rs 59,830 have been given from February to now, in 4½ months. This has been done with an ADATS grant for the 23 CSUs totalling Rs 36,950. This shows that the monies given for the 23 CCFs have rotated 1.61 times. 35% of the monies lent out have been repaid. 61 percent are outstanding, but they are not bad debts. It just means that their repayment dates have not arrived as yet. 2 percent are bad debts since the CCF failed in 1 CSU after giving out Rs 100 each to 10 Coolies.

Number of Loans	Purpose	Amount Taken	Average borrowed
161	Crop loans to buy seeds, manure, tilling, etc.	20,645	128.23
46	House and hut repair	6,025	130.98
21	Cattle Rearing	3,650	173.81
45	Sheep rearing	6,635	147.44
26	Purchase of implements like crowbars, sickles, heavy hammers and chisels, etc.	1,780	68.46
27	Repair of bullock carts	3,200	118.52
1	Pay Electricity bill	150	150.00
6	Deepening of wells illegally dug on river beds	900	150.00
40	Cattle fodder	5,000	125.00
5	Feed for pigs	480	96.00
1	Donkeys for hauling village clothes to be washed	100	100.00
1	School Fees	100	100.00
1	Undergo Hospital treatment	120	120.00
3	Consumption Loans	120	120.00
46	Petty trade in vegetables hawked from village to village	5,811	126.41
40	Chicken Trade	4,030	100.75
7	Trade in Leather Hide	1,000	142.86
477		59,830	120.30

The average amount taken by each borrower is Rs 120. And for different purposes, the amount taken do not fluctuate too far on either side of this average. At the same time it is inconceivable that for petty trade, for agriculture, and for repairing a bullock cart, the amounts required will be the same. Therefore it would be safe to conclude that the Coolies are adjusting their requirements to the monies available (sharing) and no economic impact of the CCFs can be felt in any of the 23 villages by way of reducing usury, etc. For this, the CCF has a long way to go. Further, in this crucial cropping season, when the Coolies need capital to cultivate their odd patches of dry land, we are not in a position to meet even a fraction of the requirement.

At the moment, the CCF is being managed by the Executive Assistant of ADATS. But very soon an Extension worker (CCF) will have to be appointed. The procedural and accounting details of a rural credit alternative are very precise and complicated. In addition to ensuring smooth recording, accounting and monitoring the CCFs, we need a full time person to transfer these rather complex skills to the Coolies, their Representatives and the Secretaries. This has to be done with in the 3 year period when the CCFs will be built up to targets in all 29 villages.

FUNDING

No funding agency can ever deny the laudability of grassroots planning exercises carried out by the beneficiaries themselves. But all the same time there is another side to the coin, where by this democratisation threatens their positions as donors.

ADATS has always had this problem when initiating new project and efforts. Yet ADATS has never planned any activities calculating the money availability before hand. Always, we have first assessed the useful and then searched for monies.

And in the past 2 years we have not done even that. We have consciously encouraged the Coolies to themselves develop plans of actions for their development, promising to play an intermediary role in finding funds for them. then we have invited the donors to please join in with not just their money, but in a spirit of partnership, offering varied experiences, ideas and suggestions.

Thus funding is always a dynamic exercise for ADATS and the time gap between the actual conception (often initiation) of a project and the assurance we get from the donor agency is full of suspense and uncertainty. If, eventually, a project finally fails to get support, the Coolies interest in grassroots planning would wane and their confidence in ADATS reduce. Thereby, each time ADATS entertains a new idea, we place ourselves in an untenable position from where we cannot crawl back and are in a vulnerable position that unscrupulous persons often exploit.

In spite of this not so comfortable situation, ADATS is convinced that this is most healthy attitude to take regarding the funding question.

In February 1985 we requested NOVIB, the Netherlands, to grant us Rs 5,21,000 to gradually build up 30 CCFs over a period of 3 years the rationale for this figure was as follows:

Each of the 1,042 Coolies in our 30 CSUs either keep about 2 acres of dry land fallow every year, or borrow to raise a rain fed crop at exorbitant interest rates. To raise crops on these 2 acres, the Coolies would need about Rs 500 to cover seed, manure, tilling and other cost. The Coolies therefore felt that their individual CCFs should be built up to Rs 500 per Coolie family in each CSUs. A CSU with 64 members, for example, would have a CCF target of Rs 32,000. If the results during this 3 year build up period are positive the targets could be suitably raised to include 10 wells and pumping sets, 5 bullock carts, or whatever.

NOVIB has shown a keen interest in the idea and have agreed in principle to support it. But they have not been able to respond till now due to various other reasons. In the meantime, Action Aid, Bangalore advanced us Rs 30,000 to start the CCFs and we have borrowed another Rs 7,000 from other sources.

WOMEN AND THE CCFs

For the past 7½ years a glaring lapse in the ADATS programmes has been the lack of a concerted effort with women. Women have been treated as Coolies, but no special efforts have been made to work specifically with women, in spite of the fact that they constitute half the Coolie population. The realisation has lately been dawning that disproportionate emphasis has to be given to women and women's programmes in development efforts.

The CCF has given us an opportunity to begin to seriously work with women Coolies. Before starting the CCFs we first ascertain who was managing the finances of the Coolie households. In very many cases were found that it was the wives. CSU membership was in these cases, given to the women in spite of severe protestations from their husbands. Such occasions have also been used to initiate discussions on the land position of women in society, male attitudes etc. etc.

Another very strict decision in the CCFs (often without the consent of the CSUs) is that a woman can ask for and receive a loan on her husband's membership even if the husband objects. In most of the CSUs women have availed this facility and taken loans for petty trade, chicken rearing, implements to cut firewood, etc. Some have also asked for loans up to Rs 1,000 to start petty shops in the villages, but these could not be given for want of money.

The possibility and scope for a women Coolie program developing in the 30 ADATS villages are very encouraging at the moment.