CHAPTER I

INTRODUCTION
In India, nearly 70 per cent of the population depends upon agriculture and are mostly living in the rural areas. Rural sector plays a significant role in Indian economy by way of supplying food for the fast growing population, raw material to the expanding manufacturing industry, creation of demand for industrial products, earning of foreign exchange through export of farm products. Though, the rural sector plays an important role in the economic development of the country, it is unfortunate to note that the rural people are suffering from the problems of poverty, illiteracy, ill health etc.

To bring about the overall development in the rural areas, financial assistance to the rural poor, particularly institutional assistance for the development of agriculture needs no emphasis. Small and marginal farmers constitute bulk of the agricultural population. These categories are not in a position to improve their income levels, because of the low investment capacity. Hence there is a strong case for identifying these categories for the purpose of financial assistance. Providing credit may lead to create employment and income and may lead to the agricultural development and pave the
way for achieving the desired objective of rural development. If required finance is not available out of one's own income, then one needs external finance i.e., credit. Rural population mainly consists of agricultural producers, tenant cultivators, village artisans, landless labour etc. All these categories are in need of credit, both for productive purposes and for meeting day-to-day requirements. Modernisation of agriculture requires among other things investments on minor irrigation, land improvements etc. More employment in agriculture is possible when its productivity is raised. Fortunately, there is a considerable scope for raising agricultural productivity because the present productivity level is not more than one-third of what it could be.¹ Though the agricultural development depends upon various factors, agricultural finance is also one of the important factors. The finance supplied by non-institutional sources has very many adverse effects on the farmer. The defective system of rural finance in which the money lender is both creditor and the village trader leads to in orderly and unprofitable marketing.

"In this typical situation money lenders not only enjoy an opportunity of amassing wealth mainly through the snowballing of compound interest charges, but also get innumerable pecuniary benefits by acquiring a thorough grip over the peasant life".\textsuperscript{2} Apart from the mal-practices adopted by the private agencies, the non-availability of credit at right time and inadequate quantity and unreasonable rate of interest are prevalent. To overcome the hurdles of finance through private sources, co-operatives have emerged as one of the important sources of rural finance since a very long time. The All India Rural Credit Survey Committee in 1951-52 has found that the finance extended by the institutional agencies was negligible. The committee observed that it fell short of the right quantity, was not of the right type, did not serve the right purpose and often failed to go to the right people. After nationalisation of 14 major commercial banks, commercial banks have also started financing the rural sector with specific references to agricultural finance.

\textbf{Inspite of the progress achieved in the front in rural finance extended by branches of commercial banks\textsuperscript{2}}

and by the Primary Agricultural Credit Societies, multipurpose cooperatives and farmers service societies, it was felt that the institutional finance was not available to all sections in the rural areas. "The Co-operatives and Commercial Banks are unable to meet all the planned credit requirements of the rural areas". 3

It is rightly pointed out that "there is a widely established 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 India". 4

A working group appointed by the Government of India under the Chairmanship of M. Narasimham, examined the problem of rural finance at length and suggested the setting up of Regional Rural Banks. Accordingly the Regional Rural Banks ordinance was promulgated on September 26, 1975, "which facilitates to have banks exclusively for rural areas. The main objective of the Regional Rural Banks (RRBs) is to provide credit and other facilities, especially to the small and marginal

farmers, agricultural labourers, artisans and small entrepreneurs in rural areas.\(^5\)

Nearly 17 years have elapsed ever since Regional Rural Banks were setup in different parts of India. It is important to examine the functioning of Regional Rural Banks so as to identify the problems, if any, hindering the progress of the Regional Rural Banks. In the present study an attempt is made to examine the working of Sree Anantha Grameena Bank in Anantapur district of Andhra Pradesh.

REVIEW OF LITERATURE:

The past experience clearly brought out the fact that the co-operative credit agencies and commercial banks alone cannot meet the financial requirements of rural areas. In the light of this the Regional Rural Banks started functioning from 1975. In fact, they were setup to overcome the ill-effects of financing through non-institutional agencies and to prove more useful than other institutional sources of finance (both co-operative credit societies and commercial banks). In view of the

\(^5\) For more details refer 'Working Group Report on Rural Finance' (Narasimham Committee).
variety approach adopted by RRBs, it is necessary to examine the extent of their usefulness to the rural areas with specific reference to agriculturists.

In 1977, Prof. M.L. Dantwala reviewed the "performance of the Regional Rural Banks" at the All India level and suggested that within a short span of time, the regional rural banks have proved their usefulness to the rural areas.6

The study by J.S. Garg, G.N. Singh and R.N. Tripathi (1978)7 revealed that the small and marginal farmers are the major beneficiaries. Further, they found the benefits derived by agricultural labourers are relatively low. The analysis of the performance-wise advances revealed that there was an increasing demand for term loans, particularly for the development of irrigation, dairying and poultry. The study was conducted in 1977. It is too early to study the efficiency of Regional Rural Banks as they were started only in 1975.

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The Sivaraman Committee\textsuperscript{8} has rightly pointed that the progress of the Regional Rural Banks cannot be judged merely based on the growth of deposits and the deployment of advance. This clearly shows the need for conducting grass root level studies to bring out the facts pertaining to its usefulness.

Charan, D. Wadhwa\textsuperscript{9} has conducted a study of working of the RRBs. However the study which was conducted just two years after the establishment of Regional Rural Banks may not give the idea of it's proper working or otherwise.

E. Nagabhushana Rao and B. Krishna Murthy\textsuperscript{10} too examined the impact of Regional Rural Banks in achieving the desired goal: Rural Development. They have mainly analysed the data extended pertaining to progress made in terms of the beneficiaries and the advance extended.

The study is based on both primary and secondary sources of information. Most of the studies

\textsuperscript{8} B. Sivaraman, 'The Arrangements for Institutional Credit for Agriculture and Rural Development', Reserve Bank of India Report, March 30, 1979.


conducted by the expert committees and individual scholars based on the secondary data reveals that there is a tremendous progress.

Mohan Rao (1980)\(^1\) in his study found that the impact of Grameena Banks on asset building was quite significant. R.N. Srivastava, et.al (1981) in their study found that the Regional Rural Banks provided an easy and timely crop loan at reasonable rate of interest, which helped the farmers to have different types of inputs in an optimum manner. Further, the intensity of cropping has gone up which has also resulted in increased income of borrowers. In another study by Satya Sundaram (1982)\(^2\) it was found that the Regional Rural Banks have proved more beneficial to the rural poor.

Suresh Kumar's \(^3\) had examined the extent of utilisation and impact of credit provided by the

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Rayalaseema Grameena Bank (Cuddapah). The study was mostly based on the secondary source of information. Further the empirical study conducted by the another has not wide-coverage in which of RRBs finance has been examined.

Radha Raman Singh\textsuperscript{14} similarly in his research paper dealt with the role that the NABARD has to pay for the development of RRBs.

P. Ramappa's\textsuperscript{15} study focussed on the problems of overdues of Sree Anantha Grameena Bank. He analysed the reasons for the overdues in SAGB and made suggestions to overcome the problem.

Sujana Kumari's\textsuperscript{16} study is also on the "Working of Role of Sree Anantha Grameena Bank in Anantapur District". She studied the problem of non-agricultural credit supplied by SAGB. Her study was mainly based upon the information furnished by the SAGB office.


Singh and Upadhyay (1984)\textsuperscript{17} in their study found that recovery performance of the Regional Rural Banks is poor. This can be partly attributed to the inadequate arrangements made for recovery. The Khelkar Committee on Regional Rural Banks (1985)\textsuperscript{18} appointed by Government of India to assess the working of Regional Rural Banks found that the authorised share capital and the paid up capital are inadequate. It is therefore suggested that the share capital is to be subscribed by NABARD instead of by the State Government.

The study conducted by C.S. Adhikari\textsuperscript{19} mainly refers to the utilisation of bank credit under Integrated Rural Development Programme. The study is based on the study conducted in a block of Uttar Pradesh. The study is based on both primary and secondary sources. One of the important findings of the study is most of the programmes are implemented for the sake of fulfilling the targets and have not assessed the relative

\textsuperscript{17} Singh and Upadhyay, 'Recovery of Loans of Regional Rural Banks in Bihar', \textit{Financing Agriculture}, Vol.16, No.12.

\textsuperscript{18} All India Committee on Regional Banks, 1985.

advantages and dis-advantages. However this study refers to the finance borrowed from different nationalised banks under IRDP scheme.

The problems of RRBs are analysed by A.B.K. Hebbar. The author feels that Regional Rural Bank is an important institution for rural development. Further, the author pointed out certain constraints in the effective functioning of RRBs. The main focus of the research paper is on how to make the RRBs functionally efficient.

Jagadish Prasad and Sunil Kumar have conducted an empirical study to examine the impact of finance extended on the income levels of the beneficiaries.

Balaji's made an attempt to evaluate the working of Sree Anantha Grameena Bank. In his study he mainly dealt with the mobilisation, credit deployment, outstanding loans etc., Problems encountered by the beneficiaries were also dealt with.

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I. Dilip Kumar and B. Gnana Prasuna have attempted to examine the progress of RRBs which is based on the secondary sources of information.

The research article by Dr. Nadeem Mohsin & Raghunath Jha deals with the role of RRBs in financing the IRDP. The study is based on a sample of 80 beneficiaries. The main focus of the study is on repayment performance. The study reveals that only one-third of the beneficiaries have repaid the amount borrowed. The reasons for non-repayment were also analysed by the author.

Hemchand Jain's study reveals that the finance extended by the Regional Rural Banks resulted in increased production. Further impact of credit in production of small farmers is more. As a result of increased production, additional employment has also been generated.

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The study conducted by Vasan Anand Kumar exhibits the fact that there is an increase in the number of banks and their branches, deposits and credit over a decadal period i.e., 1975-76 to 1985-86. In the light of his study, it is found that the weaker sections were availing finance to a low extent compared to upper caste people.

Malyadri's has conducted a study to examine the impact of bank financing on pig farming. For this purpose two nationalised banks operating in one block were selected, 40 beneficiaries representing marginal, small and agricultural labourers were selected for the purpose of empirical study. The study has clearly brought out the need for educating the farmers in proper utilisation of the loans provided. It was also felt that the need for providing supporting services the beneficiaries to utilise the finance to the maximum extent.


Sujit Sikindar\textsuperscript{28} attempted to examine the problems of institutional finance in hill area. In this study, it was found that the recovery position was poor and also made suggestions to improve the recovery performance.

Mallikarjuna Rao and K.V. Narayana\textsuperscript{29} in their study found that as a result of finance extended by institutional agencies to priority sector, farmers' dependency on non-institutional sources reduced considerably. Further, it was found that in spite of the progress on the front of institutional finance, still there is a shortage of advances to priority sector by institutional agencies.

Sridhar's study\textsuperscript{30} deals with the working of Rayalaseema Grameena Bank. For the purpose of the empirical study he has chosen six categories of borrowers representing both agricultural and non-agricultural

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sectors. Though the study has a wide coverage, selecting too many trades for a micro-level study, may not help in drawing meaningful conclusions. Any micro level study must concentrate on a particular aspect, for the purpose drawing valid conclusions. Hence, our study deals with only one group of borrowers i.e., agriculturist and concentrates on the borrowers under different schemes.

The study conducted by G. Savaraiah and Nirmalamanu refers to the finance extended by commercial banks under the lead bank scheme. The study mainly focusses to analyse the credit deployment and also the real loan for low or high overdues in the district based on a sample study. The study reveals that the loan disposed for small farmers is low compared to other land holding categories. With regard to the recovery position, small farmers are lagging behind in the repayment compared to medium and large farmers.

Abdul Noorbasha & M. Jyothi in their study, analysed the issues pertaining to the problems coming in

the way of making RRBs low-cost institutions and offered remedial measures. This is again based on the official data dealing with the problems like the branch income, expenditure patterns etc.

Balishter's\textsuperscript{33} article deals with the issue of overdues. His study reveals that in case of a few farmers, inspite of their repaying capacity, are not getting the loans taken. One of the important findings of the study is the farmers are clearing the loans taken from private agencies due to pressure from the money lender and also escalation of interest amount in the event of delay. The reason for wilful defaulter mainly because of the view that loans will be written of and also bankers are not institutions for timely repayment. In the light of the study, the author made a few suggestions to overcome such peculiar problems.

Reddappa Preddy\textsuperscript{34} in his research paper made an attempt to examine the deposits pattern of Sree Anantha Grameena Bank and found that deposits are less


than advances and as such the RRBs survival is dependent on the refinance facility extended by NABARD and other agencies. The author has not suggested measures for deposit mobilisation. The research paper is written purely on the basis of secondary data.

T.K. Velayudham and V. Sankaranarayanan have examined the issues in providing finance of by RRBs. The paper mainly deals with the viability of RRBs and also the service conditions of the staff of the RRBs with those of commercial banks. They have also examined growth and performance of RRBs at All India level. The problems of RRBs particularly the structure of RRBs, the recruitment procedures were analysed. Further, the problems of recovery were examined. The problems were discussed at all India level. The information analysed was not purely based upon the data collected from the beneficiaries farmers' point of view. Hence, we have made an attempt to examine the problems from the farmers' point of view.

The R.K. Agarwal has studied the working and operation of the Prathama Bank in Moradabad and Rampur

districts. His study based upon the secondary data collected from the concerned bank and other banks for the purpose of comparison official records will not reveal the all the facts. Infact, the RRBs were setup to meet the financial needs of the rural people with specific reference to agriculturists. Without taking into consideration the view of the beneficiaries of the banks, the study may not be a scientific one. In our study, we have analysed also the empirical evidence (beneficiaries).

K.S. Ramola and K.S.Negi\textsuperscript{37} have made an attempt to examine the growth and development of RRBs. In their study, they stated that the study was based on primary and secondary data. However the paper is mainly based upon official information and lacks empirical support from the farmers' point of view. The suggestions made in the study are too general and not made in the light of the study he has conducted.

An attempt was made by S. Hundekar\textsuperscript{38} to examine the branch expansion of RRBs, deposit mobilisation,


credit deployment and recovery performance and found that there are inter-district variations in the number of branches opened. Further, they found that through the banks have achieved high level of performance in terms of credit deployment for different purposes, the overdues are also beyond the manageable limit.

The examination of the studies conducted by several experts in the field of working of Regional Rural Banks clearly reveals that all the studies conducted in the past are mostly based on the information available in the records maintained by the concerned offices of the RRBs. A few studies concentrated on the income and expenditure of the each branch and the problem of viability was also dealt with. A few studies have examined concentrating on the deposit mobilisation, credit disbursement, the overdues problems etc. Further, a few studies have concentrated on the performance of Sree Anantha Grameena Bank in financing the non-financing the agricultural sector either mostly based on secondary data or primary data. Studying the problem only at one level will reveal the facts only to that extent. If the problem is studied at different levels, then only one can draw meaningful conclusions. Moreover the usefulness of Regional Rural Banks will be known when the
problem is studied from the farmers' point of view. Moreover, the studies so far conducted will reveal the problems and prospects of the Regional Rural Banks at a particular point of time. Further, the agro-climatic conditions, farmers' borrowing practices, functioning of RRBs from place to place and from time to time. Hence, there is a need to conduct a study which incorporates all the above aspects. The present study an attempt is made in this regard.

NEED FOR PRESENT STUDY:

Studies so far conducted mainly based on secondary data. The problems faced by the target group i.e., weaker sections in securing credit, repayment performance, overdues, asset building and income generation through credit etc., are not studied in depth in many of the earlier works.

Sree Anantha Grameena Bank was set up in 1979. Nearly a decade had passed by and it is the right time to examine indepth the working of the bank, in meeting the credit requirements of the weaker sections such as small and marginal farmers, village artisans, landless labour etc. This study is an humble attempt in this direction. The working of Sree Anantha Grameena Bank
is analysed in terms of deposit mobilisation, recovery performance etc. Further, an attempt is made from the point of view of farmers to study utilisation of credit and its impact on income and employment and on other socio-economic aspects of the farmers. The specific problems faced by the farmer borrowers in securing credit are to be examined at length based on the empirical analysis. To overcome the hurdles in the working of Regional Rural Banks, a few suggestions need to be made for effective functioning thereby helping the RRBs in realising its set objectives.

OBJECTIVES:

The specific objectives of the study are:

1. To review the progress of RRBs in India;
2. to examine the deposit mobilisation and the pattern of advances by the Sree Anantha Grameena Bank in Anantapur District with specific reference to Dharmavaram branch;
3. to study the usefulness of credit to the sample borrower farmers in terms of additional revenue;
4. to analyse the repayment performance and to examine reasons accounting for non-payment of dues to the bank;
5. to study the problems faced by the borrower-farmers in availing credit extended by Sree Anantha Grameena Bank;
6. to suggest ways and means for improving the efficiency of Sree Anantha Grameena Bank.

METHODOLOGY:

For the purpose of the present study, data was collected both from primary and secondary sources. The secondary data are collected from the Head Office of the Sree Anantha Grameena Bank by referring its *Annual Reports and other relevant published reports of the bank. The primary data are collected with the help of a schedule from the sample borrowers who have borrowed for agricultural purposes from SAGB, Dharmavaram branch.

In Anantapur district there are as many as 70 branches of the rural banks. The present study makes an attempt to examine the farmers who have borrowed from Dharmavaram branch, where farm finance, particularly to small and marginal farmers and agricultural labourers, was provided on a large scale.

Keeping in view the limitation of time and manpower, only one branch of SAGB i.e., Dharmavaram
branch was purposively selected for the purpose of the present study. Further, one cluster of villages financed by SAGB (Dharmavaram branch) were purposively selected. Only this group village was surveyed by SAGB long back and has been providing finance. In other villages, which are not covered in our study, finance is being extended just 1 or 2 years back, which may not reflect the impact, if any. In order to have a good representation of different categories of farmers who borrowed under different schemes, a preliminary survey was conducted in the selected cluster of villages (consisting of four villages) and a list of farmers who have borrowed from SAGB (Dharmavaram branch) was prepared and so farmer-borrowers were purposively selected on the basis of proportionate stratified random sampling method giving representation to different land holding categories. Our sample constitutes about 25 per cent of the universe (the total number of farmers found in our preliminary survey constitutes the universe of the study).

The study was conducted during 1992 and the data collected for our empirical study relates to 1990-91 (agricultural year). As the investment extended by SAGB is expected to yield additional revenue, impact of any, only after 3 or 4 years, and as such the farmers who have
availed loans at least 3 years prior to the study period were selected for the purpose of the present study.

The study is based on the primary and secondary sources of data and information. For collecting the secondary sources of information, National Bank for Agriculture and Rural Development Reports, RBI Reports, Annual Administrative Reports brought out by the Head Office of the Sree Anantha Grameena Bank (SAGB) and the Dharmavaram branch were mainly made use of. For the purpose of primary data sample farmers were interviewed with the help of the schedule and necessary information was collected. To supplement all these sources and discussions were held with the officials concerned.

The data were analysed through averages and frequency distribution. The income differences were calculated according to the categories of farmers and according to the scheme sanctioned.

LIMITATIONS OF THE STUDY:

Our study mainly focusses on the overall performance of Sree Anantha Grameena Bank in terms of mobilisation of deposits, advances and branch expansion during the period from December 1979 to September 1989.
Further, the scope of the study is restricted to its role in financing to agricultural sector. The secondary data were collected from the published annual reports and documents of the bank. Hence the reliability of the data depends upon the accuracy maintained in preparing the reports. The primary data collected from the borrowing farmers may not be accurate as most of the borrower-farmers were found that maintaining farm records with specific reference to the utilisation of loans and the impact of loans on incomes. Moreover, the borrower-farmers could not recollect their past dealings accurately. Further, in view of the limitations of time and money, we could not make a comparative study of different villages or clusters and beneficiaries with non-beneficiaries. However, care has been taken in obtaining accurate, adequate information in tune with the objectives of our study.

CHAPTER SCHEME:

The study is divided into six chapters. Chapter-I deals with the brief statement of the problem of the study, review of literature, objectives of the study and limitations of the study. Chapter-II is devoted to examine the working of Regional Rural Banks in India with specific reference to Andhra Pradesh.
Among others, the genesis of Regional Rural Banks, progress of the RRBs are critically examined. In Chapter-III, a brief profile of the study area i.e., Anantapur district is presented organisation and working of Sree Anantha Grameena Bank is presented in Chapter-IV. Further, the deposit mobilisation and financing of agriculture in Anantapur district (with specific reference to Dharmavaram branch) is presented in Chapter IV. Chapter-V is devoted to examine the role of Sree Anantha Grameena Bank in agricultural finance in Anantapur District by way of An Empirical study. The data for empirical is collected from the agricultural borrowers of Sree Anantha Grameena Bank branch of Dharmavaram. The pattern of agricultural loans sanctioned to the sample borrowers are also examined. The utilisation of credit and its impact on incomes of the sample agricultural-borrowers is critically analysed. The last Chapter (VI) contains the Summary of findings and conclusions of the study.