A study is made to analyse the Regional Rural Banks with special reference to Sree Anantha Grameena Bank its functioning at Talamarla branch. Though different aspects of agricultural credit by the co-operative banks and commercial banks, have been studied fully the credit provided by the Regional Rural Banks to the agricultural and non-agricultural activities of the weaker sections is an area not yet fully analysed. As it is indisputable that the weaker sections in rural areas are having a miserable existence on financial front, the subject of rural credit has come in for a critical review by the different expert committees from time to time. But these committees are continued to strengthen the credit prospects of the large scale and the medium scale agriculture rather than the credit problems of the agricultural and non-agricultural activities.

There are no two opinions on importance of agriculture in economic development. Physiocrate were the early economists; who debated on the role of agriculture in economic development. To them, agriculture
alone produced an economic surplus over cost of production, which held the key to economic growth.

Hence the significance of credit in agricultural development, is also not debatable. The need for institutionalisation of agricultural credit, mainly arose from deplorable practices of money lenders charging usurious interest rates demanding advance interest etc.

Another milestone in the institutionalisation of agricultural credit is the emergence of State Bank of India. State Bank of India evolved a few innovations in its pioneering role of agricultural financing. The innovations transformed the complexion of State Bank, from Credit agency to sponsor agency. Inspite of commendable performance of State Bank of India, meaningful involvement of commercial banks in the sphere of agricultural financing did not occur till they were brought under social control in 1968. However, such involvement gained momentum only with the adoption of bank nationalisation in 1969.

The present study is intended to examine the extent of credit given to weaker sections by the Regional Rural Banks. The prime objectives of the study
are:

1. to understand the role of Regional Rural Banks in mobilising deposits and extending credit to the weaker sections,
2. to assess the utilisation of credit by the borrowers of agricultural and non-agricultural loans, and
3. to analyse the credit problems faced by the agricultural and non-agricultural borrowers.

It is viewed that inspite of the existence of co-operative movement and the nationalisation of banks, the economic conditions of the weaker sections have not been improved. With a view to uplift the weaker sections, it was decided to establish the Regional Rural Banks whose cost structure permits them to finance the activities of the rural sector at the rates of interest even lower than those of commercial banks.

As a result, the Government of India constituted the working group on Regional Rural Banks under the chairmanship of M. Narasimham to examine the case of the setting up of new banks in addition to the existing nationalised banks. The group felt that the
existing credit institutions because of inherent weaknesses were not able to fulfil the credit requirements of the rural population.

The Government of India accepted the recommendations of the group. Accordingly, the Regional Rural Banks ordinance was promulgated on 26th September 1977, and subsequently it was replaced by the Regional Rural Banks Act on 9th February, 1976. The Act provides for the incorporation, regulation and widening of Regional Rural Banks with a view to developing the rural economy by providing credit. The operational area of the Regional Rural Banks is relatively small and confining to the specific area. The staff of the Regional Rural Banks are recruited locally as they have familiarity with the local language and environment. The Regional Rural Banks evolved as the low cost rural based institutions are eminently suited to implement the bankable schemes, in the rural areas for the benefit of the rural poor.

With the inauguration of "Prathama Bank" as the first Regional Rural Bank in India sponsored by the Syndicate Bank on 2nd October, 1975, the number of Regional Rural Banks has increased from 6 in 1975,
to 194 by the end of 1986. All Regional Rural Banks in the country are sponsored by the Syndicate Bank, The State Bank of India, the Union Bank of India, the Bank of India and the Allahabad Bank.

The performance of Regional Rural Banks reveals that they are playing a key role in the removal of economic inequalities among different regions. The Regional Rural Banks are satisfying all the requirements of sound rural credit system. They are able to mobilise rural savings through their innovative schemes of deposit mobilisation. The amount of deposits has gone up from Rs. 772 lakhs in 1976 to Rs. 1,71,494 lakhs in 1986. This achievement is definitely praise-worthy. Though their areas of operation are confined to the relatively backward districts. A similar trend is also noticed in the field of advances as the figure of advances has gone up from an amount of Rs. 702 lakhs in 1976 to Rs. 1,784,84 lakhs in 1986. The credit deposits ratio Rs. 91 in 1976 to Rs. 104 in 1986. The credit deposit ratio shows that there is a net inflow of funds into rural sector to serve the weaker sections.

In Anantapur district, Sree Anantha Grameena Bank sponsored by the Syndicate Bank, was established
on 1st November, 1979. Being well-known for its scanty rainfall and inadequate irrigation facilities, the district has been characterised by all features of under-development. Though there has been adequate expansion of banking sector in the district, the credit needs of the majority of the rural population especially weaker sections are not met. It is felt that only through the development of rural banking the basic credit needs for investment of the small and marginal farmers, rural artisans and the small businessmen can be met in the district.

Sree Anantha Grameena Bank has so far been able to achieve the objective of helping the weaker sections by controlling its operational expenses quite efficiently despite the constraints of limited area of operation and an unfavourable social conditions. The bank in the district, could make significant progress in the direction of deposit mobilisation and credit disbursement. As the amount of deposits has increased from Rs. 633.33 to 1132.42 lakhs, the total amount of advances has also gone up from 640.88 in 1983 to Rs. 1856.43 lakhs in 1987. The credit disbursed to the scheduled castes, scheduled tribes and backward classes has also gone up significantly.
There has also been considerable increase in the amount of advances made available to the small and marginal farmers since 1983. These two categories put together account for more than two-thirds amount of the total advance in 1987. The share of rural artisans and small businessmen has also increased though the landless labourers almost got insignificant share of advances. The study reveals that the overall performance of the bank in its lendings is quite impressive.

LENDING OPERATION OF THE BRANCH IN TALAMARLA:

The study reveals that Talamarla branch gave about 70 per cent of the total credit to agricultural and 30 per cent non-agricultural activities in 1987. Of course, within the reasonable limits, the bank has been doing its best to maximise the lendings to small entrepreneurs and persons engaged in services sector. As the recovery performance of the bank is good, a higher proportion of credit can be made available to these borrowers to develop the severely drought affected areas in the district. 75 borrowers of agricultural and non-agricultural loans are covered to assess the credit gap felt by the borrowers, utilisation
of credit and its impact on their income and employment.

The borrowers mentioned that the credit provided is inadequate. As such some of the borrowers got the credit from other sources to fulfil their requirements. Out of 20 borrowers, who reported insufficient finance, 9 borrowers got the finance from the co-operative banks, 4 borrowers got the finance from the money-lenders, 7 borrowers got the finance from the others. In some cases the only alternative is to increase the scale of finance by the banks for all purposes in view of rising cost of production.

Regarding the utilisation of credit, the study reveals that out of the total loan amount of Rs. 5,85,000, Rs. 4,87,000 i.e., 83 per cent of credit was used for the specified productive purpose. The nature of utilisation in the case of crop loans, bullocks/carts, sericulture, sheep is productive to greater extent. Though the jewel loans are borrowed for the specified productive purposes, there is greater diversion to unspecified and mostly to the unproductive uses. Of course, the bank cannot restrict the utilisation of jewel loans and loans on deposits for specific purposes. This, however, reveals that the Grameena Bank in the district is relatively better over the other
commercial banks and the co-operative banks in ensuring credit utilisation for pre-determined purpose. This signifies the effective and timely pre and post monitory operations of the Grameena Bank.

The impact of credit is felt by the borrowers in the form of increase in their income and production opportunities in reasonable proportions. The study includes that after receiving credit and utilising the amount. By providing higher doses of credit for the above activities the scope for enhancing the income and production in the rural sector is high in present circumstances.

Prompt recovery of loans is one of the essential factors to have high efficiency in the banks operations. The study of the recovery performance of the banks shows that there is 67 per cent of the sample borrowers are paying regular instalments of the loan amount. 33 per cent of the sample borrowers are irregularly paying the loan amount. The defaulters are mostly the borrowers of crop loans. Efforts are to be made to increase the recovery performance without deviating from the usual norms of lending.

It is observed from the above analysis that the financial assistance to agricultural loans under
the category of priority sector lendings of the branch is sufficiently high. Inspite of the impressive performance of the branch, the credit gap felt by the borrowers is making them to go to money-lenders and others.

Any serious attempt to strengthen the rural agricultural sector should be in terms of converting the weak capital asset base of the rural poor families into strong and productive asset base to increase production and income. Since the Grameena Bank is satisfying most of the conditions of a sound rural credit system, it is desirable to take necessary steps to strengthen them. All the primary agricultural co-operative credit societies and the rural branches of commercial banks may be brought under the fold of the Grameena Bank at an early date to avoid unnecessary competition in the banking sector.

As the bank satisfies all the desired norms of a sound rural credit system, there is an imperative need for the expansion of the bank with additional financial resources from the Reserve Bank of India. Since there is scope for further improvement in its organisational and operational behaviour, adequate number of trained people must be recruited by the bank.
to work with sincerity. Besides this, the employees of the bank must be motivated, by the suitable incentive schemes to make them devoted and hard working.

However, the significant performance attained by the bank in recent years can be retained in future also provided the Grameena Bank is not constrained by the powerful employees union, lack of positive cooperation from the administrative agencies and the absence of involvement of weaker sections in the implementation of the developmental programmes. Unless these constraints are overcome, the Grameena Bank in the district may not be useful to the target groups in the desired direction and extent.