CHAPTER – I
INTRODUCTION AND METHODOLOGY

1.1 INTRODUCTION:
In this chapter, we discuss the relationship between banking and economic development, mainly on the basis of a critical review of some of the most relevant theories and theoretical strands. This will be followed by the statement of the Objectives, Scope and Methodology of the present study.

1.2 BANKING AND ECONOMIC DEVELOPMENT:
The two terms ‘Banking’ and ‘Economic Development’, must be defined before the analysis of their inter-relationship is attempted.

The Indian Companies Act of 1913, as amended in 1936, attempted a detailed definition of a Banking Company as follows:

A company which carries on its principal business, the accepting of deposits of money on current account or otherwise, subject to withdrawal by cheque, draft or order, notwithstanding that it engages in any one or more of the following forms of business…

The Banking Regulation Act, 1949, defined a banking company as “a company which transacts the business of banking in any state of India”.

The word ‘banking’ has been defined as:

Accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise or with draw able by cheque, draft, order or otherwise.

This definition enumerates all the essential and principal activities, which a banking company engages in and hence, is a satisfactory definition.

Economic development is generally understood as a process in which as the per capital real income of the people increases over a period of time. During this period of transformation, there are several changes that take place in the economy simultaneously. Modernization of agriculture, expansion of industrial base, extension of transport and communication facilities to
the most interior parts of the country, spread of banks and other financial institutions are the important change that characterize the process of economic development.

Economists have used two terms, ‘Economic Growth’ and ‘Economic Development’, interchangeably, through these terms differ in their meaning. The definition of the term ‘economic development’, as given by meter and Baldwin, is generally accepted as a comprehensive one. In their opinion, “economic development is a process whereby an economy’s real national income increase over a long period of time.”

1.3 THEORIES OF ECONOMIC DEVELOPMENT AND THE ROLE OF CAPITAL:

Among development economists and fellow-travelling social scientists, three broad strands can be identified among those who sought a crucial variable in the economic growth. The capital and savings thereosts, the human factor advocates and those who suggested that socio-political causes are paramount.

We present here a brief discussion of the theories falling in the first of the above categories, as they have a clear association with the banking institutions.

According to some economists like W.A. Lewis, R.R. Nelson, Ragnar Nurkse, P.N. Rosenstein – Rodanand E.S. Shaw the single crucial variable causing or hampering economic growth is the high or low rate of investment, respectively. W.A. Lewis and R.R.Nelson pointed out that the low rate of investment in the under – developed countries is a result of low capacity to save. The poor people in the under developed countries do not have sufficient margin over their subsistence level of income and hence are unable to save, while the relatively richer people in such countries are effected by the ‘demonstration effect’, which makes them spend their larger incomes on conspicuous consumption. The meagre saving of the people in such countries just suffice to cover the investment required for maintaining the existing level of output and hence, the countries are caught in a ‘low level equilibrium trap’.

Ragnar Nurske and R. Prebisch pointed out that the under-developed countries are mainly lacking in respect of incentive to invest, which keeps their rate of investment low. The lack of incentives to invest arises mainly from the limited extent of markets in such economies. Although the problem of limited market could be overcome by international trade, the traditional
methods of production and the political rivalries do not permit the under-developed countries to resort to such measures.

To overcome the simultaneous problems of inadequate savings, inadequate incentives to invest and the need for large units to obtain economies of scale led to the contention that there was a ‘critical minimum effort’ to escape the low level equilibrium trap.

The solution was simultaneous investment in several industries. For many countries such a ‘big-push’ was possible mainly with foreign aid. E. S. Shaw identified the important obstacles in stepping up of the rate of investment in the under-developed countries to be the inadequate and inefficient financial intermediation. It is the weak machinery of channeling savings to productive investment that retards the progress of economic activities.

Apart from these economists, there are a few others who considered banking system in particular and financial intermediation, in general, as one of the most important activating factors causing economic development.

Joseph Schumpeter has given significant place to the rate of capital and credit system in his analysis of economic development.

To start with, Schumpeter assumes a perfectly ‘Competitive Economy’, which is in a stationary state, characterized by perfectly competitive equilibrium, no profits, no interests, no savings, no investments and no involuntary unemployment. This equilibrium, according to Schumpeter, shows the circular flow, which continues to repeat itself in the same manner, year after year, similar to the circulation of blood in an animal organism. According to him, “The circular flow is a stream that is fed from continually flowing springs of labour power and land and flows in every economic period in to the reservoirs which we call income, in order to be transformed in to the satisfaction of wants”. Development, according to him, is spontaneous and discontinuous change in the channels of the circular flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previously existing. These spontaneous and discontinuous changes are not thrust upon it from without but arise by its own initiative from within and appear in the sphere of industrial and commercial life. Development consists in the carrying out of new combinations of capital and entrepreneurship for which possibilities exit in the stationary state. New combinations come about in the form of innovations. Schumpeter assigns the role of an innovator to entrepreneur, but innovations are possible only if proper,
timely and adequate credit facilities are made available by the banks. Therefore, for Schumpeter, extension of credit was an indispensable pre-requisite of economic development.

Credit performs certain important functions in the economy. The essential function of credit consists in enabling the entrepreneur to withdraw the producer’s goods which he needs from their previous employments, by exercising a demand for them and thereby to force the economic system into new channels.

The new channels are created in the form of new combinations of economic activity, which create a disequilibrium in the economy. ‘In the words of Schumpeter’.

…..In this sense, therefore, we define the kernel of the credit in the following manner: credit is essentially the creation of purchasing power. The creation of purchasing power characterizes, the method by which development is carried out in a system with private property and division of labour. By credit, entrepreneurs are given an advanced access to the social stream of goods for which normally they would have been compelled to wait till they accumulate their own resources. It temporarily substitutes, as it were, a fraction of this claim itself. Granting credit, in this sense, operates as an order on the goods which he needs, it means entrusting him with productive forces. It is only in this way that economic development could arise from the more circular flow in perfect equilibrium.

Creation of such credit is the most important function of banks and hence, along with entrepreneur, ‘Purveyors of Credit’ is the other key agent in the process of economic development.

Gunner Myrdal has explained the role of commercial banks in economic development with reference to regional disparities. According to him, the regional inequalities tend to increase on account of weak ‘spread – effects’ and strong ‘backwash effects’.

Myrdal has analysed the backwash effects of migration, capital movements and trade on the backward regions. The genesis of regional inequalities within the country has an economic basis. It is associated with the capitalist system, which is guided by the profit motive. The profit motive results in the development of those regions where the expectations of profit are high while other regions with relatively low profit expectations remain underdeveloped. Myrdal attributed this phenomenon to the free play of market forces which tend to increase, rather than decrease, the regional inequalities. He stated,
If things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping and indeed almost all those economic activities which in a developing economy tend to give a bigger than average return and in addition science, art, literature, education and high culture, generally would cluster in certain localities and regions, leaving the rest of the country, more or less, in backwater.

In this way, regional inequalities are accentuated when some localities grow at the expenses of the others.

The localities and regions where economic activities are being generated will attract young and efficient labour from the neighboring areas.

Capital movements will also be experienced from backward to the developing regions. In regions which are developed, increased demand will stimulate investment which, in turn, will increase income and demand and lead to a has an economic basis. It is associated with the capitalist system, which is guided by the profit motive. The profit motive results in the development of those regions where the expectations of profit are high while other regions with relatively low profit expectations remain underdeveloped. Myrdal attributed this phenomenon to the free play of market forces which tend to increase, rather then decrease, the regional inequalities. He stated,

Studies in many countries have shown how the banking system, if not regulated to act differently, tends to become an instrument for siphoning off the savings from the poor regions to the richer and more progressive ones, where the returns on capital are high and secure.

This statement indicates the fact that banking system helps the efficient allocation of resources since the savings are siphoned off from the poorer regions and are utilized for investment in the developed regions. The developed regions usually posses better infrastructural. Facilities and hence, provide better opportunities for development efforts and economic activities.

The same view may be extended further to suggest that if the banking activities are properly spread over the backward regions, they would certainly provide the initial stimulus for the generation of productive activities. In most of the less-developed regions, the resources are not properly tapped and in many cases, people do not know how to make the best possible use of
the available resources. In such regions, therefore, the banks may take the leading role and guide
the prospective entrepreneurs in taking up various productive activities.

Myedal’s analysis and its logical extension suggest the need for a properly
regulated and consciously developed banking system for balanced regional development.

1.4 GERSCHENKRON’S HYPOTHESIS:

One of the most widely discussed and fairly recent explanations of the role of banking in
the historical process of industrialization, the industrialization of the once backward countries in
particular— is that of Alexander Gerschenkron.

In the entire analysis given by Gerschenkron, banking system is not the only factor
considered to be effective in fostering economic growth through industrialization, but certainly it
is the key factor playing an important role at certain stages of industrialization.

The degree of backwardness thus becomes an organizing principle, according to which,
Gerschenkron classified a number of features of the development process, depending on a given
country’s degree of economic backwardness. On the eve of industrialization, the course and
character tended to vary in a number of important respects.

Gerschenkron has identified six ways in which a country’s variation from the British
pattern and style is highest according to the degree of its backwardness.

1. The country experiences a discontinuous sudden spurt and high rate of growth of
   manufacturing output;
2. Its emphasis is upon the producer’s rather than on the consumer’s goods;
3. Its emphasis is upon large scale of both industrial plant and enterprise;
4. It puts greater pressure upon the levels of consumption;
5. The more backward the economy is, greater is the part played by special institutional
   factors designed to increase the supply of capital to the nascent industries and in
   adding to provide them with less decentralized and better informed entrepreneurial
   guidance; and
6. It leaves smaller role for agriculture.

The fifth condition above is important from the viewpoint of our analysis. It
emphasizes the establishment of special institution for provision of capital and entrepreneurial
guidance.
Gerschenkron distinguished three different cases of capital and entrepreneurship – those of England, Germany and Imperial Russia. England experienced industrialization because of the already existing entrepreneurs. The entrepreneurs had their own source of capital to start with and later on, a gear up the process of capital formation. Obviously, banks and like specialized institutions had not to play any role in industrialization.

The conditions in Germany were quite different in the existence of complex markets, advance technology, relatively fewer entrepreneurs and shortage of capital, banks became the prime source of capital for industrialization. The inadequacy in the numbers of the entrepreneurs available could be remedied or substituted for by increasing the size of the plant and enterprise above what otherwise would have been optional size. In Germany the various in competencies of individual entrepreneurs were offset by the device of splitting the entrepreneurial function the German investment banks a powerful invention, comparable in economic efforts to that of a steam engine - were in there capital supplying function, not only substitute for the insufficiency of the previously created wealth, willingly placed at the disposal of the entrepreneurs but they were also a substitute for entrepreneurial deficiencies. From their central vantage points of control, the sometimes, even not so major - decisions of individual enterprises. It was they who very often mapped out a firm’s path of growth, conceived farsighted plans, decided on major technological and location innovations and arranged for mergers and capital increases.

In Russia, which was then even more backward than Germany the Imperial Government took the initiative and was responsible for the development of banking system which then took up the twin function of entrepreneurship and capital-supply.

The obvious conclusion from Gerschenkron’s analysis of English, German and Russian development experience should be that at every stage of industrialization, banks not only can promote economic development but can even participate in it, provided the condition are suitable and they themselves take the initiative.

1.5 PROF-PATRICK’S VIEWS:

Prof Hugh Patrick provided empirical evidences of his own for the conclusion drown by Gerschenkron. In Patrick’s view, the japanese Banking system, until about the time about the time of world war I, was supply leading rather than demand following that is ti say the banks did
not concentrate on short-term self-liquidating loans instead, because of their close ties with industry and industrialization, banks and bankers, until late in this period, increasingly served the function of industrial banks, providing funds for fixed investments as well as for working capital.

Prof. Partick interpretation of the Japanese economic development clearly brings out the role played by the banking system in that country. It has to be remembered here that in Japan, the banking institutions and the industries were, in fact, belonging to the industrial houses themselves, The views expressed by Prof. Patrick very much fit into Gerschenkron’s scheme.

1.6 OTHER VIEWS FROM THE OPPOSITE ANGLE:

We, however, do not intend to say that the economists have expressed only the views in favour of the banking system performing a key role in economic development and that have provided empirical evidence for the same, because some economists have presented exactly opposite views. Prof. John G. Gurly, for example, has commented that the experience of some other under-developed countries do not corroborate with the conclusions drawn from the Gerschenkronian analysis. He started,

The underdeveloped countries in the present-day world that have moved ahead most rapidly have generated savings and investments (relative to National incomes) two to four times higher than those record by Camroon, Patrick and others and today’s successful countries (e.g. Taiwan, Israel, Venezuela and most of the Communist countries) have produced output growth rates many times higher than those established by their predecessors, by and large, they have not accomplished these records by heavy dependence on their banking systems or financial intermediaries between savers and investors, but rather by utilization of other saving-investment techniques, taxation, foreign aid, self-finance by private terms and profits of State enterprises.

The cases cited by Gerschenkron, Patrick and condition, all of them have limited resemblance with the Indian condition but they help us in forming a tentative hypothesis that a banking system, particularly a properly organized one may help in promoting economic development of a country.

1.7 DEVELOPMENTAL FUNCTIONS OF BANKING:
So far, the theoretical strands relating to banking and economic developmental have been discussed. On their basis, certain developmental functions of the banking system can be enumerated as under:

(A) PROCESS OF INVESTMENT:

Economic development is based on the process of investment. Fixed assets can be created out of long-term finance while the working capital requirements can be met through short-term finance. Both these types of credit are provided by the banks. Process of investment requires savings in productive channels. The banking systems acts as an intermediary of savers and investors. In the underdeveloped countries, shortage of capital is often considered as a main obstacle to economic progress. It is for such underdeveloped countries that they should evolve a sound banking system which would be capable of transforming the economic from pre-industrial underdeveloped economy into an industrialized developed nation.

(B) PROCESS OF STIMULATING AND ENHANCING MONEY SUPPLY:

Banks play a vital role in stimulating and enhancing the money supply. This happens through deposit mobilization and through refinancing facilities provided by the central banks or specialized institutions.

In fact, banks provide a regular flow of supply of funds and congenial interest rates for loaning such funds and basically act as a reservoir for pooling the scattered savings of a nation and their distribution in the economy. Banking system, effectively organized, shall provide the necessary institutional base for attaining maximum coordination and link-up of all the factors for economic growth.

(C) PROCESS OF DEVELOPING ENTREPRENEURS:

In recent years banks have assumed the role of an agency for developing entrepreneurs. This role is being effectively performed by underwriting new scrip’s, by granting assistance either as mentor for promoting new ventures or financing promotional under the joint guarantee system.
Thus, the developmental functions of the banking system consist of three processes mentioned above

1.8 INDIAN BANKING :

The development function mentioned above was assigned to the Indian commercial banks after the nationalization of banks in 1969. Social control over commercial banks in India was in operation since the beginning of 1968, However, for some years prior to nationalization, the demand for nationalizing the banks was being made by the Left Congressmen and the Communists. This demand was based on the grounds that the commercial banks-

1. had been owned controlled by a few persons,
2. had led to concentration of economic power and wealth in the hands of a few,
3. had failed to mobilize the savings of the public effectively.
4. had discriminated against small business units and had ignored agriculture completely

Nationalization of the major commercial banks in India aimed at securing the following purposes:

1. Removal of the monopoly element in the control over the banks;
2. Provision of adequate credit for agriculture, small industry and export;
3. Progressive professionalization of the management of banks;
4. Encouragement of new classes of entrepreneurs; and
5. Provision of adequate training as well as terms of service for the banking staff.

The Statement of object and reasons appended to the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1969, which replaced the Ordinance of Nationalization, Had the following to say to justify the nationalization:

The banking system touches the lives of millions and has to be inspired by larger social purpose and has to subserve national priorities and objectives such as rapid growth in agriculture, small Industries and export, raising employment levels, encouragement to new entrepreneurs and the development of the backward areas. For this purpose, it is necessary for the Government to take direct responsibility for the extension and diversification of banking services and for the working of a substantial part of the banking system.
Thus, the Indian banking system assumed a new dimension and character since nationalization of the fourteen major commercial banks in 1969.

1.9 REGIONAL RURAL BANKS:

According to J.K. Galbraith, credit system can be an instrument of progress and of Stagnation and repression. India’s Endeavour through a series of experiments over the years has been to convert her Stagnated rural credit system into a progressive with a new tool to provide some relief to agriculturists in matters of agriculture finance through thrift and mutual help. The cooperative Societies Act of 1904 gave an impetus to the formation of agricultural cooperative credit societies and the Act of 1912 made an attempt to extend the co-operative organization to non-agricultural credit as well India the three – tier system of co-operative agriculture; credit institutions was prevalent. After five decades, a Committee reviewed the working of these cooperative and paradoxically came to the conclusion that “Cooperation has failed, but cooperatives must succeed”.

In the year 1976, the National Commission on Agriculture reviewed the rural credit scene and noted, “The successive reviews of the working of the institutional credit system revealed lacunas in the procedure and organization of the system in the country”.

Large part of the country’s small farmers have been handicapped for want of access to co-operative credit. Wolf Ladejinsky has observed “Events that have proved the high hopes reposed in the cooperatives as the mainstay of institutionalized credit and as an answer to private money lending have been exaggerated”. He had quoted the then Vice-Chairman of the Indian Planning Commission, “The more and more we have expanded the cooperative movement since Independence less and less confidence it commands in the community”.

By the end of 1975, it was estimated that the nationalized banks have provided loans to the agricultural sector to the extent of Rs. 650 crores as direct finance and Rs. 300 crores as indirect finance.

The purpose of branch expansion in rural areas is defeated by the dangerous trend of diverting rural funds to urban areas. As we have 5,75,721 villages in the country, more than 90 percent of these villages, i.e. (5.35 lakhs), the average population is less than 1,000.

All the growth models and Strategies have almost failed in the ultimate of the poorest of the poor. The All India Dept and Investment Survey, 1971-72, uneducated that the very poor,
namely, marginal and small farmers, agricultural laborers and rural artisans are more dependent on non-institutional agency for their credit needs. The Government of India also felt that it was necessary to establish new institutions on the basis of attitudinal and operational ethos entirely different from the present one. With this background, i.e. due to various shortcomings in the existing credit structure and a dire need for rural credit, the Government of India appointed on July 1, 1975 a Working Group on Rural Banks, under the chairmanship of Shri. M. Narasimhan, a senior civil servant of India. The Group submitted its report in a record period of one month.

The Group was asked to “examine, in depth, the setting up of new rural banks as subsidiaries of public sector banks to cater to the credit needs of the rural people”.

The Group observed that “in a country of the size and regional diversity as ours, no single pattern, be it commercial banks or cooperative credit, can be expected to meet all the emerging requirements in all the areas. A degree of adopting and improvisation is called for and the range of institutional alternatives widened. It is in this context, the Group has come to the conclusion that a new type of institution is necessary”.

Accepting the recommendations of the working Group, the Government of India promulgated the RRBs Ordinance on September 26, 1975, and the first five RRBs were established on October 2, 1975, the Gandhi Jayanti Day. The ordinance was later replaced by the Regional Rural Banks Act of 1976.

According to the RRBs Act, the RRBs were set up mainly, “with a view to developing rural economy by providing for the purpose of development of agriculture, trade commerce, including other productive activities in the rural areas, credit and other facilities, particularly to the small entrepreneurs and for matters connected therewith and incidental thereto”.

(1) **Jurisdiction**: The jurisdiction of each RRBs is to be within the specified districts in a state and that of its branches within the district.

(2) **Sponsorship**: Each RRBs is to be sponsored by a scheduled commercial bank (mainly by public sector and lead bank of the district). It has to be started at the initiative taken by the sponsor bank, in consultation with the State Government and the Central Government.

(3) **Capital Structure**: The authorized capital of each RRBs will be placed at Rs. One crore and the issued capital at Rs. 25.0 lakhs. The issued capital would be in the proportion of 50:35:15, respectively.
Management: The management of each RRBs will be through a nine member board of directors, headed by chairman.

The RRBs are entitled to get concessional refinance from the National Bank for Agriculture and Rural Development (NABARD). Such refinance is higher during the earlier years of their operation. Overall, with this mandatory provisions, coupled with several concessions, RRBs have emerged as a strong third plank in the Indian multi-agency system of rural credit.

The discussion on the theoretical strands on the relationship between the banks and the economic development and then a brief description of the Indian banking and the regional rural banks suggests that it may only be after the introduction of the RRBs that the banks in India seem to have begun to participate in the rural development of the nation in a more effective, positive and immediate manner. This leads us to take up the study of assessing the working and impact of the regional rural banks.

1.10 STATEMENT OF THE PROBLEM:

The regional Rural Banks were thus set up with a view to helping the weaker sections of the rural society and are now being regarded as one of the most important agencies for the rural development. Individually, a regional Rural Bank is expected to attain the objectives, thereby contributing significantly to the eradication of poverty and improvement in the economic standards of the rural poor.

The problem being studied, therefore, is of the assessment of the working of a selected Regional Rural Bank, viz. the Vainganga Krishna Gramin Bank, and its impact on the income generation of its borrowers.

1.11 OBJECTIVES OF THE STUDY:

The objectives of the present study, obviously stemming from the foregoing, are:

1. To review the progress of the Regional Rural Bank Scheme at the national as well as at the district level;
2. To find out the causes of the establishment and slow or rapid progress of the RRBs in the district under study;
3. To evaluate the working of the scheme in the district under study;
To assess the impact of the scheme at the district level;

To make specific recommendations which may contribute to a more efficient functioning of the scheme, in general and of the concerned bank, in particular.

1.12 SCOPE AND LIMITATIONS OF THE STUDY:

The present study is entitled “Economic analysis of Working and Impact of Regional Rural Banks with special Reference to Wainganga Krishna Gramin Bank”. The term ‘Economic Analysis’ has been used to cannot that the analysis is made by making use of some specifically devised indicators, which reflect such changes as are purely economic in nature. The study is confined to the working and impact of the Rural Banking only and as such, it excludes all other schemes introduced by the Government or the Reserve Bank of India, In connection with banking and economic growth.

The study is conducted with special reference to Ratnagiri- Sindhudurg district and hence, its emphasis is on the working and impact of the rural banking in the Ratnagiri – Sindhudurg district. However, the same have been compared, wherever necessary and possible, to the conditions at the national level.

Finally, the reference period for the study is 2009-2010. The years 2009-2010 are selected so as to understand and/or judge the real impact of the RRBs working on the Ratnagiri – Sindhudurg district.

1.13 SIGNIFICANCE OF THE STUDY:

The present study is an empirical type of study and it is based on ex:post data. The significance of any such study lies in the conclusions which may help in the further analysis of the interaction between the functioning of the rural banking and the target areas and the relevant aspects of the economy, It is also significant, particularly when certain policy decision are to be taken. The conclusions drawn at the end of the study may resemble in one respect or the other with the conclusion of the similar studies made elsewhere in the country with reference to the Regional Rural Banking. The importance of such a study, therefore, lies in its potential applicability for policy formulation.

1.14 METHODOLOGY OF THE STUDY:
The methodology adopted with reference to the objectives of the study is described below:

1. In the first place, it is based on a case study approach because only one Regional Rural Bank, Namely Vainganga Krishna Gramin Bank has been selected for the study, the researcher resides in Ratnagiri district and works in Sindhudurg district. As a result, he was in a position to conduct an intensive study of all the aspects of Regional Rural Bank with reference to the Bank Selected.

2. Secondly, survey method has been followed for assessing the impact of the Bank.

3. For evaluating the working and Implementation of the scheme, ‘secondary data’ has been collected from various sources, such as annual reports of the Vainganga Krishna Gramin Bank, Reserve Bank of India Reports, Statistical Tables relating to the Bank of India, etc.

4. A review of literature had carefully been taken with a view to understanding the work done elsewhere on the subject.

5. The Government of India and the Reserve Bank of India have appointed an Expert Committee for reviewing the progress of the RRBs, from time to time. A critical review of such reports has been taken for finding out the deficiencies and strengths already identified.

6. The impact of the scheme has been brought out at the national level with the help of the secondary data relating to the same.

7. At the district level, the impact has been measured with the help of both, secondary and primary data.

8. Primary data is collected from the sample borrowers with the help of a structured schedule personally administered.

9. Detailed discussion and interviews were conducted with the officials of the Bank as also with the representatives of other organization concerned with the implementation of the scheme.

Thus, the methodology of a study comprises the use of the both secondary and primary data, which is subjected to proper scrutiny and statistical techniques for giving meaningful conclusion.

The methodology of the present study comprises the following aspects.

1. Analysis of the working of the scheme based on the secondary data;
(2) Analysis of the working of the scheme based on the primary and the secondary data;
(3) Analysis of the impact of the scheme based on the secondary data;
(4) Analysis of the impact of financing, as a part of the scheme based on the primary and the secondary data;

1.15 CHAPTER SCHEME:

The present chapter, being the First Chapter, deals with the theoretical strands on the relationship between banking and economic development and also discusses the hypotheses, objectives, significance and methodology of the study undertaken. The Second Chapter deals with (a) an overview of the literature on the subject, and (b) the evolution of the Regional Rural Bank through different stages. The Third Chapter discusses the Banking for the Masses, pre-Nationalization banking and post-nationalization banking periods in India. It also discusses the genesis of the RRBs Scheme. The Fourth Chapter describes the progress of the RRBs since inception at the national as well as the Maharashtra level. The Fifth Chapter discusses the features of the study-area by describing the economy of Ratnagiri - Sindhudurga Districts. The Sixth Chapter elaborates the impact of the scheme with special reference to Ratnagiri - Sindhudurga Districts; and the Seventh Chapter gives the result of the sample survey Conducted during research period. The Eight Chapter, being The last Chapter, summarizes the
findings of the study and Provides a statement of suggestions/recommendations for an Effective implementation of the scheme.