Finance and banking is assuming greater role in the fast changing economic scenario of our country. Rural banking has a special role to play in the overall development of a country. This is, as it should be, because nearly 80 percent of the country's population lives in 5.76 lakh villages. Economic development and progress of India really means reconstruction and resurgence of the rural communities of the country. Of the various infrastructure facilities that influence the economic development of the rural masses in India, provision of banking facilities is an important one.

Co-operative and commercial banks have been found to be insufficient to fulfill the credit needs of rural India. To give Philip to rural credit, the concept of Regional Rural Banks (RRB's) had been mooted. These banks have a complementary role in fulfilling the credit needs of the rural India. The commercial banks have the necessary competence and capacity for conducting banking operations in a business like manner. Initially the RRBs were looked upon as the "strangers" on the rural scene because of their highly paid officials.
and lack of necessary local knowledge and contacts. Their methods and approaches to rural needs and problems of credit generally remained inappropriate in the context of the typical socio-economic conditions prevailing in rural areas in the early days of their establishment. However, the scenario has now changed, they are not looked upon as strangers now, but as friends playing a complementary role for the villagers.

With this in view the idea of establishing Regional Rural Banks came up and the Narsimham group on the Regional Rural Banks, recommended an altogether new institution which would incorporate the good feature of both, the co-operative and commercial banks. To start with first five of such banks were set up on Oct. 2, 1975 - Mahatma Gandhi's birth day. The main objective of setting up of Regional Rural Banks is to help development of agriculture and the rural economy through providing timely credit and other facilities especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

The establishment of RRB's has aroused a great deal of interest among the policy makers and observers of the Indian economy.
This innovation in the field of rural credit has been considered to be a potentially powerful policy instrument for achieving the objective of rural development mainly through the development of the rural poor.

The extent to which these banks have been able to achieve the objectives set-forth and what sort of problems and difficulties they are facing are the subject matter of empirical studies. There is urgent zeal to seek the answer to these questions which has prompted us to undertake this problem as a subject for research project leading to the degree of Doctor of Philosophy in Commerce.

Our endeavour has been to review the working of these banks vis-a-vis the objective they were expected to achieve as well as to study the impact of Regional Rural Banks on the rural economy of Western Uttar Pradesh. The period of the study covers a period of five years from 1997-1998 to 2001-2002.

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Muzaffarnagar

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(Deepak Kumar Garg)