CHAPTER-VII
CHAPTER VII

SUMMARY AND CONCLUSIONS

7.1 Research Implications
Agriculture is an occupation and assumes great significance in developing countries. It not only makes available food and employment to the people but also provides the basic foundation for agro-based industries. The progress of agriculture depends upon the modern use of science and technology. It requires financial support for the use of inputs like hybrid seeds, farm machinery, fertilisers and pesticides so that increased productivity of both land and labour can be achieved. The mobilisation of savings and making them available as capital assumes critical importance. The role of savings in economic development was well established by many economists. They have considered savings to be a function of income and interest rate. Setting up of efficient Rural Financial Market (RFM) becomes a significant requirement in the process of development.

Rural Financial Market performs two major functions. One, it facilitates transfer of funds from suppliers to users and the funds are made available to competing users. It helps to provide an equilibrium between demand and supply.
of loanable funds in rural areas and also promotes the flow of funds from one sector to another sector. In order to provide credit to the agriculturists, rural financial market consist of two segments- one is informal or unorganised money market which includes money-lenders, indigenous bankers, nidhis and chit funds. Second is formal segment or organised money market which constitute co-operatives, commercial banks and regional rural banks. The present study has been undertaken to study the structure, organisation and functions of rural financial market and specifically to focus upon the credit flow from of unorganised money market in Tamil Nadu.

The assessment of credit requirements is related to both supply of and demand for credit. Two approaches have been adopted for assessing the credit demand viz., "borrowing approach" and "expenditure approach". Under the borrowing approach, the total borrowings of cultivating households in India were estimated at Rs.750 crores in 1951-52, Rs.1034 crores in 1961-62, Rs.1155 crores in 1971-72 and Rs.3757 crores in 1981-82. But, this method is not considered as scientific for estimating future credit requirements. Hence, there has been a shift towards the "cost of production approach" or the "expenditure approach". This method explains the relationship between the cost of
output and the borrowings. However, a number of macro studies such as the Working Group estimation (1965), the Panel of Economists headed by Dantwala (1966), the Gadgil's Study Group (1969), All-India Rural Credit Review Committee (1969), the Working Group on Co-operation (1974) and more recently the National Commission on Agriculture have mainly adopted the "Cost of production approach" in assessing the agricultural credit requirements. National Council of Applied Economic Research Center (1974) and Sharma and Frasad (1971) have adopted the linear programming technique for the assessment of credit requirements.

The supply of credit mainly depends upon the level of savings, capital formation and perspectives of financial institutions. In India, the supply of credit by organised money market were increased from 7.3 per cent in 1951-52 to 63.4 per cent in 1981-82. This was mainly due to phenomenal growth of co-operatives and commercial bank credit in India. The un-organised money market share of credit has decreased from 93.7 per cent in 1951-52 to 36.6 per cent in 1981-82. This decline was specifically due to the decline in the share of agricultural credit from money-lenders.

Due to various blemishes of un-organised money market in India, experts are in favour of organised money market for the supply of credit to the agricultural sector. The
organised money market work within the provisions of the Indian Banking Companies Act and maintain accounts which are open to audit and inspection and regulation by public bodies. It consists of co-operatives, commercial banks and regional rural banks. Many experts believe that, the co-operatives, are the powerful instrument for reconstructing and remodeling of the credit structure in the world because they provide cheap and adequate credit to the agriculturists and to release them from the clutches of money-lenders.

The quantitative dimension of the financial progress of co-operative credit structure in India has recorded the considerable growth. At the primary level, the growth of membership increased fifteen times over the 40 years from 5154 thousands in 1950-51 to 80115 thousands in 1990-91. The amount of deposits, owned fund, and borrowings were increased from Rs.4 crores, Rs.18 crores and Rs.19 crores in 1950-51 to Rs.1349 crores, Rs.2862 crores and Rs.7779 crores respectively in 1990-91. Due to the reorganisation of district central co-operative banks, the number declined from 505 in 1950-51 to 353 in 1990-91. The owned funds and deposits as the percentage of working capital have declined; whereas in regard to borrowing, the percentage share has increased in 1950-51 to 1990-91 respectively. For state co-operative banks the total number of bank offices were
increased from 15 to 28 with 20932 thousands membership to 65481 thousands and in working capital from Rs.34.4 crores to Rs.12295 crores respectively over a study period.

In the long term structure, primary land development banks were increased from 286 in 1950-51 to 692 in 1990-91. The total membership of the bank were increased above twenty six times in the last four decades. The working capital and the amount borrowed by the banks were increased progressively. In state land development banks, their membership increased at 4314 thousands in 1990-91 as against only 9 thousands in 1950-51. The percentage of borrowings in relation to working capital is higher than the owned funds and deposits.

Co-operative banks occupy a pride of place in agricultural financing. Among all co-operative credit societies the total amount of advances and outstanding were increased from Rs.833 crores to Rs.24794 crores and Rs.667 crores to Rs.29806 crores respectively in 1960-61 to 1990-91. Among that the relatives share of advances by the state and central co-operative banks was much higher than the primary agricultural credit societies at the base level. In case of total loans outstanding, their relative share is much higher in central co-operative banks than state co-operatives. Over the last three decades, i.e., it ranges
from Rs.220 crores to Rs.11722 crores in central co-operative banks and Rs.167 crores to Rs.6593 crores in state co-operative banks.

Primary agricultural credit societies, advances and outstandings were increased from Rs.203 crores to Rs.4679 crores and Rs.218 crores to Rs.6877 crores in 1960-61 to 1990-91. Similarly, the quantum of loans advances and outstanding was much more higher in central land development banks than primary land development banks over the respective years. The failure of co-operatives was mainly due to rapid increase of overdues. For all credit societies, the amount of overdues was Rs.80 crores in 1960-61 and Rs.8335 crores in 1990-91. Among these, the relative share of state co-operative banks, central co-operative banks, primary agricultural credit societies, central land development banks and primary land development banks was in the order of 12, 38, 38, 9 and 4 per cent respectively during 1990-91.

In all co-operative societies during 1960-61 to 1990-91, the percentage share of overdues to total loans outstanding were increased from 4.2 to 15.0 per cent in state co-operatives banks, 12.3 to 26.9 per cent in central co-operative banks, 20.2 to 45.6 per cent in primary
agricultural credit societies, 3.2 to 19.8 per cent in state land development banks and 2.5 to 36.1 per cent in primary land development banks.

In the organised money market in India, the commercial banks play a very important role for mopping up the savings and linking them with investment. To solve the intricate problem of unemployment in India it helps to financing the developmental plans. The history of commercial banks in India dates back in 1809. With a view to strengthening the financial structure of agriculture, the 14 major commercial banks were nationalised in 1969 and six more banks were nationalised in 1980. Hence, this nationalisation of commercial banks helps directly to credit planning in order to achieve the rapid economic development of the country.

The development of commercial banks in India is quite well. The total number of bank offices were increased from 8262 in 1969 to 61724 in 1991. The spread of banking branches in both absolute and relative terms was much higher in rural areas than others (i.e.) accounting for 22.2 per cent in 1969 to 56.9 per cent in 1991. Hence, the massive rural branch expansion naturally brought down the population served per branches from 64000 in 1969 to 11000 in 1991. In the field of deposit mobilisation, the commercial banks really did commendable job. Deposits of
these banks amounted to Rs.200577 crores in 1991 as against Rs.4665 crores in 1969. But in matter of concern is that the growth of deposits is declining in relative terms. The performance of credit provided by commercial banks is impressive. Total loans of these banks increased from Rs.3609 crores in 1969 to Rs.124171 crores in 1991. However its relative share is much higher in rural sector 1.5 to 15.0 per cent followed by semi-urban (11.3 to 16.3 per cent) areas. The entry of commercial banks in agricultural finance plays a more dynamic role in agricultural development of the country. The advances provided by commercial banks to agricultural sector alone increased from Rs.162 crores (5.4 per cent) in 1969 to Rs.16864 crores (16.4 per cent) in 1991. Of which the direct advances provided by commercial banks were increased only after the nationalisation of commercial banks from 25.0 per cent to 94.0 per cent in 1969 to 1991. This will emphasis results that the commercial banks are directly responsible for agricultural development of the country.

Credit provided by public sector commercial banks particularly to the priority and neglected sectors of the economy is quite impressive. In 1991, Rs.42093 crores were advanced to priority sector which represented 40.9 per cent of total advances. Of the total amount of credit extended
to priority sector, the lion share such as 79.5 per cent was taken by agriculture and small scale industries. The remaining share was followed by other sectors like road and water transport, retail trade and small business, professional and self employed persons in the rural society.

RRBs were set up in various part of the country under the Regional Rural Bank Act in 1976. It is the combination of commercial banks (i.e. resource oriented) and co-operative banks (i.e. rural oriented) to provide credit to the rural people. The growth performance of RRBs has been quite satisfactory and stand well. During 1975 to 1991, 196 RRBs were established in India with total of 14531 branches spread over 385 districts of the country. The outstanding advances increased from Rs.0.10 crores in 1975 to Rs.3804 crores in 1991. The average amount of outstanding advances per RRB and per branch were Rs.1941 crores and Rs.26.17 crores respectively in the year 1991. The loans provided by RRBs for purpose-wise is much more higher in agricultural and allied activities. The RRBs in India suffers not only from external constraints but also it suffers from organisational and operational problems. In nulshell it may be stated that RRBs are weakening in terms of organisational, structural, viability of the banks, problems of overdues, management problems and industrial relations.
Regarding the interest rates on borrowings, it was noticed that bank rate was considered to be the level of interest rate in organised money market which was lower than those ruling in the un-organised money market.

The total disbursement of agricultural credit provided by organised money market in India has increased progressively from Rs.885 crores in 1970-71 to Rs.8983 crores in 1990-91, whereas in 1991-92 it was Rs.11302 crores. However, after 1985-86, the credit provided by commercial banks was much more higher (both in absolute and relative terms) than the co-operatives.

To sum up, it may be said that the credit provided by organised money market in India is an unfavorable term, therefore the farmers are not able to make use the full loans for agricultural production. So, it puts the farmers again in heavy debt. In order to find out the immediate credit needs they mostly depend on the un-organised money market.

In India the history of indigenous financial agencies are of ancient origin dating back to vedic times. During that period, the main function is to provide credit to trade and production at lowering rate of interest. Lending, utilisation and repayment of loans, the various rules (i.e.
law) and regulations are drawn by them at seventh to second century B.C. itself. During the second and third century, the laws of Manu devotes separate sections to the recovery of old debt, deposits and pledges, and indicates that activities relating to money-lenders were well controlled and regulated. With this result there is no live account of indigenous banking during sixth to sixteenth century but, the bankers lend money to the state for payment to the army. However, after the establishment of East Indian Company in India during seventeenth to later of eighteenth century, the indigenous bankers naturally lost their old predominance. The un-organised money market as a sector operates outside the provision of the Indian Companies Act and maintains accounts which are not audited. It consists of a group of various indigenous agencies. This market was more imperfect and much less homogeneous than the organised money market.

Money-lenders occupy a dominant position in providing credit to the farmers. They provide finance for any activity may be productive or unproductive. Majority of the farmers prefer money-lenders to meet their increased immediate financial needs as against organised sector, because their lending rules are very simple and flexible to suit individual heads. Professional money-lender's main
occupation is money lending whereas, the non-professional or agricultural money-lender's main occupation is farming. The money lending constitutes a minor occupation. On the basis of place classification, the village money-lenders keep the country side and lend money to the needy people for the duration of four to six months. Normally the cash loans are not exceeding Rs.500. The town or urban money-lenders provide credit to the traders and commerce for a maximum period of three months. The loans are given on the basis of their personal securities.

Another source of credit is the pawnbroker. They lend money against the pledge of gold, jewellery, silver and copper. Normally they lend loans on the basis of 50 to 75 per cent of the value of security.

Recent trends show that the money-lenders are on the decline. The malpractices adopted by them have been partly responsible for their unpopularity among the villagers. Moreover, the growth of their alternative institutions like co-operative banks, commercial banks and RRBs has greatly curtailed their activities of money-lenders. In addition to these, the money-lenders themselves are trying to leave from the field of money lending because of the various money-lenders' Act passed by the state in order to cut down the
maximum rate of interest which can be charged on loans. Money-lenders are unwilling to face the regimentation of legislation by keeping proper books of accounts and taking license.

Indigenous bankers make loans to small industrialist and traders. For receiving deposits from public they use credit instruments. It is a family business and carried out in a hereditary way. On the practical training basis they organise number of branches in many parts of the country and also submit its records and reports regularly to the head office. Indigenous bankers are two types, professional known as multanis, shroffs, nattukottai chettiyars and kallidaikurichy brahmins and non professional such as traders, commission agents, marwaris and others.

The multani bankers are the intermediaries between merchants and joint stock banks. It is urban oriented bank and closest to the organise money market. They provide credit directly to the inland trade and it is indirectly used for agricultural purposes. They accept deposits only from friends and relatives. Their lending business is mainly based on the principle of credit worthiness of borrower and not for credit worthiness of purpose. Hence, it can be regarded as unsecured business in indigenous banking system.
Another ancient class of indigenous bankers are Gujarati Shroffs, a hereditary business which dates back to more than 150 to 200 years ago. Its functions are more similar to modern banks. They provide credit for distribution and marketing of agricultural products. The number of branches are organised by partnership basis and are not exceeded 30 to 35 branches. Normally, they accept hundis for trade remittance and other purposes. Deposits are accepted by shroffs with 6 to 9 per cent of interest rate.

Nattukottai chettiyars and kallidaikurichy brahmins represent the highest development of indigenous banking in India. The banking business of both these communities are organised by joint family basis. Formerly they lend money to agriculturists and traders. The loans are mainly for unproductive purposes. They accept and receive both current and fixed deposits.

Marwaris are non professional indigenous bankers operating in tea estates over a century in North East India. They finance money only to trade, commerce and industries and not for agricultural purpose. For this type of commercial business, the cheques and hundis are accepted by them for third parties intended to remit funds.
Traders and commission agents are the important source of finance in rural areas, particularly they lend money to the farmers before the crop season starts. In total agricultural credit, its share were increased 5.5 per cent in 1950-51 to 8.8 per cent in 1960-61. In 1980-81, its share declined to 3.2 per cent due to exorbitant rates of interest and other undesirable effects.

With lack of adaptability, undivided attention to the banking business, small amount of deposits, heavy stamp duties in hundis and lack of co-ordination between joint stock bank are factors responsible for declining their role in Indian money market.

Nidhis are started with the objective of relieving a few friends from the ruinous terms of the usurper. It is a semi-banking institution to the rural people who does not have or receive any banking facilities. It is defined as a group of men united to help one another by common contribution of funds, which are to be lent out to the members only for their benefits. It can be registered under Indian Companies Act. They accept deposits from members and make loans for all productive purpose at 7 to 9 per cent interest rate. Ten or more members join together and organise a nidhi. Its operations are just like commercial bank and subject to certain regulation for the safeguards of
depositor's interest. Ultimately, the deposits of approved nidhis have provided certain incentives and insurance facilities under Deposit Insurance Corporation System. Hence, that nidhis can be regarded as an integral part for the formation of rural society in the nation.

However, nidhis suffer from certain defects for its natural work. First, it does not help the agriculturists and urban workers at favourable rate of interest. Secondly, the financial stability of the nidhis is not good.

Chit funds are more popular in rural parts of the Southern India. It promotes both savings as well as giving loans to members and to a large number of villagers on a small and big scale. They are three types of chit funds. Simple chit funds mean members who agree to contribute to certain amount of fund at regular intervals. Once his name appears on the chit fund means he got periodical collection. In prize chits, no commission is charged by foreman. The amount contributed by the members can be returned at the end of period. The winner get their prizes either in the form of article or jewellery. In business chit, commission is charged by foreman for his services depending on the agreement. He is willing to take the entire chit amount at the first or second instalment. The amount of discount is considered as the dividend and it is distributed among all the members.
The chit funds having certain defects for its mutual recurring scheme are: One, rate of interest on prize winners and the commission amount or discount amount charged by this agencies are normally very high. Secondly, the production use of the prize money in chit funds is very small.

Determination of interest rates in un-organised money market are not subject to the same kind of seasonal or cyclical fluctuations as in the organised money market because a variety of interest rates rules in the entire market. It is very difficult to determine the level of interest rates in un-organised money market because of the prevalence of kind loans, other payments and advance deductions etc. However the rate of interest charged by money-lenders are higher than those other agencies in un-organised money market in India.

The average borrowings of cultivators from un-organised money market in India was Rs.194.1 (92.7 per cent) in 1951-52 and Rs.231.0 (44.0 per cent) in 1981-82. Of which the money-lenders and traders alone accounted for 75.2 per cent in 1951-52 and 23.0 per cent in 1981-82. This results aptly pointed out that the money-lenders and traders are the virtual monopoly in supplying rural credit in India. In case of the loans outstanding cash debt in India, the
average outstanding cash debt in un-organised money market was relatively higher than organised money market during 1951-52 to 1971-72. From Rs.336.1 in 1951-51 (92.4 per cent) and Rs.488.6 in 1971-72 (74.2 per cent) of their average cash debt as against only Rs.27.6 in 1951-52 (7.6 per cent) and Rs.169.9 in 1971-72 (25.8 per cent) for the organised money market. However the branch expansion programmes in 1971 results to rise the share of cash debt by the commercial banks and simultaneously fall in the proportion of debt owed by them to un-organised money market from 92.4 per cent to 42.5 per cent in 1951-52 to 1981-82.

The purpose-wise borrowing of cultivators in India was progressively high in farm and non farm business, accounting for 44.4 per cent in 1951-52 and 67.7 per cent in 1981-82. Of which farm business is more important than non farm business. Similarly the substantial increase was noticed in the average amount of cash borrowings and repayments, whereas percentage of household reporting was declined more in borrowings than repayments.

To formulate a credit policy in any state, the socio-economic background of the state is necessary. In the case study a specific information on agro-economic conditions and detailed discussion on banking system in Tamil Nadu state was presented. In Tamil Nadu the agricultural work force
i.e. cultivators and agricultural labourers was 59.0 per cent. The land holdings in the state are usually small. According to 1985-86 agricultural census, the small and marginal farmers owing upto 2 hectares constitute 87.7 per cent of households but account only for 48.7 per cent of land owned. The remaining 12.3 per cent of the holding with 2 hectares and above own as much as about 51.3 per cent of the land in Tamil Nadu.

The study of banking system in Tamil Nadu: The village money-lenders have been traditional institution providing credit to agriculturists, small scale industries and other village artisans. The different types of money-lenders are working in all sides carrying the business in their own way i.e. either exorbitant or lenient terms. The village money-lenders are the guides of farmers and village artisans. They lend money on pro-notes and against jewells. Trader money-lenders are financing the trade on cotton brought from the up-country producing centers. Mandiman money-lender means a wholesale buyer of paddy and retail trade. He buys the paddy outright and occasionally helps the bigger granary owners in disposing of their produce. Commission agent is another type of mandiman. He does not buy the produce outright, but helps the farmer in marketing his produce for a small commission. Merchant money-lender finances the small toddy drawers. The advance must be repaid in kind at a fixed price and certain instalments.
Indigenous bankers are mostly suited to commercial and financial talent of the people. They advance money indirectly to the agriculturists. Indigenous banking business are undertaken by certain communities. They are first, the nattukottai chettiyars who mostly conduct their business at present in Chindambaranar, Madurai, Tiruchirappalli and Thanjavur districts of Tamil Nadu. They advance money for agriculture with high rate of interest. Normally, the lending rate is very high in villages than towns. They also accept both the current and time deposits from public. In Tamil Nadu this business is not more attractive because the debtors have well known about the aid of law courts for delaying and defaulting the credit.

Kallidaikurichy brahmins operated chiefly during thirties in Madurai, Ramanathapuram and Chindambaranar districts of the state. They advance money only to the trade and not for agricultural purposes. Their lending business is jointly organised with nattukottai chettiyars. They accept deposits from public.

The multanis are not natives of Tamil Nadu. But they do business on moderate scale in some parts of biggest cities in the districts viz., Madurai, Madras and Tiruchirappalli. They act as the intermediaries between merchants and joint stock banks. They do not lend money directly to cultivators.
Marwaris are specialised in financing trade and commerce. They do not accept local deposit but borrow from other banks for their funds. The funds are mostly provided by their own house or community.

Nidhis are the counterparts of the chit funds in many districts of the state. The object of the nidhis are the accumulation of fund for special purposes. They receive deposits from members and lend money only to their members and not for outsiders. Chit funds is nothing but an expression of co-operative efforts of mustering savings through instalments and advancing the pooled savings as loan to the members with facilities of repayment in instalment. Among the un-organised money market the chit funds are known as woman folk because in rural areas ten or more women would join together and organise a chit. They have no agreement in running the chit. For that reason at present no other credit institution is good in providing credit to meet the immediate credit demand except chit funds.

Regarding interest rate, indigenous structure of interest rate is quite different from money-lender's structure of interest rate. The usual rate of interest charged by money-lenders varies from 25 to 75 per cent per annum. Whereas in case of indigenous bankers, particularly the marwaris were charging 36 to 42 per cent for local
customers and 42 to 48 per cent for smaller commercial and industrial centres. Similarly the rate of interest on deposits is 18 to 20 per cent.

The growth of progress of un-organised money market in Tamil Nadu was quite impressive but also play a very significant role in the banking system in the state. The amount of borrowed loans and outstanding cash debt were increased from Rs.370.9 and Rs.353.0 of the average borrowings as against as Rs.28.0 and Rs.332.0 in organised money market and Rs.774.8 and Rs.1126 of the average outstanding as against as Rs.43.4 and Rs.893.0 in organised money market during 1951-52 to 1981-82. Among the unorganised money market, the major share was contributed by agricultural, professional money-lenders and traders both in terms of their borrowings and cash debt. In regard to organised money market, the commercial banks and co-operatives constitute a half of the total borrowings and outstanding cash debt.

The purpose-wise borrowings of cultivators in Tamil Nadu during 1951-52 to 1981-82, increased progressively from Rs.395.1 to Rs.685.0 respectively. For that farm business expenditure share is 39.8 per cent and 47.3 per cent as against only 11.4 per cent and 8.7 per cent for non farm business during the respective years. One-third of the
average borrowing expenditure can be incurred by household expenditure. Repayments of old debts in the state is mainly caused by the ancestral indebtedness because farmers are born in debt, lives in debt and dies in debt. They account for 6.2 per cent in 1951-52 and 3.4 per cent in 1981-82. The average amount of cash borrowings and repayments in Tamil Nadu were increased about Rs.297.9 to Rs.685.0 and Rs.121.2 to Rs.296.0 respectively in 1961-62 and 1981-82. But in case of percentage of households reporting borrowings declined over 1961-62 and 1981-82. Whereas in case of repayments of cash dues the decline was noticed over the year 1961-62 and 1971-72. A rise can be recorded about 4.8 percentage points, from 19.8 per cent in 1971-72 to 24.6 per cent in 1981-82.

In spite of high rate of interest, civil court proceedings on repayments of loans, nationalisation of commercial banks and various legislative measures and entrance of alternative credit institutions in Tamil Nadu the un-organised money market still continue to play dominant role in providing credit to rural cultivators. However, in total credit its percentage share was 93.0 per cent in 1951-52 and 51.5 per cent in 1981-82 as against as 7.0 per cent and 48.5 per cent respectively from organised money market.
In case of organised money market in Tamil Nadu, the co-operatives, commercial banks and RRBs bring the people within their orbit of operations and make them responsible for higher productivity in farm sector. In 1990-91, one state co-operative bank, 25 central co-operative banks and 4614 primary agricultural credit societies operated mainly for the provision on short and medium term credit to agricultural sector. The land development banks were started in 1969 which advance loans for non land based occupations like animal husbandry, poultry, sheep rearing etc. In 1990-91, one state land development and 181 primary land development banks were functioning in the state.

The co-operative credit institutions in the state had achieved appreciable progress. According to All-India Debt and Investment Survey in 1981-82, this proportion had gone up from 12.2 per cent in 1961-62 to 21.7 per cent in 1981-82. The number of primary agricultural credit societies in Tamil Nadu had brought down from 10690 in 1960-61 to 4614 in 1990-91. The amount of loan issued by societies were increased about Rs.27.50 crores to Rs.574.03 crores in respective years. In Tamil Nadu they are 25 district central co-operative banks. Deposits, borrowings and loans issued by banks were increased in the order of Rs.10.12 to 1050.44 crores, Rs.22.00 to Rs.662.01 crores and Rs.31.08 to
Rs.1176.69 crores respectively. The state or apex co-operative bank in Tamil Nadu had strengthened its financial position. Its owned fund and deposits were increased Rs.12.38 crores and Rs.440.25 crores in 1990-91 as against Rs.2.68 crores and Rs.6.09 crores in 1960-61. The volume of loan issued by the apex bank were increased from Rs.21.29 crores in 1960-61 to Rs.1569 crores in 1990-91. The quantum of loans issued by central land development banks was Rs.207.34 crores in 1990-91. It represents the magnitude of lending business is achieved by the banks. In case of primary land development banks the number were increased at 94 in 1960-61 to 181 in 1990-91. In this period the loans issued, outstanding were increased from Rs.2.01 crores to Rs.31.31 crores and Rs.6.68 crores to Rs.182.96 crores respectively.

The commercial banks and RRBs are organised mainly with the objective of providing easy credit to small and marginal farmers, agricultural labourers in rural areas. Similarly it also facilitates in providing credit particularly to the priority and other neglected sectors of the rural economy. The total performance of the commercial banks in Tamil Nadu reveals a satisfactory results in terms of its branches, deposits and advances. In 1991, it was 4434, Rs.13600 crores and Rs.13184 crores as against only
1060, Rs.293.49 crores and Rs.380.63 crores in 1969. The proportion of population served per bank office were declined 37000 to 12000 during the respective years. The RRBs in Tamil Nadu would reveal a positive trend in all the parameters. In 1991 there were 3 RRBs operating in 7 district with 208 branches. The total amount of deposits, advances and overdues of the bank was Rs.53.56 crores, Rs.62.95 crores and Rs.18.11 crores as against only Rs.4.91 crores, Rs.11.74 crores and Rs.0.89 crores in 1980.

7.1 RESEARCH IMPLICATIONS

The present study analyses the role of rural financial market in India as well as in Tamil Nadu. The research work in un-organised money market in the country is being hampered by lack of continuous yearwise data. An elaborative study in the state must be encouraged in this regard since the rural people's dependence on these market for their credit need is comparatively more in recent time. For this purpose a study involving collection of district wise data through questionnaire or survey method must be encouraged. That will help for an in-depth analysis at state level.