CHAPTER II

REVIEW OF LITERATURE
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Empirical Studies Relating to Priority Sector Lending

According to C.Venkata Reddy, commercial banks in Anantapur District have advanced loans ranging from crop loans to term loans for land development and minor irrigation to loans for subsidiary occupations like dairying. The survey revealed that commercial banks have preferred to advance more to irrigated holdings. Crop loans should be advanced for both irrigated and unirrigated holdings. Insistence on irrigation restricts the sphere of eligible farmers who have a genuine need for crop loans. About 60 per cent of the land, development loans have gone to small and marginal farmers. However, chief beneficiaries from minor irrigation loans are large and medium farmers. They leave grabbed about 76 per cent of total loans advanced. For the development of minor irrigation, commercial banks have advanced loans for construction, deepening of wells, and construction of pumpshed and installation of pumpsets. The insisted security in advancing such loans includes mortgage of land, hypothecation of machinery (for pumpset loans) and third party guarantees. A minimum of 2 to 5 acres of owned cultivated area forms the basis of eligibility criterion for a loan to construct a well. Dairy development schemes are mostly, designed to augment supplementary income of small and marginal farmers, tenants and landless labourers. However, commercial banks in advancing loans to finance such schemes, have been insisting upon security, ranging from hypothecation of milch cattle of land mortgage to guarantees.1

Richard L. Meyer opined that a number of low-income countries, especially in Asia, are currently placing increased emphasis on off-farm employment as a means to alleviate rural poverty. Although improvements have been made in some countries in rural incomes, there is a growing frustration about the limited impact made by past strategies in materially improving rural welfare. Capital-intensive industrialization has failed to generate significant increase in employment to absorb the available labour
Technology oriented agricultural development strategies have eased food constraints but the supposed trickle down of benefits to small farmers and rural workers have been limited. 2

Meyer states that more recently, however, the part-time farm household has begun to be viewed with more interest as a possible permanent fixture of the rural setting.

In such widely divergent settings as the U.S. and Japan, rural residents typically earn a wide variety of incomes from both farm and off-farm sources. In the U.S., the percent of farm household income derived from off-farm sources grew steadily from 43 to 59 per cent between 1960 and 1976. In Japan, from 1974 to 1975, non-agricultural receipts grew from 48 to 59 per cent of average farm household receipts. The importance of off-farm income for small farms is clear in both countries. Over 80 per cent of the household income of U.S. farms selling less than $2,500 in gross sales came from off-farm sources in 1976. This percentage was up from just over 60 per cent in 1960. In Japan, farms with less than 0.5 hectares in 1973 earned almost 90 per cent of household income from non-agricultural sources, while that percentage was only 30 per cent for farms over 2.0 hectares. 3

According to Richard Meyer, the second research theme concerns the nature, extent and potential of non-farm enterprises in rural areas. Liedholm and Chuta recently summarized a major research project in Sierra Leone, which provides detailed information on that country’s experience. Similar information from other selected countries can be found in other recent studies. This research shows that 20 to 30 per cent of the rural labour force in many countries is engaged primarily in non-farm work. In Asia, the share was reported as 51 per cent in Taiwan in 1966, 40 per cent in the Philippines in 1970, and 25 per cent in South Korea in 1970. One half to two-thirds of all non-farm employment opportunities in Asia was found in rural areas and towns (Anderson and Leiserson). Likewise, small-scale firms, the majority of which are located in rural areas, represent a major share of total employment in several industries. For
example, Oshima found for the Philippines in 1961 that firms engaging fewer than ten persons comprised 93 per cent of the employment in construction, 94 per cent in commerce, 76 per cent in manufacturing, 64 per cent in transport and communications and 95 per cent in services.⁴

Richard in his study reveals that several studies have tried to assess the characteristics of different size firms. The results suggest important advantages for small-scale enterprises such as they: (1) are less capital-intensive; (2) are more geographically dispersed; (3) offer more opportunities for unskilled and family labour; (4) have greater linkages with the agricultural sector; and (5) have greater export potential than frequently assumed.⁵

Richard Meyer states the new emphasis on rural nonfarm enterprises represents another way to attack rural poverty. The challenge is to discover how to assist these firms. Expanded financial services appear to be a promising area and the international agencies, led by the World Bank are developing programmes to increase formal credit supplies. The usual approach to meeting a specific target group is to develop a new programme and/or institution with special lines of credit. Unfortunately, experience with farm credit programme would suggest cautious expectations about how effectively such programmes will work or even how much credit will actually find its way into small businesses. The limited literature suggests a distressing similarity in problems in lending to small farm and non-farm firms.⁶

According to Dinaker P. Pandey and Joseph, Viruthiyel, until recently the rural people had to depend, for their credit requirements, on professional and agricultural money lenders, who often charged exorbitant rates of interest ranging from 25-50 percent or more annually. A recent study by the Reserve Bank of India revealed that 50 per cent of rural debt was accounted for by the moneylenders. During 1951-52, the proportion of institutional credit to the rural areas was a meagre 4 per cent, which rose to the proportion of 32-35 per cent in 1974-75. However, the act remains that the
growth and supply of institutional credit is un-even. It is generally accepted that the rural areas overall are discriminated against in the supply of credit. A more perturbing trend, however, is that even the meagre amount embarked for the rural areas do not reach all sections of rural society evenly. Prof. Raj Krishna estimated that only one third of the total flow of rural credit—provided by banks and cooperatives—has gone to small farmer households even though they constitute nearly two third of all agricultural households.  

Dinaker et al states the Directorate of Economics and Statistics in association with the Zilla Parishad has grouped villages into clusters in respect of all the talukas. This exercise was completed in 1981-82 and is based on intensive surveys of the area. Implementation of the Integrated Rural Development Programme is expected to be taken-up based on the classification of the villages into clusters in each taluka in a phased manner. 

The study conducted by Dinaker and Joseph reveals that gives the distribution of households into different landholding groups. This table clearly brings out the highly distribution of land. 54.2 per cent of the households own no land. Marginal owners who form 20.9 per cent of all the households and 45.6 per cent of the landowning households own 15 per cent of the total area. The medium and big farmers who are 10.1 per cent of all households and 22.2 per cent of the landowning households possess 60.6 per cent of the land while the average holding of the marginal owners is only 1.08 per cent acres, the average holding of the large owners is 15.06 acres. 

P.K.Das and P.L.Guglani in their study found out that linear Programming, subject to certain constraints for profit maximisation, was used as the analytical tool. A typical farm of 1.6 acres, 2.5 acres, 1.35 acres and 2.5 acres was selected under situation, I, II, III and IV respectively for programming. Participant farmers were provided seeds by the TDA on Sawii basis according to which a farmer is expected to return to the TDA 1.25 Kgs of grains at harvest as against 1.00 Kg of Seeds received by
him. Participant farmers were also provided a subsidy on fertilizer (40 Kgs of urea per crop per season) and irrigation (2 free irrigations per crop per season). A subsidy was also provided for one cow and five poultry birds by the TDA. On the other hand, non-participant farmers did not get any subsidy from the TDA. The amount of subsidy received by the participants was adjusted in the model of the participant farms. The tribals did not milch their cows but fed it to its calf. Thus, cattle were maintained for breeding purposes. The appreciation value of calf and income from dung (both from cow and calf) was calculated to work out the returns from cattle. Optimal plans were prepared for the different resource situations with the existing capital and with the availability of unrestricted borrowed capital. Thus, the credit needs were determined for each of the resource situation.  

The study made by Das and Guglani reveals that it can be seen from that in case of TDA participant irrigated farms owned capital was Rs.758.40. Borrowed capital needed for profit maximisation was 44.41 per cent of the available capital. Optimal use of farm resources and the availability of borrowed capital increased the net returns by Rs.305.91. In case of TDA non-participant irrigated farms, the owned capital was Rs.986.62. Borrowed capital needed for profit maximisation was 141.74 per cent of the available capital. Optimal use of the farm resources and the availability of borrowed capital increased the net returns by Rs.1245.72.

P.J. George came to the conclusion that the usefulness of adopting common reporting systems by the banks at regular intervals would be beneficial not only to themselves but also to planners, policy makers and international monitory agencies like the World Bank to understand the internal strength of every financial institution in the country. Perhaps a national workshop could be organised to discuss all the facets of monitoring and evaluation systems in our banking industry and recommend a suitable organisation and management structure which would facilitate bringing about excellence in the reporting system.
Mohammed Ismail Hussain in the study conducted at Bangladesh states that low resource base and lack of capital for farming are attributed to low agricultural productivity in Bangladesh. In order to improve the productivity in crop production through development and adoption of improved technology increased investment in farming is necessary. Financing in farm sector, therefore, becomes highly significant in this regard. A study on economics of intensive cropping revealed that credit requirements increased 2 to 3 times with the higher degree of intensification. Adoption of improved technology for higher production will be very slow at farm level unless sufficient credit is available to the farmers at the time of need.¹³

Mohammed Ismail Hussain remarks the institutional finance is a major prerequisite for development. Recently, different banks including Bangladesh Krishi Bank (BKB), Integrated Rural Development Program (IRDP), and Bangladesh Jatiya Samabaya Bank have taken the initiative to finance the rural poor. However, it is very difficult to increase the economic conditions of landless and rural poor through financing for farming alone. The head of the family cannot work well until he satisfied his own basic needs like hunger, clothing, health, funerals, festivals etc. If these needs are not considered in time of advancing a loan for productive purpose, the loan may not be utilised properly. It is, therefore, necessary to help these lower strata of the society for social and religious activities. Institutional source of credit should recognize this and will attempt to meet all cash needs facing the borrower.¹⁴

Mohammed Ismail Hussain also states that there should be well-managed societies or groups in every village with trained and experience personnel. There should be a credit-input distribution system in every society. Each society should do the following jobs for obtaining credit. Proper identification of the target group so that no one can be exclude. Adequate supervision and other services by well-trained personnel to protect the lenders from possible losses. Timely provision of adequate agricultural inputs and other supplies. Each farmer should be given understanding about the timely repayment of loans. Each society can do some other jobs: air market price support for the
borrowers' produce. Time to time sending farmers to Thana level for training and getting ideas about agricultural practices and others for non-farm training like cottage industries, etc. Health Care for all in the society.\textsuperscript{15}

In the view of K.M.Udupa et al, the Syndicate Agricultural Foundation from its experience, states that Syndicate Bank realised as early as 1966 that unless credit is supported by extension education, small and marginal farmers who constitute a significant proportion of the rural poor will not be able to reap the benefits of improved agricultural technology. This observation led the Bank to establish Syndicate Agricultural Foundation in 1966 with the help and assistance of some public-spirited persons. The Foundation has wide range of objectives, which touch every aspect of agricultural development, and its membership is open to all farmers. The Foundation has been striving to promote new technology in agriculture and allied activities among the farmers. For this purpose, it has been organising seminars, lectures by scientists, conducted tours for farmers to research stations and progressive farms, etc. A monthly farmers' journal containing articles on various current topics in the field of agriculture and allied activities is published by the Foundation in different regional languages for distribution among its members. Among the important activities undertaken by the Foundation mentioned may be made of organisation of Farm Information Exchange Clubs and Future Farmers' clubs.\textsuperscript{16}

A great majority of Indian farmers have smallholdings limit their capacity to absorb modern technology and adopt capital-intensive farming techniques. Because of this, the advanced and influential strata of rural community could only derive the benefits of improved technology whereas the lower and numerically preponderant sections remained almost isolated. The ideal approach in such a situation appears to be the provision of all the requirements, as far as possible, under one roof in a package. The National Commission On Agriculture, which has made an in-depth study of the problems of small farmers, has also suggested credit integrated with inputs, services and other facilities as a true solution and has recommended the formation of Farmers'
Service Societies to undertake the multifaceted activities. True to its role as forerunner among the commercial banks in the field of agricultural credit, the Bank accepted to implement the recommendation of the Commission and became one of the first commercial banks to sponsor Farmers’ Service Co-Operative Societies in 1973.17

Dr. H.C Jain and N.Dass conceive that among the Indian States, the largest number of tribal people live in Madhya Pradesh where according to 1971 census they numbered 83.37 lakhs, constituting 22.06 per cent of the total tribal population of the Country. They constitute 20.17 per cent or one out of five in the State’s population. They are poor, primitive and illiterate with few wants and no ambitions. However, awakening is gradually dawning upon them on account of positive measures adopted by the State Government in recent years for their social and economic upliftment. Even then, majority of them still derive their livelihood by cultivation, manual jobs, hunting and collection of forest products. Method of cultivation adopted by them is primitive because of their unflinching faith in age-old superstition.18

According to Dr. H.C. Jain and N.Dass, amongst commercial banks, State Bank of India, Union Bank of India, Central Bank of India, having all 11,1and1 offices respectively is operating in the Bastar District. Further, co-operative institutions such as Central Co-Operative Bank Ltd. are operating through three branches of Central Co-Operative Land Development Bank Ltd. In Addition to this, 406 co-operative credit societies are also operating in Bastar District.19

According to the “Lead Bank Scheme Survey Report of Bastar District, M.P.” the total deposits of SBI increased in 86.9 per cent during five years from Rs.78.49 lakhs in 1967 to 131.03 lakhs in 1971. Similarly, the total advances of SBI increased by during the same five-year period from Rs.4.23 lakhs in 1967 to Rs.7.82 lakhs in 1971. The above figures indicate the increasing tend in disbursement of loan. During the year 1974-75 and 1975-76, SBI extended loans for different purposes to individual cultivators directly to the tune of Rs.6.70 lakhs. SBI has made provision in their budget
for 1976-77 for a sum of Rs.500 lakhs for agricultural financing. During the year 1974-75 and 1976-76, sanctioned to the extent of Rs.11.81 lakhs loans under various schemes i.e. Small Scale Industries, Small business and transport. A provision of Rs.10.75 lakhs has been made in the budget for 1976-77 for financing under the above schemes. It is, therefore, presumed that this will go upto Rs.25.00 lakhs by the end of 1981.20

H.R.Sudhakara et al explains that the advances given by PACS increased by 84 per cent as against 89 per cent by CGB over the years (1977 to 1980). Though the increase in advances appear to be almost similar in these two sample credit agencies, the CGB had a steady growth over the years unlike the PACS which indicated an increase only in 1980 but decreased during 1978 and 1979. Besides, the entire direct loans of CGB were given to marginal farmers, small farmers and small businesspersons in the rural areas unlike the PACS helping only farmers, those too large farmers. The average amount of direct loan per farmer was Rs.1560, indirect loan was Rs.1580 and for the small business individual it was Rs.448 as compared to Rs.775 per borrower-farmer by PACS. Thus, it can be inferred that Regional Rural Bank though a new institution is helping the weaker sections of the rural community with better efficiency as compared to primary agricultural credit co-operative societies. Number of individuals accepting the services of the CGB increased by 174 per cent as against 119 per cent of PACS over the years (1977 to 1980). It is worth noting that the increase has been gradual and steady in CGB, while in PACS it decreased during 1978 and 1979 but suddenly increased in 1980 (Table II). Obviously, this indicates the success and efficiency of CGB in attracting and enrolling its clients into its fold unlike the PACS who have an erratic trend.21

In general each branch of the Cauvery Grameena Bank (CGB) had realised a net profit of Rs.3000 per annum (average for four years), while the Primary Agricultural Credit Co-Operative Societies (PACS) worked on no loss no profit basis. The net profit gained by the CGB reflects that it is economically feasible and financially sound to finance to the rural community and it helps in mobilising rural savings. It may be indicated that the Grameena Bank operating like a scheduled bank faces several
procedural problems in giving loans and dealing with poor and illiterate borrowers unlike the co-operatives. During the visits to the Grameena Bank it was observed that the staff of the Grameena Bank being helpful in doing some pen and paper work on behalf of the borrowers without any extra cost unlike the co-operatives who are alleged to be indifferent for such type of work.  

As B.Ramesh states, the Section 5 of the Regional Rural Banks Act Provides that the authorised capital of each Regional Rural Bank shall be Rs.1 crore. According to section 6 of the Act, the issued capital of each Regional Rural Bank shall be Rs.25 lakhs. Of the capital issued, the Central Government, 35 per cent by the Sponsor Bank and 15 per cent shall subscribe 50 per cent by the concerned State Government. The issued capital has not been raised so far, though the need has been strongly felt. Different views are expressed on this subject, the most common being that it should be raised to atleast 1 crore. An alternative formula also can be though of issued and authorised capital subscription can be reckoned @ Rs.1 lakh per branch of RRB with the Head Office given a share of Rs.10 lakhs. These will easen the financial position of RRBs largely.  

According to Noor Basha, Abdul, and Prof. D.Dakshina Moorthy, it was amidst this chaos, the percentage of population languishing below the poverty line has noticeably gone up from 30 per cent of the total population at the time of ‘Independence’, to over 53 per cent as now, forming an annual growth rate of more than two per cent. In absolute numbers, the persons lying below the poverty line increased from 220 million on the eve of fifth plan to over 290 million on the eve of sixth plan or by 32 per cent. While the percentage of population depending on agriculture has been more or less constant during the past 30 years ending with 1980, the number of the marginal farmers during this period has increased from 24 million to 36 million while that of the agricultural labourers from 27million to 48 million.
The study conducted by Noor Basha Abdul and Dakshina Moorthy reveals that the distinctive feature of commercial banks can be gauged from the fact that while all the banks put together opened 1,550 branches in unbanked centres during one year, the RRBs alone could open a huge number of 900 branches forming more than 58 per cent. In already banked centres, the RRBs opened only 43 branches during the same period as against 480 by all the commercial banks. Another notable feature of RRBs is that while all the commercial banks except RRBs could open 26,860 branches in 14 years the former alone could open about 6,100 branches in the country proving beyond confidence that the VI plan target of 170 RRBs will be achieved well in advance. It is very much gratifying that out of 1,419 branches opened during 1983, excepting only 19; all were opened in unbanked centres.

In the view of Suresh Mehta, Regional Rural Banks, essentially being commercial organisations, have profit making as one of the important goals but their capacity to earn profits is limited in many ways. In our own case, we have tried to analyse the reasons for sustaining huge losses. We have also made a comparative study of about 25 Regional Rural Banks from all parts of the country and have found that no Regional Rural Bank in the age group of 3 years, 4 years and 5 years was able to earn profit, at the end of the year 1982. Out of the 6 Regional Rural Banks in the age group of 7 years, which we studied, only two were able to earn profits and remaining 4 sustained on an average loss of Rs. 7.33 lakhs. In December 1983, we had a network of 70 branches, deposit of Rs. 309 lakhs, advances of Rs. 347 lakhs and we incurred a loss of Rs. 11.40 lakhs without subsidy in the year 1982. As on 31 December 1982, we have availed refinance of Rs. 172.86 lakhs that was 85.73 per cent of total advances. The average rate of interest paid on deposits and refinance came to 9.21 per cent.

K.M. Uduma opines that Syndicate Bank established the first Farm Clinic with the assistance of Syndicate Agriculture Foundation in 1973. After experimenting with the programme up to 1980, the bank decided to enlarge it. At present 140 Farm Clinics are functioning in different states. These Clinics are operating in 311 villages inhabited by
90,000 families. The Clinics have been able to identify 44,000 poor families and the Field assistants have prepared family development plans for their families. They have been given various types of assistance to enable them to reach a better standard of living. Creation of employment opportunities through provision of credit facilities for productive economic activities has received considerable attention. At the end of September 1983, Farm Clinics accounted for outstanding loans amounting to Rs.6.50 crores spread over 25,000 families. Scheduled castes and tribes shared 17 per cent of the credit assistance. It is evident that Clinics have worked intensively to reach out to the weaker sections with small loans. During the past three years, Clinics organised about 600 educational, training and development programmes every year for the benefit of the village people. These programmes included demonstration of high yielding varieties and modern agricultural practices, training programmes, lectures by field visits, seminars, film shows, group discussions, health care camps, adult education classes, animal husbandry camps and shramadan.  

Dr. D.P.Khan Khoje states that Malaysia is an agricultural nation with free enterprise agricultural based economy, which is steadily undergoing industrialisation. Contribution of agricultural sector to GDP, which is on the decline in the recent past, was around 25 per cent in 1981. Agriculture engages about 45 per cent of the Malaysian working force and accounts for 47 per cent of the country’s exports. There were 1808 agro-based cooperative societies in Malaysia whose main functions are concerned with agricultural production, credit, marketing, processing or any incidental commercial and trading venture. In 1959, new form of organisations were being developed by the Department of Agriculture viz., Farmers’ Association. The objective was to provide integrated services such as extension, credit, marketing, input supply, transportation, warehousing, etc. The wide spread establishment of multi-purpose farmers’ associations all over the country led to overlapping of their functions and activities of agro-based cooperative societies which led to some conflicts. In order to consolidate and integrate farmers’ associations and agro-based cooperative societies into viable and efficient farmers’ Cooperatives, FOA was established in 1973.
In the 1960s, the supply of credit from institutional sources to small farmers and fishermen being inadequate, their credit needs were partially catered by non-institutional indigenous agencies. In an appraisal report on Muda Irrigation Project, World Bank Mission made an observation about inadequate, supply of credit for single cropping of paddy. In 1969, when the project was inaugurated, the question of need for production credit was again considered. The primary issue was to ensure that lack of agricultural credit does not hamper the implementation of this project or result in failure to realize maximum economic and social benefits. With the onset of double cropping pattern around that time, necessity to create a separate credit institution to cater to credit needs of paddy farmers in Mud area was further established. Bank Pertanian Malaysia (BPM) i.e., Agricultural Bank of Malaysia, was set up in 1969 as statutory body by the act of parliament to extend credit facilities to small farmers and fishermen. 28

Natabar Khuntia states that the prime requirement of commercial banks for financing agriculture was to have broad operational rural base. Therefore, the unprecedented branch expansion programme has been undertaken by commercial banks since nationalisation and at the end of December 1976, there were 8820 rural branches as against 1832 at the time of nationalisation. The number of rural branches has risen by 6988 since nationalisation, their proportion in the total number of branches moving up from 22.4 per cent in June 1969 to 37.3 per cent in December 1976. 29

In the view of Pardha Saradhi, Economic viability of scheme mainly refers to the criterion of benefit-cost analysis. The various items that may directly or indirectly affect the benefits or costs of an improvement and the economic period of productivity have to be taken into consideration while assessing the economic viability of a scheme. Hence, a scheme may be considered as economically viable when it yields the maximum possible returns under the prevailing circumstances to enable the entrepreneur to redeem the annual capital charge plus the increased annual cultivation expenses with a margin to bear the risks from the increased gross income. It can symbolically be represented as:
IN \geq IC + AC + R

Where:

\begin{align*}
IN &= \text{Increased Gross income after effecting the improvement} \\
IC &= \text{Increased Cost of Cultivation in the Post-Investment Period (includes depreciation costs, if any)} \\
AC &= \text{Annual Capital Costs (i.e. the annual Installment and interest to be repaid towards the invested amount)} \\
R &= \text{Risk percentage (May be taken as 5 per cent of increased gross income. However, it differs from place to place and time-to-time depending upon the local conditions)}
\end{align*}

The repaying capacity of the party has to be assessed depending upon the factors of current income and consumption expenditure, with a special consideration on the presumed future consumption expenditure. While assessing the repaying capacity one should remember "Earnest Engle's" "Law of Expenditure" which quotes that as the income increases, the percentage of expenditure on food decreases and on clothing being unchanged, tends to increase the percentage of expenditure on comforts. A party is said to be having repaying capacity when:

\[(F + OF) - (E + M + R) \geq IN\]

Where:

\begin{align*}
F &= \text{Net farm income of the family} \\
OF &= \text{Net off farm income of the family} \\
E &= \text{Family expenditure.} \\
M &= \text{Margin for expected special expensive occasions if any and/or pre-existing liabilities.}
\end{align*}
R = Risk percentage (may be taken as 5 per cent of the total income depending upon various factors like local climate, area, efficiency of the farmer, etc).

IN = Installment and interest on the borrowings.31

According to Dr. R.P. Singh, Muzaffarpur District of Bihar is served well by credit institutions such as co-operatives and branches of nationalised banks. Out of 14 nationalised banks, nine are engaged in financing rural people of the district. On an average of three years, data the credit institutions such as Government, Co-Operatives, Land Development Banks and Commercial Banks provided agricultural credit to the order of Rs.221.23, which shows an increasing trend during the last three years. The major share in total agricultural credit was advanced by Land Development Banks (50.11 per cent) followed by Co-Operatives (21.53 per cent), Commercial Banks (20.31 per cent) and Government (8.05 per cent).32

R.P. Singh explained that major problem faced by the credit institutions was non-repayment of loan in time. In 1972-73, the past loan advanced by co-operatives was realised to the extent of about 68 per cent only but in subsequent years the amount of past dues realised increased considerably to the extent of 81.40 per cent and 98.90 per cent. But as regards the Land Development Banks, about 33 per cent of the loan could be recovered in 1972-73 while in 1973-74 only about 19 per cent of the past loan could be realised. In 1974-75 also about 70 per cent of loan was not recovered. The position was far from satisfactory in case of commercial banks. The percentage realisation of past dues declined continuously from 34.10 per cent in 1972-73 to 27.80 percent in 1973-74 and to 11.80 per cent in 1974-75. This clearly shows that a huge amount of loan advanced by Land Development Bank and commercial banks could not be repaid in time. This was the great problem before the credit institutions and badly affected the advances of credit to be made available to agriculturists.33
According to R.P. Singh source wise repayment of loan showed that the loan taken from Government was repaid to the extent of 77 per cent of past loan and about 70 per cent of the current loan whereas the percentage repayment of past loan of co-operative, commercial banks and money-lenders was 66.00, 41.22 and 31.57 respectively. In case of current loan, only 10.87 per cent of the loan taken from moneylenders was repaid while the loan taken from co-operatives during current year was repaid to the extent of 0.40 per cent only. A very small amount of loan was taken from commercial banks and that too by the medium size of cultivators only. The same could not be repaid during the year. It is interesting to note that still the majority of farmers take loan from moneylenders.  

**Empirical Studies Relating to Rural Women Beneficiaries**

According to Sakuntala Narasimhan, literacy campaigns do not always include imparting information, which would empower women to improve their status. One unintended exception that comes readily to mind, though, is that of the anti-arrack agitation spearheaded by thousands of rural women in Andhra Pradesh after being enthused by a story in an adult literacy booklet about women named Sitamma who dared to protest against her husband’s drunkenness. The agitation led to the state government imposing a ban on arrack sales in 1993, rather reluctantly, since it meant that the state exchequer would be losing a hefty revenue from excise, amounting to over Rs.6,000 million per year as a result of the ban. By March 1997, however, the state government had already backtracked on the avowed policy, and relaxed the prohibition rules, on the plea that the government needed the excise money.  

Dr. H.D. Dwarakanath states that enhancing women’s economic productivity is an important strategy for improving the welfare of 60 million Indian households living below the poverty line. Hence, the emphasis is laid on the empowerment of the rural women focusing on the following aspects. They are: Direct involvement of women in programming and management. Effect collaboration with community organizations. Organizing and strengthening of women’s Self Help
Groups. Sensitization and advocacy for Gender Just Society. Identifying women’s needs and priorities while generating employment. Organizing women in different groups to undertake certain productive activities to earn their livelihood, and to develop the rural community.  

In the view of Dr. H.D. Dwarakanath the development agenda of the State aims at keeping rural women in forefront to facilitate formation of a large number of self-help Groups throughout the state. Over 30 lakhs women belonging to the weaker sections of the society have become members of these self-help groups. A majority of them developed the habit of saving a Rupee a day, paving the way for socio-economic development. The State Government has drawn a long-term action plan for women’s employment through DWCRA scheme. About 45 rural poor families in the state covering a population of 2.50 crores have become the members of DWCRA groups. One woman from each family was encouraged to become a member of self-help Group and so far, 30 lakhs women have become members in 2 lakh Self-help groups.

Dr. H.D. Dwarakanath opines that commission rate of Rural Development department has initiated the unique process of bringing rural women produces in direct interface with the urban consumers of Hyderabad city through DWCRA Bazaar. Nearly 30 lakh women are organized into two lakh self-help groups and most of them are from unorganized sector. These women among themselves produce more than 350 varieties of products, which include consumer goods, handicrafts etc. DWCRA Bazaar is organized to facilitate them to sell their products directly to the buyers.

Dr. H.D. Dwarakanath points out that a unique third state level DWCRA Bazaar (Exhibition and Sales) was opened recently for public at Public Gardens in Hyderabad and sold products worth Rs.25 to 30 crores. As many as 1365 groups, with 2000 DWCRA Women and 375 stalls from the districts were put up at DWCRA Bazaar. The basic object of the Bazaar is to eliminate intermediaries with products directly selling their products to the consumers.
Dwarakanth feels that the following are some of the specific observations on functioning of DWCRA Scheme in Andhra Pradesh. Development of Women has become an uphill task mainly due to the absence of a strong development administration at the grass root level and unfavourable power structure. Economic development and consequently social transformation of rural women is not possible unless they are actively involved at the micro level. The DWCRA scheme has certain bottlenecks and constraints. It is necessary to identify the basic drawbacks of programmes meant for rural children in several parts of the districts in the state. In several districts of Telangana the identification of trade was done without base line surveys. Most of the schemes are designed to keep women in their stereo typed traditional roles. Only a few traders have become popular though they are not relevant to the local needs, and remunerative to the DWCRA beneficiaries. Necessary efforts were not made to identify suitable and viable traders depending on the local resources skills and markets. The financial co-ordination among the various agencies viz., Banks, DRDA, Co-operative societies should be effective and undue delay in releasing the finances and delivery of development assistance should be rectified. The DWCRA and self-help groups have to wait for a longer period for starting the trades that may result in forgetting the skills acquired during the training period. Inability to utilize rural industries as a means of poverty alleviation is another important factor. By improving, the traditional skills through training will help the DWCRA beneficiaries to enhance their self-employment potential.40

The study of Gummadi Apparao reveals that rural women constitute 3,04,041,448. More than 75 per cent of the rural women belong to small and marginal farmers and majority of them are landless and of SC and ST communities. Since independence several developmental and poverty alleviation programmes viz., Community Development (CD 1952), integrated Rural Development Programme (IRDP-1976-77), Jawahar Rozgar Yojana (JRY-1989). Million Wells Scheme (MWS-1988-89), Indira Awas Yojana (IAY-1985-86), Employment Assurance Scheme 1993), Training of Rural Youth for Self Employment (TRYSEM-1978), Development of
Women and Children in Rural Areas (DWCRA-1982), Supply of improved tool kits to Rural Artisans (SITARA-1992), Accelerated Rural Water Supply (ARWS-1972-73), Rural Sanitation Programme (RSP-1986), National Social Assistance Programme (NSAP-1995), National Family Benefit Scheme (NFBS), National Maternity Benefit Scheme (NMBS), National Old Age Pension Scheme (NOAPS), Draught Prone Area Programme (DPAP-1973) were launched by Central Government to help the rural masses to improve their socio-economic condition and standard of living through elimination of poverty, income inequality, inadequate and poor basic infrastructure and small and scattered unorganised rural enterprises. The achievements of the poverty alleviation programmes include: 3803576 women benefited through 245463 DWCRA groups. 66016 Youth were trained, 12988 and 11175 were self-employed, and wage employed respectively and 46390 women were trained under TRYSEM. 6.52 lakh in 8th plan and 2.94 lakh in 9th plan were benefited under SITRA. 4843178 houses were built under IAY. About 7.45 lakh square kilometers were covered under drought prone area programme to combat drought and desertification. About 55.56 lakhs people including 24.37 lakh women were benefited in 1998-99 under National Social Assistance Programme. Under National Drinking Water Mission 105902, habitations were covered through 9355 plants for treating contaminated water to remove excess iron. 1,95,118 acres surplus land was distributed during 1986-88 to 1998-99 under land reforms. 1583.45 lakh acres were consolidated. Under JRY employment for 36.39 per cent mandays to SC and 18.02 per cent, mandays to ST people was provided in 1998-99. Under EAS employment for 33.71 per cent mandays to SC and 19.65 per cent, mandays to ST people was provided in 1998-99. Sixty-eight percent of wells were constructed for SC/ST people in 1998-99 under MWS. 251200 houses were constructed for SC/ST people in 1998-99 under IAY. Employment of 533.84 lakh mandays was provided to women in 1998-99 under JRY. Employment of 639.46 mandays was provided to women in 1998-99 under EAS. 2501 wells were constructed for women in 1998-99 under MWS. 260618 i.e. 33.33 per cent women were covered under IRDP in 1998-99. 46390 women were trained in 1998-99 under TRYSEM. 4799 women rural artisans were
benefited in 1998-99 under SITRA. 86610 women were benefited under IAY in 1998-99. 24.37 lakh women were benefited under National Social Assistance Scheme during 1998-99.41

A.R.R. Pillai opines that a society cannot be said to have advanced unless men and women are equal partners and contributors towards that end. Economic contribution is a major factor in such a scenario. To realise this under the social, political and economic situation that prevail in India, it is essential that women are organised, trained in varied occupations and backed through provision of supply of raw material and finance. The current ratio of a financial unit or for that matter any organisation engaged in economical, commercial or business activity is not only a measure of its solvency but also an index of the marketing capital available for the enterprise. A good current ratio is a good umbrella for the members against rainy days. A good management, therefore, always employs methods that result in increasing the business on the one hand and avoiding unnecessary expenditure, on the other. 42

In the view of Kulwanth Pathania and Satish Sharma the Himachal Pradesh lit the first flicker of Co-operative movement when the first co-operative society was established at Panjawar of Una district in 1892 twelve years before the enactment of Co-Operative Societies Act. At present, the state has a strong co-operative network with 5,000 co/operative and 5 co-operative banks. The short and medium term credit needs of the farmers are catered by the three co-operative banks (H.P. State Co-Operative Bank, Kangra Central Co-Operative Bank and Jogindra Central Bank) through the PACS. The H.P. State Co-Operative Agriculture and Rural Development Bank (HPSCARDB) and the Kangra Primary Land Development Bank. The H.P. State Co-operative Agricultural meet the long-term credit requirements out and Rural Development Bank that came into existence in 1961 has been playing a dynamic role in the extension of long-term loan for different purposes. Its main thrust is to uplift the economic standard of the people. The membership, share capital, working capital and credit business of the bank has increased tremendously over the period of five years. 43
According to Pathania and Sharma recently, in the nineties, the informal sector has again come into focus for two reasons. The employment effects of the structural adjustment programmes, which began in a number of developing countries in the seventies and eighties, are now being felt. The need for a safety net, which includes employment security, is being reflected in the emphasis on micro enterprises and credit programmes for them. In developed countries, also increasing self-employment and informal economic activity are making their presence felt. The industrial recession in these countries contributes to the growth of this phenomenon. 44

Jeemol Unni made out the remarks that at the heart of the debate on women's work is the concept of what constitutes productive work and how to measure production. This problem is discussed here in the context of the international recommendations by various organizations concerned with these issues. Thus, while the concept of work is discussed by the status of employment, classifications are decided by the ICSE and the UN SNA determines the production boundary. It is heartening to note that all these bodies work in coordination with each other. We also observe that there are many recent efforts to include more of household production, informal sector activities and women's work in the production boundary and attempts to provide some estimates for the same. 45

According to Jeemol Unni in such specialised SSI branches, at least 75 per cent loans should be made to the tiny sector. Priority Sector should be made more focused and includes only smaller projects so that the companies actually having large scale of operations do not misuse these funds. As far as corporation bank is concerned, the SSI advances during FY 1997-98 registered a growth of Rs.117 crore (28.5 per cent). During the current fiscal, SSI credit is projected to increase by Rs.207 crore (39.2 per cent), from Rs.528 crore as at the end of March 1998 to Rs.735 crore as at March 1999. 46

R.S.Hugar remarks one of the proposals relates to doubling of the ceiling on working capital requirement for the purpose of bank calculation of annual turnover. Already, the ceiling on investment in plant and machinery for SSI and ancillary units is
being raised from Rs.60 lakhs to Rs.75 lakhs respectively. As envisaged by the finance minister, these measures will definitely improve the flow of credit to the SSI.  

K.Subramanian made out that the remarks that since 1969, commercial banks including 28 PSBs have made rapid progress in various aspects particularly in deposit mobilisation, development of advances, branch expansion, generation of income and controlling of expenditure (Table I). Deposits mobilised by PSBs increased from Rs.4327.13 crore in 1969 to Rs.310456 crore in 1995 registering an average annual growth rate of 18.64 per cent. During the first phase of nationalisation (1969-80), the deposits of PSBs recorded an annual growth rate of 21.47 per cent, which decreased to 17.21 per cent per annum during 2nd Phase of nationalisation (1980-91). The high growth rate is attributable to the real growth achieved by the economy, expansion of branches, particularly rural branches, and the households. Strong preference for bank deposits, the rate of growth of deposits was only 10.16 per cent, signifying a continuous decline in profitability of PSBs, politicisation in banking operations, banking scams, the emergence of Non-Banking Financial Corporations (NBFC) and so on.  

E.Ganesan states that the total bank credit of all PSBs steadily increased from Rs.3,182.58 crore in December 1969 to Rs.1,69,038 crore in March 1995, thus recording an average annual rate or growth of 18.40 per cent. In other words, the bank credit of PSBs went up 53 times from December 1969. A sum of Rs.1,65,855.42 crore of additional credit went into the economy during 1969-95, of which the maximum of Rs.1,08,918.57 crore of net credit flow into the economy was during 1980-91, followed by Rs.37,415.46 crore in the post-financial-sector-reform period of 1991-95. In other words, a sum of Rs.1,28,439.96 crore of additional credit flow into the economy during the post-nationalisation period of 1969-91. Policy directives of the Reserve Bank of India (RBI) and the Government of India seemed to be the determinant of Bank Credit Expansion.
According to Ganesan, the return of Indira Gandhi to power in January 1980 could be the major factor responsible for the significant shift in the high proportion of priority sector credit. The trend continued up to 1989 to 1990 because of the commencement of liberalised regime by Rajiv Gandhi in 1985. In the post-reform period, the ratio of priority sector credit outstanding witnessed a declining trend. It climbed down to 39.22 per cent in March 1991 and 36.6 per cent in March 1995. This drastic reduction in the ratio indicated that in the post reform period (1991-95), PSBs did not perform well in advancing to priority sectors. The bankers were emboldened to speak out the poor recovery rate deterioration in profitability, and higher servicing cost. The constitution of Narasimhan Committee (1991) and its recommendations became handy for the bankers since the committee suggested the reduction of priority sector credit from 40 to 10 per cent. The Indian public sector banks made rapid progress in functioning and deployment of credit from 1969. However, the trends in banking growth indicators, viz., Deposits, advances, total assets, income and expenditure, profit, branch expansion, and employment generation perceptible contrasts during the study periods. The compound growth rates of deposits, advances, total assets and income of PSBs showed a declining trend from the first phase of nationalisation (1969-80) to the post-reform (1991-95). On the other hand, PSBs made good progress in reduction of expenditure. The annual growth rate was reduced from 29.41 per cent to 15.07 per cent during the two phases of nationalisation. The financial system reform committee headed by M.Narasimhan found that erosion of profitability of banks emanated from the side of expenditure as a result of fast and massive expansion of branches many of which are unremunerative on the one side and considerably over manned on the other side, especially in the urban and metropolitan centres. The PSBs considerably reduced their work force as well as overall branch expansions during the study period. Because of nationalisation, PSBs fulfilled their social objectives like branch expansion and priority-sector financing. However, the objectives were defeated due to political and bureaucratic interference in credit sanction. Loan Melas, loan waivers, and defaults. Therefore, in the post-reform period (1991-95) the banks reduced the priority-sector
financing to a level below the 40 per cent prescribed. Due to low demand funds from large and medium scale industries, there was a significant shift in the lending approach of PSBs. As a result, there was a slight improvement in the ratio of credit to these sectors to a level.50

According to Ganesan, the resource crunch for assisting KVIs has come again into a transitional phase because of changing policies caused by new economic policies. However, the problems of unemployment, particularly in rural areas is there to provide prominence to KVIs and search for suitable avenues of financing is on. The point is still in process. However, field realities and expenses gained can prove handy in guiding the find for fool-proof system and source for financing KVIs whose requirements are gigantic. Here are some clues: 51

Y.A.Pandith Rao says that Nayak Committee (1992) set up to examine adequacy of institutional credit for SSI sector and related aspects observe that bulk of financial needs of the rural segment of SSI sector was met from private sources, including money lenders. Is it not an indictment of RBI, which is responsible for rural credit! In other words, things have not materially changed after the First Report of Rural Credit Survey (RBI-Gorwala Committee) and also RBIs 17 (2)(8b) Act â 22 Groups of Cottage and VIs, which failed to solve problem.52

According to Pandith Rao it has been proposed that the KVIC/KVIBs should levy service charge on borrowers. This is necessary to impart a sense of responsibility. It may be pointed out that the KVIC embarked upon institutional credit with five-field objectives:

**Service Charge**

To bring in greater financial discipline.

To widen the credit base, to supplement the Government finance so that the programme would not suffer from inadequate finance.
To bring the KVI activities in the main stream and remove the inferiority complex among institutions that they are weak and to impress upon institutional credit agencies about the potential and strength of KVI and their credit worthiness and capacity to follow bank disciplines: and
To bring in awareness among the financing institutions and familiarize them about working of the KVI programmes and working of banks. To build up self-confidence among the institutions.53

According to Pandith Rao, agricultural credit is one of the most crucial inputs in all agricultural development programmes. The co-operatives, commercial banks and regional rural banks known as institutional credit has been adopted to provide cheaper and sufficient credit to farmers from 1950 onwards. The major policy in the sphere of agricultural credit has been its progressive institutionalisation for supplying agriculture, rural development programmes with adequate, and timely flow of credit to assist weaker sections and under developed areas. According to Pandith Rao, the definition of village industries as amended in 1987, state that any industry located in rural area having population not more than 10,000 and 20,000 has amended later and Rs.15,000 per capita investment later revised to Rs.50,000 thus restricting the setting up of village industry in villages only.54

Kamati Lingaih and C.Anjana Devi make the following remarks as it is well known, two major sources of data on women’s work in India are the Decennial senses of population and the NSS Rounds on employment and unemployment. Both these sources together throw useful light on women’s work in the labour market. In spite of their conceptual and methodological limitations they do throw light on the broad features of women’s work in the formal labour market. Before we study these datas, however it is important to understand the differences in the concepts of work and workers as used by these two sources of data. According to the senses of population any productive work for which remuneration is paid and is, market related is to be treated as work. If a person had worked for a major part of the reference year (not less than 183 days), he is
regarded as main worker, and if he has worked for less than this period, he is regarded
as marginal worker. The task of the investigator is to ask a person whether he is worker
or not and then classify him as a main or marginal worker depending on the number of
days he worked in the reference year. This approach of the census has several
limitations. (Hirway, 1994). First of all unpaid productive work which does not enter
into the market but part of which (good for self conception) is covered under SNA 1993
is excluded from the definition of work with the result that the large part of the females
production work is not counted as work and these women are classified as non workers.
Secondly, because of cultural biases and false perception about their own work, many
women reported themselves as housewives and thereby non-reported or under reported
their work. Thirdly, since marginal workers are not classified into occupation categories,
their information about the women's occupation (women predominate as marginal
workers) could not be collected satisfactorily.  

B.Binbopadhya states that out of the total labour force of 374.39 million in India
in 1993-94, 121.63 million were women. The percentage in women working force was
35.72 in rural areas and 21.03 in urban areas, which indicates that relatively more
women participate in labour market rural areas than in urban areas. The higher
participation of rural women however is not accompanied by any other positive
characteristics of the work force: Rural females enjoy much lower occupational
diversification, very poor employment status and high employment rates.  

Indira Hirwani and Anil Kumar Rai made out the following remarks that
presently, around 240 NGOs are involved in the informal group formation and its related
activities. Apart from NGOs, other agencies like banks, Vikas Volunteer Vahini Clubs
(promoted by NABARD), Rashtriya Mahila Kosh, etc., are also promoting informal
groups. However, the present study is confined to the performance of informal groups
promoted by Mysore Resettlement and Area Development Agency (MYRADA) an NGO
based in Bangalore and operating in Southern India. MYRADA has helped in
developing different types of informal groups which include milk societies, Mahila
Mandals, farm service centres, informal banking groups, functional groups of beekeepers, potters, weavers, flower growers, knitters, beedi makers, irrigation societies, sericulture service centres, silk rearing groups, youth clubs etc. (NABARD 1995). The Credit Management Groups (CMGs) promoted by MYRADA were purposively selected for this study, keeping in view the fact that the CMGs have enlarged their role of access to credit and entrepreneurship development list of primary data collected from 25 randomly selected CMGs formed the basis for the analysis. The group were selected from two different project areas viz., Chitradurga district in Karnataka and Periyar District in Tamil Nadu.57

According to Indira Hirwani a few recommendations with regard to the development of the pottery industry are given below. The recommendations are aimed at helping the potters of Sarpolehana to increase their income: The potters should be encouraged to develop new patterns like floor tiles, water filters, sanitary latrine pans, clay pipes, decorated flower pots, etc. An arrangement for the training of the potters should be made to enable them to produce the items as suggested above. Some improved tools like modern wheel-which needs minimum labour input to operate and can maximise production and modern medium-sized furnace which needs lesser quantity of fuel than the indigenous furnace should be provided to the potter family. The facilities for loan preferably on long-term basis are made. The rural bank may act as finance supporting agency. Marketing facilities should be provided through some agencies and a co-operative society of potters should be formed in due course.58

V.Puhazendhi and B.Jayaraman stresses the Eighth Plan document sets forth the outlines of the rural development programme for the five-year period (1992-97) of which rural industrialisation is an important part. During the Plan period, an amount of Rs.34, 425.4 crore has been allocated for industrial development in rural areas. The Plan has emphasized on increasing productive employment opportunities in the process of growth that consists of the following points:
There will be an increased participation of the people in the rural development process;
There will be decentralisation of planning;
There will be better enforcement of land reforms; and
There will be greater availability of credits in rural areas for various productive purposes so that employment opportunities and social assets are created. The rural development programmes have been launched to reduce the open unemployment and disguised unemployment. The unemployed and underemployed were five per cent of the total labour force during 1987-88. It has caused the massive rural poverty of 200 millions in 1987-88. This estimate is based on the per capita monthly expenditure of Rs.131.50. The report of the Expert Group on Estimation of Proportion and Number of Poor, July, 1993 estimates that there is a steady decline in the proportion of population living below the poverty line. It has declined from 56.4 per cent in 1973-74 to 39.1 percent in 1987-88 in rural areas. The problem of poverty has to be dealt in the framework of the strategy of development laying emphasis on those sectors whose growth makes a significant impact on the income levels of the underemployed. Expansion of productive employment and incomes of the unemployed and underemployed is the central theme of the Eighth Five Year Plan. Hence the special programmes for the vulnerable sections such as IRDP, TRYSEM, Jawahar Rozgar Yojana, NREP, RLEGp and the State programmes like EGS will have to be continued. Village and small industries are important means of rural industrialisation as they are more productive and employment oriented.59

According to Sujith Kumar Paul nevertheless, technological modernisation, replacement of obsolete equipment and economic rationalisation is a costly process, which may seem to be Herculean task, given the technical and financial constraints of the small industries. Thus, the role of the government, financial institutions (FIs) and other non-banking financial institutions in providing financial support to small manufacturing for improving the technological standards is pertinent in the present context.60
Dr. C. M. Choudhary states that earlier, a new scheme, Technology Development and Modernisation Fund (TDMF) with a corpus of Rs. 200 was launched for the modernisation and updating the technology of export oriented small units to enable them to adjust to the globalisation process underway. Similarly under the new Quality Certification Scheme, financial assistance is provided to SSI units to enable them to improve their product quality consistent with ISO 9000 standards. State Bank of India has also launched a joint programme in coordination with Small Industries Development Bank of India (SIDBI) for modernising and upgrading the technological standards of the SSIs.  

Vikram Chadha opines that over the last half-a-century KVIC was providing continuous financial assistance for the development of the Village Industries segment of rural non-farm sector. The National Bank for Agricultural and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) are other two important bodies providing finance to rural non-farm activities. There are some notable aspects in the sources of finance as well as patterns of disbursement of these organisations. While KVICs source of finance are Governments budgetary support and credit from Commercial Banks, SIDBI and NABARD have much wider sources of finance. The following statistics reveal the fact that comparatively KVICs sources of finance for reloaning to rural non-farm sector are too narrow.

According to Vikram Chadha, finances in the form of term loan as well as working capital are crucial factors for industrial activities. Timely and adequate funds at affordable cost are a prerequisite for yielding desired results out of the industrial activities. These requirements, which are often referred with reference to organised industrial sector, are equally relevant and true in the case of decentralised village and cottage sector also. Perhaps, the timely availability of adequate and affordable finance to non-farm industrial sector is more essential because of their locational constraints involved due to the scale of operations.
T. Ravindran made out the following remarks that there is no doubt that the priority sector norms introduced in the Commercial Banks disbursement chart in general, helped to certain extent and hence the flow of institutional finance to them. Though, the above position tells us that the share of priority sector in Gross Bank credit is in a declining trend, i.e. 34.35 per cent in 1994 to 31.68 per cent in 1996, it was not a cause for any anxiety if we relate the incremental increase in priority sector share to the same of Gross Bank credit. The priority sector lending itself is regulated by further categorising them under 3 broad categories as Agriculture, SSI and Others, obviously looking into the nature of operations involved under KVI programme. It can be grouped neither with Agriculture or SSI but only in the category of other priority sector. Here if we consider the quantum of fund provided to KVIC, SSI, and other priority sector as percentage of total priority sector lending the emerging picture does not favour KVIC in any way.  

According to Ravindran, committee after committee on KVIC pleaded for higher allocation of budgetary support from Central Government to the KVIC. Latest in this series was the recommendation made by the High Power committee (H.P.C.) constituted in 1993, which has entrusted additional responsibilities to KVIC for generating 2 million incremental employment. Though the demand for enhancing KVICs budgetary support is just and deserving, we cannot overlook the reality that the Central Government which has to meet the need of many other equally important sectors, will not be in a position to enable its support to KVIC to a considerable size. But it was unavoidable from the part of the Government to provide additional funds to KVIC to neutralize the incremental expenditure to be incurred for implementing the HPC recommendation. Under this compelling situation, the Government allocated Rs.1, 000 crores to KVIC from a Consortium of Banks. The intentions to make available additional fund are good, but at what cost? A sector which deserved concessional finance and also enjoyed the same hitherto at the rate of not more than 4.5 per cent, abruptly asked to absorb the finance @ 17 to 17.5 per cent.
According to Ravindran, although the growth of tiny enterprises in rural areas has resulted largely from lack of alternative employment opportunities. They are often viable undertakings, which make an important contribution to the economic survival of the rural poor. As such, micro-enterprises need to be supported by better access to institutional finance through rural banking, a strategy not likely to be encouraged by the increasingly market-oriented financial policies.66

Mridul Eapen states that the main objective of his paper is to examine the policy initiatives taken by NABARD and analyse the extent of refinance support to the credit institutions for financing RNFS in Andhra Pradesh. There is no uniformly accepted definition of the RNFS. In practice, it has come to mean the residual sector i.e., economic activities other than agricultural and allied activities. Factories and major commercial organisations. Considering NABARD's core objectives viz., facilitating generation of employment and income opportunities for the rural people in a cost efficient manner the RNFS is defined as those enterprises and artisanal activities which could be classified as household, decentralised/tiny and small scale enterprises involved in production, processing, preserving, storing and marketing of goods and/or engaged in services and agro processing having bearing on providing employment and income to persons residing in rural areas.67

According to P. Malyadri, for the purpose of present study Veerannapet, a small village situated in Cheriyal Mandal of Warangal district has been chosen where sericulture provides employment to nearly half of the families. Veerannapet, the sample village is a 200 year-old village with 499 households, situated 25 kilometers away from Warangal district and 108 kilometers away from Hyderabad, the state capital. According to 1991 census, it has a population of 1859 of which men and women constitute 931 and 928 respectively. People of all castes live in this village. It has a Panchayat, a Primary School and an Adult Education Centre. Yet a majority of the people in the village are illiterates. The metal road laid down in the village facilitates the farmers to carry their produce even to distant places of demand in the state. Though
agriculture is the major occupation of the villagers, the scarce water resources compel them to opt for sericulture, which does require neither large investment nor more water supplies but provides them with some employment or the other throughout the year. Further, the village has more red soil, fit for mulberry cultivation. In addition, it does require neither hard nor skilled labour. Therefore, a majority of Backward Castes and Scheduled Castes people has switched over to sericulture in the village. In the present paper the background data of the women taken in the sample has been given to highlight the general trends noticed with regard to such aspects as their caste, age, education, assets, marital status, income and savings pattern. For the purpose of present study nearly 215 families engaged in sericulture are examined. The sample women are drawn from both middle and lower class families. As the social class and economic status go hand in hand, the sample from Backward Castes constitute the major fraction of the workforce. Generally, the women of lower class community join their career at an early age to eke out a livelihood and this is true in the case of BCs & SCs in the sample. A majority of BC & SC Women in the sample revealed that poverty, illiteracy, indebtedness, lack of skills and absence of other alternatives in the rural areas forced them to join the workforce at an early age. The Forward Caste respondents disclosed that they have preferred sericulture as an occupation or a source of income mainly to improve their financial position to lead a better life. Thus, the sample comprises of a majority of BCs followed by 25 percent of SCs and an equal percentage of FCs.

Dr. V. Shoba et al says that the recent census figures point out that of the 50 percent female population of India, 77 percent belong to rural women. Of these, about 81.23 percent are engaged in agriculture should not obscure the farmwomen’s primary functions as wives, mothers and homemakers. Traditionally, women have no definite decision-making role in a majority of family affairs because of dominance of male members in the rural milieu.

According to Vandana Chhabra at present 46,427 rural and semi-urban branches of commercial banks and 14,540 branches of the 196 Regional Rural Banks (RRBs)
cater to the credit needs of rural areas. In the cooperative sector, there exists a network of 89,000 Primary Agricultural Credit Societies (PACs), 351 District Control Cooperative Banks with 10,775 branches and 28 State Cooperative Banks with 651 branches in the short-term cooperative structure. In the long-term cooperative structure, 20 State Land Development Banks (SLDBs) with 2258 primary units cater to the requirements of investment credit.70

Lalit Kumar Tyagi and Rashmi Singh opines that statistics tells us clearly that financial institutions have played a pivotal role, particularly in the last two decades in fulfilling the credit requirements of rural people. There has been a remarkable expansion of banking institutions as well as the schemes in rural areas. In this process, they have come across many problems, which have been attended to through may solutions. However, few problem areas have not received the required attention. It is high time that these problems are tackled in a desired way to help these institutions to serve the rapidly growing and diversifying credit requirements of rural people in 21st Century.71

According to Lalit Kumar and Singh the Rural Employment and Poverty Alleviation Programme which is also supposed to benefit the poor women, has had its allocation reduced from Rs.590 crores to Rs.511 crores in this budge. Even though the self-employment opportunities are still popular among rural women, they can start poultry, dairy, piggeries, bee keeping, goatr, petty shop keeping, agriculture and allied operations and establish small units to produce pickle, pappad, sauce and other similar products in collective way. Easy facilitation of credit through RMK and IMBS can go a long way in ensuring this. The only urgent need is to create a favorable atmosphere to increase self-employment for women to cope with the overall development of the country. Thus, there is a bright prospect for rural women entrepreneurship in India.72

Dr.A.K.Chaudhary remarks that the present system of pressurising and compelling to lend under IRDP as per subsidy targets should be replaced by a system of
motivation and real participation of banks as indicated above. More attention should be given for identification and selection of beneficiaries. Only those candidates who are fully motivated to start an activity by taking IRDP loans and those who are confident of making a success and repaying the loans should be selected as beneficiaries. Such an approach will go a long way in creating real economic activities and in generating income and creating productive assets.\footnote{73}

According to K.K.Ammannaya there will always be a gap between desirability and affordability. In other words, what is desirable may not be affordable. Therefore, the need is to identify the desirable within the limits to affordable. Even the worst can be improved provided there is a will to do so. Critical evaluation of past priorities, strategy, policies and procedure is necessary before new priorities are set. Solution lies in selecting optimum alternative at any given point of time. Past activities shall exist only if there is a need for further existence and some one is ready to take the responsibility for justifying the need of their existence. Future activities must fit in with the redefined objectives and strategy and must pass the test of necessity and cost-benefit analysis. It is not the expenditure that justifies the output. It should be the output that must justify the expenditure. Budgeting is not accounting. It is accountability. It commits everyone who has to take a decision.\footnote{74}

T.R. Lakshmi Narayanan states that another study, by Rajagopalan and Singh revealed that the village level workers for the proper utilisation of credit and other inputs do not give proper and adequate instructions. The agricultural department of Karnataka has pointed out that extension workers do not help farmers in getting institutional credit. In this paper, an attempt has been made to find out the effect of credit and extension on cropping pattern. Factors other than credit and extension influencing the cropping pattern are not considered. Landless borrowers are excluded.\footnote{75}

The study made by K.Yadagiri reveals that the face of rural Andhra Pradesh is changing with women becoming economically empowered and aware following
successful implementation of DWCRA. The women who till recently looked to their 
men folk for everything are now playing a vital role in decision making at the village 
level because of DWCRA. Previously they used to struggle to buy even a blouse piece. 
Now, we are not only in a position to have nutritious food and wear decent clothes but 
can afford to spend on celebrations, a women beneficiary remarked. Nedunoor Village 
in Ranga Reddy District is an example of Socio-economic transformation brought about 
in their life. For the women who used to work as a farm-hand and did all jobs to make 
both ends meet, life has changed for better ever since she joined the DWCRA group as 
its leader in 1992.76

According to Jacob Yason, before 1988, Guatemalan credit unions had a strong 
social orientation; their main purpose was to provide chief rural credit. The credit 
unions were financed by subsidised external credit and by compulsory zero-interest 
share deposits from members. Because loans were issued at below-market interest rates, 
members were in effect penalised for saving and rewarded for borrowing. The credit 
unions had serious operational problems (management information's systems were 
undeveloped, the credit unions carried a large volume of non-earning assets, the loan 
delinquency rates was about 20 per cent and loan loss reserves were underestimated by 
more than 50 per cent). Liquidity reserves were so low (about 3 per cent) that the credit 
unions could not always honour cash withdrawal from members.

The World Council for Credit Unions (WOCCU), funded by the US agency for 
International Development, implemented an institutional development programme for 
the credit unions between 1987 and 1994. The WOCCU Co-operative Strengthening 
Project worked with the National Credit Union Federation of Guatemala and 20 of its 39 
affiliated members, of which 19 were in rural areas. By 1994, the situation had 
completely reversed: Deposits had grown from 24 per cent of assets (1988) to 55 per 
cent (1994), the loan delinquency rate had decreased to 8 per cent of the loan portfolio. 
Loan loss and liquidity reserves were increased to adequate levels, and non-earning
assets had been halved. The results were phenomenal growth in assets; profitability and service with many more clients using (interest-earning) savings and credit facilities.

Long-term credit funds (US $ 12 million) will be given to three Croatian commercial banks. These banks were engaged in rural small-scale lending at market rates to the private sector and through a learning-by-do approach, find ways of overcoming initial information constraints and reducing high unit costs in the market segment. In addition, a training programme will be developed for credit officers of participating commercial bank dealings with rural small-scale loans. The programme will aim to develop substitutes for the screening and enforcement mechanisms used by informal lenders in Croatia and to learn from the experiences of banks from other countries. Project funds to participating commercial banks would be allocated through an auction at which the bank offering two on-lend at the lowest rates (linked to a long-term interest rate index in Croatia) will receive the most funds.

The World Bank has so far provided loans to fund guarantees and other forms of coverage for only a few projects. The 1995 Moldova Pre-Export Guarantee Facility Project has both a Government guarantee facility and a third party guarantor. Moldova established a guarantee facility to cover foreign supplier credit provided to its exporters against specified political risks. In addition, an offshore bank (the agent bank), acting as a third-party guarantor on behalf of Moldova issued standby letters of credit to foreign creditors backstopping the government facilities guarantees. The agent bank could draw down the World Bank loan to fund payments to be made under its letters of credit to the foreign creditors.77

Dr.V.Rangarajan & Mr.N.Rajan opined that it is the high time that the Central/State Planning authorities may seriously think on the proper strategy for the development of infrastructure particularly in rural area taking cognisance of country wise massive credit planning exercise by the bankers for deployment of crores of rupees in Indian villages. For the bankers, any investment without adequate and fructuous
leading to low generation of income to the borrowers on the one hand and high
generation of over dues to the bankers on the other. Hence, implementation of the above
suggestions for proper development of infrastructure giving priority for laying of link
roads may go a long way in uplifting the rural economy including the poor jointly by the
banks and government as development partners in real terms much faster than
conceived.  

According to B.M. Shukla the gates of agricultural finance were thrown open to
commercial banks in 1967, after several decades of preemption by the co-operative
sector. This was, however, not a sudden flash or an idea coming out of the heat of a
political and economic debate which during those days was focused on the role of
commercial banks which (it was alleged) were collecting lots of deposits from rural and
semi-urban areas for lending to large industries in big cities. While the debate served as
a focusing point, considerable thinking had already gone into the subject of the
dichotomy of Indian Banking viz., the commercial banking system catering to industry
and commerce on the one hand; and the co-operative system catering to the rural
sector. 

B.M. Shukla states that agricultural finance having been accepted in principle, the
immediate question was how and where to begin. There was total lack of experience.
Technical expertise had not been built up. An immediate response of the Head Office
was as it could be under the circumstances. A small Cell was created and the first
directive was given to the branches to begin granting loans in certain selected areas for
purchase of pump sets, up to about Rs.5,000/- per borrower. A few Agricultural
Officers were hurriedly drafted into the system and placed at the Central Office and
Regional Offices. Attitudes and the conceptual framework were lacking. A typical case
of Moti Kaka, a small farmer in Chhalla Village near Ahmedabad may be cited here to
illustrate the management processes in this connection.
By the end of 1970, the agricultural advances granted by the bank were at Rs.5.52 crores and formed 7.67 per cent of the total advances. By end of 1976, these advances stood at Rs.23.15 crores and formed 8.63 percent of the total advances. The number of borrowers at 6634 at the close of 1970 rose to 37335 as on 31.12.76. The share of agriculture in the total priority sector advances was 21.7 per cent for the year ended December 1970. By the end of 1976, this increased to 25.1 per cent.  

In the view of V.M. Bhide, despite the progress made by the bank in this regard, there are certain impediments which need to be removed to accelerate the growth of agricultural advances e.g.- In Maharashtra, the cultivator is still required to pay stamp duty and registration charges for his borrowing from commercial bank in excess of Rs.5, 000/- . Between the two, the cooperative dues are still given priority over commercial bank dues in respect of recovery. In respect of recovery proceedings, simple procedures like that obtaining in co-operative sector have yet to be introduced.  

The Bank has set up 6 farmers service societies in areas predominated by small and marginal farmers and landless agricultural labourers. The activities of these societies are covering more and more small farmers who had so far remained outside the development. The membership of these societies are 1114 in the beginning of 1976, has increased to 4064 by the end of June 1977. The agricultural loans sanctioned to the members increased from Rs.7.50 lakhs to Rs.28.90 lakhs, during the said period. Lending by PACS in the same area prior to commencement of the scheme was around Rs.5.50 lakhs, which has now increased to more than five times. For the first time in 1973-74, the bank took on an area basis, financing of Adivasi cultivators in Thana District of Maharashtra. The programme covered 40 villages and 450 beneficiaries. Help of the social organisation viz., Bhoomi Putra Pratishthan was taken to reach the farmers, who were once scared of white collared banking. The bank was able to help Adivasi cultivators in getting out of influence of local moneylenders. The bank's finance is about Rs.9.00 lakhs. During this year, 104 additional Adivasis has been covered. It has been observed that Adivasis respond to development readily if one could create
confidence in them. The bank has therefore posted its one officer with social background to work in the area for educating the Adivasis. A Field Officer (Agriculture) has also been posted at Manor to educate and guide Adivasis in improving their cultivation standard. Our bank sponsored a regional rural bank in Marathwada covering Nanded, Parbhani, Bhir and Osmanabad districts. The Regional Rural Bank came into existence on 26.8.1976. During the short period of 10 months, the Regional Rural Bank opened 18 branches, mobilized deposits of Rs.24.70 lakhs and advanced to 1916 small and marginal farmers and village artisans, loans amounting to Rs.39.54 lakhs by the end of June, 1977. The bank has deputed so far to Regional Rural Bank 21 officers and the entire expenditure on these officers is borne by the bank.

The Regional Rural Bank's lending programme for 1977-78, envisages opening of 30 additional branches, reaching deposit level of Rs.40.00 lakhs and lending level of Rs.220 lakhs. The lending schemes would be drawn up for small and marginal farmers, village artisans, self employed persons etc. covering more than 6000 small and marginal farmers and village artisans. The development schemes would mainly emphasize dairy development to supplement farmers' incomes, development of minor irrigation for increasing crop intensity and for helping them to take to high yielding and hybrid crops. The Bank would also provide the necessary support in terms of extension services.

In order to overcome disparities in the availability of banking facilities, adoption to local conditions was considered essential and adoption of an area approach in evolving schemes and plans of development was recommended. As a result of this, the bank was entrusted with "Lead Bank" responsibility in five districts in Maharashtra viz., Pune, Aurangabad, Nasik, Thane and Satara. Inspite of the directive principle of the lead bank scheme the collaborative effort of the banking structure is yet to develop a positive impact. Notwithstanding all this Bank of Maharashtra formulated and implemented various agricultural development schemes through a network of branches, a majority of which were rural based. As at the end of December 1976, the Bank had 84 rural, 41 semi-urban and 48 urban branches in these lead districts.
In quantitative terms, the number of commercial bank branches has increased from 8,262 in June 1969 to 23,630 at end-December, 1976. Rural branches increased from 1,832 to 8,820 during the same period representing more than fourfold increase - and semi-urban offices have gone up from 3,322 to over 7,000. In other words, two-thirds of all bank offices deal with the rural and semi-urban area direct. The total number of branches of nationalised banks increased from 4,168 in July 1969 to 12,113 at end-December 1976. United Commercial Bank recorded a worthwhile addition of 560 branches during this period - with 324 rural and 104 semi-urban units. According to Economic Survey, published by the Government of India, the per cent share of advances to agriculture and other neglected sectors to total advances by public sector banks has gone up from 15 per cent in June 1969 to 25.5 per cent in June 1976. The total supply of credit to agricultural sector by public sector banks increased from Rs.162 crores in June 1969 to Rs.1,004 crores in June 1976. For agriculture, the cooperative sector is until the major source of credit which provided Rs.1, 554 crores in 1976-77.82

Dr. V.R. Desai conceives that the concept behind our efforts to finance agriculture has consistently been that our business is not just to replace the traditional moneylender by an institutional agency. Our business is really to function as agents of development, to raise agriculture to a higher level of technology and generate a sound base for increased output and employment. Addressing a seminar on land development banks at New Delhi on 18 August 1977, our Finance Minister, Shri. H.M. Patel, said that, as agents of development, banks should think of schemes for which they could lend money and coordinate with other agencies to help the small and marginal farmers. He also said, "I want to impress on you that you are not merely moneylenders, but powerful instruments of social change". We have also given our best thoughts to the situation arising out of the legal and administrative measures taken two years ago to eliminate the village moneylender and to find a viable alternative. Debt relief has been just a breather to the farm sector. The sources of private credit having dried up, there is a gap in the matter on consumption credit, and it is our conviction that village co-operatives should be able to serve effectively as the poor man's banker replacing the moneylenders.83
Agriculture in India has progressed a great deal during the last two decades with the emergence of high yielding varieties in the early sixties. Today the farmer can look forward not only to good yields but also have surpluses to tide over lean seasons that seem to affect our agriculture in periodic cycles. Although, the co-operatives were in the field for more than seven decades, commercial banks entered into the field of agricultural finance rather late. After the identification of priority sectors and nationalisation of fourteen major banks, much effort and innovations have gone into the various modus operandi of appraisal methods, finance and follow-up of the agricultural accounts.

M.Sunder Ram Shetty states that a few enterprising agriculturists of South Kanara started the Vijaya Bank in the year 1931. The bank ventured in agricultural finance in the early fifties in the area of plantation finance in Coorg District, although gold loan was quite popular with the small agriculturist borrowers of the bank to meet their urgent needs even earlier. In June 1973, a separate Cell was organised to deal with all aspects of agricultural finance. We now have Agricultural Officers stationed at 24 important centres who assist the Branch/Development/Regional/Managers in identifying the schemes, processing of applications and in follow-up of the end use of credit. The bank reached an advance level of Rs.10.24 crores in 9,944 accounts as on December 1976. This is 7.6 per cent of the total bank credit for the year ending 1976 and recorded an increase of 37.8 per cent over the previous years figures. The Bank provides agricultural credit not only for viable farmers to further increase their surpluses but also to marginal and potentially viable farmers. Finance is given for productive purposes.

M.Sunder Ram Shetty states that although, we have branches in 19 states, we have restricted our agricultural financing only to a few states like Karnataka, Andhra Pradesh and parts of Kerala where we have a good network of rural branches and where we have posted our Agricultural officers to closely supervise the loans. On account of historical reasons, down south, we can justly claim to have a good base and a better feel of the local conditions and the needs of the farmers. We will have to now reach out to...
more states especially in the eastern region and in Maharashtra, U.P., Punjab and Haryana. Our experience in handling various types of loans makes an interesting study. It has been good to indifferent depending on the agro-climatic zones where we are operating. The response and attitudes of the people have also a most crucial role in the success of any development venture. For example, in Karnataka, in the coastal region the percentage of arrears to the balance outstanding was 17.71 whereas in Malnad Region it was only 3.96 per cent. Southern maiden region of Bangalore, Kolar, Mandya, Chitradurga, Bellary and eastern part of Mysore showed highest percentage of arrears i.e. 17.71. At the same time, northern maiden region of Bijapur, Gulbarga, Raichur, northern parts of Dharwar and Belgaum Districts recorded highest percentage of recoveries where the percentage of arrears was only 3.93 per cent. Indian Overseas Bank has made rapid strides in the financing of agriculture. From a mere figure of Rs.3 crores spread over 10,180 accounts, agricultural advances of Indian Overseas Bank now stand at Rs.40 crores spread over 2,62,385 accounts as on March 1977. These statistics aside, another hallmark of IOB's lendings to agricultural sector is the accent placed on financing more people belonging to weaker sections. Thus out of the total loan amount disbursed under agricultural advances 53 per cent has gone to the small and marginal farmers who constitute 74 per cent of the total number of beneficiaries. Major part of the advances i.e. Rs.35.50 crores are by way of direct lending. Some of the important methods followed for qualitative and quantitative expansion of credit to this priority sector are summed up. IOB took upon itself the task of financing 35 Primary Co-Operative Service Societies which have been ceded to the Bank in the States of Karnataka and Andhra Pradesh. About 400 farmers have been financed through these societies to the extent of Rs.42 lakhs for cultivation expenses, minor irrigation, dairy etc. Apart from the laudable objective of revitalising the co-operative credit societies into viable units, the scheme of financing Primary Co-Operative Societies has the following inherent advantages: Bank can reach hundreds of small/marginal farmers through each society which would otherwise be difficult under direct financing by the bank itself. Cost of servicing is cheap compared to the direct advances. The society at the grass root
level has thorough and local knowledge of the farmers. The Directors and the paid secretary of the society exercise closer supervision over the enduse, watch for the sale of the produce and recover the dues in time. The procedure of recovery of overdue is simple, quick and cheap compared to the cumbersome Civil Court Procedure, which the Bank has to resort to in case of direct advances.86

The study conducted by S.V. Sundaram brings out the fact that IOB's innovative approach is evidence from the fact that it has taken up financing of novel activities and in helping certain categories of people who were hitherto considered as 'persona non grata' by the commercial banks. Our bank in collaboration boldly took up financing of ex-criminals of Royarpalayam village in Coimbatore District with the officials of the Police Department. To rehabilitate these ex-criminals, dairy loans were granted to them for purchase of crossbred milch cattle. This has gone a long way in changing their entire outlook on life. In Pondichery territory, tenant cultivators of Thimmanaiackanpalayam Village who were cultivating the lands on oral lease for generations and who were under the clutches of the landlords were granted crop loans by our bank under very liberal and concessional terms, in collaboration with the Union Territory authorities. The bank also provided loans for duck rearing, dairy etc. to supplement their income. Thimmanaiackanpalayam Village is now humming with activity. Similar experiments are also under active implementation by our bank through our Kunrathur branch in Somangalam, near Madras, where the rural reconstruction project is under way.

Kurichi branch in Coimbatore District was not content with disbursing credit alone. To them went the unique distinction if being the first branch of our branch to set up in their branch premises itself an Integrated Agro-Service Centre. Under this experiment, our branch in collaboration with the Tudiyalur Co-Operative Agricultural Services Limited provides not only credit but also other inputs and technical services like fertilizers, pesticides, hiring out of agricultural machinery, arranging for sale/marketing of farm produce etc. The bank has also a number of other schemes for the benefit of fishermen, released bonded labourers, land allottees, agricultural women
labourers, tribals etc. that have been specially designed to suit these people and to improve their standard of living.87

Sunderam feels that the AFC was set up in April 10, 1968 under the Companies Act, 1956 with an authorised capital of Rs.1,000 millions and paid-up capital of Rs.5.50 millions. At present it has 35 commercial banks as it members of which 14 are nationalised banks, 15 non-nationalised banks and the remaining 6 foreign banks. The Board of Directors of the Company comprises the Chairman and Managing Directors representing nationalised banks and non-nationalised banks, the Ministry of Finance and Ministry of Agriculture and Irrigation of Government of India and Agricultural Refinance and Development Corporation, An Agricultural Economist and its Managing Director. It has two Regional Offices at Calcutta serving the Eastern Region and at Lucknow serving the Northern Region. It also has the Project Offices at Patna, Kota, Surat (proposed) and Shillong.88

The study of Ghulam Ghouse reveals that Canara Bank has been in this line even before the advent of social control; but the role was limited to financing plantations and a few cash crops. Today, its share of farm finance in the total credit is 15 per cent. Again, it has a leading position in the total number of agricultural borrowers amongst all nationalised banks. Its share in the total farm credit extended by commercial banks in India is about 8 per cent. Canara Bank was always endeavoured to keep two goals in mind: to help increase in farm production and to make smallholdings economically viable.

Canara Bank was started in 1906 as a small regional bank, basically to meet the banking needs of the middle class people of South Kanara, which mostly included agriculturists. In its sojourn during the last 70 years, its priorities have seen many difficulties, mostly keeping pace with the need of the hour. With the changing emphasis placed by the Government on industrialisation, agriculture and small-scale industries in different plans, the objective of priorities of the banks has also been undergoing
changes. Until 1956-66, the expansion of the Bank was mostly in the Southern States of Karnataka, Tamil Nadu, Kerala and Andhra pradesh. Most of these branches have been in semi-urban and urban places. At the time of nationalisation of fourteen major commercial banks, we had a network of 350 branches with an outstanding agricultural advance of about Rs.8 crores. In the year, following nationalization, Canara Bank, made rapid strides particularly in the sphere of agricultural finance and the increase in lendings has been of the order of 1000 per cent. The target for outstanding agricultural advances for the year 1977 is to cross Rs.110 crores.89

A Credit Wing of Canara Bank reveals that of all the subsidiary occupations, the Bank has taken financing of dairy farming with intensity, especially for small/marginal farmers and agricultural labourers. In 1973-74 we took up a major dairy project in Bhongir of Nalgonda district in A.P. This district being dry and the general economic conditions of the peasantry being far from satisfactory, the implementation and the success of the crash programme in dairy farming with cross bred cows was fraught with considerable risks. The non-availability of fodder and lack of adequate management of crossbred animals, threatened the successful implementation of the scheme. The elaborate extension work done by our technical officers, imparting the know how of raising cross breed cows, extensive finance for bringing more and more land under fodder, involvement of State agencies etc., have made the scheme a success. About 15 lakhs of rupees have been disbursed in the last 2 years for the purchase of cross breeds in this district.90

The informal Group on Institutional Arrangements for Agricultural Credit constituted by the Governor of the RBI in May 1964, which also reviewed the role of the SBI in the sphere of rural and co-operative credit, concluded that the role of the SBI in the matter of supporting non-credit co-operatives connected with agriculture had been quite encouraging. The Group envisaged that the Bank should, as a financier of the rural and co-operative structure, concentrate on the granting of working capital advances for foodgrains procurement and provision of credit to cover the needs of various types of
non-credit co-operatives. As regards the provision of production and development credit to cultivators, the Group recognised that this responsibility had to remain with the co-operative credit structure.  

P.C.D.Nambiar, in his study feels that selectivity in the area of operation is the cornerstone of this strategy of agricultural financing. The 'area approach' involves selection of a compact and contiguous area comprising a cluster of villages, formulation of a suitable programme of financing bankable propositions and extending need-based credit to all the viable and potentially viable farmers - and not just a few isolated individuals or sporadic items of investment - which could lead to integrated and harmonious development covering the various facets of the agricultural economy of the area. Within the last 5-6 years, State Bank Group has established 263 ADBs over the length and breadth of the country. These branches had, as on 31st March 1977, financed 6,74,476 farmers to the tune of Rs.143.07 crores. The State Bank of India alone had 204 ADBs that had finance 5,56,774 farmers to the tune of Rs.112.61 crores. As at the end of March 1977, 356 agricultural development schemes involving a financial outlay of Rs.105.71 crores were prepared for implementation at the ADBs of the State Bank of India. Besides, these offices also participate in other programmes sponsored by the State Governments, ARDC, etc., to be implemented in their areas of operation. 

According to V.Sankaranarayanan, and D.Venugopal, the Chakravarthy Committee recommended two concessional rates, "one being equivalent to the basic (minimum) lending rate and the other somewhat below this rate". The committee did not specify the concessional rate below the minimum lending rate. It was clear from the report that adequate and timely credit should be made available to this sector. What is important to note is that the concept of priority has to be continued according to the Chakravarthy Committee and that the element of concessionality has been endorsed.
In what follows a brief review of the interest rate policy published in recent years in regard to priority sectors is attempted. The major development is the introduction of a new interest rate structure in September, 1990. The main objective was to simplify the structure of interest rates charged by the commercial banks. Viewed in this broader context, the policy decision has been in line with the recommendations of the Chakravarthy committee. The interest rate is determined by the size of loan in the new system. The smaller the size of loan, the lower the interest rate charged and vice versa. The revised structure of lending rates has dispensed with all sector-specific and programme-specific lending rates, except the advances rate under DRI and credit for exports. Besides, the concessional rates given to SSI sector in backward areas were also withdrawn.93

Dr. V. Ranganathan feels that both CRAFTICARD and ACRC report repeatedly emphasis the need to integrate DCP?ACP in the overall district development for effective implementation with the necessary backward and forward linkages. Unfortunately the experience, gained under both lead bank and service area approaches, shows that this exercise appears to be impracticable since there is no district development plan as such at district level (except West Bengal). Since “credit plan” is the core element in these approaches for rural lending, it appears that whole exercise is being religiously carried out in isolation and mechanically documented consuming voluminous stationary without any relation or linkage to overall development system or planning. On perusal over the various approaches to rural lending, both positive and negative points could be observed. However, it is discernible to note that the negative points outweigh positive ones. Hence based on the lessons, experienced during the last 15 years of rural financing, suggested points in this paper may be considered for effecting a thoroughly renovated and result oriented rural lending in the future.94

Dr. N. B. Shete opines that presently 78 million hectares land is irrigated in India, though ultimate potential is about 113.5 million hectares. Many committees/commissions document our problems of irrigation, yet these problems remain. For
example, (i) a large part of irrigation potential remains unutilised, (ii) investment in surface irrigation spreads thinly over large projects, (iii) real investment in surface irrigation has severely come down, decelerating the growth of surface irrigation during the 1980s and early 1990s, (iv) water rates of canal irrigation are so low that they do not cover even half of their operational and maintenance expenditure, and (v) the existing average yield between irrigated and unirrigated areas for the country as a whole is much lower than for China, having less irrigated area. In short, badly managed irrigation system is mostly responsible for enormous water losses and wasteful use. Added to this, irrigation water management and utilisation are very inefficient at the farm level resulting in pronounced reduction in crop yield.95

Shete in his study reveals that the Prime Minister, Mr. A. B. Vajpayee, in his first broadcast to the nation said, “the decreasing per capita availability of foodgrains in the country was a matter of grave concern. Doubling food production and making India hunger free in 10 years would be one of the top five goals his government would go all out to achieve.” About thirty years have passed since the green revolution. Now we are a globally linked economy, there is WTO and there are linkages for our agriculture in terms of agro-exports, the world is entering the patent regime, and we have to sustain our gains and we have to export and fight competition. All these mean that we have to liberalise our farming economy. At present, our agricultural investment is declining. The successive five years plans have produced a falling percentage of agri-investments—from 31 percent in the First Plan, it is now a 19 per cent in the Ninth Plan. Our economic future depends upon export performance, of which agro-exports declined by a steep 20 per cent during April-December 1997-98, which pulls down our general export growth. This call for: commercialisation of agriculture, which broadly means production with a market orientation. this is happening now in India but at a slow speed, as we are witnessing gradual transformation from an integrated farming system to specialized enterprises for producing crops and animals for markets. There is a mix of traditional and new products also both for domestic and exports markets, where sophisticated technology is used in production, processing and distribution. Since sophisticated
technology is used, these projects are capital intensive and risky as well. The hi-tech technologies in agriculture are to increase the efficiency of production, enhance quality and ensure uniformity of products and make the Indian products globally competitive. As on December 1997, as many as 295 EOUs covering variety of products with the financial outlay of Rs.1223 crore, bank loan of Rs.567 crore and refinance assistance of Rs.367 crore were operating. The credit requirements of hi-tech agricultural projects during the Ninth Plan are projected at Rs.14,000 crore. 96

In the view of D.V Desh Pandey et al Some of the important areas of financing under the hi-tech agriculture have been indicated earlier. In addition to this, contract farming is ideal if the present Land Ceiling Act is charged. Once the corporate houses are allowed to hold about 100 hectares of land, then contract farming is profitable, particularly for food industries. It is the most economic agri-business for the cash crops such as tomato, jerkins, baby corn and capsicum, because gestation period of these crops is very short (maximum 12 months). The contract farming of fruits and vegetables will also help to improve the existing capacity of food processing industry from existing 30 per cent to 70 per cent. Successful examples of such contract farming are WIMCO, Terai Food, Chorida Food, Maxworth Orchards, etc. Contract farming will prove very successful for seed production of vegetables, oilseeds and pulses crops. Growth and development of agriculture in India has moved through at least three different phases or waves. Historically, agriculture was viewed as a sector to usher in self-sufficiency in foodgrains production oriented scientific development and steer on applying science and technology to enhancing the production of basic crops. From this phase, it is recently moving into the third phase in which commercialisation, hi-tech agriculture, processing, marketing, etc., are assuming greater significance. It is also called ‘gene revolution’ stage.

The first six Regional Rural Banks (RRBs) were set up in India in 1975 as the ‘Poor Man’s Bank’. These were established to function as rural financial institutions with low cost profile to provide institutional credit support to the on-going efforts of
rural development through capital formation. Since the establishment of the first RRB in 1975, these institutions have come a long way. As of March 1997, there were 196 RRBs in existence with 14,461 branches operating in 427 districts of 23 states all over India. About 90 percent of RRB branches are rural and constitute 16 per cent of total number of rural credit outlets. The share of RRB deposits to total rural deposits with all agencies in 1996-97 was around 25 per cent (Rs.18032 crores) and the share of RRB advances to total rural advances was 27 percent (Rs.8718 crores) (Thingalaya 1997 and NABARD, 1998).

The Reserve Bank of India (RBI) has deregulated the interest rates relating to deposits and advances by (RRBs) since July 2 and August 26, 1996 respectively. Under deregulated interest regime, RRBs are allowed to determine their term deposit rates for over one year maturity. However, RRBs are directed to offer interest rates not exceeding 11.0 per cent per annum for term deposits of 30 days and up to 1-year period. These interest rates have been further deregulated from April 1998 as RRBs are now free to offer interest rates on deposits of over 30 days maturity. The interest rates for savings bank account (4.5 per cent) and current account (nil) remain unchanged. On lending aspect RBI has deregulated the interest rates completely i.e. RRBs are free to determine interest rates on all types of advances. Therefore, the freedom to determine interest rates on lending is complete though it is observed to be partial on the deposit side. The regional distribution of recovery rates shows that all the 4 RRBs in the Southern Zone have more than 60 per cent recovery rate whereas 4 RRBs with relatively lower recovery rates (less than 45 per cent) fall in central and Western Zones. However, 4 other RRBs in these Zones have recovery rates ranging from 58 to 67 per cent.

The study revealed that only 5 RRBs out of the sample of 15 have an explicit interest rate deregulation policy relating to advances though all of them have effected interest rate deregulation on advances. It implies that there is an element of ad-hocism in determining the interest rate for various types of advances in many RRBs. In addition, in many RRBs interest rate revisions were guided by sponsor bank. However, discussions
with 2 RRBs (Banaskantha-Mehsana and Surguja) revealed that they had taken into account the existing cost of funds and yield on advances while revising the interest rate.97

The study conducted by S.R. Shende et al reveals the problems encountered by SSC, hence, deserve special consideration. In the recent past, the Nayak Committee, appointed by the Reserve Bank of India to examine the adequacy of industrial credit to the SSI sector and related aspects, noted the striking unanimity that exists between representatives of SSI units and banks that the guidelines issued by the RBI in respect of finance to the SSI units are wholesome (RBI, RPCD, 1992, p.29). The Committee has observed: the SSI units would like nothing more than faithful adherence by the banks to the guidelines. But there was a widespread belief among the industry that the banks do not always follow them and that was at the root of the travails of the SSI. The SSI associations alleged that the practice exists, in particular, of sanctioning inadequate working capital and/or releasing such working capital to the SSI units in dribbles. The RBI has been, from time to time, issuing guidelines to the banks so as to ensure adequate flow of credit SSI units. Contrary to the recommendations on the Narasimham Committee (appointed by the Government of India) to reduce the directed credit from the present level of forty percent of leading portfolio of the banks to 10 per cent, RBI reiterated its commitment to continue the directed credit at the present level (GOI, 1991, p.44). Finance to SSI units forms the significant portion of the directed credit. In case of Urban Cooperative Banks, the credit limit is as high as 60 percent. The main focus of the study was to identify the credit related problems faced by the SSI units. In one of the questions, the major problems generally faced by the SSI units were listed out. They included: Paucity of funds, shortage of utilities such as power, fuel, water, etc., Non-availability of raw materials; Labour problems; Technological difficulties; Marketing; Management; Quality of finished good; Any other problems;98

Shende and Patel find that to accelerate the process of industrialization, immediately after independence, Government of India took appropriate steps to create a
network of financial institutions to fill the gaps in the supply of long-term finance to industry. IFCI was first institution, which was set-up in 1948 followed by SFCs established by different States/Union Territories under the SFCs Act, 1951. The NIDC (1954), ICICI(1955), RCI(1958) were established . IDBI was established in 1964 as Apex institution the field of industrial finance. UTI was also established in the same year .LIC came into existence in 1956 and GIC in 1972. SIDCs/SIICs strengthened institutional set-up at regional level. IRCI was set-up in 1971 that was later renamed as IRBI. Reserve Bank has played an important role in creation of all these institutions. Thus, structure of financial institutions in India has become so greatly diversified and strengthened that it has ability to supply finance to variety of enterprises in diverse forms. 99

Saghir Ahmed Ansari feels that of late, traditional source of credit i.e. indigenous bankers and sahukars is being replaced by institutional credit. There are various institutions including Regional Rural Banks, Primary Agricultural Co-Operative Credit Societies (PACS), Farmers’ Service Societies and widely spread windows of commercial banks. The multi-agency system has been built in view of the needs of diversified rural society. The share of the institutional agencies in the agricultural credit has increased from 7.3 in 1981, 18.7 in 1961, 31.5 in 1971 and 70 per cent in 1990. Co-Operatives have emerged as dominant source of agricultural credit. All India Rural Credit Survey (1952) found that Co-Operative Agricultural Credit was in quantitative terms a little more than three per cent of the borrowings of the cultivators. At present, the co-operatives supply about 35 per cent of the total agricultural credit. A set of studies undertaken by Programme Evaluation Organisation (1965), Nag Biswas and Chakraverty (1971), Agarwal (1971), Saikia (1971), Sisodia (1971), Rout and Das (1972), Shukla et. Al. (1975), State Evaluation Organisation of Planning and Co-Operation Department (1975), Guruswami (1975), RBI (1975), Galgalikar and Gadre (1978), Singh and Dhawan (1978), Panda (1985) and Singh (1986) advocate that agricultural credit is largely used for agricultural purposes. The agricultural purposes
include purchase of implements and inputs, irrigation, purchase of livestock and hiring the labour for agriculture operations, etc.  

According to Kulwant Singh, the diversion and misutilisation of credit is very common feature with the farmers. They find different reasons of diversion. The studies by Belshaw (1931), Gadgil (1973), Ghakhar and Ganwar (1979), Kher and Jha (1979) and Reddy (1980) reveal that credit is misutilised due to the lack of education and guidance, and Investment Survey (1975), PPEO (1965), Munshi and Pandya (1985) and Singh (1986) pinpoint that credit is used to repay the old debts. Kher and Jha (1979), Chiranjeevulu and Suryanarayana (1985) and Munshi and Pandey (1985) find in their studies that lack of credit in kind cause the diversion and non-utilisation of credit. All India Debt and Investment Survey (1965) and Das (1971) indicate that credit is utilised on litigation. Certain studies undertaken by Shah (1961), Das and Rout (1972), Pati (1975), Kumar and Kahlon (1978), Rajput and others (1980), Panda (1985) and Singh (1986) conclude that credit is used for consumptional, religious and social purposes.

A group of studies undertaken by Pandey (1972), National Council for Applied Economic Research (1974), Reddy (1980) and Singh (1986) reveals that large farmers availed larger share of credit and vice versa. Unproductive loans were common among non-cultivators. The use of credit is also affected by the regional disparities as is evident from the studies conducted by Athavali etc. Al. (1971), Reserve Bank of India (1975), Dhongade and Dangat (1978), Gupta and others (1978), and Panda (1985). The over dues are increasing day by day. Some studies conducted by Dadhichi (1971), RBI (1974), Pandey & Murlidharan (1984), Kalyankar, Rajmane and Ashthurkar (1982) and Panda (1985) observe that over dues exist due to both willful and non-willful defaulters which affect credit utilisation. 

Kulwant Singh feels that there are two important institutions viz., the Commercial Banks and the Co-operatives, lending to agriculturists in the area under enquiry viz., Thanjavur District, Tamil Nadu State, India. The Commercial Banks came into the
scene much later the Co-operatives, particularly after the nationalization of the major Commercial Banks in 1969. The Commercial banks which have the required resources lending under the direction of Reserve Bank of India – the Central Bank, have been asked to give a priority to the agricultural lending however the cooperative and the commercial banks, put together, are not able to eliminate money lenders and indigenous bankers who are financing at usurious rates and on exacting terms. But, the dawn of the Commercial banks lending to agriculture has helped the agriculturist to reduce their borrowings from non-institutional agencies.102

T.Gunasekaran conceives that micro finance constitutes a broad range of financial services, including deposits, loans, payment services, money transfers, and insurance for the poor. Interest in institutional micro finance has emerged during the last two decades, with the support of international lending institutions and non-government organisation (NGOs). Once almost exclusively the domain of donors and experimental credit projects, institutional micro finance has evolved into an industry with prospects for rapid growth on commission basis on potential to reach millions of poor people in the Asian Pacific area. On 11-13 August 1999, the ADB sponsored WWB’s Asia Regional Meeting and Best Practice Workshop held at the Asian Development Bank (ADB) headquarters in Manila. The meeting was aimed at finding ways to overcome barriers to resource mobilization and growth, share experiences in designing new financial products, and create an opportunity to facilitate future joint actions in providing service, building capacity, and changing policy. In his opening address, Vice-President Peter Sullivan (Regional East) stressed that investing in poor women is one of the most effective strategies for reducing poverty and improving the status of women. “Banking for the poor does not mean poor banking. The goal of financial sustainability is not an end in itself but the means for reaching a larger and growing number of clients. Financial sustainability is needed for expanding outreach. Increased outreach in turn increased sustainability. Time and again, it has been shown that women do not need cheap credit – they need access and reliability”.103
Marcia. R. Samson feels that it is the matter of pride that the country expected to record food grains output of around 201 million tones and achieved significant improvements in the output of sugarcane, cotton and oil seeds this year. However are productivity per hectare production of wheat, paddy, maize, groundnut, and cotton in India was 2559 Kg, 1563 Kg, 1004 Kg, and 246 Kg respectively. As against 3541 Kg, 6017 Kg, 4916 Kg, 1684 Kg, and 879 Kg, in that order achieved in China. Government of India has recognised for the need for doubling of food grains production in the coming decade to meet the food grains requirement. The target for 1999-2000 has been put at 210 mt. In order to encourage farmers to adopt New Agricultural strategy which is capital intensive, constant flow of agricultural credit must been ensured and this regard the role and responsibility of the banking system in the Co-operative banks, Commercial banks, Regional Rural banks and private banks are of paramount importance. Over a period, these banks are already supported very well agricultural development by providing credit. During the last 3 years agricultural credit provided by these banks was of the order of Rs. 22032 crore in 1995/96, Rs. 26411 crore in 1996/97 and Rs. 30976 crore in 1997/98. The bank in consultation with the farmer borrower, will fix up the credit-limit for the year and, if need be, sub-limits will be earmarked for each season’s requirements, say, for Kharif, Rabi and hot weather separately. While credit limit and sub-limits for all the seasons for crop- cultivation, allied-activities and non-farm activities will be sanctioned once and for all, farmer-borrower can avail of credit within the sub-limit for that season for purchasing inputs, making payments etc as and when he/she needs money in respect of these activities. During this period, as and when some income is generated from the activities, particularly allied-activity or non-farm activity or from vegetable cultivation, a part of income [after appropriating reasonable income for family expenses] can be repaid to the bank that will reduce the interest burden on the one hand and inculcate in him/her self-motivated saving/repayment habit, on the other. 104
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