CHAPTER II
ROLE OF COMMERCIAL BANKS IN AGRICULTURAL FINANCE WITH SPECIAL REFERENCE TO STATE BANK OF INDIA
Money-lenders and indigenous bankers have been playing an important role in the agrarian economy. The money-lenders provide loans to the people in times of need, mainly for consumption purposes and to some extent for agricultural development.

The money-lenders are classified into two categories: (i) Professionals and (ii) Non-professionals. Professional money-lenders primary business is money-lending. They are known as banias, mahajans, etc. Professional money-lenders usually hold licences for the money-lending.

Non-professional money-lenders do not conduct money lending as their main business. They are mainly engaged in other types of activities but they may lend money out of surplus funds. They are landlords, agriculturists, traders, pensioners, priests, rich widows.

Farmers need finance for purchasing of seeds, fertilizers, pesticides and to pay for the labour and others. The money-lenders extend finance at exorbitant rate of interest and the terms and conditions laid down by them are exploitative. The money-lenders may advance loans even for unproductive purposes. Borrowing from
money-lenders may prevent the farmers in maintaining high standard of living. Eventhough credit is used for agricultural development, the additional income goes to the lender, on account of high rate of interest, and not to the farmer. The money-lender-cum-trader generally advances the loan on the condition that he has to sell the farm produce (whatever the crop may be) to him or through him. Moreover, the lender insists that the borrower has to purchase the required farm inputs from his shop. It is also important to note that some of the borrower farmers who sell the produce on credit and may not get his sale proceeds immediately after the harvest. In view of the said malpractices adopted by lenders credit was considered as a hangman's rope. Though the credit from non-institution agencies has its own demerits, yet the farmers are seeking the credit from money-lenders as they provide credit for any purpose as and when they require, without any formalities and may not even insist for any security. Moreover the farmer feels that the repayment of the loan is fixed according to his convenience.

The All India Rural Debt and Investment Survey has estimated that in 1961-62, money-lenders provided about 49 per cent of agricultural credit as against 70 per cent in 1951-52. The relative position of money-lenders has more or less remained the same in 1970-71.
Indigenous bankers were also a source of finance according to the Indian Central Banking Enquiry Committee, an indigenous banker is defined as "any individual or private firm receiving deposits and dealing in hurdles or lending money".

Indigenous banking is mostly confined to certain castes like Khatris, Jains, Marwaris, Cheths etc.

According to the Banking Commissions (1972) estimate, there were about 2,500 indigenous bankers in the country in 1971. As per membership records, there were 400 Multani shroffs, 350 Gujarath Shroffs, 400 Kyas and 50 Chettion firms.

According to the All India Census, 1971, there were 33,741 money-lenders and indigenous bankers, of which 19,058 were confined to the urban areas. No current statistics are available.

Indigenous bankers also extend credit for financing trade and industry, they were for long the trusted custodians of the deposits of people and royalty alike. Besides needing the requirements of royal treasuries, they were the main source of finance for agriculture, industry and trade. The importance of money-lenders and indigenous bankers was however some what
reduced following the establishment of agency houses and presidency banks patronised by the East India company towards the end of the Seventeenth century. It was then that 'modern banking' tooks its birth.

The earliest of banks started was the Bank of Hindustan in 1770 by Alexander and Company of Calcutta which was closed down in 1832. Three Presidency Banks were set up subsequently Bank of Bengal in 1809, Bank of Bombay in 1840 and Bank of Madras in 1843. The Presidency Banks were quasi-Government institutions incorporated under charter from the local Government which also contributed to share capital and appointed its directors on their Boards. They were entrusted with the cash balances of Government and management of public debt. They were also permitted to issue notes up to certain specified limits until 1862 when the sole right to issue notes came to the vested in the Government of India. Several small banks and financial companies were floated around the period 1863-65, but almost all of them proved a failure. Only one bank (Allahabad Bank) was started during the period 1865-1870.

During the boom period of 1906-13, there was a mushroom growth of banks. Many prominent banks also came into existence during this period. They were the
Bank of India (1906), the Canara Bank (1906), the Bank of Baroda (1908), and the Central Bank of India.¹

Bank crisis took place in the twentieth century, the Indian joint-stock banks had a checked career in the country. The banking sector experienced severe setbacks during the period 1913-17, as 108 banks failed and another 373 banks failed in 1922-36 which was again followed by the failure of 620 more banks in 1937-48.

Eventually, at the time of Independence (in 1947) India inherited an extremely weak banking structure. Immediately after the attainment of Independence the country was facing the problems like poor agriculture (shortage of food), Industrial backwardness, unemployment. At that time Banking system was mostly urban-orientation, comprising 544 small non-scheduled banks and 96 scheduled banks, giving bulk finance to the trading sector. Moreover, only a few of them possessed an all-India character, while most of them had limited geographical coverage as far as their business is concerned.

Before examining the evolution of Imperial Bank and its nationalisation, an attempt is made to analyse the

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importance of cooperative credit institutions and Regional Rural Banks which are also providing finance to the agriculturists. This exercise helps in understanding how different agencies extending finance to the agricultural sector.

CO-OPERATIVE BANKING:

The co-operatives play an important role in the Indian financial system especially in the rural areas. The first Co-operative Societies Act was passed in the year 1904 by the Government of India. The total number of all types of co-operative credit institutions in India at the end of June 1981 was over 1.23 lakhs with total membership of over 830 lakh and their working capital amounting to ₹18,121 crores. During 1989-90 (June-July) total deposits of co-operative banking sector (State/Central and Primary Level taken together) increased to ₹25,165 crores in 1989-90 from ₹22,214 crores in 1988-89, indicating a lower growth of 13.3 per cent compared to 22.2 per cent in the previous year. Loans issued by State Co-operative Banks, Central Co-operative Banks and Primary Agricultural Credit Societies (PACS), increased by ₹68 crores, ₹1,649 crores and ₹592 crores respectively.
It is said that the cooperatives are controlled by the influential farmers, which destroys the basic theme of the cooperation. Majority of the farmers with special reference to marginal and small farmers are not the members of the cooperative societies. Further, the financial position of cooperatives is weak and are suffering from the problem of over-dues. It is also important to note that "Even in the States where the cooperative institutions are working very satisfactorily, the credit provided by them is far too inadequate to satisfy the needs of agriculture".\(^2\) It only means that the credit cooperatives for various reasons are unable to provide all types of credit. Hence the need for other institutional agencies to meet the credit requirements of the farmers.

REGIONAL RURAL BANKS:

On the recommendations of the M. Narasimham Committee, the Regional Rural Banks (RRBs) Ordinance was promulgated by the President on 26th September, 1975 and came into force with immediate effect. RRBs have to establish its branches in rural areas and help the marginal and small farmers, petty traders, artisans and

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other weaker sections by providing financial assistance. Initially in 1975, only five branches were started. By the end of March 1985, there were 183 RRBs established in the country covering 322 districts spread over 23 States. By December 31, 1986 there were 12,838 branches. Uttar Pradesh claims to have the largest number of branches accounting to 2,787; Bihar second place 1,775 branches.

In June 1987, 194 reporting RRBs have aggregate deposits of Rs. 1,809 crores and advances Rs. 1,897 crores. 92 per cent of the total advances were made by the RRBs to the weaker sections.

In December 1986, the RRBs obtained re-finance amounting to Rs. 246.9 crores from the sponsor banks. They borrowed Rs. 226.9 crores of short-term loans and Rs. 80.3 crores of medium-term loans from the NABARD.

In 1921, the Imperial Bank of India was setup by the amalgamation of the three presidency banks which performed a few central banking functions, though primarily it remained as a commercial bank. Specifically, the Imperial Bank squed as a banker to the government and in some capacity as banker's bank till the establishment of the 'Reserve Bank of India' on 1st April 1935 under the Reserve Bank of India Act, 1934.
The All India Rural Credit Survey Committee in December 1954 has recommended the Nationalisation of Imperial Bank of India (IBI) and ten major state-associated banks with a view to extend institutional credit to priority sectors, through branch expansion programmes. Banking Regulations Act of 1949 empowered the Reserve Bank of India to regulate the lending practices of the Commercial Banks. It is surprising to note that the share of Commercial Banks in total agricultural advances was just 0.9 per cent in 1952. On July 1st, 1955, the Imperial Bank of India has nationalised and in its place, 'The State Bank of India' was came into existence. July 1st, 1955 is thus, considered as a Red Letter Day and a new chapter of state-ownership in the history of Commercial Banking in India. In 1959, the State Bank of India (Subsidiary banks) Act was passed enabling the State Bank of India to take over some state-associated banks as its subsidiaries. These subsidiaries are now known as "Associate Banks". The object in recommending the setting up of a State Bank of India is the "creation of one strong integrated State-sponsored, State-partnered commercial banking institution with an effective machinery of branches spread over the whole country providing vastly extended remittance facilities for cooperative and other banks and following a policy,
### TABLE 2.1

COMMERCIAL BANKING SYSTEM AT THE END OF JUNE 1969

<table>
<thead>
<tr>
<th></th>
<th>Private Sector</th>
<th></th>
<th>Public Sector</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign Banks</td>
<td>Indian Scheduled Banks</td>
<td>Non-Scheduled Banks</td>
<td>State Bank of India</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Major Banks</td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td>Number of Banks</td>
<td>150</td>
<td>14</td>
<td>36</td>
<td>16</td>
</tr>
<tr>
<td>Number of offices</td>
<td>130</td>
<td>4130</td>
<td>1324</td>
<td>214</td>
</tr>
<tr>
<td>Deposits (Rs. in crores)</td>
<td>478</td>
<td>2632</td>
<td>296</td>
<td>28</td>
</tr>
<tr>
<td>Credit (Rs. in crores)</td>
<td>388</td>
<td>1829</td>
<td>197</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India, Report on trend and progress of Banking in India, 1969-70.
which will not deviating from the canons of sound business, will be in effective consonance with the national policies as expressed through the Central Government and the Reserve Bank.\(^3\)

THE BANK NATIONALISATION AND COMMERCIAL BANKS:

SOCIAL CONTROL OF BANKS:

The scheme of Social Control was, however, introduced by the Government of India on December 14, 1967, when the then Finance Minister, Sri. Morarji Desai made a statement in the Lok Sabha while explaining its objectives, main features and the mode of functioning, he stated that there was no need for nationalising banks at that time, and social control measures alone would effectively serve the purpose. It was felt that commercial banks must extend finance to the agricultural sector and also the banks should take the responsibility of establishing egalitarian society.

The important objectives of Social Control of Banks are:

1. To stress the need for extending banking services to the rural poor.

2. To provide bank finance to the priority sectors such as agriculture, small-scale industries and promoting of exports.

3. To strengthen the banking system so as to sustain public confidence in the functioning of banking and to promote the growth of banking on sound lines.

4. To provide a uniform and all-round development of the banking structure by appropriate expansion, co-ordination and integration after the allied banking institutions.

5. To make the banking system re-orient its functioning, expansion and credit allocation in line with plan requirements for facilitating rapid economic growth and achieving the ideals of a socialist pattern of society.

6. To check concentration of economic power through equitable distribution of bank credit.

7. To meet the challenges of the economic problems such as inflation, through the effective integration of monetary policy with fiscal measures.

8. To impart greater flexibility and mobility to the monetary and fiscal policies of the Government.
The basic aim behind the introduction of Social Control over banks was to enable banks to serve the cause of economic growth more efficiently and realise social objectives more effectively without resorting to the extreme step of nationalisation.

Social Control measures have not yielded the desired outlay and as such 14 major commercial banks in India were nationalised on July 1969.

IMPORTANT OBJECTIVES OF NATIONALISATION:

1. Providing adequate training as well as reasonable terms of service to the bank staff.
2. Professionalisation of bank management.
3. Extending banking facilities to the unbanked rural areas.
4. The elimination of concentration of economic power in the hands of a few and to achieve the goal of socialistic pattern of society.
5. Fostering of new classes of entrepreneurs, so as to create, sustain and accelerate economic growth. Financing the neglected sections of the society viz., marginal and small farmers, agricultural labourers etc.
6. Diversification of the flow of bank credit towards priority sectors such as agriculture, small industry and weaker section and for the development of backward areas.

In a nutshell the main objective of nationalization of commercial banks was to take the banking facilities wherever they are needed for achieving the economic development. It is also a fact that the economic development alone cannot solve the problems like poverty, unemployment need for attacking the problem of poverty to achieve the economic development. It is appropriate to quote the views of former Prime Minister Mrs. Indira Gandhi: "We advocate public sector for three reasons — to gain control of the commanding heights of the economy; to promote critical development in terms of social gain or strategic value rather than primarily in consideration of profits and to provide commercial surpluses with which to finance further economic development."

The commercial banks can play an important role in the process of economic development. The commercial banks are the critical resource centres and the engines of economic growth.

4. Speech of former Prime Minister, Mrs. Indira Gandhi, delivered in a seminar on Public Enterprises at New Delhi on June 14, 1966.

Prior to the nationalisation of banks, banking industry was mostly confined to urban needs, moreover the commercial banks motive (before nationalisation) was on profit making as they were in private sector. As a result they have not taken interest to extend finance to the rural areas, with special reference to agriculture, which is a risk prone activity. On the other hand, the demand for agricultural credit had gone up substantially as a result of Green Revolution. The need for institutional credit is quite obvious. As majority of the farmers are unable to allocate finance for development activities, adequate and timely finance at reasonable terms is a Sine-qua-non. Obtaining credit for developmental activities cannot be considered as an evil. To oil the wheels of agricultural production, credit plays an important role. Agricultural credit is no longer viewed as an instrument for causing the extension of the farmers. On the contrary, it is visualised as an economic ladder helping in the upliftment of the wretched peasantry. Finance provided by the institutional sources will help the farmer in meeting the immediate requirements and also for effecting land improvements, providing irrigational facilities, purchasing of agricultural tools & implements etc. It was also felt that apart from developing agriculture, the other stages of the economy, which were
received less importance prior to nationalisation, needs to be developed to achieve the overall development. For this purpose finance has to be mobilised by expanding the branch network.

EVOLUTION OF PUBLIC SECTOR BANKING THROUGH BANKS NATIONALISATION:

In India bank nationalisation took place in three phases:


On July 1, 1955 the Government of India nationalised the Imperial Bank of India and converted it into State Bank of India (SBI). Later on in 1959-60, seven subsidiary State Banks were also nationalised to form the State Bank of India Group.

Further, on July 19, 1969, fourteen major Indian scheduled banks (with deposits of over Rs. 50 crores) were nationalised by the Government with a view to realise the national priorities and objectives.
In short, it can be said that the nationalization of banks implied a bold and major economic step in the process of banking reforms in the country to have public sector banking. To reduce the regional imbalances with regard to the availability of banking institutions, is also one of the prime objectives of nationalisation of banks in 1969. Further, the nationalisation of the banks have paved the way to have close coordination between State Bank of India and its subsidiaries. This may enable the State Bank of India to formulate and implement its own policies and programmes. Nationalisation of banks facilitated a wider coverage.

STATE-WISE DISPARITIES AND DEVELOPMENT:

There has been an uneven growth of banking in the different states of the country. Only a few advanced states were fairly served and a majority of them had poor banking facilities.

In June 1969, the all-India average population bank office ratio was 65,000. But most states were having a much higher population-bank ratio than the national average. For instance, the population-bank ratios of some of the states were as follows: Andhra Pradesh 75,000; Assam 198,000; Bihar 207,000; Jammu & Kashmir 114,000; Madhya Pradesh 110,000; Manipur 497,000;
Nagaland 205,000; Orissa 212,000; and Uttar Pradesh 119,000. These figures clearly bring-out the fact of great deficiency in banking facilities obtained in these states in 1969. Further, only a few states were in a better position for instance, the population bank office ratio for Gujarat was 34,000; Haryana 57,000; Karnataka 38,000; Maharashtra 44,000; Punjab 42,000 and Tamil Nadu 37,000. Detailed information is furnished in Table 2.2.

In June 1991, the all-India population per bank ratio came down to 11,000. The population per bank ratio for Andhra Pradesh has also dropped to 12,000 which matches with the national average. The population bank ratios for other states have also dropped to the following figures: Assam 16,000; Bihar 14,000; Jammu & Kashmir 8,000; Madhya Pradesh 12,000; Orissa 13,000 and Uttar Pradesh 13,000.

The overall growth of bank branches has removed the regional imbalances in the country, as a result of the Reserve Bank of India's directive steps in the direction of improvement of the banking industry. The analysis clearly reveals the fact that tremendous progress has been achieved after the nationalisation of the commercialisation of banks. Opening of bank branches in rural areas is of paramount importance in developing banking habit among the rural population.
### TABLE 2.2

TREND OF STATE-WISE POPULATION-BANK OFFICE RATIO

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>75</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>Assam</td>
<td>198</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>3</td>
<td>Bihar</td>
<td>207</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>Gujarat</td>
<td>34</td>
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<td>10</td>
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<tr>
<td>5</td>
<td>Haryana</td>
<td>57</td>
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<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Himachal Pradesh</td>
<td>80</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Jammu &amp; Kashmir</td>
<td>114</td>
<td>8</td>
<td>8</td>
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<tr>
<td>8</td>
<td>Karnataka</td>
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<td>9</td>
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<tr>
<td>9</td>
<td>Kerala</td>
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<td>9</td>
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<td>10</td>
<td>Madhya Pradesh</td>
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<td>12</td>
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<td>11</td>
<td>Maharashtra</td>
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<td>12</td>
<td>Manipur</td>
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<td>Meghalaya</td>
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<td>Nagaland</td>
<td>205</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>15</td>
<td>Orissa</td>
<td>212</td>
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<td>16</td>
<td>Punjab</td>
<td>42</td>
<td>8</td>
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<td>17</td>
<td>Rajasthan</td>
<td>70</td>
<td>11</td>
<td>11</td>
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<tr>
<td>18</td>
<td>Sikkim</td>
<td>-</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>19</td>
<td>Tamil Nadu</td>
<td>37</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>20</td>
<td>Tripura</td>
<td>276</td>
<td>13</td>
<td>12</td>
</tr>
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<td>21</td>
<td>Uttar Pradesh</td>
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<td>22</td>
<td>West Bengal</td>
<td>87</td>
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<td>13</td>
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<td>23</td>
<td>Andaman &amp; Nicobar</td>
<td>82</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>24</td>
<td>Arunachal Pradesh</td>
<td>-</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>25</td>
<td>Chandigarh</td>
<td>7</td>
<td>4</td>
<td>4</td>
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<tr>
<td>26</td>
<td>Dadra &amp; Nagar Haveli</td>
<td>-</td>
<td>15</td>
<td>15</td>
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<td>27</td>
<td>Delhi</td>
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<td>28</td>
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<td>Mizoram</td>
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<tr>
<td>31</td>
<td>Pondichery</td>
<td>-</td>
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</tr>
<tr>
<td>32</td>
<td>Daman &amp; Diu</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All India Total</td>
<td>65</td>
<td>12</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India, Report on Trend and Progress of Banking in India, 1990-91 (June-July).
To correct the regional imbalances in banking coverage, it has been suggested that the banks should take up the schemes like an approach to the Lead Bank Scheme in their branch expansion programme.

Immediately after the nationalisation a study group headed by Prof. D.R. Gadgil suggested that the 'Area Approach' needs to be taken up for the faster growth of banking in the country. A committee of banker headed by F.K.F. Nariman also felt that each bank should connected to a few districts. Accordingly Reserve Bank of India accepted the recommendations and launched the Lead Bank Scheme in December 1969. Under the Lead Bank Scheme each Nationalised Bank was allotted a district or a group of districts. The concerned bank has to act as a lead bank. The Lead Bank will undertake a techno-economic survey of the district to identify the potential in opening bank branches and also to deposit mobilisation. Lead Bank for deployment of credit under various areas of priority sectors covered 460 districts in the country upto the end of April 1991.

Further the lead bank formulate and implement credit plans and also to monitor and evaluate the performance of banks in financing the various schemes meant for the development of different sections of society.
This may also facilitate mobilising deposits from the rural areas. This goes in a long way in reducing the cost of administration and also helps in speedy recovery of loans.

Integrated Rural Development Programme (IRDP) comprises of several sub-programmes launched with an objective of improving the living standards of the rural poor. Further, District Industries Centres (DICs) have come up to assist and develop small industries and small business sectors. It is important to note that under IRDP, subsidy and margin money is being provided by the District Rural Development Agency (DRDA). Scheduled Caste Corporation and Backward Class Corporations have also helped the Scheduled Castes and Backward Castes to get easy finance from the banks without any difficulty. Several self-employment programmes were also financed by the banks. Modernisation of agriculture will solve many of the problems of our country. Keeping this view in mind agro-service centres have come forward to hire the required agricultural implements and tools and to provide inputs like fertilizers, pesticides, insecticides etc. With a view to assist the poorest of the poor differential interest schemes (DRI) were initiated in 1972. For this scheme commercial banks have to
earmark at least one per cent of the total advances. The beneficiaries under this scheme avail the benefits like low interest rate, security is not insisted on the advances made, high rate of subsidy etc. This scheme has been useful to weaker sections in availing credit.

As at the end of June 1991, outstanding advances of Public Sector Banks under the Differential Rate of Interest (DRI) scheme amounted to Rs. 643 crores in 34.58 lakh borrowal accounts as against Rs. 708 crores in 42.87 lakh borrowal accounts. Advances of banks under DRI Scheme as at the end of June 1991 formed 0.7 per cent (as against the target of 1.0 per cent) of their total advances outstanding as at the end of March 1990. As at the end of June 1991, outstanding advances granted under the scheme to beneficiaries belonging to Scheduled Castes/Scheduled Tribes amounted to Rs. 291 crores in 16.13 lakh borrowal accounts, forming 45.3 per cent of total DRI advances which exceeds the prescribed target of 40 per cent.

Population group-wise position of commercial bank branches as on June 30, 1991 is presented in Table 2.3.
<table>
<thead>
<tr>
<th>Population Group</th>
<th>July 1969</th>
<th>Percentage to the total</th>
<th>June 1990</th>
<th>Percentage to the total</th>
<th>June 1991</th>
<th>Percentage to the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>1860</td>
<td>22.3</td>
<td>34494</td>
<td>58.1</td>
<td>35187</td>
<td>58.4</td>
</tr>
<tr>
<td>Semi-urban</td>
<td>3344</td>
<td>40.2</td>
<td>11255</td>
<td>19.0</td>
<td>11269</td>
<td>18.7</td>
</tr>
<tr>
<td>Urban</td>
<td>1456</td>
<td>17.5</td>
<td>7582</td>
<td>12.7</td>
<td>7615</td>
<td>12.7</td>
</tr>
<tr>
<td>Metropolitan/Port Towns</td>
<td>1661</td>
<td>20.0</td>
<td>6057</td>
<td>10.2</td>
<td>6119</td>
<td>10.2</td>
</tr>
<tr>
<td>Total</td>
<td>8321</td>
<td>100.00</td>
<td>59388</td>
<td>100.00</td>
<td>60190</td>
<td>100.00</td>
</tr>
</tbody>
</table>

It can be depicted from the Table 2.3 that the percentage of bank offices in rural areas to the total number of branches by June 1991 was 58.4. While this percentage was only 22.3 per cent as on July 30, 1969. During the same period the population served by a bank office registered a significant achievement from 65,000 per bank office in 1969 to 11,000 per bank office in 1991. This clearly shows the tremendous progress achieved in regard with branch expansion after the nationalisation of the commercial banks. As more than 50 per cent of the branches of commercial banks have opened its branches in rural areas, the commercial banks' participation in rural development is of no less importance.

DEPOSIT MOBILISATION:

During the financial year 1990-91, there was a distinct deceleration in deposit growth of Scheduled Commercial Banks (including Regional Rural Banks) aggregate deposits increased by Rs. 25,584 crores (15.3 per cent) as compared with Rs. 26,809 crores (19.1 per cent) in 1989-90. Although during the first quarter (April-June) of 1991-92, acceleration of aggregate deposits at Rs. 6,566 crores was higher than that of Rs. 6,129 crores in the first quarter of 1990-91. In percentage terms it was lower at 3.4 per cent as compared with 3.7 per cent.
The declaration in growth of aggregate deposits is attributable to various factors such as attractive returns and tax concessions offered on alternative savings instructions, competition from mutual funds, growing current account deficit and consequential depletion of foreign exchange reserves.

PRIORITY SECTOR TARGETS:

In accordance with the national objectives, the public sector banks have been directed to extend credit to the priority sectors, which include agriculture and the allied activities, village and cottage industries, small scale industries, professionals and self-employed persons, small transport operators, retail trade and small business. Furthermore, banks have been advised to reach a certain minimum level of lending to specified sectors and sub-targets have also been set for certain activities within the priority sectors and some specific target groups. Particularly it was felt that adequate investment in agriculture may facilitate to adopt new farm technology and to take up suitable cropping pattern which means an increase in agricultural production and in turn facilitate the higher income, to generate additional employment. The details in respect of targets, sub-targets prescribed from time to time are analysed in Table 2.4.
TABLE 2.4
PRIORITY SECTOR TARGETS

<table>
<thead>
<tr>
<th>Purpose/Category of Beneficiaries</th>
<th>Target prescribed (of net bank credit)</th>
<th>To be reached by</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Aggregate advances to priority sectors</td>
<td>40 per cent</td>
<td>March 1985</td>
</tr>
<tr>
<td></td>
<td>16 per cent</td>
<td>March 1987</td>
</tr>
<tr>
<td>2. Direct advances for agriculture and allied activities</td>
<td>17 per cent</td>
<td>March 1989</td>
</tr>
<tr>
<td></td>
<td>18 per cent</td>
<td>March 1990</td>
</tr>
<tr>
<td>3. Advances to weaker sections</td>
<td>10 per cent</td>
<td>March 1985</td>
</tr>
</tbody>
</table>

PRIORITY SECTOR ADVANCES BY PUBLIC SECTOR BANKS:

Data in respect of outstanding advances to priority sectors by public sector banks are presented in Table 2.5. The proportion of priority sector advances of public sector banks to their total bank credit, which had touched 42.3 per cent at the end of June 1990, moved down to 40.9 per cent by the end of June 1991, but was above the prescribed target of 40 per cent. Within the priority sectors, the share of advances to agriculture declined from 18.0 per cent as at the end of June 1990 to 16.4 per cent as at the end of June 1991 reflecting the impact of the agricultural and rural debt relief scheme, 1990. The share of small scale industries in priority sector advances increased from 15.5 per cent to 16.1 per cent and the share of other priority sectors declined from 8.8 per cent to 8.4 per cent over the same period. The target for direct finance to agriculture was set at 18 per cent at net bank credit to be attained by March 1990; as against this target banks had reached a proportion of 16.7 per cent at the end of June 1990. However, the proportion declined to 15.3 per cent at the end of June 1991 due to the loan waiver scheme referred to above. The share of Scheduled Castes and Scheduled Tribes in priority sector advances stood at
TABLE 2.5

ADVANCES TO THE PRIORITY SECTORS BY PUBLIC SECTOR BANKS

<table>
<thead>
<tr>
<th></th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Agriculture</td>
<td></td>
</tr>
<tr>
<td>a) Direct</td>
<td>162 (5.4)</td>
</tr>
<tr>
<td></td>
<td>40 (1.3)</td>
</tr>
<tr>
<td>b) Indirect</td>
<td>122 (4.0)</td>
</tr>
<tr>
<td>II. Small Scale Industries</td>
<td>257 (8.5)</td>
</tr>
<tr>
<td>III. Other Priority Sector advances</td>
<td>22 (0.7)</td>
</tr>
<tr>
<td>IV. Total Priority Sector advances</td>
<td>441 (14.6)</td>
</tr>
<tr>
<td>V. Net Bank Credit</td>
<td>3016 (100.0)</td>
</tr>
<tr>
<td>VI. Percentage of Priority Sector advances to net bank credit</td>
<td>14.6</td>
</tr>
<tr>
<td>VII. Percentage of direct agricultural advances to net bank credit</td>
<td>1.3</td>
</tr>
</tbody>
</table>

8.0 per cent as at the end of June 1991. Whenever the prices come down the farmer need not resort to distress sales as the commercial banks also provide credit against the warehouse receipt. The overall picture that emerged from the analysis is as a result of branch expansion, the advances to agriculture, small scale industry have gone up considerably. Moreover the neglected sections of the society have also been benefited from the financial assistance extended by the network of commercial bank branches.

CREDIT DEPOSIT RATIO:

For the healthy growth of the banks they have to maintain a good credit-deposit ratio of 60 per cent in rural and semi-urban areas. Expansion of banking activities led to an increase in the credit-deposit ratio 59.3 by February 1991 against 37 per cent in June 1969.

The credit-deposit ratio as on March 1991 for rural branches of all scheduled commercial banks stood at 60.1 per cent as against the target of 60 per cent. The average credit-deposit ratio of public sector banks in respect of their rural branches at 57.7 per cent which was lower than the target.
The performance at the all India level, of both public and private sector banks in respect of credit-deposit ratio of their semi-urban branches stood at 49.8 per cent and 47.5 per cent respectively, which are below the set target.

It is also important to note that the commercial banks have not only extended the financial assistance, wherever it is required but also taking up other public welfare schemes like blood donation camps, family planning camps, tree plantation programmes, adult education programmes etc. This clearly shows how commercial banks are taking initiative in the process of development.

RECOVERY OF DIRECT AGRICULTURAL ADVANCES - PUBLIC SECTOR BANKS:

The recovery of public sector banks in respect of their direct agricultural advances as a percentage to demand, which has risen marginally from 56.8 per cent for 1987-88 to 57.3 per cent in 1988-89, declined to 46.8 per cent in 1989-90 (June-July) shown in Table 2.6.

IMPERIAL BANK TO STATE BANK OF INDIA:

The Imperial Bank of India was established on 27th January 1921 by amalgamation of the three Presidency Banks of Madras, Bombay and Bengal in pursuant of the Imperial Bank of India Act, 1920, with the 70 branches.
### TABLE 2.6

**RECOVERY OF DIRECT AGRICULTURAL ADVANCES - PUBLIC SECTOR BANKS**

<table>
<thead>
<tr>
<th>Year ended June</th>
<th>Demand</th>
<th>Recovery</th>
<th>Overdues</th>
<th>Percentage of recovery to demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>5113</td>
<td>2906</td>
<td>2207</td>
<td>56.8</td>
</tr>
<tr>
<td>1989</td>
<td>5858</td>
<td>3355</td>
<td>2503</td>
<td>57.3</td>
</tr>
<tr>
<td>1990</td>
<td>5484</td>
<td>2566</td>
<td>2918</td>
<td>46.8</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India Bulletin, 1992, April, p.34.
Thus a sound and unified quasi-central banking institution came into existence.

Originally it was intended that the Imperial Bank should be gradually developed into a full-fledged central bank. It is important to note that the Imperial Bank of India provided stability and extended banking facilities to the remote areas of the country. It came to be realised that the co-operation and the rapport established between the presidency banks and the Government could get further stimulus by this newly set up Imperial Bank.6

K.N. Raj remarked that the constitution of the Imperial Bank was a conscious experiment with the application of central banking principles to a country which had yet to make so much headway in the organisation of credit.

The Imperial Bank of India has its own history in the Indian banking system until 1935, the Imperial Bank of India acted as the sole banker of the Government and was the custodian of the Government bonds. Hilton Young Commission recommended in 1926 to creation of separate bank, to be called the Reserve Bank of India; 6

to perform central banking functions, so as to leave
the Imperial Bank of India entirely free to perform
the commercial banking business. And in 1935, Reserve
Bank of India was established.

The Agricultural Finance Sub-Committee, 1945
(Chairman, D.R. Gadgil) emphasised the need for a single
state agency to meet the credit needs of the agricultural
sector. 7 Immediately after the attainment of Indepen­
dence (in 1947) there was a demand for the nationalisa­
tion of the key and basic industries, the Reserve Bank
of India and the Imperial Bank of India. This demand
was made due to the bank's peculiar and strong position
in Indian banking system and as "it was managed by
foreigners and the management was highly bureaucratic. 8
The Government accepted the principle of nationalisation
of Imperial Bank of India.

THE REASONS BEHIND THE NATIONALISATION OF IMPERIAL BANK:

i) The surplus available in rural areas might
be mopped up for the benefit of the national
economic development.

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7. Report of the Agricultural Finance Sub-Committee,
1947, p.38.
8. Narendra Kumar, "Bank Nationalisation in India",
Symposium, 1969, p.46.
ii) To supply the agricultural credit necessary for taking up the new agrarian reforms introduced in the country.

iii) To extend financial assistance to promote the cooperative institutions with special reference to marketing and the ware-housing.

STATE BANK OF INDIA:

It is important to note that the 'All India Rural Credit Survey Committee' in its Report emphasised the need for setting up a new institution (in collaboration with Reserve Bank) to open bank branches in rural areas. On 16th April 1955 the State Bank of India Bill was passed and got the President's assent on 8th May, 1955 and the act came into force on 1st July, 1955 and from this date the whole of the undertakings of the Imperial Bank of India within the country was transferred to the State Bank.  

Thus, a landmark in the Indian Banking was the inauguration on 1st July, 1955 of the State Bank of India which took over the undertaking of the Imperial Bank of India in terms of the State Bank of India. 

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The State Bank of India (subsidiary banks) Act, 1959, was passed and it received the assent of the President on 10th September 1959\textsuperscript{11} to nationalise the subsidiary banks that they have left out at the time of nationalisation of Imperial Bank to amalgamate into one single unit. It can be said that the participation of commercial bank in rural credit began with the State Bank of India (SBI). This is in turn with the recommendation made by the 'All India Rural Credit Survey Committee'.

According to the provisions of the Act, the following eight state associated banks were taken over by the State Bank of India as its subsidiaries.\textsuperscript{12} The State Bank of India and its subsidiaries took up the responsibility of opening its branches in the remote areas of the country. These banks are expected to finance agriculture, small scale industries, the cooperative marketing societies etc.

1. State Bank of Hyderabad  - 1st October 1959
2. State Bank of Bikaner  - 1st January 1960

\textsuperscript{12} Eastern Economist, Weekly, New Delhi, August 21st, 1959, p.282.
4. State Bank of Saurashtra - 1st May 1960
5. State Bank of Patiala - 1st April 1960
7. State Bank of Indore - 1st March 1960

The State Bank of Bikaner and Jaipur were amalgamated under the new name of State Bank of Bikaner and Jaipur, with head office located at Jaipur. Thus, after this there are only seven subsidiary banks of the State Bank of India.13

With the establishment of State Bank of India (Agricultural Development Banks), the farmers are able to meet the financial requirements for the development of land and for taking up minor irrigation activities and for purchasing pumpsets/electrical motors etc. The ADBs also wants to finance subsidiary activities like dairying.

It is also important to note that the Government of India has initiated a programme for easy disbursement of loan, called 'Loan Mela'. This programme

was launched to have easy access to the financial assistance for the small and marginal farmers, agricultural labourers and other economically poor persons in the rural areas. This step goes in a long way to reduce the dependence of the rural poor on non-institutional agencies for getting loans.

MANAGEMENT:

The State Bank of India is managed by the Central Board of Directors, in accordance with the State Bank of India Act. The Central Board of Directors of State Bank of India consists of:

1. A CHAIRMAN AND A VICE-CHAIRMAN: Both are to be appointed by the Government of India in consultation with the Reserve Bank of India. Their term of office, not exceeding five years, is fixed by the Government.

2. MANAGING DIRECTORS: Not more than two Managing Directors to be appointed by the Central Board, with the approval of the Government of India. Their term of office, not exceeding five years, is fixed by the Central Board.

3. DIRECTORS: The Board comprises 18 Directors of which 8 are nominated by the Central Government in consultation with the Reserve Bank, to represent economic
and territorial interests and in such a manner that not less than two of them possess special knowledge about the working co-operatives and of rural economy, and the others have experience in commerce, industry, banking and finance. Other 6 Directors are to be elected by the shareholders, other than the Reserve Bank. From the remaining 2 Directors, one each is to be nominated by the Government of India and the Reserve Bank. The term of office of the elected Directors is for a period of 4 years. Nominated Directors hold office during the pleasure of the nominating authorities.

Besides its Central Board, the State Bank of India has also local boards at places like New Delhi, Bombay, Calcutta and Madras. The New Delhi local board has a wider jurisdiction of control over the branches of the SBI in the States of Jammu & Kashmir, Himachal Pradesh, Punjab, Rajasthan and Western Zone of U.P., besides the union territories of Delhi.

DEPOSIT GROWTH:

Deposits are the largest source of funds to any institutional financial agency. The success of a bank largely depends upon the extent of its resources; and this means primarily that upon the deposits it is in a position to attract. 14

of banks as they constitute the chief sources of their funds. The deposits of an individual bank are to be distinguished from the deposits of the banking system because individual banks do not have absolute control over the level of deposits of the nation although they are able to influence, to a limited extent, the amount of deposits they hold.  

The deposits of the State Bank of India were Rs. 226 crores in 1955 and Rs. 577.4 crores in 1960. Upto the end of 1960, the State Bank of India opened 429 new branches - mostly in rural and semi-urban areas. Total deposits of these new branches were Rs. 37.03 crores in 1960. The deposits of State Bank of India during 1965 were Rs. 735 crores and by 1990 the deposits increased to Rs. 37,237 crores. The State Bank of India has made remarkable achievement in the form of deposit mobilisation. The progress of State Bank of India in terms of deposits depicted in Table 2.7.

CREDIT EXPANSION:

Credit influences the course and volume of economic behaviour to a greater degree. It is an essential part of the economic activity. Credit is an essential part of monetary management. It plays a predominant role in the settlement of monetary and business

transactions of all kinds. Credit is an attribute or power of the borrower. Banks are institutions that deal in credit (an overwhelming large part of credit in a communities is the result of the activities of banks).

The advances made by the State Bank of India is presented in Table 2.8. Rs. 106 crores was advanced in 1955. The advances increased from year to year. The advances made by the bank was Rs. 24,814 crores in 1990.
TABLE 2.8
ADVANCES BY THE STATE BANK OF INDIA

(Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit or advances</th>
<th>Percentage of increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>106</td>
<td>100</td>
</tr>
<tr>
<td>1965</td>
<td>481</td>
<td>453.8</td>
</tr>
<tr>
<td>1975</td>
<td>2501</td>
<td>2359.4</td>
</tr>
<tr>
<td>1980</td>
<td>7213</td>
<td>6804.7</td>
</tr>
<tr>
<td>1985</td>
<td>15310</td>
<td>14443.3</td>
</tr>
<tr>
<td>1987</td>
<td>20677</td>
<td>19506.6</td>
</tr>
<tr>
<td>1990</td>
<td>24814</td>
<td>23409.4</td>
</tr>
</tbody>
</table>


The Table 2.8 clearly shows that the advances of the bank have gone up substantially only after 1980. The progress showed in between 1981 to 1990 is quite encouraging.

BRANCH EXPANSION:

One of the indicators for judging the progress of the State Bank of India is the branch expansion programme. The bank had the statutory obligation for
opening at least 400 new branches within the 5 years after its inception (June-July, 1960). The bank had succeeded in achieving this target. Its 400th new branch was opened at Kairana in Uttar Pradesh on the 1st June, 1960. Since then, it has vigorously fulfilled its branch expansion programme. The growth of branch expansion of State Bank during 1955 to 1991 is analysed in Table 2.9.

**TABLE 2.9**

PROGRESS OF BRANCH EXPANSION BY STATE BANK OF INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of branches</th>
<th>Percentage of increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>497</td>
<td>100</td>
</tr>
<tr>
<td>1960</td>
<td>907</td>
<td>182.5</td>
</tr>
<tr>
<td>1965</td>
<td>1276</td>
<td>256.7</td>
</tr>
<tr>
<td>1970</td>
<td>2122</td>
<td>427</td>
</tr>
<tr>
<td>1975</td>
<td>3831</td>
<td>770.8</td>
</tr>
<tr>
<td>1980</td>
<td>5605</td>
<td>1127.8</td>
</tr>
<tr>
<td>1985</td>
<td>7473</td>
<td>1503.6</td>
</tr>
<tr>
<td>1990</td>
<td>8216</td>
<td>1653.1</td>
</tr>
<tr>
<td>1991</td>
<td>8462</td>
<td>1702.6</td>
</tr>
</tbody>
</table>

The number of branches in 1955 were 497 which rose to 8,462 in 1991. This only means that during this period (1955-1991) 7,965 new branches were opened.

Exclusively the bank in rural areas has opened 4,347 branches. In semi-urban 2,173 branches and in urban 1,127 branches and in metropolitan/port town, the bank is having 815 branches in 1991.

At present, the bank has 51.4 per cent of the branches in rural areas which shows the tremendous progress made in bank branches expansion in rural areas.

FINANCING OF AGRICULTURE:

On the basis of the recommendations of the 'All-India Rural Credit Survey Committee' (1951-52) the three-tier cooperative credit structure with appropriate financial assistance from the Reserve Bank of India continued to be the main agency providing development credit to the agricultural sector in the country.

(The State Bank of India has been playing a useful role in providing finance to the agricultural sector. The bank has given loans through cooperative societies indirectly.)

The cooperative credit structure continued to be financially weak in many states; and it was feared
that with increasing demand for credit from the agricultural sector which was undergoing technical breakthrough, the cooperative credit structure alone and by itself would not be in a position to provide needed agricultural credit.

The incorporation of State Bank of India in 1955 prepares the institution by commercial banking system. Between 1955 and the year 1969 which signified the entry of 14 Nationalised banks in rural credit. State Bank of India opened over 1,700 offices, more than 40 per cent of which were in rural areas, with population less than 10,000 and had sanctioned credit limits aggregate Rs. 6.78 million to cooperatives. The Bank's performance set the place for rural banking both in terms of branch expansion and subsequent change in the lending philosophy of commercial banks from direct assistance to direct finance to agriculture.

In 1968, the State Bank of India decided to provide finance directly to agriculturists for all agricultural operations right from sowing till the marketing of agricultural produce as also for mechanisation and modernisation of farms. Provision of irrigation facilities and development of land. The State Bank also decided to provide financial assistance to special
agricultural activities such as animal husbandry, cattle breeding, dairy farming, pisciculture, piggery, poultry farming and horticulture.

With a view to provide the farmer with a range of services besides providing him with finance, it was imperative for the bank to introduce changes in its organisational setup. The regular offices of the bank with their multiplicity of functions could not provide the necessary single minded drive. This led to the birth of Agricultural Development Branches (ADBs) for catering exclusively to the needs of the farmers. The centres for opening such dedicated branches were identified keeping in view the factors like potential for financing the concentration of small/marginal farmers etc. The areas covered by Government run development programmes were specially chosen to locate the ADBs in order to harmonise provision of credit with other infrastructural development taking place in the area.

The State Bank group with a view to meet the needs of the agriculture, opened 313 agricultural development branches by the end of March, 1978. They are specially geared to act as catalyst in the process of intensive rural development. Equipped with the required compliment of technical staff and vehicular support,
these branches with definite business plans for 4 to 5 years were designed to achieve a credit disbursal target of ₹10 million to ₹15 million over an area of 50 to 100 villages. The business plans are formulated based on local potential and needs implemented meticulously and followed up periodically. The success of this experiment can be gauged by the results. As at the end of March 1990, the State Bank of India had 427 ADBs which had financed 1.79 million farmers to the tune of ₹10.67 billion accounting for 26.4 per cent of the total agricultural credit provided by the bank.

Potential areas in semi-urban areas also chosen for financing agriculture in a big way, special divisions known as Agricultural Banking Divisions (ABDs) were set up to meet the credit needs of the farmers exclusively. The business profile of these centres was similar to ADBs. As on March 1990 the bank had 540 ADBs, which together had financed more than 1.2 million farmers with aggregate credit assistance of ₹9.57 billion and accounting for 23.7 per cent of the bank's total finance to agriculture. These dedicated branches from the life time of the bank's rural network and more than 50 per cent of the agricultural finance provided by the bank have been through these outlets.
State Bank of India and its agricultural branches extended finance towards agricultural development during 1971 was only ₹. 117 crores while the bank's total advances to agricultural sector has increased to ₹. 4,404 crores by March 1990. This shows the bank's commendable progress in financing agriculture.

Transitional problems under the service area approach resulting particularly from allotment of a substantially smaller number of villages per intensive area branch under the Service Area Approach and the consequent drastic reduction in the areas of operation of Agricultural Development Branches and branches with Agricultural Banking Divisions were mainly responsible for the slowdown in the pace of agricultural credit expansion of the bank. Efforts are being made to realise the bank's operations and to intensify lending in the villages allotted to the banks and achieve the target stipulated by the government.

Indirect agricultural advances to corporations and other agencies engaged in financing of agriculture were extended in the year 1971 to the extent of ₹. 48 crores and by March 1990, it was ₹. 362 crores. (Table 2.10)

In tune with the government's emphasis on agriculture the bank has been providing credit support for the various developmental programmes in agriculture.
<table>
<thead>
<tr>
<th>Year</th>
<th>Direct finance (₹. in crores)</th>
<th>Indirect finance (₹. in crores)</th>
<th>Total agricultural advances (₹. in crores) (2+3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>69</td>
<td>48</td>
<td>117</td>
</tr>
<tr>
<td>1975</td>
<td>176</td>
<td>65</td>
<td>241</td>
</tr>
<tr>
<td>1980</td>
<td>930</td>
<td>180</td>
<td>1110</td>
</tr>
<tr>
<td>1986</td>
<td>2465</td>
<td>339</td>
<td>2804</td>
</tr>
<tr>
<td>1990</td>
<td>4042</td>
<td>362</td>
<td>4404</td>
</tr>
</tbody>
</table>

(i) PRODUCTION FINANCE: Short-term credit was provided to individual farmers for raising crops which was amounted to \( \text{Rs. 1174 crores} \) spread over \( 30.5 \) lakh borrowal accounts at the end of March 1990 under the special foodgrain production programme, the bank disbursed \( \text{Rs. 112 crores} \) in the areas covered by the programme during 1989-90.

Under the technology mission for oilseeds, the bank provided credit support to farmers taking up oilseeds crops to the extent of \( \text{Rs. 73 crores} \) covering \( 2.9 \) lakh accounts by March 1990. Further, the State Seeds Corporations has been supported by the bank so as to help in production, processing and distribution of high quality seeds to the farmers. The finance extended by the bank for this purpose amounted to \( \text{Rs. 45 crores} \) by March 1990.

(ii) PROVISION OF IRRIGATION FACILITIES: It is important to note that the bank has been extending assistance by way of term loans to various minor irrigation projects, command area development schemes, dugwell and tubewell sinking projects, etc., the bank had provided \( \text{Rs. 467 crores} \) spread over \( 6.12 \) lakh accounts for creating/improving irrigation facilities in the country. Besides this, under the special project agriculture sponsored by the Rural Electrification Corporation for energisation
of pumpsets, the bank had financed state electricity boards for 290 schemes involving an aggregate outlay of Rs. 110.5 crores during 1989-90.

The bank has been financing drip irrigation schemes in Karnataka, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and Maharashtra. As at the end of March 1990, 1,451 units of drip irrigation systems involving a total outlay of Rs. 306 lakhs had been financed by the bank in these states.

(iii) MODERNISATION OF FARM PRACTICES: For mechanisation of agriculture finance is also provided by the bank. The finance excluded for tractors and other agricultural implements stood at Rs. 895 crores covering 2.9 lakh accounts during the year 1989-90.

(iv) DRY LAND FARMING: To increase the production and productivity in rainfed areas, the bank has been financing projects for dry land farming on a watershed basis as well as through various agricultural development schemes in the dry land areas. The bank had provided Rs. 460 crores for dry land farming projects in 1989.

(v) WASTELAND DEVELOPMENT: The bank has been extending assistance for reclaiming wastelands by providing credit to the farmer for taking up cultivation on wastelands. Under social forestry schemes, also finance is provided
for raising nurseries and planting trees for fuel, fodder etc. Credit support is also being extended to joint sector undertakings, companies, cooperatives and individual entrepreneurs for setting up plantations to meet the raw material needs of the user industries, so far, the bank has provided Rs. 39.3 crores in 1990 for waste land development including social forestry schemes.

RECOVERY PERFORMANCE:

Recovery performance of direct agricultural advances improved to 59.6 per cent at the end of June 1989 from 57.1 per cent in June 1988.

SERVICE AREA APPROACH:

Under the Service Area Approach (SAA) introduced from April 1, 1989, 5,867 rural and semi-urban branches of the bank have been allotted 1,07,774 villages all over the country. The Bank's branches have also to finance 'non-target' group of borrowers in 65,575 villages allotted to Regional Rural Bank branches but falling outside the service area of the bank's branches. Necessary training and guidance was imparted to the officials of the bank during the launching preparation of village profiles and formulation of credit plans have been completed and progress of the branches is closely reviewed by the controlling offices.
REGIONAL RURAL BANKS:

State Bank of India is not only opening its branches in rural areas but also supporting in the establishment of Regional Rural Banks. During the year 1987, the bank had sponsored 30 RRBs covering 66 districts in the country. During 1987, these banks opened 92 branches, raising their total number to 2,232. Their deposits in 1987 was ₹. 355 crores covering 32.6 lakh accounts. By the end of 1990, the State Bank of India had sponsored 30 RRBs, covering 66 backward and under-banked districts in the country. During 1989-90, these banks have opened 60 branches raising the branch network to 2,367. Their deposits during 1989-90 increased by ₹.157 crores to ₹.627 crores. The outstanding advances of these banks to the borrowers, mainly small and marginal farmers and other economically weaker sections of the rural community, increased by ₹.73 crores to ₹.533 crores during 1990.

The RRBs sponsored by the bank accounted by 15.3 per cent of all RRBs operating in the country, 16.4 per cent of their branches, 15.1 per cent of their deposits and 15.7 per cent of their advances in 1989.
INDUSTRIAL FINANCING:

The State Bank of India formulated in 1956, a pilot scheme of financing small-scale industries and the scheme was successfully implemented. In pursuance of this, the State Bank introduced a liberalised scheme of financial assistance to small-scale industrial units in 1959. Under this scheme, the State Bank is continually meeting the needs of the small-scale industrial sector of the Indian economy by providing credit facilities on reasonable terms.

Aggregate advances of the bank to the industrial sector are ₹15,519 crores in the year 1990. For small scale, cottage and village industries the bank advances are ₹3,827 crores in 1989 and ₹4,412 crores in 1990.

Small business finance in the year 1990 is ₹1,637 crores and in 1989 ₹1,436 crores.

INTEGRATED RURAL DEVELOPMENT PROGRAMME:

It is also interesting to note that the bank is actively involved in the Government sponsored programmes with special reference to Integrated Rural Development Programme (IRDP). It was launched in the year 1978-79 initially in 2,300 blocks.
Most of the earlier schemes like SFDA, MFAL were merged into the Integrated Rural Development Programme. The main aim of the IRDP is to assist the poorest of the poor in rural areas by providing them income generating assets and to provide direct and indirect employment opportunities thereby raising their income levels.

In 1988-89, the State Bank of India has assisted 4.92 lakhs of beneficiaries to the tune of Rs.152.8 crores and by 1989-90 the extent of assistance gone upto Rs.154.9 crores. Since the inception of the programme, the cumulative disbursement of the bank upto 1990 March amounted to Rs.1,052.6 crores covering 39.21 lakh beneficiaries.

Neglected groups like SCs/STs and women beneficiaries, constituted 33 per cent and 17 per cent respectively of the total number of IRDP beneficiaries assisted by the bank in 1989-90, against the target of 30 per cent stipulated for each of these two groups. The proportion of women beneficiaries were increasing as the state governments were increasingly sponsoring the applications of women beneficiaries.
SCHEME FOR PROVIDING SELF-EMPLOYMENT TO EDUCATED UNEMPLOYED YOUTH (SEEUY): Under this scheme the finance is provided upto ₹ 35,000/- to the unemployed youth for self-employment. In the year, 1989-90, the target for all banks was fixed at 1.25 lakh beneficiaries, of which 27,528 were allocated to the State Bank. Against this at the end of 1990 March, the bank had sanctioned ₹ 42.4 crores to 19,474 beneficiaries. This clearly shows that the State Bank of India is ahead even in assisting the educated unemployed youth.

SELF-EMPLOYMENT PROGRAMME FOR URBAN POOR (SEEUP):

Under the programme of self-employment for urban poor opportunities are provided to the poor living in the metropolitan, urban and semi-urban areas. During the year 1989, the bank had sanctioned ₹ 22.8 crores to 57,705 beneficiaries against the target of 86,200 beneficiaries. This is again an important achievement by the State Bank of India.

VILLAGE ADOPTION SCHEME (VAP):

The scheme was launched during 1970-71. Under the VAP scheme the credit needs of the farmers, rural artisans in the adopted villages will be met by the SBI. The State Bank of India adopted 17,615 villages, covering 6.26 lakh farmers by the end of June, 1978.
The progress achieved at the end of March 1991, showed that 1,41,042 villages have been adopted by the State Bank of India branches which shows that the coverage has been extended to 30 per cent of the villages in the country. Village adoption programme would not only helps in reducing the cost of advancing loans and also helps in easy recovery of the loans.

DIFFERENTIAL RATE OF INTEREST (DRI) SCHEME:

With a view to assist economically and socially backward persons engaged in productive activities, DRI has been introduced by the Government of India in the year 1972. Under this scheme the weaker sections should be provided finance at very low rate of interest i.e., 4 per cent per annum. Every commercial bank has to earmark one per cent of advances for this scheme.

The bank's DRI advances stood from Rs.20.8 lakhs in 1972 to Rs.155.8 crores in 1990 March. The number of accounts increased from 10.76 in 1972 to 10.37 lakh in 1990 March.

It is found that 52 per cent of the bank's DRI advances were made to SC/ST beneficiaries exceeding the stipulated target of 40 per cent laid down by the government. Further, over 70 per cent of these advances were made through rural and semi-urban branches, as
against the stipulated target of 66 2/3 per cent. All this clearly shows that the achievements on above the targets set in the implementation of DRI scheme.

At the end of 1990, the bank’s total assistance under twenty point programme stood at Rs.2684.2 crores spread over 75.2 lakh accounts, showing an increase of 15.6 per cent and 12.3 per cent respectively over the achievement at the end of the previous year. The bank played an effective in the sphere of attack on rural poverty. Rs.1,114.7 crores or 41.5 per cent of total advances under the programme were made to meet this point. Needs of the Scheduled Caste/Tribe borrowers also received due attention. The Bank having granted aggregate loans of Rs.647.3 crores (24.1 per cent of the total advances under the programme) to 23.73 lakh borrowers till March 1990. The other points under which remarkable growth was achieved were: strategy for rainfed agriculture, better use of irrigation water, bigger harvests, energy for village etc.

TOTAL ASSISTANCE TO WEAKER SECTIONS:

In the year, 1990 the bank’s advances to weaker sections such as Scheduled Castes and Scheduled Tribes, small and marginal farmers, landless labourers, including beneficiaries under the IRDP and DRI schemes stood at
Rs. 2,420 crores, accounting for 9.75 per cent of the bank's total advances, falling marginally short of the stipulated target of 10 per cent.

WELFARE OF MINORITIES:

In keeping with the government's 15 Point Programme on welfare of Minorities, the bank has been playing its role in extending financial assistance to the members of the minority communities for their self-employment ventures. The bank also conducted special entrepreneurship development programmes mainly for persons belonging to these communities covering the four districts in the country where the bank should take the responsibility in this regard. The outstanding loans of the bank to persons from minority communities stood at Rs. 927.4 crores covering 15.0 lakh beneficiaries.

The opening of new offices in the identified districts with minority concentration is also receiving special attention under the current branch licencing policy (1985-90), the bank has opened 112 branches in these districts of these 44 branches were opened.