Preface

India is a country of villages and agriculture is the mainstay of its economy. For the villagers, agriculture is also a way of life. The rural population is spread in different climatic zones – hills to the plains and sea shores to the desert or semi-arid zones.

Unemployment and poverty are the major problems in India. Rural areas are more affected by these two problems. Majority of the peasants and cultivators are poor. The problem of poverty in India is, therefore, mainly the problem of rural poverty, which has affected every section of society but it is predominantly concentrated in the underprivileged segments of society.

The genesis of rural poverty is found in the role played by the moneylenders and landlords since ages. The moneylenders collected revenue and, many times, paid the revenue to the authorities concerned themselves on behalf of the peasantry. At the time of harvesting, most of the moneylenders took away the surplus produced on the farm (leaving the barest minimum with the peasants) in order to clear their accounts. Along with the credit relations of the peasants with merchants and moneylenders, there were generations old bondages of landless labourers as a consequence of their indebtedness to the big cultivators (with large land holdings) and moneylenders.

Although major efforts towards planned programmes and strategies for rural development were put into action after 1947 yet as a concept, it had received the attention of our leaders much earlier. Rabindranath Tagore started ‘back to nature’ movement. Mahatma Gandhi was more practical and attempted a purely indigenous solution to the socio-economic problems of rural India. He wanted not only to change their economic lot but also inculcate in them certain values. He was as much concerned with eradicating the evil of untouchability as with the rural poverty and unemployment. He started constructive programme for rural development in his own way; it was unique and different in fashion. He started it first at Champaran (Bihar) in
1917, then at Sevegram in 1920, and later at Wardha in 1938. His plan of action involves the rebuilding of every aspect of human life, that is economic, social, political and educational. He envisaged a society based on self-supporting and self-governing villages. Gandhian concept of equality is something basic and spiritual. His plan of resurgence gives khadi the prime place.

After independence, several programmes were started for the purpose of rural development. Before the formulation and implementation of Integrated Rural Development Programme (IRDP), the project approach or sectoral approach was followed to develop the rural areas through different programmes like Small Farmers Development Agency (SFDA), Marginal Farmers and Landless Labourers Development Agency (MFAL), Tribal Area Development Programme (TADP), Desert Development Programme (DDP), Drought Prone Area Programme (DPAP) etc. As the government encouraged multi-agency approach to tackle the problem of poverty, unemployment and backwardness, many governmental and non-governmental agencies got involved to contribute towards building a prosperous India. Various programmes of the government were not found adequate to undertake the overall development of the rural areas, and for the extension of the benefits to the total population, particularly the weaker or deprived sections of society. It soon dawned upon the planners to undertake development in the rural areas with multi-dimensional focus. The developmental emphasis of such an approach is on economic activities and social welfare strategies as a specific to all jobs and their functional relationships.

All India Rural Credit Survey conducted by the Committee of Direction appointed by the government of India in 1954 brought out the problem of rural indebtedness resulting in poverty from inadequacy of credit for agricultural and other rural occupations. The Committee made numerous recommendations for providing more effective institutional structure and extension services with appropriate supervision, monitoring and control.
mechanism. One of the most significant recommendations made by it was for setting up of State Bank of India by taking over the branches of Imperial Bank of India, which were mostly in urban areas and ports or commercial towns, to open branches in the rural areas.

In July 1969, fourteen major commercial banks were nationalized. In the second phase of nationalization in June 1980, six more major banks were added to the group of fourteen bringing the total of nationalized banks to twenty. These steps were taken to bring about geographical expansion, particularly in the rural areas, which were previously unbanked. The agenda set for those rural branches was to mop up rural savings and extend credit for all viable economic activities as an alternative to the moneylenders, and to supplement the efforts of the village co-operatives. These banks were directed to extend finance to priority sector, which included low-level activities, till then neglected due to strong security consciousness of the banks.

The establishment of Regional Rural Banks was recommended by the Banking Commission in 1972 but the enabling Act was passed only in 1976, preceded by Ordinance promulgated in that behalf in October 1975. The RRBs, therefore, came into existence from October 2, 1975. These banks were conceived as low cost, low profile, rural-oriented banks to cater to the banking needs and services of the rural people, with local staff, so that they could interact with the villagers with sympathy and understanding in the local dialect. A non-banking day (other than Sunday) was introduced later to enable the staff to visit villages to listen to the villagers, solve their problems/difficulties and to guide them in all matters connected with the economic activities including techno-feasibility aspects.

Rural Development Officers (with technical education and experience in agriculture and allied activities) were recruited by the sponsoring banks in the beginning to give technical inputs to the farmers regarding agricultural practices and technology, etc. Their services were made available to the RRBs
initially for a few years and subsequently when demanded for specific jobs and periods.

There were 196 RRBs in the country as on March 31, 2003 with 14,433 branches, staff strength of 69,547, covering 516 districts in 23 states sponsored by 21 major banks, mostly by the State Bank Group and Public Sector Banks. Total deposits and Advances of all these RRBs stood at ₹50,098 crores and Rs. 22,158 crores, respectively, as on March 31, 2003. The Credit Deposit Ratio on that date was 48 per cent.

The Regional Rural Bank, Chamba, was set up on November 2, 1985. It was named ‘Parvatiya Gramin Bank’ to give it the local emotional touch, a psychological identity with the local people. It has 27 branches, spread over the entire district. The staff at the branches is local with full rural background, knowing the local dialect and well versed in the local culture. Its deposits were Rs.103 crores and Advances Rs. 30.82 crores, as on March 31, 2003. Recovery was 80 per cent on the aforesaid date. The PGB has extended credit for various activities in the rural areas, through schematic lending. Keeping in view this perspective, the study has been undertaken. The purpose of the present study was to study the role of Regional Rural Bank in the rural development of district Chamba, Himachal Pradesh. Along with this, the other objectives are as follows:

I) To study Gandhi’s view of Rural Reconstruction and also to find out the extent to which his ideas have been implemented by the Rural Bank?

II) To find out what role is played by RRB for the upliftment of Scheduled Castes and Scheduled Tribes in district Chamba?

III) To find out the total amount of credit disbursed by the Regional Rural Bank, Chamba, in the district up to March 2002.
IV) To find out the contribution of the RRB through extension work in the non-banking activities.

V) To find out the repayment behaviour of the borrowers and causes for default, if any.

VI) To find out the coordination mechanism with regard to its effectiveness for bringing about integrated and coordinated approach to rural development, especially the system followed for planning, monitoring and for taking remedial steps where actuals are lower than the planned growth targets, etc.

VII) To find out whether area-specific and need-based development schemes were formulated, approved and implemented through district coordination forum and with what result?

VIII) To find out whether the people served are satisfied with the credit extension for specific schemes of finance and whether they have suggestions to make for improvement in the schemes or credit delivery system, practices and procedures?

The study has been based primarily on the empirical data and information, which have been collected by the researcher by using tools of questionnaire, and interviews. The exercise necessitated visits to the selected villages, village branch offices of the Regional Rural Bank in the district. The users of the Bank credit (borrowers) have been interviewed. Others connected with the borrowers or the bank, like government agencies have also been contacted and their representatives interviewed. As the credit flow to the priority sector (comprising Agriculture, Allied Agricultural activities, rural industrial units including tiny sector, artisans and professionals, rural housing, etc.) is directed credit and it is regularly/periodically monitored bank-wise, by the Reserve Bank of India and State Government under the
umbrella of the Lead Bank Scheme, it was necessary to consult literature on the subject as well as Reserve Bank of India’s instructions, Memoranda of Understanding (MOU) entered into between the RRB and the Sponsoring Bank (SBI), annual reports, other periodical reports, manuals, government instructions and proceedings of District/Block level Review meetings, etc. to use as theoretical complement to the research work. Data have been checked for any contradiction, apparent inaccuracy etc. The data have been collected, analysed, interpreted and projected for making observations and for arriving at the conclusion, after taking into account also the observations made during the interviews with the borrowers, representatives of various development agencies in the district, officials of the district administration as well as opinion leaders.

I take this rarest of the rare opportunities to record my extreme gratitude to Dr. Jai Narain Sharma, my guide and supervisor, for the consistent encouragement and able guidance, and also the blessings lavishly showered upon me, for undertaking this study with confidence, perseverance. It was a unique experience of working under his guidance. I shall cherish with fond memory the scholarly views shared by Dr. Sharma with me and appropriate interpretations given on diverse concepts of relevance to the study. But for the timely interventions by Dr. Jai Narain Sharma, I would have been often caught in the maze and labyrinth of the voluminous literature, and lost.

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Kahan Chand Sharma

Chandigarh

KAHAN CHAND SHARMA

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