ABSTRACT

Bank is a very important social institute now a day. Bank is very progressive all over the world. In human body as the veins work preciously in that manner present day bank also achieves as economically base. In ancient days existence of bank were used in trade. Banking business is expressed from Vedic and boudhic times form the writings. Not only this different empires from long period. Indian banking business were existences. The structure and system of banking business has come from the place of native. After the arrival of the britishers slowly banking business was destroyed. Yet in rural areas native banking still exist.

In ancient days the king’s approval for native banking the course of time was destroyed so the native banking business were cracked after words the european houses were arised increase in trade. India has been given progressive contribution in industrialization and international transactions. Because of that modern banking business are rising rapidly.

In England when the banking progress was going on but still in whole world between different countries modern banking progress has been seen. On the base of England banking the banking business of India was developed. At the time of studying Indian banking system basically two periods are kept in consideration.

BANKING BUSINESS BEFORE INDEPENDENCE:

There was no direction for banking business before independence. Result of this was the banks were rained generally in period of british rule “Agency Houses” was existed. Because of this agency houses business transaction were carried on.

In the year 1970 the fist bank of Hindusthan was been established by” Alexander & Company”. But this bank was rained in the year 1932. Eventhough many institutions were formed which were combinely worked on banking and trade transactions, but in the year 1829-32 in recession period from this many institutions were rained. Era 1800-1858 in this period beyond HO banks were established. In the period of recession 12 banks were survived. In the period of second battle 1939-1945 lot of money was available in creating ammunition. In this circumstance many more banks came in existence but they were not aware of there capability they opened many branches, after the year 1945 Indian banking business faced many problems and in result to it more then 500 banks were rained.

BANKING BUSINESS AFTER INDEPENDENCE:
A new capture was started in the field of baking after independence in the year 1947. To make the banking field capable “Banking rule act” was been passed in the year 1949. According to this act central banks received an authoring to central trading banks. The relationship of Reserve Banks to trading banks were determined according to the law of 1949. Due to this law special provision of “Depositor Benefit Protection” was done. To reinforce the banking field reserve bank had taken proper steps – in which a policy was accepted to merge small banks to big banks. The banking regulation act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directions.

AFTER INDEPENDENCE MAIN FACTOR IN BAKING BUSINESS (1947-1969) :-

After Independence the Government of India launched economic planning in the country since 1951.

1) In January 1949, the Reserve Bank of India was Nationalized.

2) Passing the Reserve Bank of India Act in 1949, the Reserve Bank of India was taken over by the Government of India as a State owned central Bank. This was a right step on the part of the Government.

3) The rural banking enquiry Committee 1950 recommended in the larger context to meet rural credit requirements. This Committee recommended that the Imperial Bank should be persuaded to set up a network of branches in the rural areas as well.

4) In year 1955 the erstwhile Imperial Bank was concerted in to state Bank of India by passing a statute namely the Bank of India Act, 1955.

We present below an overview of the literature related to banking, in general, followed by a review of the literature on rural banking.

Some economist who considered banking system, in particular, and financial intermediation, in general, as one of the most important activating factors causing economic development are being quoted herebelow.

A study and scan of the existing literature on the efficiency of Indian banks provides that there exists various studies that analyzed the efficiency of Indian commercial banks using most popularly used parametric technique of Stochastic Frontier Analysis (SFA) and non Parametric technique of data Envelopment Analysis.

It is usual to measure the performance of banks using financial ratios. Yeh (1996) notes that the major demerit of this approach is its reliance on benchmark ratios. These benchmarks could be arbitrary and may mislead an analyst. Further, Sherman, and gold (1985) note that financial
ratios don’t capture the long-term performance, and aggregate many aspects of performance such as operations, marketing and financing.

Many studies have been conducted by researchers on NPAs in banking industry. The researcher has made attempts to present a brief review of the literature available, which are published in the form of research articles and technical papers published in the journals, magazines and websites in the related area.

Cole et al. (2009) concluded that financial literacy programme has no effect on the likelihood of opening a bank saving account, but do not find modest effects for uneducated and financially illiterate households. In contrast, small subsidy payment have a large effect on the likelihood of opening a saving account.

Deshpande 1998 attempted a case study of two commercial bank branches in Maharashtra command area for evaluating performance of commercial banks in financing agriculture. In this studied the non interest cost incurred by the sample beneficiaries revealed that in almost all kinds of loans cost of records shared was the maximum in rural branch. With regard to cost towards trips to bank, beneficiaries in rural branch did not incur any cost because of proximity of bank.

The literature available in the working and performance of WKGBs in India is a little limited. The literature obtained by investigators in the form of reports of various committees and working groups established by the Union Government, NABARD and Reserve Bank of India, the research studies, articles of researchers, bank officials, economists and the comments of economic analysts and news is briefly reviewed in this part.

It may be observed soon after independence in 1947, the Government decided to develop the economy. It was also well aware of the situation of the credit facilities in the country. As a preliminary measure, the Government imposed social control on commercial banks. Being rather doubtful of the response to the measures initiated to channelize increasing volume of credit to priority sectors, lead the Government to contemplate on bringing the ownership of banks under State Control, which culminated in to the nationalization of fourteen major banks in the country on 19th July 1969. The main objectives of the nationalization, among others, were ensuring greater supply of credit for priority sectors, removal of ownership of banks by a few and giving a professional touch to the bank management. In due course, the lead bank scheme was implemented and finally to speed up rural credit, particularly credit to the weaker sections of the rural community (i.e. small farmers), the Regional Rural Banks were brought into existence.
It was only some time ago that the union finance minister ruled out in the parliament the possibility of a merger of the regional Rural Banks (RRBs with their sponsors, the commercial banks. This was before the single –judge Supreme Court Tribunal of Justice S. Obul Reddi set up to review the salaries and other benefits of the RRB employees gave its ruling. The Tribunal Award, announced granting of pay parity to all the 70,000 RRB employees with their counterparts in the sponsoring commercial banks, altering the financial picture to some extent. For the imposition of higher wage bill on the hopelessly unviable RRBs might just force the merger issue. Nevertheless, there are sound reasons for the Finance Minister to not change his stand.

The role and viability of the RRBs has been questioned since their inception. But the Dantwala, Kelkar and Khusro Committees have all upheld the usefulness of the RRBs in credit dispensation in the rural areas, although they have differed in their prescription for improving their viability. Thus, the RRBs will continue to operate and, given their mandate, probably remain unviable. It is true that the sponsor banks will have to bear the burden of the RRB wage hike. The RRB salaries, which are fixed according to the state Government scales., vary from State to State, making a quick estimate of the impact of the parity award is difficult. But the impact may not be very heavy in certain States where the difference between State Government and commercial bank pay-scales have narrowed over the years. Moreover, during 1988-89, many nationalized banks could not make provisions to pay wage arrears of their own employees, but doctored their accounts to hide this grim fact.

The danger is that this ‘Victory’ of the All India Regional Rural Bank Employees Association could prod it to press afresh for the merger of the RRB service cadre with that of the commercial banks, that, is for parity of service conditions as well. Justice Reddi is convinced of that the pay scales of an organization should be determined by the principles of ‘equity and justice’ and not by the principal of the organizations ability to pay. The unions are sure to try to stretch this idea further. But if there is indeed a merger of service cadres, industrial relations in the nationalized banks already plagued by problems over promotions (there are too few available), transfers and posting (everybody wants metropolitan jobs), could deteriorate further with 7,000 new entrants. That is a good reason for continuing to keep a district RRB identity and to rule out merger.

The RRBs are largely involved in catering to the financial needs of the weaker sections of the society. Thus a part from their involvement in the implementation of the IRO programme, RRBs can rightly be said to be furthering the objectives of the 20-point Programme.

The formulation and emergence of the Vainganga Krishna Gramin Bank WKGB took eight years after the idea of the Regional Rural Banks functioning at micro – level was mooted on 2nd October 1975. The WKGB itself was established on 19.11.2009 and within seven years or so, thereafter, it has spread its
network of 39 branches in two districts of its area of operation. The WKGB has exhausted all the branch – licences issued to it by the Reserve Bank of India and is now rather anxious to get fresh licences.

The WKGB is handicapped in terms of deposit mobilization due to the lower interest rates than the postal savings schemes, competition from urban cooperative banks and offering of less services than the commercial banks. The same handicaps have also tended to adversely influence the WKGB’s advances.

Despite the operational handicaps, difficulties of terrain, apathetic attitude of the beneficiary-loanees and such other problems, the WKGB has been able to maintain better than satisfactory C:D ratio and above – satisfactory recovery rate since its inception.

The foregoing analysis of the economic impact of the WKGB’s financing activities leads to the following conclusions:
1. Except for the RT/SB/PSE/TO category, there has been a significant positive impact on the income generation of the borrowers.
2. Unless the methods of financing are changed and the facilities, particularly relating to the technological improvement, are made available to the borrowers, the borrowers belonging to the RT/SB/PSE/TO category are not likely to benefit through the WKGB’s loan schemes.
3. The financing of the WKGB’s has helped the borrowers in a number of ways, apart from improving their incomes, e.g. it has helped them in finding occupations in their own villages, which has resulted in reducing the migration.
4. The borrowing requirements of the people are still not adequately met by the WKGB, which is evident from the amounts of loans taken by the borrowers from other sources. This indicates that the WKGB must change its financing pattern and also streamline its operations in such a way so as to suit the needs of the people.