Chapter 1

Introduction and Design of the Study
I INTRODUCTION

Since Independence, priority has been given to the upliftment of the rural poor with the clear objectives of eradication of poverty and reduction in inequalities. The First Five Year Plan stated clearly, "Economic equality and social justice are conditions indispensable for the survival of democracy and carefully worked out policy for reduction of disparities in income and wealth is a sine qua non of planning." ¹

In our country, rural development was an attractive theme for economist, social reformers, political thinkers and educationists the reason being the concentration of the poor in the rural areas of our nation. Statistically speaking, more than 80% of the population resides in the rural areas and 68% of the work force depends on agriculture and allied activities.² About 50% of the national income comes from agriculture.

During the year 1977-78, the poverty percentage was 48.3% with poverty ratio of 51.2% in rural areas and 38.3% in urban areas. There were 253.2 million poor in the rural areas and 53 million were urban poor totalling 306.1 million as a whole.³
The rural poor was constituted by agriculturists, agricultural labourers and others engaged in the various sectors of the economy. India, being a primary producing country on the eve of independence, had given a string to the thought of rural development through various processes.

It is needless to stress the importance of rural development as a basis for the national development in its many dimensions. It is a challenge to our economy to have above 50% of the populace living below the poverty line. It is highly important to improve the conditions of living of the people, the bulk of whom belong to the lowest income groups in the country.

2 CONCEPT OF RURAL DEVELOPMENT

The concept of rural development has been changing widely in India since Independence. The concept of rural development was not new. Many attempts were made in the past on the term 'Rural Development'. Rabindranath Tagore was the pioneer in the rural development who founded the Shantiniketan in a village environment where he experimented rural development with its pristine purity. Mahatma Gandhi was more practical in his approach. He understood and attempted a purely indigenous solution to the problems of the rural India. He was often reminding us that the soul of
India lived in her villages. According to Gandhiji, "Unless and until the village economy of India was boosted, 'Swarajya' would be meaningless." The efforts of rural development gained ground only after independence.

Rural development is a larger concept which includes the total development of the rural economy. It includes development of the infrastructure like roads, transport, power, banking and marketing facilities, development of cottage and small scale industries and encouragement of traditional industries besides improving health, education and rural housing. Rural development includes economical, political, socio-cultural and ethical development among the rural masses, especially agricultural labourers, rural artisans, small and marginal farmers and similar occupational groups.

Plethora of definitions were given for the term 'Rural Development'. Some of the most popular definitions are given below:

Rural development may be defined, " as improving the living standards of the mass of the low income population residing in rural areas and making the process of their development self-sustaining."
"Rural development involves developing the rural economy so as to raise the standard of living of those rural people who are poor and require upliftment." 7

According to Ensminger, "Rural Development seeks to involve a process of transformation from traditionally oriented rural cultures towards an acceptance and reliance on science and technology." 8

"Rural development earlier was taken to be synonymous with agricultural development. The rural sector was expected to provide the necessary savings for investment in industrial economy. It was soon realised that rural development was much broader in its scope." 9

"It meant developing the infrastructure, cottage and small industries as well as secondary and tertiary sectors such as marketing which are vital for the process of economic development." 10

"Rural development is an integrated process seeking to combine economic, political, socio-cultural and ethical dimensions." 11

Dr. Swaminathan M S observes, "Rural development in the ultimate analysis involves the provision of opportunities
for the optimum utilisation of the human resources in rural areas." 12

The term 'Rural Development' cannnotes, " a strategy designed to improve the economic and social life of the specific group of people, the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in rural areas." 13

" Any development strategy which aims at improving the lot of the rural poor must aim at creating new productive asset for them. Improving the productivity of land by providing access to inputs like water, improved seeds and fertilisers would be an essential means to help those categories of rural poor who have some land asset. Diversification of agriculture through animal husbandry, dairying, forestry, sericulture etc. will benefit both the landless and the land holders and this would form an important plank of the rural development programme." 14

The Sixth Five Year Plan document reveals the backlog of unemployment in the economy as 12.02 million, 11.42 million and 11.31 million in the age group of 5 - 15 years 15 - 25 years and 25 - 50 years respectively. Thus during the VI Plan, employment had to be provided to 42.26 million 45.08 million and 42.58 million for the above mentioned age
groups respectively. According to the Plan Document 50.70% of the total population was living below the poverty line.\textsuperscript{15}

As evident from the above, rural development in India is a multi-dimensional and multi-sector approach towards the goal of rural reconstruction which mainly centres round the human development. We have to remember the words of Gandhiji who believed that the soil of India lived in villages and India's salvation lay in rural reconstruction.

3 OBJECTIVES OF RURAL DEVELOPMENT

The general objectives of rural development that are applicable for India as a whole can be broadly outlined as follows: \textsuperscript{16}

i To maximise production in agricultural sector by utilising most efficiently land and water resources and utilising the productive potentiality of the working force as far as possible.

ii To develop a body of knowledge on the most suitable set of agricultural practices

iii To revitalise other important rural economic activities like livestock, crafts, rural industries etc. for further utilisation of the available skill and for further strengthening and diversifying the rural economy
iv To make the fullest use of the productive potential of an area through the development of the required infrastructure like irrigation, power, roads etc. and a system of requisite supply of production inputs and production services, specially finance

v To modify and effectuate the existing socio-economic institutions

vi To achieve an orderly location of economic and population service activities to attain a faster and systematic growth over space and to facilitate rational diffusion of growth-generating functions in terms of distance and quantum

vii To provide requisite education, training, demonstration and health facilities in order to improve the skill and industriousness among the potential working force

viii To create maximum gainful employment opportunities in all possible activities viable at the rural scales for solving the chronic rural unemployment problems and for diverting surplus labour from agriculture

ix To provide adequate guidelines for the growth of rural settlements, specially with respect to the location of the non residential activities, the circulation pattern public health aspects and judicious coverage of agricultural land for non production purposes, and
To develop a body of knowledge for improvement over the existing and for the development of new and better construction and building materials out of the local resources so as to render more permanence to hitherto rural houses and structure.

4 PROGRAMMES OF RURAL DEVELOPMENT

Ever since the introduction of economic planning in India a number of programmes with various approaches have been adopted for rural development. They are as follows:

4.1 Community Approach
   i Community Development Programme
   ii Minimum Needs Programme

4.2 Sectoral Approach
   i Intensive Agricultural District Programme
   ii Intensive Agricultural Area Programme
   iii High Yielding Variety Programme
   iv Land Reforms Programme
   v Schemes of Agricultural Marketing
   vi Special Livestock Production Programme
   vii Village and Small Industries Development Programme
4.3 Target Group Approach
   i Small and Marginal Farmers Development Programme
   ii Training of Rural Youth for Self-employment
   iii National Rural Employment Programme
   iv Landless Employment Guarantee Programme
   v Development of Women and Children in Rural Areas
   vi Applied Nutritions Programme

4.4 Resource based/Problem based Area Development Approach
   i Command Area Development Programme
   ii Drought Prone Area Programme
   iii Desert Development Programme
   iv Backward Area Development Programme

4.5 Incentive Approach
   i Concessional Finance
   ii Investment Subsidy

The existing programmes of rural development as given above were aimed at an all round development of all the sectors of the rural economy. These programmes of course spearheaded the rural sector and developed the various aspects of rural poor and downtrodden for their upliftment through the benefits of these developmental programmes. They were launched individually with an aim of uplifting
the particular sections of the society for which they were meant. Diversification and rural orientation were the fruits of the development strategies attempted in the past. The government pumped the necessary funds for these on going development programmes through its plan outlays and other special funds. Hence, we are able to see that the rural economy is better than ever before these programmes began to be implemented. The economists declare that the developmental programmes meant for the uplift of the particular sections of the society were successful. But there is further scope for the development and evolution of many a programme for the existing poverty striken rural masses of the Indian economy.

4.6 Causes for the failure of the programmes of rural Development:

The following are considered to be the reasons for the failure of the existing programmes of rural development being implemented in India.

i Uneven distribution of the benefits of the programme

ii Absence of clearly designed priorities in the programme

iii Unqualified personnel engaged in the implementation of the programmes
iv Lack of functional responsibility
v Low attention paid to agricultural development
vi Lack improvement in agricultural techniques
vii Failure to evoke popular response
viii Slow progress of animal husbandry and fisheries
ix Unsatisfactory progress in education and health
x Institutional weakness
xi Imperfect co-ordination
xii Meagre contribution from the people
xiii Lack of suitable grama sevaks and field staff
xiv Poorly paid development and field staff

In the last few years there has been continuous rethinking in respect of these developmental programmes. However, the programmes have generated some awakening and visible changes in the socio-cultural mores of the rural population. These programmes have no doubt recorded more appreciable achievements. However, they suffered many setbacks like, lack of proper identification of potential beneficiaries, defects in the implementation of the projects and lack of co-ordination of the various schemes designed for rural development. Most of these schemes centred round the rural landowners, small or big, and did not consider the landless labourers and other rural poor without any means to live.
Lack of integration of men and material in the rural areas is a major cause for poverty among the rural poor. The development of rural areas, which was aimed at by the policy makers and planners of our country with the help of the on going poverty alleviation programmes was hampered by the set backs to these programmes. In the context of the above, an integrated strategy was felt necessary to develop the rural areas through rural oriented projects. Thus the Integrated Rural Development Programme was launched in the year 1978 - 79. 16 districts of various states were taken for implementation of the programme as a pilot project in the year 1977 - 78. The programme was launched in 2300 blocks all over the country in the year 1978 - 79 at the first phase. Since October 2nd, 1980 the programme is under implementation in all the 5011 blocks all over the country. Tamil Nadu covered 161 blocks in the year 1979-80. The programme was extended to all the 378 blocks in the state with effect from 2nd October 1980. In Salem District too, the programme was first implemented in selected 22 blocks on 1st April 1980 and since 2nd October 1980 it is under implementation in all the 35 blocks. The Integrated Rural Development Programme has been designed to revolutionise
rural life by bringing about socio-economic transformation in the country side through the eradication of poverty and ignorance among the rural poor.

In the country as a whole, the coverage will be 15 million families below the poverty line during the VI Plan period. As the programme aims directly at eradicating poverty, it assumes very great importance in the context of the extent of poverty prevailing in our country. Consequently the effectiveness of the programme is the concern of the authorities and academicians.

At the national level, a target of 3 million people were to be assisted every year during the VI Plan period. The target assistance to be provided was fixed at Rs.600 crores per year. At the district level, the target was fixed to provide assistance to 21,000 families per year in all the 35 blocks, with a subsidy of Rs.12.25 crores for the entire district.

During the first three years of the scheme, a sum of Rs.784 crores was invested by the government and Rs.1,400 crores by the financial institutions. In Salem district the achievement both in the number of families assisted and the quantum of assistance provided was stated to be below the
expectations. There is an urgency to continue this programme in the context of the growing percentage of people below the poverty line.

5.1 DEFINITIONS

"Integrated Rural Development is meant to be a systematic scientific and integrated use of natural resources, enabling individuals to have productive and socially useful occupations and enough income to meet the basic needs." 23

"The Integrated Rural Development might be defined as integrated development of the area and the people through optimum development and utilisation of local resources - physical, biological and human - and by bringing about necessary institutional, structural and attitudinal changes and by delivering a package of services to encompass not only in the economic field i.e. agriculture and rural industries but also in the establishment of the required social infrastructure and services in the area of literacy, with the ultimate objective of improving the quality of life of rural poor. Integrated Rural Development implies, functional, spatial and temporal integration of all these parameters." 24

Integrated Rural Development Programme also means an integrated approach "to take into account their mutual
interaction and their linkages - forward or backward, temporal or spatial, friendly or hostile - with a view to achieving the total result which is universalisation of welfare and enrichment of the quality of life." 25

"Integrated Rural Development centres round the 'wholeman' concept, of developing his personality to the fullest extent and satisfying his basic and secondary needs like food, shelter, clothing, health, education and a clean and aesthetic environment for the majority of the rural population if not all." 26

"Integrated Rural Development should mean multi-faced development of rural economy by utilising to the optimum the local resources of men, material and water." 27

"Integrated Rural Development really means the development of the area and people through optimum development and of local resources and by bringing about necessary institutional, structural and attitudinal changes and by delivering a package of services to include all fields of activity. Such development pays special attention to the rural poor and the rural week." 28

"Integrated Rural Development Programme is a centrally initiated programme aimed at making the beneficiary household
economically viable through self-employment by a transfer of finance partly loan and partly subsidy. The aim is to transfer not only finance but a blue print for the development of the household involving the creation of improvement of a productive asset and/or skill."

5.2 OBJECTIVES OF THE PROGRAMME

The objective of the programme is to provide assistance to the identified families of a target group for raising their income to a level well above the poverty line. The target group consists of the poorest among the poor in the rural areas. Based on the above general objectives, the specific objectives of the programme are as follows:

1. Fuller utilisation of labour and physical resources
2. Creation of agro-industrial complex for generating employment in rural areas
3. Attainment of minimum standards of efficiency and productivity by the owners and users of natural resources
4. Reconditioning of mind and changing the old habits of thought and action
5. Improving the living conditions of the rural population and their quality of life
5.3 TARGET GROUP

The target group for the Integrated Rural Development Programme consists of small and marginal farmers, landless labourers, share croppers, village craftsmen and rural artisans. It seeks to cover the weakest sections of the community including scheduled castes and scheduled tribes and rural women.

5.4 IDENTIFICATION PROCEDURE

For ascertaining the economic status and income of the selected target groups, a detailed household survey was conducted at the block level. After completing the detailed household survey, the families were classified on the basis of their annual income. The line of poverty was initially drawn at the annual income level of Rs.3,500 per annum for an average family of five or Rs.62 per head per month. Later, the limit was raised to an income of Rs.76 per head per month at 1979-80 prices for the purpose of identifying a family below the poverty line in rural areas. On an average, a rural family of five members having an income from all sources of less than Rs.4,500 per annum at 1979-80 prices has been treated as living below the poverty line.

Families in the lowest income group were to be covered by adopting the antyodaya approach so that the poorest among the poor is benefited through the assistance under the
Integrated Rural Development Programme. Where the comprehensive survey is not possible, growth centre or cluster approach was to be adopted and the eligible beneficiaries are to be selected from a group of households in a village or in a group of villages. Villages adopted by banks under the village adoption scheme may be given preference in identifying and assisting the beneficiaries under Integrated Rural Development Programme. Villages outside the cluster may also be considered for identifying the target group to avoid discrimination in identification.

5.5 ADMINISTRATION

Each district has a District Rural Development Agency which is the agency in charge of planning, identification of the beneficiaries, co-ordination, disbursal of the subsidy, implementation and monitoring of the programme. The District Rural Development Agency is duly represented by a Chairman, Project Officer and 10 village level workers. The District Collector will be the Chairman of the District Rural Development Agency and Project Officer will be in charge of the operations.

5.6 FINANCIAL OUTLAY

The Integrated Rural Development Programme is financed partly by subsidy from the central and state governments and partly by loans from credit institutions. The subsidy is
provided at the rate of 25% for small farmers, 33 1/3% for marginal farmers and agricultural labourers and 50% for scheduled caste and scheduled tribe beneficiaries. Under this programme, the target is to assist on an average 600 families in a year in a block. In this manner 3,000 families were planned to be covered under this programme in each block during the VI Plan. In the country as a whole, the coverage will be around 3 million families through this programme to attain a standard of living well above the poverty line.

The financial allocation for this programme during the VI Plan was Rs.1500 crores of which 50% would be provided by the Ministry of Rural Development and the remaining would be supplemented by the respective state governments. The Plan outlay of Rs.1500 crores represented the subsidy part of the investment under the programme. The allocation for the programme was expected to be at the rate of Rs.35 lakhs per block in the VI Plan. The expenditure on essential infrastructure development and administrative cost limited to 10% and 7% respectively would also have to be met out this outlay. The banking sector had to provide adequate credit support for the programme. The total credit requirements for this programme was estimated to be of the order of Rs.3500 crores
the VI Plan. This implied that the programme would be an investment of the order of about Rs. 4500 crores in the VI Plan for providing assistance to the poorest among the poor families in the rural areas. 33

5.7 SCHEMES COVERED UNDER INTEGRATED RURAL DEVELOPMENT PROGRAMME

Under the programme, assistance is available for every viable and bankable activity. Agriculture, animal husbandry, minor irrigation, sericulture, horticulture, fisheries, small and cottage industries and the service and business activities which are likely to raise the income of the targeted families could be taken up for the programme. The primary objective of the programme is to increase the income of the identified families substantially so as to make them cross the poverty line. Depending on the specific requirements of each of the identified family, a suitable package of schemes should be designed for extending assistance. For example, if a family is engaged in agriculture, assistance may be provided for the purchase of agricultural implements, milch animals and minor irrigation. Similar plans should be prepared for the families by identifying schemes in the secondary and tertiary sectors to ensure that the income of the family is increased substantially. The choice of the scheme for implementation...
also depends on the availability of the required inputs, marketing and other infrastructural facilities. The list of schemes approved for assistance under the Integrated Rural Development Programme is given below:

5.7.1 AGRICULTURE AND ALLIED ACTIVITIES
   i  Minor irrigation works
   ii Community minor irrigation works
   iii Compensation to failed wells
   iv Purchase of agricultural implements
   v  Purchase of improved storage bins
   vi Land Development / Soil Conservation
   vii Soil reclamation and improvement
   viii Distribution of milch animal
   ix  Calf rearing
   x  Poultry farming
   xi  Pig rearing
   xii Goat and sheep rearing
   xiii Development of inland and marine fisheries
   xiv Purchase of plough bullocks with or without country / tyre carts
   xv Development of horticulture
   xvi Development of sericulture
   xvii Development of beekeeping
Village and cottage industries is one of the important sectors of rural development helping in generation of additional income and employment. The Planning Commission has identified the following six groups of industries as major ones covering around 69% of the persons employed in cottage and village industries.

i Food products
ii Beverages, tobacco and tobacco products
iii Cotton textiles
iv Textile products, furniture and fixtures
v Wood and wood products
vi Leather and fur products

In addition to the list of industries mentioned above, other items like ceramics, handicrafts, potteries, carpentry and blacksmithy and service centres for repairing agricultural machinery such as tractors and pumpsets could also be included under the above category of industries. Any other scheme outside the above list may also be taken up for assistance under the Integrated Rural Development Programme after getting clearance from the government.
The total fund made available to each block under the programme presently per year is Rs. 8 lakhs. Out of this sum, an amount upto Rs. 10,000 may be utilised by the DRDA for undertaking the survey and another sum upto 8% of the fund may be used for development of infrastructure. The rest will be utilised for individual beneficiary schemes for subsidy purposes at rates quoted above. The subsidy will be passed on directly to the financing institutions by the DRDA. This should be credited to the loan account of the individual beneficiary soon after receipt of the subsidy.

5.8 FINANCING OPERATIONS

The DRDA decides on the schemes to be taken up for the implementation for each year in different sectors under the programme. The unit cost of most of the items coming under agricultural and allied activities is decided based on the unit costs approved by the standing committee of the region so as to be in line with the costs adopted by the National Bank for Agriculture and Rural Development. This is passed on to the lead bank of the district who will place it before the standing committee for approval. These plans will form the basis on which various participating banks may go ahead with the disbursement of loans to the beneficiaries.
Advances made to agricultural and allied activities made under the Integrated Rural Development Programme excepting those provided under the DRI scheme are eligible for a 90% refinance from NABARD and hence branches of the various banks should send the details of the monthly disbursement of the loans under the programme to the NABARD. The details regarding the disbursements of loans under the Integrated Rural Development Programme should be submitted to the NABARD for refinance purposes.

It is for the banks to judge whether particular types and number of schemes are viable in the context of the infrastructure existing or likely to be developed in the block or district. The Lead Bank should hold meetings of the standing committee and discuss the progress and review of the programme for the current year. The standing committee should meet once a month to review the progress and take decisions in respect of the programme and its implementation in the future.

The DRDA's are required to submit a monthly progress report to the Ministry of Rural Reconstruction. Every Bank should nominate an officer in the district to be the liaison officer or co-ordinator for all its branches in the district.
in its dealings with DRDA and the Lead Bank in regard to the Integrated Rural Development Programme. As refinance is available for the advances under the Integrated Rural Development Programme, the banks should see that the repayment schedule of these advances should be covering a minimum period of 36 months including initial or interim holiday period if any. Only such term loans with a maturity of not less than 3 years were eligible for refinance from the NABARD. The repayment period may extend to a longer period depending on the requirement of the specific schemes.

Integrated Rural Development Programme loans should be sanctioned on the basis of the unit costs as approved by the National Bank for Agriculture and Rural Development as given below:
<table>
<thead>
<tr>
<th>Sl No</th>
<th>Purpose</th>
<th>Amount Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Poultry</td>
<td>5,500</td>
</tr>
<tr>
<td>2</td>
<td>Dairy</td>
<td>6,000</td>
</tr>
<tr>
<td>3</td>
<td>Sheep</td>
<td>4,000</td>
</tr>
<tr>
<td>4</td>
<td>Piggery</td>
<td>1,900</td>
</tr>
<tr>
<td>5</td>
<td>Bullocks</td>
<td>2,500</td>
</tr>
<tr>
<td>6</td>
<td>Bullock Carts</td>
<td>2,000</td>
</tr>
<tr>
<td>7</td>
<td>Tyre Carts</td>
<td>5,500</td>
</tr>
<tr>
<td>8</td>
<td>Goat Rearing</td>
<td>900</td>
</tr>
<tr>
<td>9</td>
<td>Calf Rearing</td>
<td>1,920</td>
</tr>
<tr>
<td>10</td>
<td>Sericulture</td>
<td>5,500</td>
</tr>
<tr>
<td>11</td>
<td>Duck Rearing</td>
<td>2,200</td>
</tr>
<tr>
<td>12</td>
<td>Power Sprayer</td>
<td>1,200</td>
</tr>
<tr>
<td>13</td>
<td>FISHERIES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>i Boat</td>
<td>5,500</td>
</tr>
<tr>
<td></td>
<td>ii Nylon Nets</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Source: Guidelines on IRDP  Indian Bank 1983 p 27
6 ROLE OF BANKS

Co-operative institutions were considered to be the sole agents for the provision of rural credit. It was also felt that with the limited resources of the co-operatives, it could not be possible to finance the developmental programmes of our rural economy. Hence, it was decided to bring the commercial banks into the network of financing the rural development schemes of the poverty stricken Indian rural economy. It is quite possible to finance the projects of rural development by the commercial banks with a large network of branches and resources at their disposal. The social control over banks in the year 1967 and further the nationalisation of commercial banks on 19th July 1969 resulted in a tremendous change in the banking history and their economic operations. It will be worthwhile to mention here that one of the objectives of nationalisation of commercial banks was to ensure rural development.

Banks play an important role in the development of the rural economy. The emphasis have now changed from the traditional lending to trade and commerce to the rural primary sector which is the fulcrum on which the entire Indian economy depends. The rural development programmes launched by the government of India were to be carried out
through the co-operative and commercial banks. "It is a programme with an area oriented, target group approach, implemented mainly through commercial banks covering the entire country." 34

7 BANKING DEVELOPMENT IN SALEM DISTRICT

The total number of branches in Salem District as on 31st December 1981 was 237 comprising 134 public sector bank branches, 64 private sector bank branches and 38 co-operative sector bank branches. The number of branches increased to 174 in the public sector, 68 in the private sector and 49 in the co-operative sector between 1981 and 1985. The total number of branches of all the above three sectors as on 31st December 1985 was 291. Among them, 126 are in urban and semi-urban areas and the rest in rural areas. Besides, 12 urban co-operative banks and one office of the Tamil Nadu Industrial Investment Corporation and 13 Land Development Banks are also functioning in Salem District.
TABLE 2  BANK BRANCHES IN SALEM DISTRICT AT THE END OF 1985

<table>
<thead>
<tr>
<th>Area</th>
<th>Number</th>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>68</td>
<td>Private Sector Banks</td>
<td>68</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>55</td>
<td>Public Sector Banks</td>
<td>174</td>
</tr>
<tr>
<td>Rural</td>
<td>168</td>
<td>Co-operative Sector Banks</td>
<td>49</td>
</tr>
<tr>
<td>Total</td>
<td>291</td>
<td>Total</td>
<td>291</td>
</tr>
</tbody>
</table>

Source: Annual Action Plan Lead Bank Cell Indian Bank Salem Region 1986

The total population of the district of Salem is 34,41,717. The total number of commercial bank branches as on 31st December 1985 was 242. The per branch population was 14,222 which is below the average per branch population of all commercial banks in India. The average deposit is Rs. 1 crore per branch during the year 1985. The average advance is Rs.0.83 crores per branch and the average priority sector advance is Rs.0.54 crores during the year ending 1985.35

The banking system of Salem District comprises of 30 branches of the State Bank of India and its two subsidiaries, 144 branches of 17 of the twenty nationalised banks and 68 branches of the 15 private sector banks. Besides 49 branches
of the Salem District Central Co-operative Bank are also operating in the District.

8 STATEMENT OF THE PROBLEM

Integrated Rural Development Programme is a poverty alleviation programme. It was launched with a view to identify and help certain families with certain projects so that they may get a surplus out of the generated income from the projects. These surpluses so generated would help them to come out of the grips of poverty. We have had this programme implemented for the entire span of VI Plan. The government of India made an appraisal of the performance of the Integrated Rural Development Programme in its different dimensions. One major eyesore of the project, during the implementation stage, is the lower quantum of funds released by the banks for this purpose. The table below indicates that the total quantum of assistance provided during the first three years of the VI Plan is below the target of Rs.1800 crores.36
TABLE 3 QUANTUM OF ASSISTANCE PROVIDED UNDER IRDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount in Rs. Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>289</td>
</tr>
<tr>
<td>1981-82</td>
<td>467</td>
</tr>
<tr>
<td>1982-83</td>
<td>755</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1511</strong></td>
</tr>
</tbody>
</table>

Source: Indian Express 2 March 1985

The banks and beneficiaries and sometimes the government machinery were responsible for the poor performance of the Integrated Rural Development Programme.

To scan the entire spectrum of the Integrated Rural Development Programme and its many dimensions will be an uphill task and will be beyond the scope of this little research work. Here, time and labour inputs are limited and therefore we have to have the option of choosing any one of the important components of our study. Hence, this study aims to make a thorough investigation into the functioning of the banks with reference to the Integrated Rural Development Programme.
The performance of banks in the Integrated Rural Development Programme in Tamil Nadu and Salem District can be well explained from the following table:

**TABLE 4 PERFORMANCE OF ALL BANKS IN IRDP IN TAMIL NADU AND SALEM DISTRICT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tamil Nadu</th>
<th>Salem District</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs. in 000s)</td>
<td>(Rs. in 000s)</td>
</tr>
<tr>
<td>1981-82</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1982-83</td>
<td>679165</td>
<td>82476</td>
</tr>
<tr>
<td>1983-84</td>
<td>553939</td>
<td>63432</td>
</tr>
<tr>
<td>1984-85</td>
<td>558287</td>
<td>49389</td>
</tr>
<tr>
<td>1985-86</td>
<td></td>
<td>37389</td>
</tr>
<tr>
<td>Upto December</td>
<td>21512</td>
<td>37389</td>
</tr>
<tr>
<td>Total</td>
<td>1812903</td>
<td>232686</td>
</tr>
</tbody>
</table>

**Source:** Lead Bank Department Indian Overseas Bank Madras

The private sector banks have contributed very little to the programme keeping in view the total magnitude of the resources they command in Salem District. This can be well illustrated from the following data:
TABLE 5  ASSISTANCE EXTENDED BY BANKS SECTORWISE UNDER IRDP IN SALEM DISTRICT

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Sector</th>
<th>Public Sector</th>
<th>Co-operative Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs. in 000s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980-81</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1981-82</td>
<td>119</td>
<td>17412</td>
<td>15356</td>
<td>32887</td>
</tr>
<tr>
<td>1982-83</td>
<td>283</td>
<td>35681</td>
<td>36512</td>
<td>72476</td>
</tr>
<tr>
<td>1983-84</td>
<td>932</td>
<td>51518</td>
<td>23342</td>
<td>75792</td>
</tr>
<tr>
<td>1984-85</td>
<td>1096</td>
<td>39679</td>
<td>26077</td>
<td>65852</td>
</tr>
<tr>
<td></td>
<td>2430</td>
<td>144290</td>
<td>101287</td>
<td>248007</td>
</tr>
</tbody>
</table>

Source: Data from the unpublished report of the IRDP Cell Indian Bank Regional Office Salem

Under the welter of the discussions we have had, the problem is reduced that the financing was not a problem of extraneous institutional agencies. The highest percentage of the total outlay has to be released by the nationalised banks. It is paradoxical to note that a project viz. the Integrated Rural Development Programme, viewed very seriously by the government for the uplift of the poor was not equally matched in spirit by the banks, most of which are nothing
more than the government organs. It is due to lack of understanding, lack of commitment on the part of the banks or the same old profit centred phobia of the bureaucratic commercial banking system of the country which is difficult to be judged.

The aim of the study is to fathom and find out the element of truth in all these criticisms against the banks. The above discussion also poses the following questions:

i) To what extent banks of the different sectors - private, public and co-operative - fulfil their role in the Integrated Rural Development Programme?

ii) Which sector provides more finance under the Integrated Rural Development Programme?

iii) What are the ways to improve the performance of the banks in the Integrated Rural Development Programme?

This study aims to find answers to the above questions in a district.

9 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

i) To study the role of private sector banks in financing the Integrated Rural Development Programme.
To study the role of public sector banks in financing the Integrated Rural Development Programme

To study the role of co-operative sector banks in financing the Integrated Rural Development Programme

To compare the performance of the private, public and co-operative sector banks in financing the Integrated Rural Development Programme

To offer suggestions for improving the performance of the banks in financing the Integrated Rural Development Programme

The following hypotheses, formulated in tune with the objectives cited above, have been tested in the study.

1. The performance of the co-operative sector banks is better than that of the other banks in Salem District during the period of the study

2. The recovery rate in co-operative banks is higher than that of the other banks during the period of the study in Salem District

3. The Loans outstanding in co-operative banks are lower than that of the other banks in Salem District during the period of the study
11 SCOPE OF THE STUDY

The study aims to gauge and analyse the performance of the banks in Salem District in the implementation of the Integrated Rural Development Programme. The study is concerned with the commercial and co-operative banks only in Salem District. The approach to the study is from the bank's point of view only. The role of banks and its functioning in the Integrated Rural Development Programme form the nucleus of this research investigation. The study related to the period of five years i.e. from 1981 to 1985 of the VI Plan Period.

12 METHODOLOGY

This is an ex post-facto study based on survey method. Both primary and secondary data were used. The later was obtained through monographs, annual reports, lead bank annual reports, annual action plans, published articles, policy frame documents, government appraisal reports and journal articles. Keeping in view the hypotheses and the objectives formulated for the study, the researcher devised appropriate questionnaire for collecting primary data relating to deposits, advances and IRDP lending by the respondent banks. The questionnaires were personally handed over to the concerned bank branches and later followed up in
person. The researcher has also used personal interview for eliciting information from the higher officials at the regional levels of the banks, district level implementers of the Integrated Rural Development Programme and the grass root level implementers viz. the panchayat union commissioners and the bank officers.

13 SAMPLING

A three stage sampling scheme was followed. In the first stage, Salem District was selected for convenience as the researcher is living and serving in the district. In the second stage, banks were selected using stratified random sampling, stratification first based on the sector and then on the average amount of IRDP advances issued during the four years 1981-84. Thus 6 banks in each of the public and private sectors and the only one Salem Central Co-operative Bank were selected. In the third stage, two branches were selected based on the stratified random sampling, stratification according to the average amount of IRDP advances issued during the four years 1981-84. Similarly, 12 branches in each of the private sector, public sector and co-operative sectors, totalling 36 branches were selected. Questionnaires were sent to these 36 branches. However, only 7 branches
responded from each of the private and public sectors. In order to keep the number of branches in the sectors equal data collection was restricted to 7 branches of the central co-operative bank. Thus 7 branches from each sector totalling 21 have been ultimately covered by the study.

14 ANALYSIS

In order to test the hypotheses formulated, the researcher used averages and percentages in analysing the data with graphic representation wherever necessary. One way, two way and three way tables were also framed for the purpose of analysis.

15 SCHEME OF CHAPTERISATION

The first chapter deals with the design of the study covering objectives, hypotheses, methodology, tools used and the framework of analysis.

The second chapter deals with the role of the private sector banks in financing the Integrated Rural Development Programme.

The third chapter deals with the role of public sector banks in financing the Integrated Rural Development Programme.
The fourth chapter deals with the role of the co-operative sector banks in financing the Integrated Rural Development Programme.

The fifth chapter will discuss a comparison of the role played by the private, public and co-operative sector banks in financing the Integrated Rural Development Programme.

The sixth chapter contains the summary of the findings and suggestions for better performance of various banks in the programme of Integrated Rural Development.

* * *
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