CHAPTER I
INTRODUCTION
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Public policies to alleviate poverty have come to assume vital importance in post-Independent India. The State through a number of public policies seeks to intervene in the development process as a part of its legitimisation strategy. In post-Independent India, there is hardly any rural development policy which has not laid emphasis overtly or covertly on rural poverty. The community development in the fifties, and Panchayat Raj in the sixties were intended to ensure peoples' participation in improving living conditions of rural people. Along with these institutional devices, there has been shift of emphasis on Integrated Rural Development Programme (IRDP). The growth with the distribution approach created its own problems calling for new policy initiatives. For instance, the Green Revolution of mid-sixties, while it benefitted a few adversely affected the larger sections of the rural poor like small and marginal farmers, agricultural labourers and rural artisans.  

This lead to the widening of the gulf between various sections of the society resulting considerable unrest

in the rural areas. Consequently, the first-half of 70's was dominated both by a discussion on a large-scale poverty of the rural India and the formulation of programmes to stem the tide of unrest in rural areas.

STRATEGY FOR RURAL DEVELOPMENT IN INDIA

Integrated Rural Development Strategy is one of the approaches through which planners and policy makers of India have been trying to develop backward areas. Hence, the study of this strategy appears to be very important.

Problems of rural development had received attention from our planners in the past. Considerable developmental resources were committed to the improvement of our rural economy. New areas of cultivation were opened upon a substantial scale. Productivity of lands already under the plough were improved by provision of irrigation and other facilities. Infrastructural development likewise received priority. New roads were constructed, irrigation and drainage systems developed, storage facilities were built up and processing units established. Successive development plans have also been marked by varied initiatives
at the organisational and the institutional levels to provide, extension services, supply credit, distribute inputs to undertake storage and marketing facilities, enabling every person to engage himself in the productive and socially useful occupations; and earn an income that would meet at least the basic minimum needs - health, education, communication, housing and recreation facilities. In recent years, rural development has emerged as a distinctive field of policy and practice and of research. This strategy came to formulation as the result of the general dis-enchantment with previous approaches to development-planning. At national and sectoral levels, with equality-objectives of various kinds, especially reduction of inequalities in income provision of employment and access to public goods and services and the alleviation of poverty. The World Bank recently defined rural development as "a strategy designed to improve the economic and social life of a specific group of people - the rural poor". Though there are different approaches to rural development, one of the approaches, which is a poverty-focussed approach to development, is that which is a productivity-oriented approach, aiming to raise the incomes of the poor by increasing both their
productivity and their access to productivity-enhancing assets, directly delivering the goods and services required substantially for the poor.

RURAL DEVELOPMENT IN INDIA

The emphasis placed on transforming rural India is reflected in the quantum of financial resources allocated to rural development sector in the Five Year Plans. It can, however, be said that the efforts made in the past have failed to contribute to the overall development of rural areas. They have not generated the desired level of success commensurate with the expenditure. There are several reasons for the failure to achieve the desired level of success. To mention a few, (1) our inability to foresee the after-effects, (2) absence of proper reflection over the mistakes of the past and (3) lack of coordination between the planning and implementing agencies of rural development programmes.

The increasing anxiety and serious involvement of the planners with the rural economy in recent years is an indication of their approach and realization that unless poverty, at the grass root level, is eradicated first, superstructure would continue to stand on shaky foundations. There is increasing
awareness and receptivity today to search for more and better alternatives as a base for design, planning and operation of new programmes.²

There are various methods of viewing the changing rural scene. It can be viewed as mere reverberation or results of changes taking place in the wider spectrum concentrating thereby on the forces exogenous to the rural social system. Another view would be to view it as one, in constant interaction with the wider world and not simply regarded as an entity at the receiving-end of the change-process but capable of occasional feedbacks thereby influencing the nature and content of the change-process".³

RURAL AREAS AND RURAL DEVELOPMENT

We can critically examine the inter-relationship and inter-dependence among the various components of rural development with the object of assessing the adequacy of the measures, efforts and effects of integrated ventures, for rural development. The issue centres round both economic and socio-political indicators as the main concern has been to

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comprehend the complex factors involved in the process of the entire system. It is hoped that this initial exercise should prove beneficial to theoreticians as well as rural development practitioners. The guiding concern has been the way of life of village poor who are the focus of attention of every individual who claims to work for the betterment of human life and the happiness of mankind. In our analysis, we have used the word 'rural' in the demographic sense to refer to those areas which have been characterised as such by some selected criteria and indicators adopted by the Census Commission. The word 'development' has been used not in any narrowly aggregate economic-growth terms as there are no value-free approaches non value free definitions or meanings of development. The term has been used to convey the movement of the whole system towards ever-large measure of power to the people for conscious participation in building their own future, higher production, equitable distribution, maximum possible benefits to the producers and aesthetically and ecologically sound environment.4

Chester Bowels, the former U.S. Ambassador in India, in one of his lectures, in India, at Delhi 4. Ibid., p. 6.
School of Economics in 1963 said; "Rural areas means not only the villages and their surrounding farm areas, but also the rural towns, ranging from two (or) three thousands population to many thousands, which serve as marketing centres for peasants and landless labours of the country side. Rural development means not only agricultural expansion but the growth of small industry, schools, training centres, improved communication, rural electrification, public health, population-control centres and even the stimulation of rural cultural awakening". This definition is as valid today as in the past.

Incidentally our thinking about 'Integration' has been most vague and incoherent making the term ambiguous with different meanings and interpretations at different times. Some have used the word to describe a system of interrelationships between activities falling within different sectors of development, others regard it as a manner, in which special programmes or activities are linked to the general frame work to obtain optimum results. For the purpose of the present study, the term 'integrated' has been

5. Chester Bowels, Lectures in India at Delhi School of Economics, New Delhi, 1963.
used as the very process of planning and implementation of rural development strategy, so that appropriate priorities are established and a sequential time-phasing approach adopted for realising the broader objectives over time. As a synergistic approach Integrated Rural Development aims at total development of the area and the people, by bringing about the necessary institutional and attitudinal changes; and by delivering a package of services through extension methods to encompass not only the economic field viz., development of agriculture and rural industries etc., but also the establishment of the required special infrastructure and services in the area of health and nutrition, education and literacy, basic civic amenities, family planning etc., with the ultimate objective of improving the quality of life in the natural areas.

The present situation demands that, in this process of development, the focus of attention have to be on the rural poor. Thus, for developing countries like India, integrated rural development means a strategy to improve the economic and social

life of the rural poor and the rural weak in the overall spectrum of development and growth. It is not only important to raise the agricultural productivity and rate of overall economic growth in the rural areas but it is also to be ensured that the poor and weaker sections share the benefits.  

PEOPLE'S PARTICIPATION IN RURAL DEVELOPMENT

The most important part of the Rural Development is that it deals with people, numerous independent hands and minds, which cannot find any sort of centralisation though its being only important source of development in the rural economy. Without the participation of the people, development of the masses is an impossible task. This underlines the importance of the utilisation of the potential strength of individuals in the development of rural areas. The inculcation of participatory attitude in the minds of rural peasants can be done through education, extension work and demonstration projects. The requirements of the participants as consumers can be increased through exposure to new products. His

status as citizen sees a positive growth gradually and directs the potentialities of the region into the most desirable channels.

The main objective of all these methods is to make the cultivator to realise his potential strength; to develop his own capacity for growth and use his abilities for his benefit and to the benefit of his family and the community at large.

CREDIT INVOLVEMENT

Rural development is largely a function among other variables; of the rate of investment both public and private. Finance plays a very important role in achieving the objectives of rural development, establishment of conditions under which the improvement of rural development and higher levels of living for the rural population could be achieved. It is not the borrowing that affects rural development; but the burden of indebtedness which lowers rural development by robbing the will to change besides creating despondent outlook. 8

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The backwardness of Rural Development can be attributed to two types of dualism unequal provision of Government economic services coupled with unequal access to public economic facilities between the large and small farmers; financial dualism, which is a serious obstacle to the adoption of improved methods by small farmers. Finance, however, can be a double-edged weapon significantly influencing welfare of depressed, broadening participation of the masses in the political process of removing of feudalism.  

The transition from money-lenders' credit to institutional credit has to be a process simultaneous with the transformation of subsistence-agriculture into commercial-agriculture. It has been pointed out that (a) inadequacy of capital is a great bottleneck in the full exploitation of the potential productivity and available resources, (b) capital scarcity is more actually felt by the progressive high-income farmers and (c) it is more acute on farms in the relatively backward villages.

Since various programmes have to be implemented under Integrated Rural Development, the demand for agricultural credit and non-agricultural credit is bound to increase. The Integrated Rural Development Programme is financed partly by subsidy and partly by bank loans. It is essential that provision of subsidy should be linked with credit from the financing institutions. The officers implementing the Integrated Rural Development Programmes (IRDP), at all levels, should be closely associated with the formulation of the district credit plan.

The credit needs of the farmer can be evaluated by examining the present production plan and preparing the projected plan for at least three years and by evaluating the extent of improvement needed in farm resources and the long term investment. Extension effort to educate farmers in the productive use of credit should be a pre condition for any large scale issue of medium-term or long-term credit. In view of the adoption of new agricultural technology, the demand for production credit is not only quantitatively larger than ever before but also qualitatively different.

It is observed in most of the cases, the major problem faced by marginal farmers and agricultural
labourers in getting credit from the co-operatives was that they could not offer security, in the shape of tangible assets. As such, they were not considered to be credit-worthy. Asset-based loan-policies render the access to the institutional credit difficult for tenants, small, marginal and rural artisans.

NEED FOR BORROWED FUNDS

The need for a larger amount of borrowed-funds for the rural people to be utilised for production as well as investment purposes arises from a number of factors, such as low-income and hence low saving of large segments of rural population. Urgency for popularising various types of non-farm activities, at least for small/marginal farmers, agricultural labourers and artisans, arises, in order to step up their incomes and for adoption of modern methods of cultivation besides rising prices of various inputs resulting from inflation.

Traditionally, rural India is capital-starved; only a meagre proportion of the rural people have surplus funds to be ploughed back. This is precisely due to the fact that rural economy presents a deserted scene even today after many a Five Year Plans. Ultimately the future of India lies in the villages only.
In the hierarchy of development goals, rural development has always occupied a significant place; but the promotion of industrial growth and development of an infrastructure for agricultural development the least/the lowest. It was observed that agricultural assets in India (1976) comprised 95 per cent of the rural assets; land alone accounting for 81 per cent of the farmers. It is, therefore, understandable that land is the most important source of rural income. A perusal of the rural-land ownership pattern in India shows that 3/4th of the rural households, who are mostly small/marginal farmers and agricultural labourers, own only around one-quarter of the rural cultivable land. That apart, in the case of Indian National Council of Applied Economics Research (NCAER) study (1979) had estimated that 63 per cent of the rural households had no savings at all.

Low savings-potential and consequent low possibilities of investments from surplus by a large segment of the rural population in India is further

evidenced by the faster rate of growth of rural labour force compared to that of rural labour households, indicating larger-family size calling for higher family expenses; faster growth of non-agricultural labour force compared to that of agricultural labour force suggesting limited labour absorptive capacity of agriculture with uncertain income possibilities; increasing number of marginal farmers and landless coupled with larger number of cases of sales of rural lands all these indicating deteriorating financial conditions of the rural people.\textsuperscript{13} Thus from the above analysis of the condition of rural India, it is clear that the expectation of massive investment out of savings as is called for by IRDP approach is neither realistic nor achievable. Like many of the developing countries, a vast majority of the rural people of India are caught in the vicious circle as described by Nurkse.\textsuperscript{14} Small capacity to save, resulting from low level of income, that itself is the reflection of poor productivity which in turn is the result of small savings.


THE NEED FOR AND EMERGENCE OF INSTITUTIONAL SUPPLY OF CREDIT

Because of the paucity of rural surpluses as stated earlier, a large proportion of rural population in territories comprising India, from time immemorial, have been habitually resorting to borrowings. Unorganised suppliers like professional money-lenders, landlords, big farmers, friends, relatives, neighbours and trade merchants etc., were the only sources of supply till the first-quarter of the 19th century. But the terms and conditions on which funds are available from the unorganised sources have always been unfavourable to the borrowers. And the consequences of such exploitative terms and conditions, time and again, have been found to unbearable and inequitable to the rural borrowers. Some of the problems\textsuperscript{15} connected with contracting loans from money-lenders and landlords include exorbitant rates of interest, manipulation of loan records, personal humiliations, acquisition of borrowers assets, particularly land, all on the plea of default.

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The Government was acquainted with the problems the rural people faced while dealing with the unorganised suppliers of rural credit. Apprehending this, with a view to reducing and eventually replacing the unorganised supply, co-operatives were developed in 1904 in British India.

After partition of India (1947), the Governments of the respective countries initiated steps in promoting additional direct/indirect agencies to supplement efforts of the co-operatives in the field of rural finance. In India, for example, Agricultural Finance Corporation (AFC) was developed to augment the supply of rural credit. Of late, because of higher rural credit requirements arising out of the acceptance of the strategy of IRDP and the rural peoples' preference to use improved technology, Government of India directed the Nationalised Commercial Banks to extend and accelerate their operation in rural areas to supplement the efforts of other existing agencies. Even after the nationalisation of Banks they were not able to fulfil the credit requirement of the rural poor. So, the Government of India thinks it necessary to establish the Banks within the reach of the village people in order to cater their needs.
ORIGIN OF REGIONAL RURAL BANKS

The Banking Commission in its report in the year 1972 mooted for the first time the proposal for setting up of Rural Banks after examining the record of expansion of Commercial Banks' activities. The imposition of emergency in 1975 and consequent declaration of new economic programme (presently the old 20 Point Programme) led to establishment of new set up in organised rural credit structure. The new economic programme aimed at inter alia "devising alternative agencies to provide institutional credit to landless labours, rural artisans and small and small and marginal farmers". In pursuance of this objective view of liquidating rural indebtedness of the rural population, the Government of India appointed on July 1, 1975 a working group under the chairmanship of Sri. M. Narasimham to examine in detail the need for setting up of new Rural Banks as subsidiaries of public sector Banks to cater to the credit needs of the rural people. The working group submitted its report within a month. The Government of India accepted

17. Narasimham, M., was the Additional Secretary in the Department of Economic Affairs, Government of India.
the recommendations of this group and decided to set up Regional Banks. Thus, the Regional Rural Banks came into existence by an Ordinance in 1975; subsequently the Ordinance was replaced by the Regional Rural Banks Act of 1976.

The establishment of these financial institutions has created a great deal of interest among the planners, policy makers and observers of the Indian economy. This innovation in the field of rural credit has added a new dimension to the banking in India. It is considered as a potentially powerful policy-instrument for achieving the objective of rural development mainly through the development of the rural poor.

The Reserve Bank of India in its Report considered the setting up of the Regional Rural Banks as a "development which will have far-reaching effects on the extension of banking facilities to the rural areas". It also stressed the urgency of establishing the Regional Rural Banks since the Commercial Banks in India have been lending a negligible proportion of credit to the rural poor and considering the

need to fill the gap between the available credit facilities and credit needs of the weaker sections in rural sector. It recorded that, though there had been tremendous growth of rural credit over time in the country, the non-institutional sources still accounted for two-thirds of the total agricultural credit in the country.¹⁹ Money-lenders both professional and non-professional, constituted major source of non-institutional credit charged high usurious rates of interest²⁰ and indulged in unscrupulous practices. The poor villagers who were forced by their need were caught in the vicious grip of money-lenders. Some times they were forced to forfeit their rights over their meagre lands in settlements of debts, depriving themselves of the only source of subsistance. The findings of many studies has revealed that the institutional credit, both Cooperative and Bank, is concentrated in a few economically prosperous; a large portion of the institutional credit has gone to the big and medium farmers. The

per acre availability of credit has been very low.\textsuperscript{21} Even the introduction of multi-purpose co-operatives on the recommendations of the All India Debt and Rural Credit Survey and farmers service societies advocated by the National Commission on Agriculture\textsuperscript{22} did not provide viable alternative to the credit problems of the rural population. There are still many unbanked areas in the country though demand for rural credit has improved over the years after the introduction of modernisation in agriculture.

These Banks are expected to supplement and not to supplant the existing institutions operating in the rural areas. They are expected to combine the local 'feel and familiarity' with rural problems which co-operatives possess with the abilities of Commercial Banks, to mobilise the deposits.\textsuperscript{23} The main objective of Regional Rural Banks should not only be to mobilise resources from the region and use them within the same region but also to spread banking in all rural areas for developing banking habits in the countryside.

\textsuperscript{23} Government of India, Draft VI Five Year Plan, 1984, p.151.
The Regional Rural Banks, initially Government owned, regionally-based and rurally-oriented institutions cannot enter the urban or metropolitan centres. The preamble of the Regional Rural Banks Act, 1976, clearly shows that the Banks are set up with a view to developing the rural economy by providing credit and other facilities for various productive activities, particularly to the small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs belonging to the weaker and neglected sections of the rural society. The Government felt that Indian Banks had turned into the "closed shops" of the affluent sections. The rigidity of Commercial Banks and the domination of the affluent in the cooperatives have made the institutional credit mere sour grapes for the rural poor. Hence, it is intended that the new institutions of Rural Banking must rectify this deficiency and work for furthering the development of the rural poor. Within a very short span of their existence, the Regional Rural Banks have become "weak man's Banks". Persons, within the operational jurisdiction of the respective Regional Rural Bank, with rural knowledge and orientation, who are selected as staff are giving the much desired "local touch" make the poor feel, 'most homely' while dealing with Regional Rural Bank branches.
IMPORTANCE OF REGIONAL RURAL BANKS

In India, many people live in rural areas, their main occupation being agriculture. Agriculture needs considerable capital. Indian farmer is not in a position to provide his own capital for his cultivation; has to depend upon money-lenders. After the nationalisation the Commercial Banks, he has turned to raise his agricultural credit from the Co-operatives and Commercial Banks.

Another concept of importance on which the Regional Rural Banking system has evolved is its "low cost" rural based institutions are therefore "eminently suited to implement schemes in the rural areas", with its local touch and language. The Regional Rural Bank grant loans to small and marginal farmers, agricultural labours, rural artisans, small entrepreneurs. The Regional Rural Banks charge a lower rate of interest on advances than the prevailing lending rates of Co-operative Societies in the area; they pay an interest of 0.5 per cent more on deposits. These Banks are permitted to lend ₹1 crore for every ₹15 lakhs of their own deposits.

STATEMENT OF THE PROBLEM

India, the country of villages has nearly 5,75,936 villages. According to 1981 Census, the rural population was 523.85 millions. By 1991, this rural population increased to 627.16 millions. Even according to the rough estimate, it is likely that the rural population would touch 800 millions by 2011 A.D. Of greater importance than sheer members is the fact that the vast majority (almost 70 per cent) of the world's poorest people are located in rural areas; they mainly depend upon the agriculture sector. Survival is their basic problem. These are the unfortunate people who have been bypassed by whatever economic "progress" has been achieved. Nearly 627.16 million people living in rural areas have incomes that are the equivalent of $ 50 or less.

In 1991, about 67 per cent of working population in India was engaged in agricultural sector and its contribution to national income was 37 per cent. The share of income from agriculture sector is

less than the share of employment in agriculture in India. This is primarily due to low productivity per person in agriculture. From the point of view occupational pattern, "out of every ten persons employed in the country, seven are engaged in the agriculture".27 Yet, one cannot merely escape the fact that agriculture is depressed and the productivity per person engaged in it is very low. Hence many are living below poverty line.

With a view to remove poverty, many public policies have come to assume vital importance in post-Independence India. The Government of India, through the following public policies, seeks to intervene in the developmental process as a part of its legitimisation strategy. The important public policies are the Community Development Programme in 195228 and Panchayati Raj in the mid-sixties, intended to ensure people's participation and improving living conditions of rural people. Among these programmes, Intensive Agricultural Area Programme (IAAP), Small

Farmers Development Agency (SFDA), Tribal Area Development Programme (TADP), Command Area Development Programme (CADA), Whole Village Development Programme (WVDP) etc., who were launched with official patronage proved abortive and they were ineffective with target-groups.

Along with these institutional devices, there has been emphasis on modernising agricultural and industrial base. The growth with distribution approach created its own problems calling for new policy initiatives. For instance, the Green Revolution of mid-sixties, while it benefitted better-off sections adversely affected the rural poor which includes rural, small and marginal farmers and agricultural labourers. This led to the widening of the gulf between various sections of the society, resulting in considerable unrest in the rural areas. Consequently, a discussion on the large scale poverty in rural India and formulation of programmes to stem the unrest. This paved the way for the introduction of new strategy to remove poverty and improving economic and social life of the poorest of the poor living in rural areas. A new development strategy was designed known as Integrated Rural Development Programme (IRDP).
The National Workshop on Integrated Rural Development Convened in 1975\textsuperscript{29} stated that in Integrated Rural Development embraced a wide ranging and comprehensive act of activities, pertaining to all aspects of rural economy and covering rural people in their entirety, including cultivators, landless labour, rural artisans and so forth. However, in view of the resource constraints, the first phase was distinguished by laying concentration on agriculture and allied activities, without bringing in activities such as rural housing, public health and education.\textsuperscript{30}

The concept of Integrated Rural Development has gained momentum ever since C. Subramaniam,\textsuperscript{31} the former Finance Minister, in his address to All India Science Congress at Waltair, 1976 viewed it "as a systematic, scientific and integrated use of all our natural resources and as a part of this process, enabling every person to engage himself in a productive and socially useful occupation and earn an income that would meet at least the basic needs".\textsuperscript{32} The need for

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\textsuperscript{29} Ibid., pp.129-130.
\textsuperscript{30} \textit{Kurukshtra}, Silver Jubilee, Number 1, 1977.
\textsuperscript{32} Ibid.
better use and with functional relationship between the use of natural resources with application of Science and Technology, aiming at socially useful occupation and income to meet the minimum needs is well pointed out in this statement. This concept of Integrated Rural Development is viewed from still a broader angle. It has been rightly pointed out by Roy Prodip that "Integrated Rural Development is a multi-level, multi-sector and multi-section concept". As a multi-level concept, it encompasses rural development at various levels in the spatial hierarchy, such as the viable cluster of village communities, block and district. As multi-sector concept, it envisages development in different sectors and sub-sectors of the rural economy such as agriculture and allied activities, industry, education, health and transportation. As multi-sector concept, it attempts the socio-economic development of weaker sections of the rural population, like small and marginal farmers, village artisans, landless labourers, Scheduled Tribes and Scheduled Castes.

Basing on the past experience with the working of the different rural development programmes, there has been an integrated approach since the beginning of the Fifth Five Year Plan. The concept of Integrated Rural Development was outlined in 1976-77; the programme was launched in 1978-79 initially in 2,300 Blocks out of total of 5,011 Blocks covered by the Community Development Programme. In the year 1980, October 2, the Blocks (5,011) of the country were covered by IRDP. Most of the earlier schemes, such as Community Development Programme, Small Farmers Development Agency, Marginal Farmers Development Agency, Drought Prone Area Programme were merged into Integrated Rural Development Programme. This was done because of the following three major reasons:

i) to minimise the multiplicity of programmes;

ii) to approve an integrated approach; to the streamline the multiple objectives of rural development into a common framework; and

iii) to extend the scope of target groups i.e., Small and marginal farmer, rural artisans, agricultural labourers, rural
women and children belonging to poverty groups and the handicapped.

The Integrated Rural Development Programme involves Joint Action by Regional Rural Banks, Commercial Banks and Government Departments and agencies. This programme integrates the development of all the three sectors of economy, viz., primary, secondary and tertiary sectors. This programme is implemented through District Rural Development Agency in each District and the financial assistance is provided by Regional Rural Banks and Commercial Banks. Subsidy is provided for all the schemes included under Integrated Rural Development Programme on the total unit-cost of the scheme. The Lead Bank of the District prepares a credit-plan taking into account guidelines given by the Reserve Bank of India and allots the cluster of villages to each branch, indicating the credit support likely to be available from each branch activity-wise for allotted villages.

The District Rural Development Agency at District level is charged with the responsibility of ensuring the availability of assets, and the infrastructural facilities proposed, co-ordinating with other departments and agencies concerned for the purpose. The Agency's main functions are:
i) to identify target-group families for assistance;

ii) the list of the poorest of poor families should be prepared by the Village Development Officer/Mandal Development Staff;

iii) to identify the economic activities suited to the beneficiaries;

iv) to supply the list of identified beneficiaries and economic activities to be taken by the financing institutions;

v) to provide subsidy-assistance to the identified beneficiaries; and

vi) to ensure the availability of required linkages, both forward and backward, in respect of the economic activities identified.

The Regional Rural Banks and Commercial Banks will provide the necessary finance for the identified beneficiaries for implementation of different schemes under Integrated Rural Development Programme. Apart from the District Rural Development Agency and Banks, there are several organisational committees at District, (or) Mandal and Village levels to administer the programme smoothly.
The concept of Integrated Rural Development Programme was outlined in 1976 and 1977 and the programme was launched in 1978-79. It was only from October 2, 1980, that programme gained momentum after extending it to all the Blocks in the country. In 1979-80, credit mobilised was Rs. 148 crores, which increased to Rs. 198 crores during 1980-81. This was against a target of Rs. 500 crores set for Integrated Rural Development Programme for the banking industry as whole in the country. In the Sixth Five Year Plan 5.3 million families had been identified under Integrated Rural Development Programme for assistance till the end of 31st March 1980. In the Seventh Five Year Plan, 20 million households had been identified under Integrated Rural Development Programme for assistance at the end of 31st March, 1990. The per capita investment per beneficiary rose from Rs. 1,411 in 1980-81 to Rs. 3,339 in 1984-85 and further to Rs. 5,069 in 1988-89 and Rs. 6,009 in 1990-91. During the Sixth Plan period 1,65,00,000 families or eight crore individuals were benefitted by the Integrated Rural Development Programme. The scheme was extended to 5,66,000 villages out of total of 5,75,936 villages in India and the Government proposes a further extension of the programme to remaining villages in the Seventh
Plan period with an outlay of Rs. 3473.99 crores. Of this outlay the subsidy is available for beneficiaries is Rs. 1888.65 crores and Rs. 488.50 crores for infrastructure. During the year, April 1988 to March 1989, 851.472 lakhs of beneficiaries were assisted with an amount of Rs. 26316.15 lakhs.

The Seventh Plan proposed a further coverage of 20 million families under Integrated Rural Development Programme as against 15 million families during the Sixth Plan period. At the end of 1990-91, 200 lakhs people were assisted under this programme.

To study the impact of finance by Regional Bank i.e., Sree Anantha Grameena Bank on income, employment and economic conditions of the beneficiaries from Integrated Rural Development Programme, a case study of Sree Anantha Grameena Bank in Anantapur District has been taken up. Anantha Grameena Bank, one of the Public Sector Banks in the district, has been actively engaged in rural development activities, right from its inception i.e., 1.11.1979. Sree Anantha Grameena Bank has taken up a number of innovative schemes like differential rate of interest-scheme, village-area approach scheme, financing for self-employment schemes, short-term and long-term agricultural-crop loans etc., to help the rural poor
and develop the rural economy. Along with the several Commercial Banks, Sree Anantha Grameena Bank has also been actively involved in the implementation of Integrated Rural Development Programmes. At all India level, Regional Rural Banks have extended financial assistance, to the tune of ₹. 26316.15 lakhs. About 841,472 thousands of persons were assisted in the year 1990-91 under the Integrated Rural Development Programme. At State-level (i.e., Andhra Pradesh), during the period 1989-90, 346,621 thousands beneficiaries were helped with an amount of ₹. 1408.57 lakhs. During the same period, at the District level, Sree Anantha Grameena Bank did extend the financial assistance for IRDP programmes with an amount of ₹. 143.87 lakhs for 3,948 beneficiaries.

Sree Anantha Grameena Bank has been playing an important role in implementing the Integrated Rural Development Programme. The Bank is sponsored by the Lead Bank i.e., Syndicate Bank in District. Sree Anantha Grameena Bank, with its 69 branches, has been participating in the implementation of Integrated Rural Development Programme in Anantapur District.

Sree Anantha Grameena Bank has sanctioned a total loan amount of ₹. 3,90,97,279 in the year 1990-91 under Integrated Rural Development Programme
to 4,242 beneficiaries. With the total number of beneficiaries was 9,926, all Banks in the district with an amount of Rs. 6,45,13,132.

The beneficiaries of Regional Rural Banks and Government Agencies such as District Rural Development Agencies etc., have been confronted with a number of problems during the course of the implementation of the Integrated Rural Development Programme. All these problems can be broadly discussed under three heads as follows:

1. Difficulties in the view of beneficiaries,
2. Difficulties in the view of Bankers, and

Some of the problems, in the viewpoint of beneficiaries, are: (1) lack of adequate resources, poverty, ignorance, illiteracy, (2) lack of satisfactory supportive activities, absence of eligibility for self-employment, wrong identification, (3) lack of infrastructural facilities, (4) lack of marketing facilities, (5) lack of price-support policies, delays in sanctioning and disbursement of loans and subsidy amount, problems of getting second instalment,
distance of bank, high rate of interest, lack of co-ordination among concerned Agencies.

Some of the problems faced by the Bank officials are: wrong identification of borrowers, problems connected with the screening applications, co-ordination among Bank and other Agencies, problems connected with the formulation of Integrated Rural Development Programmes, active involvement of the District Rural Development Agency officials in the preparation of credit plans by the Lead Bank and other financing institutions.

OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. to critically review the working of various anti-poverty programmes with particular reference to the working of Integrated Rural Development Programme;

2. to make an appraisal of the working of Regional Rural Banks i.e., Sree Anantha Grameena Bank, in financing Integrated Rural Development Programme in Anantapur District;
3. to study the socio-economic conditions of the beneficiary-households before and after implementation of the programme;
4. to find out the impact of the programme on income, employment levels and asset-position of the beneficiary-households;
5. to study the problems in financing and implementation of Integrated Rural Development Programme in the study area;
6. to assess the repayment performance of the beneficiary-households, activity-wise; and
7. to study the attitude of the officials of Banks and beneficiaries on various aspects of financing Integrated Rural Development Programme and its impact.

HYPOTHESES

The following hypotheses have been formulated for the purpose of this study:

1. The working and financing of different Integrated Rural Development Programmes/Schemes are not satisfactory in the study area.
2. There is no positive relationship between the amount of loan disbursed and the income, employment generated and asset creation of the Integrated Rural Development Programme beneficiary-households.

3. The repayment performance among the beneficiary-households is not satisfactory in Regional Rural Bank i.e., Sree Anantha Grameena Bank in Anantapur District.

4. The repayment performance is better in the services and business sector compared with agriculture and animal husbandry sectors.

**SAMPLING DESIGN**

The methodology adopted is to compare the post-loan position of the sample beneficiary-households with their pre-loan position. Three stage stratified random sampling method has been employed in the study to select the sample units. In the first stage, Mandals (Blocks) have been selected and in the second stage and third stage, villages and beneficiary-households have been selected by applying simple random sampling technique. The Mandals in the district have been stratified into three groups viz., In Singanamala...
Block, (1) Singanamala, (2) Narpala, (3) Kudair Mandals are developed. In Dharmavaram Block, (1) Dharmavaram, (2) Bathalapalli, (3) Tadimarri are medium level Mandals and in Kalyandurg Block, (1) Kalyandurg, (2) Kambadur, (3) Beluguppa Mandals are less developed. Three villages have been selected from each mandal adopting random sampling procedure. The list of selected villages in each mandal is given in Table 1.1.

A random sample of 240 beneficiary-households (25 per cent of the total) was drawn from the list of borrowers of Integrated Rural Development Programme, financed by Sree Anantha Grameena Bank in probability proportion to the number of beneficiary-households in each village and under each programme. The sample beneficiary-households consist of 79 households in Singanamala, Narpala, Kudair and 77 beneficiary-households in Dharmavaram, Bathalapalli and Tadimarri mandals, 84 beneficiary-households in Kalyandurg, Kambadur, Beluguppa mandals. The sector-wise sample beneficiaries represented 60 households in the

34. Data on Village-wise, Sector-wise coverage of beneficiary-households under IRDP in the Nine Mandals are furnished by DRDA, Anantapur.
<table>
<thead>
<tr>
<th>Name of the Block</th>
<th>Category of Mandal</th>
<th>Name of the selected Mandals</th>
<th>Selected Villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singanamala</td>
<td>Developed Mandals</td>
<td>1. Singanamala</td>
<td>1) Singanamala, 2) Narasapuram (East), 3) Salagamcheruvu.</td>
</tr>
<tr>
<td>Dharmavaram</td>
<td>Middle/Medium Level developed Mandals</td>
<td>1. Dharmavaram</td>
<td>1) Kattakrindapalli, 2) Locherla, 3) Obulanayanipalli.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Bathalapalli</td>
<td>1) Bathalapalli, 2) Musturu, 3) Ragavampalli.</td>
</tr>
</tbody>
</table>
Agricultural sector, 82 in the Animal Husbandry and Industries, Services and Business (ISB) sector is represented by 98 sample households. The study has covered beneficiary-households assisted during the financial year 1986-87; the reference year being 1989-90.

For the selection of beneficiaries, the scheme-wise and village-wise list of beneficiaries for each mandal was prepared. Atleast 5 beneficiaries from each scheme were randomly selected. The details of the sample beneficiary-households are provided in Table 1.2.

Sector-wise, activity-wise, mandal-wise distribution of sample beneficiary-households is presented in Table 1.3.

To study the problems, from the view point of the Bank, one more set of questionnaire was prepared and the following Bank officials were interviewed for the purpose:

1) Lead Bank District Manager
2) Lead District Officer
3) Chairman of Sree Anantha Grameena Bank
4) Managers of Sree Anantha Grameena Bank
5) Field Officers of Sree Anantha Grameena Bank.
### TABLE 1.2

**MANDAL-WISE/SECTOR-WISE DISTRIBUTION OF SAMPLE BENEFICIARIES**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Mandal/Sector</th>
<th>Mandals</th>
<th>Mandals</th>
<th>Mandals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>22 (36.36)</td>
<td>14 (23.33)</td>
<td>24 (40.00)</td>
<td>60 (100.00)</td>
</tr>
<tr>
<td>2</td>
<td>Animal Husbandry</td>
<td>28 (34.15)</td>
<td>30 (36.58)</td>
<td>24 (29.27)</td>
<td>82 (100.00)</td>
</tr>
<tr>
<td>3</td>
<td>Industries,</td>
<td>29 (29.59)</td>
<td>33 (33.67)</td>
<td>36 (36.73)</td>
<td>98 (100.00)</td>
</tr>
<tr>
<td></td>
<td>Services, and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>79 (32.92)</td>
<td>77 (32.08)</td>
<td>84 (35.00)</td>
<td>240 (100.00)</td>
</tr>
</tbody>
</table>

Note: Figures in parenthesis indicate percentages to total.

Source: Primary data from field survey.
### TABLE 1.3

**SECTOR-WISE/ACTIVITY-WISE/MANDAL-WISE DISTRIBUTION OF SAMPLE BENEFICIARIES**

<table>
<thead>
<tr>
<th>SI. Sector/No. Activity</th>
<th>Name of the Mandals</th>
<th>Total units</th>
<th>% to each sector</th>
<th>% to total sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGRICULTURE SECTOR:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>mala varam mala varam mala varam</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Electric Motor/Pumpset</td>
<td></td>
<td>2 4 3</td>
<td>9</td>
<td>15.00 3.75</td>
</tr>
<tr>
<td>4. Orange/lime</td>
<td></td>
<td>2 2 1 1</td>
<td>5</td>
<td>8.33 2.08</td>
</tr>
<tr>
<td>5. Bullocks+Cart</td>
<td></td>
<td>4 2 3 9</td>
<td>15.00 3.75</td>
<td></td>
</tr>
<tr>
<td>Total units in Ag. Sector</td>
<td></td>
<td>21 22 17</td>
<td>60</td>
<td>100.00 25.08</td>
</tr>
<tr>
<td>ANIMAL HUSBANDRY SECTOR:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Milch animal (Buffalow)</td>
<td></td>
<td>8 4 9 21</td>
<td></td>
<td>25.61 8.75</td>
</tr>
<tr>
<td>2. Sheep Rearing</td>
<td></td>
<td>5 2 8 15</td>
<td>15</td>
<td>18.29 6.25</td>
</tr>
<tr>
<td>3. Ramlamb Rearing</td>
<td></td>
<td>3 8 9 20</td>
<td>14</td>
<td>24.39 8.33</td>
</tr>
<tr>
<td>4. Cross Breed Cows</td>
<td></td>
<td>6 3 5 14</td>
<td>12</td>
<td>17.07 5.83</td>
</tr>
<tr>
<td>5. Heifer Calf Rearing</td>
<td></td>
<td>4 4 8 12</td>
<td>12</td>
<td>14.63 5.00</td>
</tr>
<tr>
<td>Total Animal</td>
<td></td>
<td>22 21 39</td>
<td>82</td>
<td>100.00 34.16</td>
</tr>
<tr>
<td>Husbandry Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INDUSTRIES, SERVICES AND BUSINESS SECTOR:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Brick-making</td>
<td></td>
<td>10 8 5 23</td>
<td></td>
<td>23.46 9.58</td>
</tr>
<tr>
<td>2. Silk-spinning</td>
<td></td>
<td>1 3 2 6</td>
<td></td>
<td>6.12 2.50</td>
</tr>
<tr>
<td>3. Mat-weaving</td>
<td></td>
<td>4 5 3 12</td>
<td></td>
<td>12.24 5.00</td>
</tr>
<tr>
<td>4. Petty-Shop</td>
<td></td>
<td>4 4 5 13</td>
<td></td>
<td>13.26 5.42</td>
</tr>
<tr>
<td>5. Garments-making</td>
<td></td>
<td>3 5 4 12</td>
<td></td>
<td>12.24 5.00</td>
</tr>
<tr>
<td>6. Carpentry</td>
<td></td>
<td>3 3 4 10</td>
<td>10</td>
<td>10.20 4.17</td>
</tr>
<tr>
<td>7. Shoe-making</td>
<td></td>
<td>6 4 1 11</td>
<td></td>
<td>11.22 4.58</td>
</tr>
<tr>
<td>8. Lime-burning</td>
<td></td>
<td>5 2 4 11</td>
<td></td>
<td>11.22 4.58</td>
</tr>
<tr>
<td>Total I.S.B. Sector</td>
<td></td>
<td>36 34 28 98</td>
<td></td>
<td>100.00 40.83</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>79 77 84 240</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data from field survey.
DATA COLLECTION

In this research study, the researcher has used both primary and secondary data extensively. The secondary data, such as scheme-wise disbursement of loans and subsidies, number of beneficiaries and problems involved in the implementation of different IRDP schemes were collected from DRDA office of Anantapur and Sree Anantha Grameena Bank Head Office in Anantapur. The primary data were collected from the selected Integrated Rural Development Programme beneficiaries through personal interview with the respondents, with the help of schedules, specially designed for the purpose. Sufficient cross-checking has been done during the personal interviews to ensure reliability and accuracy of the data.

Secondary data were collected from a variety of sources. A number of publications of Reserve Bank of India, NABARD, Sree Anantha Grameena Bank, District Rural Development Agency, Anantapur, Ministry of Panchayat Raj and Rural Development of Government of Andhra Pradesh and Government of India, National Institute of Rural Development, Hyderabad, Bureau of Economics and Statistics, Government of Andhra Pradesh, Centre for Economic and Social Studies (CESS), Hyderabad,
and Institute of Social and Economic Change (ISEC), Bangalore. Further many articles, magazines etc., were extensively used in the course of this research study and a fund of statistical and factual analysis collected from these publications was also made good use of in this research work. Some of the data were in a published form; while in other cases, were in unpublished form.

TOOLS OF ANALYSIS

Appropriate statistical tools have been used to analyse, classify and tabulate the collected data and information so as to draw valid inferences based on the objectives of the study. Multiple regression analysis, regression analysis and paired 't' test were frequently used in the analysis.

CO-EFFICIENT OF VARIATION (C.V.)

Co-efficient of Variation (C.V.) is a relative measures of dispersion. It is computed to compare the relative variations in different phenomenon. Least co-efficient of variation implies greater consistency and vice versa. Co-efficient of variation is computed as follows:

\[
C.V. = \frac{\text{Standard Deviation}}{\text{Arithmetic Mean}} \times 100
\]
PAIRED 't' TEST

To compare the variation in generation of income, employment creation and asset position of the sample beneficiaries for the three sectors i.e., agriculture, animal husbandry and industries, services and business sector financed by Sree Anantha Grameena Bank between the 'pre-loan' and 'post-loan' periods. Paired 't' test Method is employed with the following formula.

\[ |t| = \frac{\bar{d} t^{n-1}}{\sqrt{\frac{S^2}{n-1}}} \]

Where \( d = X - Y \)
\[ \bar{d} = \frac{\sum d}{n} \]
\[ S^2 = \frac{\sum d^2}{n} - (\bar{d})^2 \]

REGRESSION ANALYSIS

To study the impact of Sree Anantha Grameena Bank finance, employment and asset position of the selected beneficiary families in the three sectors. Regression technique employed with the help of the following formula :

\[ Y = ax^b \]
\[ \log Y = \log a + b \log X \]
The functions were of the following form:

(i) \[ Y_1 = A \times b_i \]
(ii) \[ Y_e = A \times b_e \]
(iii) \[ Y_a = A \times b_a \]

Where:

- \( Y_1 \) = Increase in the income
- \( Y_e \) = Increase in the number of employment days
- \( Y_a \) = Increase in the value of assets
- \( A \) = Constant (intercept) term
- \( X \) = Total value of assistance given by Sree Anantha Grameena Bank
- \( b \) = elasticity co-efficient

MULTIPLE REGRESSION ANALYSIS

To study the repayment performance of the sample beneficiaries the following equation is used:

\[ Y = f(X_1, X_2, X_3, X_4, X_5, X_6, \text{and } X_7) \]

\[ Y \] = Overdues (in rupees) (dependent variable)

Where

- \( X_1 \) = Size of holdings (in acres)
- \( X_2 \) = Farm business income (in ₹)
- \( X_3 \) = Percentage of irrigated area (in acres)
- \( X_4 \) = Cropping intensity
- \( X_5 \) = Consumption expenditure per household (in ₹)
- \( X_6 \) = Amount of loan
- \( X_7 \) = Net incremental income from the programme.
LIMITATIONS OF THE STUDY

Due to lack of financial resources and manpower, the researcher confined his research study limited only to Anantapur district. In the implementation of Integrated Rural Development Programme, several Commercial Banks, Co-operative Banks and Regional Rural Banks were involved in the district. The present study is confined to the role of Regional Rural Banks in the implementation of Integrated Rural Development Programme: A Case Study of Sree Anantha Grameena Bank in Anantapur district. In order to maintain some uniformity in collection, compilation and discussion of the problem, relating to procedures, guidelines etc., followed in the credit deployed by the Regional Rural Banks in the implementation of Integrated Rural Development Programme, a detailed study of the problem has been confined only to Sree Anantha Grameena Bank. A fund of information was also collected from various other Commercial Banks operating in the district and involved in the implementation of IRDP in the district. This data were also made use of extensively in order to study the implications and ramifications of the problem under study and also to draw some useful comparative analysis, and inferences of the involvement of Sree Anantha
Grameena Bank vis-a-vis other Commercial Banks in the implementation of IRDP in Anantapur district. The data in respect of Anantha Grameena Bank and its involvement in IRDP in Anantapur district were available, scheme-wise from the year 1981-82 onwards only. Since Sree Anantha Grameena Bank has not maintained proper records satisfactorily prior to the year 1986-87. This is another serious limitation of the study. Before 1986-87, there were Blocks in the district; 1986-87 onwards, mandal division came into force. Hence the problem to divide the beneficiaries mandal-wise was taken. Data relating to the assets and incomes, etc., of the sample beneficiaries were not made available fully by the beneficiaries-respondents, inspite of the best of the efforts made by the researcher for reasons best known to them. The available data that was collected were analysed carefully and presented in this thesis.

CHAPTER SCHEME

This study has been divided into the following chapters:

The first chapter, which is introductory, deals with the objectives, scope and methodology of the study.
Chapter II critically examines the various anti-poverty programmes, their objectives, approaches and the strategy of Integrated Rural Development Programme.

Chapter III presents the institutional rural credit structure, progress and performance of (Regional Rural Banks) i.e., Sree Anantha Grameena Bank in financing of Integrated Rural Development Programme.

Chapter IV contains the socio-economic profile of Anantapur District, and provides details regarding the geographical structure, occupational distribution, infrastructural facilities and financing of Integrated Rural Development Programme in the district.

Chapter V is divided into three sections. Section-I gives the socio-economic conditions of the sample beneficiary-households. Section-II brings out the impact of the institutional financing i.e., Sree Anantha Grameena Bank on the generation of income and employment in different sectors. Section-III explains the repayment performance of the beneficiary-households of different sectors.

Chapter VI devoted to a detailed analysis of the various problems faced by the beneficiary-households and different agencies.

Chapter VII summarises the findings of the study.