1. Why prejudiced against Loan Melas?

Context:

- Recently Finance Ministry propounded to conduct Loan Melas to improve the reach of the credit to the rural people thereby creating demand in the economy.

What is Loan Melas?

- Loans and melas are of different genres. While one is more about a process, the other is about public show. It is a **special campaign to disburse loans to the people especially conducted in the rural areas and semi urban areas.**

Why it is Needed?

- Earlier, credit programmes to create assets and economic activities for the poor were given major thrust. The flagship Integrated Rural Development Programme was launched in 1980 with great ambition. Several others followed, such as the 20-Point Economic Programme, Differential Rates of Interest and special programmes for self-employment (TRYSEM), and skill development among rural youth (SITRA) all of which along with the IRDP were restructured in 1999 **as the Swarna Jayanti Gram Swarojgar Yojana.**
- When enough momentum in credit creation and the expected outcome was not reached with all these efforts, special campaigns to disburse loans were launched, one of which was loan melas.

Earlier Shortcomings:

- The catch in the earlier versions of **loan melas** was that beneficiaries and activities suitable for them were often drawn up by local government agencies, with banks entrusted with financing them.
- **A major shortcoming was that economic activities which were expected to be identified in accordance with availability of infrastructure and support systems were not given due attention.**
- Focus on targets without assessing viability induced corruption and nepotism, and loans to unproductive businesses dented credit discipline. It is in this context the loan melas came up for derision.

Changed Context:

- These programmes were ridiculed for good reasons, but now there is a case for looking at this subject with a different perspective, in the background of the changed context.

- **Loan melas are an extension of social banking, which is an outcome of the idea of bank nationalisation that originated in the political context of that time.**
- Social banking is a concept to view finance as an agent leading to growth and poverty reduction. Perhaps it is this premise that guided nationalisation in promoting India's financial development. Financial sector development plays a vital role in facilitating economic growth and poverty reduction. That's why Multilateral financial systems like the World Bank and IMF too earmark 10 per cent each of their loans and assistance, respectively, to conditionalities complying with social protection. So in this changed context revamping the concept is necessary.

Revamping the Concept:

- However, this time the outcome could be made different with a little bit of effort and imagination. Now the operational environment has vastly changed. Rise of alternative players in the form of microfinance, non-bank finance, and cooperatives and pervasive technology, etc., could bring in the big change.
- What's more important is **that the branch that as a centrifugal force of these loan programmes, without being pushed by pressures of local agencies as in the past,** can give them enough space and bandwidth to ensure speech, quality and sustainability.

Way Forward:

- There is a need for a 'rural and small business finance network' that could be a repository of information and data on the wide gamut of rural financial markets.
- It could use emerging technologies in the realm of customer profiling, assessment and evaluation, and track progress and performance which can be accessed by institutions and government for periodic review and programme development.
- The challenge of rural finance can be better managed by enthusiastic and energetic young officers than those posted past their prime or before retirement, which often is the case in many PSBs.
- Equally pertinent is development of products and services that could harness potential in rural and semi-urban areas. The need for products with features of safety and stability along with scope for generating strong and sustainable investments is what is essential.
- When programmes of conditional cash transfers can become successful why can't loan programmes, even if disbursed en masse?