CHAPTER I

INTRODUCTION

Regional Rural Banks (RRBs) which are hybrid institutions combining the role of co-operative with commercial banking functions have been the most intensively debated subject in recent years. Indian banking system today is evolving itself a powerful instrument of planning for economic growth. Among the various factors of economic development and consequent removal of poverty the role of financial institutions is very significant. The overall development of the economy depends to a large extent on the banking sector as financial institutions act as suppliers of capital for production of goods and services, which in turn raises income and standard of living of the people.

In India, the banking sector has received from time to time definite orientations, and this sector has come to occupy a predominant position among the infrastructural factors of economic development. In our country where 74.2

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per cent of population lives in rural areas, banks are relied upon to play a key role in rural uplift. An efficient system of purveying institutional credit in rural and semi-urban areas is an essential ingredient of any viable strategy for the removal of poverty and modernisation of our economy at base level.

1.1 Bank Credit and Rural Development

India is a country of villages and development of the country depends upon all round progress of rural areas. That is why Mahatma Gandhi said in 1936 in Harijan, “I have believed and repeated times without number that India is not found in its few cities but in its 7,00,000 villages. I would say that if the village perishes, India will perish too”. So the development of rural sector has become one of the concerns of the country’s Five Year Plans which can achieve their objects only by the fillip given to rural development activities.

Rural development, indeed envisages overall economic development of rural areas, harnessing the existing potential for higher production and increased income generation, besides identifying latent potentials and extending necessary inputs for exploiting them in a systematic and profitable way to bring about

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economic upliftment.\textsuperscript{7} As per 1991 Census,\textsuperscript{8} of the total population 846.30 million, 627.15 million or 74 out of 100 persons in India live in rural areas.

Since the planning era started in 1951, eradication of rural mass poverty has become one of the major objectives of Five Year Plans. Unlike many American countries where poverty is largely a urban phenomenon, in India as in the rest of Asia and Africa it is largely a rural phenomenon.\textsuperscript{9} It was felt by the Government that there should be specific programmes designed to alleviate poverty through both self-employment and wage employment.\textsuperscript{10} Various poverty alleviation programmes have, therefore, been adopted specially to direct the flow of bank credit to the weaker sections of the society and the banks have been asked to participate in these programmes. In the VIII plan, the target to bring down the percentage of population living below the poverty line is 10 per cent from an anticipated level of 28.30 per cent by the end of VII plan.\textsuperscript{11}

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Economic soundness of rural development programme depends upon various inputs but one input that can help make the application of other inputs and acceleration of economic growth is the capital, namely credit.\textsuperscript{12} Day by day, the agriculture is becoming capital – intensive enhancing the need for credit. Credit has become an essential condition for the healthy functioning and desired progress of an agriculture dominated country like India.\textsuperscript{13}

Providing affordable credit to rural population has long been a prime component of development strategy.\textsuperscript{14} Credit is considered as an economic elevator and banking as a potential instrument without which development cannot and will not take place.\textsuperscript{15} Credit being a scarce and critical input in economic processes, the banking system has an important role to play in contributing to a reduction in regional disparities.\textsuperscript{16} Bank credit has been found to be more conducive to agricultural growth. India’s agricultural growth is symbolised by the famous green revolution which is a success story, not withstanding the tempo of

\textsuperscript{12}\textsuperscript{Rajendra Singh, “Mounting Arrears of Agricultural Credit”, \textit{Commerce}, Vol.142, No.3651, December 19-25, 1987, p.17.}

\textsuperscript{13}\textsuperscript{S.G. Hundrekar, “Rural Banking Scenario”, \textit{Khadi Gramodyog}, Vol.XXXII, No.9, June 1991, p.336.}


\textsuperscript{16}\textsuperscript{Navin Chandra Joshi, “Releasing Rural Credit Delivery System”, \textit{The Journal of Indian Institute of Bankers}, Vol.57, No.3, July-September, 1986, p.175.}
agricultural growth needs which to be kept up to feed, first, the growing Malthusian millions and for other needs such as exports. In this one can discern that credit has a key role to play.\textsuperscript{17}

The banks have been accorded very important role in the development process of the country. This role assumes added significance due to the fact that banks provide one of the essential inputs, namely finance for the growth of various segments of the rural society. In a developing country like ours, where the scarcity of financial resources is admittedly one of the constraints, for accelerating the pace of development in the rural areas, an efficient and responsive banking system is of utmost importance.\textsuperscript{18}

1.2 Sources of Credit and Estimates of Rural Credit Needs

Credit is of two types institutional and non-institutional. The institutional agencies are amenable to control and the non-institutional agencies operate outside the provisions of the Indian Banking Companies Act and maintain accounts without accountability to audit. Co-operative banks, Commercial banks, Regional Rural Banks (RRBs), Government participation form the former,


whereas the money lenders, rich landlords, commission agents, relatives and friends form the latter.

Institutional credit is the most ideal and necessary. Its non-availability in right amount, in the right time and at reasonable rates of interest to the needy farmers is a major hindrance to Indian agricultural development.\(^{19}\) To alleviate the sufferings of the Indian rural masses and get them out from the clutches of money lenders, rural credit should be properly channelled. To channel rural credit both in terms of adequacy and timeliness, the first and foremost step would be institutionalisation of rural credit.\(^{20}\) Developing a strong and sound institutional system for purveying credit to agricultural sector has been a major objective of the Indian banking policy.\(^{21}\) Replacement of moneylender credit by institutional credit has been accepted as an essential pre-condition for technological transformation of agriculture in the country.\(^{22}\)

For a long time agricultural credit in India has been marked by predominance of non-institutional credit. Credit from non-institutional sources are on unfavourable terms and therefore, farmers are not able to make full use of the

\(^{19}\)Prabahar Reddy, “Agricultural Credit”, \textit{Yojana}, Vol.34, No.17, September 16-30, 1990, p.27.


\(^{21}\)Prabahar Reddy, \textit{op.cit.}, p.27.

loan for agricultural production. In fact it puts farmers in heavy debt and that adversely affects production.

1.3 Evolution of Regional Rural Banks (RRBs)

The idea of ‘Rural Bank’ was first suggested by the Bengal National Chamber of Commerce in its memorandum to the Rural Banking Enquiry Committee, 1950. It suggested setting up of one rural bank in each taluk with a paid-up capital of Rs.1 lakh, with permission to scheduled banks to sponsor it in rural areas. The sponsor banks were expected to contribute 50 per cent of the capital of each rural bank and the balance by the public or the provincial Government. This was an interesting suggestion which contained the essence of modern Regional Rural Banks.23

In our country, co-operative mechanism was the only form of institutional credit for bridging the rural credit gap. Recognising the vast field of rural lending, the RBI sought to give a new orientation to the growth of commercial banking so as to use it as a supplement to fill up the visible gaps in the rural credit system. The first effort to involve a commercial bank in rural finances, however, began with the conversion of Imperial Bank of India into State Bank of India in 1955 in accordance with the All India Rural Credit Survey Committee Report (1954).

In view of the Green Revolution and modernisation of farm enterprise which has started taking place in a significant path since 1966, it was felt that co-operatives by themselves and alone would not be in a position to meet all the credit needs of the expanding farm sectors. The next important event in the organisation of rural financing, according to Guglani and Pandey, was the introduction of ‘social control over banks’ in 1968 to provide finance to priority sectors when, as commercial bank could not enter the rural financing in a big way, 14 major commercial banks were nationalised on July 19, 1969.

In December 1971, the National Commission on Agriculture in its interim report on credit services for small and marginal farmers and agricultural labourers expressed the view that it might be ultimately necessary to set up Agricultural Development Bank of India on the lines of Industrial Development Bank of India (IDBI). According to Vasant Desai, since the early 1970’s there has been a growing realisation that the ethos and attitudes of public sector banks were not conducive to the satisfaction of the credit needs of the rural population, especially those of the weaker sections.

Though two tiers of rural credit, namely co-operative credit and agricultural credit by commercial banks were in operation for the uplift of rural

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poor, much headway could not be made.\textsuperscript{26} The co-operative banking system was constrained by dominance of vested interests, managerial weakness and high overdues and the commercial banking system was handicapped on account of high cost structure and disinclination of its employees for rural service.

The Banking Commission (Saraiya Commission) was appointed by the Government of India in 1972 which made proposal for setting up of a new type of rural banks to bridge unfilled gap left out by the co-operative and commercial banks. But the Government of India did not take any action with respect to the recommendations of the Banking Commission till June 1975. It was the announcement of 20-Point Economic Programme on July 1, 1975, that led to a rethinking on rural banks among the policy-makers in India.

The implementation of the 20-Point Economic Programme which aimed at ‘squashing the rural debts owed by small farmers to non-organised indigenous exploitative agencies and provision of adequate credit at a cheaper cost necessitated the opening of rural banks in rural areas to fill in the gaps created by the eviction of money lenders.\textsuperscript{27} Accordingly, the Government of India appointed on July 1, 1975, the Working Group on Rural Banks headed by Narasimham to examine in-depth the setting up of new rural banks as subsidiaries of public sector


banks to cater to the credit needs of the rural people. The Group submitted its report on July 30, 1975.

The Working Group observed that “in a country of the size and regional disparity like ours, no single pattern be it commercial banks or co-operative credit, can be expected to meet all the emerging requirements in all areas. A degree of adaptation and improvisation is called for and the range of institutional alternatives widened. It is in this context that we have come to the conclusion that a new type of institution is necessary”.  

The Narasimham Committee recommended a new type of institution, “which combines the local feel and familiarity with rural problems which co-operatives possess and the degree of business organisation, ability to mobilise deposits, access to central money markets and a modernised outlook which the commercial banks have. The role of the new institution should be to supplement and not supplant the other institutional agencies in the field”.  

According the recommendations of the Working Group, Government promulgated on September 26, 1975, ‘The RRBs ordinance, 1975 which came into force with immediate effect and which extends to the whole of India. In terms of Ordinance, the Central Government is empowered, on the request of any bank

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called ‘Sponsor bank’, to establish in a State of Union Territory one or more RRBs with such name as may be specified in the notification issued by it. Later, the Ordinance has been replaced by RRBs Act, 1976. Thus, the RRBs which are State-sponsored, regionally based and rural –oriented commercial banking institutions appeared in rural India in 1975. On a pilot basis only 5 RRBs were started in 4 districts on the eve of 106th birth anniversary of Mahatama Gandhi (2nd October, 1975).

The establishment of RRBs in October 1975 marks an important landmark in the history of Indian Banking.\(^30\) RRBs were primarily set up with the objective that they should form an integral part of rural credit structure along with co-operative and commercial banks under the multi-agency approach to rural lending.\(^31\) While co-operatives and commercial banks finance farmers in general, RRBs mainly cater to financing small/marginal farmers and agricultural labourers. The Reserve Bank of India in its report has described the setting up of the RRBs as a ‘development which will have a far reaching effect on the extension of banking facilities to the rural areas.’\(^32\)

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The rationale of setting up of RRBs, as one can visualise is to generate a self-sustaining process of development in the rural areas by mobilising the rural saving for the purpose of meeting credit requirements especially of the weaker sections of the rural population. Thus the RRBs have emerged as the third tier and the latest component of the multi-agency credit system devised and designed to develop the banking activities in the rural areas for integrated rural development.

The main objectives for the establishment of RRBs are as follows:

To develop the rural economy,

To provide credit for agriculture and allied activities, particularly to small and marginal farmers,

To encourage village industries and rural artisans;

To reduce the dependence of rural people on money-lenders;

To fill up the gap created by moratorium on borrowings from money lenders;

To generate employment opportunities in rural areas;

To help the poor financially for their consumption needs; and

To take the banking facilities to the door steps of the rural masses particularly to higher to unbanked rural areas.

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1.4 Performance of RRBs

To review the performance of RRBs, certain well-known parameters have been chosen. These are; (a) number of banks (b) coverage of districts, (c) number of branches, (d) deposit mobilisation, (e) deployment of credit, (f) credit-deposit ratio, (g) percentage of recovery and (h) working results. Each of the parameter is explained with the help of the statistics published from time to time by the Reserve Bank of India and the National Bank for Agriculture and Rural Development (NABARD).

Regarding the geographical coverage of RRBs, Table 1.1 indicates that there was no significant increase in the number of RRBs. The number of RRBs increased from 194 in 1986 to 196 in 1994. The compounded growth rate of the number of RRBs is the least and it is only 0.07 per cent.
### TABLE 1.1

**PERFORMANCE OF RRBs**

<table>
<thead>
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<tbody>
<tr>
<td>1.</td>
<td>Number of RRBs</td>
<td>194</td>
<td>196</td>
<td>196</td>
<td>196</td>
<td>0.07</td>
</tr>
<tr>
<td>2.</td>
<td>Number of Districts covered</td>
<td>351</td>
<td>369</td>
<td>392</td>
<td>401</td>
<td>1.62</td>
</tr>
<tr>
<td>3.</td>
<td>Number of branches</td>
<td>12838</td>
<td>14079</td>
<td>14539</td>
<td>14561</td>
<td>1.47</td>
</tr>
<tr>
<td>4.</td>
<td>Deposits (Rs. in lakhs)</td>
<td>171494</td>
<td>311858</td>
<td>585897</td>
<td>829983</td>
<td>21.01</td>
</tr>
<tr>
<td>5.</td>
<td>Outstanding Advances (Rs. lakhs)</td>
<td>178484</td>
<td>291825</td>
<td>408590</td>
<td>510687</td>
<td>13.04</td>
</tr>
<tr>
<td>6.</td>
<td>Credit-Deposit Ratio</td>
<td>104</td>
<td>94</td>
<td>70</td>
<td>62</td>
<td>6.54</td>
</tr>
<tr>
<td>7.</td>
<td>Recovery Percentage</td>
<td>49010</td>
<td>48.59</td>
<td>45.21</td>
<td>N.A.</td>
<td>-5.36</td>
</tr>
<tr>
<td>8.</td>
<td>Profit making RRBs (in numbers)</td>
<td>48</td>
<td>46</td>
<td>23</td>
<td>N.A.</td>
<td>-9.32</td>
</tr>
<tr>
<td>9.</td>
<td>Loss incurring RRBs (in numbers)</td>
<td>146</td>
<td>150</td>
<td>173</td>
<td>N.A.</td>
<td>2.33</td>
</tr>
<tr>
<td>10.</td>
<td>Net Profit / Not Loss (Rs. in lakhs)</td>
<td>-2781</td>
<td>-4746</td>
<td>-24642</td>
<td>N.A.</td>
<td>--</td>
</tr>
<tr>
<td>11.</td>
<td>Accumulated Loss (Rs. in lakhs)</td>
<td>8963</td>
<td>19161</td>
<td>62011</td>
<td>N.A.</td>
<td>59.83</td>
</tr>
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</table>

Source: Statistics on RRBs – NABARD (Various Issues)


The coverage of districts by RRBs increased considerably from 351 in 1998 to 401 in 2007. Thus, during 1998 and 2007 the coverage of districts has increased by 114 per cent. As a result of this, about 90 per cent of the total districts (448) in the country have been covered by the RRBs. The most important
achievement of RRBs is the coverage of the not easily accessible and economically backward areas of the country.

The number of branches of RRBs increased from 12,838 in 1998 to 14,561 in 2007. Between 1998 and 2007, the percentage increase in the number of branches is about 113 per cent. Thus, RRBs have succeeded, to a larger extent, in taking the banking services to the door steps of rural masses particularly to those in the hitherto unbanked rural areas.

Table 1.1 indicates that the deposits of RRBs have been increasing continuously. The deposits mobilised by RRBs increased significantly from Rs.1,71,494 lakhs in 1998 to Rs.8,29,983 lakhs in 2007. The compounded growth rate of deposits is 21.01 per cent. The achievement of RRBs in the sphere of deposit mobilisation must be evaluated in the perspective rural background of poor clientele that they have to serve. The RRBs have succeeded in mobilising small rural savings from the weaker sections by inculcating banking habit among the rural masses.

The credit expansion and extension by the RRBs is considered as another important criteria in judging their performance. Table 1.1 reveals that there has been a continuous growth in the advances (outstanding) of RRBs during the period of the study. The outstanding advances of RRBs rose from Rs.1,78,484 lakhs in 1986 to Rs.5,10,687 lakhs in 2007. Thus, during 1998 and 2007 the
outstanding advances of RRBs increased by 286 per cent. The compounded growth rate of outstanding advances is 13.04 per cent.

The credit deposit ratio is an important parameter in judging the performance of a bank. The credit deposit ratio of RRBs decreased from 104 in 1998 to 62 in 2007. The compounded growth rate of credit deposit ratio of RRBs is negative (-6.54 per cent) during the study period. But, the credit deposit ratio of RRBs is comparatively higher than that of the branches of well established commercial banks and it was about 58 in 2007.

One interesting feature of RRBs’ functioning has been the secular decline in the credit deposit ratio. Obviously, a brake was applied to the initial enthusiasm in helping the poor with credit aid out of the finances obtained from the sponsoring banks, the RBI and the NABARD. A gradual lowering of the credit-deposit ratio should be viewed as a sign of slight improvement in the banking habit of the rural clientele and not entirely a matter of change in the policy alone.

The recovery performance of RRBs during 1998 and 2004 was not satisfactory. The percentage of recovery of loans to demand declined from 49.10 per cent in 1998 to 45.21 per cent in 2004. The compounded growth rate of recovery percentage of RRBs during the study period is negative (-5.36 per cent). The percentage share of overdues increased from about 51 per cent in 1998 to about 55 per cent in 2004. The overdue position is increasing due to too much
political interference. In view of the unsatisfactory recovery position of RRBs, NABARD has been monitoring on a quarterly basis their working in relation to important parameters such as productivity cash management, advances portfolio and recovery performance and advising RRBs about the necessary remedial measures to be adopted.

It is to be noted that the RRBs are expected not only to achieve their socio-economic objectives but also to earn profits to sustain their continued operations. The profit depends upon the judicious deployment of internal resources and borrowings. Table 1.1 shows the working results of RRBs in terms of profit/loss. The table indicates 48 out of 194 RRBs earned profit in 1998. But in 2004, only 23 RRBs earned profit. Thus, the percentage of RRBs making profit gradually declined from 25 per cent in 1998 to 12 per cent in 2004. The compounded growth rate of the number of RRBs making profit is negative at –9.22 per cent during the study period. The determination of profit-making RRBs has posed a serious problem for the very existence of RRBs themselves. This situation is likely to further worsen on account of increase in overhead expenses consequent upon the revision of staff salaries and allowances.

Table 1.1 shows that in 1998 out of 194 RRBs 146 incurred losses. The number of loss incurring RRBs increased to 173 in 2004. This indicates that the share of loss making RRBs in the total increased sharply from 75 per cent in 1998
to 88 per cent in 2004. The compounded growth rate of loss incurring RRBs in 2.33 per cent.

Table 1.1 shows that the net loss incurred by RRBs increased from Rs.2,781 lakhs in 1998 to Rs.24,642 lakhs in 2004. The impact of narrow spread, restriction on choice of clientele, restricted area of operation and sharp increase in the transaction cost owing to payment of revised salary and allowances to employees contributed to the losses of RRBs.

The accumulated loss of RRBs amounted to Rs.62,011 lakhs in 2004 as against Rs.8,963 lakhs in 1998. The compounded growth rate of the accumulated loss of RRBs is very high at 59.83 per cent. It may be noted that the rise in accumulated loss reflects among the other things the growing number of loss making RRBs.

Thus, despite the existence of RRBs for several years, they could not yet become viable. The important reasons for such non-viability of RRBs could be attributed to (a) the availability of their ‘margin’ between the cost of borrowing and the cost of lending, (b) the low level of business, (c) non-judicious allocation of resources and borrowings, (d) the cost of servicing a large number of small accounts is high, (e) the low per branch staff strength and low per employee productivity, (f) the low rate of recycling of funds and (g) the mounting overdues.
There is an urgent need for streamlining all the operational policies of RRBs so as to make them operationally and financially viable. The Reserve Bank of India in its Annual Report 2006-07 has observed that the rural financial institutions can to some extent, improve their viability by expanding their volume of business and increasing interest rates especially in the non-poor sector. Then viability can also be improved by diversifying into non-fund business and acting as intermediaries for technology transfer, input supply and marketing.

Erosion of paid up capital of a large number of RRBs has become a cause for concern. The RBI has been constantly hammering at the point that RRBs in its present form should not continue, as many of them have become unviable. So they should be strengthened and made viable.

The performance of RRBs as in 2007 compared to those in 1998 has showed contrasting features. On the one hand, RRBs registered a tremendous growth in their geographical coverage, deposit mobilisation and deployment of credit to the target group in rural areas. A disturbing feature of their operations has been that a number of RRBs have shown poor financial viability even after


several years of existence. The economic viability of RRBs is absolutely necessary for improving the economic viability of the rural poor. From the foregoing discussion it can be concluded that RRBs have played a vital role in the upliftment of rural economy. Being solely responsible for rural finance, they have brought about a tremendous change in the rural economy which other financial institutions could not do during the long span of rural financing.

### 1.5 Statement of the Problem

The Regional Rural Banks, conceived as low cost institutions, mid-way between the co-operatives and commercial banks, locally based and imbibing indigenous social ethos, and with weaker sections for assistance, were accepted as a part of the multi-agency approach to rural credit. Assessment of their performance indicate that RRBs have succeeded in lending their credit to weaker sections. However, inspite of their geographical expansion and functional diversification, the RRBs now-a-days have become the victims of operational efficiency.

The earlier studies prominently done by the Government Committee and Reserve Bank of India study Groups felt the need for undertaking case studies on RRBs for their better evaluation in view of their working in different socio-economic environmental factors.
The Pandyan Grama Bank is one among the RRBs in India and it was the first RRB established in Tamil Nadu. It concentrates its area of operation in the backward districts situated in the south of Tamil Nadu. The Pandyan Grama Bank through its loan schemes has been helping the rural poor especially the small and marginal farmers, agricultural labourers and rural artisans to improve their economic status. Hence, the study attempts to evaluate the working performance, operational efficiency and profitability of the Pandyan Grama Bank.

In the light of the above background, the present study assumes special significance.

1.6 Objectives of the Study

The main objectives of the present study are:

i) To assess the performance of Pandyan Grama bank with reference to the goals assigned to it.

ii) To find out whether the beneficiaries have secured adequate and timely credit from the bank.

iii) To appraise the impact of PGB’s credit schemes on beneficiaries in terms of employment creation and income generation.

iv) To find out the repayment performance of beneficiaries and

v) To suggest policy measures for better working of RRBs in future.
1.7 Hypotheses of the Study

The above objectives imply the following hypotheses to be empirically verified.

i) The Pandyan Grama Bank’s loan schemes have generated employment to the beneficiaries.

ii) The income of the beneficiaries has increased after availing the bank credit.

iii) There has been a positive impact on the eradication of poverty in the study area.

iv) The average household annual expenditure has increased in the post-loan period.

v) The average annual savings per household has increased after getting the bank loan and

vi) The indebtedness position of the sample beneficiaries has declined in the post-loan period.

1.8 Scope of the Study

The present study covers Pandyan Grama Bank (PGB) in Tamil Nadu State. The area of the study is the five districts, namely Tirunelveli, Thoothukudi, Ramanathapuram, Sivagangai and Virudhunagar served by the PGB. The period
of reference is six years from 2001-02 to 2006-07 for which the latest data are available. However, a longer duration has been considered where the working of RRBs at national level is examined in general.

The study attempts an analysis of the performance of the PGB in terms of branch expansion, growth of working capital, mobilisation of deposits, deployment of credit, credit-deposit ratio, recovery performance, overdues and working results in terms of profit/loss. In order to study the impact of credit on beneficiaries, 600 sample beneficiaries have been selected.

The study also relates to household income and expenditure, purpose of loans, expenses incurred in availing the loans, and punctuality in repayment of loans. The Pandyan Grama Bank provides loan assistance to small and marginal farmers, agricultural and landless labourers, village artisans an self-employed persons for productive purposes. The supply of finance enables them to improve their productivity and also to undertake new activities leading to additional employment, production and income. The effectiveness of such a strategy, however, needs to be studied in depth so as to understand its contribution towards the removal of rural poverty. It needs no emphasis that increase in income is the primary outcome of credit expansion while rise in employment is one of its important secondary effects. The present study attempts to assess the impact of PGB loan schemes on the income and employment of the sample beneficiaries.
1.9 Limitations of the Study

It is necessary here to point out that the field study is limited to Pandyan Grama Bank and 600 borrowers. Hence, the results based as they are on this limited coverage, cannot be taken as true for all Regional Rural Banks working under different topographical and socio-economic conditions.

Another limitation of the study is that only five different schemes were studied for the evaluation of the impact of Pandyan Grama Bank’s credit schemes. It is because during the period under investigation, as per the office records of the Pandyan Grama Bank, 63.08 per cent of the beneficiaries as a whole were assisted under these schemes. A study of these schemes alone, obviously, could provide a true picture of the impact of the Pandyan Grama Bank’s credit schemes as a whole.

Data collection from a rural household are beset with several stumbling blocks. The lack of maintenance of records relating to input and output by the borrowers and also deliberate hiding of facts and figures by the farmers/traders/artisans are the limitations; particularly when survey method of investigation is used. The researcher had to rely on the answers from the memory of the respondents. Necessary care has been taken to collect reliable data by deep probing.
In this study, family labour and hired labour have not been separated since this differentiation is of no importance to the study. Obviously, the study is concerned with the analysis of the total volume of employment.

The primary data pertaining to various problems of the beneficiaries and other information related to the present study are collected by means of the questionnaire. There may be also the possibility for personal bias to enter into the process of primary data collection.

The inference drawn in the present study could not be generalised as it confines only to a particular study area and to a relatively short period.

1.10 Chapter Scheme

This study is organised into seven chapters as follows:

Chapter I is “Introductory” in nature and deals with appraisal of the RRBs, problem setting, objectives, hypotheses, scope of the study and chapterisation.

Chapter II “Review of Literature and Concepts Used” presents a detailed review of past studies and some concepts used related to the study.

Chapter III “Methodology and Profile of the Study Area” gives an account of the methodology followed in the present study. The details regarding
the choice of the study area, sample design adopted for the field survey and methods of data collection are explained in this chapter.

Chapter IV “Financial and Working Performance of Pandyan Grama Bank” analyses the performance of Pandyan Grama Bank with reference to branch expansion, deposit growth, deployment of credit, credit-deposit ratio, recovery performance and profit-loss position.

Chapter V “Impact of PGB’s Credit Schemes on Beneficiaries” presents a report of the sample survey on beneficiaries of the PGB. It also examines the impact of PGB’s credit schemes on eradication of poverty with reference to income and employment generation and repayment performance.

Chapter VI “Problems and Prospects of Pandyan Grama Bank” deals with the problems faced by Pandyan Grama Bank, problems focused by branch managers and beneficiaries and prospects of the bank.

Chapter VII “Summary of Findings, Suggestions and Conclusion” contains the important findings of the study along with conclusion. It also suggests the policy implication on the basis of the findings of the study.