CHAPTER-I

Introduction

The concept of rural development was applied in early Fifties in many countries to increase the per capita income of rural poor. Many components have been introduced into the basic tenet remains, as one of increasing the income of rural poor so that they are able to obtain minimum basic needs. Rural development in the present study implies ameliorating the economic condition of the rural people by helping them financially in the generation of new productive assets and to increase the productivity of existing assets, employment and income through bank credit. India's economic development depends on the development of rural areas. Rural development is a major concept. It assumes significance in the context of socio, political and economic equality in the developing countries and the efforts are made by the national government to uplift the rural poor or weaker sections. Generally it has been observed that developing countries have longer proportion of rural population than urban and in the developed countries its opposite.

Rural Area:

A definition of the village was needed by rulers sitting in urban capitals to identify the units through which the main source of state income from land revenues was to be collected. The definition of the village in the 1921 census of the then Punjab was identical with that of an Estate under section 3(1) of the Punjab Revenue Act, which stated that an Estate means any are for which a separate record of rights has been maintained and is also of assessed for land revenue or would have been assessed, if the land revenue had not been released, compounded for or redeemed or which the local govt. may be general rule or special order, declare to be an Estate “village” is the basic unit of the rural area.

As per rules an area is defined as rural area having the following characteristic

1. Population less than 5000 as per 1991 census.

1 Source: census of India 1991.
2. At least 75 percent of the male working population being engaged in agriculture and allied activities and
3. Density of population less than 400 persons per square kilometer.

**Rural Development:**

In the early years, rural development was considered synonymous with the growth of agriculture and allied activities. Over the years, rural development has emerged as a strategy designed to improve the economic and social life of a group of the people, the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas.

India is a developing country and there is no doubt in this regard that Indian economy is rural dominated. In other words, we can say that India is a country of villages. According to the census 2001, 62 percent population lives in rural areas and a large number of rural people are still living below the poverty line (36%). The abject poverty, hunger, disease and human living conditions and the related problems of inequality and unemployment have been the well-recognized basic problems of our rural economy since long time. So that India’s development means rural India’s development and rural India’s development is impossible without eradication of rural poverty. It was realised, even before independence that any strategy of development must give priority to rural development in order to solve the inter-linked problems of poverty, hunger, illiteracy and disease. Mahatma Gandhi was very right saying, “If the village perishes, India will perish too. It will be no more India”. Development implies a change for the betterment of human living. Development of a country does not merely mean as increase in its GNP or per-capita income. The recent view is how the growth process can be fitted in favour of the poor. The main objective of development in today’s world is not merely the reduction of the poverty, inequality and unemployment but to improve the quality of life. “It has to do with the whole texture of human existence. It is not the size of the economy but the quality of life for each member of society, which is
our final concern”. Development encompasses various factors such as the level of satisfaction of the needs of the people in terms of food and nutrition, housing, health, education, recreation security, spiritual satisfaction etc. “As a strategy of development its focus has been on rural areas, since the mass of the poor in India are concentrated here, and urban poverty is only on outflow of rural poverty.” A number of attempts for rural development were made before and after independence. But the fruits of all rural development programme accrued mainly to the asset owning classes and they did not trickle down to the poor. Even after fifty-eight years of the independence we have failed to improve the living conditions of India’s poor. The problem of deepening poverty has been the consequence of development strategies in which “We were laugh to take care of our GNP, since this would take care of poverty”. But this did not happen. Our sustained growth is still accompanied by continuing poverty and the process of growth have tended to increase relative inequality. The poor even today are powerless, resource less and income less to earn their basic necessities of life. “What is at stake in rural India is not a fair share of the land but a fair share of income and employment, education and social status. The chief problem of rural poor is that landless labour is also capital less, skill less, education less and status less labour”. Though huge public investment has been made on large number of rural development programme, yet these programmes could not cover all the sections and no significant improvement could be made in the living conditions of the poorest of the poor people in rural India.

If we say that the concept of rural development is a dynamic, complex and multi-dimensional. The term rural development has been used in different time and in vastly divergent contexts and every one interprets it’s in his own way depending upon his focus.

In conclusion, rural development may be defined as a process of developing and utilizing natural and human resources, technologies, infrastructural
facilities, institutions and organizations, government policies, and programme to improve the quality of rural life towards self-sustenance. In addition to economic growth, this process typically involves charge in popular attitude and in many cases even in customs and beliefs. In a nutshell, the process of rural development must represent the entire gamut of change by which social system moves away from a state of life perceived as unsatisfactory towards a materially and spiritually better conditions of life.

The basic objective of rural development is to organize, develop and utilize the available resources of land, water and manpower in such a manner that the entire population dependent on these resources has an equitable opportunity to meet, as a minimum, its basic needs. Rural development involves:

(i) Improvement in levels of living of the weaker sections of the rural population, as indicated by income, productivity, employment, literacy rate, health and nutrition, infant mortality rate, expectation of life, exposure to mass media, housing, political participation, status of women, supply of safe drinking water and similar other minimum needs etc.

(ii) Eliminating inequality in the distribution of rural wealth & income and economic opportunities.

(iii) Capacity of the rural sector to sustain and accelerate the pace of the above mentioned improvements over time.

Need of Credit in Rural Areas:

The green revolution, which began in India 1966-67, initiated the era of modernization or marketisation of Indian agriculture. Which means intensive agriculture based on larger irrigation facilities, chemical fertilizers and pesticides, when two crops are produced in place of one, mechanisation of farming helps to reduce time required for land preparation. In other words, on given land more input are combined to produce the higher level of output and constraint of land for
production to that extent has loosened. In this scenario agriculture acquires characteristics of an industry. Cash crops, which respond more positively to prices, start becoming more important for the farmers. This is how; Indian agriculture has entered the real growth phase since 1966-67.

The new phase of growth promoted the demand for cash that has to be met largely through credit. Credit has not only increased in quantum but also in various forms, with the availability of new inputs and credit to purchase, the adoption of new farm technology in all areas and by all farmers would not be uniform. Since all areas are not endowed with irrigation potentials. So in the dry areas the growth process would be slow. With the advent of new technology change in credit procedures would become necessary to suit the new farm production system, which is not only intensive but also diversified in nature.

Though the new farm technology may be neutral to size of farm, organising credit for the growing number of small farmers would be a difficult and expensive task. Due to lack of sufficient credit, small farmers are not in a position to adopt the modern system of production unless the gain is large immediate and certain. Besides they may not have their own resources, easy access to credit becomes essential for development point of view.

It can be stated that credit may not initiate the process of adoption of new technology but it would facilitate adoption of technology and acts as a lubricant.

**Role of banks:**

In a planned economy like India which primarily aims to ameliorate the conditions of the rural poor through creation of employment opportunities, improvement of skills and productivity of land and labour, banks are expected to play an active role in development irrespective of how they come-up, who own them and what they were doing up to now. The organization of co-operative credit system, the emergence/conversion of Imperial Bank of India into State Bank of
India introduction of social control over banks and latter, the nationalization of major banks were to ensure that the banks no longer remained unconcerned with the needs of planned development but played an active role in improving the productivity of human and natural resources in India, in the development of rural sector and for the uplift of poorer sections of society. The role of banks in the present context has to be viewed from this basic consideration.

The banks cannot have the same objectives as those of the national plan. Irrespective of at what stages our planning process stands or the detailed contents of the on going five-year plan. The principal objectives of national planning in India have always been and continue to be for a long time to come viz., removal of unemployment and under-employment through creation of additional employment opportunities. For this purpose, provide necessary technical and financial help so that (a) requisite assets are acquired by the poorer sections of the population, (b) their skills are improved so that their productivity increases and (c) institutional support is given to those who require it most. From these objectives, the main content of developmental role of banks in the rural sector follows.

(i) All bank loans are to be part and parcel of total development programming under the national five-year plan.

(ii) Loans are to be given for labour intensive schemes, which generate employment.

(iii) Loans are to be given to generate productive assets and increase the existing assets particularly of land so as to reduce under-employment and bring about increased income levels, and

(iv) Loans are to be given to the weaker section (marginal and small farmers, agricultural labourers, rural artisans, and members belonging to scheduled casts and scheduled tribes.) for productive purposes with some consumption component so that their productive efficiency does not suffer due to lack of adequate maintenance income.
While the banks will have to keeping in mind the basic needs to assist increased production by all the banking in the development context implies that the role of banks should contribute to promote various development programme and resource mobilization in the rural sector. The various development programmes could be group-oriented in which loans for group activity may be required or individual oriented in which individuals have to be assisted by loans to undertake investment each on his own. The areas in the command of irrigation projects that require compact area approach, lift irrigation schemes which are group based and individual investment schemes like sinking of a well or purchase of pair of bullocks require different systems of handling. Development programme will also encompass investment lending to add to the productive assets or to improve the productivity of the existing assets such as development of land by leveling and bounding. Development also includes bank loans for improving production with the help of larger and more modern inputs. In this way, development efforts would call for primarily investment lending for creation of assets and secondly for augmenting production from the existing assets as also from additional assets created through investment lending. In the Indian context, development lending has to be in live with the aims, objectives and programme enunciated in the five-year-plans. Thus, bank lending for rural development in India should mean a complementary role by the banks to assist in the implementation of plan programme. Rural banking, in this sense, becomes a handmaid of overall development planning for the rural sector. Considered this way, apart from production and investment loans to increased production and incomes, even schemes for infrastructure development where charges can be levied become bankable propositions.

Credit activities which are undertaken on an individual basis, in an adhoc manner without containing them into the overall plan programme and linking them with infrastructure development, will only result in the misuse of scarce resources
and debt becoming a burden instead of a benefit to the borrower. The danger of credit becoming a burden rather than an instrument for uplift is greater in respect of loans to the vulnerable sections of the rural community. Since the poorer groups constitute the largest number, the national objective is naturally to take up development programme for improving the lot of these groups. As a conclusion, banks too will have to take the poorer groups as their main targets for development assistance. When the question is thus to assist the poor, the connotation of banking in the rural areas take a different form. No longer banking can be considered as purely commercial where the banks will decide to assist only those who will be able to make the best use of money lent and repay the loans taken. The role of banks in this situation gets widened and it becomes social banking. Which, would only mean that the banks have to help the socially backward groups not only by providing money but also by arranging for supporting services so that the borrower gets all the inputs required and technical guidance to make proper use of loans. This kind of credit system is really the crux of rural banking in India.

**Banking Development in India:**

In the economic history of India, banking and bankers have always occupied a respectable place. "There is plenty of evidence to show that even prior to the advent of accidental ideas, India was not a stranger to conception of banking". Chanakya's Arthashashtra (about 300 BC) is full of facts to show that there were in existence powerful guilds of merchants bankers who received deposits, advanced loans and carried on other banking functions. It was the foreign invasions from 6th century onwards and consequent political instability that seriously undermined their status and standing. But individual bankers of the Nawabs of Bengal came to be recognized. Even Aurangzeb, the most orthodox Moghul Emperor and the East India Company were compelled to borrow from them and publicly honour them.
But banking in the modern sense came to be established in India with the setting up three Presidency banks, the bank of Bangal in 1806, the bank of Bombay in 1840 and the bank of Madras in 1843. These were successors to agency houses, which invariably combined banking with their commercial and trading activities, and were floated by the East India Company to facilitate the borrowings of the government and maintenance of credit. These presidency banks were amalgamated in January 1921, into the Impirical bank of India. The intention was to create a Central bank in the country with the monopoly of note issue and serve as banker's bank and a government bank. By this time, a number of joint stock company banks had come to be established after the acceptance of the principle of limited liability in 1860. The year 1860 is therefore, considered to be a landmark in the banking history of India, as it was afterwards that some of the well-known banks were formed the bank of upper India (1863), the Allahabad bank (1865), the Bangalore bank (1868), the Alliance bank of Simla (1874) etc. Indian managed joint stock banks also began to be floated: the first being the Oudh Commercial bank in 1881, followed by the Punjab National Bank (PNB) in 1894. Then the Swadeshi Movement of 1906 gave rise to the bank of India, the Indian bank of Madras, the Central bank of India, the bank of Baroda and the like.

The two world wars proved a boom to the banking industry when many large and small banks were started. A good proportion of them stood the test of time and survived the subsequent crises; especially the great economic crash (1929-33). But at least an equal number of them failed and fell, and fell like the leaves of autumn as soon as boom and prosperity of the war was over. Though Reserve Bank of India (RBI) was constituted in 1935, much could not be done in respect of bank failures till the Banking Companies Act was put on the statutes book in March 1949. In the time period, between 1939 to 1946, 422 banks were failed. The Independence of the country in August 1947 changed the whole approach towards commercial banking and Government came to recognize it as a
positive instrument for faster economic development. So that Govt. Nationalized (January 1949) the RBI and in 1955 Govt. Nationalized the Imperial Bank of India, which called State Bank of India (SBI). That called a bank of Govt. On the night of July 19, 1969 the then president V.V. Giri, all of a sudden, issued an ordinance nationalizing the 14 major scheduled commercial banks, whose deposits as on end June 1969 were not less than Rs. 50 crores. Broadly, the step of nationalization was intended to 'accelerate' the achievement of the objectives of social control. On April 15, 1980 the government issued an ordinance taking over six more private sector commercial banks: Andhra bank, Corporation bank, Oriental Bank of Commerce, and Vijaya Bank. Each one of these had crossed the deposit mark of Rs 200 crores, when at the time of first nationalization in July 1969; their individual deposits were below Rs. 50 crores.

**New NPAs Ordinance:**

New Financial Assets and Enforcement of Security Interest Ordinance 2002 "The Ordinance" was promulgated on 21-06-02 and become effective immediately. On the one hand, the banks and financial institutions will find the said ordinance quite handy. On the other hand, the opportunity to defend will come to defaulters at very high cost. The purpose of the ordinance is to check the menace of Non-performing Assets "The NPAs" that have been increasing by leaps and bounds.

Under the ordinance, a notice of 60 days is to be given to the defaulter before initiating any action under section 13(4) of the ordinance. After receipt of the notice, he should pay the dues with in 60 days from the date of its receipt, else face stern actions. The defaulter cannot sell or otherwise transfer any assets after notice is served on him. Amount can be recovered from the borrowers / debtors of defaulter directly. Management and control can be taken over after publishing notice in English newspaper and vernacular language newspaper.
The existing Securitisation and Reconstruction companies will have to apply to RBI for registration within 6 months from 21-06-02 i.e., by 20-12-02. The banks are not debarred from taking simultaneous action under other laws also. By an estimate, the aggregate amount blocked in the cases before the Debt Recovery Tribunals (over Rs. 1,00,000 crore) forms almost 25 percent of the annual union Budget of our country.

Under the Section 2(1)(c) defining bank does not include co-operative banks. They seem to have been deliberately excluded from the benefit due the recent scams resulting from the miss-management and willful fraud with said banks. Just because the co-operative banks have suffered due to scams in recent time and if that is the reason for depriving them of the benefits under the ordinance, it seems that the central Govt. is over reacting. These banks need to be included at least in the interest of small investors who put their hard-earned money with them.

**Punjab National Bank (PNB):**

PNB was first pure Indian bank. It was established May 19, 1894. As a result, banking was given a new direction and thrust. The bank is over 108 years old today. During its long corporate history it has encountered major challenges. It has always responded enthusiastically to the nation’s needs. It has been seriously engaged in the task of national development. PNB has always been an active participant in the country’s striving for economic development. The bank realises its roll in promotion of country’s foreign trade also.
Co-operative Banks:

Co-operative banks another component of the Indian banking organization, originated in India with the enactment of the Co-operative Credit Societies Act of 1904, which provided for the formation of co-operative credit societies. Under the Act of 1904, a number of co-operative credit societies were started. Owing to the increasing demand of co-operative credit, a new Act was passed in 1912, which provided for the establishment of co-operative central banks by a union of primary credit societies or by a union of primary credit union of primary credit societies and individuals.

The chief functions of these banks were:
(i) Attracting deposits from non-agriculturists
(ii) Using excess funds of some societies temporarily to make up for shortage in others, and
(iii) To supervise and guide the affiliated societies.

In 1914, the Maclagan committee was appointed to examine the co-operative movement and to make recommendations regarding the improvement of the movement. It recommended the establishment of state co-operative Apex bank. On this recommendation a central co-operative bank was established in Bombay. Other provinces also took action on similar lines. Although these may be considered as the early beginning in the direction of establishing co-operative banks to meet the financial needs of agriculturists, the movement received momentum only after the Second World War.

Co-operative banking in India is federal in its structure. At the lower range, there are primary credit societies, then there are the central unions or central co-operative banks and at the top there are the provincial co-operative banks or state co-operative banks, otherwise known as “Apex” banks.

Co-operative Banks and RBI:

In order to encourage co-operative banking and to make the scheme of financing agriculture through co-operative banks success, the RBI is endeavoring to extend a number of facilities to the co-operative credit institutions.

The Reserve Bank, as in the case of scheduled banks, extends short-term credit to the state co-operative banks in the form of advances and discounts. In addition to short-term credit facilities, the bank also extends medium term and long-term credit facilities to co-operative bank. Section 17 (4)(A) of the RBI Act provides for the grant of medium term and long term loans to state co-operative banks from the National Agricultural Credit (long term operations) fund established in February 1956, and the National Agricultural Credit (stabilization)
fund established in June 1956, in terms of the provisions embodied in the RBI, (Amendment) Act 1955.

The National Agricultural Credit (long term operations) fund has been established for making in addition to loans to Land Mortgage Bank,

(i) Long-term loans and advances to state government for a maximum period of 20 years to enable them to subscribe directly or indirectly to the share capital of co-operative credit institutions, and (ii) Medium-term loans (for period between 15 months and 5 years) to state co-operative banks for agricultural purposes including reclamation of land, bunding and other land improvements, preparation of land for orchard and plantations, irrigation sources, purchase of live stock, implements machinery and transport equipment's etc. The RBI allows a concessional rate of interest; in case of medium term loans at 2 percent below the bank rate provided the finance is used for agricultural purposes.

The National Agricultural Credit (stabilization) fund has been established for making medium-term loans and advances to state co-operative banks to enable them to convert their short-term credit into medium term credit, whenever such conversion becomes necessary as a result of drought, famine or other natural calamities.

Central Co-operative Banks (CCB):

The central co-operative banks are independent units in as much as the provincial co-operative banks have no powers to control or supervise the affairs of central banks. They are of two kinds, viz. ‘pure’ and ‘mixed’. Those banks, the membership of which is confined only to co-operative organization, are included in the ‘Pure’ type, while those banks, the membership of which is open to co-operative organizations as well as to individuals, are included in the ‘mixed’ type. The pure type of banks is based on strict co-operative principles, while the mixed type does not adhere to any such strict principles. However, the latter has an
advantage over the former in so far as they can draw their funds from the non-agricultural section too. But by allowing individuals to hold shares, loan facilities are necessarily extended to them; and in case some of them happen to be middlemen, who may utilise the proceeds of the loan to carry on their trading operations, then it would be a hard blow on the very basic principles of co-operation, which strive for the elimination of middlemen.

As mentioned earlier, the central co-operative banks draw their funds from share capital, deposits, loan from the state co-operative bank and where the state co-operative bank does not exist, from the RBI and other commercial banks. The main function of the central bank is to finance the primary credit societies. In addition to this, they carry on commercial banking activities like acceptance of deposits, the giving of loans and advances on the security of first class gild-edged securities, fixed deposit receipts, gold bullion, goods and documents of title to goods, the collecting of bills, cheques, hundies, the receiving of valuable for safe custody and the performance of services as an agent to the customer to purchase and sell securities etc. They also act, as balancing centers making available temporary excess funds of one primary society to another, which is in need of them.

The Jhajjar Central Co-operative Bank:

Central co-operative banks are mostly located in the district headquarter. A function of these banks is not only to supply the required capital to the primary society but also to make the surplus resources of some societies available for other societies suffering from a deficiency of funds and to provide proper guidance and inspection over them. They are formed of primary societies and individual member as well as draw funds from (a) share capital (b) reserve (c) deposits and (d) loans.

The Jhajjar Central Co-operative Bank (JCCB) limited was established in 1st April 2001 after the birth of Direct Jhajjar in 15 July 1997. Before the
establishment of JCCB, all branches of co-operative banks in district Jhajjar were in the supervision of Rohtak Central Co-operative Bank (RCCB). To begin with, it had very humble origins, but now it is playing a prominent role in the upliftment of society. It is providing a very potent instrument of social changes. The bank has functional type of organisational structure in which, various functions have been grouped into various categories, controlled and administered by different departmental heads. At the top of the bank has a Board of Directors, followed by managing Director/Chairman. In operating management bank has four departmental heads. (i) Administrative section. (ii) Loan and Account section. (iii) Planning and Development section. (iv) Inspection section.

The objective of the bank is to facilitate the operation of the affiliated co-operative societies in particular and its other constituents in general. The performa of organizational structure is given as:

**Organizational Structure of the CCB (Functional Areas)**

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Board of Directors (Including managing Director)
  ↓
  Manager
  ↓
  Asstt. Manager/Development officer
  ↓
  Senior Accountant  Senior Acctt.  Senior Acctt.  Senior Acctt.
  (Administrative Section)  (Loan & Acc. Section)  (Planning & Dev. Section)  (Inspection Section)
  ↓
  Junior Acctt./Executive Officer
  ↓
  Clerk / Cashier
  ↓
  Record Keeper
  ↓
  Peon/ Gudman
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**Profile of District Jhajjar:**

The district Jhajjar was established on July 15, 1997. It has 260 villages. According to the census 2001, it has total population of 8,87392. The district has 1834 square K.m. own area. Out of this total population 78.02 percent live in rural areas. The population growth rate is found to be 24.09 percent in rural areas during the decade 1991-01. In the district, population density comes to 484 people per square K.m. Population density was found 3578 and 389 people in urban and rural areas respectively in 2001. In the district total work participation rate is found to be 44.35 percent, it comes to 51.61 percent and 35.78 percent for the male and female respectively. In the district, wheat, Bajra, Jawar, Paddy, Sugarcane, mustered, Gram etc. crops are sown. In the district, only Bhadurgarh City is considered as Industrial City (areas). It shows that the district’s economy is mainly based on agriculture because there is lack of Industries in the district.

**Need and Importance of Study:**

Indian economy is called a rural economy and rural areas are totally dependent on agriculture and allied activities. So that agriculture sector also acts as backbone of the Indian economy (rural economy), which also supports the infrastructural development. It helps the railways and road transports that get a big volume of business from the movement of agricultural items from one place to another place and thus earning substantial reverse. Better performance of agriculture leads to high purchasing power of the farmers, which generates more demand for manufactured goods.

In the modern era credit is necessary for rural/agricultural development. For the development of agriculture, it is necessary to use the modern machinery, equipment, pesticides, seeds, fertilizer and other inputs. But it is not possible for the farmers without getting the financial help in the form of loan and advances from the government and its sponsored financial institutions. This help to the
farmer is in the shape of credit/loans and subsidies. Undoubtedly, credit has played very significant role in the progress of agriculture in India since independence. So that we can say, credit is the measure instrument of the overall development of any economy/country.

The farmer’s requirements are determined on the basis of their capacity to borrow and return. All inputs like seeds, fertilizers, small equipment, hired labours, pesticides, fodder etc. can only be arranged by a majority of farmers, with the help of borrowed funds. Most of these loans are of short period nature say 15 months. Medium term credit (from 15 months to 5 years) it is generally used by the farmers for the purchase of agriculture implements, cattle as well as for construction and repairs of tube-wells. The credit finance given by the financial institutions for the purpose of permanent improvement of land, purchase of tractors and other big sized equipment’s are known as long term credit and is given up to 5 years. All these types of time-based credits are required to be given by co-operative bank, RRB and CB.

It may further be stated that the agricultural credit also plays its role in capital formation and its maintenance, storage, marketing and processing activities in the economy. The demand of agriculture credit is increasing very fastly. It can only meet by bank and other financial institutions. It was estimated Rs. 750 crore rupees in 1951-52, which has increased Rs. 60842 crore in 2001-02. This demand of credit for agriculture is estimated not real. After the nationalization of 20 banks, there are hardly meet the 14.1 percent (1998-99) of agriculture credit demand. So that in the rural area people had to gone the private moneylender for the fulfillment the credit need and they charged very high rate of interest (24 to 60 %). While, one of the main objectives of nationalization was to enable the banks to play a more dynamic role in agricultural production by increasing their loaning to agriculture sector and reducing the credit gap in rural people. Because this gap is increasing, demand of rural credit is increasing while supply of this credit also decreasing. At
last we can say that for the development of agriculture credit is needed for the fulfillment of rural credit.

There is lack of sufficient literature related to the area of present study. Though a number of studies have been carried out so far relating to recovery of loans, credit delivery, impact of loans on incomes and employment of rural areas, operational problems etc. in respect of Public Sector Banks and Co-operative banks. Yet the literature lacks a comparative study of the performance of PNB and CCB in the context of aforesaid variables. The present study intends to fill up this gap with the purpose of comparing the performance of CCB with the PNB, a leading Public Sector Bank, which is also a lead bank in Haryana so as to suggest improvements in their practices of CCB.

The Main Objectives of the Proposed Study:

(i) To examine the comparative performance of central Co-operative bank and PNB in terms of deposits, advances, NPAs, C-D ratio, recovery rate, profitability etc. with special reference to rural areas.

(ii) A comparative study of the extent of supply, utilization and recovery of loans etc. of both the banks.

(iii) To compare the impact of bank loans on the income, employment and asset generation by both the banks.

Methodology:

Agro-climatically, Haryana State may be divided into three regions. The first region consists of northeastern part of the state, which has assured irrigation facilities and relating fertile soils. It consists of the district of Karnal, Kurkushetra, Kaithal, Ambala, Panchkula, Yamunanagar, Sonipat and Panipat. The main sources of irrigation are tubewells and government canals. Wheat-Paddy crop rotation is mainly adopted in this region. In contrast to this Region-II, the
southwestern districts of the state consisting of Bhiwani, Mahendragarh, Rewari, Gurgaon and Faridebad which have relatively less irrigation facilities and sandy soils. It is a backward dry farming region. The main source of irrigation in this region is tubewells. The quality of most of the underground water is brackish and only in a few pockets; this water can be used for crop production. Wheat-Bajra is the dominant crop rotation. Region-III, consisting of Sirsa, Fatehabad, Hissar, Jind, Rohtak and Jhajjar districts is more advanced as compared to the southwestern region but it is less developed as compared to the advanced north-eastern region. Mainly because, ground water is not fruitful for health and agriculture. Government canals is the main source of irrigation in this region. Wheat-cotton rotation dominates in this region. So the researcher selected district Jhajjar for the research, because it is neither advanced nor backward and is also convenient for research purposes.

**Data Base:**

The present study has been based on secondary data as well as primary data. Primary data has been collected from the fieldwork (survey).

**Secondary Data:**

Secondary data has been collected from various financial institutions and their publications as like Harco bank Chandigarh, regional main branch of PNB Chandigarh, lead bank Rohtak and Jhajjar, central co-operative bank Rohtak and Jhajjar, state level banking committee (SLBC) Haryana, district credit plan, banking statistical table relating to bank, RBI bulletin, various journals, printed matters, news papers etc.
Primary Data and Sample Design:

A stratified random sampling technique has been adopted to determine the sample and composition of the sample households for the proposed study. We selected a representative sample covering the entire district. In the district Jhajjar, PNB has 13 bank branches in rural areas out of 16 total branches and Co-operative bank has 11 bank branches in rural areas out of 15 total branches in the district. In district Jhajjar there are 7 villages, which are having branches of the banks i.e., PNB as well as CCB, and all the seven villages namely Ausodha, Dulehra, Badli, Dadri-Toi, Machroli, Subana and Shalawas from the district have been the focus of present study.

The farm holdings of selected villages have been classified into 5 categories as landless, marginal (less than 2.5 acres), small (2.5 to 5 acres), medium (5 to 10 acres) and big farmers (above 10 acres). Then a list of bank beneficiaries was obtained from the banks for each village who had borrowed during or before 2001-02. Out of the list of households, we selected 60 households from each village i.e., 30 households from each bank randomly, so as to give equal representation to all the villages. Thus a total 420 household, 210 from each type of bank beneficiaries was selected. Out of 210 households the number of big farmers, middle farmers, small farmers, marginal farmers and laborers was 26, 42, 49, 47 and 46 households respectively from each bank randomly.

Data Collection:

The personal interview method has been used for primary data collection. A questionnaire was prepared for the relevant data collection. Before going into the field, it was pre-tested and attempts were made to minimise errors. At the time of collecting data, the purpose and the importance of the study was explained in simple words (in local dialect) to the respondents, to win their confidence.
Data Analysis:
Initially, the collected data have been tabulated then analyzed. For the analysis of data simple statistical techniques like Annual Compound Growth Rate (ACGR), growth rate, percentage and proportion methods have been used. Inter bank, inter category and inter sector comparisons have also been made in order to obtain variations/disparities.

Indicators:
The main indicators of the study are Asset generation, Income generation, Employment generation, Proper utilization of bank loan, Borrowing cost and repayment methods, which would highlight and enable us to examine the role of banks in rural development. In asset generation, we included the assets, which were generated at the time when bank loans were raised. In income generation, we considered the income on current prices. In the employment generation, we included those households who generated the direct employment from bank loan.

Concepts and Definitions:
Household:
A household is defined as a group of persons related by blood, marriage or adoption sharing a common residence and kitchen. A single member or person is considered as a household if he maintains a kitchen. Any member who is a normal resident of sample households is considered to be a member of households; it includes temporary stay away and excludes temporary visitors.

Head of the Household:
The person recognized by all other member of the concerned household as responsible for taking final decisions has been considered as the head of the household.
Farm Household:
A household having its own agricultural land and more than its members from crop husbandry generate 50 percent of income has been regarded as farm households.

Big Farmer:
A household having cultivable land (irrigated & unirrigated) holding above 10 acres is called big farmer.

Medium Farmer:
A household having cultivable land (irrigated & unirrigated) holding more than 5 acres but not exceeding 10 acres is regarded as a medium farmer.

Small Farmer:
A household having cultivable land (irrigated & unirrigated) holding more than 2.5 acres but not exceeding 5 acres is called a small farmer.

Marginal Farmer:
A household having cultivable (irrigated & unirrigated) land not exceeding 2.5 acres is regarded as a marginal farmer.

Landless Labourer:
A households having no agriculture land and more than 50 percent of income is generated by its members as labourers is regarding as a landless labour.
**Weaker Section:**

The concept of weaker sections has been widened particularly to include, small and marginal farmers, having irrigated & unirrigated land holding’s of 5 acres or less, land less labourers, tenant farmers and rural artisans etc.

**Credit:**

Credit is the name usually given to money borrowed for business purpose. The word “credit” comes from the Latin word “credo” meaning, “I believe”. Hence, credit is based upon confidence, when one borrows money; the loan is based upon confidence in the further solvency of the person and in his repaying the loan as per agreement. In this sense, credit means ability to command the capital of another in return for a promise to pay at some specified time in the future.

**Borrower:**

Borrower means an individual who had taken loan from one or more banks and private moneylender for any productive or consumption purpose.

**Income:**

Efforts have also been made to measure rural development directly by examining the impact on income. The income of a family has been defined as total earnings of all the members of the households taken together during the reference year.

**Defaulter Household:**

A defaulter household has been taken as that households having overdue of loan in other words they had not paid the loan for 2 years or more than two years old.
Bank Deposit:

A liability of a bank to a customer, a sum of money credited to a customer who may demand payment of any time. The money may have been deposited by the customer by way of an overdraft or loan or by way of payments from other sources.

Bank loan:

A loan is a fixed amount for a specific purpose, carrying a definite date for repayment. Such a loan is usually made on approved security, the interest charge tending to be lower or larger concerns.

Kishan Credit Card:

Kishan Credit Card issued by any bank, to meet the credit requirement of farmers to a limit on the basis of land holding.

Self-employment:

Describing individuals who work more or less regularly but usually do so in their own homes or offices and are not normally listed on any one's payroll. They may employ assistant.

Profit:

In accounting, any access of revenues over the costs incurred in obtaining revenues. In economic theory, a surplus earned above the normal return on investment of capital in a business, created when the prices received for goods sold exceed the cost of producing them.
**Wages:**

The payment to a labour for his assistance for production. In economics, any regular payment to an employee of a business for his or her labour by the hour, week, month or same other period or by units of output. To the employee a wages in income, to the business, it is part of the cost of production, specifically labour cost.

**Bank Recovery:**

The amount of loan which has been repaid/recovered with in due date. This phenomenon is called recovery of bank loans.

**C –D Ratio:**

The Credit–Deposit ratio is usually calculated as a proportion of the credit sanction by a bank in a geographic area plus investment to the deposits collected in that particular area.

\[
\text{C-D ratio} = \frac{\text{Credit} + \text{Investment}}{\text{Deposit}}
\]

**NPAs:**

A non-performing asset can be defined as a credit facility in respect of which the interest or installment of principal has remained past due for a specified period of time. The specified period of time was reduced in a phased manner over the years. An asset is classified as non-performing if the borrower does not pay dues in the form of principal and interest for a period of 180 days. However, with effect from March 2004, default-status will be given to a borrower account if dues are not paid for 90 days.
Asset:

Assets has been defined as tangible resources which are generated through loans and help in enhancing income directly or indirectly, like as agricultural land, buildings construction, vehicles, commercial as well as personal.

Productive Asset:

Productive asset is an asset, which increases our income directly, and unproductive asset is that which increases indirectly our income or does not increase our income at all.

Per Rupee Borrowing Cost = Total Borrowing Cost / Total loan

Borrowing Cost = Cash Money + Expension to Preparing Document with Fair + Cost of Living the Work (Opportunity Cost which is considered Rs.100 per day)

Profit Per Employee = Total Profit / No. of employee
Business Per Employee = Advances + Deposits / No. of employees
Growth Rate = \( P_o (1+r)^t \) or
\[ r = \frac{\text{Antilog} (((\log (p_t / p_o)) / t) -1)}{100} \]

\( r \) = Growth rate
\( P_t \) = Current value
\( P_o \) = Initial / Base value.
\( t \) = Time period.

Agriculture:

In the agriculture we included seed & fertilizer and agriculture equipment as Bullock-cart, Horse-cart, Tube well, Engine oil, Electricity motor, making a well and other equipment etc.
Allied Activities:
In the Allied Activities we included all animal husbandry as Dairy, Sheep and Goat, Poultry farm, Pig farm, Gardening/Flowering Fishery etc.

Rural Industry:
In the Rural Industry we included Atta-Chaki, small Factory, making marble tiles, Dharm-Kanta, Kholu of Sugar cane, Ice factory etc.

Small Business:
In the Small Business we included all types of shop & extension of business as raw materials, all type of Street Hawker, cycle & rickshaw etc.

Transport:
In the Transport we included Bus, Track, Tempo and Jeep, Four wheelers, Auto etc.

Others:
In the others we included non-productive as lick, House, Two-wheeler, Juicer of Sugar-cane, Chaki & Gandasa for house use, other consumption goods etc.

New Income:
In the new income we considered income generation from the bank loan.

New Loan:
In the new loan we considered that loan taken by households without repayment of previous loans and replace it, to previous loan.
Limitations of the Study:

In the present study every possible effort was made to get the accurate and reliable information from the respondents. Whenever an impression of reliance was not felt the households replaced by some type of another households. The main problem was that households were not ready to give or to give correct information about bank loan, private loan, method of repayment of loan and asset generation. We have explained the purpose of survey only then they were ready to provide relevant information. But the information, which we asked from the households regarding amounts, were in round figures not absolute. Therefore every care has been taken to collect the correct information’s from the households, yet there remained always scope incorrect/ false information’s. To avoid this the researcher tried to ascertain the information’s from the neighboring households. So that the obtained data can differs from actual situation to some extent. Moreover, respondents were unable to calculate value of assets properly. In order to make the study more meaningful the researchers has calculated the value of assets and income at current prices.

Second problem, which was being faced by scholar, was that bank defaulters run away from the place when the scholar went to meet them. They think that he is bank employee. The scholar introduced himself as a student and told them the real purpose of the survey. Only then the scholar won their confidence. After that they agree to give information to him. Another, major problem was associated, with the illiteracy, almost half of them illiterate. So they found hardship to understand queries properly.

Apart these bank employees also did not deal scholar properly. Lastly, and as usual the study had the limitations of time and funds available with the scholar.
Plan of the Study:

The whole study has been divided into five chapters. Chapter-I concerns with the Introduction on Rural Development. Chapter-II deals with the Review of Literature. Chapter-III shows the Functioning and Performance of the Banks (PNB & CCB) in Rural Haryana. Chapter-IV, Role of Banks (PNB & CCB) in Rural Developmental, deals with the field survey. And Chapter-V explains the Summary and Conclusions, Results, Suggestions and Implications for Rural Development and Area for Further Research.