Economic development is regarded as a process where by there is an increase in the consumption of goods and services of individuals.\textsuperscript{1} It is rightly observed by Simon Kuznet that "economic growth is a long-term rise in the capacity to supply increasingly diverse economic goods to its population; this growing capacity based on advancing technology and institutional and adjustments that it demands".\textsuperscript{2} Economic development is a complex and diversified phenomenon with many dimensions. Simply it refers to an improvement in material welfare for them who are really poor. Thus, economic development emphasizes the achievement of following three broad objectives:\textsuperscript{3}

1. To increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter and protection. This, however, would be possible with a fast increase in real per capita income;

2. To raise levels of living including, in addition to higher incomes, the provision of more goods, better education and greater attention to cultural and humanistic values;

3. To expand the range of economic and social choice to individuals and nations by freeing them from servitude and dependence.

In order to achieve the above stated objectives of economic development, there is need for a specific set of quantitative economic targets, called economic planning. Economic planning may be described as a deliberate governmental attempt to co-ordinate economic decision-making over the long run and to influence, direct and in some cases even control the level and growth of a nation's principal economic variables (income, consumption, employment, saving, exports, imports, etc) to achieve a predetermined set of development objectives.\textsuperscript{4}
Economic development of a nation is the function of several determinants or factors. Out of these, capital formation is the most significant one which is considered to be a driving force that determines the pace of economic development of developing nations including India. All developing nations of the world are suffering from the problem of vicious circle of poverty. "A vicious circle of poverty implies a circle constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state poverty".\textsuperscript{5} This problem can be broken through adequate capital formation.

Capital formation is simply the process by which the stock of capital in an economy is raised. The volume of capital formation is determined by the volume of real saving in the country which depends on the ability, willingness and opportunity to save by the public.\textsuperscript{6} Economic development can be regarded as a direct function of rate of capital formation.\textsuperscript{7}

Capital formation can accelerate the pace of economic development through fuller utilization of available resources. As Prof. Lewis says "The central problem in the theory of economic development is to understand the process by which a community can raise its voluntary saving up to 12 to 15 per cent of national income. This is the central problem because the central fact of economic development is rapid capital accumulation including knowledge and skill with capital".\textsuperscript{8}

Meir and Baldwin are of the view that the accumulation of real capital in underdeveloping countries involves three independent activities:\textsuperscript{9}

i) an increase in the real savings, so that resources that would have been used for consumption purpose can be released for other purposes;

ii) a finance and credit mechanism, so that the resources may be claimed by investors;

iii) the act of investment itself so that resources are used for the production of capital goods.
Capital or finance is the key to economic development of any country in general and of a developing country in particular. From this point of view, the financial institutions play vital role in ensuring flow of adequate credit to productive activities of rural sector of the economy.

It is primarily due to the rise in the rate of capital formation that the financial institutions contribute to the economic development of a country. The process of capital formation is closely bound up with the mobilisation of domestic savings available for economic development. The formal financial institutions are instrumental in mobilising widely scattered savings and channelling them in productive ways in different regions and sectors of the economy.

The relationship between financial and real sector is complex and well-organised. Financial sector growth is a necessary component of macro-economic policy for the stability and growth. However, if the growth of the financial sector is not linked with the growth of real sector (industry and agriculture), it could have adverse socio-economic consequences. This is especially true in India where the development of financial institutions, including commercial banks have been used by the state, both at national and regional levels, as an instrument of balanced economic development of the regions, functional diversification of banking business as per plan priorities and as instrument of social change by reserving a part of financial resources for socially neglected and weaker sections of the population.

A strong and efficient financial sector is critical to the attainment of the objectives of creating a market driven, productive and competitive economy. Promoting healthy financial institutions, specially the banks therefore crucial to achieve socio-economic objectives under market driven system. World-wide banks are going through a great metamorphosis. Deregulation has opened up new opportunities for banks to increase revenues by diversifying into investment banking, insurance, credit cards, mortgage financing etc. At the same time liberalization has brought more competition among banks, both domestic and foreign and at the same time the dividing line between banking and non-banking financial institutions is getting blurred.
1.1.1 ROLE OF COMMERCIAL BANKS IN RURAL DEVELOPMENT

A majority of the Indian population is rural based and find their wage and means from rural sector. It was the father of nation Mahatma Gandhi who once said that, India is a land of villages and its true spirit lives in rural areas. Unless all-out efforts are oriented towards rural India’s all-round development, the majority would continue to be deprived of finer aspects in life. If all players were genuine in putting their heart into realising arowed constitutional objective of building a “Just social order”, rural India should have been vibrant by now. The task is daunting and it can not be faced squarely through adhoc or half-hearted efforts.\(^\text{13}\)

Since independence, rural development has occupied an important place in the development agenda of free India. The focus of planning of the country is on the improvement of condition of rural poor and to bring the poorest of the poor to the social mainstream. Inspite of many developmental efforts made by the successive government and development bodies, NGOs and other agencies, still 26.1 per cent of people of the country are below the poverty line (Table-2.10). From a social perspective, this is a humanitarian pandemic and from an economic perspective, these people represent the bottom of the pyramid. Over the years, rural people are the victims of biased social set up and deprived of self-respect and basic amenities of life. Thus the situation calls for systematic planning and meticulous execution of policies, backed by commited socio-political-economic machinery with effective participation of banks as partners.

Banks are the dominant intermediaries in both developed and developing economies like India. In many developing economies banks constitute the backbone of the financial sector acting as the main conduit for transfer of financial resources from savers to investers. Banks accept deposits from the public-secured or unsecured, which are usually and immediately accessible to depositors and hence become the principal means of making payments.\(^\text{14}\) They are thus, at the heart of the payments system. Even when corporate or government approach households directly with new instruments, those payments are cleared through banking system. In deploying funds (deposits) banks have to strike a balance between low-yielding high quality liquid assets and high-yielding riskier investments.
The basic economic function of bank intermediation can broadly be classified as following.¹⁵

→ Liability-Asset transformation, i.e. accepting deposits as liability and converting them into assets;

→ Size transformation, i.e. providing large loans on the basis of numerous small deposits;

→ Maturity transformation, i.e. offering savers alternative forms of deposits according to their liquidity preferences while providing borrowers with loans of desired maturities; and

→ Risk transformation, i.e. distributing risks through diversification which substantially reduces risk for savers which would prevail while lending directly in the absence of financial transformation.

The commercial banks play a pivotal role in capital formation. They act as intermediaries by bridging the gap between savings and investments. Banks are said to be the repository of people’s savings, mobilize small and scattered savings of the community. As purveyor of credit they channel the mobilized savings into the productive activities and thereby facilitate capital formation. They provide lucrative opportunities of investment to the savers and facilitate supply of funds for investment to the entrepreneurs. Basically banks are institutions which convert the savings of the individual into capital for the community.¹⁶ In order to maximize the productive use of scarce bank credit from the point of view of the society as a whole it is necessary to divert the flow of credit from those lines along which credit naturally tends to flow, into other fields whose development is considered to be socially and economically important.¹⁷

Commercial banks in the country were assigned an onerous task of implementing social banking schemes to keep pace with the changing social requirements. The concept “social banking” refers to a policy of induced credit delivery by banks to the priority sectors such as agriculture, small-
scale industries, small business, professionals and self-employed, retail trade, road and water transport operators, education and economically weaker sections of the community. This idealistic approach envisaged a shift from the traditional security-oriented approach to service-oriented approach, which meant a shift emphasis in granting bank loans from credit worthiness of person to credit worthiness of purpose and a shift from class banking to mass banking.

The Indian banking system has undergone a sea change during last decade; and faced several tests and challenges. The change is due to the significant transformation of the banking system accompanied by Structural Adjustment Programme (SAP) prescribed by the international financial institutions as a part of world-wide macro economic reform. The process of financial sector reforms is continued to unfold, with link between the domestic markets and foreign exchange markets. While the deregulation has opened of new vistas for banks to augment revenues, it has also entailed greater competition and consequently, greater risk. Moreover, introduction of prudential norms, deregulation of interest rate, provisioning, institutional reconstructing and other measures forced the banks to redesign their activities and adopt more cautious approach in functioning. All these have significant impact on rural credit delivery system of the country.

1.2 REVIEW OF LITERATURE

Banks play an important role in meeting credit need of rural masses. Many studies have attempted to analyse the role of Commercial banks as well as RRBs and Co-operative banks in the economic development, pattern of financing, repayment and utilization and relationship with other developmental programmes. These studies are mainly based on empirical data at macro as well as micro level. An attempt in this section has been made to review some important research studies conducted by different scholars at various point of time.
1.2.1 Studies at Macro Level

Reserve Bank of India (1981) has made an assessment on the viability of Regional Rural Banks. It has been revealed in the study that the participation of RRBs in agricultural credit is quite satisfactory. The overall rate of growth in income is quite impressive. The gross income per RRB has shown an increase from Rs 3 Lakhs in 1976 to Rs 40 Lakhs in 1978. The study also revealed that RRBs are nearing to break-even-point by narrowing the gap between income and expenditure.

Choubey, B. N., (1983) has evaluated that Commercial Banks have failed to fill the serious gap and deficiencies in farm credit, which the RRBs could manage to do. Choubey emphasized that the NABARD would be required to pay special attention to the depoliticisation of the agricultural credit and government credit agencies. He suggested that NABARD might help the agricultural and rural sector in raising their productivity at reasonable faster rate.

Farhat Husain (1986) has made a detail analysis of the development of Commercial banks in India in the light of reorientation of banking policy, credit planning and resource mobilization for the regional development.

Emphasising the role of Commercial banks in economic development, Chhipa, M.L., (1987) has assessed the impact of some economic indicators of the banking development process in the various stages of India during 1960 to 1978 with the help of “Modified factor analysis”.

Deb. K., (1988) in his study has examined the role of Cooperatives and Commercial banks in financing different sectors of Indian economy since independence till 1983.

Kittur. A and Basanna. H,(1991) have made an attempt to study the various facets responsible for the growth of NPAs in agricultural credit in India. They viewed that operational deficiencies of agricultural credit delivery system as well as agricultural credit policy are the prime causes of the rise of willful and non-willful deafult of institutional credit. Though well-
intended and chief credit policy followed by the RBI, it has failed to achieve the objectives and adversely affected the viability of formal financial intermediaries (FFIs).

Gundannavar, V.R., (1992) has highlighted the role of banks in implementing social banking schemes to keep pace with changing social needs. He has strongly opposed any move to reduce resources allocation to priority sectors, which will have an adversal impact on the agricultural credit. He has suggested to increase higher interest rate on commercial lending and to continue concessional rate of lending to priority sectors.

Bhuleshkar, A.V (1993) has attempted to study the fate of agricultural credit in the country in sequence of economic reforms. If the aim of new economic reforms programme is to enhance the economic growth rate of the Indian economy, it is imperative that the agricultural sector being the backbone of the economy must receive priority on government agenda.

Tyagi. R (1993) has made an attempt to evaluate trend in agricultural credit in India. It has been observed that despite impressive quantitative achievement, agricultural credit has suffered on qualitative counts resulting in inhibiting financial viability of the lending institutions. He has suggested that agricultural credit must not only expand quantitatively but must also become a commercial and economic proposition.

Barman. K.K (1994) has made an analytical study on the implications of financial sector reforms on rural credit delivery system. He has found that implications are of wide spread; on interest rate of agricultural loans, lending rates, priority sector lending, reserve requirements and institutional restructuring.

Majumdar, N.A., (1994) has observed that there has been a significant change in the rural credit in response to the wave of market orientation and privatization in the financial and banking sector. There has been shift in the attitude of the banks from directed credit programme to deregulated interest regime giving the banks enough freedom to make commercialization of scarce resources. He has advocated that directed credit
and concessional lending should continue to form an important part of macro-
economic financial policy, so long as there is mass poverty and unemployment
on an alaraming scale to haunt the economy.

Bandyopadhyay, S.C., (1995) in his research paper has attempted
to highlight the problems, which the rural financial institutions are suffering
include poor recovery, staff apathy, negative attitude towards rural financing,
political interference, occasional loan waivers and so on. He has suggested
certain changes in the existing system and advocated for an alternative model
of rural development.

Rangarajan, C., (1996) has identified three to four major factors
which would have impact over the future banking operation including
progressive de-regulation of interest rates, a diversified competitive market
place, market determined exchange rate mechanism and technological
progress. He suggested the banks to provide credit to agriculture and allied
sector as provision of credit to high-tech agriculture which is almost equal
to providing credit to industry.

Verma. M.S., (1998) has studied the growth of banking in the
country since independence through four district phases including (a)
Foundation phase (b) Expansion phase (c) Consolidation phase and (d) Reform
phase. Keeping in view the past changes, he has anticipated that Indian
Commercial banks will emerge large in size, technological better equipped
and stronger in capital base. The regulatory mechanism will ensure that the
health of the Indian commercial banks is preserved and improved and that
they continue to play the same vital role in the Indian economy which they
have played so well in the past.

Nanda, K.C., (1999) has emphasised the need of bank credit on
small enterprises. In his work, he has investigated the norms of banks in
providing credit, the problems of securities and banker’s lien, cost of the
transactions of bank credit and has made many valuable suggestions to ensure
flow of bank credit to SSI units.

Tarapore, S.S., (2000) in his creative work has made an extensive
study on the various issues in the financial sector reforms and their impact
on credit delivery system, including banking sector reforms, non-banking financial companies (NBFCs), monetary management, macro policies on fiscal issues, public debt management, liberalisation of capital accounts, etc.

Reddy, V. Venugopal (2000) in his work on “Monetary and Financial Sector Reforms in India” has gone through a detail analysis about the various facets of reform process in financial sector. He has presented the periodic developments about the monetary policy issues, issues on financial and banking sector, external sector including corporate governance in financial sector and gold banking, fiscal issues and RBI incentives.

Shiramaggi, H.B., (2000) has investigated the working of Commercial banks, Co-operatives and Regional Rural Banks during post reform period. He has suggested the policy makers to develop a banking structure and operational system which suits the agriculture credit and saving needs and at the same time promotes modern farm sector.

Vyasa, V.S and Reddy, V.R., (2001) in their observation have viewed that India has an opportunity to take a lead in reform in agricultural finance and can avoid pitfalls which the fast growing countries of Asia could not avoid.

Majumdar, N.A. (2002) in his work on “Rural Development: New Perceptions”, has suggested to build up development conscience which would go a long way towards improving socio-economic growth of rural sector and also evolving a compassionate society.

Siddiqui, B., (2002) in his work on “Priority Sector Lending” has revealed that, priority sector lending has emerged as the most powerful instrument after nationalisation to direct flow of bank credit to neglected key sectors of the economy. Keeping in view the reforms in banking sector, he has advocated for widening the scope of priority sectors.

Kumra, R & Mittal R.R., (2002), have analysed the challenges before the public sector banks in the country. They have advocated to build a safe and sound banking system in the country with the international standards
and at the same time meet the national goals as well. Taking the banking industry to the heights of international excellence will require a combination of new technologies, better processing of credit and risk appraisal treasury management, product diversification, internal control and external regulations and human resources.

Vaidya, B.V., (2002), has made a comprehensive effort to highlight some of the aspects of rural development of the country under the policy of liberalisation and globalisation, including economic aspect, agricultural aspect, industrial aspect, infrastructural aspect and management aspect. From his analysis, he has drawn the conclusion that a comprehensive methodology will be necessary for rural development which is the bedrock of development for the whole country.

Harper Malcom, (2003) has attempted to highlight the growing importance of micro finance and suggested for more linkage of small enterprises with both formal and informal financial institutions.

Sankar, R., (2003) in his work on financial sector reforms has found that strengthening of the financial sector and improving the functioning of the financial markets have been the core objectives of the financial sector reforms in India. The significant transformation of the financial system in the country is clearly evident from the changes that have occurred in the financial markets, institutions and products.

**Studies at Micro Level**

Ballal, N. Murali (1979) and Kamath, J.B., (1981) in separate studies have attempted to analyse the persisting, inter-regional and inter-sectoral imbalances in banking development of Karnataka state.

Samanta, B.B and Datta, T.N., (1981) have made an analysis of the credit deployment by banks in Orissa during 1969 to 1979. They observed that though there was a phenomenon growth in credit deployment during the decade, it was inadequate in comparison to all India average. The inter-district
variation in bank lending revealed the apathetic attitude of banks towards backward areas.

Mishra, S.N., (1984) has presented a historical picture of growth and development of Commercial banking in the state of Orissa since inception of commercial banks in the state till post-nationalization period.

The study made by Jena, I.C. (1986) was mainly intended to evaluate the working of Lead Bank Scheme in Orissa. He has observed that though the Lead Bank Scheme has been able to reduce the inter-district disparity to a marked extent in the expansion of banking facilities, the reduction was nominal in the area of credit deployment.

Varde Varsha (1987) has shown the progress of banking development in different states of the country and has observed that Orissa, Bihar and Assam are the least developed states in this respect in the country.

Viswanathan, R., (1989) has highlighted the role played by banks in the socio-economic development of the country with special reference to Orissa during post-nationalisation period.

Khuntia Natabar (1990) has presented a detail picture of banking development in Orissa and the impact of various schemes on banking development in the state.

Nanda, B.P., (1991) in his work on "Role of Commercial Banks in the Economic development of Orissa" has studied the progress of commercial banking development in the state of Orissa & has assessed the impact of bank finance on the beneficiaries belonging to all categories.

Karmarkar, K.G., (1997) has highlighted the role of Micro financing (SHGs) on the rural credit delivery system in the state of Orissa with example of successful projects in the different parts of the state. He has suggested for active participation of banks and other development agencies to promote micro financing in large scale to accelerate the pace of rural development.
Biswal, D and Dash, H., (1997) have attempted to study the recovery phenomenon of rural bank credit in Orissa. The banks in financing rural development are of the view that poor recovery and mounting overdues are the major huddles face by them. They have suggested for adequate development of rural infrastructure in the state to improve the income and financial condition of rural poor which in turn will improve the recovery performance of banks in the state.

Veerashikharappa (1997) in his work on “Institutional Finance for Rural Development” has highlighted the importance of institutional finance on farm sector in a changing perceptive. Taking into account the transaction cost, utilisation of loan, repayments and overdues, he has advocated for policy implications to be implemented more cautiously to reduce the gap between bank credit and farm sector and to remove the size of landholding as collateral security against farm credit.

Rajeev, M and Deb, S., (1998) have made an extensive study on institutional and non-institutional credit on agriculture with special reference to Hugli district of West Bengal. They have concentrated their study on recovery and viability of rural bank offices and suggested for improvement in the loan appraisal and recovery pattern of the commercial banks.

Dubhashi, P.R., (2000) has made an effort to study the changing role of banks in rural financing in the state of Andra Pradesh. He has found that during last decade, there has been neither a clearcut enunciation of any policy of rural economy which forced the poor farmers to sell away one of the kidneys to repay debts to moneylenders. In his concluding remark, he has strongly recommeded to formulate a comprehensive macro-policy urgently related to agricultural economy.

Gaonkar, R.R and Mundinamani, P.S., (2003) in their study on agricultural financing in Goa have revealed that banks despite several schemes for financing agriculture have not succeeded fully due to problems like poor documentation, inadequate infrastructure, lack of marketing of produce, non-recovery of loans, environmental and social problems. They have suggested for a better understanding between the farmers and banks which would go a long way in transformation of subsistence agriculture into commercial culture.
Gogoi, J.K., (2004) has made a sincere attempt to highlight rural credit scenario in north-east India. In his work, he has revealed that the performance of banks in delivering rural credit is very poor in the seven north-eastern states. He viewed for through investigation of matter and to put forward pragmatic measures to change the dismal rural credit scenario of the region.

Purkayastha, G., (2004) in his work on micro credit in the farm as well as in non-farm sector in the state of Assam has rightly observed that under-privileged people working in a group are now gaining confidence that they can have access to formal financial institutions for credit. They can save some amount even from their meagre income and they can also procure a loan if group saving fall short of the requirement. Moreover, due to higher degree of repayment against micro credit, many banks are now developing interest in lending to SHGs even if these are formed by downtrodden.

1.3 RELEVANCE OF THE STUDY

A brief review of the various research studies reveals the studies already conducted in the field of Commercial banks involvement in the process of economic development. These studies relate to the financing aspect and the impact of bank finance on the socio-economic upliftment of different sections of the society. Most of the above stated works relate to macro studies at the state and national level. However, there are quite a few studies conducted at micro level.

Keonjhar is one among the backward districts of Orissa. The state is general and Keonjhar district in particular is enriched with vast natural resources including forest and mineral reserves including precious metals, which have not been properly and adequately exploited and commercially translated. Besides, the economy of the district is characterised by low per capita income, low capital base, slow economic growth and poor infrastructure.

Though a few studies relating to the growth of commercial banking in the state have been conducted, there has been no sincere attempt
made yet to evaluate the role of bank finance on the rural development of Keonjhar district.

During last three decades there has been two major structural and policy level changes in the history of commercial banking in the country. One is the policy of social control over the major commercial banks and the other one is banking sector reforms. In the light of the above changes there is an imminent need for a continuous appraisal of the changing role of the banks towards the rural poors who constitute a sizeable portion of the total population.

The present study is a sincere attempt to analyse both the flow and impact of bank finance of Commercial banks on the socio-economic development of rural sector of Keonjhar district of Orissa. It may be treated as an addition to the existing bulk of literature in the field of banking studies at regional level.

1.4 OBJECTIVE OF THE STUDY

In this back-drop the prime objectives of the present work are as follows:

I. To study the growth and development of commercial banking in Keonjhar district vis-a-vis Orissa.

II. To analyse the flow the bank finance to agriculture and allied activities, small-scale industries, rural artisans and other sectors such as trade and other services, financial help under different government sponsored programmes of poverty alleviation.

III. To analyse the impact of bank finance on the beneficiaries belonging to all categories.

IV. To investigate the qualitative aspect of bank lending in Keonjhar district.
1.5 SCOPE AND PERIOD OF THE STUDY

The Commercial Banks in the present study refer to only Scheduled Commercial Banks, including Regional Rural Banks (RRBs), which constitute more than 98 per cent of the total commercial banks operating in the country.

Rural development in the proposed study will be explained through flow of bank finance to different sectors of rural economy and its impact on the borrowers of different sectors for their socio-economic upliftment.

The present study relates to a period of 16 years from 1986 to 2001.

1.6 METHODOLOGY

1.6.1 Data Base

The study is based on two sets of data: Primary data and Secondary data. The secondary data have been collected from various publications of Reserve bank of India, State and Central Government. The publications of Reserve Bank of India include Banking Statistics (Basic Statistical Returns), Statistical Tables relating to Banks in India, Reports on Currency and Finance and different issues of Reserve Bank of India Bulletin. The relevant materials for the study at Government level have been collected from Economic Survey of India and Orissa, District Statistical Handbook, Keonjhar, and Five-year plan documents. Apart from these sources, some classified data have also been collected from central office of Reserve Bank of India, Mumbai, regional office of Reserve Bank of India, Bhubaneswar and agenda note of different meetings of State Level Bankers Committee(SLBC), Orissa and have been used with their permission.

The primary data have been collected by making a field survey. The information were collected from the sample beneficiaries through a set of pre-tested questionnaire (Appendix ‘x’) personally by the present
researcher. The sample beneficiaries were selected by stratified random sampling method.

1.6.2 Sample Design

The district has 13 C.D. blocks. Out of these, three blocks have been selected at the first stage. The blocks selected for the sample survey are Ghasipura, Joda and Keonjhar Sadar. Among these three blocks, Sadar block is non-backward and Ghasipura and Joda blocks are backward blocks. Again, Joda block having highest scheduled tribe population. At the second stage, 5 villages from each block have been chosen for micro level study. At the third stage, sample borrowers of bank credit have been drawn from each village on random basis from different activities of rural sector of the district (1) Agriculture (2) Allied Activities (3) Small Sector Industries (4) Rural Artisans (5) Service Sector.

Due to absence of some activities in the villages, some beneficiaries from Keonjhar town in case of Sadar block, Joda town in case of Joda block and Ghasipura town in case of Ghasipura block were also taken.

In total, 395 sample beneficiaries were selected for the survey comprising of 183 from Agriculture, 72 from Allied activities, 21 from Small-scale industry, 44 from Rural artisans and 75 from Services sector. The sample includes beneficiaries from Ghasipura block, Joda block and Sadar block.

1.7 TOOLS/TECHNIQUES FOR ANALYSIS

The information collected from both primary and secondary sources are suitably classified and tabulated for the purpose of analysis and interpretation. The analysis has been made with the simple statistical tools of analysis like ratio, percentage along with other tools and techniques, which are discussed below.

1.7.1 Compound growth rate

The compound growth rate for a given period of found out by taking the base year and end year into account with the following formula.
\[ g = \left[ \left( \frac{Y_t}{Y_0} \right)^{1/t} - 1 \right] 100 \]

Where \( Y_t \) and \( Y_0 \) represent the variables of ‘Y’ at the end year and base year respectively, ‘t’ is the time period and ‘g’ represents the compound growth rate.

1.7.2 Method of least Square

This is a popular mathematical method of trend analysis of a particular variable arranged and presented over a series of time period. This method is based on following two conditions.

I) \( \sum (Y - Y_c) = 0 \)

Where \( Y \) = actual value of the variable.
\( Y_c \) = Computed trend value

II) \( \sum (Y - Y_c)^2 \) is the least.

Because of this, it is called method of least square. The trend line obtained by this method is known as “the line of best fit.”

The trend value is computed as below.
\( Y_c = a + bx \)

Where,
‘\( X \)’ is the deviation between the current year and base year. Basically the middle year is taken as base year and \( \sum X = 0 \)
‘\( a \)’ and ‘\( b \)’ are two constants, which are computed by solving the below two equations.
\[ \sum Y = Na \quad \text{(i)} \]
\[ \sum XY = b \sum X^2 \quad \text{(ii)} \]
The values of $a$ and $b$ can now be determined easily as follows.

\[ a = \frac{\sum Y}{N} \]
\[ b = \frac{\sum XY}{\sum X^2} \]

1.8 LIMITATIONS

The sample chosen for the present study is relatively a small sample, when it is compared with the borrowers of different sectors of the economy. The sample therefore may not reflect all the genuine characteristics of the universe. All the limitations associated with small samples exist in the study. While using the findings of the present study one must be aware of this limitation.

It is not possible to make an objective assessment of the impact of bank finance on the borrowers, because there are many limiting factors, which are associated with it. However finance is a catalytic factor, which is presumed to play the most important role in the process of rural development. The entire analysis is based on this assumption and no attempt has been made to evaluate the contribution of other variables in the process of rural development.

Some of the chapters of the present study are based on the secondary data collected from various publications of RBI and other government agencies. Therefore all the limitations associated with secondary data are also present in the study.

1.9 CHAPTER DESIGN

The present study contains seven chapters. The introductory chapter provides a brief introduction to the present study followed by (i) a Review of literature (ii) Relevance of the study (iii) Objectives (iv) Scope and period of the study (v) Methodology (vi) Tools/Techniques for analysis (vii) Limitations of the study.
Chapter two reflects the relationship between Commercial banks and Rural development with a special reference to role of institutional finance, rural credit policy, various committees reports, financial sector reforms, financing to agriculture, financing to SSIs, financing to poverty alleviation programmes and other aspects of rural development.

Chapter three presents the socio-economic profile of Keonjhar district. A review of various sectors of the economy of the district has been highlighted in this chapter.

Chapter four deals with the growth and development of commercial banking in Keojhar district vis-a-vis state of Orissa in respect of branch expansion, deposits mobilization, credit deployment and credit-deposit ratio.

Chapter five outlines the socio-economic profile of the sample borrowers of bank credit belonging to various categories.

Chapter six reflects the impact of bank credit of commercial banks on the beneficiaries of different activities such as agriculture, allied activities, small-scale industries, rural artisans and service sector. Also the qualitative aspect of bank credit is analysed in this chapter.

Major findings of the study have been summerised in the concluding chapter seven.
REFERENCES


ANNEXURE - 1

Villages selected from the sample blocks for impact study.

1. **GHASIPURA**
   I. BADA PODANA
   II. NUAGAON
   III. RAMCHANDRAPUR
   IV. SUAPADA
   V. TARUAN

2. **JODA**
   I. BAMBARI
   II. DEOJHAR
   III. JAJANG
   IV. LAHENDA
   V. SWAYABARI

3. **KEONJHAR SADAR**
   I. KAHINGA
   II. KASHIPUR
   III. NARANPUR
   IV. PADAMPUR
   V. UKHANDA