CHAPTER I
INTRODUCTION

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CHAPTER I

INTRODUCTION

1.1 Introduction

Rural development occupies a significant place in the overall economic development of the country. Gandhiji said, “India lives in villages”. He stressed the rural character of the economy and the need for regeneration of rural life. Since independence, it has been the constant endeavor of our policy makers to give adequate thrust to rural development, as the sector is directly related to agriculture – still the mainstay for the majority of the population of India. The focus has never shifted from developing the country’s vast tracts of rural lands. It should embrace all the objectives of enrichment and betterment of the overall quality of rural life through appropriate development of manpower resources, infrastructure facilities and livelihood. But rural development planning is a highly complex and sophisticated subject which needs a multidimensional approach, in which various components such as agriculture, industry, education, social life, culture and social justice have to be taken care of. As a result of this, many rural development programmes have been developed like Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA) etc.

However, it was found that these programs did not produce the expected positive changes in the life of rural people (Shete 1999). So the Government of India designed and implemented a new programme Swarnajayanthi Gram Swa Rozgar Yojana (SGSY) in 1999 replacing IRDP and its allied schemes like Training of Rural Youth for self employment (TRYSEM), Development of women and children in Rural Areas (DWCRA), Supply Improved Toolkits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Millions well scheme (MWS) for poverty eradication and rural employment generation. The schemes of Jawahar Grama Samridhi Yojana (JGSY) and Employment Assurance Scheme (EAS) were also merged with the SGSY. Along with this, the
Government also launched other schemes like Pradhan Manthri’s Grama Sadak Yojana (PMGSY), Prime Minister’s Rozgar Yojana (PMRY) etc; for the development of rural people. All these schemes are introduced with the financial support of Commercial Banks (CBs). But the share of Non Performing Assets (NPAs) in advances to the total NPAs of CBs under the government sponsored programmes is showing a rising trend in the country (Pagaria and Yadav 2001). So it is quite doubtful, whether these schemes have improved the economic standards of farmers, especially small and marginal farmers, who constitute a majority of rural masses.

As capital is a primary requirement for any development activity, availability of credit to rural masses is the crux of rural development. Rural credit is provided by two kinds of agencies:

- Non – Institutional Agencies and
- Institutional Agencies

The non-institutional agencies are local moneylenders, their agents and landlords. Institutional agencies include CBs, Regional Rural Banks (RRBs) and Co-operative Banks. Even today, the non-institutional credit agencies play an important role in the provision of agricultural credit (Singh et. al; 2001). This aspect is also stressed by the Gupta Committee (1998) on Agricultural Credit appointed by Reserve Bank of India. The committee maintained that the predominance of local moneylenders should be reduced by strengthening the organized credit agencies.

The All India Rural Credit Review Committee in July 1966 under the Chairmanship of B. Venkatappiah observed that co-operatives alone would not be in a position to meet the increasing financial requirements of rural people. The bank nationalization in 1969, promotion of RRBs and Land Development Banks (LDBs) were the continuous attempts of the Government in rural credit. The share of commercial banks in total institutional credit to agriculture is almost 48 percent, followed by co-operative banks with a share of 46 percent and RRBs account for just about 6 percent of total credit disbursement (Mathur 2001).
At present, there are 47,235 rural and semi-urban branches of commercial banks, 14,433 branches of the 196 RRBs, 1,123,09 Primary Agricultural Credit Societies (PACS), 365 district co-operative banks with 10,775 branches, 31 state co-operative banks with 651 branches and 20 state land development banks with 2,258 primary units to cater to the requirements of rural areas (RBI 2004). Even though the structure is too wide in the organized sector, grave concerns and complaints are raised by the people against commercial banks and RRBs and it is felt that these agencies are unable to meet even half of the timely credit requirements of rural people. It is also stressed by Joshi (1998(a)) that low credit worthiness of the weaker sections still comes in the way of their getting loans and as such District Credit Plans (DCPs) are not of much avail to them. The moneylenders in our villages have still a dominant position in rural finance. He further stated “In spite of the rapid expansion programmes by commercial banks, a large segment of the rural economy is still beyond the reach of the organized commercial banks” (Joshi 1998(a)). So the real benefit of institutional rural credit is still enjoyed by the influential wealthy class of rural areas.

**Banking Sector Reforms**

The monetary policy environment and operating procedures in India have undergone significant changes since 1990s, with the principal focus upon progressive and prudential deregulation so as to provide impetus to market development and integration as means of improving efficiency. The pre-reform monetary policy environment was characterized by excessive control from the part of RBI and Government like regulation of deposits and loans, borrowing and lending rates, existence of a complex structure of lending and limited freedom for operation.

In the post liberalized era, RBI has initiated several measures to ensure safety and soundness of the banking system and at the same time encouraging banks to play an effective role in accelerating the process of economic growth on the basis of the recommendation of several committees, especially, the Narasimham Committee on Banking and Financial Sector Reforms (1991 & 1998).
The Banking Sector Reforms (BSRs) will become meaningless unless they create a sustained positive impact upon the credit system, especially rural credit delivery system, and quality of work offered by banking institutions in the country. The face of Indian economy has drastically changed during the past few years, especially after 1990s. The importance of agriculture has declined, although more than 70 percent of the people are still working in the agriculture sector and the planners consider it as the main stream of the economy (Shivamagi 2000). In 2003 – 04, the contributions of various sectors to Gross Domestic Product (GDP) were agriculture: 22.1 percent, industry 26.9 percent and service 51 percent. This was against the contributions of these sectors in 1970s at 42.8 percent, 22.8 percent and 34.5 percent respectively. (Chidambaram 2004). The Commercial Banks managed to tap deposits to the tune of Rs.1, 77,000 crores i.e., 13.8 percent of the total deposits from the rural sector, but credit disbursement in these areas was only Rs.75, 000 crores, i.e., only 9.9 percent, indicating transfer of funds from rural areas to urban centers at the cost of credit starved priority sector (Valsamma 2004). These show the neglect of rural economy by commercial banks in the post liberalization period.

1.2 Statement of the Problem

Liberalization and globalization ushered in by the Government in the early 1990s have thrown open many challenges to the Indian financial sector (Ranjanakumar 2003). The banking and financial sector reforms, which were introduced in the country as part of the overall economic reforms, is alleged to have worsened the rural credit environment. To quote "the mere total neglect of rural credit by policy makers during the period 1991-96 is largely attributable to the adverse environment created by the financial sector reforms" (Majumdar 1999). One of the recommendations of the Narasimham Committee appointed by RBI in 1991 on financial system is that the target of bank credit to priority sectors should be scaled down from 40 percent to 10 percent of net bank credit. Even though the RBI did not accept this recommendation, the mindset of public sector banks changed fundamentally and they started defaulting merrily on priority sector advance (Majumdar 1999, 2000). The share of priority sector advances declined from nearly 41 percent in 1990-91 to 37 percent in 1995-96 (Majumdar 1999). The preliminary
analysis also shows that although Priority Sector Advance (PSA) of SCBs increased from Rs. 42,915 crores in 1990 – 91 to Rs.263834 crores in 2003- 04, a six time increase in amount, its share to net bank credit has actually declined from 39.3 percent to 34.5 percent during the same period as against the target of 40 percent. Further, the concessional assistance given by RBI through National Agricultural Bank for Rural Development (NABARD) was withdrawn and the amount so saved was diverted to bridge the budget gap of the government, instead of utilizing in the priority sector. RRBs and Co-operative Banks also switched over to invest in non target avenues like shares and debentures of companies, units of mutual funds, bonds of public sector undertakings etc., which resulted in a reverse flow of funds from rural to urban sector.

The recent crisis in certain co-operative banks in Gujarat and Maharashtra was the fallout of this policy of banks. Further, the new banking culture nurtured by reforms, which emphasizes glamorous lending like lending to large corporates, or consumption loans like car loans etc., deteriorates rural credit environment. The public sector banks concentrate on the three C's - Consumer credit, Corporate elite and Capital market related activities (Majumdar 2001(a) and 2005). The Indian banking system has not given due attention to rural banking (Shivamagi 2000). The preliminary analysis of the data reveals that although agriculture lending of SCBs has increased from Rs.16, 750 crores in 1990 – 91 to Rs.90541 crores in 2003 – 04 a 6 fold increase- its share of such advances to net bank credit has steadily declined from 15.3 percent to 11.9 percent during the same period. This is in conformity with the findings of Patel (2001). The same position is found in public sector banks also. Although agricultural lending of public sector banks(PSBs) increased from Rs.15, 857 crores in 1991 to Rs.26, 357 crores in 1996, its share of such advances to net bank credit actually declined from 15 percent in 1991 to 14.3 percent in 1996 (Majumdar, 1999). Further, PSBs have failed even today to meet the credit target of 18 percent of net bank credit to agriculture. The actual level was around 15 percent in 2002-03. This is not because of their inability, since banks have remained highly liquid during the recent years with credit deposit ratio (CD ratio) hovering around 50 percent. It is high time that PSBs to change their post reform attitude to agriculture and rural credit (Majumdar 2004(a)).
In April 1995 a Rural Infrastructure Development Fund (RIDF) was constituted by NABARD with a corpus of Rs. 2000 crores, for giving loans to state governments and state owned corporations for quick completion of ongoing projects relating to medium and minor irrigation, soil conservation, watershed management and other forms of rural infrastructure. Subsequently this fund was replenished by adding Rs.2500 crores each in 1996 and 1997, Rs.3000 crores in 1998, Rs.3500 crores in 1999, Rs.4500 in 2000, Rs. 5000 crores in 2001, Rs. 5000 each in 2002 and 2003 and Rs.8000 crores in 2004, aggregating the total corpus of the fund Rs.42000 crores as on 31st March 2004. But the actual utilization was very low, at 50 percent in 1996 – 97 and 10 percent in 1997 – 98. The amount of loan disbursed as percentage of loans sanctioned under RIDF has also shown a declining trend. It was 92 percent in 1995, 72 percent in 2000, 40 percent in 2002 and 18.3 percent in 2003 (RBI 2004). Further, in the People’s Plan of Kerala, where 40 percent of State’s annual outlet is handed over to Grama panchayats, the PSBs have no programmes as to how to give support to the projects of panchayats for the integrated rural development (Majumdar 2001(b)). This shows the unfavourable attitude of PSBs in rural development. This attitude of banks is more clearly revealed by M.P. Muralidharan in his study, who has been in the banking service for more than 25 years. To quote, “rural credit has become unfashionable is evident from the fact that the subject is accorded only residual focus in the various congregations of our bankers. The placement policy is vague in our banks in such that exposures in rural credit or agro-financing rarely count for promotions” (Muralidharan 1999).

The rural credit delivery system was reviewed by R.V. Gupta (Gupta Committee 1998) and the committee observed that “the morale of the rural cadre in commercial banks is low, commitment uneven and the sense of mission weak”.

At the same time, the banking and financial sector reforms also appear to have created some favourable results in rural credit system. The freedom of commercial banks to determine their prime lending rates and deposit interest rates, reduction of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), maintaining the provision of 40 percent compulsory priority sector advances, classification of loans and advances on the basis of their life periods, and institutional strengthening measures like recapitalisation, improving quality of loan portfolio, instilling a greater element of competition and strengthening the
supervisory process etc., have created positive growth trends in the rural credit system. As on 30th September 2004, Rs.53, 591 crores were disbursed by SCBs, RRBs and co-operatives to agriculture and allied activities with a view to double the credit flow to agriculture within 3 years (Chidambaram 2004). The NPA of SCBs declined from 14.4 percent in 1997-98 to 7.2 percent in 2003 – 04. The NPA of PSBs also declined from 23.2 percent in 1992 – 93 to 7.79 percent in 2003 – 04. Majumdar (2001) also reports similar findings. The NPA of private sector banks also declined from 8.7 percent in 1997 – 98 to 5.8 percent in 2004. A preliminary analysis of data reveals that the NPA of PSA of Public Sector Banks (PSBs), State Bank (SB) Group and Nationalized Banks (NBs) declined from 50 percent, 52.5 percent and 48.7 percent respectively in 1995 to 47.54 percent, 47 percent and 48 percent respectively in 2004.

The NABARD has formulated an action plan for promotion and bank linkage of 5.85 lakh Self – Help Groups (SHGs) over the next 3 years, beginning from 1st April 2004. As on September 30, 2004, as against a target of 1.85 lakhs for the year 2004-05, only 86377 Self Help Groups (SHGs) have been credit linked with a bank loan of Rs.110 crores. The government announced greater operational flexibility for PSBs with a view to making them compete more effectively with private sector banks as well as speed up their business decisions. Further, for increasing the capital base, RBI announced 74 percent Foreign Direct Investments (FDI) into the private sector banks recently. In 1994-95 the Government of India provided Rs.150 crores to restructure 49 RRBs. There is a gradual decline of NPAs of RRBs from 43.1 percent in 1996 to 36.8 percent in 1997 and further down to 32.8 percent in 1998. It further declined to 14.5 percent in December 2003. Moreover, the number of RRBs in profit, which was only 23 in 1991-92 increased to 44 in 1996-97 and to 126 in 1997-98 and 156 in 2003 after initiating reforms in 1991 (Naidu 2001).

Thus, apparently, the banking and financial sector reforms have some impact on the rural credit delivery system - positive as well as negative. In this background, this study makes an attempt to evaluate the impact of banking and financial sector reforms on rural credit.
1.3 Objectives

The overall objective of the study is to evaluate the impact of banking and financial sector reforms on the rural credit delivery system. Under this broad objective, the study has the following specific objectives:-

1. To evaluate the impact of banking sector reforms on deposits and credits, priority sector advance and agricultural credit of scheduled commercial banks in India.
2. To analyse the impact of banking sector reforms on deposits and credits, priority sector advance and agricultural credit of scheduled commercial banks in Kerala.
3. To identify the problems faced by banks in priority sector advance and government schemes lending.
4. To find out the attitude of bank managers towards priority sector advance and government schemes lending.
5. To examine the attitude of bank managers towards Banking Sector Reforms.
6. To assess the level of support of the bank managers towards banking sector reforms.
7. To formulate recommendations.

1.4 Hypotheses

1. There is no significant difference in the rate of growth in demand, time and total deposit of scheduled commercial banks in pre and post reform periods.
2. The rate of growth in credit of scheduled commercial banks is not significantly different in pre and post reform periods.
3. There is no significant change in the rate of growth in priority sector advance, agricultural lending and SSI advance of scheduled commercial banks in pre and post reform periods.
4. There is no significant difference in the rate of growth in advances to marginal, small and large farmers in pre and post reform periods.
5. There is no significant difference in the rate of growth of deposits and credits of scheduled commercial banks in Kerala in pre and post reform periods.
6. There is no significant difference in the rate of growth of deposits and credits of scheduled commercial banks in Kerala as compared to national level.
7. There is no significant difference in the rate of growth of priority sector advance and agricultural credit of scheduled commercial banks in Kerala as compared to national level.
8. The bank managers have a neutral attitude towards priority sector advance and government schemes lending.
9. The attitude of bank managers towards banking sector reforms is not significantly different.
10. There is no significant difference in the level of support of bank managers towards banking sector reforms.

1.5 Significance of the Study

Rural credit delivery system has a pivotal role in rural development of the country. Beginning with the Co-operative credit structure, followed by rural branches of commercial banks and then the RRBs, the institutional structure has grown and expanded during the last 58 years since independence. In spite of these expansion programmes, a large segment of the rural economy is still beyond the reach of the organized commercial banks. (Joshi 1998(b)). The share of commercial banks in the total refinance on concessional terms is only about 18 percent, which indicates the need for increased participation of these banks in the backward areas.

As mentioned earlier, banking sector reforms have created grave problems in the rural credit. No serious attempts have been made by rural credit agencies in mobilizing rural deposits and they failed to cater to the real needs of the rural people, especially the middle and poor class. So even now, the ordinary people are outside the orbit of the organized institutions and they are in the clutches of moneylenders (Joshi 1998(b)). The unsupportive attitude of commercial banks, high transaction cost, over dues syndrome, non-viability and NPA aspects have created a matter of serious discussion among the public, relating to the role of the organized financial institutions in rural development (Joshi 1998(b)).
No system of planning is fruitful unless adequate importance is given to rural sector and rural credit system. An integrated rural development is the need of the day. The banking sector reforms are expected to provide adequate support for sustainable development in the rural sector. As Majumdar says, “banking reforms do not only mean ATMs, computerization of treasury operations, credit cards, NRI branches, and perhaps dealing in securities. They also involve lending to the productive sectors, priority sectors, and small borrowers. Developing viable credit institutions and providing credit to the rural poor within the parameters of the broad objectives of poverty alleviation is a well established development policy” (Majumdar 1999). How far these reforms contribute to rural development is a matter of serious discussion at present. So it is imperative to evaluate the impact of these reforms on the rural credit delivery system. Here an attempt is being made to evaluate the impact of Banking Sector Reforms on the functioning of scheduled commercial banks. The findings of the study may help policy makers like the Government, RBI, NABARD etc., and rural credit institutions especially SCBs in taking various measures for revitalizing rural credit which is so essential for the development of the country.

1.6 Data and Methodology

The study is both empirical and analytical. Both primary and secondary data have been collected for the purpose of study and analysis.

1.6.1 Secondary data

Secondary data have been collected from published and unpublished records of Government Departments, RBI, Lead Bank Offices, branches and regional offices of commercial banks and NABARD office. Data were also obtained from various publications of RBI like RBI Bulletin, Annual Reports of RBI, Handbook of Statistics on the Indian Economy, Banking Statistics - Basic Statistical Returns, Report on Trend and Progress of Banking in India and Report on Currency and Finance. Data were also obtained from the publications of Central and State Governments like Economic Survey, Census Reports, Economic Review and Survey Reports on Indian Agriculture and various committee reports relating to agriculture and rural credit. Annual credit plans of
Lead Banks and State Level Banker’s Committee (SLBC) Reports were also used for data collection. Data were also obtained from various periodicals like Yojana, Kurushetra, Prajanan, Economic and Political Weekly, Southern Economist, and Economic Challenger and from NABARD office.

1.6.2 Primary Data
Primary data have been collected from managers of selected bank branches of SCBs in Ernakulam and Idukki districts regarding their branch participation in priority sector Advance, perception towards PSA, problems in PSA and government schemes lending, attitude towards BSRs and the level of support extended to BSR measures. The field survey was conducted with a structured questionnaire. It was personally administered by the researcher.

1.6.3 Sample Design
A multi-stage sampling technique was designed for the study. In the first stage, two districts in Kerala were selected - one forward district and one backward district for a comparative study. The two neighbouring districts Ernakulam and Idukki were conveniently selected for the study. The list of scheduled commercial bank branches functioning in the two districts was collected from lead bank offices.

In the second stage SCB branches were selected from the different administrative blocks excluding metropolitan banks. The block classification consists of rural, semi urban and urban areas, where the SCB branches are functioning. The bank branches functioning in the Cochin city were not included in the source list as the study is mainly focused on rural credit. There are 455 SCB branches in Ernakulam District. Among these 265 bank branches are functioning in 15 blocks of the district consisting of 163 PSBs and 102 private sector bank branches, which were taken into account for preparing source list, as these banks are included in Service Area Approach (SAA) of the RBI and are functioning in rural and semi urban areas. In Idukki District, there are 96 branch offices of SCBs, of which 66 are PSB branch offices and 30 are private sector bank offices, functioning in 8 blocks. Out of 265 bank branches in Ernakulam District, 65 branches were selected–40 PSB branches and 25 private sector bank branches. Twenty-five bank branches were
selected from Idukki District consisting of 16 PSBs and 9 private sector branches. Thus, the total sample of 90 branch offices amounted to 25 percent of the total units (361) in the source list (Table 1.1).

Table 1.1: Sample Units

<table>
<thead>
<tr>
<th>Districts</th>
<th>Total Units</th>
<th>Sample Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public Sector Banks</td>
<td>Private Sector Banks</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>163</td>
<td>102</td>
</tr>
<tr>
<td>Idukki</td>
<td>66</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>229</td>
<td>132</td>
</tr>
</tbody>
</table>

Source: Primary Data

1.6.4 Reliability Test

The concept of reliability refers to how accurate, on the average; the estimate of the true score is in a population of objects to be measured (Singh 1986).

**Guthman Split Half** test was applied to know the reliability of the statements and questions incorporated in the questionnaire.

In this research **Protocol Analysis** is used to ensure reliability of responses. It is a rigorous methodology for eliciting verbal reports of thought sequences as a valid source of data on thinking. In this, subjects are asked to “think aloud”, leading to a new type of verbal reports of thinking. It is an important technique to ensure reliability of responses given in the questionnaire (Ericsson and Simon 1993, Hair et. al; 2003).

Ten statements were used to evaluate the attitude of bank managers towards priority sector advance and their reliability was tested and the values obtained were 0.5632 and 0.4887. Ten problems related to priority sector advance were identified and their reliability was also tested. The values obtained were 0.7569 and 0.4192. In evaluating
government schemes lending (GSL), eleven problems were identified and their reliability was tested. The values obtained were 0.7155 and 0.6588. To know the attitudes of the bank managers towards banking sector reforms introduced, eight statements were incorporated and their reliability also was tested and the scores obtained were 0.3298 and 0.4877. To evaluate the level of support towards banking sector reforms thirteen statements were used and their reliability was tested. The reliability scores obtained were 0.5689 and 0.6533.

1.6.5 Pilot Study
The officials of RBI Cochin Office, NABARD Cochin Office, Lead Bank Offices, branches of selected public and private sector banks in Ernakulam and Idukki districts and academicians were consulted by the researcher before finalizing the questionnaire. Questions were incorporated to evaluate priority sector and government schemes lending and their default in the respondent bank branches. Statements revealing the attitudes of the bank managers towards priority sector advance, government schemes lending and banking sector reforms were also incorporated into the questionnaire.

The first drafted questionnaire was tested by conducting a pilot study with eight bank managers, by taking two each from public sector and private sector banks in the two districts. It was conducted by the researcher in September – October 2002 personally. After making necessary modifications in the questionnaire the second pre test was conducted in January – February 2003 with another eight bank managers in the two districts. The third pre-test was done in April – May 2003 on another set of eight bank managers. Thus the questionnaire was restructured three times and finalized after making necessary changes on the basis of the views expressed by the bank managers. It is found that the bank managers have served on an average in six branches in various places within and outside the state. Their vast experience gathered from different areas contributed much in designing the questionnaire. The pre test conducted improved the reliability of statements in the questionnaire (Table 1.2). All the statements have reliability of more than 0.70. Reliability of about 0.70 is considered as adequate for the instruments used in basic research (Nunnally 1978).
Table 1.2: Reliability Values of Statements in the Questionnaire

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Aspects</th>
<th>Number of statements</th>
<th>Final reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Priority sector advance attitude</td>
<td>10</td>
<td>0.7032 &amp; 0.7038</td>
</tr>
<tr>
<td>2</td>
<td>Priority sector advance problems</td>
<td>10</td>
<td>0.792 &amp; 0.792</td>
</tr>
<tr>
<td>3</td>
<td>Problems in government schemes lending</td>
<td>11</td>
<td>0.7519 &amp; 0.7533</td>
</tr>
<tr>
<td>4</td>
<td>Attitude towards banking sector reforms</td>
<td>8</td>
<td>0.7133 &amp; 0.7154</td>
</tr>
<tr>
<td>5</td>
<td>Level of support towards banking sector reforms</td>
<td>13</td>
<td>0.7457 &amp; 0.7474</td>
</tr>
</tbody>
</table>

Source: Primary Data.

The final questionnaire was used for data collection between August 2003 and May 2004. The final questionnaire was distributed to the selected ninety bank branch managers personally by the researcher. The questionnaire was administered after giving an idea relating to the objectives of the study and the social significance of the results. The researcher contacted the respondents two times through telephone and personally visited them two times. After these follow up, seventy-eight filled up questionnaires were received, the response rate being 87 percent. The filled up questionnaires received amounted to 22 percent of the total units in the source list. A copy of the questionnaire is given as Appendix 1.

1.6.6 Tools of Analysis

The data collected were analyzed with the help of mathematical and statistical tools like Average, Percentage, Ratios, Weighted scores and ranking, Exponential growth rates, Likert analysis, Gutman Split – half technique, t test, F test, ANOVA, Chow test and Multi dimensional scaling(MDS). Annual growth rates were computed to know the growth of deposits and credits of SCBs. Ratios were used to evaluate credit deposit position and bank group wise classification of deposits and credits. Percentages of sector wise distribution of branch offices were calculated. Exponential growth rates were calculated during pre and post reform periods in respect of the different variables like deposit, credit, priority sector advance, agricultural advance etc. Chow test was applied to know the significance of change in the exponential growth rates of deposits, credit,
priority sector advance and agriculture advance etc. in pre and post reform periods. Multi
dimensional scaling was used to know the concentration of different problems in PSA
and GSL. Student’s t test was applied to know the difference in the level of support of
bank officials towards banking sector reforms. ANOVA test was applied to know the
differences in the attitude of the bank managers towards banking sector reforms in
different bank groups. Tables, Graphs and Charts were also used to present the data.

1.6.7 Measurement of Impact
In this study, for measuring the impact of Banking Sector Reforms in rural credit ‘before
and after’ approach was used. A comparison of pre and post reform period figures and
growth rates was made in respect of branch expansion, deposits, credits, priority sector
advance, agricultural credit etc. for measuring the impact.

1.6.8 Period of Study
The period of study is from 1981 to 2004. Banking Sector Reforms were initiated in
1990’s. The study is conducted by classifying the entire period into pre and post reform
classes. In this study, the pre reform period is taken as 1981 to 1991 and post reform

1.7 Limitations of the study
Analysis is made on the basis of the information supplied by the managers of banks and
its accuracy depends upon the information supplied. However the researcher tried the
level best to ensure accuracy of information supplied by putting cross checking questions
to the respondents and approaching them at their convenience.

1.8 Chapterization
The contents of the study have been organized in 8 chapters. The introductory chapter
presents the subject and significance of the study, objectives, hypotheses, period of study,
methodology adopted, tools for data analysis and the limitations of the study.
The second chapter is exclusively for the review of literature and earlier studies conducted in the area of research. An extensive literature review is done by the researcher.

The third chapter gives a brief account of BSRs initiated in the country in the light of the Narasimham Committee, the recommendations of the committee and the various measures taken by the RBI and Government for strengthening banking sector activities.

The fourth chapter gives details about the role of commercial banks in rural credit. The chapter provides an idea relating to rural development, role of government in it and the various rural development programmes. The multi-agency approach, different rural credit agencies - Co-operative banks, RRBs and SCBs - their role with special emphasis on SCBs also are dealt with in this chapter.

The fifth chapter is an analysis of the performance of SCBs at the national level in pre and post reform periods to analyze the impact of BSRs on rural credit. The priority sector advance and agricultural credit position of SCBs are analyzed and the change in growth rates in pre and post reform periods is measured.

The sixth chapter gives details about the performance of SCBs in Kerala. The deposit position, credit granted, credit deposit ratio, bank group wise deposits and credits, priority sector advance and agricultural loans provided are analyzed. A comparison is also made between national and state level.

The seventh chapter deals with the analysis of the attitude of bank managers towards PSA and BSRs and the problems felt in PSA and government schemes lending.

The eighth chapter gives summary of the analysis of the study, findings, conclusion and suggestions.
References


