CHAPTER I

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The Problem and Significance of the Study

The Report of the Banking Commission and the Report of the Working Group on Rural Banks felt that the existing structure of Commercial and Co-operative Banks was unable to meet the credit needs of the rural households belonging to the target groups. Both the Committees expressed serious doubts regarding the capabilities of these banks in covering adequately the rural sector in the nearest future. The Committees pointed out that in the large and complex situation of rural credit in India, there would remain a large credit gap even after the maximum possible branch expansion is done by the Commercial Banks. Therefore, the Committees recommended to the Government of India to establish 'rural banks'. The Government of India considered the recommendation of the Working Group on Rural Banks and established Regional Rural Banks in October 1975.

The Regional Rural Banks (RRBs) are established mainly to "develop rural economy" by providing credit for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas particularly to the small and marginal farmers, agricultural labourers, artisans
and small entrepreneurs. This has attracted the researcher to undertake this pioneer work to ascertain the contribution of RRBs towards the development of rural economy of Tawa Command Area, Hoshangabad District of Madhya Pradesh.

The RRBs are comparatively of recent origin. They were 196 up to June 1992, covering 352 districts, having 14,567 branches all over India. The main purpose of establishing the RRBs is to achieve socio-economic development of the rural economy, by increasing income and employment of the weaker sections. Have the RRBs really helped in increasing income and employment of the households belonging to the weaker section in rural areas? Are they really increasing the productive capacity of the rural people? Do the RRBs contribute anything towards the development of rural economy? All these questions aroused a keen interest in the researcher's mind and he selected the present problem to make an in-depth study of the RRBs, so as to ascertain the impact of the credit provided by the RRBs on weaker sections. It was difficult for the researcher to conduct single-handed a nation-wide enquiry and draw conclusions. He, therefore, decided to confine the limits of his study with special reference to the working area of the first established RRB in Tawa Command Area of Hoshangabad District of Madhya Pradesh.

The objective of economic policy in India is to eradicate poverty and unemployment in rural areas. India consists of
nearly 6 lakh villages and 76.3 per cent of the population lives there. Low income and unemployment are the two major problems that are responsible for low productivity in agriculture which in turn adversely affects the quality of life of the rural people. Rural development is a key factor in Indian economic development and has assumed paramount importance since independence. To eradicate poverty and unemployment in rural areas, the Government of India has launched various programmes, viz., Community Development Programme (CDP) (1952), Small Farmers Development Agencies (SFDA) (1969-70), Marginal Farmers and Agricultural Labourers Development Agencies (MFALDA) (1969-70), Rural Works Programme (1970-71) renamed as Drought Prone Area Programme (DPAP), Command Area Development Authority (CADA) (1974), Minimum Need Programme (MNP) (1974-75), Food for Works Programme (1977-78) renamed as National Rural Employment Programme (NREP) and Integrated Rural Development Programme (IRDP) (1980). In Integrated Rural Development Programme (IRDP) is a synthesis of the strategies tested and found effective in implementing special programmes like SFDA, ISB, NREP, CADA, DPAP, IRDP and TRYSEM. The main objective of the programme is to raise the families in the identified target group above the poverty line and create substantial employment opportunities for the rural people.
On the other hand, the banking scene in India has undergone a sea change after independence. The change started from the conversion of the imperial Bank of India into the State Bank of India in 1955, introduction of social control over the Commercial Banks in 1967, nationalization of major Commercial Banks in 1969 and the establishment of Regional Rural Banks all these has one important aim, namely to make the banks play a more dynamic role in the development process of rural and backward areas and for the upliftment of the poorer sections of the society. Most of the financial institutions in India are owned and controlled by the Government. About 95 per cent of the financial resources of the country are concentrated in the hands of the Government. The aim of the financial institutions in India today is to increase income and employment opportunities of the rural people. All the Public Sector Banks have been actively participating in the IRDP which is being implemented by the Government of India. While the banks are contributing their share in the form of credit, the Government is contributing its share in the form of subsidy, in order to subserve the objectives of the IRDP. The question is whether the benefits of the programme reach the really poor persons? To what extent the programme has helped the poor households to come up from the below poverty line? These questions were haunting
the mind of the researcher and prompted him to undertake this study to find out the effectiveness of the IRDP in lifting the poor households from the poverty line.

All these points thrilled the researcher to study the problems and prospects of rural households in order to make an in-depth analysis of the impact of RRBs credit on rural economy in general and weaker sections in particular. The present study which is an empirical one, assumes significance in view of the fact that similar studies undertaken earlier are not fully concerned with the effect of RRBs credit in increasing income earning capacity and employment generation opportunities in rural areas. The present study therefore attempts to make an in-depth analysis in this direction.

Specific Objectives

The objectives of the present study will be as follows:

1. To review critically the efforts made by the Government to help the weaker sections since independence through banking reforms.

2. To examine RRBs as the integral part of the rural credit structure in terms of development programmes financed and objectives achieved.
(3) To study the socio-economic impact of RRBs credit weaker sections in the study area.

(4) To examine the limitations/constraints of RRBs in fulfilling their objectives.

(5) To suggest measures to attain balanced development of the rural areas within the state and study area.

Hypotheses

The hypotheses of the study were -

(1) The RRBs have helped the weaker sections of the rural society in increasing their income earning capacity.

(2) The RRBs credit has substantially increased employment opportunities of the rural people belonging to the weaker sections in farm and non-farm sectors.

Limitations of the Study

An obvious limitation of the study in that it is confirmed to Tawa Command Area of Hoshangabad District of Madhya Pradesh and thus, the conclusion drawn may not be qualified for the nation as a whole however, the inferences drawn empirically of an immense value for regional development based on bank finances made available through RRBs.
Setting

The material presented in the thesis is in a logical sequence of introduction, review of literature and methodology and 1st, IIInd and IIIrd chapters respectively followed by profile of the study area in chapter IVth and results & discussion in chapter Vth. Chapter VIth deals with summary and conclusion. Bibliography is given in the Appendix.