INTRODUCTION:

There is widely shared view that a determined effort is needed to speed up the flow of institutional credit especially to meet the needs of the weaker sections of the rural community. This is viewed in spite of an impressive step-up in the availability of institutional credit to the rural population in recent years. The various weaknesses of the co-operative credit agencies and the nationalized banks have generated fear that the existing institutions as they are presently structured would not be able to fill the regional and functional gap in the rural credit institutional system within a reasonable period of time. The Government of India also felt that it was necessary to establish new institutions on the basis of attitudinal and operational ethos entirely different from those obtaining in the nationalised banks.

The banking commission in its report in the year 1972 mooted for the first time the proposal for setting up of rural banks after examining the record.

of the expansion of the commercial banks activities. In pursuance of this view, the Government of India appointed on July 1, 1975, a working group under the chairmanship of Sri. M. Narasimham² to examine in detail the need for setting-up of new rural banks as subsidiaries of public sector banks to cater to the credit needs of the rural people. The working group submitted its report within one month and the Government of India accepted the recommendations. The Regional Rural Banks came into existence with an ordinance in 1975 and subsequently the ordinance was replaced by the Regional Rural Banks Act of 1976.

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

2. M. Narasimham was the additional secretary in the Department of Economic Affairs, Government of India.
The Reserve Bank of India in its report has described the setting-up of the Regional Rural Banks as a "development which will have far reaching effects on the extension, of banking facilities to the rural areas". Since the commercial banks in India have been lending a negligible proportion of credit to the rural poor and considering the need to fill the gap between the available credit facilities and credit needs of the weaker sections in rural sector. The establishment of the Regional Rural Banks has become an urgent necessity. Inspite of tremendous growth of rural credit in the country overtime, it is estimated that even now non-institutional credit accounts for two-thirds of the total agricultural credit in country. The poor villagers are ultimately caught up in the vicious circles of poverty as they borrow funds from money-lenders who charge abnormal rate of interest. Even the introduction of multi-purpose co-operatives on the


recommendations of the All India Debt and Rural Credit Survey and farmers service societies advocated by the National Commission on Agriculture, did not provide viable alternative to the credit problems of the rural population. There are still many unbanked areas in the country though demand for rural credit has grown over the years after the introduction of mechanisation in agriculture.

These new institutions are combining the local feel and familiarity with rural problems which co-operatives possess and the abilities of commercial banks to mobilise the deposits. The major objective of the Regional Rural Banks should not only be to mobilise resources from the region and use them within the same region but also to spread banking in all rural areas for developing banking habits in the countryside.

It is however, clearly stressed that the trust of the lending activities of these banks should be towards providing credit for small and marginal farmers, landless labourers, the small business men,


rural artisans and the like belonging to the weaker sections of the rural society. It was also implicit in the thinking of the Government of India that the weaker sections of the rural society had in general not benefited much from the existing credit institutions. Hence it is intended that the new institutions of rural banks must rectify this deficiency and work for furthering the development of the rural poor. However, the idea of new rural banking and the operation of such banks with local staff in rural environment is making the poor people in the villages to find most homely.

Statement of the Problem:

Since the rural sector continues to play a dominant role in Indian economy. There is need for improving the living conditions of the rural population with greater emphasis on weaker sections. It is well-known fact that the incomes of small and marginal farmers, rural artisans, small business men etc., can be increased by raising their capacity to invest in their economic activities. To help specifically these sections of population, Regional Rural Banks came into existence to supplement credit which is already made available by the co-operatives and
commercial banks. The small and marginal farmers and rural artisans find it difficult to make investment on modern inputs like high yielding varieties of seeds, chemical fertilizers, purchase of new materials and improved machinery etc., as they do not have sufficient own funds for investment purpose. Hence Grameena Bank have to extend credit to take the shape of investment.

As the evils of non-institutional credit are well-known, there is need for adequate and timely credit from Regional Rural Banks to the weaker sections in rural India. Though commercial banks intensified their role after nationalisation their role is found significant in agricultural finance only. The agricultural activities in rural areas has been receiving adequate credit. As Regional Rural Banks are helping greatly the farm sector, it is therefore, necessary to examine the role of Grameena Bank in financing agricultural activities in the district.

Importance of the Study :

Though different aspects of agricultural credit by co-operatives and commercial banks have been studied and highlighted. The significance of credit made available by the Regional Rural Banks to both
agriculture and non-agriculture sectors is an area yet to be fully analysed which pronounces the need for this study. As it is indisputable that the weaker sections in rural areas are having a miserable existence on the financial front, the subject of rural credit has come in for a critical review by different expert committees from time to time. However, much of it was confined to strengthen the credit prospects of large scale and medium scale agriculture rather than the agriculture of small and medium farmers, the activities of rural artisans etc. This is true more in the case of agricultural activities in rural areas.

Review of Literature:

An attempt is made in this study to examine the extent of credit given to agricultural activities by the Regional Rural Banks. In this context, it is necessary to mention the contribution made by a few people with reference to the working of Regional Rural Banks. C.D. Wadhwa made a noteworthy study entitled "Rural Banks for Rural Development" (1980). This study covered the analysis of the progress made by all Regional Rural Banks in India offered valuable suggestions for the restructuring of the Regional Rural Banks. Since the study was concentrated on the
operational performance of the banks with the help of secondary data, if touch the impact of the bank credit on rural in agricultural economy. Besides this the study was conducted in 1977 when the Regional Rural Banks were in the initial stages and any assessment of their performance was fruitful.

It is also necessary to refer here the Review Committee constituted by the Reserve Bank of India in 1977 to evaluate the working of Regional Rural Banks. The committee evaluated the performance of Regional Rural Banks in the light of the objectives for which they were set up and also to indicate their precise role in the rural credit structure. The committee recommended for the enlargement of its scope and liberal procedures to be adopted for their functioning without enforcing any rigid posture as far as lending to the weaker sections are concerned. But this study also could not give a concrete idea of their operations as only two years time has elapsed ever since Grameena Bank were started.

A few important aspects of the rural banking have recently been highlightened by the Reserve Bank of India. An expert committee headed by B. Sivaraman, submitted its report in May 1981. The committee
observed that the main criterion for the assessment of rural banks should not only be in terms of growth of deposits and branch expansion but also the progress achieved in the field of disbursement of credit to weaker sections in all its aspects including recovery. The committee also criticised the tendency on the part of branch managers to demand security for their advances from weaker sections and lending procedures are not being in conformity with the needed credit.

Several reports and papers on various general aspects of Regional Rural Banks have been published in recent years without making indepth study on utilisation and the impact of bank credit on borrower's income and standard of living.

Objectives:

We have focussed attention in this study on the following objectives.

1. To understand the role of Regional Rural Banks in mobilising deposits and extending credit to the weaker sections in the district.

2. To assess the utilisation of credit by the borrowers of agricultural loans and recovery performance of the bank.
3. To analyse the credit problems faced by the agricultural borrowers with specific reference to agricultural labours and small farmers.

Methodology:

The study is confined to Anantapur district of Andhra Pradesh in Kothacheruvu mandal at Talamarla village covering the entire area of operation of the bank. It is a drought prone district.

As agricultural sector is receiving priority in the Sree Anantha Grameena Bank's lendings, the present study concentrates on Grameena Banks loans to the agriculture labours, small farmers, big farmers. Since it is an uneasy task to cover all branches of the rural bank, the present study covers the operations of the branch in Talamarla at Kothacheruvu mandal, where loans to agricultural activities particularly, crop loans, oil engine, new well, pumpset sericulture are significantly high.

The necessary data for the study are collected from both primary and secondary sources. The secondary data are collected from head office of Anantha Grameena Bank from its annual reports and
relevant published literature of the bank. The primary data are collected with the help of a schedule from the sample borrowers of agricultural loans from Talamarla branch. From each category 75 borrowers have been taken into consideration.

The data collected has been processed and analysed manually. Both primary and secondary data were tabulated item-wise to bring out the role of Sree Anantha Grameena Bank in terms of sanction of agricultural loans, utilisation of credit and the impact of credit on the incomes and employment of the borrowers.

Limitations:

The study includes the general performance of Sree Anantha Grameena Bank in the mobilisation of deposits, its lending and branch expansion during the period December 1983 to 1987 December. But the scope of the study is restricted to its role in financing to agricultural sector. The secondary data taken from published annual reports and documents of the bank provides correct information on various aspects. But the primary data collected from the rural masses suffer from some limitations. Most of the borrowers are not in the habit of maintaining proper accounts with regard
to utilisation of loans. In many cases the borrowers could not remember their past operations and many were unable to give correct figures of income and expenditure. As far as possible effort is made to secure reliable information from them.

Chapter Scheme:

This work relating to the study of the Regional Rural Banks, with special reference to Sree Anantha Grameena Bank its functioning at Kothacheruvu mandal in Anantapur district, is divided into six chapters. Chapter I role of credit in agricultural development. The credit distribution of agricultural development in India. In Chapter II Commercial Banks credit for agricultural development in India. In Chapter III origion growth, and working of Regional Rural Banks in India and Andhra Pradesh. The various aspects of Regional Rural Banks such as progress of Regional Rural Banks, growth and expansion of the banks are critically reviewed. In Chapter IV progress of Sree Anantha Grameena Bank. The growth and expansion of Anantha Grameena Bank deposits, sector-wise advance and branch expansion in different taluks of Anantapur district are critically analysed. Chapter V, is devoted to the analysis of the Grameena Bank and
functioning agricultural loans and non-agricultural loans in general and Talamarla branch in particular. The pattern of agricultural loans sanctioned to the sample borrowers are examined. The utilisation of credit and the impact of credit on incomes of the sample agricultural borrowers is critically analysed. The reasons for over dues and mis-utilisation of loans by the borrowers are also assessed. The last chapter contains the summary and main findings of the study.

ROLE OF CREDIT IN AGRICULTURAL DEVELOPMENT:

The role of Government in the development of institutional credit for agriculture is rather fundamental. Under the constitution of India, the Government is committed to develop the country as a democratic and welfare state through the process of planned economic development, reduction in inequalities of income and wealth, reduction in social inequalities, etc.

Measures for economic development:

Accordingly a number of measures were adopted after Independence. For economic development of the country, the process of planned development was launched
about 30 years ago and first 5 year plan was ushered in April 1951, with the blessings of Pandit Jawahar Lal Nehru, the first Prime Minister of India. The central purpose of planning was identified as that of initiating. "A process of development which will raise living standard and open varied life. Although the methods and techniques for translating this purpose into specific objectives have varied from plan to plan in a particular sense the basic objectives of planning in India can be grouped under 4 heads namely; growth, modernisation, self-reliance and social justice.

The growth of national income through the process of modernisation of the economy and self-reliance depends on a complex interaction of a large number of variables all of which are not amendable to Government control. The growth of national income among others is determined by trends in agricultural and industrial production. It is well known that quantum of investment and the productivity of these investments exercise a profound influence on the growth rate.

It is the above context that the Government has initiated a number of important measures relating to agrarian reforms creation and development of institutional infrastructure for agricultural development.
and for various kinds of direct and indirect support to agriculture. Besides removing tenurial defects and other disabilities of farmers, the Government has been trying to develop institutional framework for providing adequate finance both for production and investment with a view to modernise agricultural technologies and commercialise its operations.

Evolution of Agricultural Credit Policy:

Thus Government of India is responsible for evolving a suitable agricultural credit policy through the Five Year Plans. Besides formulating national policy, the Government has also the overall responsibility to rationalise and develop the organisational framework for complete institutionalisation of agricultural credit so that the exploitative system of providing finance by money-lenders is completely replaced by a system of facile credit, fully responsive to the needs of the farmers.

The first efforts in the process of institutionalising farm credit was the introduction of cooperative system in the year 1904. However, the system remained quite ineffective until the advent of independence. But it got a great fillip when the Government accepted the integrated scheme of rural
credit as recommended by the All India Rural Credit Survey Committee in 1954.

The integrated of rural credit aimed at complete institutionalisation of farm credit through co-operative credit and banking institutions with the active assistance of the state. Besides great emphasis was laid on the simultaneous development of co-operative marketing, processing, storage etc. Development of trained man power was the third important component of the integrated scheme. The Government had asked the Reserve Bank of India to coordinate and oversee the implementation of the scheme and provide adequate financial support to co-operatives.

Advent of Multi-Agency Approach:

All plans and programmes for the development of institutional credit to agricultural were governed by the Government policy till 1969. After review of the performance of co-operative credit, the government came to the conclusion that for faster growth of agriculture complete reliance could not be placed on co-operative organisations, since the fast increasing requirements of credit could not wait for co-operatives to become strong. "Accordingly multi-agency approach", was adopted by the government in
the sphere of agricultural credit and in July 1969. 14 leading commercial banks were nationalised with a direction to enter into the field of agriculture. Subsequently, in 1980, six more commercial banks were nationalised by the government raising their number to 20. The Imperial Bank of India in 1955 at the instance of the All India Rural Credit Survey committee with a view to assist and help the co-operative movement and extend rural banking facilities in the country.

Although the Government continued to lay great emphasis on strengthening and development of the co-operative credit system, nationalised commercial banks were asked to undertake vast expansion of branches in the rural areas and provide all kinds of agricultural credit to the farmers in the neglected areas. Thus side by side the re-organisation and strengthening of the co-operative credit structure, the process of branch extension in rural areas by commercial banks continued to be the main planks in the agricultural credit policy of the Government.

Special Agency for Weaker Sections:

The situation continued till 1975, when the Government came to the conclusion that both the agencies,
that is to say, co-operative and commercial banks failed to reach the small and marginal farmers and other weaker sections of the society. In the meantime, the Government had appointed the national commission on agriculture, working group on Regional Rural Banks and working group on provision of credit to Adivasi and Tribals etc. On the recommendations of the National Commission on Agriculture, Committee on multi-agency approach, the government accepted to set-up farmers service societies exclusively to meet the requirements of small and marginal farmers and agricultural labourers, and artisans etc., who were neglected both by the co-operative and commercial banks. For adivasi and tribal areas the Government accepted the establishment of large-sized multi-purpose co-operative societies.

Still not satisfied with the flow of credit to the weaker sections particularly in the areas not covered by the existing agencies or neglected by them the government accepted the recommendations of the 'Working Group' on Regional Rural Banks and launched the scheme for setting-up Regional Rural Banks in the neglected and uncovered areas.
**Total Infrastructure of Credit:**

As a result of deliberate policy, the Government has created a total infrastructure of agricultural credit which comprises. The Reserve Bank of India and agricultural refinance and development corporation at the national level, nationalised commercial banks and state co-operative banks at the state level, District Central Co-operative Banks, Regional offices of commercial banks and regional rural banks at the district level and the primary agricultural co-operative societies, Farmers Service Societies, large-sized Adivas; multi-purpose co-operative societies and the branches of the Regional Rural Banks at the grass-root level.

In addition to policy formulation and development of infrastructure for the credit delivery system, the Government both central and state, have formulated a number of schemes under the central and state plans for agricultural and rural development.

**Agricultural Credit Stabilisation Fund:**

Under the measures for stabilisation of credit arrangements the Reserve Bank of India and co-operative credit institutions are expected to build up
agricultural credit stabilisation fund so as to ensure steady and stable flow of funds to the agricultural sector under all conditions. This fund built at all levels of the credit structure is intended to help in conversion of short-term loans into medium term loans in case of specified natural hazard and calamities. While the Reserve Bank has been able to make the required contribution to the stabilisation fund at their level, the co-operative banks particularly in weaker states have been facing certain problems in building up the stabilisation fund to the desired extent. Under the above mentioned schemes the Government of India is providing financial assistance for meeting apart of the short-fall in the credit stabilisation fund maintained at the apex co-operative bank level. In view of the widespread drought in the year 1979-80, an assistance of ₹ 15.9 crores was provided to the state government as against ₹ 8.4 crores in the year 1978-79. For 1980-81, a provision of ₹ 8.4 crores has been proposed.

Role of State Governments:

In general, the state governments participate with the central government in the formulation of the agricultural credit policy, particularly in
relation to the co-operative credit institutions as also in the creation and development of infrastructure for agricultural credit. In particular, co-operation being a state subject, they play a prominent role in the promotion and development of co-operative credit institutions at all levels and provide local administrative, technical and financial support. They are also responsible for implementation of all plans, schemes as also for monitoring and evaluation. The supervision and control of the co-operative credit structure through regular inspections and audit, etc., is the direct responsibility of the state governments.

The contribution of the state government in strengthening the organisational and financial structure of co-operative credit institutions at all levels has been quite significant since the introduction of the integrated scheme of rural credit. Under the scheme of state partnership, the state governments regularly contribute to the share capital of co-operative credit institutions. The total involvement of the state governments in the share capital of these institutions stood at ₹ 211 crores in 1977-78 as compared to ₹ 189 crores in 1976-77.
The state governments also help the cooperative credit institutions by lending the services of experienced officers to work in senior managerial positions until they develop their own cadres. They also maintained a full-fledged department of co-operation under the Registrar of Co-operative Societies, who is supposed to be the friend, philosopher and guide to the co-operative structure in the state. State Government help the co-operative institutions in the recovery of their dues and in settlement of disputes etc.

In conclusion it can be said that the central and state governments play the most important role in the formulation of the agricultural credit policy, in the creation and development of the infrastructure of agricultural credit and in over-all co-ordination and control to make the system responsive to the needs of agricultural development in the country.

Although the government policy has recognised the importance of augmenting the flow of credit to the small and marginal farmers and other weaker sections of the society. It has not fully accepted the rehabilitation approach aiming at total reconstruction of
the poor peasants economy so as to make every farm family a viable one. It has also not been possible to reduce the regional imbalances and disparities in the growth of the agricultural credit programme, despite its recognition of the Fifth Plan.

The government has also not fully succeeded in forging proper linkages between different organisations and agencies concerned with rural development so much so that sometimes they worked at cross purposes. It is also observed that it has not been possible to create all the necessary conditions in which public credit programme will succeed. There is a lot that remains to be done.

It was expected that government policy should result in the creation and development of a viable and efficient credit system which will help in augmenting agricultural production and increasing rural employment. The system must correspond to the basic postulates of rural credit. From the stand point of borrowers 'facility' and 'safety' constitute important postulates of rural credit. Facility means proximity of the source which is ready to provide against a proper security, adequate amount of loans at right time and for right purposes, on equitable rate of
interest and easy terms of repayment. Safety means the assurance that loan will not only be equitable in itself, but also that it will not involve the debtor in undue and unforeseen risks and entanglements. In short, the loan should be such that it will assist and not endanger the borrower's stability, productive power or independence.

From the stand point of the lenders, security of the loan is of utmost importance if the system is to work on a sustained basis. Credit may flow rapidly steadily of the lender is assured that his loan will be eventually rapid, that the dues will be punctually met, that the arrears will be easily recoverable, that his contract will be faithfully observed, that evasion, fraud and delay by debtors will be minimised or eliminated.

Besides 'proximity' 'facility', 'safety' and 'security' the credit system should also educate, guide and discipline the borrower. The system should also encourage the farmers in adopting new technologies, enable conversion of credit inputs into physical inputs and ensure fair return of his produce through an orderly system of marketing.
When we apply the above postulates and conditions for an ideal credit system that there are a lot of gaps and deficiencies which the Government will have to remove in order to buildup a system of institutional credit for agriculture.

The Agricultural Credit Corporation:

The Reserve Bank of India set-up in 1964 an informal group on the institutional arrangements for agricultural credit in the view of the limited progress made in the sphere of co-operative credit in some of the states like Rajasthan, Orissa, Bihar, Assam and West Bengal and in some other areas. This group recommended setting-up in each of the above states an agricultural credit corporations for the union territories of Manipur and Tripura. The Government of India accepted the above recommendations and passed in 1968, the state agricultural credit corporation bill. This act of 1968, permitted the setting-up a corporation in states mentioned by the informal group; no corporation in states and areas not mentioned by the group is to be set-up, except with the prior approval of the Reserve Bank of India and the Government of India.
As regards financial resources of the agricultural credit corporation funds were to be mobilised from contributions from the Reserve Bank of India, the State Bank of India, Food Corporation of India and banks which were all expected to be share holders of the Agricultural Credit Corporation. The Agricultural Credit Corporation was authorised, with the approval of the Reserve Bank of India to accept deposits from government local authorities or any other persons. The management of the Agricultural Credit Corporation has been entrusted to a Board of Directors made up of seven members appointed by the central government in consultation with the concerned state government.

The Agricultural Credit Corporation gives loans to cultivators, to agricultural marketing societies to agricultural processing societies to central co-operative banks, and to co-operative farming societies. The loans are given up a period of five years for carrying on various types of agricultural operations.

Agricultural Finance Corporation:

The Agricultural Finance Corporation was established in 1968. The Agricultural Finance
Corporation had an authorised capital of Rs. 100 crores, with issued capital of Rs. 10 crores and paid-up capital of Rs. 5 crores. The main objective in establishing the Agricultural Finance Corporation has been to supplement the work of co-operatives as also that of commercial banks with a view to ensuring greater flow of funds to the rural sector.

The major objectives of the agricultural finance are:

1. To help distribute various agricultural inputs such as agricultural implements, fertilizers, pesticides, etc.
2. To help bring about development of markets and warehouses as also food industries and forest products.
3. Formation of livestock, co-operative societies.
4. Production and distribution of agricultural goods.

The agricultural finance corporation can provide finance to the agricultural sector both directly and indirectly. Direct financing by the agricultural finance corporation has been limited to some selected
areas. In the other hand the major objective of the agricultural finance corporation is to help development of infrastructure facilities in rural areas for the development of agricultural sector.

Thus some of the schemes directly financed by the agricultural finance corporation are developed schemes in Bihar, reclamation of sandy soil and production of export variety of banana in Tamil Nadu irrigation wells in states like Bihar, Haryana and Andhra Pradesh.

The Agricultural Finance Corporation has established national, state and district level consultative committees for establishing a sort of coordination between co-operative banks and commercial banks as also for developing experience in dealing with matters such as agricultural loan applications, formulating agricultural projects for the benefit of member-banks and establishing a technical consultancy service for helping the banks for appraisal and financing of agricultural projects.

It appears that the agricultural finance corporation has not been established only for providing both directly and indirectly finance to the agricultural
sector but also "to play its role as the co-ordinator of many agricultural financing agencies apart from being a source of funds for the rural sector."