ROLE OF NATIONALISED BANKS IN PROVIDING AGRICULTURE CREDIT

(A CASE STUDY OF JALGAON DISTRICT)

CHAPTER No. 1

INTRODUCTION

CHAPTER - 1

INTRODUCTION

In the developing country like India, Indian Population figure will be touching the thousand million marks by the end of this century. While the socioeconomic problems associated with the population increase are staggering in themselves, our greatest weakness appears to be lying, in not being able to find successful ways to turning this burden into assets, into a sources of well fed, well qualified and well motivated human force.

It is felt that India has the largest democracy in the world. It can boast of the third largest scientific manpower in the world. Whatever is the field of science or sports or even technology, it is truly said that it lags behind even small countries such as Japan, Taiwan, Israel, because India has its own limitations too.

Our greatest weakness appears to be lying in not being able to find successful ways and means to overcome the problems removing poverty through banking
industries scattered all over each and every corner of the states in India; along with protection of the environmental energy for the rural sector in particular and urban sector in general, which needs and improves the banking facilities too.

HISTORY OF INDIAN BANKING:

In India the banking practices existed as way back as 2000 B.C. or during the Vedic times. However, there was no money lending operation as a professional activity until 500 B.C. Banking developed from its primitive stage to the modern system of banking.

ANCIENT PERIOD:

Banking existed in India in one or the other form had been immemorial part time. Earlier records shows that a few countries before Christ, India had a system of banking which admirably suited to her needs. There were bankers in all important trade centres and were providing funds at the disposal of kings for financing wars.

Most of the loans were on an unsecured basis but pledge of movable, immovables and mortgage were not unknown.
From the laws of Manu, the Great Hindu Jurist, it appears that deposit banking in some form was known in India in ancient time. Hundies or indigenous bill of exchange came into use in the 12th century A.D. The indigenous bankers not only lent money but also financed inland and foreign trade.

During the Mogul period, metallic money (though known as far back as the Hindu Eka) was issued and the indigenous bankers added one more line of money-changing to their already profitable business, keeping a good margin for themselves. However, they could not develop to any considerable extent the system of obtaining deposits from the public, which today is an important function of a banker.

**ENGLISH AGENCY HOUSES:**

In 17th Century, the English traders came to India and established some contacts with the indigenous bankers with a view to borrowing funds from them, which was more profitable for them to conduct banking business themselves besides their usual business of commerce and trade than borrowing money from indigenous bankers. Due to this policy adopted by agency houses, indigenous
banking system started declining in the country and they lost their profitable money - changing business in 1835. At the same time uniform currency was established throughout the country and thereby indigenous bankers lost further ground. Hence some indigenous bankers starting their business or served as middlemen between traders and banks; discounting inland hundies for the traders and re-discounting them with the banks.

In 1835, the English Agency Houses in Calcutta and Bombay were the bankers to the East India Company and the European merchants in India. They had no capital of their own and depended mainly on deposits from public for finance. The agencies failed due to combined banking with trading i.e. the two functions which hardly go together. With this practice of trading and commercial losses, affected the solvency of the Agency Houses.

PRESIDENCY BANKS:

In India, the Bank of Bengal, the Bank of Bombay and the Bank of Madras were known as "Presidency Banks", during 1809 to 1843. The bulk of sheres of these three banks were subscribed by Europeans and the said banks handled the business of the Government. Apart from this they were also allowed to issue note to a limited extent
but this right was taken over by the Government in 1862 in one way or other way.

In 1868, the Bank of Bombay was voluntarily wound up but a new bank with the same name was established immediately thereafter. This new banks opened new branches at many important centres in the country. But certain restrictions were compulsorily imposed upon these banks in order to safeguard the interest of the Government and the public.

IMPERIAL BANK OF INDIA:

The Bank of Bengal (1809), the Bank of Bombay (1840), and the Bank of Madras (1843), were amalgamated in 1921, to form the Imperial Bank of India. The main object of these banks was to hold Government balance and to manage public debt, besides performing various other commercial banking functions. The State Bank of India act was passed in 1955. The Reserve Bank of India, a nationalised institutions acquired a substantial holding of the shares of the Imperial Bank of India and of the State Bank of India. These banks were started according to the aforesaid Act as "the extension of banking facility on a large scale". Since then the State Bank of India has been pursuing a vigorous branch expansion policy.
IN D I A N  C O M M E R C I A L  B A N K S

In 1860, for the first time an act was passed permitting the starting of Joint Stock Banks on the principle of limited liability. This has led to green signal to the development and expansion of banking in the whole country, though the course so far has had many ups and downs.

BACK GROUNDS OF THE COMMERCIAL BANKS:

While going to the background of commercial banks in India, it was divided into four periods viz. 1861 to 1905 first period known as initial stage mistake. The second period 1906 to 1917 known as swadeshi movement. The third period 1918 to 1946 rapid growth and the fourth period from 1947 to 1967 years of cautions and consolidation. The fifth period 1967 to 1976 present position.

FIRST PERIOD (1805 to 1905)

Many banks were founded due to the wake of the act of 1860, except the presidency banks (established earlier having a solid footing and consider government organisations), the Allahabad Bank Ltd. (established in 1865 under the European management) and the Punjab
National Bank (founded under patriotic and able Indian management in 1895). But it is a sad commentary that almost all other banks established during 1865 to 1905 came to grief. The failure of these mushroomed banks is a fate of woe due to the various reasons such as the staff had neither experience nor training even directors of these banks also were less experienced or honest along with no deep knowledge in the field of trade commerce, banking and industries too.

Apart from this wrong policies, say of combining lending operation as well as trade and advancing against undesirable securities were followed. Another important reasons for the failure of these mushroom bank is especially that there was no organisation which supervised the actions or corrected the ways of the managers and the directors too.

SWADESHI MOVEMENT (1906 to 1917)

Under this period, most of banks with Indian management were established viz. the Bank of India Ltd. and the Canara Bank Ltd. were founded in 1906. The Indian Bank Ltd., the Bank of Baroda Ltd., the Central Bank of India Ltd., in 1907, 1908 and 1911 respectively. However, the Punjab National Bank Ltd. had been founded earlier in 1895.
Generally speaking all these banks have not improved their situation on sound footing too or have not been benefitted from the mistakes of the past and these banks started their own institutions without much capital and experience. But it is gratifying to note that the Central Bank of India Ltd. was the only one notable exception which expanded its jurisdiction in each and every corner of our India.

RAPID PERIOD (1818 to 1946)

It is felt that there was a rapid expansion of commercial banking during this period specially 1942 - 1945. The first world war had ended in 1918 and the second world war broke out within almost twenty years i.e. in 1939. The banking in early stage of growth had therefore a large scope for expansion too.

The expansion of currency, resulting particularly from war finance made enormous funds available for investments. During this period, new banks established. Notable among them were the Union Bank of India Ltd., 1919, the Andhra Bank Ltd. 1923, the Syndicate Bank Ltd. 1925, the Bank of Maharashtra Ltd. 1935, the Indian Overseas Bank Ltd. 1936, Dena Bank 1938, the United Commercial Bank Ltd. 1943 and the United Bank of India Ltd. 1950.
The progress of banking was rapid and substantial during the second world war. But it was not free from defects due to various drawbacks prevailing among the administration channel of these banks e.g. undesirable manipulation of the accounts, unhealthy and wasteful competition, indiscriminate opening bunches, particularly in those centres, already well-served, acquisition of control of non-banking companies and most important results is that the utilization of profit, results from rise in the market price of Government securities and rise in paying dividends instead of building reserves for meeting unforeseen losses in future too.

**YEAR OF CAUTION AND CONSOLIDATION (1947 to 1967)**

The history of banking in India would have been different, had the country not suffered from the travel of partition. In this period under the supervision and guidance of Reserve Bank of India, banking was then smooth and progressive but that had not to be.

The Punjab National Bank, New Bank of India and several other banks had their head offices in the West Punjab. The deposits and other major assets of these banks were in West Punjab from Hindus, who had migrated to India. All such banks suffered huge losses affecting their solvency. To keep this movement on sound line, to
protect the social economy of the country, the Indian Government and the Reserve Bank of India had declared moratorium to protect these banks from the rush of depositors which would have inevitably resulted in their failure.

**PRESENT POSITION (1967 to 1976)**

In 1967, the Government considered and thought to bring in far-reaching changes in concept and working practices and procedures of banking in the whole country. Therefore, the banking law (Amendment Act) was passed immediately in 1968 with a view to bring social control over banks, some of the important changes came into existence e.g. not less than 51% of the directors of the Board of a Banking Company had to be persons with special knowledge and practical experience in one or more subjects like agriculture, accountancy, rural economy, banking, cooperation, economics, finance, law and small scale industries.

Further more the Chairman of banking company had to be in its whole time employment must possess a special knowledge in the working of banking company. The main reasons were those the bank should financially assists agriculture and small scale industries. It should export more effectively than before. And it was believed that
these sectors of the country is economy had been neglected so far.

**BANK NATIONALISATION**: 

Whatever the social control measures outlined above were not considered to achieve the desired social economic objectives. The Government of India, therefore, (with effect from 19th July 1969 by an ordinance issued on that date) nationalised fourteen major Indian Commercial Banks having aggregate deposits of Rs. 2741.75 crores as on 31st Dec. 1968*, which constituted 87.5 percent of the scheduled banks in private sector. **

The National Banks are banking corporations set up under separate acts of parliament and wholly or substantially owned by the Central Government directly or indirectly. *

The banks attained a unique status in the world of Indian Banking. It is felt that in established

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traditions of soundness and efficiency. Further more, it played a key role in the development of trade, industry and other economical activities in the country**.

Another important decision of the Report of the All India Rural Credit Survey Committee (1954) recommended the creation of one strong, integrated state sponsored, state pa partnered commercial banking institution with an effective machinery of branches spread over the whole country. The another setback resulted in the acquisition of the undertaking of the Imperial Bank of India by the State Bank of India established in 1955. The creation of the subsidiaries was in furtherance of the recommendations in the report of All India Rural Credit Survey Committee.

On July 19th, 1969, the Government issued an ordinance nationalising fourteen major Indian Private Commercial Banks. The ordinance provided for the Nationalisation of all scheduled commercial banks incorporated in India having deposits of not less than Rs. 50 crores at the end of June 1969. However,

** Report of the Rural Banking Enquiry Committee India, Ministry of Finance, 1950 P.14

foreign banks were excluded.

The main objective of the nationalisation was a landmark in the history of banking development in India. With a view to hastening the pace of socio-economic transformation by effectively mobilizing people's savings and canalizing them into productive purposes. Such as progressive removal of regional imbalances and generation of employment opportunities through wider dispersal of industries.

The objective of bank nationalisation was that the lives of millions must be inspired by a large social purpose, and has to subserve the national priorities. In addition to these the banks are also engaged in a number of other projects which contribute directly to the satisfactory of their social responsibilities.

The national banks are required to fulfil certain social and economic objectives. They have a dominating position in a deposit mobilization and a major role to pay in the banking field.

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The banks nationalized were

1. The Allahabad Bank,
2. The Bank of Baroda,
3. The Bank of India,
4. The Bank of Maharashtra,
5. The Canara Bank,
6. The Central Bank of India,
7. The Dena Bank,
8. The Indian Bank,
9. The Indian Overseas Bank,
10. The Punjab National Bank,
11. The Syndicate Bank,
12. The Union Bank of India,
13. The United Bank of India,

Further in April, 1960, six other banks were included in the nationalised sector viz.

1) The Andhra Bank,
2) The Punjab and Sindn Bank,
3) The New Bank of India,
4) The Vijaya Bank,
5) The Oriental Bank of Commerce,
As a result, there were 83 banks in India in 1981 including State Bank of India and its seven subsidiaries, 20 nationalised banks, 32 private sector foreign banks, and 08 cooperative banks. There were 28 banks in the public sector, 47 banks in the private sector and 8 banks in the cooperative sectors.*

**COMMERCIAL BANKS:**

At the beginning of the 19th Century, the banking in India on the western lines had started. The first joint stock bank named the Bank of Hindustan established at Calcutta under the European management. But this bank failed due to one or other reason. At the same time Bank of Bengal (1806), Bank of Bombay (1840) (so called Presidency Banks) were started with the financial participation of the Government.

It is felt that swadeshi movement of 1905 gave a great stimulus to the starting of Indian Banks. Before the swadeshi movement Oudh Commercial Bank came into

* Dr. F. V. Kulkarni - Corporation Finance Principles and Problems, Himalaya Publishers House 1st Edi. 1987 P.580
existence and was followed by the Punjab National Bank in 1894 and Peoples Bank in 1901. The Indian Banking system had gone through serious crises and consequent bank failures.

But after independence the Indian banking system recorded tremendous progress by utilising various aspects like planned economic growth, increasing in money supply, growth of banking habit, control and guidance by the Reserve Bank and the nationalisation of top banks etc.

The following table give an idea in respect of the growth of joint stock banking in India.

### TABLE - 1

**GROWTH OF COMMERCIAL BANKS IN INDIA SINCE 1950.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of banks</th>
<th>Deposits (in crores Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>430</td>
<td>826</td>
</tr>
<tr>
<td>1960-61</td>
<td>330</td>
<td>1745</td>
</tr>
<tr>
<td>1970-71</td>
<td>73</td>
<td>5910</td>
</tr>
<tr>
<td>1980-81</td>
<td>164</td>
<td>37550</td>
</tr>
</tbody>
</table>

The above table reveals that since 1950, the number of banks decreasing in each following decades. But it is interesting to note that bank deposits have increased continuously. It would be observed that the main cause of decline in the number of banks is due to the RBI policy like mergers and amalgamation of small bank with big banks, as a measure of strengthening the banking system all over the country on sound footing too.

These were 256 non scheduled commercial banks in 1960-61 and remaining were merged with bigger banks. It is truly said that Indian economy has impact of planning. The nationalisation of fourteen top banks in 1969, gave a sense of direction. Many important changes are taking place in the India Commercial banking system e.g. April '80, Six smaller banks were taken over by union Government.

There has been a marked improvement in structure, composition and direction of Indian banking. In this context, it is felt that Indian banking system has undergone a complete transformation for which there is no parallel elsewhere in the whole world. The following table gives an idea about the deposits, advances and number of branches.
TABLE 1:2

STATEMENT SHOWING THE POSITION OF ADVANCES, DEPOSITS AND NUMBER OF BRANCHES SINCE 1969 (Rs. in crores).

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits</th>
<th>Advances</th>
<th>No. of branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>4600</td>
<td>3600</td>
<td>8200</td>
</tr>
<tr>
<td>1975</td>
<td>13400</td>
<td>9700</td>
<td>20400</td>
</tr>
<tr>
<td>1980</td>
<td>36500</td>
<td>24000</td>
<td>34600</td>
</tr>
<tr>
<td>1985</td>
<td>85800</td>
<td>56300</td>
<td>52700</td>
</tr>
</tbody>
</table>


Table No. 1:2 depicts that the progress of banking in India in respect of deposit advances and number of branches is increasing since the nationalisation of major fourteen top banks. In addition to this the number of deposit accounts rose from 17.1 lakhs in 1985. At the same time, the number of borrowal accounts rose from 10 lakhs to 250 lakhs during this period. But it is a sad commentary that the population, per bank office came down 65 from 65000 (1969) to 16000 (1986). However, it would be observed that institutional credit to rural areas which was just 4 percent in 1969, is now 65 percent too.
POSITION OF ADVANCES, DEPOSITS AND BRANCHES

(BANKING IN INDIA) SINCE 1969

DEPOSITS

ADVANCES

BRANCHES IN NO.

YEARS


FIG. M.2.
<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>No. of branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>7467</td>
</tr>
<tr>
<td>SBI &amp; its seven subsidiaries</td>
<td>3366</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>1307</td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>829</td>
</tr>
<tr>
<td>Bank of Badoda</td>
<td>1839</td>
</tr>
<tr>
<td>Bank of India</td>
<td>1900</td>
</tr>
<tr>
<td>Bank of Maharashtra</td>
<td>984</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>1849</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>2490</td>
</tr>
<tr>
<td>Corporation Bank</td>
<td>402</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>985</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>1090</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>1116</td>
</tr>
<tr>
<td>New Bank of India</td>
<td>547</td>
</tr>
<tr>
<td>Oriental Bank of Commerce</td>
<td>457</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>2277</td>
</tr>
<tr>
<td>Punjab and Sindh Bank</td>
<td>645</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>1075</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>1623</td>
</tr>
<tr>
<td>UCO Bank</td>
<td>1636</td>
</tr>
</tbody>
</table>

Total - 1:3

Statement showing the details of branches of scheduled commercial banks as on 31st December, 1986.
During 1960 there was a great surge of banking industry and branches throughout the world. This tremendous growth just after a decade started to catch-up further development in the western world. When from the mid '70 the banks started seeking help in some form or other extensively to overcome this sudden massive expansion of workload as well as extend their customers services.

It is interesting to note that more and more the situation in banking business is becoming highly critical and competitive among the various classes of banks in offering a greater variety of services national and international.

The following table gives an idea of the performance of nationalised bank in respect of deposits and advances.

<table>
<thead>
<tr>
<th>Bank Type</th>
<th>Number</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vijaya Bank</td>
<td>629</td>
<td>RBI</td>
</tr>
<tr>
<td>RRB Foreign Bank non schedule</td>
<td>39</td>
<td>RBI</td>
</tr>
<tr>
<td>Other</td>
<td>4301</td>
<td>RBI</td>
</tr>
<tr>
<td></td>
<td>53378</td>
<td>RBI</td>
</tr>
</tbody>
</table>

Source = Banking Statistical Return RBI Vol.9
**TABLE - 114**

**NATIONALISED BANKS IN INDIA (DEPOSITS AND ADVANCES)**

as on 1936

(Rs.in crores)

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Deposits</th>
<th>Deposits</th>
<th>Advances</th>
<th>Advances</th>
<th>Profits growth rate</th>
<th>Profits growth rate</th>
<th>Credit fit deposits growth rate</th>
<th>Credit fit deposits growth rate</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of India</td>
<td>8916</td>
<td>18</td>
<td>5248</td>
<td>19</td>
<td>14.30</td>
<td>67.64</td>
<td>53.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Punjab National</td>
<td>7809</td>
<td>24</td>
<td>3882</td>
<td>16</td>
<td>15.01</td>
<td>25.03</td>
<td>49.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>7330</td>
<td>18</td>
<td>4018</td>
<td>12</td>
<td>19.01</td>
<td>92.80</td>
<td>54.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>7135</td>
<td>17</td>
<td>3821</td>
<td>10</td>
<td>24.08</td>
<td>53.56</td>
<td>256.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canara Bank</td>
<td>6818</td>
<td>21</td>
<td>4168</td>
<td>17</td>
<td>18.16</td>
<td>64.94</td>
<td>61.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndicate Bank</td>
<td>4915</td>
<td>18</td>
<td>3110</td>
<td>14</td>
<td>5.35</td>
<td>7.00</td>
<td>59.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>4121</td>
<td>21</td>
<td>2458</td>
<td>11</td>
<td>5.00</td>
<td>7.00</td>
<td>59.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Bank</td>
<td>3898</td>
<td>23</td>
<td>2239</td>
<td>19</td>
<td>6.25</td>
<td>77.56</td>
<td>57.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>3737</td>
<td>14</td>
<td>2011</td>
<td>3</td>
<td>10.55</td>
<td>108.50</td>
<td>53.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>2070</td>
<td>21</td>
<td>1127</td>
<td>21</td>
<td>6.97</td>
<td>61.51</td>
<td>54.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dena Bank</td>
<td>2000</td>
<td>21</td>
<td>1048</td>
<td>8</td>
<td>3.00</td>
<td>71.43</td>
<td>52.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Punjab Sindh Bank</td>
<td>1565</td>
<td>16</td>
<td>798</td>
<td>14</td>
<td>0.35</td>
<td>25.00</td>
<td>50.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vijaya Bank</td>
<td>1371</td>
<td>31</td>
<td>783</td>
<td>25</td>
<td>26.6</td>
<td>758.06</td>
<td>57.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oriental Bank of India</td>
<td>1252</td>
<td>23</td>
<td>611</td>
<td>16</td>
<td>2.51</td>
<td>68.46</td>
<td>48.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Bank of India</td>
<td>1243</td>
<td>9</td>
<td>689</td>
<td>13</td>
<td>2.41</td>
<td>18.14</td>
<td>56.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation Bank</td>
<td>1027</td>
<td>30</td>
<td>529</td>
<td>16</td>
<td>2.00</td>
<td>45.99</td>
<td>51.51</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source = Banking statistics quarterly hand book

December 1936 P.9
Table No. 14 depicts that the Deposit Growth Rate of nationalised banks is increasing from 9 percent to 30 percent ascending or descending order of magnitude. However, on the other hand advances growth rate is also in progress along with credit deposit ratio significantly too.

It would be further observed that from the above table, Bank of India tops the list with deposits of Rs. 8316.91 crores, the nearest rival Punjab National Bank lagging behind by more than Rs. 1100 crores at Rs. 7209.19 crores. At this rate it is felt that Bank of India is well set to cross the Rs. 10,000 crores, landmark in deposits during the year 1987, and the first nationalised bank to achieve the target. Apart from the State Bank of India which is interestingly not wholly owned by the Government. Hence, the State Bank of India is not referred to as a national bank whose deposits at the end of 1986 are near about Rs. 23,013 crores.

As regards to the advances, the growth rate in advances should be more or less equal to the growth rate in deposits.

An analysis of the performance of a majority of nationalised banks during 1986 presents a mixed picture.
On the whole, the deposits have registered a growth rate of over 19 percent and the overall profits have also gone up considerably from Rs. 117.77 crores in 1985 to about Rs. 192 crores in 1986. It will be interesting to note that the percentage increase in profits varies from as low as a near 7 percent (Indian Overseas Banks) to as much as 256.74 percent and 758.06 percent. In case of Central Bank of India, Vijaya Bank respectively. Apart from this Union Bank of India has also increased in a 3 digit percentage too i.e. 108.50 percent.

Though there is a substantial increase in profit of Central Bank of India from Rs. 6.75 crores in 1985 to Rs. 24.08 crores in 1986, which may be a record performance in terms of percentage too.

**PROGRESS OF BANKS SINCE NATIONALISATION:**

Indian banks have made tremendous progress in various areas like customer service, research mobilization social banking and house keeping since nationalisation of major commercial banks in July 1969.

Indeed it is felt that Indian banking industry especially in the field of branch expansion and social banking has no parallel in the history of world banking.
It would be observed that to day there is a branch office for every 13000 progress persons as compared with a branch office for every 64000 in 1969. The total number of bank branches on September 30, 1987 was 54163 against 8321 in 1969.* The branch expansion programme has been instrumental in extending fairly intensive banking coverage in rural and semi-urban areas. The experience made by the Indian banking system in the area of social and developmental banking during the past ten years is unique and has emerged as a model eliciting keen interest all over the world. It was observed that there was still scope for tapping deposits by bank especially from rural depositors and industrial workers by attractive instrument such as Indian Vikas Patra, Kisan Vikas Patra and Units.

In short, over the years the banking system has shed its traditional text book functions and started experimenting innovative and improvised methods too.

MAHARASHTRA:

According to the Quarterly Journals on Banking, statistics published by the Reserve Bank of India. It was

* Ibid P. 9,10 and Times of India 5-4-1988 p.11
observed that the capital place of Maharashtra has continued to occupy the top place among the all centres in country both in terms of deposits and credit deployment of the banks.

It is gratifying to note that Bombay along with nine other centres (Delhi, Calcutta, Madras, Bangalore, Hyderabad, Ahmedabad, Pune, Kanpur and Lucknow) accounted for about 40 percent of the All India total deposits and in respect of credit 47 percent of total credit.

Further more it is observed that the top six states together accounted for about 75 percent of total deposits and 61 percent of the total credit of the banks. Maharashtra accounted for more than 18 percent of the total deposits and nearabout 24 percent of the total credit, followed by Uttar Pradesh, West Bengal, Tamil Nadu, Gujrath and Andhra Pradesh ascending or descending order of magnitude.

NECESSITY OF THE STUDY?

It is trully said that availability of banking and credit facilities may not be a sufficient condition for the development of all communities specially village community. But it is certainly an essential condition
without which development cannot and will not take place.

However, Indian banking industry has crossed several other mile stones since 1969 which are not even imagined in the other countries in the world, merely taking into account of the growth achieved under branch expansion aggregate deposit and advances too. However, it is a sad commentary that the growth of branch expansion is being ignored totally. The nationalisation of major commercial banks in July 1969 and strong social orientations were imported to the banking policy and as a result of this the nature of banking business substantially changed not only in the term of quantitative dimentions but also in the form of qualitative aspects.

Today with its wide-spread network of branch banking expansion all over the country right from remotest rural place to the large metropolis towns, Indian banking industry is catering to the needs of various sectors of the economy. Therefore, to summarise, some aspects of Indian banking network programme have scattered over to the various sectors like branch expansion, credit deposits advances to the priority sector especially agriculture credit in rural area and generally providing credit for trade commerce and industry, to remove poverty employment problems etc. among younger generation too.
Population covered by each branch, recovery performance, mobilization of deposits misuse of bank credit disbursement and so on.

In view of the aforesaid reasons it is utmost important to note that management technique, human resources and other factors are most responsible for improving the banking systems and regulations in coming years too.

**IMPORTANCE:**

Banking in India is a subject that assumes increasing importance and is bound to be one of the dominant topics of discussion during decades to come because nearly 80 percent of the country's population live in almost 5.76 lakhs villages. Therefore, economic development and progress of India really means reconstruction and resurgence of the rural communities of the country.

Among the various infrastructure facilities that would influence the economic development relating not only to the rural areas but also to the metropolitan centres of India. Provision of banking facilities is an important one.
It would be observed that the banking industry has not received much attention it deserves in the Jalgaon district so far. The inception of the cooperative movement was initiated in the registration of the first cooperative society at Bodwad in 1906, since then the cooperative bank and other banking facilities spreaded in every part of the district.

There were 456 Bank offices as on December 1937, out of this near about 57.45 percent and 24.78 percent were cooperative bank offices and public sector banks respectively. It indicates that the bank offices i.e. State Bank of India and others have remained neglected so far, to improving the credit needs of agriculture SSI specially crop loan and term loans for agriculture sector. Which are the spring boards for all round economic development particularly rural areas in Jalgaon district of Maharashtra State in general and in India in particular. The studies relating to particular sectors like agriculture credit to farmers, in order to remove poverty as well as creating employment opportunity among younger generation in coming years too.

As regards to the marketing, processing consumers retail business are also not comprehensive and have not
done much its solving problems and potentials in each area of banking industries. It will be seen that similar situation does exists all over the State of Maharashtra in general and in India in particular. However, the present agitation by the peasants, consumers and working class, the strong banking services appears to be the best solution.

It would be further observed that all villages in the Jalgaon district (1475) have been covered by the rural cooperatives. However, inspite of the importance of the banking industries in national economic life no systematic efforts were made to the survey of this banking sector, working practice and problems in Jalgaon district so far. In the light of all round economic development of agriculture credit as well as industry trade commerce and considering the need of developing them through more banking services for the betterment of common man some urgent but concrete steps are necessary.

The role of nationalised banks in providing agricultural credit in Jalgaon district is in progress. At the same time, there are certain difficulties and problems like sizable growth in deposits, profit, branch expansion, advance credit liberalization, reactions, regional imbalances modernising operations, return on investment not attractive impact of technology etc.
which should be empirically investigated and the solution be devised.

The study of various difficulties and problems in the banking field would point the need of developing it on sound footings. It would further indicate the need of eliminating the existing bottlenecks in nationalised banks. The necessity for this and for boosting the standard of living of the common man in particular promoted to take up this subject for the study.

The present study mainly is related to the selected samples of nationalised banks from six talukas considering the representative in character of the Jalgaon district in Maharashtra State in India.

OBJECTS:

The study is undertaken with the following specific objectives —

(1) To study the state of existing nationalised banks.

(2) To study the banking sector in the light of organizational aspects.

(3) To study the problems of nationalised banks and its role to overcome the situation in this district.
(4) To find out the ways and means in order to overcome them.

(5) To see whether nationalised banks can play an important role in overcoming the existing problems.

(6) To see whether the nationalised banks providing better services to customers credit facilities to agriculture sector etc. effectively be applied and extended to different ways of life.

(7) To find out the repayment performance of farmers borrowers engaged in agricultural and allied to activities of agriculture.

(8) To find out the factors, effecting the repayment of borrowers.

(9) To study the over due pattern in the study area.

(10) To isolate the reasons for irregular and/or non-repayment of loans.

THE SCOPE OF THE STUDY:

The study has been mainly confined to the selected sample of nationalised banks in the Jalgaon district of Maharashtra State in India. As the subject to be studied is "Role of Nationalised Banks in providing agricultural Credit" (with special reference to Jalgaon district). It
was decided to confine it to representative samples of different talukas, which can be said to be representative of the district.

The present study is limited to the six talukas of selected at random, representing average character of the district. The same criteria is used in selecting the samples of different nationalised banks. It is hoped that since the selection of area is representative in character. The finding would be of greate value to the different class of people intending to demanding more facilities from banking sectors for their better living and removing poverty under similar conditions elsewhere.

THE UTILITY OF THE STUDY:

The study would be of a greate value to the banking sector and other related government departments in their efforts to establish them on sound footings.

The study would provide necessary information about the administrative and organisational efforts of banking sectors helping them to reorganise or elucidate difficulties in day to day working practices, in order to uplift weaker community for their successful operations in coming years too.
This study would help in mobilizing deposits through various aspects in rural areas as well as in creating much employment opportunity to unemployed educated follow in the area of operation of nationalised banks, and solution for improving their area of operation without hindrance. This would be of maximum utility to the nationalised banks and customers along with social workers in a long run.

In this way the present study will be of much interest to the Reserve Bank of India and other departments in formulating their policies and enacting necessary laws for their successful operation and development of banking sector in general and uplifting of weaker community in particular. It would help them to design their policies in respect of financial aids and procedural framework for the banking sector.

It is hoped that the work will act as a torch light for those who intend to serve human being through banking sectors.