CHAPTER ONE

INTRODUCTION
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1.1 Rural India: Significance of Agriculture Sector:

In a developing economy like India, the importance of agriculture to the national economy is both crucial and pervasive. It can be said that agriculture is both the basic and principal occupation of the nation, and thus it is a dominant sector of the Indian economy. In spite of all the efforts at rapid industrialisation, agriculture continues to be the pivot of the Indian economy. It is the stay of our nation. It is a way of life and a source of livelihood for a major spectrum of people in our country, because about 67 percent of the population depends on the land for a livelihood. About 59.4 percent of the total working population in the country has been working in the agriculture sector. Agriculture contributes 40 percent to the net national product and about 70 percent of our annual exports belong to the agriculture sector. Today, it continues to provide the bulk of commodity and financial surpluses for both the agriculture and non-agriculture sectors. As pointed out by David Metcalf, "Agriculture makes six contributions to economic growth: increased food supplies, release of labour to industry, resources of industrial development, market creations, export earnings and overseas aid." It will thus be observed that from times

immemorial agriculture was the dominant sector of the Indian economy and continuous to be so even at present. The committee on Direction of All India Rural Credit Survey 1954 also pointed out that, "India is essentially a Rural India, and the Rural India is virtually the cultivators, village craftsmen, artisans and the agricultural labourers and the situation continues to be more or less the same even now."

A strong foundation of agriculture is, therefore, a necessary condition for sustained and rapid economic and social development in India. It is also necessary to accelerate growth and ensure sustained improvement of the economy of the people. Agriculture thus continues to hold the key to the progress of the economy. In order to increase agricultural production in the Five Year Plan, strategy aimed at providing the supply of institutional credit for various purposes such as seasonal agricultural operation and marketing of agriculture produce, land improvements, minor irrigation works, mechanisation of farm operations etc. Among the various infrastructure facilities that would influence the economic development of the rural masses in India, provision of "Banking Facilities" is an important one. Availability of banking and credit facilities may not be a sufficient condition for the development village communities, but it is certainly an essential condition without which development can not take place.

It is acknowledged by all the experts that credit, is
the Kingpin of economy's progress. It is a basic need for every sector of the economy and the rural sector is no exception to it. The major objective of planning in India has been to improve the quality of life and to raise the standard of living of rural people. In India majority of the people living in rural areas are caught in the vicious cycle of poverty due to their deficit budgets. Rural credit is thus considered as a basic input for any development programme. In fact rural development is a strategy to improve the economic and social life of the rural masses. It refers to the process of improvement in the quality of the life of the rural poor.

The "Rural poor" have been defined on the basis of the annual family income and also of the ownership of the land. In India, poverty line has been placed at an annual income of less than Rs. 10,000 per family. This income ceiling translated into acreage comes to approximately 16 acres of rainfed and 7 acres of irrigated land. The rural poor includes marginal and small farmers and the landless agricultural workers. Credit is not only important but essential for the rural poor.

Thus the "Credit" is one of the most important requisites for the development of the agronomy like ours in general and the rural poor in particular. In agriculture credit provide a means for bringing together capital and management in the development of the natural and human resources. Ofcourse it is one of India's most scarce resources, it needs to be managed wisely.
What is needed is the prompt and adequate supply of institutional credit on easy terms and conditions. For the purpose of social mobility and that of assigning a more significant status of the depressed section of the producers too, provision of credit has vital importance. The role of the agriculture credit thus considered as a key input.

1.2 Agriculture Credit: A Synoptic View:

The government has undertaken various schemes, projects and measures since Independence, to provide credit, particularly in the rural areas and to bring about their development. As regards the policy in the sphere of agricultural credit and facilities for meeting credit needs of agriculture sector and rural artisans, post-independence years may broadly be divided into two periods, namely

<i>From Independence to 1969 and

<i>i> From 1969 onwards.

Agriculture Credit in India has long been in need of a drastic overhaul and of a bolder yet more down-to-earth approach. As a consequence the scene of the rural credit on the advent of independence and even upto the 1950's was dominated by confusion and entrenched vested interests. Precious little was done to draw up a strategy of growth, and learn from the past


failures. There were great expectations from the co-operatives after India attended Independence.

The most important landmark in the history of the co-operative movement in India after Independence was the appointment by the RBI of the Committee of Direction to conduct an All India Rural Credit Survey. The report of the All India Rural Credit Survey submitted in 1954 marked a historical landmark on the evolution of the policy of the co-operative movement in India. The report of the ARCS committee opined that co-operative credit which provided (in 1951) only three percent of the total borrowings of the agriculturists had proved thoroughly inadequate to meet the financial needs of the agriculturists. But the survey committee was convinced that in the Indian context the co-operative society was the most suitable agency to provide credit to the agriculturist. It was felt that co-operative credit would bring about a renaissance in agriculture, and co-operative credit societies would replace the money lenders, sahukers and commission agents and would their by modernise rural finance. Unfortunately this did not happen. The Report of the Rural Credit Survey (1954) radically altered the old structure and suggested reorganisation of the co-operative structure and operational policies of the co-operatives in the light of the experience gained in the past. The Survey Report of 1954 provided a blueprint for the future development of the co-operative movement in India.
In 1959, the Government of India appointed a committee on co-operative credit under the chairmanship of V. L. Mehta, the doyen of the co-operative movement in India. The Mehta committee suggested some important recommendations and all of them were accepted by the government. After 1960, therefore, attention was given more to the reorganisation of primary societies, ensuring sufficient credit to all the types of cultivators with a special emphasis on financial needs of small and medium class cultivators. Till 1960's the co-operatives were the main, if not the sole institutional agency for purveying credit both for production and investment of the agriculture sector. Since 1960 a gradual change has been taking place in the agricultural sector in the country. Agriculture is increasingly being looked upon as a business rather than a way of life. Indian agriculture is getting increasingly mechanised and commercialised naturally financial or credit needs of the cultivators are continually rising. Thus, the question has arisen, will the co-operatives alone be in a position to meet adequately and efficiently the credit needs of the Indian Cultivators under the changed circumstances especially in the late 1960's and onwards?

Accordingly, the RBI appointed in 1966 the Rural Credit Review Committee under the chairmanship of B. Venkappaith to review the entire question of supply of agricultural credit, especially in the light of technological changes that had been taking place in the agriculture sector in India. The Review Committee submitted its report in 1969. According to the report,
in the year 1973-74, the credit needs of the agricultural sector were established and that the co-operative societies would be in a position to provide only about Rs. 750 crores. (This would leave a gap of Rs. 1750 crores in the requirement of agricultural credit for the year 1973-74). The emerging strain on the rural credit system shows a widening gulf between the demand and the supply for the rural credit. The direct demand for agricultural credit will gradually rise from Rs. 27,551 crores in 1989-90 to Rs. 57,317 crores in 1994-95 and further to Rs. 1,10,873 crores in 1999-2000. As against this, the resources available in the banking system would be of the order of Rs. 28,694 crores, Rs. 51,829 crores and Rs. 89,447 crores respectively. Serious efforts will have to be made to cover the projected deficit of Rs. 5,487 crores in 1994-95 and Rs. 21,426 crores in 1999-2000. The task is very challenging indeed. What is needed now is quality and an all-out effort to bridge the yawning gap between credit demand and supply that will become evident in the coming years.

This has provided both a challenge and an opportunity for the institutional credit structure to organise itself in such a way that the credit needs as mentioned above are met with. It is acknowledged by all the hands that the co-operatives have failed to provide rural credit. The basic factors responsible for the failure of the co-operative movement were as follows:

As a result of the implementation of the recommendations of RCS committee 1954, state partnership both in arranging finances and its management has been provided. Consequently a large portion of finances (about 90 to 95 percent) comes from the Government financial institutions. (In the form of share capital, share capital loan, margin money/loan and credit). Thus the members' own financial contribution is very small. This has led to the tendency of irresponsibility towards the organisation and hence large number of societies failed in achieving its objectives. Over the year the majority of the primary agricultural credit societies had become non-viable and ridden with dissensions and diseconomies.

Another important symptom of the co-operative sickness is in the words of the Fourth Plan, "A high level of overdues and inadequacy of owned resources especially deposits". It indicates a lack of organisation accountability as well as the absence of an effective banking machinery. Very soon most of the units were overburdened with bad debts and liabilities were larger than assets.

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<3> Poor Recoveries:

Slackness in recovery of loans with mounting overdues has adversely affected the growth of the co-operative credit. All these are due to the "Deficiencies in loaning policies, inadequate arrangements for supervision and weakness of internal management. Thus overdue took the effect of choking of the credit channel.

<4> No Professional Management:

In India, the co-operative credit structure is also a victim of the problem of organisational weakness. Lack of organisational skill in the co-operative credit structure is basically responsible for its inefficient functioning. Agriculture Credit Review Committee (1989) under the chairmanship of Prof. Khusro found that more than 25 percent primary agricultural credit societies did not have a full-time paid secretary at all. The remaining primary agricultural credit societies had employed full-time, paid secretaries but about 70 percent of them were neither qualified nor trained properly for the job. As such, professionalism was lacking. The situation has not changed even today. Such poor quality of management has made it difficult to face the challenges of rural credit in the fast changing scenario.

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Uncertainty In Institutional Credit:

In areas where comparatively high risks are involved, the availability of institutional credit is uncertain, and in times of distress and natural calamity, the availability of the cooperative credit becomes scarce. Although there are procedures for coping with the adverse conditions which are beyond the control of the cultivators, such as extending loans and converting past due short-term loans to medium term loans, these procedures have invariably resulted in delays, the loans for the next crop being not available.

Other important factors are as follows:

[A] Many co-operatives suffer from the extremely tight state control, virtually killing the spirit of co-operation and autonomy of the institutions.

[B] Inability to diversify adequately to non-agricultural credit and to non-credit activities at the primary level.

[C] A large passive membership without any participation in the organisation or the management of the co-operative.

[D] Over-politicization by the entry of functional and partisan politics in the co-operatives, defeating the objectives.

[E] Poor management and lack of enthusiasm and dedication among the members, resulting in a great deal of inefficiency and poor service to the members.

Clearly, in the changed circumstances of increasing modernisation and commercialisation of the Indian agriculture, it was felt that the co-operatives by themselves would prove to be unable to meet adequately the increasing credit needs of the Indian agriculture and rural sector. The Review Committee also laid emphasis on the clear inadequacy of co-operative societies for meeting fully the credit needs of the agricultural and allied rural sector. The committee thus prepared the way for Multi-Agency Approach to agricultural and rural credit provision, instead of entrusting the task only to the Co-operative societies.

Meanwhile, the "Social Control" over the commercial banks came to be introduced in 1968. But it was soon found that the social control was inadequate for channelising funds at the disposal of the commercial banks in an appropriate manner determined by the planners and the policy-makers. This was because all along the commercial banks in the country as a rule had kept themselves away from agricultural and rural credit provision and they had concentrated on providing short term credit only to trade and industry as they ensured commercial banks both liquidity and profitability. Commercial banks which were in the private sector and were motivated by the consideration of maximisation of profit, found it difficult to change quickly their mode of functioning, and therefore in 1969 fourteen major commercial banks in

the country (and in 1980 another six commercial banks) came to be nationalised.

The philosophy of Bank Nationalisation was that the financial institutions which mobilised savings of the public should broadly function as an instrument for promoting economic and social development in a more purposive manner. A major objective of nationalisation of commercial banks in 1969 was to improve the access of rural households, particularly the rural poor to institutional credit and to reduce their dependence on informal sources of credit. After nationalisation, the commercial banks in India have been assigned a crucial role in strengthening the priority sector, and ensuring a flow of credit to weaker sections so as to achieve the socio-economic objectives of planning. Further, there has been a structural change in the advances portfolio of the commercial banks with emphasis shifted from security-based lending activities to need-based ones. As a result, the banks have became not only the partners in country's progress but also the instruments to eliminate poverty and unemployment by meeting the basic needs of the rural people. The commercial banks, after nationalisation, have become an instrument of agricultural and rural development and of upliftment of the weaker sections of the rural community. They have recorded significant progress in the sphere of the agricultural credit. Their involvement in various poverty alleviation programmes such as IRDP.

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9. Ibid.
Differential rate of interest scheme. Self employment programme for the urban poor increased substantially after nationalisation. But commercial banks have had to face several problems. These are of several types, viz. Organisational, legal, procedural, environmental, political and social.

It came to be observed that the entry of the commercial banks in the field of agricultural finance created more problems instead of fulfilling the objectives for which they were brought in the field. These problems were as follows:

[1] Supplementing the co-operative credit which was felt inadequate. e.g. it was observed that commercial banks in many rural areas instead of supplementing the co-operative credit, actually weakened the co-operative credit societies by taking away from them business provided by substantial and big landlords, especially those enjoying irrigational facilities and growing commercial crops.

[2] Instead of providing more credit to the agriculture sector, what they did in the rural area was that they mobilised substantial savings especially from the richer sections of the rural communities, channelling those rural savings into urban and metro-politian areas and, in the process, using them for satisfying the needs of the urban areas.
The commercial banks’ agricultural credit has been additive and has not helped to fill the geographical gap in the availability of credit not covered by the co-operatives. They have also tended to serve those areas which were already well served by the co-operatives, e.g. Southern and Western regions and the states of Punjab and Haryana.

Commercial banks were found to be urban oriented, having apathy to open branches in the rural areas. There was an absence of rural culture in the management and staff and their establishment cost was too high.

Recovery position of commercial banks is bad. As warned by the Seventh Plan; "If this trend continues, the banks are reduced to institutions providing grants rather than recycling scarce resources to get the maximum benefits for the country as a whole, the banking system will be unable to provide more credit to meet the growing needs of the farmers.

It was observed that the really needy small and marginal farmers and other weaker sections of communities in the rural areas were left high and dry without any benefit from the huge amounts flowing into the agriculture sector, from the co-operatives and commercial banks. The Co-operatives though they today

have very strong base, however, may be record of performance, from the point of the total requirements, the rural India is rather disappointing. Even if performance improves significantly they may not be able to cover more than 40 to 42 percent of the people and 20 to 25 percent amount needed. Even at this peak performance level, they may be able to cover only a limited percentage of small, marginal farmers, artisans and others who live below the poverty line. Now in India a stage has already been reached when the rural India has to be identified with small, marginal farmers and artisans. In spite of the steps being taken during the past three decades to implement the recommendations of the various committees for agriculture credit appointed by the government, the ultimate result is that, on the one hand, the commercial banks have had to halt the branch expansion programmes owing their prohibitive operational costs, and on the other hand, the co-operative movement has done precious little to help the rural poor. Even though plans have been devoted much for the development of the rural people, they have not received the due share in the national development due to environmental blockade. The fruits of the progress achieved so far have not reached the common man in spite of the sincere efforts of the Planning Commission. All the growth models and strategies have almost failed in uplifting the poorest of the poor.

The All-India Debt and Investment Survey 1971-72 indicated that the very poor, namely marginal and small farmers, agricultural labourers and rural artisans are more dependent on non-institutional agencies for their credit
The credit gap in the rural areas continues to be large, therefore, this historical credit gap in the rural areas was thought to be corrected by a scheme of the co-operatives and the commercial banks in the country. There are still many "unbanked" areas in the country. The co-operative and the commercial banks are not able to meet all the credit requirements of the rural areas and there would be "still a large unfilled gap". Having been shown the cold shoulder by the commercial and co-operative banks, in the absence of the necessary security or surety, the farmers have no option but to run after the money-lenders however harsh their terms and treatment and howsoever high the interest rate may be. It happened many times that their calculations are upset because of the unforeseen visitation of the floods and droughts. It is evident from the above that the commercial banks have not succeeded in providing advances to a large number of small and marginal farmers and agricultural labourers. It may be due to unrealistic approach of the bankers or the poor interest of the farmers, but the fact remains about contradiction that the small farmers accounting for about 70 percent in the country on whose prosperity the prosperity of the country depends to large extent are still deprived of the facilities of agricultural credit to the extent they deserve.

Both the co-operative and commercial banks have

several weaknesses as mentioned earlier, in relation to the task of meeting the rural credit. Besides, these have been reviewed and indicated extensively in the literature both by the researchers and several official committees which have gone into their functioning. The major drawbacks of the co-operatives are as follows:

[1] Co-operative credit societies have had a mixed record of success. They have been successful in some areas, not so successful in some other parts and have miserably failed in a few other areas.

[2] There is sufficient evidence to show that the benefits of the co-operative credit have not been adequately passed on to the weaker sections of society.

It was realised that the commercial banks were also not in a position to meet the challenge and take the credit and banking facilities to the door steps of every rural entrepreneur. As mentioned earlier, they suffered from the organisational gaps and personnel deficiencies. As a result the objectives of the extension of rural banking could not be achieved. The Commercial banks in the rural areas suffered from two bottlenecks.

[1] The fairly high cost structure of their branches operating in the rural areas.

The absence of staff with a proper approach and training to deal with rural clientele and problems of the agricultural finance.

The disillusionment of policymakers about the performance of the nationalised banks and the immediate need for an institutional substitute compelled them to find out another alternative. On July 1, 1975, the Late Prime Minister Smt. Indira Gandhi gave to the nation the 20-point economic programme laying an emphasis on several socio-economic projects to increase the standard of living of the hitherto neglected sections of the community. The 20-point programme raised new hopes among the weaker sections. The nationalised banks were called upon to shoulder more responsibilities in the implementation of the 20-point economic programme. There was an accepted view that a more determined effort was needed to speed up the flow of institutional credit especially to meet the needs of the weaker sections of the rural community. It was against this background that it came to be contemplated that specialised financial institutions should be established to handle effectively the problems of providing credit in the rural areas. With this background the Banking Commission (1972) made the recommendation that a chain of Rural Banks be established in rural areas. The Government of India also felt that it was necessary to establish a new institution on the basis of attitudinal and operational ethos entirely different from the present one. The Government of India, therefore, appointed on July 1, 1975, a Working Group on the rural banks under
the chairmanship of Shri. M. Narasimhan, a senior civil servant. The Group has recommended the setting up of the state-sponsored region-based and rural-oriented commercial banks, called the "Regional Rural Banks". Then the ordinance of RRBs came into force with immediate effect from September 26th 1975. Later on the RRBs Act was passed in 1976 giving legal form and status to the Emergency ordinance. Thus RRBs have come to be established under RRBs Act of 1976.

The present institutional credit structure thus comprises (1) The Cooperative Banks (2) The Commercial Banks and (3) The Regional Rural Banks (RRBs). This is also known as "Multi-agency Approach", for rural credit delivery. It has been adopted for the last two decades and will be rendering credit in future also. It is expected that, this multi-agency approach acts in the rural India as purveyors of credit instruments of development and agencies for social change and economic regeneration. In order to increase the flow of credit to the small and marginal farmers in the rural areas, the RRBs are expected to play a vital role in the rural sector. If financial resources can be made available to the poor, landless people on terms and conditions which are appropriate and reasonable, these millions of small people with their millions of small pursuits can add up to create the biggest development wonder.
1.3 Importance Of The Study:

The rural scene in India is characterised by poverty, the lack of opportunity and orthodoxy. Abysmal Poverty has forced the rural population to live in indebtedness which has proved to be, in the words of Prof. Gunnar Myrda "......... a hangman's noose around the neck of the hanged." And the provider of the credit has been the all important money-lender, whose importance to a village has been described thus by an old Sanskrit text: "Only that village is fit to live in which has the money-lender from whom to borrow at need, a vaid to treat in illness, a Brahmin priest to minister to the soul and a stream that does not dry up in summer." 14

The above fact of the overwhelming presence of the money lender in the rural credit dispensation arena even in the post-Independence era was continued. But its share has declined considerably after 1970's, and particularly after the implementation of India for rural credit. The result of this thinking was the establishment of RRBs in 1975.

Realising the inherent cleavage between the rich and the poor in the rural areas, the Government of India has introduced a number of special credit programmes for the poor through Regional Rural Banks. The main thrust of these programmes has been to provide financial assistance to the poor, by way of subsidy and bank credit, so that they can improve their economic conditions. A vigorous rural branch expansion programme was

undertaken to increase the rural credit outlays for facilitating an easy access to credit. Accordingly several programmes have also been designed and implemented for a direct assault on poverty via Regional Rural Banks, viz. Differential rate of interest scheme, (DRI) Integrated rural development programme (IRDP), Self employment programme for the rural poor by providing credit for agricultural allied activities, Special component programme (SCP), Mahatma Phule Backward Class Development Corporation (MPBCDP), Loksahir Annabhau Sathe Backward Class Development Corporation (LASBCDC) etc. The main objective of all these schemes has been to assist the poor with credit so as to create income generating assets.

The present study is concerned with "institutional finance for the rural development". This aspect deserves a top priority in the social science research particularly in our country where darkness still persists in the field of rural development. There are numerous studies available on the subject, but most of them are confined mainly to development and viability of RRBs. Very few studies were conducted with a view to knowing the impact of RRBs functioning on the beneficiaries. In this respect, the present research study has its own significance.

1.4 Hypothesis:

The experience gained so far of the RRBs, seems to suggest that the RRBs have achieved a considerable success in fulfilling some of the objectives for which it has been established. But at the same time a large number of RRBs are suffering from losses and thus, many of them became non-viable units. In view of the (A) Non formal character of the business in which the target groups are engaged and (B) Their social, educational, and cultural background etc., the management of the RRBs will have to be confirmed by finding out the problems at the end of beneficiaries. A study of such problems could provide an alternative approach to the management of Rural Banking. Such an approach would help the RRBs to improve their performance. To make an in-depth study of all these aspects of the functioning of RRBs the following objectives were set forth.

1.5 Objectives Of The Present Study:

<i> To examine the rationale behind the setting up of the Regional Rural Banks in the country.

<i>i> To examine the concept of the RRBs.

<i> To review the reports of various committees appointed by the Government of India to know the working of the RRBs.

<i> To review the progress of Aurangabad – Jalna Gramin Bank since their inception upto the year, 1993-94.
To measure the impact of credit provided by RRBs to the weaker sections.

To find out the ways and means of improving the management of the RRBs and to recommend appropriate measures for the better functioning of the RRBs.

1.6 Methodology:

The data and information for the present study were obtained from primary as well as secondary sources.

In the words of Pauline V. Young, "......data generated at first hand, the responsibility for their compilation and promulgation, remaining under the same authority that originally granted them". Primary data may be described as those data that have been observed and recorded by the researcher for the first time to his knowledge from the field and thus happen to be original. The secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. Secondary data are obtained from the published and unpublished documents.

<A> Primary Data Collection and Selection of the District:

The primary data are collected by framing questionnaires and selecting samples from the Aurangabad district. In fact, we wanted to study the impact of the RRBs on the Aurangabad district only. But because of the AJGB caters to the two districts of Aurangabad and Jalna the secondary data are available for the said two districts and we had to analyse it in totality. For historical reasons, including the long association of Dr. Babasaheb Ambedkar with Aurangabad, the district happens to have a "great deal of awakening among the economically and socially weaker sections. Awareness among the beneficiaries coupled with facilities for the same target group presents the possibility of a significant impact. It would, therefore, be instructive to find out the problems of rural banking in such a situation. This is because efforts to educate the public opinion on a mass scale are being undertaken throughout the country at present. The problems which are likely to be encountered in the next phase would, therefore, be immensely relevant for these efforts. It is with this end in view that the researcher decided to concentrate upon the Aurangabad district.

<B> Selection Of Blocks:

In order to have enough diversity in the selected sample families, it was decided to select the three blocks which are as different in character as possible. The Aurangabad district incidentally presented a scenario where in some blocks
are infrastructurally very well-endowed, while some are irrigated and some of them are backward and dry. Taking into account the above features of the district, three blocks were selected for the present study, viz. Aurangabad, Sillod and Vaijapur.

Selection Of The Year For Drawing A Sample of The Beneficiaries Or The Reference Year:

For the purpose of the field survey, we have chosen the year 1993-94 as the reference year for the beneficiaries who had taken crop loans. Crop loan is given up to the 15 months and its repayment installments start after 12 months. The year 1993-94 was chosen as the reference year, because it allows sufficient span of time for the beneficiary household to utilize the amount of loan and to experience benefit from it. The second reason for choosing the year 1993-94 as the reference year for crop loans was that the year 1993-94 was a year when the monsoon rainfall was normal.

For other than crop loans, i.e. Farm loan for medium term and allied activities and Non-farm loans for traders in goods, small business, professional and self employed persons and village artisans, we have chosen the year 1988-89 and 1989-90 as the reference year. This period was chosen since it allows sufficient time element for the beneficiary households to utilize the amount of loan, to experience its benefit, to observe continuity in the benefit obtained, as well as the repayment of the loan installments etc. As such, in a span of 5 to 6 years, all
beneficiaries should have generated sufficient income out of the assets acquired by him to repay the bank loan and to get the benefits, thereby living in the improved economic conditions. The second reason for choosing the year 1988-89 and 1989-90 as the reference year was that the AJGB was established in the year 1982, and with the experience gained so far the administration, execution and management of the schemes had also developed sufficient expertise in the implementation of various schemes and purposes for which major assistance has flowed under the various schemes for both the sectors viz. Farm and Non-farm sector credit schemes.

**<D> Sampling Technique And Size:**

While selecting the sample size in all the three blocks, the random sampling technique is used. Further, to represent all categories of borrowers from the universe, stratified sampling technique is used. At first, a schedule was presented in a few selected villages and on the basis of responses of the beneficiaries, necessary modifications were made in it. After presenting the schedule, the information is further elicited on various aspects like, the impact of credit on socio-economic conditions of beneficiaries; the purpose and actual loan utilisation; the effect on the crop yield; the change in output and income; the importance of subsidy component; the approach towards the activity; the benefits obtained; or otherwise the attitude in respect of the repayment of the loans etc.
The overall sample size is 15 to 17 percent for both the farm and non-farm sectors. For the purpose of the present study, 248 sample beneficiaries had been selected at random from the total beneficiaries in the study area. In respect of Farm sector 133 and from Non-farm sector 115, sample beneficiaries had been selected from the three blocks of Aurangabad district, viz. Aurangabad, Sillod and Vaijapur. While selecting the sample beneficiaries in each block, attention had been paid to see that economically and socially weaker section i.e. the target group should get an adequate representation in the sample.

**Sources Of Secondary Information:**

The major sources used for the collection of the data of the secondary type were, reports of various committees; District socio-economic abstracts of Aurangabad and Jalna districts; Annual reports of Ministry of Rural Development; District Rural Development Agency, etc. In addition, a number of other secondary sources are used which are cited in the text, as and when necessary.

The secondary sources used in this study are broadly classified in three groups, for the purpose of understanding the reliability and validity of the information contained therein, viz.

<2> Banking Journals. viz.
Agricultural Banker : A Quarterly Journal Of Rural Banking and Economics.
The Indian Banking Today And Tomorrow.
The Journal Of The Banking World.
The Journal Of The Indian Institute Of Bankers.
Prajnan : Journal Of Social And Management Sciences.

<3> Institutional Records : Such as,
The Reserve Bank Of India Bulletin.
State Bank Of India : Monthly Review.
Annual Reports Of NABARD.
Annual Reports Of Aurangabad-Jalna Gramin Bank since its inception.
Annual Reports Of the District Rural Development Agency.
District Socio-economic Abstract, etc.

<F> Discussions With Knowledgeable Persons :
Discussions on various issues regarding demand and supply side were held with knowledgeable persons with following objects :-

<i> To identify the sources of secondary information and selection of the study area and beneficiaries.

<i> To judge the reliability of information.
To understand different view points and perceptions of the bankers from the supply side through which credit is given to the weaker sections of the rural society under various schemes.

The persons contacted included senior bank officials, the Ex. Chairman and the Chairman of Marathwada Gramin Bank and Aurangabad Jalana Gramin Bank, managers of various departments at the Head Office of the AJGB; Economists, Academics and the authorities in Banking and Management field.

1.7 Structure Of The Questionnaire:

Though the major interest was to find out the impact of the bank credit on the beneficiary family, it was also quite necessary to collect the data on all the economic activities of the family in order to obtain a total view and also in order to facilitate the collection of the data. It was also necessary that the background information on a number of items like the size of the family, age of the family members, their educational status, occupation, land holding, income from various sources etc. should be available to facilitate the proper economic analysis. Therefore, it was decided to prepare the questionnaire in three parts. They are as follows:

Part A: This part of the questionnaire contains general information and accounts of all the economic activities of the beneficiary.
Part B: It is related with the information regarding the loan: its purpose, amount, year, period, the impact of the loan on the output and income, the purpose for which incremental income is used, information regarding loan requirement, difficulties if any regarding the repayment, the relation between subsidy and loan, difficulties experienced while getting the loan, etc.

Part C: This part of the questionnaire focuses on the reactions of the beneficiaries in respect of the benefits obtained, a change in there attitude towards their occupation or activity, expected guidance from the bank, etc.

For each sample beneficiary the information regarding the category of the borrower, the amount of the loan sanctioned and actually disbursed, the purpose for which loan is sanctioned, the amount of subsidy, repayment dues, etc. was obtained from the Head Office of the AJGB and, in very few cases, from the corresponding branch offices.

Two Types Of Questionnaire:

The activity for which the credit provided, is classified into two sectors, viz. the Farm sector and the Non-farm sector. Accordingly two different sets of questionnaire were prepared because different and separate sets of questionnaire are needed for the farm and the non-farm sector. The specimen questionnaire is given in appendix V and VI, on page no. 320 to 327.
1.6 Research Place:

The Bank Of Maharashtra is acting as a Sponsor Bank for AJGB and the said bank is also operating as the Lead Bank for Aurangabad and Jalna districts. The sponsor bank has its headquarters at Pune. The Indian Institute Of Cost And Management Studies And Research, the research place, where research has been conducted is also in Pune. This has facilitated frequent interactions with the research guide and fellow researchers, senior bank officers, Ex. Chairman of AJGB and Marathwada Gramin Bank, Top managerial personalities from the rural credit department of the Bank Of Maharashtra, and discussion with knowledgeable persons in the relevant field, before and after the conduct of primary survey.