INTRODUCTION

Rural Development is a cherished goal of all the developing countries. India is no exception to this where 72 percent population lives in six lakh villages. It is beyond doubt that the sustainable development of rural India is essential for the country to realise its potential and unleash the processes of all-around growth, based on latent genius of the rural masses and the institutions serving the rural areas.

It is commonly held that banks are potent weapon for accelerating the process of rural development. Since the attainment of independence, a number of measures have been undertaken to institutionalise rural credit in the country. The first step that initiated by government of India in persuasion of augmenting the meaningful source of finance to rural people was the enlargement of co-operative structure by way of partnership, subsidy, loans grants, concession, reservations and legislation. However, the responsibility of meeting credit requirement in the rural areas was entrusted primarily to the co-operative sector unit about the mid 1960’s. By the end of sixties, the wave of reforms and revolutions such as green revolution, white revolution and transformation of technology and know-how gathered momentum. Co-operative credit societies were found to be fragile to meet the credit requirement of all section of rural people due to technological and resources constraints. When it was realised that co-operatives alone
would not be able to solve the rural credit requirements, in
the year 1969 the government of India took a decision of
nationalisation of fourteen major commercial banks. The
main objective was to increase the banking facilities in
rural areas and to meet the credit requirement of farmers in
order to increase agriculture production and other
productive section of rural areas. The commercial banks
have made tremendous not only in branch expansion but
also in their lending activities. However, these banks found
business with rural poor as cumbersome, unremunerative
and risky. These banks believed that banking cannot be
done with these people because they do not have collateral
to offer. Therefore, there was an urgent need of a bank that
can meet the requirements of vulnerable section of society
in rural areas.

By keeping these views, the Government of India
appointed a working Group on Rural Banks on July 4, 1975
under the chairmanship of Shri Narasimhan, to examine in
depth the setting of new rural banks. The Narasimhan
working Group observed that in a country with regional
diversities as India, no single pattern whether it is
‘commercial banks’ or ‘co-operative banks’ could 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. The
working Group, therefore, came to the conclusion that
“what is needed is and institution which combines the local
feel and familiarity with rural problems. The Working
Group suggested that initially only five such banks should
be set-up in selected areas to serve as pilot-institutions that would provide guidelines for future development. These banks were the RRBs.

The Government of India accepted the recommendations of the Narasimhan Working Group. Accordingly, the President of India promulgated the Regional Rural Banks Ordinance of 1975 on September 26, 1975. This ordinance was replaced by Regional Rural Banks Act 1976. Thus Regional Rural Banks were came into existence.

These banks are meant for economically weaker sections of the rural areas namely, small and marginal farmers, landless labourers rural artisans, etc. The RRBs are supposed to be a nucleus of rural development programme in view of their relatively low cost structure, local ethos and professional management. They are government-owned, regionally-based and rural oriented banks to supplement the existing institutional credit agencies in order to fill-up the regional and functional gap in the rural credit institutional system.

Since the introduction of RRBs a long period of time has passed away. At present the network of RRBs comprises 14313 branches spreading over 500 districts available in almost all the states and Union Territories of India. Rural development of India has become contingent upon an efficient functioning of RRBs. Because of the innovative nature of the bank, RRBs turned-up to be a problem-child. Based on that realisation government of India happens to
come forward with the efforts of varied kinds. One of the key failures of RRB, just like a typical rural bank, is the problem of low recovery. Time has now come to study and analyse the governmental efforts and their impact on rural development. The present study aims to explore such impact.

**Objectives of Study:**

The objectives of present research work are:

1. To examine the problems of rural development.
2. To review the background for setting-up of RRBs.
3. To evaluate the government efforts in the subsequent development of RRBs.
4. To examine the role of RRBs in socio-economic upliftment of rural poor in general and of Sitapur district in particular.
5. To analyse the role of Bhagirath Gramin Bank of Sitapur in this regard. In view of experience of Sitapur as a model.
6. To find out the problems faced by RRBs during the mode of their working and formulate some concrete suggestions for making RRBs economically viable, profitable and efficient enough.

**Hypothesis of the Study:**

This study has been undertaken with the hypothesis that for any rural upliftment it is needed that there should
be some financial support available to the rural masses whether they are farmers, artisans or other inhabitants of the rural areas.

The financial accommodation to be provided to these rural groups was not seriously thought-out as an important parameter to be looked into. As a matter of fact, the financial institutions and banks upto a stage when RRBs were not available could not cater to the full needs of the rural population. It was worth the advent of these Regional Rural Banks that the financial needs of the rural masses have been taken care of. It is with this hypothesis that the study undertakes the job of analysing the problems.

**Scope of the Study:**

The present study concentrates on the role of RRBs in rural development. The role is both qualitative and quantitative. The study takes both the aspects in consideration. Regarding the quantitative aspect issues of deposit mobilisation, advances and profitability have been taken in consideration. In view of the impact on rural development aggregate performance of RRBs fails to focus on certain issues that are unique in nature and specific to different places. There are many economic schemes of RRBs, which are available at certain districts and not available in other districts. Introduction of such schemes depends on the socio-economic patterns and potentials of concerned districts. Impact of RRBs on rural development would be incomplete if this aspects is ignored this in mind, the present study includes a case study of Sitapur district.
The RRB in Sitapur district is known as Bhagirath Gramin Bank. The case study concentrates on the socio-economic potentials of Sitapur district and in relation to that the role of Bhagirath Gramin Bank.

Limitations:

The present study is an exploratory research and so, it suffers from some limitations due to the constraints of availability of data backed by time and resource constraints. Some of the limitations are as follows:

(1) The study is a supply side study. Performances can be better assessed both by supply side and demand side study. The demand side part could not be taken care of in the present study due to the constraint of primary data. It may be suggested that some future study would fulfil this gap.

(2) Performances have been assessed on the basis of aggregate data of all the banks of RRBs as such, attempt will not be made to identify individual banks responsible for certain performance. For example, the present study will find out the profitability of all the RRBs in total. Attempt will not be made to find out the specific bank for what profit or loss happens to have a significant variation. Significance of such segregation is not undermined and so left to the course of future studies.
Research Methodology:

To achieve the above noted objectives the study is based on secondary data. The data is collected from various reports published by RBI, NABARD, books, journals and newspapers. The study unit is the Bhagirath Gramin Bank in the district of Sitapur in Lucknow region of Uttar Pradesh. The Bhagirath Gramin Bank, Sitapur is selected for study because Sitapur is one of the economically backward districts of state. The data of such bank is collected from published source of said bank and Lead bank of the district.

Design of Study:

The entire study is divided into five chapters. Chapter one introduces the problems of rural development and states the approaches taken by the government of India and the bank to accelerate the process of rural development. Chapter two deals with the historical background of RRBs and examine the origin and development of RRBs. Chapter three makes an attempt to appraise the performance of RRBs in terms of deposit, advances, recovery and profitability. Chapter four outlines in short a socio-economic background of Sitapur district and examine the role of Bhagirath Gramin Bank in rural development of the district. The fifth and final chapter summarises the whole study and recommends suitable suggestion to achieve the cherished goal of rural development and to make RRBs more viable, profitable and efficient enough.