Chapter - 3
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India is predominantly an agricultural economy, which contributes to nearly one half of the national income and provides employment to over 70 percent of the population. More than 70 percent of the population of India lives in rural areas and the problem of poverty is more serious in villages of the country. The indigenous financial institutions have been engaged in lending money to the rural poor but they have been charging an exorbitant rate of interest. In order to save the rural poor from the clutches of the moneylenders, the scheme of Regional Rural Banks was launched in the year 1975. During the last about 34 years of working of the Regional Rural Banks, different committees and commissions have been consulted to evaluate and examine the role of these financial institutions in rural development. Some of these studies have also been conducted by the Reserve Bank of India while the others have been undertaken by individual researchers. In this chapter, an attempt has been made to present the findings of the researches conducted by different scholars in the field with regard to the evaluation of the performance and impact of the Rural Regional Banks in the rural development of the country.

Joshi (1974) has examined the impact of nationalization of banks on the pattern of bank advances. The analysis has pointed out that since nationalization, there has been an impressive increase in bank advances both in quantitative and qualitative terms. The study also reveals that significant increase in bank advances had helped in a higher deposit mobilization in the country. The analysis points out that the share of large organized industry and wholesale trade in total credit disbursed by the commercial banks had reduced.

Patel (1974) has advocated that in order to ensure the timely repayment of the loans and to reduce the risk of non-repayment, the banks should identify the specific local problems of rural finance, discipline the borrowers and involve the voluntary institutions while providing credit in rural areas. In order
to enhance the production efficiency of farmers, the commercial banks should make available to the farmers the package of practices-cum-technical services.

Sharma (1974)\(^3\) has observed that the financial institutions, particularly commercial banks have been playing a laudable role in the promotion of agriculture and in mobilizing rural savings, but even then there remains a lot to be done in this respect. The banks have failed to touch landless labourers, small and marginal farmers who have directly or indirectly need bank credit facilities.

Malyadri (1975)\(^4\) has observed that the functioning of the commercial banks in rural areas was marked by a high cost structure, as reflected in the increasing expenses to income ratio of the rural branches of those banks. These observations have driven the working group to conceive of an institution which combines the good features of both the cooperative and commercial banks. As a result there has been a recommendation to organise rural banks on regional basis. While recommending formation of the RRBs the working group has considered in detail whether the restructuring and modification of the existing credit structure would help to meet the increasing credit demand and have come to conclusion that it might not yield any appreciable results. The working group has felt that the field of rural credit so vast and its problems so varied and complex that it is difficult to meet all the credit needs of the rural people. In this way the working group has endorsed the idea of the Government of India for organizing “Farmers Service Societies” (FSSs). The linkage of the FSSs would be such that the RRBs would use the FSSs as a medium to disburse credit in the field alongside their own direct lending where the FSSs are not yet organized.

Natarajan (1976)\(^5\) has revealed that, after 1969, the 14 nationalized banks became a potent weapon in the hands of the government which decided that the resources of the public sector banks should supplement those of the cooperative banks in the supply of the farm credit.
Lavania et al. (1977)\(^6\) have pinpointed that the share of the commercial banks in the total borrowings of the cultivators has considerably increased after nationalization. Although the per family borrowings of large farmers have been significantly higher than those of small farmers, yet there has been significant difference in the per hectare borrowings between small and large farmers. The purpose wise utilization of bank loans for consumption, social obligations, etc., for all the farms taken together, hardly 6 percent for non-borrowers. There has been a significant difference between borrowers and non borrowers with regard to yields of major crops. Therefore, the policy implications of this study are that the bank finance has favourably affected agricultural productivity in the region and as such banks should be further encouraged to increase the efficiency and volume of credit given to agriculture. For this, necessary legislative and administrative measures will have to be undertaken and a more effective coordination between commercial banks and cooperatives will have to be ensured.

Bhave (1977)\(^7\) has observed that as financer, the role of the RBI in the sphere of agricultural credit has considerably increased as evident from the fact that in the year 1950-51 the RBI had sanctioned credit limits for seasonal agricultural operations to the extent of only Rs. 8 crore, whereas for the year 1976-77, the total limits sanctioned for this purpose were Rs. 696 crore. The operation of the RBI credit limits is subject to certain important norms like maintenance of non-overdue cover, performance of the cooperative banks in making at least 20% of their advances of small farmers and weaker sections, maintenance of seasonality in operations or credit limits and mobilization of deposits. In the sphere of the long-term agricultural credit, the Reserve Bank’s role is mainly that of a coordinator in the sense that it organizes support to the debenture programmes of the land development banks whose main responsibility is to disburse investment credit for minor irrigation, agricultural machinery etc. Besides, medium term limits for pumping sets, milch cattle, etc., have been made available at one and a half percent below the bank rate, the total limits for the year 1976 sanctioned being Rs. 15 crore.
Desai (1978) has studied the performance and problems of rural banking in India. The performance of the formal Rural Financial Market (RFM) in India, in aggregate terms, has considered three different aspect of this market. These three aspects are: (i) Sectoral allocation of credit, sectoral modification of deposits and sectors contribution to national income; (ii) Rural loan terms structure, extent of financial independence, default rate and the distribution of rural credit; and (iii) Purchasing power of rural credit and the distribution of benefits arising from the concessional lending rates among different sized farms. The study further reveals that the basic problems of providing financial services to the rural sector lies in appropriate method of credit disbursement and those of mobilization of savings. This has resulted from (a) inadequate appreciation of the nature of rural demand for financial services, (b) excessive emphasis on the supply oriented concessional lending policies and (c) a relative neglect of the dual character of the rural financing market, in which formal and informal segments co-exist.

Dadhich (1978) has analysed that, there has been a phenomenal increase in training facilities in rural banking but the leeway is yet to be made before training in rural banking could become an effective instrument of social and economic change in rural areas. The measures suggested will go a long way to make training in rural banking meaningful and prevent it from becoming ineffective and stereotyped.

Desai (1979) has found the aggregate terms for sectoral allocation of credit, mobilization of deposits, financial independence and the rise in purchasing power of rural credit in the seventies. The study also observes an increase in the credit outstanding growth of rural deposits and a decrease in the purchasing power of the total rural credit and deposit.

Sharda (1980) has analysed the progress made by first 48 RRBs, covering 87 districts of the country, during the period 1975-78. The analysis points out that these RRBs have made a mark in their respective regions in terms of branch expansion, deposit mobilization and deployment of credit. It also finds out the impact of the bank credit on different sectors of the economy.
Rao (1980)\textsuperscript{12} has assessed the impact of Sri Visakha Grameena Bank on the distribution of gains, cropping pattern and asset position of beneficiaries in irrigated and unirrigated areas. The main finding of the study is that there was cent percent loan utilization in the irrigated region as compared to the dry region (98\%) and it was due mainly to the efficient supervision by the bank. In the case of the rate of returns, it was higher in the irrigated region, that too in proportion to the asset possession of the beneficiaries. The rate of return was higher when the loan was advanced in the form of asset as compared to cash. The cropping intensity however, had increased in both the regions. The acquisition of assets was found to be higher in the dry region as compared to the irrigated areas. The artisans and traders categories registered a higher rate of asset acquisition, since the loan itself was given in the form of assets.

Patel and Shete (1980)\textsuperscript{13} have made an appraisal of the growth and performance of the RRBs in India, in the light of their branch-expansion, deposit mobilization, credit deployment and profitability position. A comparison between the performance of the RRBs the and that of other banking institutions working in the country reveals that in spite of registering a high growth rate with respect to most of the indicators of banking development, in certain aspects, the former continued to lag behind the latter. This study concluded that the RRBs had a long way to go before they could make their presence felt in the economic life of the area in which they were operating.

Wali (1980)\textsuperscript{14} has suggested that for the efficient delivery of credit, there should be separate reservation of credit for different sections of the rural poor. Further, the banks should build up awareness and motivation in the rural poor with respect to their production and investment needs.

Devendra (1980)\textsuperscript{15} has found that staffing of non-technical persons on the basis of low philosophy has hindered the effective management. He has recommended a specialized staff well aware of agriculture trade and industry, selection of staff on the basis of competitions, permission to advance loan under DIR schemes through branches, opening of branches in remote areas only, etc.
Reserve Bank of India (1980)\(^{16}\) has conducted a study on the viability of the RRBs which had completed three years period by December, 1978. Out of 15 banks studied, 8 got profit in 1978, 6 sustained losses, while the remaining one bank did not show any profit or loss. The study indicated that an RRB with about 70 branches and loan business of Rs. 8 crores would require about 6 years to attain economic viability.

Wadhva (1980)\(^{17}\) has revealed that in relative terms the performance of Haryana Kshetrya Gramin Bank (HKGB) was not impressive on the front of deposits. The Jaipur Naguar Aanchalik Gramin Bank (JNAGB) appeared to be a representative bank in respect of providing loans to small and marginal farmers and agricultural labourers. The general picture that emerges from the study of the two banks is that the branches of the RRBs were not set up at locations where other credit institutions were not operating. The study further shows that the Regional Rural Banks had shown some tangible results in making credit available to the weaker section of the rural society. They had been deploying more resources locally than deposits mobilized from these areas. Almost the entire credit had been granted by the RRBs directly to the specified sections of the rural society. The study maintains that the RRBs could thus play a very significant role in moving towards filling a big credit gap that existed within the present institutional structure of the rural credit.

Bhalerao et al. (1981)\(^{18}\) have analysed the impact of the short term bank credit on the farm sector. In this study, a sample of 45 farmers having different size of holdings and hailing from five villages of district Prakasan in Andhara Pradesh was taken for the purpose. The Cobb-Douglas Production Function and Co-efficient of Multiple Determination were used to reach the final results. The study points out that as compared to other sources of agriculture finance, the bank credit proved more efficient because of its adequacy, timeliness, promptness in recovery, better supervision and lower rate of interest.

Srivastava (1981)\(^{19}\) has concluded that the Regional Rural Banks have provided easy and timely crop-loan at a normal rate of interest and such facility has resulted in an increased use of inputs like seeds, fertilizers, labour
and has in that way, increased the intensity of cropping and has thereby, significantly increased the income of the borrowers.

CRAFICARD (1981)\(^{20}\) the committee has reviewed arrangements for institutional credit for agriculture and rural development and has examined the role of the RRBs in the rural credit system. It concludes that the rural banks should be given preference with regard to the licensing of branches in the rural areas, the RBI may take necessary steps to facilitate transfer of eligible business from the rural commercial banks to the RRBs, the loss in the initial years should be made good by the shareholders, the sponsor banks facilities should be continued up to 10 years and the control of RRBs should be transferred to the NABARD.

Rao et al. (1981)\(^{21}\) have examined the impact of the RRBs on rural development activities by making a study of five randomly selected villages which were served by Sri Visakha Gramin Bank. The study is based on a direct personal investigation. The study states that in all the villages, small and marginal farmers have derived benefits through agricultural loan given by the bank. The study further reveals that crop-loans have shown substantial encouragement in terms of recovery while the repayment for other types of loans has been either normal or nil. One of the fundamental drawbacks of the bad state of recovery might be attributed to group guarantee system. In two villages, the loans given were only crop-loans and, hence, recovery in those villages was quite satisfactory.

Rao and Bhavlerao (1981)\(^{22}\) have advocated that the commercial banks, by providing adequate and timely credit, can create a favourable impact on agricultural development even in a backward region. However, to make such impact significantly felt, it would be necessary to further expand the rural branch network of the commercial banks and increase their operational efficiency. The staff working in this rural network will have to be rural oriented and adequately trained and be provided with necessary vehicles to increase their mobility in order to establish and maintain close contact with the rural clientele. The launching of the regional rural banks sponsored by the
commercial banks is a step in the right direction, but in this programme greater emphasis needs to be laid on backward regions.

The Reserve Bank of India (1982)\(^{23}\) has a study to examine the quantitative performance of the RRBs and has advocated that the basic aims of setting up of the RRBs viz. developing the rural economy by providing credit for agriculture, trade commerce, industry and other productive activities of the rural areas particularly to small and marginal farmers, agriculture labourers, artisans and small enterprises have been largely achieved and the RRBs are well equipped with the technical staff. Nonetheless, their performance could be bettered. The study notes that the RRBs have maintained their image of a small man’s bank by confining their credit facilities to the target group.

Varsha and Singh (1982)\(^{24}\) have analysed the overall profitability performance of the RRBs over a period of three years from 1978 to 1980 by selecting a sample of 40 RRBs which were, as on December 1978, at least two years old. They used the indicators, namely Interest Earned Ratio, Interest Paid Ratio, Manpower Expenses Ratio, Other Expenses Ratio, Other Income Ratio, Payout Per Employee Ratio, Volume of Business per Employee Ratio, Profitability Ratio, Spread Ratio and Burden Ratio. In general, the overall profitability performance of the RRBs in the sample was found to have improved over the years 1978 to 1980. In order to analyse the inter-regional difference in the performance of the RRBs, four average Regional Rural Banks were constructed, and an average Eastern Regional Rural Bank, an average Northern Regional Rural Bank, an average Central Regional Rural Bank and an average Southern Regional Rural Bank were selected. The study reveals that Eastern and Central RRBs, which were on an average showing losses in 1978, were earning profit in 1980. For Northern RRBs, the quantum of loss on an average in 1980 was much less as compared to that in 1978. For Southern RRBs, the quantum of profit per Rs. 100 of business increased over the year 1978 to 1980.

Naidu et al. (1982)\(^{25}\) have highlighted that rural financing is not merely for the development of villages, but also for developing people in all walks of life. They recommend that the finance rendered by the bank should be utilized in
productive and income generating schemes; otherwise, the system of rural economic conditions will deteriorate. The study also emphasizes the need for a continuous follow up of supervision and control by the banks at levels to ensure that the funds are properly used for which they are made. Only then a regional balanced rural growth is possible.

Shah (1982)\(^{26}\) has suggested that in order to make rural banking more effective, the rural branches of all the commercial and cooperative banks should be amalgamated together and be brought under the control of one single district rural bank. Such a bank would cater to the needs of the rural folk better than other banking and non-banking institutions would do. Further, to ensure better recovery of loans, the credit must be provided only for the viable schemes.

Singh (1983)\(^{27}\) has analysed that the RRBs have become a significant rural institutional force, especially in backward states where the institutional coverage for credit facilities particularly to the rural weaker sections is inadequate and they have become an integral part of the rural credit structure within a short span of time. It is revealed that for successful functioning of the RRBs, the need is to keep them free from political interference either in respect of management or disbursement of advances and they should consider themselves to be community-based institutions and should be fully acquainted with the needs and aspirations of the people in the locality in which they operate. The study concludes that the success of the RRBs would lie in their continued efforts at expanding and extending the area of the rural credit along with viability and profitability, and that they should mobilize minimum deposits and provide credit to the weaker sections according to their needs and motivate them for purposeful utilization of the credit.

George (1983)\(^{28}\) has studied the Rural Banking and outflow of rural savings at Ooramana village belonging to the Muvattupuza Taluka, Ernakulam District in Kerala and has observed that the area of study was predominantly deposit mobilization centred. This study reveals that the credit deposit ratio of small and marginal farmers in the context of subsidiary occupations has been
negligible and far from satisfactory and, therefore, recommends better infrastructure facilities to improve the imbalance.

Joshi (1983)\(^\text{29}\) has noted that the banks have performed a fairly good job, but the benefits from the banks could not reach the classes that were intended to be benefited after the nationalization of the banks. The banks on their part have been trying to metamorphose the rural scene by involving themselves in the villages' development. According to Joshi, there have been quantitative achievements in some directions, but as the rural scene is not simplistic, it needs much more effective, sustained and consolidated programmes in an integrated manner. And also the success of our commercial banks should be judged not by the amount of money they give as credit but by whether the outflow of rural people from the countryside to urban areas have been effectively checked as a consequence of many new opportunities created for them through the activities of our banking system.

Singh (1983)\(^\text{30}\) has made an attempt to analyse the loan delivery system. His study covered the following aspects: (i) Reasons for delay in sanction and disbursement of loans; (ii) Variables considered by bank officials while granting loans; and (iii) Difficulties faced by bank officials while granting and by borrowers while borrowing money. The main conclusions of the study are: (i) Delay in recommendations on the loan applications by the Government officers was the most important reason for delay in sanction of the loans; (ii) Delay in availability of materials for which loans were sought was the chief cause of delay in disbursement of loans; (iii) There was a disagreement between the borrowers and the bank officials with regard to the relative importance attached to different variables examined when loans were sought. Managers considered small and fragmented holdings and defective land records maintained by government officers as important difficulties while granting loans, whereas, the beneficiaries identified some other factors adding to the difficulties.

Kamath (1984)\(^\text{31}\) has found that the RRBs have succeeded in speedy branch expansion, deposit mobilization and credit deployment. Again, the working of the two RRBs in Kerala has been better than most of the others. The study
also concludes that, though cooperative sector is strong in Kerala, there is a
good case for extending the benefits of the RRBs at least to the relatively
backward districts of the state.

Singhal and Singhal (1984)\(^{32}\) have examined the problems of rural banking
and have reflected on the notable participation of banks in the areas of rural
development particularly in the post-nationalization period and have further
pointed out that the rural development schemes have made tardy progress,
and no efforts have been made to integrate “District Credit Plans” with the
“Integrated Rural Development Programme”. On the other hand, the IRDP
has also made a slow progress. The study concludes that in granting loans,
unhealthy formalities should be reduced and reducing these inordinate delays
in granting subsidies by the state government to banks would minimize the
time lag between loan disbursement and grant of subsidy.

Pandhey (1984)\(^{33}\) examines “commercial banks and rural development”
dealing with the relation of the I.R.D.P. with the commercial banks. He gives
an outline of the various fields for development in rural India and the role that
can be played by the commercial banks. According to him, the banks have
been paying a very significant role in the rural development.

Lakshmi Narayana (1984)\(^{34}\) has found that the performance of the bank was
good in respect of branch expansion, deposit mobilization and loans
advanced to the weaker sections. The makes the following recommendations:
(i) These banks should organize educational programmes emphasizing upon
the need to make timely repayment of loans; (ii) An effective link between
credit, marketing and other services should be established so that the
beneficiaries belonging to weaker sections are able to obtain a package of
economic services from the bank which should be of direct benefit to the
borrowers and members in respect of marketing, processing and helping the
bank in recovery of loans advanced; and (iii) The Bank should help in
dissemination of the knowledge of improved technology in agriculture and
allied fields.
Singh and Upadhya (1984) have looked into the question of low recovery of loans by the RRBs and have attempted to find out the means to improve the rate of recovery. For this purpose, a sample of four RRBs operating in the state of Bihar was selected and members of the board of directors, managers and borrowers were interviewed. This study concludes that there was a continuous decline in the rate of recovery during 1978 to 1980. The managers attributed this to inadequate arrangements for recovery while the borrowers held shortage of funds to repay loans responsible for the same.

Singh (1985) has examined the various types of governmental programmes and the related role of commercial, cooperative and rural banks in the development of rural areas. Some of the issues examined in depth include direct and indirect financing to the agricultural sectors-dairy, cattle farms and piggeries, recovery of loans and interlinked problems. It covers the details of rural sector loans and subsidiary activities in accordance with the governmental action plans. It is an incisive work which has reduced the looming gap between the concept and actual practice at the grassroot level in banking function.

Oka (1985) has observed that the commercial banks witnessed a phenomenal progress in lendings to agricultural sector, especially by way of direct finance. The combined share of marginal and small farmers in total agricultural finance went up substantially during the period (1969-81). But, the overall recovery of agricultural lendings has found to be very poor. Further, these persisted very wide inter-regional and inter-sectoral disparities in the distributional pattern of agricultural credit.

Balishter (1985) has attempted to examine the role played by the RRBs in financing the rural poor in community development in the blocks of Arawan of Manipuri Districts of Uttar Pradesh. The main findings of the study are: (i) The role of the bank in covering the weaker categories has been found satisfactory in both qualitative, as well as, quantitative terms; (ii) Year wise analysis lays emphasis on the increasing role of the bank in advancing loans and covering the families; (iii) Bank loans to rural families for animal husbandry dominated among all purposes. The loans for industries are confined to landless...
labourers households for providing self-employment; (iv) the recovery of loans has not been satisfactory and has been higher in case of landless labourers than small and medium farmers; (v) There has been a positive impact on income and employment of borrowing households. The impact has been more on the poorer amongst the poor.

Parshad et al. (1985) have revealed that a large bulk of loanee households belonged to the poorer sections of the rural community and not the rich sections. Out of the total loans, 87.50 percent were given to the households falling in the category of low-income group. Thus, the borrower has been found satisfactory. According to the occupational distribution of the loanees, 35.42 percent of the households belonged to agriculture. Out of the total agriculturists receiving loans, 77 percent households belonged to low-income group. The bank had covered a large number of marginal and small farmers while lending money to the farming community. It was also found that the loans had resulted in creating a positive impact on generating employment and increasing earnings of the loanee households. On the whole, the average increase in income of the poor households of the rural community was estimated at 18.74 percent. The study also reveals that the repayment habit of the loanee was fairly poor. About 58.34 percent of the total households had not paid any installment. The study concludes that the loans given by the RRBs have the potential of generating agricultural income for the poorest sections of the society.

George et al. (1985) have estimated the farmers borrowing costs for institutional and non-institutional sources of finance. Two blocks of district Chingleput of Andhra Pradesh were selected for the survey. The analysis of variance (ANOVA) technique was used to reach the final results. On the basis of survey, farmers’ average borrowing cost for crop and investment loans from non-financial institution was found to be lower than that from financial institutions. To benefit the farmers more, it was suggested that the documentation and certification fees should be brought down, which would further reduce the leakages from the amount of loan.
Gupta (1985) has noted that the main objectives of the nationalization of the 14 scheduled commercial banks in 1969, was to extend banking facilities in unbanked and under-banked centres especially in rural areas.

Yashavantha (1986) has examined the growth of the Regional Rural Banks on the basis of branch expansion, deposit mobilization, credit deployment and recovery of advances of the Regional Rural Banks. It is revealed that the RRBs have made a good progress in the field of branch expansion, deposit mobilization and disbursement of credit. The study also states that the greatest feature of these institutions has been the low cost of operation and these have provided more than 70 percent of the RRB advances to agriculture and allied activities. The study also concludes that the RRBs have contributed their might in a short span of almost a decade and have proved that they have come to stay and the future of rural development programmes depends to a large extent on these institutions.

Kodli (1986) has revealed that after the establishment of Tungabhadra Grameen Bank, the proportion of people borrowing from money lenders had come down in all but one of the selected villages. Yet money lenders' share in the total lendings still remained 51 percent even after seven years of operation of the bank. Thus study also reveals that the credit made available by the bank was insufficient and farm families were still compelled to approach village money lenders.

James (1986) has conducted a study about the rural development activities of NMGB. The study finds that 62 percent of the borrowers did make proper use of loan. The repayment performance of the loanees shows that majority of the defaulters belonged to the dairy scheme followed by self-employment and business schemes. However, since James has followed a defective sampling procedure, this study is not a dependable one.

Sinha (1986) has conducted a case study in West Bengal to trace out the reasons for non-repayment of small loans by the rural poor. The study finds that the "bankers' enthusiasm to get quick recoveries" has been the key factor for the defaults. He has also suggested that the banker should take into
account the expected sales in the market for assessing the viability of small loan proposals.

Ravindran (1986) has analysed the problems of agricultural credit and recovery of North Malabar Gramin Bank, Kerala. It has been found that the quantum of financial assistance for agricultural and allied activities has steadily increased over the years. It is also revealed that, the bank has been taking ample interest in the upliftment of scheduled castes and tribes and the bank finance has reduced the dependence of the sample borrowers on money lenders. However, on the recovery front, the bank gives a dismal picture.

Choubey (1986) has studied the combined effect of the Regional Rural Banks and cooperatives. In pursuance of a presidential ordinance promulgated on September 26, 1975, five such banks covering nine districts were set up on October 2 at Moradabad and Gorakhpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajasthan and Malda in West Bengal. The decision to establish such banks was earlier taken as a follow up action on the 20-point programme which included measures to wipe out rural indebtedness. The study also finds that the new organization would combine the local knowledge, rural bias, spirit of service and dedication to the rural people which were the characteristics of the cooperative banks, with adequate resources, management expertise and efficiency of the commercial banks. Its main objectives were to wipe out rural indebtedness and bridge the credit gaps in the rural areas.

Reddy and Reddy (1986) have observed that the Regional Rural Banks have made good progress in the field of deposit mobilization, branch expansion and disbursement of the credit to small farmers. However, they have pointed out that these institutions have been facing certain problems in their operation, which include: i) The RBI is consuming a lot of time in providing approval for branch expansion. ii) Lack of important infrastructural facilities for bank employee’s iii) These banks are facing the problem of getting suitable accommodation for new branches in rural areas. iv) The borrower’s are misusing their loans, by spending on unproductive purposes. In the end they have offered certain suggestion, which can be useful for
bringing improvement in their functioning. The major suggestions are: (i) The RBI has to streamline its licensing policy to fasten the growth of the bank expansion; (ii) Lead banks and the State Government has to take necessary steps to provide proper infrastructure in the villages; and (iii) State and Central Government should take initiative to provide accommodations for new branches of the rural banks.

Mishra (1986) has made an attempt to appraise the credit facilities provided by the RRBs in rural development. For this purpose, he has studied 100 households in Amethi and has interviewed different categories of farmers and businessmen. He has observed that a large number of big farmers were grabbing benefits by taking loans from these banks though they were not legally entitled to get such loans. The small and marginal farmers, who were to be the rural beneficiaries, were being deprived of such loan facilities. About 85 percent of the marginal farmers were still dependent on money lenders, taking loans at a higher rate of interest. The rate of interest was as high as 37 percent per annum. A few marginal farmers who obtained bank loans maintained that terms and conditions of these loans were unfavourable and they did not get any benefit by the bank loans. However, Mishra's study reveals that the RRBs have provided sufficient facilities to rural artisans and have helped them in improving their living conditions.

Gupta (1987) has done a study on (i) an examination of the evolutionary process of the institutional network which exists for rural development through credit and (ii) an assessment of the extent to which the institutional credit has been provided by the various agencies and utilized by the beneficiaries. This is the only book which has covered all the aspects of rural development. In this book, the author has laid equal emphasis on all the sectors for the development of the rural India. This study is wholly based on field investigation in the U.T. of Delhi.

Rehman (1987) has assessed the impact of the Grameen Bank on the existing rural power structure of Bangladesh. The findings of the study indicate that gramin bank members, being conscious of their status as
opposed to the rural elites, have already developed a countervailing force to ensure their participation in the development process.

Mohsin and Jha (1987)\(^5\) have examined the credit repayment performance of the IRDP beneficiaries, financed by the RRBs. This study indicates that among the different categories of beneficiaries who had repaid the loan completely, the performance of small traders was good. The small farmers were the greatest defaulters. Again among the beneficiaries who made partial repayment of the IRDP loan, the highest percentage was that of the small farmers followed by the agricultural labourers. The greatest defaulters in the non-repayment category were the small farmers, accounting for 70.59 percent of the total strength of the defaulters. The study also finds that the crucial factor responsible for non-payment was the lack of coordination between the bank officials and the beneficiaries.

Singh et al. (1987)\(^5\) have conducted a study in a typical rural setting of Bihar with particular reference to income pattern, expenditure pattern, profit and loss pattern, per employee performance and break even levels for deposits as well as for advances. Their analysis clearly highlights the financial viability of an RRB branch. The commercial bank branch could enhance its economic viability by increasing the volume of loan business with a better control of expenses. The financial efficiency of the RRB branch would have been even better, of the branch had avoided the utilization of high salaried personnel of the sponsoring bank as manager of the branch. It is suggested that the RRBs should be given priority in the rural branch expansion programme.

Bal Krishan (1987)\(^5\) has examined the role of commercial banks in reducing regional disparities in rural India by using the 'Z-sum' technique and Herfindahl Index (HI), during 1975-85. His analysis reveals that though rural disparities with respect to branch expansion, deposit mobilization and deployment of credits came down during the reference period, there existed a high degree of concentration with respect to per capita deposits credit.

Naidu and Nagraja (1987)\(^5\) have noted that some problems such as unemployment and underemployment are acute and the small scale industrial
sector has to play a prominent role. An important feature of the small scale sector is that it helps in diffusing economic power and ensures equal disbursement of wealth, which is essential to achieve the equalitarian objective of a socialistic society. The small scale industries not only provide employment opportunities but also make a great contribution on the repaid decentralized growth of our economy. Therefore, realizing the potential of the small scale industries, the institutional credit should be made available to them by financial institutions like commercial banks. The problems faced by the commercial banks and suggestions thereof have also been listed in this study.

Kumar (1987) has remarked that the development of agriculture is the kingpin of our development. The present study gives a vivid description of the problems of agricultural finance as it is a much-needed input for the development of agriculture. The author has also attempted to assess the importance and impact of the agriculture credit on the agricultural produce. In conclusion, he advocates that an integrated credit policy for the future should be adopted by the institutions supplying agricultural finance, as the provision of agricultural credit in the content of modernization of agriculture has become a necessity.

Parmar (1988) has conducted a study on the RRBs in Gujarat. The study finds that about two thirds of the total deposits were shared by demand deposits, and the branch expansion programmes and the credit development were also commendable.

Savaraiah et al. (1988) have made an attempt to evaluate the performance of Chaitanya Gramin Bank of Gauther Districts in Andhra Pradesh. The performance has been appraised on several grounds: Branch expansion, internal capital resources, credit deployment, loans outstanding, schematic lending by the bank, recovery performance, etc. The study concludes that Chaitanya Gramin Bank has given an adequate credit to the rural masses, especially to the weaker sections. In the case of recovery performance, the Chaitanya Gramin Bank has a comfortable position. This is due to the bank's
vigorous efforts through constant monitoring of advanced and special recovery drive aimed at maximum recovery.

Naidu and Naidu (1988)\(^5\) in their study of the 48 borrower households of rural artisans financed by Rayalaseema Gramin Bank show that the RRBs could play a major role, but its credit operations are impaired by the limited knowledge of the rural artisan sector.

Thirunarayanan (1988)\(^6\) has found that the developmental impact of bank advances on the rural poor was not significant. The study further concludes that efforts were not made by the cooperative banks to meet the credit needs of the rural community, especially those of artisans category.

Naidu and Naidu (1988)\(^7\) have evaluated the impact of the Rayalaseema Grameena Bank on income, profit and employment in different categories of beneficiaries. According to them, the income had increased to the extent of Rs. 153, Rs. 96 and Rs. 140 respectively for paddy, jowar and groundnut crops between pre-loan and post-loan periods. The same trend was observed in the case of dyeing and weaving in which the income was more in the latter case due to good market. The increase in mandays of employment was 40, 36.84 and 28.57 percent for small, marginal farmers and landless labourers respectively. The increase was less in the case of agricultural labourers as they could not afford to employ labourers from outside.

Hossain (1988)\(^8\) has conducted a study of Grameen Bank in Bangladesh. An in-depth household survey in five project villages and two control villages reveals that Grameen Bank members had income about 43 percent higher than the non-participants in the project villages. This effect on income was attributed to the increase in income from processing and manufacturing, and trading and transport services financed by the bank. Thus, the study concludes, that the Grameen Bank has made a positive contribution to the alleviation of poverty in its area of operation.

Rao (1988)\(^9\) has examined the inherent problems of the RRBs. According to him, since there are different agencies like the RBI, the NABARD, the Sponsor Bank, the Government of India, etc. to control the RRBs, several
decisions are delayed for want of clearance by one of the agencies concerned. So, the study suggests to amalgamate all the existing RRBs to form a single National Rural Bank under the single agency the NABARD.

Noorbasha and Jyothi (1989) have concluded a study pertaining to the financial management pattern of Chaitanya Grameen Bank, Tenali, Andhra Pradesh. The study shows that most of the RRBs have non-viable. To improve the viability of these banks, the authors suggests that to allow RRBs to lend to public bodies like SC/ST cooperations, Housing Board, Village Panchayats, etc. and thereby increase their earnings.

Krishna et al. (1989) have found that there has been tremendous increase in the disbursement of loan to agricultural allied activities in general and to dairy in particular by the RRBs. The study also concludes with a suggestion to increase the quantum of financial assistance to dairy activity and that the bank should try to provide marketing facilities to the milk producers by linking with co-operative agencies.

Sangwan (1989) has revealed that in view of sound banking principle the profit making RRBs have preferred to invest more of their funds at call and short notice rather than loans and advances to weaker sections. This implies that there is lack of profit incentive for banks in undertaking the rural lending actively. Moreover, such an activity, in the long run, may inculcate indifference among the employees towards the organization and may adversely affect their business approach and management efficiency. Interestingly, the study reveals that the over dues have not been affecting the book profit as the same had been higher for the profit-making RRBs. The study further finds that the present resource mobilization and lending pattern, alternative breakeven models have been working for a branch of the RRB. It is indicated that, inter alia, a minimum of 11.15% average lending interest rate is sine que non to made a branch viable. The study concludes that the RRBs bring down their balances in current accounts with sponsor banks to a level of 9% of deposits.

Pandey (1989) has observed that, after nationalization in 1969, the share of the scheduled commercial banks credit going to agriculture and allied
activities has increased from 2.2 percent in 1968 to 5.2 percent in 1978. The study also points out that, during 1969, there was a branch for more than 2 lakh population, but, in 1975, there was a branch for every 70000 population. The study suggests that, if commercial banks aim at reaching the poor peasants, rural artisans and other rural people with small or no assets or means, the banks would not only have to develop appropriate organizational skills, but also change their attitudes, and there should be an established proper coordination of the lending operations of different institutional credit agencies viz. commercial bank branches, cooperative credit societies, lead bank and the RRBs and so on with a view to minimizing the danger of multiple financing resulting in financial indiscipline.

Kumari Padmaja (1989) has found that small traders, small businessmen, self employed persons and small transport operators constitute the major borrowers of the bank. She finds that in the non-agricultural sector, the tertiary sector received the highest share. Her study ends with some suggestions that the RRBs should be made a full-fledged bank for rural India and all the business of rural branches of commercial banks should be handed over to the RRBs.

Moin Qazi (1989) has revealed that the IRDP has only partially achieved the objectives with which it was launched. A major reason for the failure is the deviation which the programme has suffered from the basic spirit envisaged by the planners. According to Qazi, there has been no sincere efforts to link the programme with the requirements of a particular village community or the skills available in the village for various activities, and the economic viability of various schemes with regard to the potential available in the village. Despite the various constraints, the banks have been appraising loan applications meticulously, taking into account the economic viability of the project and ability of the applicant. But the limitations are obvious, for banks have also to go through all the applications which prima facie do not meet any banking or business norms and could easily be rejected by the village level functionary and, in spite of this, due to faculty identification, the cases of bank over dues are mounting. Besides, an Inadequate recovery of loans not only
inhibits the ability of the system to recycle the funds, but also denies the benefits of borrowing to the other needy people. Qazi notes that around 50% of agricultural loans of commercial banks, regional rural banks and cooperatives societies are not returned and many factors have been responsible for poor recovery.

Patnaik and Rao (1989)\textsuperscript{70} have examined the impact of Sri Visakha Grameena Bank finance on the investment, income, employment and consumption of the beneficiary households. The results indicate that there was an increase of 24 percent in investment in the case of urban areas and it was the least in the case of rural areas, while the increase in employment was more in the rural areas and least in the urban areas.

Bapna (1989)\textsuperscript{71} has studied the organization and working of four RRBs in Rajasthan. The study comes to the conclusion that there has been spectacular increase in branch expansion, deposits and advances. The credit-deposit ratio of the RRBs has been higher than that of commercial banks. The recovery performance of the banks has been better in respect of non-agricultural sector as compared to agricultural sector.

Mathur (1990)\textsuperscript{72} has found that in 1969, there were 1833 commercial bank branches in the rural areas which increased to 29,920 by the end of March in 1987. During the same period, the population per branch has decreased from 64,000 to 13,000. The study concludes that most of the needy persons coming from the lowest state of society have not been getting much assistance from the banks. Mathur points out that the rural people have been facing certain problems in the way of obtaining finance from the banks. The major problems are :(i) They are not fully aware of the schemes for which bank finance is available; (ii) They are not getting any proper guidance from government agencies and banks;(iii) They dislike the time consuming procedure of bank lending;(iv) In many cases, it has been observed that the banks officials are not sympathetic and cooperative to the rural customers belonging to the weaker sections of the society; and (v) Besides banking facilities, other infrastructural facilities like irrigation and transport facilities are quite inadequate.
Kumar (1990) has analysed the existing structure of the institutional and non-institutional sources of credit with their respective significance in India, as well as in Bihar, with their coverage, credit advances, deposits and position of over dues particularly in respect of the institutional sources. The study makes an in-depth enquiry into the origin, growth, coverage, working and performance particularly in respect of advances, deposits and recovery position of the Regional Rural Banks in India and also presents a comprehensive analysis of the position of the RRBs in the rural credit of Bihar, along with their inherent and posed problems making them to be less effective in achieving their objectives. The study observes that the RRBs have shown considerable success in the field of deposits mobilization and loan and advance made available to the borrowers. There has been 1200 times increase in the total amount of outstanding advances made by the RRBs in India between 1975 and 1985. The study concludes that one of the main reasons for the low credit deposit ratio in Bihar is poor recovery of loan. Of all the financial and banking institutions in Bihar, the recovery of loan is the lowest in case of the RRBs being 45 percent against 75 percent in case of other institutions.

Velayudham et al. (1990) have examined different factors contributing to the deteriorating financial viability of the RRBs. The study finds that, firstly, the growth rate of expenses of the RRBs has been higher than the rate of growth of their earning, thereby reflecting the failure of the RRBs to control the costs. As a result, the low cost profits which they were expected to maintain, have not been achieved. Secondly, the financial viability of the RRBs is also related to their own age and age of their branches. That is, the age of a bank or branch is one of the important factors affecting the financial performance. Thirdly, these problems have been compounded by a rapid growth of branches, unfavourable business environment and poor recovery of the amounts lent resulting in low recycling of the available funds and, therefore, the inability of the RRBs to generate adequate income. The viability of the RRBs is essentially a function of increasing revenue and reducing expenditure, and though they may not become viable in the initial year or in
the short run, it is imperative that in order for the RRBs to survive for long as institutions, they cannot remain unviable for all time.

Balishter (1990) has found that there has been a shift in cropping pattern from low income crops to high income crops. His study also reveals that there has been perceptible increase in the income and employment of the borrowers due to the activities of the bank.

Kalkundrikar (1990) has revealed that the RRBs have been playing a dynamic role in inculcating the habit of the thrift among rural masses and have been thereby, contributing to the process of capital formation. It emphasizes on the need to change the style of functioning of the RRBs and adopt more dynamic schemes and policies.

Kanvide (1990) has pinpointed that, between June 1981 and 1985, the growth rate in branch expansion of the public sector banks has ranged between 4 percent and 8.2 percent per annum, whereas that of the RRBs has ranged between 26.3 percent and 42.5 percent per annum. The study further reveals that during the aforesaid period about 41 percent of the credit extended by the RRBs has gone to agriculture, 19 percent to allied agriculture activities, 6 percent to rural artisans and village and cottage industries and about 23 percent to retail trade, small scale industries and self employment activities. The RRBs have been more successful in deposit mobilization in the rural areas in comparison to the cooperative credit societies. The study concludes that the RRBs have been extending credit to the target group like small and marginal farmers, landless labourers, rural artisans etc. and have been playing a valuable role in implementing the IRDP programme.

Tandon et al. (1990) have noticed that there was a sharp fall in the non-institutional loans especially those provided by money lenders. According to them, the share of professional money lender declined from 45 percent in 1951-52 to only 8 percent in 1981 and that of agricultural money lenders to 25% during the same period. And the institutional credit rose from 7 percent in 1951-52 to 61 percent in 1981. Besides, the cooperative credit share which was only 3 percent in 1951-52 increased to 20 percent in 1971 and to 20
percent in 1981. The study also points out that the commercial banks share in rural credit was 1 percent in 1951-52 and in 1981 its share sharply increased to 28 percent clearly establishing the change in the policy in the post-nationalized period. The study reveals that after establishment of the Regional Rural Banks and the NABARD the supply of rural credit has increased. The study concludes that rural banking and rural credit could not solve the problem of rural poverty. Hence, other essential components of infrastructure must be provided.

Kirshan (1990)\(^7\) has advocated that the Regional Rural Banks should contribute towards rural development. The main idea of setting up of the RRBs was to help the rural poor and to develop the rural economy. After the establishment of the RRBs, Indian Banking has witnessed an all-round development in banking. The most important development has been the opening of more and more branches in rural areas. The repaid expansion of banking is a prerequisite for rapid economic development.

Ramola and Negi (1991)\(^8\) have conducted a case study to assess the role played by the Regional Rural Banks in rural development. For the purpose, they have selected the Ganga Yamuna Gramin Bank operating in three districts of the Garhwal region of Uttar Pradesh. The study observes that the bank has witnessed an impressive growth in branches, deposits and credit from 1986 to 1989. The bank has played an important role in the development of rural areas by successfully providing liberal and adequate finance to the rural poor and socially backward people under various economic programmes.

Rao (1991)\(^9\) has analysed the impact of the Sri Vishakha Grameena Bank finance on the non-farm sector covering small business activity, transport and artisan activity in selected districts of Andhra Pradesh. The study also finds that the level of investment, income and consumption expenditure have shown a marked change, but the level of increase in employment and assets position has been relatively lower.
Padwal (1991) has observed that the high cost of branch expansion and growing percentage of credit portfolio to generally low yielding assets, increasing cost of personnel administration and establishment have adversely affected bank's profitability. Padwal has noticed that though deregulation in the banking sector is expected to help widen credit markets, to reduce the segmentation in them, to enhance saving mobilization and to stimulate competition, the past trends do not show this happening in the country. The researcher is of the view that the Indian banking industry may need to undergo a major change before it becomes ready to face full liberalization of the financial sector.

Chauhan (1991) have found that the demand for loans has exceeded the supply. About 35 percent of total loans have been put to unproductive use due to urgent consumption needs. It is also revealed that only very little surplus income has existed within the sample, ranging from 7 percent to 16 percent for the average household.

Patel and Khankhoje (1991) have revealed the location of about 35,000 branches at the rural centres, disbursement of farm credit and the IRDP credit in volume exceeding the volume disbursed by the cooperative credit system, proportionally large coverage of small and marginal farmers in the credit portfolio, mobilization of sizeable quantum of resources from rural and hitherto unbanked areas, and progressively diversified pattern of credit deployment in the rural areas are among the positive aspects of the commercial bank's involvement in rural development. As on December 1989, the rural branches of the commercial banks have accounted for 15 percent of the total deposits of the entire commercial banking sector. The analysis of the credit portfolio of the rural branches of commercial banking sector indicates that the non-farm sector in rural areas has accounted for 51 percent of the total farm credit extended by these branches at the end of 1989. It has been emphasized that it is the quality of rural banking, which is more important than its quantitative expansion. The study cautions about the growing credit gap in the rural sector of the economy and suggests certain measures to deal with this problem. It is warned that if the credit need of rural areas is not properly met, it will have
serious repercussion on the poverty alleviation programmes and quality of life in rural areas.

Chidambaram (1992)\(^85\) has suggested that the bank staff confining themselves to the premises is not a healthy trend for rural banking and that they should ever be in search of potential deposits and borrowers. He further suggests that this can only be possible when rural bankers live in rural areas and associate themselves with rural activities. The study also observes that the major causes of decline of recovery in Indian rural banking are political interference, inadequate staff strength etc.

Narasimhan (1992)\(^86\) has opined that to impart viability to RRBs operations they may be permitted to engage in all types of banking business and invest the funds in the NABARD or other agency to get more interest for augmentation of income of RRBs. However, he felt the option of merger open to RRBs and their sponsor banks.

Rao and Thomas (1992)\(^87\) have revealed that the percentage growth of deposit has not been satisfactory. Among the various types of deposits, the savings bank account deposits have increased considerably followed by current account deposits and time deposits. The recovery percentage has been unsatisfactory, during the study period, it has been below 50 percent. However, the bank has managed to maintain a more than 100 percent credit deposit ratio throughout the study period.

Goswami (1992)\(^88\) has compared the RRBs with the public sector banks. According to him, the growth rate of branch expansion during the period June 1981 to June 1985 for the public sector banks has ranged between 4 percent and 8.5 percent per annum, whereas the RRBs have made a remarkable progress, that is 26.3 percent and 43.5 percent per annum during the period. This study points out that the most important achievement of the RRBs has been the coverage of the non-easily accessible and economically backward areas of the country. The study also highlights the role of the sponsor banks and the progress of deposit mobilization and distribution of credit in different segments.
Upadhya (1992) has examined the recovery of over dues of the Grameena Bank and suggested remedial measures that all politicians on all forums should appeal to the public that there would be no further loan waiver and the Mandal Pradhan at the grassroot level should educate the people not only to avail the loans from the banks, but also to repay them promptly. In addition to this, Government officials and special Tehsildar may be appointed to each Grameena Bank for the recovery of over dues.

Patel (1992) has identified the need to accelerate fresh farm credit and has observed that the scope of rural banking is more comprehensive than mere farm sector financing of the rural branches of the commercial banks. At the same time, the total credit extended by the rural branches of the commercial banks is more comprehensive in scope than mere farm sector advances. He further states that the pattern of credit development should be diversified and the rural credit can play an important role in it. In addition to this, he is of the view that quantitative dimensions have to be achieved along with the desired distribution pattern of the farm credit between different size and group of farmers.

Varde (1992) has analysed that the performance of commercial banks in rural areas for a period of more than two decades after nationalization reveals a fairly good picture of quantitative achievements. Varde notices that the banks have succeeded in achieving the target set before the industry of deposit mobilization through a massive programme of branch expansion in urban and rural areas and he states that there is diversification of the bank audit to ensure flow of financial assistance to the neglected sectors and sections of the economy in rural areas. However, the need of the day is that rural banking must not only expand quantitatively but must become a viable and commercial proposition lending to the actual development of the rural sector of the Indian economy.

Patel and Khankhoje (1993) have discussed the basic issues pertaining to rural banking in the context of financial sector reforms. They have observed that the operations of the National Cooperative Bank of India could have perceptible repercussions on the operations of the commercial banks in the
rural sector. They conclude that the closure of rural branches has not been a viable solution for restructuring of rural banks. The issues concerning rural banking basically emerge from the fact that its futuristic role is both indispensable and challenging. Hence, clarity and broad consensus on certain aspects of the role and functioning of rural banking becomes essential.

Sharma (1993) has made an appraisal of the commercial banks in Himachal Pradesh, during 1969-92. The analysis has been carried out with the help of ten indicators reflecting the growth of commercial bank branches, deposits and advances. The study points out that the commercial banks in Himachal Pradesh have witnessed a higher growth rate as compared to that in the country as a whole. But, in spite of that, the state lagged behind the country in achieving the absolute values of different indicators.

Phadtare (1993) has highlighted the role of branch managers in planning, organizing, marketing customers’ satisfaction, leadership, public relation and reporting in day to day activities. He has also focused on planning of deposits, credits, cash profit, customer service, organization of staff working with him, planning implementation, polite approach in landing customers, avoidance of bossism, quick submission of report and the role of branch managers and counselors towards his staff and customers.

Singh (1994) has advocated that the rural banks subsidiaries make the rural credit delivery system more productive. He has felt that there does not seem much logic in permitting the RRBs and the proposed subsidiaries to function independently for the common goal. He is of the opinion that this becomes more significant when salaries, allowances and other perks of the RRB staff and that of commercial banks have been brought at par. He has found that the proposed subsidiaries should be brought under the direct control of the sponsor bank in terms of operations and management. He focused on operating more branches at needed places and as regards the provision of staff to these subsidiaries, initial posting should be made on deputation from the sponsor bank but for a longer period. He has also further suggested a reduction in direct lending in a phased manner.
Patel (1994)\textsuperscript{96} has observed that unsatisfactory recovery of dues, low margins and non-viable nature of many Primary Agricultural Credit Societies (PACs) are important factors affecting the working of the PACs and that during the study period the position of District Central Cooperative Banks (DCCBs) and State Cooperative Banks (SCBs) was slightly better though 173 DCCBs out of 352 were classified as weak. The commercial banks have found sanctioning and monitoring of a large number of small advances in their rural branches time consuming and manpower intensive and consequently a high-cost proposition. The study further reveals that the share of the RRBs in rural lending, which accounts for 22 percent of the total number of rural and semi-urban branches of the banking system, has been barely 9 percent and 6.4 percent respectively in total business whereas the commercial banks which account for 69 percent of the branches have as much as 91 percent share in rural lending and 93.6 percent in total business. The study concludes that in every block there should be branches of cooperative bank, branches of one or two regional local banks, national level banks and one or two private banks.

Barsha (1994)\textsuperscript{97} has concluded that the non-farm sector offers a very good scope for generating additional income and employment in rural areas. Khadi and Village Industries which serves with a wide network of about 3000 industrial cooperatives covering about 2.1 lakh village has produced goods worth Rs. 1827 crore and has produced employment to 44 lakh persons during 1990 while the handicrafts sector has produced goods worth Rs. 9750 crore, has exported goods worth Rs. 64090 crore and has provided gainful employment to about 42 lakh persons. He suggests that it is in the fitness of things that we adopt the Gandhian principles of utilizing the local resources for the benefit and employment of local people of the area, thus saving the country from large scale growth of unemployment.

Agadi (1995)\textsuperscript{98} has advocated that there are a few critical areas where financial institutions need training. These are costing and pricing of financial products and services, risk management, recovery management, monitoring financial performance of branch offices, capital usage developing ancillary services, asset liability management, foreign exchange management, offshore
banking, general international banking, market intelligence, merchant banking, fund management, structural change and financial innovation etc.

**Siddappa (1995)** has made an attempt to compare the effectiveness of the RRB credit on employment between the irrigated blocks. The study states that if the null-hypothesis (H₀) = The RRB credit impact with regard to the family and hired labourers' employment is similar between the irrigated blocks. H₁ = impact is not similar between the blocks. The study reveals that the family labour employment is similar in all the sectors of the two blocks. The study further observes that the hired labour employment is also similar in all the sectors of the irrigated blocks.

**Pandya (1995)** has found that the growth of the RRBs has been sluggish during the period from 1977 to 1979. Nevertheless, the tempo of the growth has gained momentum from 1980 by opening a number of branches covering more districts. The study further reveals that the region-wise progress made by the RRBs in the sphere of credit deployment has been plausible in comparison to their deposits.

**Kumar (1995)** has observed that the Regional Rural Banks should be structured in such a way that they should help in providing gainful employment, creating productive assets and achieving an integrated rural development. According to Kumar, all the government programmes, both Central and State, viz. TRYSRM, DPAP, JRY, etc. should be interwoven with RRBs. Political interference in the functioning of the RRBs should be avoided. The bureaucratic attitude should be minimized. Timely and required amount of loan should be given. If need be, instead of giving a loan in the form of cash, it should be substituted for a loan in the form of physical items, viz. fertilizers, pesticides, seeds, agricultural machinery, etc.

**Gupta and Sadhu (1995)** have suggested found that an efficient rural credit system should be developed which can ensure adequate and timely supply of credit. It should also provide constant and timely support/guidance from the higher level to the field staff at the grassroot level. To make the system more effective and practical, what is required is commitment and
sustained hard work, commitment to the belief that we can make rural lending a commercial proposition. We are sure that if this is done, we will be able to bring about the much needed qualitative change in rural lending. To step up the rural investment, the credit flow from the banking sector shall have to be ensured and made sound. This becomes all the more necessary keeping in view the fact that rural sector has not benefited from economic liberalization to the same extent as from the urban sector.

Baidyanath Misra (1995) has analysed that the nationalized banks have done a commendable job in branch expansion, deposit mobilization and credit expansion even in rural areas. But they have not so far succeeded in abolishing poverty or even improving the economic condition of the poor. It is true that rural development is a gigantic problem, credit alone may not solve the problem. However, the banks can do a lot more in achieving the social and economic objectives of nationalization.

Venkata Rao (1995) has concluded that spreading of banking facilities to rural areas does not automatically ensure dispensation of credit to weaker sections and marginal farmers. The reasons are obvious. Again, extension of credit facilities to the needy is only one of the varied functions of banking. The creation of infrastructure facilities like power, water, transport, telecommunications, marketing, etc improving literacy rate among the rural population transferring the research benefits from lab to land are other important ingredients essential to bring about improvement in the lives of the weaker sections and marginal farmers.

Pandya et al. (1996) have concluded that a great majority of the beneficiaries have possessed more farmable attitude towards Valsad Dangs Gramin Bank and about three-fourth of the beneficiaries have completely utilized the credit purposefully. Regarding the performance of credit repayment it has been found that a large majority of the beneficiaries have completely repaid the credit in time.

Chengappa and Shankar (1996) have observed that since the RRBs have proved to be a costly mistake and have lost the rationale of their separate
identity, an effort should be made to make the RRBs viable. They have advocated that only two suggestions seem to be practical. Either usher in radical reforms or dismember the RRBs. The former antidote is convenient but difficult to achieve while the latter is painful but flexible. The study suggests that while taking decisions, the policy maker will have to give utmost priority to the rural poor.

Jadhav et al. (1996) have analysed the role of banks in economic development of India during the last five decades. They have observed that despite the overall progress made by the banking system in terms of functional and geographical coverage, doubts arise about the viability of the banking system in the coming period. Although financial sector reforms have enabled banks in India to clear their balance sheets and improve their functioning, yet they face challenges, especially in financial services like leasing, merchant banking, mutual funds, money market and in government securities.

Choudhary (1996) has observed that the rural bias has to be infused into the service quality of the RRBs in letter and spirit. He has advocated the training of staff through appropriate orientation. He is of the opinion that identification of appropriate beneficiaries, constant monitoring of proper utilization of loans and time bound re-payment are the major tasks for successful operation of the RRBs. He further suggests that the RRBs must be freed from political and administrative interference with regard to opening of branches, identification of beneficiaries, recovery of loans and imposition of policies like loan melas and loan waivers.

Sharma (1996) has conducted a comparative study of the performance of Regional Rural Banks and other scheduled commercial banks in Himachal Pradesh. The performance of the banks has been analysed with the help of different indicators reflecting the expansion of banking activities in the state. The study observes that the deposit position of the RRBs has gone up from 11 percent to 12 percent and finds that the advances of the RRBs are six times more than that of commercial banks in the state. The study further
reveals that the RRBs in Himachal Pradesh witnessed a higher growth rate than commercial banks with respect to almost all the indicators.

Mishra (1996)\textsuperscript{110} has inferred from a detailed study of expansion, operations and problems of the RRBs that while sanctioning the loans, the RRBs should try to see that all the loans are to be part and parcel of total development programme under Five Year Plans and that loans are to be given for labour-intensive schemes which generate employment, increase the production and the RRBs must confirm the utilization of loans. He opines that if such cautions are followed, the role of the RRBs will go a long way not only in helping the poor, but also in creating a healthy environment for an all-round development of the rural areas.

Rao (1996)\textsuperscript{111} has found that since the employment and income of the beneficiaries have incurred due to the provisions of bank finances, it should be continued in future, particularly more in rural areas than in semi-urban or urban oriented areas. Rao’s study suggests that the bank should avoid the condition of 5 acres of land for treating small farmers and that loan should be sanctioned without any delay.

Kumar (1996)\textsuperscript{112} has observed that the scheduled commercial banks operating in the rural areas of India have witnessed an increase of 19 times in their branches in 1995 as compared to that of 1969. Similarly, these banks have registered an increase of 222 to 227 times respectively in their deposits and credit during the same period. He suggests to ‘redefine rural banking’ by taking into consideration the changes in these areas, aided by science, technology and rapid commercialization.

Mukherjee (1996)\textsuperscript{113} has concluded that the credit needs of the rural poor and the RRBs should be guided by adopting standard banking principles in order to operate and discharge societal responsibilities placed on them. He is of the opinion that both viability of banking and meeting rural credit needs go hand in hand. He further advocates that the RRBs should maintain a balance of clientele having both high and low credit worthiness.
Satish et al. (1997) have revealed that there have been wide inter-branch variations in interest income and interest expenses. These interest incomes and interest expenses have been influenced respectively by the proportion of non-performing assets and deposit mix. In addition to it, transfer-pricing policies, adopted by the head office, have also been responsible for inter-branch variations in them. It has been concluded that there is nothing intrinsically non-viable about rural banking operations. It is argued that quantitative expansion and qualitative improvements in their business would lead to economics of scale in banking operations, thereby resulting in lower per unit cost of management and consequently, higher profitability.

Shivamaggi (1997) has advocated that the adequacy of the banking infrastructure in rural areas should not be judged quantitatively alone i.e. in terms of coverage of population and geographical areas. It should be rather judged from the achievement of the targets for agriculture and other aspects of rural banking development and from the quality, efficiency and effectiveness of the services provided by the banks in the rural areas.

Jadhav and Ajit (1997) have studied the role played by the banking system in India in mobilizing savings, especially household savings. The nationalization of major banks in 1969 has ushered in the social phase of banking with a set of dirigiste policies aiming at: i) wider geographical spread of banks, ii) faster mobilization of deposits, and iii) reorientation of credit. The financial sector reforms ushered in 1991 as part of the overall macro-economic reforms have sought to remove the external constraints on banks and strengthen its viability. With liberalization of the financial sector, the non-banking financial institutions will still have to depend on banks for their survival and growth rather than displace them in the financial intermediation process.

Thingalaya (1998) has focused on branch automation keeping in view the technological changes. He is of the view that rural banking cannot be kept isolated from the new banking technology. He feels that although there are many problems in computerization of the rural branches due to certain operational difficulties like lack of trained staff and non-availability of
maintenance service facilities, but these problems are not insurmountable. The study suggests that automation experiment should be made by selecting a few rural branches which have feisty good business and are near to the district headquarters.

Anand (1998)\(^{118}\) has revealed that the long term loans advanced by primary cooperative agricultural and rural development banks have created a positive impact on the sample borrower: In the non-farm sector, though there is a growth in production income of the borrower, it is not quite significant so as to contribute significantly to the total income of the borrowers. A proper assessment of the actual skill and aptitude of the entrepreneur is to be made and the bank should restrict its assistance to skilled persons only. Mere financing of the rural artisans without any technical guidance or post-credit follow-up may lead to misuse of the bank credit. The bank should help them to choose the correct line of business, depending on the suitability of work, availability of raw materials, skill of the borrower and marketing possibilities of the final products. The study also finds that the PCARD bank has to keep an eye on the end use of loan and provide the necessary technical know-how, if the desired result has to be accomplished.

Reddy et al. (1998)\(^{119}\) have concluded that over dues of the RRBs have been identified as a major hurdle in the creation of an efficient and viable rural credit system. The RRBs also suffer from resource crises. In other words, the RRBs are not in a position to mobilize enough resources required to expand the rural credit faster. The strategy of infusion of capital to some selected RRBs in phases does not seem to be encouraging. The Basu Committee of the RRBs admits that out of the 49 RRBs selected for revamping under phase one, the profits of 5 RRBs have declined during 1994-95 compared to 1993-94, while 18 banks have increased their losses during 1994-95 and 1993-94 sharing deterioration in the performance of 23 banks. The main reason attributed for this dismal performance is higher provisioning against bad and doubtful debts.

Selvaraju (1998)\(^{120}\) has noticed the effectiveness of the services rendered by the bank in rural areas. A sample survey of the customer services has been
conducted in the Bank of India, B. Udaiyur branch in Chidambaram Taluk. The customers' opinions as regards the customer services rendered by the bank have been elicited with 75 customers with the help of a schedule on the following important aspects: i) Introduction of the customer to the bank; ii) Accessibility to bank; iii) Sources of finance of the customers; iv) Difficulties in getting the services; v) Suggestion for improvement. At the end, the major findings are: i) Suitable incentive scheme for the bank staff must be introduced in order to encourage them to attract more customers for the rural area branches; ii) The commercial branch located in highly advantageous to the customers in this study; iii) It is evident from the survey that the major source of finance is available from the commercial banks; and iv) The customers in rural area are not finding any problem in getting services from the banks.

Goyal et al. (1998)\textsuperscript{121} have found that at the all-India level, the number of RRBs have increased ten-times from 19 to 198 between 1976 and 1995. The deposits and advances have also increased considerably during this period. About 50 percent of the total loan outstanding has been on account of agricultural and allied activities. The study finds that before 1993-94 almost all the branches of the Gramin Bank at Hisar have incurred losses, but since then several measures have been initiated by the NABARD for strengthening the RRBs. The major measures include lending to non-target groups and lending for non-productive purpose. The other measures include customer services such as safe deposit, lockers, traveler’s cheques, etc. These measures have resulted in making the RRBs a viable unit.

Dodkey et al. (1999)\textsuperscript{122} have observed that the National Bank for Agriculture and Rural Development (NABARD) is an Apex Development Bank of the country for promoting sustainable and equitable agriculture and rural development through effective credit support, related services, building institutions, and other innovative initiatives. The NABARD today is at the centre of the development activities in the rural areas and a bedrock of prosperous rural India. The study concludes that the NABARD offers a wide variety of refinance for short, medium and long term periods to support banks
in financing different activities in the rural areas ranging from seasonal agricultural operations to investment credit to conversion of loans in natural calamities.

**Ramappa (1999)**\(^{123}\) has observed that lending of the RRBs are confined to weaker sections and they have a limited scope of investment as compared to the commercial banks. The study suggests that the recovery performance of the RRBs should be improved and the loans should be sanctioned carefully followed by a close supervision. The management should be made effective to combat the non-viability of the RRBs. The branches which have not been able to develop adequate business even after a reasonable period should be shifted to potential areas and special care must be taken to improve the performance of these branches. The study further suggests that the deposits are the chief source of funds to the RRBs, and that they should mobilize adequate deposits by showing their superiority over other banks.

**Kalra and Singh (2000)**\(^{124}\) have found that the bank’s earnings from the large farmers, who are economically more viable, have been better. The improvement in productivity per staff, especially with more increase in advances per account has helped the Malwa Gramin Bank (MGB) to improve the recovery percentage and come out of losses to earn profits overtime. The break even levels of volume of business, deposits, advances and income per branch have been estimated at Rs. 215 lakh, Rs. 137 lakh, Rs. 78 lakh and Rs. 16 lakh respectively. The recovery percentage for these small banks (branches) should be as high as 94 percent. The study suggests that the policy measures such as appropriate legal support, professionalizing RRB boards, allowing grater freedom to the boards in self-governance, freedom relating to certain aspects of loaning processes, creation of more conductive recovery climate, etc., are much needed.

**Verma and Vohra (2000)**\(^{125}\) have observed that the banks should pay maximum attention to features signifying reliability of customer service, followed by responsiveness, assurance, empathy, and tangibles. Moreover, as all the features signifying the five service quality dimensions have shown a
tilt toward ‘importance’ on the Likert Scale, no service quality dimension should be neglected by a bank.

Desai et al. (2000) have revealed that the branches in both the regions are yet to reap full scale economies in their costs, especially in transaction costs. This is corroborated by both the cost and profitability analysis. Reaping these economies will improve the viability of the rural branches of the nationalized commercial banks. Garnering scale economies is a much superior option as compared to increase in the interest rate for advances. Perhaps, it would be easier for the managers, both at the field and corporate level to allocate their scarce resources to the business which has the highest potential as well as scale economies. The priority sector advances (PSA) do not have any negative influence on the viability as is often claimed. Judiciously expanding more business through PSA will enhance the profitability, specially in some regions, e.g. the Vardhman region. The study also concludes that reaping scale economies through more decentralized and autonomous operations is a superior opinion as compared to increase in the interest rates.

Thomas (2000) has found that the Syndicate Bank has the fifteenth position in the Health Performance Score (HPS). Hence, fourteen nationalised banks show better health performance; twelve, better priority performance; and eight, better efficiency performance in relation to the Syndicate Bank. So, five nationalized banks show low health performance; seven, low priority performance; and eleven, low efficiency performance in relation to the Syndicate bank. It is also found that thirteen nationalized banks have higher Composite Performance Score (CPS) in relation to the Syndicate Bank and six banks have lower CPS in relation to the Syndicate Bank. The thirteen nationalized banks show better performance and six banks show low performance in relation to the Syndicate Bank. The recommendations are: i) Low performing banks should make every effort to devise ways and means to improve the quality of assets, capital adequacy, profitability and customer service. ii) The operational efficiency of the banks is to be ensured, maintained and improved through restructuring of the organizational structure, improvement of technology, systems and better staff management.
Mishra (2000) has noted that the Regional Rural Banks have been making concerted efforts for the upliftment of the weaker sections of the rural sector. They are gradually becoming viable institutions to meet the credit requirements of the rural poor. Despite the massive branch expansion programme and huge deployment of credit, commercial banks have not yet fully established themselves in the rural sector. In this context, the James Raj Committee appointed by the RBI in 1977 has pointed out that the commercial banks lack motivation and supervisory and management control. The RRBs having rural base and local flavour can better serve the rural poor. In view of the existence of around 38 percent of the people below the poverty line even now in the rural sector, the RRBs have to strive hard for rural development. Yet, the RRBs should establish their own creditability among the rural poor. This can be done only by understanding their problems and solving them properly through the timely supply of credit and other required services for their economic upliftment.

Mittal (2000) has observed that after introduction of comprehensive restructuring initiatives from the year 1994-95 onwards, their financial performance has improved significantly. Even in case of the RRBs not covered under restructuring plan, performance appears to have improved. The study concludes that there is a need to hasten the process of turn around of the RRBs by further strengthening their capital base and making them more proactive in approach.

Kumar (2000) has suggested to check the creation of the NPAs in the first place, particularly of fresh loans and to improve the quality of NPAs i.e. reduce slippage of a low grade NPA to the next higher level. The study also finds that some of the RRBs have successfully experimented in this regard and with internal interventions at the organization and staff level, and have been able to contain the menace of the NPAs and to improve recovery to a great extent. Some of the prominent practices adopted by the RRBs are hello borrowers campaign, linking of social status of borrowers with good and regular loan accounts, effective involvement of revenue authorities and informal efforts. The RRBs should devise alternative strategies specific to
their area, clientele and environment to manage NPAs efficiently and effectively.

Krishnan (2000)\(^{131}\) has felt that the financial sector reforms should not be a bane to the rural economy. The RRBs, specially set up to cater to the needs of the rural economy, should be strengthened in the coming years. The revamping and restructuring of the RRBs on the line recommended by the Narasimham Committee (1991) should not hinder the development of our countryside. Rather than dismantling the system of the RRBs, its survival and strengthening is the need of the day.

Jayabal (2001)\(^{132}\) has examined the impact of the bank finance on weaker sections with reference to the IRDP and the major findings are: (i) More small farmers were in agricultural sector and more marginal farmers were in animal husbandry sector; (ii) 67.41 percent of the respondents depend on agriculture and agricultural labour activities for their primary income; (iii) 53.31 percent of the IRDP loans of commercial banks were sanctioned to scheduled caste beneficiaries; (iv) Out of total credit distributed to the beneficiaries under agricultural sector, 23.64 percent was provided for plough bullocks scheme; and (v) The recovery rate was comparatively higher in animal husbandry sector than other sectors. The study reveals that the IRDP loan has a significant impact of the annual income of the beneficiaries in general and there has been a significant difference in the average income generated by the beneficiaries from the agriculture and animal husbandry sector activities. The study also finds that the IRDP loans provided for agriculture and animal husbandry sector activities have enabled the beneficiaries to generate more additional employment to the family members and the hired labourers, and the study has also revealed that the non-farm assets holding of the beneficiaries has been more consistent than the farm assets holding of the post-loan period.

Naidu (2001)\(^{133}\) has noted that the growth in the number of rural bank branches in the country during the study period has been commendable. An impressive growth of rural deposit as well as rural credit has been noticeable in terms of both flow and stock amount in the country. However, an
assessment of the underlying factors indicate that there is need to make further efforts to step up deposit mobilization and credit extension in the country. The study further reveals that the RRBs should be thought not only as a financial institutions, but also as a fruitful exercise in rural growth through banking. The study concludes that the RRB functionaries serve the rural poor with urge and devotion, and that more cosmetic change would play little in revamping the present scenario.

Mittal (2001)\(^\text{134}\) has found that the performance of the HSKGB is fully satisfactory in respect of variables viz. aggregate deposits, aggregate advances, average working funds, total debt., business per employee etc. during the study period. The growth in total interest income/average working funds ratio is also found to be reasonably high. The bank can further augment its income by tapping the non-conventional sources of income opened during the liberalized banking era. The performance in terms of net profits, operating net profits, total debt./net worth, net profit/net worth, net profit/average working funds, operating profit per employee, operating profit per branch etc. in general is found to be very dismal till 1994-95; however, thereafter, it has shown a remarkable recovery on all these fronts. This shows the high degree of responsiveness of the HSKGB towards government's recapitalization and restructuring initiatives, which call for further hastening of these reforms in the RRBs.

Chandrasekaran (2001)\(^\text{135}\) has examined the impact of bank lending on the economic status of the weaker sections of the society, especially the scheduled castes. The study observes that the amount of investment made on the scheme asset is less than the amount of assistance provided to the beneficiaries, and the recovery performance of all the schemes is generally poor. The study also reveals that there is no significant change in the savings position of the sample households. Moreover, their economic condition do not allow them to save money. Whenever they have surplus of money they use it for the purchase of household assets. The study suggests that, adequate steps must be taken to create awareness of the knowledge needed for the acquisition and retention of new income generating assets. The government
should issue instructions to the bankers to disburse the full amount of assistance to all the beneficiaries in lump-sum. The recovery performance of the loans is poor; to improve it, the banks may be allowed to appoint agents to collect the dues from the beneficiaries on the lines of Tiny Deposit Agents.

Laxminadhan (2001)\(^{136}\) has observed that there has been a gap between the amount of loan financed to weaker sections by the commercial banks and the amount of refinance raised from the NABARD. The important reasons for such a gap have been poor recovery, lack of technical expertise in the area of operation, non-availability of certain inputs in time, frequent shifting of beneficiaries from one activity to another and existing policy decisions of the NABARD. The study suggests that the selection of the NABARD financing schemes should be economically and commercially viable based on the availability of natural resources and potentiality of the area. The weaker sections depend on crop loan and minor irrigation and other term loans mostly by primary agricultural credit societies and farmers service centres, these institutions should be covered under the ambit of refinance of the NABARD. There should be a periodical meeting or regular contact between bankers and the NABARD officials to achieve speedy disposal of loan and to have better customer service. This type of interaction will certainly enable to fulfill the aspirations of the NABARD towards upliftment of beneficiaries and more so to the weaker sections.

Patel (2001)\(^{137}\) has revealed that the cooperative credit institutions as an integral part of rural credit system in India have completed 95 years and the commercial banks and the RRBs have been for almost 31 and 25 years respectively. The study analyses that the directed lending, lack of required follow-up and supervision, government sponsored lending programs and loan waiver and write-off have been much more a cause of concern for mounting over dues and creating non-performing assets in the case of commercial banks. According to the RBI, between March 31, 1996 and March 31, 1998, the proportion of non-performing assets in the priority sector advances to total non-performing assets in the commercial banks have fallen from 48.3 percent to 46.4 percent. The percentage of gross non-performing assets in the priority
sector advance though dropped from 27.5 percent in March 31, 1996 to 23.2 percent in March 31, 1998 has been still very high.

**Pandian and Eswaran (2002)** have observed that micro-credit which has provided the rural poor access to finance without the burden of collateral through self help groups has empowered the women folk economically and socially. Though the credit provided is micro in nature, it has produced macro changes in the lives of the women who have received it.

**Malhotra (2002)** has concluded that the social banking has been an integral part of Indian economic planning and social development. Development is a process of enlarging people’s capabilities and skill and banks have a distinct role to play in providing adequate and timely credit to the priority sectors and dispossessed sections of the society and opening of bank branches in places hitherto unbanked. This will encourage them to pursue productive occupations which, over a period of time, would help create income generating assets. The need of the hour is, therefore, to design a viable as well as feasible strategy for priority sectors with a social sense.

**Hosamani (2002)** has observed that the gross ratio and operating ratios have been unfavourable for earning profit. Hence, efforts are required for reducing the non-interest expenditure and increasing the non-interest income. Further, the financial variables have a greater influence than the physical variables on the performance of the bank. Thus, greater emphasis should be given on financial variables. A proper monitoring of assets and liability is required to operate at the break-even point. The study also reveals that emphasis on adequate, timely and equitable distribution of credit, would enhance income and employment opportunities of the borrowers and as opined by other bankers, the bank has to initiate NRI transactions, strengthen its capital-base and issue shares to the employees for inducing active participation and evaluate periodically its own performance for future growth and development.

**Badruzzama Siddiqui (2002)** has found that the priority sectors lending concepts have emerged after the nationalization of bank on 19 July, 1969 as
a major directed credit programme of credit to hitherto neglected key sectors of the economy. The setting of lending targets for priority sectors has a very positive impact on the channelising of credit to hitherto neglected sectors of the economy. The priority sectors lending has become one of the most active instruments of the policy. Various attempts have been made not only to dilute and broaden the norms of priority sectors lending, but also at monitoring of performance in this regard. As a result, the percentage of the credit channeled to priority the sectors of the economy has been increasing steadily.

Sharma (2002)\textsuperscript{142} has noted that the commercial banks' advanced credit to the priority sector will have a favourable effect on the growth and performance of these sectors. The RBI has issued following instructions to the banks in respect of lending to the priority sector: i) Forty percent of the priority sector advances should be earmarked for agriculture; ii) Advances to rural artisans, village craftsman and cottage industries should constitute 12.5 percent of the total advances made to small scale industries; and iii) Direct advances to the weaker sections in agriculture and allied activities should reach a level of at least 60 percent or percent of the total direct lending to agriculture.

Shete (2002)\textsuperscript{143} has advocated that there is a growing anxiety that the process of the financial sector reforms has by-passed the agricultural sector in general and the weaker sector in particular. The available data on lending to the priority sector by the banks, both in terms of amount and number of borrowers, does give an impression that the flow of credit to this sector has come down substantially despite expansion of scope/areas of the priority sector definition. The banks have been arguing that a constraint facing them with regard to deployment of agricultural credit is lack of viable credit products, implying lack of demand for credit. At present, the banks do not seem to be enthusiastic to lend for such activities. The new emerging areas like hi-tech and biotechnology based projects are also not receiving the required attention from the banks.

Patel (2003)\textsuperscript{144} highlights the role of financial institutions in the development of rural economy. He is of the view that the Reserve Bank of India (RBI) has been taking an initiative in framing country’s credit and monetary policy to
boost growth of the farm sector. Having been conscious of the development role of the Rural Financial Institutions (RFIs), the Government of India in consultation with the RBI has appointed expert committees from time to time. The recommendations of these committees have laid the foundation for establishing the sound base of cooperative credit institutions in India and for setting up institutions like Agricultural Refinance Corporation (ARC) to extend refinance support to the RFIs for providing long term credit to farmers for investment purpose and supporting the development of farm and non-farm sector through provision of refinance and policy framework for institutional credit to lubricate for the process of rural development.

Yunus (2004)\textsuperscript{145} has revealed that the United Nations Millennium Summit in 2000 has courageously adopted the Millennium Development Goals. The boldest and most important of these goals is halving world poverty by 2015. They have argued that the goals can be achieved if we are able to make the adequate institutional, financial, and policy preparation for the same. An important part of this preparation is to make micro credit available to the bottom half of the world’s population. The study further reveals that the experience of the Grameen Bank in Bangladesh and other programmes like it shows that micro credit is effective in helping poor people to use their own efforts and creativity to meet their basic needs. This can also be done on sustainable basis. The study concludes that the next five years will be very critical for us in setting the stage to achieve the target of poverty reduction by 2015.

Jalal and Kaira (2004)\textsuperscript{146} have observed that RRBs had been established to meet the credit demand of agricultural entrepreneurs, industrial entrepreneurs and industrial craftsmen of rural India and to effectively cover up the gap of credit demand left uncatered by cooperatives and commercial banks. The study finds that the RRBs need more effective supervision, curtailment in their costs, and improvement in project evaluation and supervision. In addition, the RRBs must involve themselves more deeply with modernization process of crafts and rural industries. The study also suggests that these lacuna need to
be filled if the RRBs aim to succeed in providing financial aid to the small farmers and craftsmen in the rural area.

**Sharma and Kaur (2004)** have concluded that the RRBs have not succeeded in satisfying their customers fully, mainly due to communicational gap and also because of unattractive loan packages. Further, the illiteracy is the main hindrance in generating awareness among the customers, but timely endeavour in disseminating banking education through social and cultural programmes would be highly desirable. The study concludes that one satisfied customer can act as a representative of the firm through his positive word-of-mouth and thus could help in attracting his friends, relatives, colleagues, neighbours, etc., and thus, it significantly justifies the impact of customer-oriented culture in an organization.

**Das (2004)** has identified that micro finance through the SHGs has now become a modern economical weapon for the poor to fight against poverty. Many big and small institutions are taking part in this revolution of micro finance vigorously. Still it has a long way to become successful. Many programmes from “Gareebi Hatao” to the IRDP have been started by the government enthusiastically but they have not been able to achieve their objectives. The reason behind this is poor follow up, lack of management and participation from the government as well as people. No programme can ever get its ultimate result unless and until there is coordination and cooperation between the government and the beneficiaries.

**Rathnam (2004)** has given some important suggestions: i) The government schemes should be implemented with proper effect, considering the economic conditions of the tribal; ii) There is a need to launch an awareness campaign among the targeted borrowers; iii) There is a need to lighten the supervision and monitoring mechanisms and provide greater autonomy in the operation of credit institutions and to improve their lending policies and procedures; and iv) Strict supervision should be maintained by the concerned bank official on the proper utilization of finance for productive purpose and also to avoid diversion of funds for other purposes.
Sivaloganathan (2004)\textsuperscript{150} has remarked that the rural financial institutions in India can take cue from south-east Asia and introduce at least some of the innovations, which would assist them in increasing their recoveries and reducing the proportion of over dues in their loan portfolio. The study also reveals that keeping in view the growing need of credit for diversified development and productive activities in the rural areas and in planning the future of reorganized societies, the aim should be to transform them into a single contact point in the village, for all types of credit and not merely for agriculture in the narrow sense. They should also have the capacity to serve other rural producers such as artisans, craftsmen and agricultural labourers in respect of their economic activities. The study also concludes that they can give their best services to the poor people for the production and development of the nation and they can be called a small man’s organization.

Agrawal (2005)\textsuperscript{151} has found that the RRBs are developing rural economy of India by providing credit to agriculture, trade, industry and other productive activities. The RRBs give more emphasis on small and marginal farmers, agriculture labours, rural artisans and small entrepreneurs. The study also observes that directions have been given by the Government of India that the RRBs should confine their advances only to weaker sections in rural areas.

Kunjukunju (2005)\textsuperscript{152} has analysed the loans advanced by the banks are inadequate for the respective activities undertaken by the borrowers. There is delay in getting the credit. The borrowers face a number of problems in obtaining the credit from the financial institutions. The utilization of loans seems to be satisfactory but there is lack of supervision and guidance by the banks; however, the repayment performance of the loanees seems to be good. It is found that the loans advanced by the financial institutions to the rural poor for productive purposes and its proper utilization by them have a positive impact on their economic and social conditions.

Sen and Ghosh (2005)\textsuperscript{153} have observed the possible pitfalls in the way of implementation of the Basel norms in India’s banking industry. While it is a bit early to pass judgment on the success of these new prudential regulations in terms of the long-term stability and growth of the country’s banking sector in
the context of the newly opened up financial sector, one can duly have some reservations regarding the possible contractionary effects with changing composition of the priority credit itself. The analysis has often been a drop in the proportion of bank credit reaching out to small and medium enterprises which have potentials for repayment capacity as well as growth.

Agrawal (2005)\textsuperscript{154} has observed that the RRBs have prove significant in terms of the number of banks, bank branches, loan amount and deposits. The study further recommends that: i) Change in the ownership and capital structure of RRBs; ii) Restructuring of RRBs on socio-economic basis; iii) Change in present regulatory and observatory system of the RRBs; iv) Introduction of new administration structure for the RRBs; v) Concrete steps to improve their recovery performance; vi) Internal system and procedures and control measures to enhance effectiveness in sanctioning loans and advances and post disbursement supervision to be involved; vii) Regular update of reconciliation of inter-branch accounts; and viii) Introduction of technological improvement in the RRBs.

Sangwan (2005)\textsuperscript{155} has concluded that the future banking shall move around the rural/semi-urban areas. The banks or institutions that take care of this section of the society shall be the winner and others shall fade away like morning’s dew. Moreover, rural or agriculture banking is no more a loss making business. The huge potential available in the segment shall be the battleground for future banking. As more than 51 percent areas are still untapped, this can prove to be a boom for the Indian banking industry. Microfinance is the key for all viz. non-viable rural branches, slow business growth, employment generation etc. The public sector banks, with a great presence in the rural area with large network of branches, can do miracles. Therefore, the need of the hour is to frame suitable policies and post energetic youth with missionary zeal and enthusiasm. It is high time to adopt microfinance as a part of the corporate policy and a viable social banking for the poor.

Varman (2005)\textsuperscript{156} has revealed that microfinance SHGs in India, which are classified under informal organizations, intentionally or unintentionally help formal banks by increasing the number of accounts by inculcating banking
habits in rural people, especially women. It has been found that banking habit is a positive function of the years of experience of micro finance programmes through SHGs in that particular area. The analysis also reveals that being a member in the SHGs and, more importantly, having leadership experience in the SHGs greatly influences the bank account holding. Leadership experience in SHGs would improve an individual’s banking habits much more than simply membership.

Dass and Ghosh (2005) have suggested that, if excess capacity exists, it is more likely to have an adverse impact on financial performance of the RRBs. The inverse relation of profitability with expense ratio suggests that overall expenses and, in particular, operating expenses in the RRBs tend to be high. Second, the liability composition is positively related to profitability. The banks have been attracting high levels of core deposits (which tend to carry lower interest rate vis-à-vis competing money market liabilities), they have not been able to deploy it optimally. This suggests the need for diversification of business products as the prime need. Third, the estimation results indicate a decline in the expenses ratio over time. These banks have been proactive in effecting better recovery management practices over time. The recycling of funds back into the system consequent upon improving recovery practices would need to be productively deployed in order to improve their financial performance.

Subbiah et al. (2005) have revealed that the economy of our nation is based on rural India, because 70 percent of the people depend on agriculture. The institutional finance to agriculture, which has contributed 22.1% of the GDP in 2003-04, is inadequate. The commercial banks are closing down their rural branches and are concentrating on profit rather than service. An organized lending by government institutions is necessary to recover the villages from debt and poverty and improve employment opportunity and productivity. In this content, the RRBs are specially suited to monitor regional development by providing financial assistance to weaker sections of the people.
Malhotra and Sinha (2005) have revealed that expected services on all quality attributes between both the sectors shows that the difference is non-significant. This may be due to stiff competition and market conditions. However, the private banks are providing excellent services on attributes of tangibility and empathy and government banks are lagging far behind. On the other hand, government banks are providing better services on assurance, reliability and responsiveness as against the private banks. The study also observes that human resource development, use of advanced technology, flexibility in dealing with customer preferences, prompt service and adopting to the rapidly changing competitive market are the need of the hour.

Bandyopadhyay (2005) has observed that rural development is a delicate issue. It requires changing the mindset of the rural masses. Sufficient attention must be given in arousing an interest in the mindset of the rural masses by dissemination of innovative ideas, creating leadership and people-friendly means, which would help in speeding-up the process of development at the grass-root level.

Valsamma Antony (2005) has found that the institutional finance is inadequate in rural areas, moneylenders rule the roost and the rural population is ever in the shackles of debt and bondage. The commercial banks are closing down rural branches and concentrating on profitability rather than service to the rural poor. Therefore, an organized lending through Government institutions is to be reinforced to help the villages recover from debt and poverty and improve employment and productivity. In this context, the RRBs are specially suited to work solely in the rural areas to channelise funds and monitor regional development. At present, there are multifarious kinds of schemes and organizations to serve the rural sector. What is needed is synergy of these institutions, policies and projects to achieve the overall growth in the region. A target-oriented, time-bound, realistic and regional approach is needed for optimum results.

Sahoo (2005) has revealed that a phenomenal change/growth in size, volume, business and diversification of activities was observed in commercial banks during the period 1969-2003. Whereas the annual growth of all
branches during the period 1969 and 2003 was 29.38 percent, the same for rural branches was 69.45 percent. In 1969, the share of priority sector in the total bank credit was only 14.62 percent and it increased to 42.50 percent in the year 2002. Agriculture as a percentage of total priority sector lending was 36.73 in 1969, it increased to 40.06 in the year 1991 and it came down to 36.19 in the year 2002. In such a situation, acceleration in agricultural growth would not be a distant goal, if it were supported by large flow of rural credit. Hence, necessary legal and institutional changes relating to governance, regulation and functioning of cooperative banks and Regional Rural Banks and also attitudinal change of commercial banks must be addressed for financing agriculture and rural sector, which would not impinge on the viability or compromise on prudential norms.

Soundarapandian (2006)\textsuperscript{163} has made an attempt to analyse the growth of Self-Help Groups (SHGs) and the role of micro-finance in developing the rural entrepreneurship. The study has revealed that the number of SHGs having been financed by MFIs has increased from 0.2 million in 2001 to 1.1 million in 2004 at the rate of 128 percent per annum. The number of SHGs financed during a year has increased from 0.26 million in 2001-02 to 0.36 million in 2003-04 with an annual growth of 19.8 percent. The study suggests that though there is a positive growth rate of the SHGs in states, but in terms of growth of the SHGs there is a wide variation among states. The linkage of banks with the SHGs is found impossible for this variation.

Reddy (2006)\textsuperscript{164} has pinpointed that the efficiency of the rural banks is higher in economically and socially developed regions as well as in low banking density region. The rural banks have shown significant economies of scale in terms of assets and number of branches under each bank. Total factor productivity growth of the rural banks is higher in profitability than service provision during the liberalization period. Banks located in economically developed as well as low banking density region have shown significantly higher productivity growth. There is justification for opening new banks in low banking density regions as efficiency productivity growth of rural banks in these areas is high. There is also a case for mergers and enlargement of the
asset base as well as the number of branches under each rural bank as there exist economies of scale.

**Rajkumar (2006)**\(^{165}\) has observed that the NABARD has played a vital role in developing and strengthening agriculture and rural areas through its refinance assistance. At the same time, in the context of the changed global economic scenario, it is time for the NABARD to review its strategies and policies in order to shift and generate more rural employment from basic agriculture activities. It will increase the value of agriculture product.

**Subbiah and Selvakumar (2006)**\(^{166}\) have found that, at present, there are 196 Regional Rural Banks operating in India. Every RRB follows its own strategy and plans. It creates undue variations among the RRBs. In today’s connected world, banks will have to be competitive in order to face the challenges and leverage the opportunities. To make the RRBs competitive, the RRBs could be consolidated by merging all the RRBs in India. However, today, it is difficult to think of merger of the RRBs with the public sector commercial banks or cooperative banks. Given the existing legal position, an RRB can be merged with another RRB. The RRB is the best mode to serve rural people. These can be consolidated without losing their basic objectives. Therefore, efforts must be made to amalgamate all the RRBs in India and create a single superpower Regional Rural Bank covering all parts of the country.

**Bandopadhyay (2006)**\(^{167}\) has observed that a very important aspect of Basel II is to adequately address credit risk and operational risk. The regional character of a bank helps in dealing with the risk in a better way. So, the RBI should not advocate a blanket merger for all RRBs with their sponsoring banks. Rather the RRBs should be used as a risk management database centre to help in managing the risk of the banking industry in the respective region. So, the RRBs would run better and would serve the society better if, instead of consolidating, they are left to run on their own and are grant higher autonomy.
Vannirajan (2006)\textsuperscript{168} has analysed the impact of the NPAs on the profitability of the public sector banks (PSBs). The results show that the negative impact of the NPAs on the profit of the PSBs has been statistically significant. At the same time, the negative impact of operating expenses and priority sector advances have also been identified as significant. It shows the combined effect of these three elements on the profit of the PSBs. But the spread and C/D ratio show a positive and significant impact on the profit of the PSBs. The study also reveals that the behaviour of depositors and loaners are not affected by the NPAs of PSBs. All these lead to an inference that the net profit of the PSBs can be easily lifted when the PSBs are effective in the management of NPAs and operating expenses. Government may use PSBs as a vehicle of social welfare, but not at the cost of the PSBs. The twin objectives, profitability and social welfare, should be properly traded off by the banks in order to make the banking activities more meaningful and effective in India.

Rajkumar (2006)\textsuperscript{169} has revealed that the non-farm sector refinance has been a successful scheme of the NABARD. The study also suggests that: i) the NABARD may recommend to the government to establish a direct-level market centre to provide marketing infrastructure for rural non-farm sector products; ii) Technology transfer centres may be established in each district for providing guidance, technical know-how, etc. to the entrepreneurs; iii) In select blocks/districts, rural artisan complexes/common work sheds may be established; and iv) Provision of adequate water facilities and uninterrupted power supply may be ensured.

Bhattacharya (2006)\textsuperscript{170} has concluded that, with right policies, banks can make a fortune from this segment while helping the country grow economically. Consumer goods manufacturers are beating a path to the rural areas. So, there's no reason why financial services entitled cannot be there beside them.

Kapoor (2007)\textsuperscript{171} has revealed that, particularly in later years of the decade of 1990s, the economic profitability of the public sector banks appears to have started improving. However, at the same time, the falling priority sector
lendings have the chance to erode the social profitability linked with the public sector banks in the coming years, but in the latter reform period it has picked up. It is also found that there has been improvement in efficiency competitiveness and health of all the segments of the public sector banks in India. The following are the recommendations: i) The customer focus needs to be the central approach for the public sector banks; ii) The banks have to change their human resource strategies in terms of staffing and development duly backed by appropriate leadership style and motivation all the levels; iii) The public sector banks are required to change their working culture from typical government type to dynamic commercial one; iv) All the business strategies are required to be led by clear goal, objective, mission and vision; and v) There is a need for overseas expansion to increase the business and become a true global player.

Taneja et al. (2007)\textsuperscript{172} have indicated that only viable financial institutions with sustainable financial services can increase their outreach. The issue of viability is, thus, not only of relevance to the health and survival of the institutions, but also to the poor themselves. Major initiatives may have to be taken to reposition RRBs in the Indian financial system and to improve their financial viability and sustainability.

Bhattacharjee & Bhattacharjee (2007)\textsuperscript{173} have revealed that the Grameen Bank has tilted the gender imbalance of conventional banks by offering cheap credit to the poor rural Bangladeshi women, who were earlier victims of usurping moneylenders. The socio-economic scenario of conservative Bangladesh has changed drastically with this social banking revolution. The study also finds that the Grameen Bank has proved how a tiny credit can act as a catalyst in improving a woman’s fate and how national betterment follows by acknowledging the power of the ‘second sex’.

Subramanian (2007)\textsuperscript{174} has observed that micro-finance is a new concept, but rapidly gaining momentum to empower the rural poor and develop the Indian agriculture sector. The study also reveals that banks have to employ external agencies like financial consultancies, independent action groups, self-generating consulting groups to monitor the procedural aspects of
forming SHGs, the formalities regarding sanction of loan and other relevant function of micro finance disbursal, as promulgated by the RBI. The major aspects that banks have to focus on in promoting SHGs are: i) Education for the formation of SHG; ii) Business consulting for promoting products identified by the SHG; and iii) Act as a facilitator in backing up the various forthcoming activities of SHGs.

Uddin Mian et al. (2007)\(^{175}\) have argued that the findings of the present study are consistent with the notion that a holistic approach of socio-economic development resulting from the participation of households in the Grameen Bank has led to increased income, level of employment, socio-economic status and decision making activities. Thus, the Grameen Bank is helping the rural poor women rise above the poverty line. In fact, the Grameen Bank has made a positive contribution to poverty alleviation in the study area. The study observes that the households have successfully gained access to credit and have ensured productive utilization of loans. It has helped in increasing the standard of living of the participants. The Grameen Bank credit programme have well reached the target groups and women’s participation in the decision-making of family has been taken into account by their made counterparts after their joining the Grameen Bank group.

Pooja et al. (2007)\(^{176}\) have advocated that internet banks are larger banks but have lesser equity cushions as compared to non-internet banks. Except for private sector banks, internet banks have better accounting efficiency ratio and higher returns of equity as well as assets than non-internet banks have. The study also finds that the evidence does not indicate any significant association between adoption of internet banking by banks and their performance.

Upadhyay (2007)\(^{177}\) has found that micro-finance is a potential area where banks can diversify their business. The approach should be collaborative. A spirit of institutional coordination must be there so as to bring the beneficiaries into the development process. Banks should have the capacity to coordinate the process of micro-credit operation. They are also capable of offering
diversified financial services, which may help strengthen the microfinance initiatives in a comprehensive manner.

Swain (2007)\(^{176}\) has pinpointed that Bangladesh Grameen Bank, in providing finance to small entrepreneurs and producers, has demonstrated that the poor people, when given access to responsive and timely financial services at market rates, repay their loans and use the proceeds to increase their income and assets. The study finds that community banks and credit groups operating at grass-root levels around the world have shown that these microenterprise loans can be profitable for borrowers and lenders, making microfinance one of the most effective poverty reducing strategies.

Kour (2008)\(^{179}\) has found that the respondents have not been motivated properly for poverty alleviation and rural development through the SHGs. The study also finds that the concept of the SHGs is very successful in many parts of India like Hyderabad, Tamilnadu etc. where people, government and NGOs have come forward with true motivation and interest. The study observes that about 84.4 percent respondents have made use of bank loan in household activities and other personal needs instead of some productive activities. The study suggests that the state agencies should formulate the SHGs and finance them on strict criteria of income generation and poverty alleviation and overall rural development. Thus, proper scrutiny of members of the SHGs is a pre-requisite for financial support and economic development.

Ghose (2008)\(^{180}\) has concluded that the rural market presents a great opportunity for Indian banks. Properly targeted, they can serve as a secure source of business for the bank while, at the same time, promising the accelerated growth of the rural economy. Technology initiatives can serve as allies in this matter and enable banks to reach population groups which have been denied the benefits of banking until now.

Thingalaya (2008)\(^{181}\) has observed that Grameen Banks have to be treated as mature rural credit agencies, which need to be strengthened by inducting specialists into their work force. Alternative scenarios of integrating the rural outfit with the banking system should be worked out with a view to selecting
the best possible mode of integrating them. From the long term perspective, it would be worthwhile to consider the Grameen Banks as the most suitable rural credit agency by facilitating the exit of commercial banks from the rural scene. The commercial banks can surely develop their core competence in non-agricultural space. Strengthened Grameen Banks with a positive human resource development policy can be nurtured as a main player in rural finance.

**Yadagiri and Gangadher (2008)** have stated that the achievement of the micro-finance programme in the country has been impressive. The performance of SHGs and MFIs in the country has improved significantly. Micro-finance has shown that the risk can be minimized through mechanisms like door-step banking, group collaterals, flexible and innovative products, repayments in small amounts and greater frequency. The study also suggests that the government and the RBI should effort to give a fillip to micro-finance initiative through creating and enabling the environment.

**Kukkudi and Singh (2008)** have concluded that the RRBs are important financial institutions in the rural credit structure and they continue to receive focused attention under the institutional development initiatives of the NABARD and the RBI. The performance of the RRBs should be judged taking into account their problems of feasibility, administrative viability, commercial soundness and compulsions of socio-economic realities such as lack of trained personnel, lack of resilience on the part of the existing employees of the sponsoring banks who should initially be employed in rural areas etc. The study also suggests that the success of the RRBs depends to a large extent on active support from the state governments, adequate and effective financing from the sponsor banks, and a meaningful relationship with locals.

**Singh (2009)** has observed that the role of the microfinance institution is very important in rural development and poverty eradication. The study also reveals that one needs to appreciate the role played by the microfinance institution in collaboration with the government, NGOs, social organization etc. in poverty alleviation, employment generation, improvement of health and
nutritional status, empowerment of women and their human development. Microfinance is seen as a provision of financial service to mostly low-income people, especially the poor and very poor who are without tangible assets.

Tasi (2009)\(^{185}\) has concluded that the APRB has been playing an important role in creating and expanding banking habits among the people in rural and remote areas. The study suggests that the bank can take certain policy decisions for achieving the objectives for which it has been established. It is expected that with proper co-operation and co-ordination of the public as well as the government, the bank will do much better in future.

Gurmeet Singh (2009)\(^{186}\) has revealed that the rising allocation for agriculture reflects the growing importance of this sector on the national agenda. Sustainable development of land and water resources has been given due importance. To solve the problem of credit in the agriculture sector, recommendations of various committees have been implemented. The microfinance institutions have also come to stay. It is very important that our plans and policies focus on all the problems of agriculture so as to speed up its growth for the overall development of the economy.

Reddy (2010)\(^{187}\) has found that the RRBs should adopt innovative methods to make themselves economically viable and at the same time not compromising with outreach to the rural people and priority sectors in less developed regions. The study specifically suggests reduction of number of bank branches to make individual banks economically viable and reach many villages through setting up of mobile banks, bank agents and representatives. The incentive structure for agents/representatives should be based on commission of the business generated.

Panicker (2010)\(^{188}\) has inferred that the flow of credit to members of specified minority communities in Kerala is much less when compared to their percentage of population during the years under review. The study observes that generally Christians are ahead of Muslims, a majority among the minority communities in Kerala, in availing credit from the scheduled commercial banks of Kerala. The role of the bank credit towards generation of
employment and improvement in the socio-economic conditions of the minorities has been recognized by all. The availability and accessibility of credit to the members of minority communities in the state of Kerala has to be ensured to improve their socio-economic status.

Kodan et al. (2010) have concluded that the percentage share of rural credit has decreased from 16.2 percent in 1999 to 13.37 percent in 2008. However, the percent share of GNPAs has gradually decreased from 14.78 in 1998 to 2.42 in 2009, which is a significant achievement of the Indian banking industry. Agriculture plays a dominate role in the Indian economy providing employment for 70 percent of the people and contributing 42 percent to the Gross National Product. The study also suggests that the Indian banking industry should change its attitude toward government security in context of investment portfolio.

A group of studies undertaken by Sharma (1974), Bhave (1977), Natarajan (1976), Lavania et al. (1977), Rao et al. (1981), Kumar (1987), Pandey (1989), Sahoo (2005) and Rajkumar (2006) have advocated that the commercial banks are providing adequate and timely credit for agricultural development in a backward region along with cooperative banks and primary agricultural credit societies.

Another set of studies conducted by Rao (1981), Bhalero (1981), Srivastava (1981), Kodli (1986), Rao (1996), Jayabal (2001), Chandrasekaran (2001), Varman (2005) and Kapoor (2007) finds that the RRBs provide easy and timely crop-loan at a nominal rate of interest, which increases the use of input, intensity of cropping and also significantly increases the income of the borrowers. These studies reveal that as compared to other sources of agriculture finance, the bank credit has been more efficient because of its adequacy, timeliness, promptness in recovery, better supervision and lower rate of interest. Jayabal (2001) has observed that the IRDP loan has a significant impact on the annual income of the beneficiaries and also shown a significant difference in the average income generated by the beneficiaries from agriculture and animal husbandry sector activities. The studies have suggested that adequate steps must be taken to create an awareness to a
knowledge needed for the acquisition and retention of new income generating assets and government should issue instructions to the bankers to disburse the few amount of assistance to all the beneficiaries in lump sum.

The studies of Patel (1974), Mathur (1989) and Tandon et al. (1990) observe that the commercial banks are playing their role in reducing the local problems of the rural finance by way of enhancing the production efficiency of the farmers and making available the package-cum technical services to them. The further advocate that essential components of infrastructure must be provided to solve the problem of rural poverty.

The studies undertaken by Punithavathy (2002), Das (2004), Varman (2005) and Soundarapandian (2006) have identified that the micro-finance through the SHGs play a tremendous role in the upliftment of the rural poor. They have observed that micro-credit, which has provided the rural poor access to finance without the burden of collateral through self-help group, has empowered the women folk economically and socially.

Patel (1980), RBI (1982), George et al. (1985), Parshad et al. (1985), Mohsin and Jha (1987), Patel (1994), Pandya (1995) and Naidu (2001) have found that due to excessive dependence on deposit by the RRBs, advances cannot be increased to the extent possible and have viewed that rural branches should be given preference for extending credit to the rural poor by transferring eligible projects from commercial banks to rural banks. George et al. (1985) have observed that farmers’ average borrowing cost for crop and investment loans from non-financial institutions are found to be lower as compared to those from financial institutions. They have highlighted that the loans given by the RRBs have the potential of generating agricultural income even for the poorest section of the society.

in branch expansion, deposits mobilization and credit expansion in the rural areas. Krishan (1987) has observed that banks are playing a significant role in reducing the regional disparities with respect to branch expansion, deposit mobilization and deployment of credit.

The studies of RBI (1980), Sinha (1986), Singh et al. (1987), Noorbasha (1989), Sangwan (1989), Satish et al. (1997) Desai et al. (2000), Taneja et al. (2007) have examined the viability of the RRBs keeping in view the profitability level. They are of the opinion that a decline viability of the RRBs has been inevitable as a result of the mounting losses incurred by them. They further advocate that a majority of the RRBs, which were working at a loss, have contributed to a steady and sizeable erosion of their share capital. The substantial resources made by the RRBs have never created a doubt regarding the viability of the RRBs in the long run, whereas another group of researchers reveal that the banks make themselves financially viable with better financial management, which will help in reducing the expenditure and increasing revenue.

The studies undertaken by Singhal & Sighal (1984), Guptal (1987), Singh (1994), Jabhav et al. (1996), Kalra and Singh (2000), Patel (2003) and Kunjukunju (2005) reveal that the rural financial institutions play a commendable role in the development of the rural areas, which provide a long term credit to farmers for investment purpose and development of farm and non-farm sector through provision of refinance and policy framework for institutional credit to lubricate for the purpose of rural development. They have found that the loans advanced by financial institutions to the rural poor for productive purposes and its proper utilization by them have a positive impact on their economic and social conditions.

commerce. They observe that the major causes of declining recovery in the Indian rural banking is political interference, inadequate staff strength etc. They recommend that the branch managers must plan and organize their activities to achieve better customer satisfaction. They emphasize on training for the staff, specially in a few critical areas like risk management, recovery management, costing and pricing of financial products and services, foreign exchange management, assets liability management, fund management etc. as well as on sufficient promotion avenues, which have not been in a position to get the maximum benefit by the bank loan. They feel that the pattern of lending should be diversified and quantitative dimensions need to be achieved along with the desired distribution pattern of the firm credit between different sizes and groups of farmers. At the same time, timely and adequate credit must be ensured on a reasonable rate of interest. They further feel that, for extending rural credit, commercial and small banks should act in a joint venture and advocate that the RRBs maintain a balance of clientele having both high and low credit worthiness.

The studies undertaken by George et al. (1985), Choubey (1986), Kanvide (1990), Patel (1994) and Yunus (2004) emphasize the role of the RRBs in income generation for the rural poor and are of the view that in addition to rural credit and rural banking other aspects should also be considered for rural development.

Wali (1980), Craficard (1981), Naidu et al. (1982), Singh (1983), George (1983), Mishra (1985), Parshad et al. (1985), Mishra (1986), Moin (1989), Krishan (1990), Kumar (1990), Ramola (1991), Patel (1994), Mishra (1996), Mukherjee (1996), Subbiah et al. (2005), Valsamma (2005) and Agrawal (2005) have focused on the role of the RRBs in rural development through deposit mobilization, branch expansion and disbursement of loans. They advocate that the RRBs have provided sufficient facilities to rural poor and helped them in improving their living conditions. Craficard (1981) opines that the role of the RRBs in rural development can be made more active of transfer of eligible business of rural commercial banks to the RRBs. They further reveal that the need to involve the RRBs in rural development and their
initial losses should be made good by its sponsor banks and shareholders. Some of the researchers also emphasize the need for continuous follow-up of supervision and control by the banks at level to ensure that the funds are properly used for which they are made. They suggest that there should be separate reservation of credit for different sections of the rural poor and the banks should build up awareness and motivation in the rural poor with respect to their production and investment needs.

A group of studies undertaken by Desai (1978), Desai (1979), Wadhva (1980), Patel et al. (1980), Sharda (1980), Varsha (1982), Reddy (1986), Yashavantha (1986), Singh et al. (1987), Parmar (1987), Rao and Thomas et al. (1992) Hundekar (1993), Ramappa (1999), Mishra (2002) and Reddy (2006) have suggested that the recovery performance of the RRBs should be improved, loans should be sanctioned carefully followed by a close supervision and the management should be made effective to combat the non-viability of the RRBs and the RRBs should be given priority in the rural branch expansion programme.

Joshi et al. (1974), Padwal (1991) and Siddappa (1995) have advocated that the share of large organized industry and wholesale trade in total credit disbursed by commercial banks has reduced and the share of priority sector advances in total advances has gone up. Siddappa (1995) has found that the impact of the RRBs’ credit to the family and hired labourers’ employment is similar between the irrigated blocks, but the impact is not similar between the blocks.

The studies of Naidu et al. (1987) and Barsha (1994) reveal that the banks play a dominant role in promoting rural industrialization and also help in generating employment in the rural areas.

Goswami (1992), Kumar (1995), Thomas (2000) and Mittal (2000) reveal that the RRBs, compared with public sector banks have shown a remarkable progress in the growth rate of branch expansion. Mittal (2000) has found that there is a need to hasten the process of the turn around of the
RRBs by further strengthening their capital base and making them more proactive in approach.

Dodkey (1999), Laxminadhan (2001), Bandyopadhyay (2005) and Rajkumar (2006) observe that the NABARD has played a vital role in developing and strengthening agriculture and rural areas through its refinance assistance. They also advocate that with the changing global economic scenario, it is time for the NABARD to review its strategies and policies in order to shift generate more rural employment from basic agriculture activities. They suggest that the selection of the NABARD financing schemes should be economically and commercially viable based on the availability of natural resources and potentiality of the area. They also reveal that there should be a periodical meeting or regular contact between bankers and NABARD officials to achieve speedy disposal of loan and to have better customer service.

The studies by Shah (1982), Ravindran (1986), Velayudham et al. (1990), Upadhyay (1992), Sivaloganathan (2004) and Dass and Ghose (2005) have shown that the major reasons for poor recoveries are drought, floods, cyclone, political uncertainly, improper and inadequate scale of finances etc. They have recommended the establishment of recovery cells in head offices with the objective of reducing the over dues. Shah (1982) has suggested that the rural branches of all commercial and cooperative banks should be amalgamated and be brought under the control of one single district rural bank. They also suggest the critically assessed need of an active involvement of the politicians, Mandal Pradhans etc., besides the appointment of a social Tehsildar for the recovery of over dues.

Another group of studies undertaken by Rao (1995), Siddiqui (2002), Sharma (2002) and Shete (2002) advocate that the pace of lending to priority sectors has emerged after the nationalization of commercial banks and that the development of priority sectors means development of rural areas.

From the above analysis, it is found that all these studies have focused their attempts on the following areas:
i) Problems of rural finance and role of commercial and Regional Rural Banks.

ii) Role of commercial banks in providing adequate and timely credit for agricultural development in backward region.

iii) Performance of the Regional Rural Banks in India.

iv) Role of Banks in branch expansion, deposits mobilization and credit expansion in rural areas.

v) Contribution of the RRBs in reducing regional disparities.

vi) Role of the Regional Rural Banks in the development of rural areas.

vii) Development of small scale industrial sectors through banks.

viii) The Regional Rural Banks’ credit for the upliftment of weaker section.

ix) Lending to priority sectors by the banks.

x) Causes of over dues.

xi) Reasons for effect of poor recovery on the performance of banks.

xii) Role of micro-finance through the SHGs in the upliftment of the rural poor.

xiii) Management and supervision of credit.

xiv) Factors determining the viability of the RRBs.

xv) Causes of misutilisation and diversion of different types of RRBs credit.

xvi) Training in rural banking.

xvii) Impact of the RRBs on the weaker sections.

xviii) Personal policies in the commercial banks and the RRBs.

xix) Role of the NABARD in the development of agriculture and rural areas through its refinance assistance.

xx) Policies and strategies for improving the quality of credit.

xi) Role of financial institution in the development of rural areas.

xxii) Impact of the RRBs and the commercial Banks in the rural development.

xxiii) Problems and prospects of the Regional Rural Banks in India.

xxiv) Impact of the Commercial Banks Credit on Income and employment.

xxv) Impact of the Regional Rural Banks finance on non-farm sectors.
xxvi) Management of non-performing assets by the banks.
xxvii) The impact of the Institutional credit on socio-economic development of rural masses.
xxviii) The consolidation of Regional Rural Banks.
xxix) The role of the NABARD in the development of the rural non-farm sector.
xxx) Role of micro-finance for the development of self-help groups.
xxxi) Rural economy is dominated by the agricultural sector.

Though the existing literature also covers certain significant areas of the RRBs yet there are certain unanswered questions, such as:

i) Is rural banking playing a positive role in rural development?
ii) What is the contribution of the RRBs in transforming the lot of the rural people?
iii) Are the beneficiaries satisfied with the financing pattern of the Regional Rural Banks?
iv) What is the contribution of the RRBs in generating employment in the rural areas?
v) What should be the role of the Regional Rural Banks in the perception of the general public?
vi) Does the contribution of the RRBs in the development of agriculture and industry is significant?
vii) Are the people participating in the programme of rural development initiated by the RRBs?
viii) Does the sound financial health of the RRBs indicate solvency?
ix) What are those crucial problems which cause hindrances in the smooth functioning of rural banks?

In view of the above partially explored questions raised by some of the studies, there arises a need to undertake an in-depth study which would evaluate the impact of the Regional Rural Banks in the development of Himachal Pradesh.
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