Chapter II

Review of the Literature

II.1 Introduction

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods/techniques but also the methodology.

Kothari (2007 p.13) emphasized at this juncture the researcher should undertake extensive literature survey connected with the problem. For this purpose, the abstracting and indexing journals, and published or unpublished bibliographies are the first place to go to. Academic journals, conference proceedings, government reports, books etc., must be tapped depending on the nature of the problem.

II.1.1 Significant of the Review of Literature

The review of literature plays a vital role in each study and needless to say, in this study, literature regarding the defined problems has been collected and reviewed appropriately. All available literature concerning the problem at hand must necessarily be surveyed and examined before a definition of the research problem is given. This means that the researcher must be well-conversant with relevant theories in the field, reports and records as also all other relevant literature. He must devote sufficient time in reviewing of research already undertaken on related problems. This is done to find out what data and other materials, if any, are available for operational purposes.

According to Ferber & Verdoorn (1962 p.33) “Knowing what data are available often serves to narrow the problem itself as well as the technique that might be used.” This would also help a researcher to know if there are certain gaps in the theories, or whether the existing theories applicable to the problem under study are inconsistent with each other, or whether the findings of the different studies do not follow a pattern consistent with the theoretical expectations and so on. All this will enable a researcher to take new strides in the field for furtherance of knowledge i.e. he can move up starting
from the existing premise. Studies on related problems are useful for indicating the type of difficulties that may be encountered in the present study as also the possible analytical shortcomings. At times such studies may also suggest useful and even new lines of approach to the present problem.

Numerous research as well as general studies have been made over the years, with regard to role of banking institution in financing agriculture, small scale industry and other schemes under the programme of rural development. As it is not possible to deal with all the studies, an effort has been made to review some of the important works having a great bearing on the present study. This chapter is cumulative with four different categories i.e.

Part 1- a studies allied to the area of Banking & rural development,
Part 2- a studies allied to the area of rural development,
Part 3- a studies allied to the area of SHGs/Micro-finance & rural development,
Part 4-a studies conduct by the NABARD in the area of rural development.

The books, research papers and articles relating to the present study have been reviewed separately in the chronological order in the succeeding pages and drafting is based on References/Bibliography Harvard Style (University of Queensland Library 2009).

II.2 Part 1- a studies allied to the area of Banking & rural development

There has been a plethora of studies made by many expert committees and individual scholars on several aspects of institutional credit to rural development. Owing to the diversities in the nature and scope of these studies, only the major works having a bearing on the present study Banking & rural development is reviewed here. It deals with the role of banking in rural development in general and NABARD in particular in to Aurangabad districts of Maharashtra.

Basu's (1961) in his book is an attempt to study the main problems of Industrial Finance in India. The author has examined the role of principal agencies which have been entrusted with the responsibility of providing industrial finance not only in India, but also in some other countries of the world like Japan. He opines that, provision of industrial finance is a key input for the industrial progress and development, without which the industrialization is difficult, if not impossible.

Ghoshal's (1972) deals with the short-term and medium-term credit needs of the
farmers. The author feels that, despite the existence of cooperative institutions which were established to make available timely and adequate credit to the farmers the agricultural development continued to suffer due to lack of credit facilities. He holds that because of the failure of cooperative credit structure, the responsibility has been entrusted to commercial banks for financing this neglected sector.

**Pal and Mukhopadhay (1973)** in their work have made a joint effort to assess the credit requirements of the farmers of West Bengal. They hold that no doubt, the cooperative banks, and Government sponsored institutions are meeting the credit needs of the farmers, yet the agriculturists are suffering for want of funds. The authors recommend suitable institutional changes to bridge the credit gap which is likely to widen in the coming future. Finally, they suggest that the Reserve Bank of India and other financial institutions should amend their working procedures to enable the common agriculturist’s to get the benefits of agricultural credit in an easy manner.

In his work **Sharma (1974)** has observed though 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 which directly and indirectly need bank credit facilities.

**Suryawanshi, Patil and Kapase (1978)** studied the availability and requirement of credit and the gap existing in agricultural finance in an irrigated tract of Jalagaon district in Maharashtra. They observed that the big farmers received a larger share of the loans advanced. Hence, the institutional agencies like the co-operatives and commercial banks had not made much impact on the small and semi-medium cultivators even in the irrigated area. The average cash expenditure worked out to Rs. 814.18 per hectare. A slightly declining trend in the credit gap was noticed with an increase in the size of the holding.

**Sharma's (1980)** is an empirical study conducted to evaluate the role of State Bank of India in the agricultural development. The author opines that State Bank of India being a prestigious public sector bank and having a wide network of branches has been playing an appreciable role in the development of agriculture.

**Rao and Malaya (1980)** after examining the operational aspects of existing banking
schemes at the grass root level have made an attempt to assess the contribution of commercial banks in the development of agriculture. Some important questions pertaining to agricultural credit like, whether the farmer community has been getting adequate financial facilities from the commercial banks or not?; and how the commercial banks advance money etc. have been raised by the authors? They feel since nationalization though the commercial banks have done a commendable job in developing agriculture yet, there is a dire need to have a fresh look on the problem to bring more improvements in the future plans.

Wadhwa's (1980) is an attempt to evaluate the role of institutional credit in rural development. The author feels that several financial institutions have been established with a view to cater to the financial needs of rural poor. But due to several reasons like influence of local leaders, complicated banking procedures, lukewarm attitude of banking personnel, and corruption etc., the poors have not been benefited at all. The work stresses upon the point that rural banks must develop simple schemes and cooperative attitude for providing requisite financial help and assistance to the needy rural poor.

Mishra and Awasthi (1981) reported that the accumulation of overdues was due to controllable and non-controllable factors which accounted for 35 per cent and 65 per cent, respectively.

The positive role to be played by commercial banks for the task of agricultural development has been highlighted by Narula and Sharma (1982) in their book. The authors opine that without adequate development of agricultural sector it is not possible for the country to be self-sufficient in food grains. The agriculture is to be developed as a profitable profession and in such case the commercial banks have an important task to perform.

Singh and Prasad (1982) indicated that the magnitude of overdues was lowest with landless labourers. The poor recovery and high overdues in the case of small and marginal farmers could be ascribed to the diversion of funds for consumption purposes. However, the large and upper medium farmers did not repay in spite of having sound resource base.

The study by Choubey (1983), offers a detailed description of the various institutions which are actively engaged in the task of financing agriculture. But after reviewing the
impact of the institutional credit on agriculture, it has been observed by the author that despite the complexity of institutions like cooperatives, commercial banks, Regional Rural Banks, Agricultural Refinance Development Corporations, and National Banks for Agriculture and Rural Development (NABARD) etc. the agricultural sector still has been suffering for want of adequate funds.

Jain and Chaudhary (1983) pointed out that the poor performance in the recoveries of farm loans was due to maximizing disbursement of loans by adopting target oriented approach and succumbing to outside pressure for sanctioning loans either by ignoring the viability of the proposals’ or unrealistic assessment of incremental income, Marginal farmers failed to repay the loans because of crop failure and Jack of income from other sources, diversion of loans and their integrity. The reasons for loan delinquency of medium farmers were crop failure, inadequate supply of credit and diversion of loans. Non-payment of loans by large farmers was due to crop failures, diversion of loans and their habit of non-repayment.

Sudarshan (1983) has scholarly presented the role of commercial banks in financing various schemes under the Integrated Rural Development Programme. The author has empirically analyzed the financial assistance provided by all the financial institutions and reveals that share of commercial banks in the advancement of loans for various schemes under the IRDP is much higher than those of Cooperative and Regional Rural Banks.

Balishter and Singh (1984) found that the recovery of loans advanced by the bank under the IRDP was satisfactory in all categories of families and this nullified the common impression that advancing of loans to weaker sections would lead to accumulation of bad debts.

Raut (1984) indicated that the problem of overdues was mainly due to misutilisation of loans by the tribal farmers. The tendency, to misutilise the loan was due to the fact that the consumption priorities of tribal farmers were of more urgent nature than asset building priorities.

Srivastava's (1984) present a vivid and penetrating analysis of rural industries and their role in rural development. The authors opine that the industrialization of rural areas is a befitting reply to tackle the gigantic problems of economic stagnation, poverty, underemployment and unemployment. They further observe that rural industries can
play a significant role in eradicating poverty by creating employment opportunities in the rural sector, which would ultimately amount to prosperity and development of rural sector. According to them, emphasis should be laid on the industrialization of rural areas with a view to attain some other objectives like accelerated rate of industrial growth; steady improvement in income and standard of living of rural masses.

The study conducted by Chand and Sidhu (1985) showed that the application of discriminate function was quite efficient in classifying the borrowers into defaulters and non-defaulters. It was found that the higher values of ratio of dependants of the family capital expenditure and total borrowings placed the borrower into defaulters group and vice-versa. A high level of education contributed towards, non-default. Similarly, the defaulters with higher size of operational holdings, capital expenditure and lower levels education, ratio of dependants in the family, consumption expenditure and net cash income were prone to willful default and reverse was true for non-willful defaulters.

Kahlon and Singh (1985) in their work are of the view that despite the presence of plethora of financial institutions like cooperatives, Regional Rural Banks and Commercial Banks etc. still the agricultural sector suffers for want of funds. Keeping in view the shortage of agro-credit, the need of effective management of agriculture credit has been stressed upon by the authors as it is awe fully needed in the adoption of new technology and improved methods and practices to enhance agricultural production.

Murthy and Kumar (1985) in their article have made a joint effort to describe as to how the rural industries can be helpful in the gigantic task of rural development. The authors hold, if small scale industries are established in the rural areas, they can generate extra employment opportunities, reduce poverty and dependence of the rural population on agriculture. They can play an important role in improving the overall socio-economic conditions of rural poor.

In The book Panda (1985) speaks of the fact that though number of measures has been undertaken by the Government to provide institutional credit to small farmers and small entrepreneurs, yet the small farmers are not free from the clutches of moneylenders. The study reveals that the small farmers have not been benefited by the institutional credit. Therefore, measures should be taken to ensure the effectiveness of the institutional credit for the benefit of farmers.
Singh (1985) has presented an account of the banking system in our country and their role in rural development. They hold that the commercial banks have been playing a pivotal role to improve upon the socio-economic plight of rural masses and that's why they are called development agents or change agents.

Thakur (1985) in his book, have positively presented case for rural industrialization in India. They feel industrialization of rural areas will generate employment opportunities, reduce dependence on agriculture, eradicate poverty and can contribute substantially for the betterment of rural sector. They strongly hold the view, that industrial development is one of the keys to rural development.

Ghosh's (1986) contains relevant information about rural banking and agriculture financing by commercial banks after nationalization. The author has made an attempt to see how much credit is made available by the banks to agricultural sector during 1969 to 1985.

In an article entitled Mishra (1986) holds the view that the Regional Rural Banks were established with a view to provide financial help to the rural poor. But the beneficiaries of these banks are mostly the rich farmers and not the small and marginal ones. According to the author this practice is mainly due to the connivance of and corrupt practices indulged in by the bank officials and the influence of local leaders.

NABARD (1986) published “A study on RRBs viability”, which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The proportion of the establishment costs to total cost and expansion of branches were the critical factors, which affected their viability. The study further concluded that RRBs incurred losses due to defects in their systems as such, there was need to rectify these and make them viable. The main suggestions of the study included improvement in the infrastructure facilities and opening of branches by commercial banks in such areas where RRBs were already in function.

In his book (ed. Naidu 1986) holds that public sector banks have been extending credit facilities to hitherto neglected sectors of the rural economy. They are financing, agriculture, small business and small scale industries in a creditable manner to eradicate
poverty and unemployment from the rural sector.

**Narayana (1986)** observed that inadequate bank staff, vast area of operations entrusted to supervisors, inadequate transport facilities, insufficient travelling and dearness allowances, target oriented unscientific deployment of loans, inefficient credit management - accounted for escalating overdues at the individual level.

In an article **Nagaraja (1986)** observes that rural artisans have been an integral and continuing element in India's economic and cultural set-up. The importance of this sector is indeed phenomenal from the viewpoint of employment generation, contribution to the national income and foreign exchange earnings. The author feels that unfortunately this sector has completely been ignored by the commercial banks and they prefer to finance agriculture which is not the only way of bringing about rural development in the country. Nagaraja has also pointed out certain difficulties faced by commercial banks in financing rural artisans and suggested remedies to remove them.

**Singh (1986)** in their books have attempted to highlight the meaning, need and importance of institutional credit in the development of agriculture. They have made an effort to examine some important issues pertaining to agricultural credit like inadequate financial assistance to agriculture, lack of simple and straightforward banking methods and procedures and non-repayment of agricultural loans by the farmers etc. They have also tried to identify the types and classes of farmers for whom, credit is direly needed and how far the institutional credit agencies have been able to meet the credit requirements of the farmers.

**Bansal and Narwal's (1987)** article discusses the problems faced by the farmers in obtaining credit from financial institutions, particularly from the commercial banks. According to the author, the factors, such as lack of knowledge about banking procedures, illiteracy of the borrowers, non-cooperative attitude of the bank employees and cumbersome procedures of banks etc., prevent farmers to approach commercial banks for obtaining farm credit. The present study has investigated the constraints of farmers in obtaining loans from commercial banks in detail and has suggested a research-based strategy for accelerating the pace of agricultural finance.

In his article **Bhatnagar (1987)** says that banks have played a significant role in the field of rural industrial progress. They are not merely lending agencies, but also act as catalyst
in the development process by providing credit for rural industries which provide gainful employment to the rural population.

In his article Gopal (1987) has stated that prior to Five Year Plans, no deliberate effort was made by the Indian Government for the development of agriculture and it remained a neglected sector. No doubt, after nationalization, the commercial banks are actively engaged in the task of financing agricultural sector, but even after the passage of two and half decade, there appears to be no significant change in the socio-economic status of peasant community. Faulty lending policies, inadequate loan amount, non-cooperative attitude of bank employees and complicated procedures of granting loans by the banks, etc. are the main hurdles in the way of financing by the banks. The author feels that the time has come to have a fresh look on the problems of the farmers and to make the banks to amend their existing banking practices, rules and regulations to enable the people to get the bank aid easily.

Kumar (1987) in his book has remarked that the development of agriculture is kingpin of our development. The present study includes vivid description of the problems of agricultural finance as it is 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 the end, 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 context of modernization of agriculture has become a necessity.

In the Articles Naidu (1987) present an account of the role being played by the bank credit in bringing about development of rural sector. They feels that commercial banks by opening branches in the un-banked areas, can extend credit facilities to the weaker sections of the society on reasonable terms and conditions and improve upon their socio-economic plight.

Naidu and Nagraja (1987) in their article feel that in an agricultural country like India, where unemployment and underemployment is acute, small scale industrial sector has to play a prominent role. An important feature of 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. Authors say that Japan and
China have relied heavily on this sector for achieving the objective of economic development. The small scale industries not only provide employment opportunities but also make a great contribution to the rapid decentralized growth of our economy. Therefore, realizing the potential of small scale industries, institutional credit should be made available to them by the financial institutions like commercial banks. In this article, an effort has also been made to highlight the problems faced by the commercial banks and for their removal some meaningful suggestions have been listed by the authors at the end of the study.

In his work Narayana (1987) has discussed the problems of small and marginal farmers for not taking bank loans. He holds that farmers do not go to bank due to non-cooperative attitude of the bank employees, complicated and dilatory procedure and their dependence on the Sarpanch and other functionaries for getting loans. At the end, some suggestions have been made to remove these drawbacks.

Narayanappa (1987) has observed that the rural artisans in our country have been suffering from certain socio-economic problems like lack of adequate and timely credit, lack of marketing facilities at the local level, poor infrastructure, and unwillingness of artisans to adopt new technology, and non-availability of qualitative raw material, etc. After discussing these problems, the author has suggested some remedial measures to remove these problems.

Noor and Rao (1987) in their article highlight the problems, faced by the farmers with regard to their credit needs. The study reveals that the credit facilities or incentives, essential for the development of agriculture, are always availed by rich and affluent farmers. Small and marginal farmers even in respect of subsidies and cash incentives are either preempted by feudal landlords or by Government officials. Keeping in view the problems particularly of small and marginal farmers, the author has strongly recommended a fresh look at the agricultural development policies and has also given some suggestions to remove the bottlenecks.

In his article Rao (1987) makes an attempt to evaluate and predict the role of banks in the rural economy. He opines that no doubt, commercial banks have contributed substantially for the development of rural sector mainly through agricultural development, but landless labourers and small and marginal farmers have not been benefited by the bank credit so
far. He emphasizes that the banks shall have to play a leading role in this respect in the days to come.

Sood (1987) says that finance is key to rural development. The public sector banks are extending credit to hitherto neglected sectors of the rural economy. The commercial banks are making bold efforts and playing an active role to eradicate poverty and unemployment from the rural sector.

Davar (1988) in his work has remarked that small scale industries are instruments of socio-economic transformation of rural sector. He is of the view that despite the efforts of Government, still small scale industry suffers or want of adequate funds. He holds that finances are pre-requisites for the survival of small industries, and can be made available by the Government through commercial banks.

Gadgil (1994) discussed the likely impact of financial sector reforms on the formal agricultural credit system in India. Movements of interest rates on agricultural loan over the period 1980-94 are studied. It was observed that the new rates on crop loans to farmers have not been high enough to enable Co-operative and Regional rural banks (RRBs) to meet the financial transaction and risk costs, necessitating continued subsidization by the National Bank for Agriculture and Rural Development (NABARD) / Reserve Bank of India. The researcher then discussed the restructuring of RRBs and rural branches of Commercial banks and the future role of NABARD under the situation of total deregulation of interest rates. Sandhu (1996) attempts to make an appraisal of the credit needs of the ruralities and the way banks have been serving to meet the same. It deals with the role of banking in rural development in general and state bank of Patiala in particular in to districts of Punjab. The book presents descriptive and analytical account of the role of banks in bringing about socio-economic transformation of rural sector through the development of agriculture, allied activities, rural small scale industries and cottage industries development.

Mohapatra (1997) in his work pioneering attempt to survey the various problems of credit provided by Rural Banks for Rural Development. It explains the genesis and growth of rural financial Institution and the need for establishing the RRBs in the country. This particular financial institution is meant to provide the nucleus of rural finance in a region which is administratively designated as a district. This research work
is in the nature of a case study of an RRB in the State of Orisa and India.

Abate (2000) studied the loan and advances to agriculture from all of the financial institutions shown significant compound growth rate over the study period. Compared to the growth in term loan (13.0 per cent), the growth in crop loan (17.2 per cent), which is a major index of agriculture production finance has shown a higher growth rate in Karnataka state during the study period. Similarly, the growth in agricultural advances (12.5 per cent) has shown higher growth rate in direct agricultural advances (10.9 per cent). However the share of agriculture advance and weaker section had shown a declining trend during the study period. The recovery performance of agricultural advances in commercial banks, regional rural banks and co-operative banks has shown a positive trend. Only the recovery performance of primary cooperative agricultural and rural development bank had shown a declining trend. With respect to the problems encountered in Agriculture credit system misutilization of loan amount by borrower, wilful and deliberate default by borrowers and diversion of income generated out of the investment have found prime importance in the order.

Nair (2000) reviewing recent trends in rural financial intermediaries and commercial banks in India indicated that the commercial banks credit to rural areas during the late 1980’s and early 1990’s has shown a deceleration in growth. The relative proportion of bank credit flowing to priority sector, especially agriculture was fallen below the target of 18 per cent at a national level since the mid 1980’s.

Similarly, Lalitha and Dayanandan (2005) maintained that "The mission of NABARD is to promote sustainable and equitable agriculture and rural development through effective credit support, related services, institutions building and other innovative initiatives. The policy initiatives of NABARD are mainly geared to increase the credit dispensation for improving production and productivity in rural areas. The book seeks to examine the role of NABARD for rural prosperity, review the policies and programs of NABARD in promoting rural development at national level, analyze the innovative schemes implemented by NABARD, the utilization and repayment behavior of borrowers and assess the impact of credit programs on borrowers in terms of employment creation and income generation, and prescribe the strategies which will enable the existing credit schemes to emerge stronger and more viable. The findings of the study show that the
performance of NABARD at macro level is found to be in line with its objectives but ground level realities are otherwise. The situation warrants participation of borrower’s inn planning of the lending activities which alone can minimize miss utilization and default in repayment. The book suggests that organization of borrowers as the only way to make the ground level lending a success.

Shandilya and Prasad (2006), they study the importance of agriculture finance, the different credit agencies, functions, and organizational set-up and refinance operations of NABARD. Thus they find that NABARD has acted as an apex refinance and development institution in field of agriculture and rural development of country. in all the fairness, it can be said that NABARD’s performance is satisfactory and it can be made more functional if some improvements are brought about in the matter of its functioning, policy decisions and business activities. Actually, what needed is making available more resources at the disposal of NABARD and active co-operation of state Govt. and agencies disbursing credit directly to the needy farmers.

Ramappa and Sivasankaraiah (2007) studied that the share of agriculture loan in the total priority sector advances was considerably large and fluctuated from 73.02 per cent in 1993-94 to 76.79 per cent in 2004-05. It was also evident that of the total agriculture loan in 2004-05, crop loan alone accounted for 93.31 per cent. Among non-agriculture activities retail trade/business enterprise received large quantum of loan followed by Self Help Group’s. The percentage share of non-priority sector in total outstanding advances showed increasing trend from 15.16 in 1993-94 to 34.2 in 2004-05. It signifies the change in the lending pattern of the Rayalseema Grameena bank in Andhra Pradesh.

Khankhoje and Sathye (2008) have analysed to measure the variation in the performance in terms of productive efficiency of RRBs in India and to assess if the efficiency of these institutions has increased post-restructuring in 1993-94. As none of these studies analyze the performance after amalgamation took place in the year 2006, there is a need for carrying out the present study.

In the books of Rajashekar (2008) examines the various aspects of commercial banking in India. He critically examines the pattern of bank expansion, mobilization of deposits, credit disbursement, especially among the priority sector, and the recovery of bank credit, along with factors affecting the loan recovery process. They also suggest improving
credit recovery performance in commercial banks.

In his book Rajkumar (2008) Agricultural production in India depends upon millions of small farmers. It is the intensity of their effort and the efficiency of their technique that will help in raising yields per acre. Because of inadequate financial resources and absence of timely credit facilities at reasonable rates, many of the farmers, even though otherwise willing, are unable to go in for improved seeds and manures or to introduce better methods or techniques. It is, therefore, of the utmost importance that the financial requirements of the farmers are adequately met. Till Independence in 1947, money lenders and the landlords were the principal sources of rural credit. Over the years, the operations of moneylenders have declined in view of debt relief legislations, the system of licensing money lenders and restrictions on the use and transfer of land as security. Similarly, the abolition of all privileged tenures both in Zamindari and Ryotwari areas has discouraged investment by the landlords and larger cultivators. Provision of sufficient and timely credit at fair rates of interest has, therefore, to be considered as an integral part of agricultural development. Assistance rendered by way of credit has, however, to be related to specific items of productive work or of essential costs of cultivation. Set up in 1982, National Bank for Agriculture and Rural Development (NABARD) is the apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India. NABARD serves as an apex refinancing agency for the institutions providing investment and production credit in rural areas. This study explains the system of agricultural finance in India. It provides an in-depth analysis of the role of NABARD as the apex refinance body, in promoting agricultural and rural development in India.

In his paper Ibrahim (2010) pointed that, the Regional Rural Banks are established under the provisions of an ordinance promulgated on the 26th September, 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. Reforms and mergers introduced by the Government of India in consultation with Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) in the years 1994-95 to 2005-06 have yielded positive results in respect of key performance indicators such as number of banks and branches, capital composition, deposits, loans, loans and the trend of investments. In this paper is to
investigate whether the merger/amalgamation of Regional Rural Banks in India, undertaken in 2005-06 has helped improve their performance. Several committees have emphasized the need to improve the performance of these banks which play an important role in the rural credit market in India. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of rural banks in India has significantly improved after amalgamation process which has been initiated by the Government of India.

II.3 Part 2- a studies allied to the area of rural development

This section deals with review of the various empirical literatures available on the area of rural development. the literature on the subject is very large and it has been delimited to review some important literature to trace the core issues. A few seminal contributions on the subject of study have been reviewed to identify the major trends and to venture into a new area of research.

Government of India’s Rural Development and Poverty Alleviation Programmes have been evaluated by various Government organisations viz. Programme Evaluation Organisation of the Planning Commission, Concurrent Evaluations carried out by the Ministry of Rural Development with the help of reputed institutions located at the regional level, RBI, NABARD, IFMR, NIUA, NIRD and other organisations like Universities, Research Institutes, NGOs, and Individuals. Their approaches, conceptualization and methodology laid their focus on the success and shortfalls in terms of performance, as measured by income and employment generation or assets creation. But they have not attempted to quantify the negative externalities of the programmes, as their conceptualisation (theoretical caveat) was limited in focus and was constrained by the immediate requirement of the policy makers.

Various studies undertaken by distinguished scholars have broadened the understanding of the related issues. For example, Jodha (1986) defines (Common Property Resources) CPRs as “the resources accessible to the whole community of a village and to which no individual has exclusive property rights. In the dry regions of India, they include village pastures, common forests, waste lands, common threshing grounds, waste dumping places, watershed drainages, village ponds, tanks, rivers / rivulets and river beds, etc.” There are number of factors attributed for the marginalisation of the use of CPRs.
In Pani (water) panchayats **Deshpande and Reddy (1990)**, every rural household has an equal share in irrigation and water resources. The water rights are tradable, so that even the landless labourers gain from the irrigation resources generated. Grass roots democracy is used to integrate environmental regeneration and rural development to alleviate poverty.

**Rao (1994)** inter related the five themes viz., agricultural growth, rural poverty, environmental degradation, participatory rural development, and economic reforms in relation to agriculture. Both growth and poverty interact with environment in complex ways, each affecting the other. The author makes a critical appraisal of the participatory processes and also of some recent reforms – which have implications both for poverty and environment.

The relationship between poverty, environment and development is quite complex and not amenable for easy generalization. There is a widely held view, particularly in the West; the poverty is the main cause of environmental deterioration, because the poor are not in a position to use natural resources sustainably **Duraippah (1996)**. The degradation in turn, it is believed leads to aggravation of poverty.

**Agarwal (1997)** analyzed the interrelationships between gender, poverty and the environment in rural India, focusing especially on regional variations and temporal shifts over 1971-91. Briefly identifying the major factors underlying environmental degradation, the study traces why and how this degradation and the appropriation of natural resources by the state (statization) and by some individuals (privatization), tend to have particularly adverse implications for the female members of poor rural households. She further examined Governmental and community-initiated attempts at environmental protection and regeneration and computed an aggregate index GEP (V) to address those issues.

A similar study carried out by **Manikkumaran (1997)** in the State of Tamil Nadu. He has examined last 30 years secondary data from 1960-1990 and found that the agricultural growth is inversely related to rural poverty and directly related to environmental quality in the State of Tamil Nadu.

According to a report prepared by the Technical Advisory Committee of the CGIAR, marginal and sparsely populated arid lands account for 75 % and 85% respectively, of the
total agricultural area in Asia and Sub-Saharan Africa (CGIAR 1998). Their shares in total agricultural production are lower but still large.

Beck and Ghosh (2000) estimated roughly that the CPRs currently add some US $ 5 billion a year to the incomes of poor rural households in India, or about 12 % to household income of poor rural households.

Fan and Hazell (2000) have made an empirical analysis of Rural India with particular reference to less favoured areas. They concluded that the poverty, food security and environmental problems of many low potential areas are likely to remain serious in the decades ahead as population continues to grow.

Nadkarni (2000) studied, the poor in this view are perceived as having a short time horizon, discounting the future benefits from conservation rather heavily owing to the urgency to make a livelihood and avoid hunger. Such a time horizon leads to unsustainable use of natural resources.

Singh and Singh [2001] in their study on PACS found that in Uttar Pradesh the marginal farmers got the maximum assistance than others. It was further revealed that the credit outstanding was at 42% and this needs to be improved by proper education of the farmers.

II.4 Part 3- a studies allied to the area of SHGs/Micro-finance & rural development

In this section, the researcher has present a review of a number of studies that has gone into the various socio-economic issues related to Microfinance and SHGs in India.

In India, the first survey on SHGs was undertaken by NABARD (1989), along with other Indian members of the Asian and Pacific Regional Agricultural Credit Association (APRACA). They conducted an action research on linking SHGs with the concept of savings and credit in 1987 and published the outcome of the research in the form of a survey report in 1989. The survey was carried out in the form of case studies of 46 SHGs spread over 11 states and associated with 20 SHPIs. Of all the SHGs sampled, 17 had savings collection and credit provision as a major activity. Another 13 were engaged in farming or farm- based activities, five were into social forestry and aforestation, eight were engaged in non-farm activities and three were occupied in diverse occupations.

Based on the case studies on savings and credit of 17 SHGs, the study reported
that when a SHG was promoted by a SHPI, it generally comprised only members of the weaker sections. In contrast, whenever a SHG emerged on its own, it generally included members of the poor as well as not-so-poor households. Many SHPIs, including Andhra Mahila Sabha (AMS), Kerala Gandhi Samarak Nidhi (KGSN), Nazareth Ashram (NA) and MYRADA relied on the resourcefulness of the women and concentrated on forming groups involving only women. It was easier to form women’s groups by providing them necessary health care and other facilities and gradually involving them into other activities.

Most of the SHPIs were reported to promote more than one development activity in a given area. With regard to savings activity, the study found that eight smaller SHGs tried to promote small or tiny savings. As most members were illiterate and the amounts were very small - in the range of 10 to 25 paise - and that too subject to uncertain periodicity, the concerned SHGs used the system of saving cards. In most cases it was found that a member could withdraw her money only after Rs. 100 had been accumulated and until then the money remained with the SHG and could be used for loans. Only a few of the SHGs paid interest on individual member savings. With regard to loans taken by individual members from the SHG group fund, the study reported that the loan amount ranged from Rs. 20 to Rs. 500. From the accumulated profits, the needy members could take small emergency loans of up to Rs. 100 for a month at an interest rate of 10 per cent per month. Interest rates on short-term loans ranged between 2 per cent and 3 per cent per month. Loans taken for consumption purposes generally carried a higher interest rate than that of loans for productive purposes. Relatively longer term loans in the sense that were repayable in 10 months or more formed a very small proportion of the total loans. The interest rates for such loans varied between 1 and 1.5 per cent per month, irrespective of the purpose for which it was being taken.

The first impact study of NABARD on SHG-bank linkage programme was carried out by Puhazhendhi and Satyasai (2000), The study assessed the impact of microfinance on socio-economic conditions of 560 household members from 223 SHGs located in 11 states; Rajasthan (Northern region), Orissa and West Bengal (Eastern region), Madhya Pradesh and Utter Pradesh (Central region), Gujarat and Maharashtra (Western region), and Andhra Pradesh, Karnataka and Tamil Nadu (Southern region). The selection of SHG
household members was based on multistage stratified random sampling method. The number of SHGs was distributed across the surveyed states as per probability proportional to the cumulative number of SHGs bank-linked as on March 31, 1998 - subject to a minimum of 10 SHGs from each state. The study included SHGs that had completed a minimum of one year of bank linkage as on March 31, 1999.

The results of the above study suggest that out of the total sample, 84 per cent belonged to the economically weaker sections, of which agricultural labourers comprised 32 per cent followed by 29 per cent of small farmers and 23 per cent of marginal farmers. Regarding the status on education, it was found that 24 per cent of household members of SHGs were illiterate and 26 per cent could only sign their names. About 21 per cent had primary education, 23 per cent had secondary education and the rest had higher secondary education or something close to it. The study found homogeneity in terms of group members living in the same village or having uniform socio-economic status. Homogeneity in standard of living of SHG members constituted about 60 per cent, followed by proximity of residence reported by 29 per cent. With regard to meetings, about 65 per cent of the groups recorded more than 90 per cent of attendance during group meetings. The study found that frequency of monthly meetings was highest (54 per cent), followed by that of weekly meetings (23 per cent). Only about 8 per cent of the groups did not have regular meetings at all.

When one assesses whether lifestyles have changed after getting into the SHG mould, it is found that people who come together to form SHGs end up better off in social and economic terms. The average value of assets per household (including consumer durables and livestock) was Rs. 6,843 during the pre-SHG period, which increased by 72.3 per cent to Rs. 11,793 in the post-SHG period. Only 23 per cent of the members had some savings during the pre-SHG period in contrast to almost all interviewed members who saved during the post-SHG period. The average household saving was merely Rs. 460 during the pre-SHG period, which increased manifold to Rs. 1,444. Similarly, average borrowings rose from Rs. 4,282 during the pre-SHG period to Rs. 8,341 in the post-SHG period. Most significantly, this increase was spent for income generating purposes by a large number of households during the post-SHG period. It could be the major reason for the 33 per cent increase in SHG households’
incomes, i.e. from Rs. 20,177 per annum before the formation of the savings group to Rs. 26,889 per annum after formation of the group. The share of households within the SHG living below the poverty line was reduced from about 42 per cent to about 22 per cent in the post-SHG situation. Thus, nearly half of all the sampled SHG members were seen as competent to earn higher incomes and stay above the poverty line. The study also found that pre-SHG inequalities in the distribution of income, savings and borrowings declined in the post-SHG period. With regard to employment performance, the study established that employment increased by 17 per cent from 320 person days to 375 person days per household between pre-SHG and post-SHG periods.

With regard to social aspects, the study found that becoming members of SHGs and associating in its activities had significantly contributed to improving the self-confidence of the participating women. The women admitted that their sense of self-worth was enhanced. The members were also very confident of confronting the various social evils and problems they faced in their everyday lives. Moreover, there was a decline in family violence after members joined SHGs. In addition, the study stated that the composite index of different socio-economic parameters increased from 40 to 65 from the pre-SHG to post-SHG period. On the performance of different Model types, it was reported that linkage models involving NGOs as either facilitator or financial intermediary, recorded better performance than others.

The existing literature suggests that the concept of forming SHGs and linking to banks would raise incomes and broaden financial markets by principally providing credit, among other services, to small scale entrepreneurs and thereby reducing poverty Aghion & Morduch (2000).

Nanda (2000) explains the significance of establishing linkages with self-help groups and banks. He observed that the main advantage to banks would be externalization of a part of the work items of the credit cycle-assessment of credit needs, appraisal, disbursal, supervision and repayment, reduction in transaction costs etc. Accesses to a larger quantum of resources as compared to their corpus generated through different schemes of banking sector and a general improvement in the nature and scale of operations that would accelerate economic development. NABARD have been organized exposure and dialogue programmes in the linkage project for banks and NGO officials. The pilot
project has made progress and it noted that 637 groups have established credit links with 16 commercial banks and 12 RRBs. The results assumed that demand for frequent and for small amounts at unpredictable times were possible. Most of the members in SHGs have come from the poorest section. It is also noted their credit needs are shifted from consumption purposes to acquisition income generating assets and use of credit for non-traditional economic activities, increase in income levels of group members, development of thrift and self-help among members, reduction in transaction cost for both banks and SHG members and an almost 100% recovery of loans.

Pawar, Jadhav and Shete [2001] on the review of RRBs as SHPIs evaluated the performance of RRBs and found that the recovery rate was only around 40%. In order to widen the outreach to the poor, an experiment to test the feasibility of an RRB working as SHPI was launched in 1994 in which the officers were entrusted with the additional responsibilities of promoting, nurturing and financing SHGs. The results were encouraging the recovery performance improved more than 60% and hence RRBs linking with SHGs has been suggested as a right strategy to expand to other branches to improve the performance of RRBs.

Rahane, Wattamwar and Kamble [2001] in their study of role of sugar co-operatives in rural development through SHGs, underlined that the sugar cooperatives operated by SHGs were able to get various programmes from the sugar factory including cane development, transport, supply of credit for agricultural inputs, cattle camps, staff welfare, lift irrigation schemes, artificial insemination, live stock, poultry, construction of roads, tribal development, solid and water construction, methane gas plant, distillery, electricity project, paper plant, crop yield competitions, bio-fertiliser from spent wash, preventing environmental pollution. In all these SHGs have proved successful, which other factories may follow.

Sale, Pagire and Shinde [2001] in a case study of SHG in Maharashtra found that the SHG group loan was lent to income earning activities such as sheep and goat rearing, poultry, meeting medical and educational expenses. The revolving fund assistance improved their scale of operations and the repayment of 100%. SHGs have inculcated a habit of thrift and fulfilled the needs on priority basis. Expansion of such of such operations would improve a lot of rural poor households.
Shah [2001] analysed the operational efficiency of PACS in Maharashtra and found that the operational efficiency declined in the post reform period compared to pre-reform period. The major deficiencies were their location, in dry land where the farmers did not have proper irrigation and hence failed to repay. They demanded for reduction in the interest rate and also enhancing the amount of loan. They demanded loan for various purposes including provisions of farm implements on subsidized rates, tractor on rental basis, insurance, and credit for fertilizer and land leveling etc. It was suggested that policies needs to be taking local environment and it should not be uniform, so that it would reactivate and revitalize inefficient functioning of PACS.

Tilekar, Naikade, Desmukh and Patil [2001] on a case study of SHG in Maharashtra found that there has been an increase in the savings and credit performance. The SHGs lend loan with simple procedure at 5% rate of interest per month. The loans were extended to farm work, education, medical expenses, and social functions, livestock and for non-productive purposes. It was underlined that SHGs have become a platform for exchange of experience and ideas beyond social participation by each other.

Another study Harper (2002) The objective of this study was to examine and compare the different ways in which Self Help Promotion Institutions (SHPIs) promote Self Help Groups (SHGs), in order to enhance the efficiency and quality of the SHG promotion process and thus to improve the extent and level of financial service provision to rural people now without access to formal financial services.

The SHG promotion work of banks, NGOs, Village Volunteer Vahini Clubs (VVVs), Government agencies and individual ‘volunteer’ promoters was compared. The existing literature on SHG promotion was briefly surveyed, and a questionnaire was completed by 82 respondents with personal knowledge of SHG promotion and financing. Field work was undertaken in Orissa, Uttar Pradesh and Karnataka. Thirty five SHGs, which included examples which had been promoted by each of the types of SHPI, twenty SHPIs and sixteen bank branches, as well as other informants, were interviewed. These samples, and the smaller numbers of each type of SHPI and SHGs which had been promoted by them, were too small to allow for definitive recommendations, but we have come to the following conclusions, based on the findings of the study:

1. The banks, particularly co-operatives, are likely in the medium term to be the main
SHPIs. They should support, and eventually be replaced by, SHG members’ own initiatives.

2. The SHPI roles of SHG federations and of non-volunteer individuals should be examined,

3. The extent and quality of member-promoted SHGs should be monitored,

4. The quality and equity of SHGs promoted by VVVs may be weak and must be monitored,

5. A regular national SHG sample survey should be put in place, to enable NABARD to monitor SHG quality and to delegate the management of SHG promotion to banks

6. The damage potential of the SGSY and other state and central government schemes should continue to be monitored and mitigated at all levels,

7. Incentive schemes for NGOs and individuals should be redesigned and tested in order to cover the full costs of the SHPI,

8. Non-management bank staff should be encouraged to promote SHGs,

9. RRB and Co-operative Bank management who believe that SHG business is unprofitable should be encouraged to consider interest rate increases in order to make it profitable.

10. Training should include hands-on SHG record keeping, SHG promotion for lower grade bank staff and improved understanding of the importance of access vs. the cost of finance,

11. The management of the schemes to encourage SHG promotion should be experimentally delegated to banks, in order to avoid the problems caused by NABARD’s thin district representation, and to take full advantage of the banks’ greater field coverage.

A study by **MYRADA (2002)** on women’s empowerment of SHG members commenced in 2002 for the southern region’s states. In all, 13 SHGs were surveyed and it covered four professionally managed NGOs (DHAN, RASS, CHASS and MYRADA), one from each state. The “empowerment” of a SHG member is defined in terms of her influence over the family’s economic resources and her participation in its economic decision-making. In addition, the influence made by her on her own development as an individual, power over local polity and participation in socio-
political decision-making and influence over other decisions pertaining to general welfare of the family are considered. In order to assess the above aspects of empowerment, the study had undertaken four Model types of instruments such as structured interview schedule for SHG household members, in-depth interview schedule for SHG leaders, NGO-leaders and bank officials, peer group evaluations for skills and abilities evaluation of SHG members and in-meeting observations for evaluating the moderation skills of SHG leaders in a live meeting situation. The study found that most of the SHG members were young (26-35 years of age) married women in both type of SHGs (less than one year to more than three years old). About 45 per cent of SHG members were illiterate in the first category of SHGs and 47 per cent in the second group of SHG. In terms of occupation, 53 percent of respondents were non-earning members in the first group and in the second, 66 per cent of the respondents were either the chief wage earners or contributors to the family earnings. While agriculture (55 per cent) and allied business (33 per cent) were the main occupations for the SHG members in the former group, agricultural labour (41 per cent) and manufacturing (29 per cent) were the chief occupations for the latter group.

On sources of information about the concept of SHG, its activities and the benefit of joining it, 34.4 per cent of SHG members in the old group and 41.9 per cent in the new group reported that other SHGs in the locality was the main source that inspired them to join the SHG. With regard to impact of the SHG, 89 per cent of interviewees in the old group agreed that their financial position had changed for the better as against only 71 per cent in the new groups. More importantly, more members in the older groups reported a positive influence on their share in the family income than in the new ones. The average share of earning SHG members in the family income was also higher in the older SHGs. The impact of the SHG on the member’s level of comfort and confidence was reflected more in the older groups than that of new. For example, in case of dealing with people (outsiders / strangers etc.), 75 per cent of members of old SHGs reported change in confidence as compared to 72.6 per cent for new groups. The study also found better awareness with regard to health and hygiene. About family planning methods, 53.9 per cent reported that change of knowledge was evident in the case of the old group against 35.5 per cent for new group. Older groups also reported
better awareness in washing hands before eating/cooking, child’s vaccination, using toilets at home and adding fruits and vegetables in the diet of pregnant women.

The contribution of SHG members in their respective household income was found higher for older groups as compared to the younger ones. The share of SHG members in household income between 50 and 100 per cent was found 17.3 per cent for older groups against 6.8 per cent of younger groups. On a question pertaining to an important indicator - for instance, whether SHG members are practically empowered in managing the banking operations on their own - it was reported that more members in the older group (70.8 per cent) were aware about it as compared to 60 per cent in the younger group. With regard to power over her own development, the study found that more respondents in the older groups reported that their control over their own lives had improved and that they had a greater role in making decisions about themselves than before. As for the participation of SHG members in the local polity is concerned, the study found the situation was largely the same as before. Nearly 63 per cent of new groups and 49 per cent members of old groups reported that they had never had any role in village-level decision making. Only 10 per cent and 16 per cent members of these two groups revealed that they had participated more than before in the local polity.

On group formation, the SHG leader stated that the focus should be on the women who need it the most. Therefore, members should be selected from the poorest of the poor households in the village. Another important aspect of group formation is stability. Because of migration, particularly of unmarried women who move after marriage to another village, it was suggested that group leaders focus only on married women for group formation. Apart from stability, the group leaders reported that SHG groups need the goodwill of the villagers, control and discipline and financial stability. The study also found that four NGOs have been playing an important role in different activities under the SHG programme. For example, RASS has been focusing on awareness of health and hygiene issues and DHAN on regular documentation.

A study conducted by NABARD [2002] covering 560 households from 223 SHGs in 11 States of India elucidated that there has been a positive result in enhancing the standard of living of SHG members in case of asset ownership. Savings and borrowing capacity, income generating activity and in some levels. The average value of asset including
livestock and consumer durable has increased considerably. The housing condition of the people is improved, from the mud walls to thatched roofs to brick walls and tiled roofs. Almost all members developed saving habit in the post SHG. The trend of consumption loans come down in contrast the loan for income generating purpose has increased considerably during the pre-SHG period. Similarly the overall repayment of loans improved and the average net income per household has increased about 33%. The employment increased by 18% between the pre and the post SHG conditions. It should be noted that after association with the SHGs, there have improved their self-confidence, self-worth and communication. In addition to this, they involved in addressing various social evils and problems of the society.

Another impact study on SHG Linkage Programme in India was carried out by Puhazhendi and Badatya (2002) the study assessed the impact on SHG members in three eastern states, i.e., Orissa, Jharkhand and Chattisgarh. The analysis of the study was based on primary data collected from a sample of 115 members of 60 SHGs. A socio-economic impact was arrived at by comparing the pre and post SHG situations of members. The overall findings of the study suggest that the SHG- bank linkage programme had made a significant contribution to social and economic improvement of SHG members. About 83 per cent of the sampled SHG members belonged to the SC/ST communities. The study reported frequency and regularity in meetings among the members. It was found that 65 per cent of the time meetings were held on a monthly basis, 18 per cent of the time there were fortnightly meetings, the weekly meetings were held 8 percent of the time and only 1 per cent of SHGs had irregular meetings. Actually, NGO - supported SHGs were more particular about holding monthly meetings (68 per cent) than the bank linked groups (59 per cent). Older SHGs (formed 3 years or earlier) observed monthly meetings more regularly than the new SHGs. However, 24 per cent of new SHGs had irregular meetings and 50 per cent of SHGs had a fixed date and timing for meetings. About 88 per cent of SHGs had meetings at the residence of members and 12 per cent had in a common place like Panchayat office, Anganwadi office, village community halls, etc.

The study also reported an increase in household savings and assets for the SHG members after they formed the group. Out of the total sample, 45 per cent
reported an increase in assets after joining a SHG. The mean annual savings of households increased two - fold after joining SHGs. About 23 per cent of SHGs reported an increase in savings over a period of time. Higher savings were reported for bank linked groups (36 per cent) than for NGO supported groups (16 per cent). The proportion of savings to total resources was relatively higher for bank linked groups (35.7 per cent) than NGO supported groups (30.5 per cent). The average loan per member increased significantly by 123 per cent during the post-SHG situation. Out of total loans received by SHG members, 72 per cent were used for income generating purposes and 28 per cent for consumption. The size of loan was reported to be generally higher in the case of NGO -promoted SHGs than those promoted by banks. The distribution of loan suggests that about 78 per cent of members received loans, which indicate that loans were well, distributed among SHG members the percentage of members who availed loan was higher for bank linked groups (86 per cent) as compared to NGO supported groups (72 per cent). The interest rate charged on loans out of group savings was higher in the case of bank linked groups (2.68 per cent) than in the case of NGO supported groups (2.50 per cent). About 60 per cent of the SHGs had borrowed from banks more than once, which indicates that SHGs increased their financial intermediation activities with the help of external borrowings. On loan repayment, the study reported that 83.3 per cent of the groups had promptly repaid the loans and only 16.7 per cent repaid late. The ‘in time’ loan repayment performance was reportedly higher for bank linked groups (90.8 per cent) than for NGO-facilitated groups (82.1 per cent).

The net incomes of SHG member households increased by 23 per cent, from Rs. 12,319 to Rs. 15,814 after forming the SHG. With regard to employment, the study found that employment per household increased by 34 per cent between the pre-SHG and post-SHG situations. The share of BPL households was reduced from a high of 88 per cent to about 75 per cent in the SHG after its group formation and activities. Thus, about 15 per cent of the sample SHG member households were able to raise their income levels sufficiently to cross the poverty line. There was also a remarkable improvement in the social empowerment of SHG members in terms of self-confidence, as reflected in their decision-making abilities and communication skills.
Sustainability of SHGs was well established in terms of increased value of assets and savings rate, better access to institutional loans, higher rate of repayment of loans, elimination of informal sources and impressive social empowerment. The study reported that members in 80 per cent of SHGs received some form of training. About 97 per cent formed by NGOs received training programmes, while only 50 per of those formed by banks got such inputs. When asked about the usefulness of training programmes, 73 per cent of the members said they were well served by them.

**Rangi, Sidhu and Singh (2002)** reported that about 59 per cent of the borrowings were for consumption purposes in the household. However, about 32 per cent of the respondents reported those consumption loans were exclusively for routine family expenditure because employment was not regularly available to the respondents’ households. About 18 per cent of them took credit for repair of their houses and about five per cent each used it for the study of their children and installation of hand pumps. It was found that about 71 per cent of these bank loans were for productive purposes. Among the productive purpose, dairy farming was the most dominant (about 32%) followed by tailor shop (about 19%), cloth shop (about 10%), and grocery shop (about 6%) and electrical shop (about 3%). The loans for consumption purposes accounted for about 29 per cent of the cases. The routine family expenditure was dominant reason for taking loans, for this purpose. The other purposes were social functions, medical treatment and house repairs.

**Seibel and Dave (2002),** The report consists of five branches case studies and analysis of aggregate picture of five branches. The branches are:

1. The Gudur branch of Andhra Bank, a national commercial bank
2. Kakathiya Grameena Bank, a regional rural bank (RRB) in Warangal, and two branches in Parkal and Palakurthy
3. The District Cooperative Central Bank in Bidar, its Bhosga branch and an associated primary cooperative society, the PACS of Ladwanthi

1. There are **two outstanding aspects** to NABARD’s *Linking Banks and Self-Help Groups:* with an outreach to 500,000 SHGs and a population of 40m rural poor, it is the largest non-directed microsavings & microcredit programme in the developing world; and its bank lending rates - fluctuating at market rates around 7% in real
terms – are among the lowest. Is it a commercial proposition for the 17,000 participating bank branches, and perhaps for another 20,000 who might join the program to reach a population of 100m by 2008?

2. **Non-performing loans** to SHGs were 0%, testifying to the effectiveness of group lending to the very poor. In contrast, consolidated Non Performing Loan (NPL) ratios ranged from 2.6% to 18%; and of Cash Credit (CC) and Agricultural Term Loans (ATL) up to 55% and 62%, respectively.

3. **Returns on average assets of SHG Banking** ranged from 1.4% to 7.5% by average and 4.6% to 11.8% by marginal cost analysis, compared to -1.7% to 2.3% consolidated. The **operational self-sufficiency** of SHG banking ranged from 110% to 165% by average and 142% to 286% by marginal cost analysis, compared to 86% to 145% consolidated. In contrast, ROA of Cash Credit varied from -10.2% to -0.5% and of ATL from -6.3% to 0.2%; Operational Self Sufficiency (OSS) ratios from 54% to 102%. SHG Banking was found to be a robust financial product, performing well in healthy and distressed financial institutions.

4. **Self-reliance of SHGs** based on internal savings and retained earnings was found to be rapidly growing, exceeding in older groups the volume of bank refinance by an increasing margin. In addition SHGs deposit substantial amounts of savings voluntarily in banks as a reserve for bad debts.

5. In addition to direct effects on bank profits, SHG Banking has **indirect commercial effects** on banks in terms of improved overall vibrancy in banking activities. **Indirect benefits** at village level include the spreading of thrift and financial self-reliance and of a credit culture among villagers, microentrepreneurial experience, growth of assets and incomes, the spreading of financial management skills and the decline of private moneylending. **Intangible social benefits** are reportedly many: self-confidence and empowerment of women in civic affairs and local politics, improved school enrolment and women’s literacy, better family planning and health, improved sanitation, reduction of drinking and smoking among men, and a decline in adherence to local extremism.

**Sustainability**

The sustainability of any financial scheme including SHG Banking hinges on five factors:
(a) **Institutional framework:** A sound overall institutional framework is in place. Its foundation are the SHGs, which have emerged as local financial intermediaries; its pillars are federations of SHGs registered as Mutually Aided Cooperative Societies (MACS), banks with their branches and primary cooperatives; supporting walls are governmental and non-governmental agencies; the roof is provided by NABARD.

(b) **Viability:** Linkage banking was found to be viable and inherently profit-making for all participating financial institutions and the SHGs; despite unusually low interest rates of loans to SHGs, the profitability of SHG Banking is high for banks. NABARD, itself a profit-making institution, will continue to lend its support at market rates of interest. The costs of governmental and nongovernmental support agencies are externalized and financed from other sources. Some banks have internalized the costs of institution-building and training and still make a profit; at higher interest rates, virtually all banks could internalize these costs and bear all its costs. However, the viability of the rural banking sector as a whole is a critical wider issue, which in many cases requires major restructuring, reorientation, and revamping of financial technologies; much can be learned here from SHG banking.

(c) **Self-reliance:** SHGs have substantially increased their level of self-reliance through savings and retained earnings. In addition, they have contributed to the resources of banks by depositing significant amounts as reserves. Many banks are strong in liquidity, but constrained by high statutory liquidity reserve requirements. Further improvements are contingent upon a lowering of reserve requirements and internal reforms of rural banks.

(d) **Preservation of the value of resources:** Inflation rates are low in India. Average deposit rates are above the level of inflation and thus positive in real terms; passbook savings, however, are slightly below. Erosion of the value of savings is therefore no serious problem. Retained earnings of SHGs are very high in real terms and offset the effects of inflation by a wide margin. This differs among banks: the profits of well-performing banks from SHG banking are sufficient to offset the effects of inflation and generate profits in real terms. However, the financial self-sufficiency of poorly performing banks - their equity eroded by accumulated losses - needs to be addressed in the framework of bank restructuring; they would have to charge substantially higher
interest rates to account for the effects of inflation and rebuild their capital base; however, increasing the interest rate would not suffice to solve their problems.

(e) Regulation and effective supervision: Appropriate regulation of rural financial institutions is in place; but major efforts are still required to enable them to cope with the effects of liberalization and fully utilize market opportunities. (i) Banks are adequately supervised; but action to close non-performing banks has rarely been taken in the past. (ii) Cooperatives are under the dual supervision has been made in the past to enforce prudential norms. (iii) The deposits of SHGs in weak institutions, their continued access to credit and confidence in their banking partner are at risk. Effective internal and external controls and the enforcement of prudential norms are greatly in need of improvement throughout the rural financial sector. (iv) Federations are registered as MACS and face the same challenges of prudential regulation and effective supervision as the whole cooperative sector. As their financial operations increase, action will be urgently requirement for damage control. (v) SHG Banking is not a rigidly regimented programme; and SHGs as small local institutions owned and managed by their members are therefore not regulated. In fact, the flexibility of the approach has been a source of innovation and dynamic growth. With their growth in business, the question of legal status and regulation may eventually arise; among some of the older groups, it might already have arisen and require further study. (v-2) While most SHGs may not need to be regulated, they do need effective supervision: not to enforce prudential norms, which do not exist for the time being, but to have their books examined and fraud prevented. Tentative first steps have been taken in this direction by appointing assistant supervisors (Bidar) and village volunteers (Warangal), but not as part as a regular system of supervision; nor are they always adequately trained. Neither the banks nor any other institution is formally given the task of organizing supervision. With the continual growth of SHGs as local financial intermediaries, a delegated system of supervision17 will eventually be indispensable.

This would also lead to women’s empowerment, since microfinance programmes have mostly targeted women as clients Littlefield, Morduch and Hashemi, (2003). India, which has about 70 per cent of the total population living in rural areas-most of who are poor - the programme of microfinance in terms of linking SHGs with banks holds a
critical role in targeting poverty reduction and empowering women socially, politically and economically. Since the concept of SHGs is more than 25 years old, a number of studies have already examined the impact of microfinance on various aspects as noted above.

A study by Chakrabarti (2004) reassessed the microfinance scenario in India and the impact of microfinance programme on poverty eradication. It also discussed the role of banking sector in outreaching and financial sustainability. Based on the secondary data available, it found that the focus of banking, particularly of RRBs over the period, had shifted from outreach to financial profitability. To overcome the heavy losses incurred till the mid-1990s, regional banks started investing more in government bonds (narrow banking) on the recommendation of the Narsimhan Committee (set up in 1991). The locational distribution of RRBs has also undergone a shift from rural to semi-urban and urban areas. In order to keep some balance between outreach and profitability, the study suggested that microfinance provides an important way to banking sector to operate in the rural areas.

Nair (2005) examined the potential of SHG federations in providing sustainability to SHGs through financial and organisational support. Specifically, the study examined issues like (i) variety of services provided by the federations and their benefits to SHGs, (ii) financial variability of SHGs and SHG federations and cost of promoting them, (iii) identification of constraints of promoting SHG federations, and, (iv) policy recommendations to strengthen SHG federations. In terms of services provided by SHG federations and thrift cooperation to SHGs, the study found that the most common service is savings and loan facilities. Savings include general savings and particular savings for education, housing, marriages, and festivals. Loans include both small and large loans at costs lower than those available in the market. Besides these services, the SHG federations helped SHGs to internalise all operational costs and reduce the cost of promoting new SHGs. Further, SHG federations provide all essential services to SHGs with minimum costs. These services were often provided by the promoting agencies in the initial stage of SHG development. They include auditing, capacity building like training the SHG members, leaders and SHG accountants, and forming a common forum for reviewing the performance of SHGs. The federations also help in
resolving conflicts among SHG members, between SHGs and between SHGs and banks. Another important aspect is that they assist in reducing the transaction costs of SHG-bank linkage programme by grouping 10-20 accounts into one single SHG account. The federations help in reduction of loan default-both within SHGs and from SHGs to banks. They provide micro-insurance services and social services such as education, health and livestock support. The federations employ their own resources in promoting new SHGs while minimising the promotional costs as compared to other agencies like the banks and NGOs. They also help in empowering the SHG members.

Apart from the SBLP model discussed above, the study also assesses the progress of the MFI model in India covering various issues like portfolio quality, efficiency, sustainability, delivery of other financial services like micro insurance including health insurance and issues related to commercial financing. On the progress of MFI model, the report reviews two recent studies by Sa-Dhan (2005) and by MIX (2006). The study found that like the SBLP model, the MFI model is also growing fast. It assures good portfolio quality and is efficient too. Most importantly, large and medium MFIs have attained operational sustainability.

The study on SHGs conducted by EDA Rural System and APMAS (2006) on the SHG-Bank-linkage programme in India, addressed a wide range of issues including cases of dropouts from SHGs and internal politics, and issues of social harmony and social justice, community actions, book-keepings, equity, defaults and recoveries and sustainability of SHGs. The study was based on a primary survey of 214 SHGs in 108 villages in 9 districts of four states, two southern (Andhra Pradesh and Karnataka) and two northern (Orissa and Rajasthan). The sample of the study was based on older women’s groups, mostly bank-linked (with a bank loan) before March 2000. The study found that 51 per cent of SHG members were poor, 55 per cent belonged to the SC/ST category and 66 per cent of SHGs had members of a single caste. It also found that 74 per cent of SHG members had no schooling at all, only 15 per cent of SHG members had schooling till the primary level and 11 per cent had only adult education to become ‘neo-literate’. Average monthly savings were Rs. 45 and cumulative member savings were Rs. 2,400. The modest rate of interest charged on loans to members was 2 per cent per month. Around 77 per cent of the groups had borrowed from banks or federations at
least once; the average number of borrowings was 2.5 times. As regard longevity, it was found that the proportion of defunct and broken groups was only 7 per cent, which is low considering that the average group age was 6 years. In case of dropout, 10 per cent of members had dropped out of the functioning SHGs of above sample, with over a third of them for reasons of migrations, death or illness. The dropout rate from the very poor was 11 per cent and was less for those who were financially better off. Members who dropped out usually obtained their savings amount without interest on savings. Only 10 per cent of dropouts were defaulters who did not get back their savings amount at all.

With regard to social responsibility, the study reported that at least one member in a SHG can a local political office and one in every five SHGs had a woman member who was elected either as a ward member at the village level or a ‘Sarpanch’ at the block level. The proportion of active representatives was surprisingly higher in the northern region than in the south. On SHGs based on caste, the study reported that two-thirds of total sample were single caste groups and one third of SHGs had members from different castes. However, in some places with SHPI initiative, SHGs started bridging differences through mixed caste membership or through joint actions across groups of different castes. The study found that though SHGs supported their members in their fight for social justice, they did not deal with such issues regularly. Only 12 per cent of SHGs had taken up issues like domestic and sexual violence, bigamy (a punishable crime), dowry deaths, or had prevented child marriage or supported the remarriage of separated women. The study also did not find any significant involvement of members in community participation. Only 30 per cent of SHGs in the sample were involved in community actions. Of the total SHG members involved in community actions, 43 per cent were in community services (related to water supply, education, health care, veterinary care, and building and maintenance of village roads), 31 per cent in campaigning against alcoholism, and 12 per cent for protecting natural resources and acts of charity work for non-members.

On issues related to sustainability and financial aspects of SHGs, the study found that the quality of records/note books was good only in 15 per cent of groups, moderate in 39 per cent and weak in 40 per cent. The government-promoted groups were weakest in record keeping and were half as likely as NGO or bank-promoted groups to have well or
moderately maintained records. In matters of distribution of loan amount, the number of non-borrowers was quite small -5 per cent in the southern region and 8 per cent in the north. Overall, the data reflect relatively low standard deviation around the mean for the number of loans and amount borrowed by members. Group leaders generally have better access to loans. The study evaluated the repayment of loans by members to SHGs on monthly basis. It was found that 24 per cent of borrowers were more than three months behind schedule on repayments, of whom 5 per cent were more than 12 months behind schedule. Default by 12 months was significantly higher for the very poor and 8-9 per cent for poor borrowers, compared to borderline cases at 4 per cent and for non-poor at 1 per cent. Data on portfolio at risk (PAR) for 155 SHGs show that 45 per cent of such groups (but 66 per cent in Andhra Pradesh) had defaulted for more than a year, amounting to 17 per cent of the portfolio (but one-third in Andhra Pradesh).

A study by Ghate (2006) highlighted the findings of recent studies on the SBLP - microfinance institutions model in India and in other countries. This report is important in the context of the unprecedented rise of the microfinance sector in India during the past decade and the anxiety of different players (like the government, NGOs, financial institutions and others) to know the pros and cons. The study notes that groups formed by government agencies tend to be the weakest and reducing their share relative to those promoted by NGOs and even banks could enhance overall programme quality. The study also reports that the key to a group’s prospects of achieving equity, longevity and reduction of dropout rates lies in improving its bookkeeping, capacity and the formation of clusters and federation. Further, this enables banks to appraise and monitor loan portfolios on which their repayment rate depends in the long run. Apart from the review of previous studies, this one highlights the issues based on the data reported in the annual reports of NABARD. The NABARD data revealed that the rate of growth of loans to new groups declined sharply in 2006 as compared to previous years. A similar trend is also observed for repeat loans to existing SHGs. The SBLP is especially prominent in the three southern states of Andhra Pradesh, Tamil Nadu and Karnataka. For some years now, NABARD has supported activities aiming at reducing the regional imbalances. The share of new loans for the four southern states (Andhra Pradesh, Tamil Nadu, Karnataka and Maharashtra) came down from 49 per
cent in 2005 to 44 per cent in 2006. Thirteen priority states identified by NABARD account for 70 per cent of India’s poor and these states have been provided special attention to increase the coverage of SBLP programme. In this regard, the number of groups linked in these states increased by 68 per cent in 2005 and 51 per cent in 2006 as against an increase of 49 per cent in 2005 at the all-India level. In policy recommendations, moreover, the study states that there is a need for slowing down of coverage and increasing the focus on quality to make SBLP successful. In this regard, it suggests that only indicative targets for the undeserved states and regions within them be encouraged. Policies could also be developed to ensure better book keepings, effective training programmes and helping to devise viable incentives for participation in the system.

A study by Meissner (2006) of the NABARD-GTZ Rural Finance Program examined the viability of SHG lending in a regional rural bank branch, the Alwar Bharatpur Anchalik Gramin Bank (ABAGB), in Alwar district of Rajasthan. The analysis of the study was based on survey data collected in August and October 2005 for 2004-05. Overall, the study found that the SHG lending operations of the branch were viable and sustainable. Moreover, the study found that the branch accumulated more profits from SHG lending (3.9 per cent of loan outstanding) than that from other (normal) lending operations (3.1 per cent). The operation cost of the branch on lending to SHGs was found to be higher in case of Model Type 1 (directly financed by bank) -Rs. 7,113) - than for Model Type 2 (SHPI as intermediary), Rs. 6,808. With regard to the staff cost (expenses for staff involved in forming and promoting new SHGs) in a particular year (i.e., 2004–05), the study reported that staff cost was higher but risk of loan loss (1.5 per cent and 0.4 per cent of loan outstanding) was less. In the case of normal lending operations, this was just the opposite - low staff cost and high risk of loan loss (0.9 per cent and 1.5 per cent of loan outstanding). However, the study mentioned that the staff cost calculated over several years (6 years) was found to be less than that for one year (1.3 per cent as compared to 1.5 per cent under one year), but was still more time and cost-intensive than normal lending (0.9 per cent). The importance for the viability of SHG lending operations lies in the low risk costs of SHG lending in comparison to normal transactions.
Moyle, Dollard and Biswas (2006) assessed the economic and personal empowerment of 100 women aged between 16 and 65 years, participating in SHGs from two villages (Delwara and Shishvi) in Rajasthan. Based on qualitative data, the study found that after joining SHGs, the members achieved both economic and personal empowerment in terms of collective efficiency, pro-active attitudes, self-esteem and self-efficacy. In case of personal empowerment, 99 per cent of women believed that ‘self-help group members are always able to discuss problems that affect everyone’, and 91 per cent of women believed that ‘if a problem arises that people cannot solve by themselves, the group as a whole will be able to solve it’. Similar results were found in case of perceived capability of group members. Eighty one per cent of members believed that ‘I have confidence that our group members can perform the tasks that are assigned to them’ and 85 per cent believed ‘our SHG has the ability to tackle any issue affecting the group’. In terms of perceived efficacy to solve problems as a group, 60 per cent believed that ‘as members of this group, we are able to tackle the most difficult situations because we are all committed to the same collective goals’. In case of proactive attitude, 63 per cent of the women believed exactly true that ‘I feel responsible for my own life’ and 93 per cent believed that they were ‘able to choose their own actions’. Ninety-seven per cent said that ‘they focus their efforts on things that they can control’. In terms of ‘self esteem’, 91 per cent of women strongly felt that they had good qualities, and 71 per cent strongly agreed that they had a positive attitude towards themselves. Besides these positive results the study also found negative appraisals of pressure, challenges and stress for most of the SHG members.

Another study carried out by Ramakrishna (2006) of the NABARD GTZ Rural Finance Program assessed the SHG bank-linkage programme from the survey data that was collected from 27 public sector banks, 192 regional rural banks and 114 cooperative credit institutions in Tamil Nadu, West Bengal, Karnataka, Chhatisgarh and Maharashtra. The analysis of the study was based on information from the banks as on March 31, 2005. The study reported that commercial banks had a major share of the market at 61 per cent of total number of active SHG members and 68 per cent of the share in the number of loans outstanding to these SHGs. As compared to 61 per cent market share of commercial banks, the RRBs’ market share had 30 per cent and cooperative banks had
very small market share of 9 per cent in the SHG-bank linkage programme. The cooperative banks in Tamil Nadu, Karnataka and West Bengal, however, had an 82 per cent of share in the overall share of the cooperative banks.

The study has defined savings outreach in terms of opening of savings account and amount of money deposited by SHGs in their savings account. In the case of the former, the study found that commercial banks had major share (52 per cent) followed by RRBs (34 per cent) and cooperative banks (14 per cent). On the share of banks in savings of SHGs it was reported that RRBs had the major share of 49 per cent followed by commercial banks (44 per cent) and cooperative banks (7 per cent). The share of SHG loans in overall loans and advances was 0.36 per cent in the case of commercial banks, 6 per cent for RRBs and 0.81 per cent for cooperative banks. The time required for a bank to sanction a loan was found to be relatively fast, with an average of only 11 days for the first loan and nine days for subsequent loans. On repayments of loans, 14 of the 27 (more than 50 per cent) commercial banks had an on-time recovery of more than 90 per cent, which compares favorably with the lower recovery rates for their normal lending activities. For banks like Oriental Bank of Commerce, State Bank of Bikaner and Jaipur, India Bank, Indian Overseas Bank and State Bank of Travancore, the recovery rate was more than even 95 per cent. With regard to NPAs, the study reported that overall NPA of SHG-bank linkage programme is 1.36 per cent. The NPAs of SBLP under commercial banks were found to be especially low, with only 0.93 per cent, less than the overall NPA ratio of 2.65 per cent reported for their normal lending activities. The NPAs of SBLP under RRBs and cooperative banks were 2.32 and 2.14 per cent and compared also very well with their NPA ratio of 8.70 and 18.84 per cent for normal lending activities respectively.

Reddy and Gupta (2006) studied the credit management in Self Help Groups under South Asia Poverty Alleviation Programme (SAPAP) revealed that the data on purpose wise allocation of credit showed that sample groups allocated 34 per cent, 22 per cent and 22 per cent of the total credit to small businesses, animal husbandry and agriculture respectively. Under animal husbandry, members take loan to purchase milch animals, sheep and goats, under agriculture members take crop loan to purchase, plough and bullock carts. The other major purposes include domestic consumption (13
per cent) and clearing of old debts (7 percent) and share of health and education is only three per cent. Thus the members in the sample groups have taken credit mainly (78 per cent) for productive/ income generating activities during the study period.

Singh, Sinha and Ambastha (2007), has taken up study, by the Centre for Social Audit & Research (CSAR), the ASEED team on comparative analysis study of SHG performed in the Northern Region has set a milestone in the movement of SHG formation initiated by several support institutions, particularly under the patronage of NABARD and SGSY, Ministry of Rural Development Government of India. Ground realities of such programmes have drawn attention for quite some time due to its inadequate institutional efficacy and delivery mechanism. District level institutional machinery have not learnt from their failure nor they seem to be willing to acquire competencies to streamline the community banking programme of the country that is driven to address the needs for the poorest of the poor. It is in this context that many private micro finance institutes have begun strong advocacy to offer comprehensive package of saving deposits and credit support to the poor as a viable alternative and strong competition to formal banking system. The Government of India initiatives particularly in the selected North Indian State have not made desired impact due to their low institutional sensitivity, inadequate follow-up mechanism with high target orientation and low - quality outcome. It is evident from the comparative analysis that NABARD’s supportive approach has made significant impact compared to SGSY scheme. However, there are several gaps that need to be plugged and addressed in order to have a strategic plan of action. The realization has eventually driven up on the policy thriller that the operating system towards poverty alleviation programme has to be geared with utmost sincerely and a higher sense of purpose to optimize appropriate use of tax savers’ money and national resource for the cause of development goal.

In the articles of Lokhande (2008) has been undertaken to find out whether SHGs are really helpful in eradicating poverty of poor members? Are SHGs instrumental in enhancing economic and social status of the members? To what extent, SHGs are mobilizing funds and generating income? The study observed that the slow progress of SHGs-bank linkage programme in Marathwada was due to shortage of capable promotional institutions, hesitation on the part of the banks as loans to SHGs are
collateral free dependency of SHGs on promoting agencies for routine work such as, convening and conducting meetings, maintaining books of accounts etc. Lack of entrepreneurial training and skills upgradation facilities, imbalanced growth of SHGs.

In this paper Ojha and Saxena (2009), provides an overview of the micro-financing scenario in India and also it compares the strengths, weaknesses, opportunities and threats ahead for Indian micro-financing organizations. It also compares the Indian major micro-financing organization SKS Micro-Finance and the Grameen Bank of Bangladesh, the pioneer in this field. The growing opportunities in the field of micro-finance and why and how it can be a viable carrier for a budding manager. The India rural sector has a large population and it is still untapped. How micro-finance can be a tool for poverty eradication and economic development of our country and how it can be more effective.

II.5 Part 4-a studies conducted by the NABARD in the area of rural development

In this section, the researcher has presented a review of a number of studies that have gone into the various socio-economic issues related to rural development in India conducted by the NABARD.

Jayaraman, Mor (1995), The study brings out the there had been no outflow of funds mobilised in the rural areas to other areas in the developed district of Kolhapur as well as laggard district of Parbhani. On the contrary, there was inflow of funds from urban and semi-urban areas to rural areas in both the districts. This is clear from the fact that the relative share of credit deployed in the rural areas of both the districts for the triennia ended 1984 and 1991 had been more than the share of deposits mobilised in the rural areas. The converse was true in the case of urban areas of both the districts.

The study has also brought out the fact that after an area tends to reach full development stage in the agriculture sector proper, the emphasis gets shifted to development of industrial units mainly in the small scale sector. The flow of funds to semi-urban and urban areas in Kolhapur in the recent years proves this point beyond doubt. Therefore, the development strategy has to be so designed that the focus gets shifted from agriculture proper to agro-processing and rural non-farm sector. This will
also ensure proper integration of both farm and non-farm sectors as the two sectors will be mutually supporting each other. In order to achieve better results from such a development strategy, skill building in the rural area needs to be given higher priority. The study also highlights the fact that after the agriculture sector reaches full development stage, the supply led approach makes way for the demand led approach indicating the need for formulating appropriate credit packages to effectively meet the demand for credit.

**Purohit, Reddy, (1999)** the present study is an attempt to address some of the above issues in detail. The main objectives of the study include: (i) estimate and examine the trends in capital formation, private and public, and its composition in Indian agriculture, (ii) to establish the link between public and private capital formation in agriculture and assess their relative importance in agriculture growth, (iii) to identify and estimate the factors influencing public as well as private capital formation in agriculture, and (iv) to suggest policy options, specifically in the context of liberalisation, for strengthening the process of capital formation in agriculture.

In the light of researchers findings it is worth pointing out that the state government's policies in regard to expenditure on agriculture sector does not have an important role to influence the public sector capital formation in agriculture. It is evident that in the states covered by us there has been a declining trend in budgetary outlay on agriculture. The latter has declined both as a proportion of total revenue and capital budgets. Similarly the public expenditure as a proportion of total GDP has also declined. The falling share of state government expenditures on agriculture and allied activities seems to be a dominant factor in determining the currently declining shares of public sectors in capital formation in these states. Partly the declining marginal efficiency of capital has also been responsible. There is, therefore, a need to step up public expenditure on agriculture and allied sectors in these states. At the same time, the decline in marginal efficiency of capital at the state level needs, in general, a reversal. It is, therefore, necessary to encourage efficient use of capital in agriculture by policy measures that help the farmers to adopt a better technology. It is in this context that the rise in prices of fertilisers and user charges for electricity and canal water should be seen as steps in the right direction. Reducing price distortions through cost based pricing not only results in efficient use of
resources but also helps in achieving more equitable distribution of resources such as water.

Sawant S.D. et. al. (1999), this occasional paper has been carved out of the research project undertaken by National Bank for Agriculture and Rural Development (NABARD), Mumbai, in collaboration with the Department of Economics, University of Mumbai, Conclusions emerging from the analyses of various aspects of agricultural development in Maharashtra provide important directions for reorientation in the agricultural development strategy to be pursued in future. In this respect, the researcher restricts our comments mainly to three areas, namely, irrigation, technology and infrastructural development.

The researcher, are optimistic about the prospects of stepping up growth in agriculture in Maharashtra, reducing its inter-regional disparity and simultaneously make it serve the goal of poverty alleviation. What is needed is a political commitment to promote investments for development of irrigation and other infrastructure and technologies for agriculture, without neglecting the development backlogs of various regions and districts within them.

Sharma et. al. (2001), this occasional paper on recovery management in rural credit and the focus is on rural financial institutions (RFIs). Regional Rural Banks (RRBs), Co-operative banks and rural branches of Commercial Banks (CBs) are the RFIs for the purpose of this paper. it is based on the review of earlier work in the area of overdues and recovery management. Empirical analysis in the paper is based on relevant data and information that are available to throw light on the issue of overdues and recovery management in Rural Financial Institutions (RFIs).

Legal support is critical to effective recovery management. However, the experience with legal support has not been very encouraging as it has been prolonged, ineffective and expensive for the RFIs. A legal system that clearly defines the rights and liabilities of parties to contracts and provides for timely resolution of disputes is essential for efficient recovery management. Existence of legal framework is one thing and its enforcement is quite another. Changes are required on both fronts. Outdated laws need to be changed and laws enacted need to be properly enforced. It is heartening to note that RBI has already taken initiatives in this direction.
The role of governments (Central and State) is crucial for creating and maintaining proper recovery environment in society. India being a democratic country, politically motivated but otherwise damaging public announcements like loan waivers, interest waivers, etc. pollute the recovery environment. Governments have to learn to respect the professionalism of RFIs and should not interfere in their business affairs. In the era of financial reforms involving liberalization and decentralisation in decision making, it is important that it percolates down to branches of RFIs. A decision relating to rescheduling of loans and repayments at branch level due to local conditions of drought, floods, etc. is an example to illustrate the point. Similarly, decisions regarding compromises and write offs also need to be decentralised to branch level. This decentralisation in terms of decision making is not only limited to decision making alone but is about making branch staff accountable to their decisions.

Shirsat, Prasad and Mahesh (2001), the present study revealed that the jnnts in Nasik district were exporting products by themselves whereas the units in Sangli districts were rented out. The capacity utilisation of units was about 50% in Nasik district and less than 25% in Sangli district, in view of the low capacity utilisation, the study has brought out that pre-cooling unit of 2 MT/2.5 MT capacity and cold storage of 25/30 MT capacity alone need to be encouraged as against the higher capacity units financed by the banks. It was observed that good support was made available for setting up of units by both GOI and GOM. However, the study points out that there is a need for better coordination among various organisations like NHB, APEDA, NCDC, MoFPI, etc., for promoting pre-cooling / cold storage units.

Gulati and Bathia (2002) the present study intends to explore these issues by first analyzing the temporal behaviour of deposits, loan outstandings and overdues in each of the RFIs viz. cooperatives (both short term and long term), commercial banks and regional rural banks from 1980 onwards. Thereafter, it estimates the extent of bad debts or defaults in each of the RFIs at all India level and across seventeen major states from 1980 to 1997. The factors behind mounting defaults in Indian agriculture are also reviewed. The study, then, highlights the policy and institutional measures that have been suggested and implemented by several Committees and Task Forces to minimize defaults and revamp RFIs. It also evaluates Bank-SHGs linkage programme of NABARD by
juxtaposing successful international experiments on micro finance. The study, finally, proposes two models of agricultural finance that can be instituted by NABARD and adopted by the RFIs.

The researcher has argued that farmers will continue their dependence on informal agencies unless some system is introduced whereby credit is injected into the agricultural sector on sustainable basis. It is, therefore, proposed that along with MF approach, NABARD may introduce two more institutional reforms. The approaches or the models suggested may or may not envisage SHGs route. The first model suggests channeling credit through non banking financial institutions (NBFIs) like BASIX and SHARE, input suppliers and output dealers, traders, moneylenders or other informal agencies existing in the rural areas. These agencies, operating in almost all the regions, can be actively involved in the lending business. To start with, NABARD can extend them financial support in raising their infrastructure and other requirements. Another approach can be operationalised by following a cluster approach. As part of overall institutional reforms for the agricultural sector, a novel institutional structure, called "Super Market Model" for the farmers is evolved at one place through forming linkages among all the key intermediaries engaged in agriculture business. Select NGOs or NBFIs can be approached to take a lead in initiating and operating this model with initial financial support from the NABARD and the RFIs. It is suggested that a pilot project on trial basis be launched initially in one select region.

Gulati and Bathia (2002) this study attempts to provide answers to these questions by first examining the temporal behaviour and structure of public and private GCFA. Thereafter, it dissects different components of capital formation in agriculture by digging into the very concept, coverage and estimation procedures as followed in the Indian System of National Accounts (ISNA). Since the Indian SNA is largely based on United Nations System of National Accounts (UNSNA), the estimation procedure of capital formation in India is compared with the international practice in accounting. The study then re-defines the concept of public capital formation in agriculture and re-estimates it to shed more light on its behaviour from 1974 to 1999. Finally, an attempt is made to analyze the relationship between alternative concepts of public GCFA and private GCFA and their impact on growth in agriculture over the last two decades, 1980 to 1999.
To wind up this study, complementarity relation between public and private investment in agriculture can be established with the official data on investment in major and medium irrigation works as well as with new estimates based on sound conceptual grounds, which ever way they are defined. The public investments will surely induce private investments in a time period \( t \) or \( t + n \) and one can prove it empirically by taking public investment variable with appropriate lag or using it in on cumulative basis, be in financial or physical terms. Finally, both public and private investments will affect growth in agriculture and the impact of the former may be direct or indirect through its inducement effect on private investment in agriculture.

Mallik (2002), The present study is an attempt to Decentralised process of self governance with special emphasis on the concept of 'Gram Raj' governance owes its origin to the struggle of independence, which later on secured its legitimacy in the 'Directive Principles' of State Policy of the Indian constitution. But, due to lack of relevant legislations by the various States in the Indian Republic, till the 73rd and 74th amendments to the Indian constitution 1992, the decentralised process of rural development and self-governance had lost its practical significance.

To conclude, The researcher has say that though the basic philosophy of PRIs is to restore and safeguard social, political, economic, and cultural traditions at the grass roots level through the process of self-governance, the 73rd Constitutional Amendment Act 1992 and the consequent changes in Orissa State Panchayat Act 1997 no doubt (despite some pitfalls) have caused spectacular changes not only in the structure, but also in its functioning in the context of rural development. Therefore, the 73rd Amendment will remain as the legend in the history of Panchayati Raj administration for bestowing constitutional authority and legal sanctity to PRIs at the hierarchical levels.

Bhaskaran, Muralidaran and Roy (2004), The occasional paper seeks to do an analysis of the performance of cooperative banks under crop loans, examines the costs/margins available to these Rural Financial Institutions (RFIs), the role of refinance provided by NABARD in bringing down the ultimate interest rates and attempts to answer the crucial question of whether these banks can price crop loans at lower rates of interest. The paper also suggests a novel method of delayering of cooperatives. Cooperative Banks with their rural ethos and large network are the best agencies for
dispensation of short-term agricultural credit (crop loans). Despite several problems, both internal and external, affecting the viability of these rural financial intermediaries (RFIs), performance of these banks in disbursing crop loans is praiseworthy as with less than 5% of the total deposit/funds (assets) of the banking sector, the cooperative banks are supporting nearly half the credit flow under crop loans. With financial sector reforms bringing down the Rol of commercial banks and financial markets making credit cheaper for commercial and industrial sector, the need for cooperative banks in bringing down their Rol on agricultural loans is acutely felt. Benefits of reforms which have largely missed the agricultural sector will accrue only if Rol on credit to farmer (without affecting viability of cooperatives) is lowered. Lower Rol has been a part of the reform process in developed countries.

Dash (2005), The Study looked into the aspects like adequacy of credit support, lending procedures, costs vs. benefits, extent of employment generation, recovery, linkages and constraints in financing RNFS. The study covered 121 units, financed by branches of Commercial banks, Giridih Khetriya Gramin Bank and Dhanabad DCCB. The sample units were undertaking 18 types of activities under three broad category of Manufacturing, Trade and Services activities. RNFS financing portfolio at bank level needs strengthening in terms of networking with non-governmental developmental agencies, especially for skill up gradation, channellising technology and exploring markets for the financed units. Sustained monitoring, follow-up and counseling by the banks could be helpful in strengthening the NFS portfolio. The banks have to develop region-wise and cluster wise data base on resource endowments, skill levels, technology requirements, support services, marketing channels for non-farm activities. The support services and hand holding by Government agencies like the DIC, KVIB need to be upgraded and more sustainable.

Mujumdar (2005), this paper seeks to examine some basic issues relating to risks in agriculture and the role of credit in tackling these risks. Banking sector reforms introduced on the 1990s as part of the process of liberalisation and globalisation of the Indian economy, sought to merely mimic the concepts and models of risks in developed countries like the U.S.A. Mechanistic transplantation of models from the developed countries including the Basle norms, on to the Indian soil led to disastrous consequences
for agricultural growth in the 1990s. The relative magnitude of the flow of credit to agriculture shrank and the interest rate regime which appeared to have been designed to pamper the private corporate sector openly discriminated against the agricultural sector. Worst of all, there was a sizeable disenfranchisement of small farmer borrowers. No wonder agricultural growth decelerated sharply from 4.7 per cent in the Eighth Five Year Plan to only 2 per cent in the Ninth Plan. The 1990s was a lost decade for agriculture. It appeared that public sector bankers suddenly discovered that Agricultural sector was a "high risk" business and shied away from lending to agriculture. Were not Non-performing Assets (NPAs) high in agriculture? Hence a risk premium has to be built into the lending rates to agriculture. This was the rationale that policy makers in the 1990s provided for the relatively high lending rates for agriculture.

This paper seeks to show that the above approach to assessment of risk in agriculture is flawed both in theory and practice. Both the risk perceptions - the farmer looking at his individual farm business and the banker looking at the individual farmer as a potential borrower - are perceptions at the micro level. Imported models of risk assessment and management, including BIS models focus on these micro perceptions. In contrast, in a developing economy like that of India it is necessary to adopt a holistic approach to assessment of risks in agriculture; only such an approach can pave the way for a meaningful assessment of risks and also for finding practical solutions to minimize the incidence of these risks. This brings us to the realm of risk philosophy. Looked at from this perspective, there is a need to super-impose on the two micro perceptions of risks mentioned above, a macro perception of policy makers whose explicit objective should be to reduce the incidence of risk in the agricultural sector as a whole; and furthermore use credit, inter alia, as an instrument to achieve this overall objective. In other words, the risk models we have imported from developed countries, including Basel Models, take risk as a given at any point of time and then seek to tackle such risks. It is the contention of this paper that in the Indian context, it should be the medium-term objective of monetary and credit policies to seek to change the risk profile of the agricultural sector itself, and credit policy should become an important ingredient of the macroeconomic management package designed to change eventually the risk profile of agriculture. Credit should thus be made to play a dual role of growth enhancement and
risk-reduction. For instance, irrigation of any variety, that is digging a well or even watershed development, provides an ideal example of this dual role. This about sums up the risk philosophy appropriate to the India-specific situation. The rural credit system would have to take on, as it were, a new avatar not only in terms of diversification of loan portfolio but also in terms of the credit delivery mechanism. Rural credit institutions would have to stretch their operations beyond the conventional crop loans; facilitating broad-based decentralised growth in the rural sector should be their focus. To reduce the incidence of repayment risks, the micro finance segment has to integrate with the mainstream rural finance sector by forging appropriate linkages of banks/cooperative with SHGs and NGOs. Transactions with Panchayat Raj institutions would multiply. Good governance will be an important input in the process of upgradation of efficiency of all financial institutions engaged in rural development. Following received wisdom, if risk management is viewed mechanistically and in isolation, as we seem to be doing new, it is reduced to a barren concept incapable of generating any policy inputs. In contrast, viewed holistically as outlined in the risk philosophy propounded by this paper it acquires a new meaning and significance. Perhaps the Reserve Bank of India (RBI) and NABARD could consider evolving a new set of Guidelines for all financial institutions involved in rural envelopment. These Guidelines should cover not only risk management in agriculture but also rural lending in general, indicating a hierarchy of preferred sub-sectors, or segments, and also interest rate policy for different segments. Notwithstanding the IMF/ World Bank theology, we need not be apologetic about offering interest rate subsidies to select, deserving sub-sectors. Risk management and growth-enhancement policies should thus be regarded as mutually supportive.

Nayak (2005), has conducted, evaluation study aims at evaluating the effectiveness of the SHG Bank Linkage programme in the various aspects of group functioning, bank linkage and the socio-economic impact at the household level. The study was taken up by the Orissa Regional Office of NABARD in Kalahandi district of KBK region and covered a sample of 80 SHGs comprising of 997 members which are more than 2 years old. The study has brought out the fact that the smaller groups were preferred by women and were more vibrant. The savings were both in cash and in kind such as rice and hill brooms and there was 97% attendance by group members. All important decisions including savings,
loan, interest repayment, etc. were decided democratically through group meetings. As much as 19% of the sample group repaid the old debt of money lenders through microfinance and 32% utilised it for income generating activities with prioritisation of agriculture (28%). Based on the macro level assessment made on the study, it is estimated that as many as 3.95 lakh families in KBK region were benefited and about 67,430 persons could get timely medical attention and 47,598 persons stopped migration to the other states with the support of SHG lending. After forming SHGs, no member in the sample groups borrowed from the money lenders. The women members increased the literacy (26%) and could empower themselves socially by protesting against sale of country liquor and lobby for roads and drinking water facilities through their newly found organisational strength. The study also suggests increased support from NGOs / SHPIs in awareness, book keeping, and entrepreneurship development programme as well as marketing support for better impact of the programme.

**Sarkar and Karan (2005)** the present study examines broadly the status and potential of village level agro-industries. It is based largely on secondary data of unorganised manufacturing enterprises survey of 2000-01. The broad objectives of this study are to find relative position of village level agro-industries in rural non-farm sector, strength of interrelationship with agricultural sector, various physical and financial constraints faced by these units and suggest policy measures to improve viability of these units and improve their market share. The village level agro-industry does not come within the purview of any single Ministry. Consequently, it comes under the purview of multiple registration authorities. Because of this problem, only a fraction of the village level agro-industries are registered. An overwhelming proportion of the registered enterprises are registered with the village Panchayat. To infuse technology and credit in agro-industry, it is required to bring them under single registration authority and start a massive campaign to register village level agro-industries.

**Badatya, Wadavi and Ananthi(2007)**, The study was conducted in Andhra Pradesh covering three districts, i.e., Chittoor, Nizamabad and Warangal with the objectives of studying the impact of group dynamics within SHGs and changes in pattern of enterprise mix among the SHG members, assessing the process of graduation of SHG members, both in economic and social spheres, studying the economic viability of micro enterprises.
promoted by SHG members as also examining impact of micro enterprises on income/employment generation among SHG members. The study was covered 56 SHGs and 310 SHG members. The sample SHGs were selected from across the agencies like, commercial banks, RRBs and DCCBs as also from various NGOs like, PSS, LMSCS, MARI, MASS, CORE and GRAM. SHGs were also identified in consultation with DRDAs of all the three districts. The samples SHG and SHG members were post-stratified in terms of age of SHGs as also in terms of categories like SHG members with micro enterprises, SHG members with IGAs (with no asset creation) and SHG members without any IGAs/MEs. Social group-wise, SCs/STs/backward classes accounted for 77.4 per cent. Agricultural landless labourers constituted the major share of 54.2 per cent of the sample followed by marginal farmers (35.2%) and small farmers (9%).

Sarangi (2009), a consolidated report based on the findings of the studies in these five States viz; Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh have been prepared by Institute of Development Studies, Jaipur. The studies revealed that there were notable inter-agency and an inter-district variation with regard to year of achievement of the doubling of agriculture credit as well as in terms of ‘number of times’ the target was achieved. In all the States, the commercial banks fared better than the RRBs and Cooperatives. The implementation of the programme resulted in a change in the share of various agencies in the agriculture credit flow between 2003-04 and 2006-07. In Uttar Pradesh and Rajasthan, the share of RRBs declined drastically while that of Cooperatives declined in all the States, excepting Rajasthan. The study also brings out the fact that in the current Management Information System (MIS), there is no precise definition and provision for recording of new farmers / new accounts in any of the Rural Financial Institutions (RFIs). There is a need to evolve a uniform reporting system for "new farmers". Suggestion from farmers included minimal documentation, lower interest rates, flexibility in repayments with rebates in case of crop failure, creation of awareness about KCC, etc. The study has further suggested that there is a need to orient agriculture credit policies in a manner that is more conducive for the marginal.

Sangwan (2010), the present report is consolidation of the seven impact evaluation studies conducted by NABARD in 2005-06. The report has added the literature survey in attempt to broaden the horizon to analyze the findings of these studies with reference to
the issues brought out in this paper from the review of past studies. The studies reveal that rural infrastructure projects, have varying impacts, depending upon the pre-development situation in the implementation areas. To illustrate, the Economic Rate of Return (ERR) in irrigation projects varied from a minimum of 16% for a minor irrigation project in Haryana to 140% for a deep tube well project in Gorakhpur. Similarly, in roads and bridges, it varied from 5% for a road in Gorakhpur to 69% for a bridge in Orissa. Therefore, a segmented implementation policy aimed at specific sectors in a region, needs to be adopted with the greatest importance being attached to those infrastructural projects that have the highest total impact and strongest 'linkages' across sectors. The elasticity of per capita income with respect to individual infrastructure items, could be one of norms for more rational allocation of funds among different rural infrastructure projects across different regions. As RIDF projects are prioritized by State Govts, they have to factor in this aspect if they are planning for RIDF. The seven impact evaluation studies conducted by NABARD in the states of Assam, Chhattisgarh, Haryana, Kerala, Maharashtra, Orissa and Uttar Pradesh reveals that different facets of infrastructure have different impacts depending upon pre development situations of the area. To illustrate the economic rate of return in irrigation projects varied from the minimum 16 % for a minor in Haryana to 149 % for a deep tube well in Gorakhpur. Similarly in roads and bridges it varied from 5% for road in Gorakhpur to 69% for a bridge in Orissa. Therefore a segmented policy aiming at specific sectors in a region needs to be adopted, with the greatest importance being attached to those infrastructures that have the highest total impact and strongest 'linkages' across sectors. The elasticity of per capita income with respects to individual infrastructure items can be one of basis for more rational allocation of funds among different infrastructure across different regions. 

Samantara (2010), This occasional paper covered Agricultural Credit Delivery System (ACDS) has evolved into a multi product and multi-agency approach (MPMAA). However, experience over proceeding few decades suggested that multi-credit product approach (MCPA) has a number of systemic and structural rigidities, turning most of the credit products inefficient and sub-optimal. The introduction of a new credit product called Kisan Credit Card (KCC) in 1998-99 with three different sub-limits viz. production, assets maintenance and consumption needs is a step in this direction to
address the challenge. In order to assess the implementation aspects of KCC scheme after almost a decade of its introduction, it was felt by NABARD to critically examine the difficulties and operational problems / bottlenecks encountered by the farmers as well as the implementing agencies. NABARD conducted a study covering 14 States, 178 bank branches and 1876 KCC holders. The study brings out the fact that in the current Management Information System (MIS), there is no mechanism to eliminate distortions in the form of multiplicity of cards, invalid cards, etc. for recording of genuine KCC holders in any of the Rural Financial Institutions (RFIs). Suggestions from farmers included use of KCC as cash-credit card, minimal documentation, flexibility in repayments, dispensation of seasonal limits, creation of awareness about KCC, etc. The study has further suggested that there is a need to adopt “Mission Mode” approach to make KCC into a farmers’ friendly efficient instrument for effective credit delivery system accompanied by appropriate institutional mechanism. I am sure that the study findings will be useful to bankers, academicians, policy makers and development administrators in initiating follow-up actions.

The study found a number of encouraging results such as hassle free access to institutional loans through KCC effectively resulted in increasing productivity of paddy crop (13.3 per cent) compared to the corresponding yield of non-KCC holders. However, the whole of the yield increase was partly attributed to the credit access through KCC. The adequate application of comparatively higher doses of inputs like fertiliser, manure, pesticide, labour, irrigation waters, etc. by KCC farmers are contributing factors for improvement of yield level.

The study revealed that all the sample farmers had used the major portion of their average loan disbursed for financing their expenses on raising the crops. About 17 per cent of the average loan under KCC was being used for non-production (consumption) purposes. Agency-wise, sample KCC holders from Co-operative Banks had utilised about 6 per cent of their average loan disbursed for consumption purposes, as against 18 - 20 per cent in case of both commercial banks and RRBs. Land holding sizewise, small/marginal farmers (29-30 per cent) used larger portion of average loan disbursed for non-production purposes as against medium/large farmers (16-25 per cent).

The study suggested that the add on features on KCC could be further improved in
terms of extending other loan such as consumption loan, term loan in the ratio of 4:2:1 and evolve the KCC into a truly multipurpose card. Introduction of biometric cards, deployment of Banking Correspondence (BCs), simplification of procedure, financing through Joint Liability Groups (JLGs) mode, Weather-based Crop Insurance Scheme with Cyclical credit may go a long way in providing more relief to the distressed farmers. At this juncture, there is a need for more proactive initiatives by the commercial banks, state governments in promotion of JLGs, SHGs, Farmers Club and Innovative Insurance Products, etc., and adoption of “Mission Mode” approach to make KCC into a farmers’ friendly efficient instrument for credit delivery system accompanied by appropriate institutional mechanism.

II.6 Conclusion

In the preceding pages, the researcher has reviewed books, research papers and articles relating to various facets of the present research Endeavour. Study of the numerous qualitative works has not only enriched knowledge but has also capacitated the researcher to formulate certain hypotheses, to be deeply probed into.

The above studies simply demonstrate that SHG’s are playing a vital role in extending macro-finance to the rural poor. The functioning of SHG’s has been based on participatory mechanism and therefore the impacts of SHG’s on its members in terms of empowerment, accessibility to credit, socio-economic change etc. has been found positive. Though there are a number of studies which are related to functioning and micro-finance but only a few studies have been taken so far to assess the impact of Self Help Groups on the socio-economic empowerment of rural poor.

The present study differs from earlier studies in many aspects. First, it covers a wide range of socio-economic impact issues on the rural people and not only at the level of a SHG. Moreover, it includes also the organizational and financial viability and sustainability aspects. Second, it covers long span data on credit link to get reliable information on the (Potential Linked Credit Plan) PLP by NABARD. Third, the analysis of the study is based on a large sample size with NABARD bank-linked group and covers a wide cross section from almost all Blocks of Aurangabad. Last but not the least, it is tried to cover all aspects of NABARD in the area of Rural Development. In this context, the present study is important to assess the NABARDs Contribution of (i) Credit
Dispensation (ii) Developmental and Promotional (iii) Supervisory function for socio-economic empowerment in the Aurangabad District of Maharashtra State. The study findings may be useful for policy imperatives and smooth functioning of rural development. More benefits of Govt. and Banking Sector may be obtained through proper functioning of these groups and extending of micro-finance to develop and promote micro-enterprises.

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68


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2011


