CHAPTER – II
REVIEW OF LITERATURE AND METHODOLOGY

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CHAPTER - II
REVIEW OF LITERATURE AND METHODOLOGY

2.1. INTRODUCTION

Agriculture is the largest sector of the economic activity and has a crucial role to play in the country’s economic development by providing food and raw materials, employment to a very large proportion of population, capital for its own development and surpluses for national economic development. Thus, the importance of agriculture despite rapid industrialization has not in any way diminished. It has become necessary not only to achieve self-sufficiency in matters of food and agricultural raw-materials, but to highly modernize agriculture so as, to throw up surpluses to be made available for investment in the other sectors of economy as well. The adoption of new technology has given rise to increasing demand for farm credit which is the key factor, and life blood of agricultural development. The organization of institutional credit is one of the major factors governing agricultural production particularly that of small and marginal farmers.

However, it is no wonder that all farmers especially small peasants borrow out of necessity at one time or the other. The rural masses borrow almost habitually, passing on the burden of debt to the next generation. It is, perhaps, this phenomenon of agriculture that compelled Nicholson to observe:

“The lesson of universal agrarian history from Rome to Scotland is that an essential of agriculture is credit. Neither the condition of the country nor the nature of the land tenures, nor the position of agriculture, affects the one great fact that agriculturists must borrow”.

The peasantry of India is no exception. This has been amply borne out by records of heavy rural indebtedness, historically described in the words:

“A Farmer is born in debt, lives in debt, bequeaths in debt and dies in debt”.

Farm credit in India like that of developing countries consists of institutional and non-institutional sectors. The non-institutional sector consists mainly of the professional and agricultural moneylenders, landlords, commission agents, traders and
the farmers, relatives and friends. The institutional sector mainly comprises, of co-
operatives, commercial banks, regional rural banks and government.

A plethora of literature on Regional Rural Banks vis-a-visa agricultural credit
has been published in different journals and books. A few studies conducted so far
have not made an in depth enquiry into the operational aspects of RRB’s in vast
country like India with varying agro-climatic conditions and socio-economic
conditions, location specific studies are required. In view of this a study was planed at
micro level to examine the distribution of farm credit by Andhra Pragathi Grameena
Bank in SPSR Nellore district. To provide the necessary background for the present
study some empirical and evaluative studies are revived and the lacuna therein is
identified.

2.2. AN OVERVIEW OF LITERATURE

The Narasimham Committee on Financial Systems (1991)\(^1\) has intensively
studied the prospects of banking sector in India. The committee stressed the poor
financial health of the RRBs to the exclusion of every other performance indicator.
172 of the 196 RRBs were recorded unprofitable with an aggregate loan recovery
performance of 40.8 per cent (June 1993). The low equity base of these banks (paid
up capital of Rs.25 lakhs) did not cover for the loan losses of most RRBs. In the case
of a few RRBs, there had also been an erosion of public deposits, besides capital. The
committee has examined the viability aspects of RRBs. In order to impart viability to
the operations of RRBs, the Narsimham Committee suggested that the RRBs should
be permitted to engage in all types of banking business and should not be forced to
restrict their operations to the target groups alone, a proposal which was readily
accepted. This recommendation marked a major turning point in the functioning of
RRBs in the country.

Khurso (1992)\(^2\) opined that the Regional Rural Banks have developed serious
organizational problems. The critical areas relate to steep decline in profitability, poor
recoveries and problem relating to management and staff. The major factors
responsible for erosion of profitability were exclusively lending to weaker sections,
low interest margins and high operating costs. The financial cost and transaction costs
were Rs. 7.80 and Rs. 8.65 respectively necessitated the Regional Rural Banks to lend
funds at Rs. 16.45 per cent to achieve breakeven level and this is obviously not
possible. The recovery of Regional Rural Banks was 49 per cent as on June 1986. The author proposed for merger of Regional Rural Banks with their sponsor banks.

NABARD (1993) in its circular titled “Measures To Strengthen The RRBs”, addressed to the Chairmen of all RRBs permitted to enhance their proportion of non-target group lending up to 60 per cent of their fresh lending with effect from January, 1994. Finance for various non-priority sector purposes upto 10 per cent of their total lending which can be accounted for within the overall ceilings of 60 per cent of loans fixed for non-target group lending was formulated. Issue travelors cheques as agents of their sponsor banks, issue guarantees on behalf of their customers, purchase or discount cheques and demand drafts up to Rs. 25,000 per customer subject to a maximum of Rs. 1 lakh per branch at any point of time. Issue demand drafts, mail and telegraphic transfers; allow RRBs to provide locker facility and examine the need for installation of personal computers or personal computer based systems at head office.

Parishca J.C. (1993) has highlighted the link between rural development and banking in the state of Punjab. He opined that the proper utilization of the funds is very vital for successful implementation of various developmental programmes. He advocated for new approach to rural credit with lending for small scale and village industries, specifically agro-based industries which provide more employment. He further observed that in any successful economic operation, bank finance is only one of the important inputs, unless the government and other development agencies meet all the backward and forward linkages, mere bank finance will not be able to bring out the results of the desired extent.

Shiyani R.L and Patel J.K (1994) evaluated the physical and financial indicators in relation to the functioning of Banaskantha Mehsana Grameena Bank in Gujarath state. Linear growth rates of different attributes were computed for the overall period and found highly significant. The increasing losses and could be reduced by proper cash management practices, minimize the less remunerative fixed assets and also increase the proportion of savings deposits, which carry lower rate of interest. Physical and financial indicators per branch as well as per employee increased at a faster rate in the period of development compared to the period of establishment.
Rajendra, et. al., (1994) have analyzed the borrowing pattern and cost of credit of farm loans from Regional Rural Banks. They observed that with regard to the borrowing pattern most of the large farmers in the non-irrigated villages borrowed loans for minor irrigation and purchase of bullocks and bullock-carts. The RRBs have not covered the small and marginal farmers and the women. However, the cost of credit is higher for all the small and marginal farmers and to the large farmers who are not eligible to avail of the loans from the RRBs. They concluded that the RRBs should extend more credit to the women for working in agricultural allied activities which generate more income and employment.

Panandikar, V.A. (1995) conducted a study to assess the performance of top five regional rural banks in India in terms of deposits mobilization and deployment of loans in 1995. This study brought a few things into light. (i) regional rural banks have become very important credit agencies especially in the backward states, where the extent of banking sector coverage was inadequate (ii) most of the regional rural banks have confined their credit to weaker sections (iii) The cost structure of the regional rural banks was definitely lower than that of a commercial banks. Further, the study indicated that the present nexus between regional rural banks and commercial banks may be continued for further development. It is strongly felt that National Bank for Agriculture and Rural Development (NABARD) an apex body should be controlled and regulated the activities of regional rural banks and to imbibe organizational competence among them and to monitor them so as to achieve the stipulated norms of the NABARD.

Dadhich (2001) studied the performance of oriental bank group project and SHG linkage programme. The SHGs were homogeneous in gender, economic status, religion and social background. The programmes had reduced the borrowers transaction costs compared to the bank loans under subsidized programme sponsored by the government. The study argued that those women who had taken subsidiary occupations improved their incomes, which improved in their economic and social empowerment. Repayment pattern of the people was as high as cent per cent because of the positive incentive for higher loans in future.

Abdul Noorbasha and Jyothi (2001) conducted a study pertaining to the financial management pattern of Chaitanya Grameena Bank, Tenali of Andhra Pradesh. The study showed that most of the regional rural banks were non-viable. To
improve the viability of these banks, the authors suggested allowing regional rural banks should have a rapport and collaboration in keeping the money of the public bodies like Scheduled Castes and Scheduled Tribes Corporation, housing boards, village panchayats, etc; and involve in financial transaction with those institution in turn, increase their earnings.

Bapanna (2001)\textsuperscript{10} has examined in his study entitled “The Performance of Regional Rural Banks in Rajasthan”. He has studied the organization and working of four regional rural banks in the state of Rajasthan. The study came to the conclusion that, there was spectacular increase in branch expansion, deposits and advances. The credit deposit ratio of regional rural banks was higher than that of commercial banks. The recovery performance of the banks was better in respect of non-agricultural sector compared to agricultural sector. Hence, they are financially sound and viable to meet the credit requirements of the farming and non-farming communities in the state of Rajasthan.

Rakesh Malhotra (2002)\textsuperscript{11} examined the location of Regional Rural Banks or health of the sponsor bank does not significantly affect the performance of Regional Rural Banks. It is the specific nourishment, which each Regional Rural Bank receives from its sponsor bank, which is cordial to its performance. Excessive local involvement and prolonged local interventions have led to rampant malpractices, corruption, excessive political interference, stagnation and unhealthy unionisms. Further, confinement to local aspect has narrowed the vision and experience of the Regional Rural Banks staff resulting in their little or no development. Because of this, the rural banks cannot extend financial services fully the weaker sections in the rural areas.

Sharma, R.H. (2005)\textsuperscript{12} studied the internal working group on Regional Rural Banks set up by Reserve Bank of India. The working group after a detailed study has listed that the operational viability and economies of scale are the advantages of RRB’s merger. The committee stated that the amalgamation of Regional Rural Banks will not automatically improve efficiency, but enlarge their area of operation and business opportunities.

Biswa Swarup Misra (2006)\textsuperscript{13} studied the operational aspects of RRB’s since its inception. The financial viability of the RRBs has, however, been a matter of concern since the 1980s, just five years after their existence. A number of committees
have gone into the issue of their financial viability and possible restructuring. This study follows a deductive approach. First the extent of the problem of the loss making RRBs has been studied to analyze if the problem is confined to some particular sponsor banks or States. The empirical analysis has been couched in terms of profit and loss making RRBs for a reasonably long (10-year) period to draw robust Policy inferences.

Nada Talib (2007) made a study ‘RRBs: An Analysis of their Performance’. The author analysed the RRB performance during 1996-2003. He stated that, it is successful in fulfilling some of the basic objectives underlying these establishments. However, these contributions in opening braches at un-banked or under banked rural centers and in providing institutional credit to weaker sections for their productive endeavor are commendable. RRBs have also satisfactory performance, in lower cost of operation. The operational and establishment cost of RRBs branches are lower than rural branches of Commercial Banks.

Syed Zabid Hossain and Mohammad Main Uddin(2007) in their research work entitled “Institutional credit for the rural poor – A study on Grameena Bank in Bangladesh” have examined the role of the Grameena bank and its overview of the credit delivery model, and outcome and growth in loans and advances. They held a view that the Grameena Bank is the most innovative bank in Bangladesh and provides micro-credit to the rural poor who cannot provide collaterals, particularly destitute women. They also felt that rural poor remained outside the umbrella of credit operations of the formal financial institutions because of the lack of collateral against which loans are issued. The collateral principle makes it clear that “if you don’t have it you don’t get it”. Accordingly majority of the rural women in Bangladesh fell in the exclusion segment.

Naidu (2007) in his article titled “The Working of the Regional Rural Banks”, reviewed the performance of regional rural banks in terms of branch expansion and advances. They made an attempt to appraise the performance of RRBs from 1975 to 1998. He opined that the Regional Rural Banks should be thought of not only as financial institutions but also as fruitful exercise in rural development.

Singh R.K.P. (2008) in his article “Profitability of Regional Rural Banks in Bihar”, emphasized that the Regional Rural Banks should make concerted efforts for utilizing maximum possible extent the refinancing and borrowing facilities for raising
their income-earning assets, while the importance of deposits could not be utilized, borrowings and refinancing arrangements would help in arranging the internal assets with greater profitability and they should be used for supporting sources of funds.

Jain M.K. (2009)\(^{18}\) has conducted an empirical study in a district in Rajasthan on “Rural Banks and Rural Poor Problems and Prospects in Rajasthan”. He made an attempt to review the role of RRBs credit to the rural in raising the income, employment and over dues. The net income of all the sections of the borrowers increased during the period under study. He observed a relatively higher percentage rise in the case of agriculturists and net income of an average beneficiary engaged in agriculture increased by 72 per cent, while that of artisans and businessmen/traders lose by 24 and 37 per cent respectively.

The average annual employment potential per unit/firm during the post-investment period has increased by 680 man days in the case of all the 130 sample borrowers. The average annual employment in mandays per beneficiary was highest to all sample borrowers in the study area. The average annual employment in mandays per beneficiary was highest for agriculturists followed by artisans, businessmen and traders in the study area.

Syedibrahim, M. (2010)\(^{19}\) in his article, examined the role of the RRB with its generation and merges. Regional Rural Banks are established under the provisions of an ordinance promulgated on the 26th September, 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. Reforms and mergers introduced by the Government of India in consultation with Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) in the years 1994-95 to 2005-06 have yielded positive results in respect of key performance indicators such as number of banks and branches, capital composition, deposits, loans, loans and the trend of investments.

The objective of this paper is to investigate whether the merger/amalgamation of Regional Rural Banks in India, undertaken in 2005-06 has helped improve their performance. Several committees have emphasized the need to improve the performance of these banks which play an important role in the rural credit market in India. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of rural banks in India has
significantly improved after amalgamation process which has been initiated by the Government of India.

**Anil Kumar Soni and Abhay Kapre (2011)** say that Regional Rural Banks plays a vital role in the agriculture and rural development of India. The RRBs have better reached to the rural area of India, through their huge network. The success of rural credit in India is largely depends on their financial strength. RRBs are key financing institution at the rural level which shoulders responsibility of meeting credit needs of different types of agriculture credit in rural areas. At present, most of the regional rural banks are facing the problems of overdue, recovery, nonperforming assets and other problems. Therefore, it is necessary to study financial performance of RRBs in India. This paper attempts to analyze the current status with financial performance of RRBs in India as on 31st March 2011.

The study is based on secondary data collected form annual reports of NABARD and RBI. An analytical research design of Key Performance Indicators such as number of banks and branches, deposits, loans, investments and growth rate index is followed in the present study. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of RRBs has significantly improved.

**Maheshwara Reddy, D. and Prasad, K.V.N. (2011)** say that the regional rural banks would be a ‘model financial infrastructure’ for rural development with patronage and encouragement given by planners in the field. Thus, the State sponsored, regionally based and rural oriented commercial banks have taken birth in rural India which popularly known as ‘Regional Rural Banks’. These banks penetrate into every corner of the country and have been extending a helping hand in the growth of the economy. Despite the RRBs journeyed over three decades, they have achieved performance to the expected level quantitatively not turning towards sound financial management and productivity. Moreover the achieved performance is not uniform though they are working under the approach of same management. Effective performance is the indicator of success of every business.

In order to achieve the effective and efficient performance, the RRBs have been taken up amalgamation process in the entire organization in the year 2005-06. Amalgamation of regional rural banks was considered to strengthen all the branches
financially. In every line of business, the performance of each bank is appraised in financial perspectives and ranked them. In this paper discussed the financial performance of selected regional rural banks during post reorganization period. To measure the financial soundness of selected sample banks, the CAMEL Model technique was adopted.

Subydi R.N and Jitendra K.Ram (2012)\textsuperscript{22} have made an empirical study on “Operational Efficiency of Regional Rural Banks and Other Commercial Banks in Odessa and India: A Comparative Study “ The study reveals that both the private sector and public sector banks have never achieved the target under financing to weaker sections during study period. Moreover what is alarming is that in the case of public sector banks, it has been declining every year from 26.96 in 2007-08 to it has reached 22.01 in 2010-11. Though for RRBs also it is declining it is well above their prescribed target of 15 per cent. The study further reveals that the private sector banks have never achieved the target under financing to women during study period. The public sector banks have reached the target in all four years of the period of study. They finally concluded that both the public sector and private sector commercial banks functioning in Odissa have been ignoring their responsibility for development of the rural people and rural economy of the state. The contributions of RRBs in the inclusive growth of rural economy are praise worthy.

Arup Mukherjee\textsuperscript{1} & Sabyasachi Chakraborty (2012)\textsuperscript{23} Promotion of financial inclusion has been an important social and financial need across countries. In India, the primary responsibility of ensuring financial inclusion lies with the commercial banks subject to guidelines of the central bank (RBI). However, owing to the huge size and diversity of population the commercial banks have been taking the assistance of various social and financial entities like co-operative banks, regional rural banks (RRBs), self-help groups (SHGs), joint liability groups, and other non-banking finance companies (NBFCs). The objective of the article is to critically examine and highlight the role and efficacy of the commercial banks doing business in the state of Jharkhand in connection with their responsibility towards promoting financial inclusion. The article also aims at examining the capacity and role of other institutions mentioned above for the purpose of promoting financial inclusion in the state.
Syed Ibrahim, M. (2012) has examined the role of RRBs in the priority sector advances. The importance of the rural banking in the economic development of a country cannot be overlooked. As Gandhiji said “real India lies in villages,” and village economy is the backbone of Indian economy. Without the development of the rural economy, the objectives of economic planning cannot be achieved. Hence, banks and other financial institutions are considered to be a vital role for the development of the rural economy in India. Regional Rural Banks (RRBs) were established in October 2, 1975 and are playing pivotal role in the economic development of the rural India. The main goal of establishing Regional Rural Banks in India is to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural laborers and even small entrepreneurs. The present study is a modest attempt to make an appraisal of the rural credit structure and the role played by RRBs in providing finance to the priority sectors the development of rural economy. The objective of this paper is to analyze the rural credit and the role played by the RRBs in providing finance to the priority and non-priority sector lendings. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that RRBs in India has significantly improved rural economy.

Usha Sharma (2013) made an empirical study entitled “Role of Credit Disbursement Policies of Regional Rural Banks in the Sustainable Development of Himachal Pradesh. She examined the impact of Community Development Programmes (CDP) implementing by the RRBs with its financial support. The study shows that the mean value of responses relating dairy projects and agricultural products is more than the average standard score. Thus, it can be said that the opinion with respect to increase in diary project and agricultural products are not equally distributed. It is further observed that 77.1 per cent respondents are giving their point of view regarding procedure followed in the execution of CDP is properly executed and completed.

And only 17 per cent of the marginalized group i.e. SC/ST/OBC have involved in this programme. As far as evaluation and monitoring of CDP of Himachal Grameena Bank only 9 per cent having the divergent opinion. It can be concluded that majority of respondents are satisfied with the planning and implementation and agencies involved in the working of Himachal Grameena Bank. Furthermore, the
mean value of the responses about the fair selection of beneficiaries under CDP is less than that of the average standard score at three point scale.

Das B.C. (2013)\textsuperscript{26} has conducted an empirical study on “Economic Development of SHG Members Financed by Regional Rural Banks under Swarnajayanti Gram Swarojgar yojana” in 25 branch selected branches of RRBs in Bihar from eastern region and Karnataka from southern region. The data was collected from SHGs members through structured interview schedule from October 2009 to January 2010. His findings reveal that the difference in mean scores on Income generating activity of the respondents before and after availing the bank credit under four different RRBs are significant at 0.01 level of probability. This study further reveals that the majority of the members in Karnataka state has reported that they have either expanded or diversified their income generating activities after availing credit from bank.

His study shows that there is a significant increase of 52.38 per cent of income among the SHG members of Chikmagalurkodagu Gram Sabha Bank. However, the ‘t’ values with refund to the incremental income of the sample beneficiaries are found significant at 0.01 level of probability at all four RRBs. He concludes that the SHG members were found to be high on economic development. There was significant increase in income generation activity, expansion and diversification of activity, personal savings, income level, mandays generation, economic independence and assets creation among the SHG members after they were linked to RRB credit.

Madasamy V. and G.Thangadurai (2013)\textsuperscript{27} have taken up a piece of research work entitled “A study of income and expenditure pattern of RRBs in India”. This study reveals that the income of RRBs in India varies between 88.69 per cent in 2003-04 and 95.19 per cent in 2010-11. And the highest per cent of other income of RRBs in India has increased from 5 per cent in 2000-01 to 6 per cent in 2010-2011. Further, this study shows that income received by the RRBs. It is increased from Rs.4860 crores to Rs.16220 crores during the study period. During the research period the growth rate of total income has varied between 1.75 per cent and 22.75 per cent.

The compound growth rate of total income of RRBs in India is 12.21 per cent. The highest amount of operating expenses was Rs.4905 crores is 2010-11 and the lowest amount of Rs.1164 crores in 2000-01. The growth rate of operating expenses has increased over the study period between 3.14 per cent and 38.29 per cent. The
compound growth rate of operating expenses of RRBs in India is 13.33 per cent. The trend value of total income and expenditure for the year 2025 would be Rs.28229 crores and Rs.24690 crores respectively. They concluded that the RRBs in India have performed to the expected levels of the government.

Satish. P. (2013)\textsuperscript{28} in his article observed that a multi agency approach exists for agricultural credit delivery system in India. Two arms of this system have their systemic shortcomings. Commercial banks are reluctant partners for agricultural credit and cooperatives have their non-professional decision making which is eroding their existence. In this context, harnessing their inherent strengths, the RRBs can be made to play a pivotal role. The future of credit delivery system for agriculture has to be designed with the Regional Rural Banks as the fulcrum. They have to take on a greater role by expanding their existing network and manpower and emerge as the main credit delivery mechanism for agricultural credit. If they take on such as role, the deficiencies of the cooperative and commercial banking systems will not hamper the overall credit delivery to agriculture in India.

Abhay Kumar Kappe and Anil Kumar Soni (2013)\textsuperscript{29} have studied in their article that the Government of India Promoted Regional Rural Banks (RRBs) through the RRBs Act of 1976 to bridge the gap in the flow of credit to the rural poor. The RRBs were established with a view to developing the rural economy by providing loans and advances for the purpose of development of agriculture, trade commerce, industry and other productive activities in the rural areas. Credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto Regional Rural Banks in Chhattisgarh are an integral part of the rural credit structure of the State. As they analyze the data it shows that RRBs in Chhattisgarh State are working for the 360 degree development of rural area of the State.

Ahmed J.U. (2014)\textsuperscript{30} has stated that the better productivity performance of (Meghalaya rural banks) MRB is due to the fact that they are able to mobilize more deposits from the area. It is observed that the MRB is utilizing efficiently the resources that they mobilized. The analysis further indicates that although MRB has been doing relatively better than that of the RRBs, there has been a wide variations in
the productivity, as per the indicators identified, which might have adverse effect on profitability of the said bank. This variation may be due to lesser involvement of banks in profitable activities, wicked nature of rural clients for non repayment of loans and advances they obtain.

**Thitte M. K. (2014)** pointed out that the rural finance is a matter of great concern in India. Realizing the fleeing of rural masses, Government of India took several initiatives to promote the growth of rural and agriculture sector. Amongst these initiatives, major was the establishment of Regional Rural Banks (RRBs). RRBs were established in India in 1975 essentially for the purpose of taking banking service to the rural people, particularly in places without banking facilities. The study concludes that the bank branches have increased to 15,235 during 2011-12 as against 14,301 branches during 2000-01. The deposit of RRBs has increased from Rs. 81,476 crores in 200-01 to Rs. 2, 96, 559 crores in the year 2009-10. As far as the borrowings are concerned it was Rs. 9,839 crores in the year 2000-01 which increased to Rs. 33,520 crores in 2009-10. The investment has also increased to Rs. 1,45,491 crores in 2009-10 as against Rs. 45,363 crores in 2000-01. The loans and advances of the RRBs have increased by Rs. 137919 crore during 2009-10 over 2000-01.

### 2.3. NEED FOR THE STUDY

Several studies have been undertaken to evaluate the role of institutional finance for agriculture at the national level by individual researchers, financial institutions and Government. But area specific studies are comparatively limited in number. Such studies are of great importance on account of the vast, inter-regional variations of bank credit in developing countries like India. Even bank specific studies do not seem to have gone into the different operations of the branches located in remote rural areas. The present study of Andhra Pragathi Grameena Bank and farm credit in SPSR Nellore District of Andhra Pradesh is intended to fill this gap. A detailed analysis is planned to examine the impact of farm credit disbursed by Andhra Pragathi Grameena Bank farm credit on farm income, employment and asset creation in SPSR Nellore district of Andhra Pradesh.
2.4. OBJECTIVES OF THE STUDY

The chief objectives are:

i. To study the progress of Andhra Pragathi Grammena Bank;

ii. To examine the disbursement of credit by Andhra Pragathi Grameena Bank among different categories of farmers in canal and non-canal regions;

iii. To analyse the impact of bank finance on income, employment and creation of assets of sample borrowers; and

iv. To assess the level of default and to analyse the causes thereof.

2.5. HYPOTHESES

The following hypotheses have been formulated are:

i. There is no significant difference between the APGB branches over a period of 10 years in the case of business per branch and business per employee;

ii. There is no significant difference in income generation between pre loan and post loan periods among the borrowers based on age, caste, level of education, occupation and size of farmers in canal and non-canal regions;

iii. There is no significant difference in employment generation between pre loan and post loan periods among the borrowers based on age, caste and level of education, occupation and size of farmers in both regions;

iv. There is no significant difference in creation of assets between pre loan and post loan periods among the borrowers based on age, caste, level of education, occupation and size of farmers in both regions;

v. There is no significant difference among the different categories of farmers with regards to demand, repayment and NPAs in canal and non-canal regions; and

vi. There is no significant difference in the case of distribution of defaulters and the loan amount defaulted among the different categories of default (reasons for default) and also between canal and non-canal regions.
2.6. SAMPLE DESIGN

There are 79 Andhra Pragathi Grameena Bank branches functioning in SPSR Nellore District. These branches are divided into two groups, those serving the farmers in the canal region and those serving in the non-canal region. There are 40 branches in the canal region and 39 branches in the non-canal region. A random sampling of 8 per cent of the total branches i.e., 6 branches in all were taken, representing 3 APGB branches from each region.

Further, the list of farmers who borrowed loans from 6 APGB branches were collected during 2012-13 and 2013-14. Later, 210 farmers (35 from each branch) who borrowed loans from the bank are selected randomly with probability proportional sampling method (PPS sampling method) from the 6 sample APGB branches. Table 2.1 provides the sample APGB branches and borrowers.

TABLE – 2.1
SAMPLE BORROWERS FROM CANAL AND NON-CANAL REGIONS

<table>
<thead>
<tr>
<th>Region</th>
<th>Name of the Mandal</th>
<th>Name of the APGB Branch</th>
<th>Sample borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canal Region</td>
<td>Manubolu</td>
<td>Baddevolu</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Rajupalem</td>
<td>Rajupalem</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Indukurpeta</td>
<td>Jaggadevipet</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>105</strong></td>
</tr>
<tr>
<td>Non-canal Region</td>
<td>Kaligiri</td>
<td>Chidanakonduru</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Rapur</td>
<td>Rapur</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Podalakuru</td>
<td>Podalakuru</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>105</strong></td>
</tr>
</tbody>
</table>

The borrowers are further classified into following groups based on land holding.

a. Marginal farmers: Farmers who have 2.5 acres of wet land or 5 acres of dry land.

b. Small farmers: Farmers who have 2.5 to 5 acres of wet land or 5 to 10 acres of dry land.

c. Medium farmers: Farmers who have 5 to 10 acres of wet land or 10 to 20 acres of dry land.

d. Large farmers: Farmers who have 10 acres of wet land or 20 acres and above of dry land.
2.7. PERIOD OF STUDY
The main purpose of the study is to make an analysis of the impact of Andhra Pragathi Grameena Bank finance on income, employment, asset creation and repayment of loans of the sample borrowers. The study covers in general, a period of ten years from 2004-05 to 2013-14. However, the impact of the bank finance is studied with focus on two financial years, 2012-13 and 2013-14, which correspond to pre-loan and post-loan periods respectively.

2.8. SOURCES OF DATA
The study is based on both primary and secondary data. The primary data was collected from the sample borrowers through structured schedule. The secondary data collected from the publications of Regional Rural Banks, National Bank for Agricultural and Rural Development, Reserve Bank of India. Statistical abstracts of India and Andhra Pradesh, Handbook of Statistics, Chief Planning office, Nellore, and Annual Reports of Andhra Pragathi Grameena Bank, SPSR Nellore district.

2.9. TOOLS OF ANALYSIS
The data collected has been analysed using appropriate statistical tools and techniques such as ratios, percentages, linear and compound growth rates, analysis of variance (ANOVA), t-test etc.,

2.10. ORGANISATION OF THE STUDY
The study has been divided into six chapters. The first chapter deals with the progress of RRBs in India. The Review of literature, statement of the problem, need for the study and research methodology is presented in the second chapter. The Third chapter depicts the role of Andhra Pragathi Grameena Bank in farm credit in SPSR Nellore district. The impact of farm credit disbursed by Andhra Pragathi Grameena Bank on income, employment and creation of assets of the sample borrowers is analysed in fourth chapter. The fifth chapter examines the repayment performance of the sample borrowers and analysed the causes for NPAs. The last chapter summarizes the results of the study.
REFERENCES:


27. Satish, P. (2013), Repositioning RRBs as the main arm of the Agricultural Credit Delivery Mechanism in India Chief General Manager, National Bank for Agriculture and Rural Development (NABARD), Maharashtra Regional Office, Pune.

