CHAPTER 2

REVIEW OF LITERATURE

2.1 Trends and Progress of Priority Sector lending

2.2 Economic significance of Priority Sector lending

2.3 Dynamics of Credit-Deposit Ratio

2.4 Non-performing Assets

2.5 Financial Inclusion

2.1 PROGRESS OF PRIORITY SECTOR LENDING

Bhatt V.V (1970) in his article stated that the lead bank scheme is intended to promote agricultural operations and small industries in each district. He suggested that a lead bank should provide guidance to farmers and small industries in the purchase of machinery such as power tillers, pump-sets, agricultural implements, machine-tools etc. It should also provide medium term loans to them to purchase such machinery. Guidance and finance are also needed in the purchase of seeds, fertilizers and pesticides. To perform this task, banks need to collect information from the dealers and this can be made easier by creating and supporting a set up of approved dealers. Further, the banks also assist the farmers in obtaining after sales services and ensure recovery of loans with interest.

Patel. S.G. (1996) in his doctoral thesis "Role of Commercial Banks' lending to Priority Sector in Gujarat-An evaluation" found that there was a positive correlation between the amounts of crop loan availed per borrower and the size of operational holding group. The amount outstanding per large holding group household was seven times more than that per marginal farm household. Adequacy of loan was more in case of crop loan than that of term loan. Adequacy of farm loan and operational holding group of household were positively correlated.

The farmers have availed their crop loans and term loans in time. However, the procedure for obtaining loan was time consuming, cumbersome and costly. Small holding group households faced more difficulties in taking loans. He suggested that banks should increase quantum of loan and reduce rate of interest on agricultural loans. He observed that in service sector, share of professional and self employed persons was the highest in terms of number of borrowal accounts and share of small road and water transport operators was the highest (more than half) in terms of outstanding amount. However, this share was declining over the years. The share of retail trade and small business in total advances under service sector was increasing over the years. There were high over dues in advances to transport operators mainly because of lack of follow up for recovery rather than any other reason.

In respect of weaker sections advances, banks were lagging behind in achieving the set targets. The share of beneficiaries under DRI Scheme in total number of accounts to weaker sections was consistently declining after 1986. There was slow progress in implementation of SEEUY schemes due to the fact that the quality of loan applications recommended to banks was not up to the mark.

Mahajan K.M. (1998) in his article expressed that priority sector lending was an active instrument of our financial policy with an aim to distribute bank credit evenly to all the sections of the society. However, due to introduction of banking sector reforms in 1990s as a part of the liberalization programme, the priority sector lending policy came to a halt. Moreover, the position of the poorer states in regard to bank credit to priority sectors seems to have worsened because of linking the priority sector targets to total bank credit rather than to bank deposits.

Kanagasabai (1999) in his Ph.D.Thesis proved that the banks have made considerable progress in the last four decades in the Union territory of Pondicherry. The credit absorption can be noticed in industries sector, decreasing trend in agriculture and allied activities and almost a constant trend in respect of services sector. Further, his studies proved that there was a considerable progress of priority sector lending till recently and he observed a relatively slow progress in Priority sector lending in recent times. The credit deposit ratio has caused decline in advances towards priority sector. The results on the relationship between priority sector advances and state domestic product shows a very positive relationship between the two variables and it led to economic development of the Union Territory.

He concluded that the banking system is suffering from many operational and functional deficiencies. After the introduction of banking sector reforms, banks are losing their social orientation and as a consequence of this, priority sector lending has suffered a setback. He suggested several measures to improve the lending to priority sectors.

Narayana D. (2000) in his research article analyzed the trends in credit deployment by industry, by bank group, by rural and urban areas and by states over the recent period. He stated that inequalities are developing in deployment of bank credit in the country. This leads to serious regional imbalances which are against to the objective of nationalization of banks. Nationalization has brought rapid branch expansion in rural and semi-urban areas and the share of credit to agriculture, small industry, transport and trade has increased in the total credit. However, the trend has been reversed due to banking sector reforms. The number of loan accounts has fallen by 60 lakhs in six years, and the fall is largely confined to agriculture, transport operators and trade. Banks are eager to expand in South and North-West India. This has resulted in re-allocation of total bank credit from the poorer agricultural states to Delhi, Maharastra and Tamilnadu. He also pointed out that the private banks are interested to “"skim the cream” ignoring the vision for future.

Uma S. (2001) in her Ph.D. thesis “Problems and Prospects of Priority Sector Lending by Commercial Banks (A case study of Small Scale Industries in Bangalore District)” made the following observations in her study. The total bank advances showed a compound growth rate of 13.18 per cent, total priority sector advances 12.74 per cent, agricultural advances 12.64 per cent, and SSI advances 13.62 per cent and other priority sector advances 13.82 per cent per annum during 1983 to 1998 in Karnataka State. Bangalore district stands first in Karnataka State in terms of number of units (22.8 per cent), employment (30.4 per cent) and investment (31.71 per cent) in the small scale industries sector. The productivity of capital is appreciable in surveyed units i.e., capital output ratio is less than 3.99 in majority of sample units. The sample units are facing some problems like power, labour, shortage of working capital, non-availability and high price of raw materials, delayed payments from customers, security insisted by banks while taking loans etc. The average gross profitability of all units in urban sample units is 18.79 per cent whereas for rural units it is 16.5 per cent. The researcher found that the profitability of the majority of beneficiary industries was more than that of the non-beneficiaries. In a few cases, non-beneficiaries are earning higher profit. She also found that the New Economic Policy (NEP) has a negative impact on SSIs in terms of deregulation of interest rates, capital-investment policy, import liberalization policy, Trade policy, Technology policy etc. The New Economic Policy mostly affects tiny units.

Shete (2002) in his research paper revealed the performance of public sector banks and private sector banks disbursing credit to agriculture, small scale industries and other priority sectors from the period between 1990-91 and 2000-01. He observed that only a few public sector banks achieved the targets of priority sector advances in spite of financial sector reforms. They also financed several developmental programmes launched by the government. However, public sector banks performance in respect of advances to small scale industries and other priority sector has improved slightly during the study period. Though Foreign banks were able to achieve the targets from 1996-97 to 2000-01, their share of export credit was continuously reduced during the study period. The private sector banks performance was also not encouraging during the study period. The researcher emphasized the need for identifying the reasons for such reductions and to take necessary steps to improve the situation.

Vimala.P (2002) in her doctoral thesis "A study on the priority sector lending (PSL) in commercial banks in Kerala" observed that the state has achieved the PSL target throughout the study period and there is no significant difference between the growth rate of priority sector advances at the State and national levels. Further, the sector wise allocation and achievement under district credit plans (DCP) reveals that the targets fixed as per DCP for different sectors are within reach. There is no significant difference between allocation and achievement percentages in the agriculture sector, but in the SSI and tertiary sectors, there exists significant difference between allocation and achievement percentages. The different bank groups differ significantly in their performance in lending to agriculture and SSI. The performance of nationalized banks in regard to DRI advances was very poor.

Deepali Pant Joshi (2003) in his research article stated that agriculture is the most crucial sector of the Indian economy. The three main objectives of economic policy, viz.

output growth, price stability and poverty alleviation can be achieved by making necessary changes in policy and institutional changes in agriculture sector. He opined that before implementing these changes, it is necessary to identify the main challenges that deal with the agriculture sector. He suggested some measures like stepping up credit flows, raising productivity of land and enhancing water resources for agricultural development etc. He emphasized the need for revival of public investment in agriculture which leads to increased role of irrigation, better water management, research and development (R&D), product diversification and a shift from subsidy driven minimum support price structures (which create repressed financial markets) to free trade. The institutional and structural reforms in the agriculture sector should be in such a way to strengthen the economy. The economic growth ensures food security which indirectly helps to reduce poverty and equal distribution of income and wealth.

Tapas Kumar Chakrabarty (2003) in his study on the dynamics of rural income during 1971-72 to 1999-2000, stated that the dynamics are primarily caused by the availability of rural credit. In his study, he found that there exists a supply led approach (the availability of funds/ credit stimulate / motivate an economic agent to take up the economic activity) in rural finance. He felt that rural finance will be improved gradually due to market conditions.

Dadhich (2004) in his research paper, studied the performance of public and private sector banks in terms of priority sector lending for the period between 1990-91 to 2002-03, and identified the main reasons for variations in the performance of priority sector lending and suggested new schemes for increasing the flow of credit to these sectors. His study revealed that there are wide gaps in the performance of individual banks due to differences in ownership, rural branch net work etc. He opined that the existing system of depositing the shortfall amount to Rural Infrastructure Development Fund was not proper because of its low yield. Alternatively, he suggested Inter-Bank Participatory Certificates for Agriculture to improve the agriculture credit. He recommended for continuing the present practice of revising the definition/scope of priority sector and the scope of net bank credit.

Shete (2004) in his research paper, studied the performance of banks in lending to priority sector, gross non-performing advances of the public sector banks, private sector banks and foreign banks in regard to priority sector and its various components during the period 1991-92 to 1995-96. He observed that after financial sector reforms, the growth rate of advances to priority sector advances was declined.

Gagan Bihari Sahu (2004) in his research paper analyzed the credit flow to agriculture both at macro and micro level**s.** The analysis at the all India level shows that the proportion of credit going to agriculture sector to net bank credit has been declining from 1991. He found the same situation across the bank groups. The credit in both absolute and real terms grew at much faster rate during the period 1981-91 as compared to the period 1992-2000 in general, and across the financial institutions in particular. Despite the fixation of lending target, clubbing of direct and indirect finances, deregulation of interest rates, reduction in the number of slabs in lending rates and simplification of credit delivery system, banks could not achieve the targets in the case of agricultural lending at the all India level. The growth rate of agricultural credit was higher during the pre-reform period as compared to that after the post-1991 period in most of the states. Well-off farmers had better access to formal credit as compared to small and marginal farmers.

His study on the purpose-wise of credit at the bank-branch 1evel in Kalahandi district reveals that bankers were giving preference to lend for non-agricultural activities. Security is the criteria for sanctioning loans to agriculture sector. He also found that the interest income of bank branches that are deploying more credit to agricultural sector is less. The borrowers are facing hardships to obtain loans from banks. Time taken for getting loans by small and marginal farmers is more. Further, the loan amounts are inadequate. Poor quality of land, illiteracy and lower caste status had an adverse effect on the access of formal credit institutions by agricultural borrowers. The magnitude of credit-gap was higher among small and marginal farmers.

Kulkarni P.R. and Kaveri V S (2005) stated that in India, banking and financial institutions have emerged as key instruments for bringing about socio-economic changes. These institutions have equipped themselves with technology, methodology and manpower to cater to the needs of different segments of the economy. These institutions have to function in co-ordination with others to achieve the objectives of development. The authors opined that a micro level study is necessary to know the status of the small scale industries sector while assessing the role of institutional finance in the development of SME sector.

Angabalan M. and Selvam.V (2005) stated in their article that capital is an important input to overcome the problem of poverty and formal financial institutions have to respond to the needs of the poor by adopting suitable techniques. Otherwise, the importance of financial institutions in economic growth will be lost. The writers suggested a collective approach by all concerned in this regard. They also stressed the need for creative solutions for successfully fighting the problems of poverty through employment generation. The Micro Finance sector offers new hope for banks to increase their loan portfolio with quality clients.

Chandak B.L (2005) in his article expressed that Small Scale Industries (SSIs) are mostly financed by non-institutional credit. There is a decline in institutional credit to SSIs due to financial distress in trade and industry which has resulted in higher levels of NPAs. He felt that institutional and non-institutional finance are complementary to each other and measures to increase the former without correcting the weaknesses of the later will not work. In order to build an efficient financial system, both institutional and non-institutional credit sources have to play mutually supportive roles.

Suraj Chatrath and Dr. Gourav Vallabh (2006) in their article stated that agriculture sector and rural financial institutions need to be revitalized to achieve the ambitious average GDP growth of 8 per cent per annum in the tenth plan. They felt that the target of 40 per cent for directed lending to the ‘priority sector’ is not effective since most of the commercial banks are achieving this target by subscribing to other eligible instruments. Large farmers and agri-businesses seem to be able to obtain financial services from modern financial institutions. However, small and marginal farmers continue to depend, largely, on indigenous money-lenders. They suggested that Banks, Government and Chartered Accountants need to reconsider their opinions about the commercial opportunities in serving the rural and agricultural sector. Banks can achieve commercial success and help in societal improvement if they visualize the products and services keeping these segments in mind. They also stressed that banks must also strengthen their credit delivery system in rural areas. They reiterated the need for focusing on people at the bottom of the pyramid and align all sections with the systems.

Sunil Kumar and Neetu Bala (2007) in their research paper explored the impact of economic reforms on the growth and productivity of Indian small scale sector. During their study, they observed that economic reforms process initiated in the early nineties has had a less impact on the growth and productivity of small scale sector. The average annual growth rates of key growth parameters like number of units, production, employment and exports have found to be narrowed off in the post-reforms period relative to the pre-reforms period. They found that Total Factor Productivity (TFP) growth in small scale sector declined after the deregulatory and decontrol regime came into force. The downward trend in TFP was due to technological regress during the post-reforms years. Liberalization and globalization did not show any positive impact on the growth and productivity of small scale sector.

Shanmukha Rao Padala (2007) in his research paper stated that women entrepreneurship development is an essential part of human resource development. He felt that the development of women entrepreneurship is very low in India, especially in rural areas due to social reasons. He noted that the scheme of Self Help Groups (SHGs), launched in 1982-83, has given ample opportunities to women to create self-employment. Thousands of rural women actively participate in this programme and take up numerous activities under the Self Help Group banner. SHGs help the poor to use the finance for productive purposes and the banks can deliver the loans effectively at cheaper rates. The SHG movement in India in general and Andhra Pradesh in particular, has transformed the rural economy apparently. During his study, he found that India has great entrepreneurial potential, but women involvement in economic activities is low.

Ramesh Golait (2007) in his article assessed that credit to agriculture continues to be inadequate and banks are reluctant to give credit to small and marginal farmers on various grounds. At the moment, commercial banks are looking at profitable avenues coupled with riskless lending. SHG-bank linkage programme needs a separate legal and regulatory framework. He suggested that banks should enhance the flow of credit to agriculture and concentrate on devising new products, methods of delivery by using appropriate technology. He also suggested that the banks can use the services of input dealers, non-governmental organizations and agents to increase credit flow to agriculture significantly. Contract farming is also useful in this way.

Usha Thorat (2007) in her key note address analyzed the rural urban divide in banking, described the changes happening in the rural sector and suggested some strategies for the banking in the hinterland. She stated that the branch expansion is not aligned with the increase in population in rural areas and the deposit accounts per 1000 population in rural areas as a whole, is about sixty per cent of the urban areas. Similar position is exhibited in case of credit accounts also. Deposits of rural branches are far lower than that in the urban areas, especially in North East, Northern and Western regions. The same tendency is observed in terms of credit amount per branch in rural areas particularly in Northern and Western regions. The rural consumers represent more than 50 per cent of the country's consuming classes and savings also increased to nearly 31 per cent. She concluded that banks have to design the appropriate delivery channels and use IT models to meet the banking and remittance needs of the rural population.

Subrahmanyama N (2008) in his research article stated that microfinance is different from regular credit where the credit amount is small and the borrowers are poor. Moreover, credit is offered with a collateral substitute and non-financial services are also provided for increasing productivity of credit. The researcher studied the factors favouring the fast spread of microfinance movement in the country through the SHG-Bank linkage programme (SBLP). He emphasized the need for business development services and support by the concerned organizations including NGOs and the government.

Ram Pratap Sinha (2008) in his research paper made a comparison between select public and private sector commercial banks in respect of priority sector lending for the period 2000-01 to 2004-05. His studies indicate substantial fluctuations in mean efficiency scores for the observed years. In particular, the mean technical efficiency scores have declined during 2004-05. The mean technical efficiency scores of the observed public sector commercial banks are marginally higher than the observed private sector banks. Total factor productivity growth of the observed private sector commercial banks exhibited marginally higher Malmquist TFP Index than the observed public sector banks. All the observed commercial banks registered a positive total factor productivity growth during the period

Shalini Yadav and Kumbhare S.L (2008) in their research article stated that SHG bank linkage helps the banks in reducing the costs for both the banks as well as borrowers. In their study, they worked out the transaction costs of three different models in Villupuram District of Tamilnadu and found that transaction costs are less in Model II (SHGs formed by NGOs and financed by Banks) from borrowers' point of view and the costs are less where intermediation was done by banks themselves. However, groups formed under Model II were more qualitative.

Uppal (2009) in his research paper evaluated the performance of public, private and foreign banks in India and analyzed the targets achieved by them during 2006-07. He found that public sector banks have not achieved the target of 40 per cent during reference period. Though private sector banks could not meet the target of 10 per cent in regard to weaker section advances, they have achieved the overall target of 40 per cent to priority sector. However, foreign banks could achieve the targets in this segment. He explained the major issues that arise due to priority sector lending are low profitability, high NPAs, quantitative targets, government interference and transaction costs and suggested suitable strategies to overcome these problems.

Jaynal Ud-din Ahmed (2009) in his research paper analyzed the priority sector lending in Barak Valley from 1998 to 2007. During his study, he observed that the percentage share of priority sector advances of banks in the region is much higher than the national level and the banks could achieve the priority sector lending targets of 40% as per the RBI norms. The annual growth rate of PSL of three sample districts was 4.0 percent, 3.1 per cent and 6.1 per cent respectively. The Compounded annual growth rate shows the wide disparity between the deployment of bank credit to priority sector and the development of the region. The sector wise credit deployment shows that the small scale industries and agriculture sectors received comparatively less attention than that of trade and services under reference period. The researcher pointed out that the bankers are not interested to sanction loans to small entrepreneurs and farmers. He suggested taking necessary steps for financing priority sectors in the backward areas.

Dr. Tripathi K.K. (2011) in his article stated that Indian agriculture, in spite of its declining share in the total Gross Domestic Product has remained the backbone of the country's economy. Indian agriculture is gradually improving after mid 1960s with the introduction of High Yielding Varieties and improvement in agro- infrastructure like irrigation, input supply, storage, marketing and distribution of food-grains. He felt that the green revolution was biased towards irrigated regions and the benefits from this were not shared equally amongst all stakeholders across the country. Lack of quality inputs and timely and adequate credit continued to affect the agriculture sector. He suggested that there is urgent need for finding the issues and challenges and to find an immediate solution.

Pawan kumar Tiwari (2011) in his article stated that agricultural credit has got a new impetus in August 1998 with the introduction of Kisan Credit Card Scheme (KCC). KCC facilitates the farmer to get adequate and timely credit support to the farmers from the banking system. Approximately, 895 lakh KCCs have been issued till December 2010. Now farmers can receive crop loan up to a principal amount of 3 lakh, at 7% rate of interest. Government of India has adopted the National Agricultural Policy 2000, with the objective of improving the agricultural sector. This policy covers agricultural **s**ector in all dimensions.

Susmita Chatterjee (2011) made a comparison between the district level performances of the institutional agencies (commercial banks, regional rural banks and cooperatives) in supplying rural credit in pre- and post-reforms period and examined the expansion of credit in rural West Bengal after nationalization. She observed that introduction of economic reforms since 1990s have had some impact on rural credit. The analysis of district level data reveals that the performances of all institutional agencies supplying credit in rural West Bengal have deteriorated since 1990s. Suitable policy changes in the sphere of agricultural credit are required in determining agricultural productivity in West Bengal and these changes will help for future agriculture development of West Bengal.

Kaushik J B (2011) in his article stated that there are signs of development in rural economy. Yet, it is skewed and unbalanced. He stressed the need for agriculture development by giving top priority for small and marginal farmers. He concluded that it can be promoted through effective credit support through banks and Micro-Finance Institutions (MFIs).

Dr.Parimala Rani. G (2011) in her research article analyzed the performance of the commercial banks performance in the area of priority sector lending for a period of 14 years (1995-96 to 2009-10). Her studies revealed that the performance of commercial banks were on an increasing trend. The growth was 13.99 times for public sector banks, 35.63 times for private sector banks and 69.09 times for foreign banks. The researcher found that during the period 2005-06 and 2006-07, the level of NPAs was very high in priority sector segment. However, in the later year, there was a considerable decline in its share. Three public sector banks, two private sector banks and three foreign banks have not achieved the priority sector targets.

Raman P. and DR. Thangavel N (2011) in their research article analyzed the various aspects of social banking in India. They told that banking system touches the lives of millions by serving the national objectives of development of agriculture, small industries and exports, rising of literacy rate, encouraging new entrepreneurs and development of backward areas. Branch expansion and priority sector lending scheme became the main part of social banking. Branch expansion in unbanked areas and priority sector lending to target sectors has succeeded in reducing the poverty in India. They facilitated uniform development, particularly in rural areas. Further impetus has given by RBI by simplifying "Know your customer" procedure and advising the bankers to start financial literacy and credit counselling centres to spread financial inclusion in India.

Dr. Jasmindeep Kaur and Silony (2011) in their research article "performance review of commercial banks in India with special reference to priority sector lending - a study of post reforms era" stated that priority sector advances and agricultural advances of public sector banks and private sector banks had improved manifold over the study period from 1990-91 to 2007-08. They observed that during the post reforms, priority sector advances of private sector banks grew faster than that of public sector banks. Public sector banks concentrated more on agriculture sector than on other sectors of the economy, in the initial years of the study. However, after 2002-03, both public and private sector banks started concentrating on the service sector, recognizing the need of this sector for the economic development of the economy. Both the public and private sector banks had achieved the national target of priority sector, but not for agriculture sector during the study period. Performance of private sector banks in respect of all the parameters was better than that of public sector banks. They suggested the public sector banks, to gear up their performance in priority sector lending as their performance in agriculture, small scale industries and other priority sector advances was lower than that of private sector banks. Besides giving impetus to other priority sector advances, banks should lay stress on agricultural advance**s.**

Silony in his Ph.D thesis, “Priority Sector Lending – A study of Commercial Banks in Punjab since 1991” during the period 1991-2007 highlighted that there exists greater inter-district disparities regarding the performance of banks. Branches, deposits and advances of public sector banks grew at a lesser rate than that of private sector banks in Punjab. In addition, the share of branches and advances of public sector banks in rural and semi-urban areas declined over the study period. Credit deposit ratio of both the public and private sector banks in rural and semi-urban areas of Punjab were below national targets in all the years under study except a few. The most important observation of the study was banks were not able to meet the targets of priority sector lending in any of the reference years. Non-performing assets of public sector banks in India as well as in Punjab have shown an alarming increase particularly in agriculture sector.

Sadhan Kumar Chattopadhyay in his research article examined the flow of credit to agriculture sector during the 30-year period from 1975 to 2005. His study revealed that the share of credit to agriculture in total net bank credit had significantly declined, especially after the introduction of banking sector reforms. Banks could not achieve the targets set for agriculture lending. The analysis also shows that during the reform period banking sector mainly gone in favour of the medium and large farmers which is against the core principle of equity. He concluded that the key to success lies in the reduction in cost of lending, political non-interference and accountability of the borrowers**.**

Smita Nirbachita Badajena and Prof. Haripriya Gundimeda in their research paper studied the impact of self help group - bank linkage programme in achieving financial inclusion across sixteen states for the period 2008. They observed that the multiple regression analysis method exhibited a positive and significant impact of Self Help Group bank linkage programme on financial inclusion in terms of credit deepening. The empirical analysis also revealed a positive impact of economic development and financial literacy on financial inclusion whereas branch density (population per branch) exhibited an inverse relationship with financial inclusion. Self Help Group - Bank Linkage model is one of the successfully operated models of Microfinance in India.

They concluded that in spite of the wide banking network, access to basic financial services is still beyond the reach of large sections of society. SHG bank linkage model exhibits the potential to provide an alternative mechanism to extend financial services to large unbanked sections of the society**.**

2.2 ECONOMIC SIGNIFICANCE OF PRIORITY SECTOR LENDING:

Binswanger, Hans, Khandker, Shahidur (1992) in their article "Impact of formal finance on the rural economy of India" analyzed the impact of rural credit on agricultural investment, production and rural finance. The results reveal that branch expansion in rural areas has had a positive effect on rural non-farm employment and output. Increase in rural credit has less effect on output and employment in agriculture than in the non-farm sector. However, the impact is more on the inputs than on output, because of increased use of fertilizers, livestock and private investment in machinery. Farm households' indebtedness is also reduced. Wages have risen for agriculture labourers.

Robin Burgess and Rohini Pande (2005) in their research paper, “Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment” tested the association between the state-led branch expansion and poverty reduction in India. The results have proved that opening branches in rural unbanked locations in India was associated with reduction in rural poverty.

Sriram M.S. (2007) in his article “Productivity of Rural Credit: A Review of issues and some recent literature” stated that it is difficult to establish a casual relationship to show that the increased supply and administered pricing of credit will help in the increase in agricultural productivity and the well being of agriculturists. There are so many variables which are required for conducting agricultural operations. Credit is a sub component of the total investments made in agriculture. The policy is focusing more attention on agriculture rather than on non-farm credit. However, the cost of accessing credit from formal credit institutions by farmers is more and this must be corrected by suitable policy changes i.e., branch licensing and target fixing.

Abhiman Das, Manjusha Senapati, Joice John (2009) in their research paper “Impact of Agricultural Credit on Agriculture Production: An Empirical Analysis in India” analyzed the impact of agricultural credit on agriculture production by using dynamic panel data analysis. The analysis reveals that the direct agriculture credit has a positive and statistically significant impact on agriculture output and its effect is immediate. The number of accounts of the indirect agriculture credit also has a positive significant impact on agriculture output, but with a year lag. Finally, they concluded that even though there are credit gaps in rural areas, agricultural credit is still playing a critical role in supporting agriculture production in India.

2.3 DYNAMICS OF C-D RATIO

Vimala P. (2002) in her doctoral thesis “A study on the priority sector lending in commercial banks in Kerala” observed that the commercial banks in Kerala achieved a spectacular progress in deposit mobilization and credit deployment compared to the national level. District wise analysis showed that Ernakulam District stood first in deposit mobilization and credit per branch is also the highest in Ernakulam district. Pathanamthitta stood first in deposit mobilization per branch. The credit deposit ratio is low compared to all India level. There is no significant difference between the growth rates of deposits and advances at the State and national levels.

Narayana D. (2003) in his working paper examined the issue of low credit deposit ratio in Kerala. During his study, he found that the reasons for low C-D ratio are lack of deployment of credit in industry, trade and finance. He observed that in Kerala State, most of the industries are low capital intensive (food manufacturing and processing, other industries, and construction industries etc.) and hence the credit amount per account in industry was very low. Further, a comparison of the amounts per credit account in the small scale industries with industry as whole suggests that most of the industries in Kerala are no larger than small scale industries. The small scale industries in Kerala are also too small.

Puneet verma and Nitin Kumar (2007) in their research paper “A study of credit deposit ratio in selected states in western India” analyzed the Credit Deposit ratio of scheduled commercial banks of the three major states of western part of India, viz., Rajasthan, Gujarat and Maharashtra and India as a whole during the period 1977 to 2005. The study concluded that the behavior of CD ratio among all the three states is significantly different during the study period. Performance of Maharashtra is well in terms of CD ratio but volatile, whereas Rajasthan and Gujarat are stable but low. There exists a lot of scope for branch expansion and improvement of service quality by the banks in Gujarat and Rajasthan.

Vijay Hooda (2011) in his research article compared the position of State Co-operative Banks with Scheduled Commercial Banks on the basis of three financial ratios during 2000-01 to 2009-10. His studies revealed that cash-deposit ratio of State Co-operative Banks (StCBs) have been more than that of Scheduled Commercial banks (SCBs) during the study period. Investment – deposit ratio of StCBs has also always been more than that of SCBs during the same period. Credit deposit ratio of SCBs has been more consistent in comparison to that of StCBs under reference period. He concluded that SCBs and StCBs differ significantly as per these ratios.

Ibrahim M. Syed (2011) in his article “Efficacy of commercial banks in India-an analysis” concluded that operational performance of scheduled commercial banks improved since the year 2000. Deposit mobilization and credit deployment was significant and their C-D ratios showed an increasing trend over the period.

Puneet Verma and Sonali Adki in their research paper “Comparative Performance of Different Bank Groups from the Era of Global Recession” observed that credit deposit ratio of foreign bank group was the highest with high variation and Regional Rural Banks’ CD ratio was the lowest with lowest variation during period 2006-2010.

2.4 NON-PERFORMING ASSETS

Shete (2004) in his research paper found a negative relationship between NPAs of individual bank and overall NPAs in priority sector advances. The reasons for this state are inadequate income generation, high transaction costs and tightening of prudential norms etc. He suggested that measures should be taken to improve recovery performance by suitable follow-up, educating the borrowers and sympathetic consideration of problems of genuine borrowers.

Uppal (2009) in his research paper observed that NPAs of public sector banks were more while the least was in foreign banks. High NPAs in public and private sector banks are due to increase in priority sector advances by these banks.

Jaynal Ud-din Ahmed (2010) in his research article "Priority Sector Lending by Commercial Banks in India: A case of Barak Valley" observed that the increase in priority sector lending leads to corresponding increase in NPAs. The recovery position in agriculture and allied activities was poor compared to other priority sector.

Saurabh Garg (2010) in his Ph.D thesis "Variations in Access to Credit and Loan Recovery - The Role of Legal Institutions and Other Factors: An Analysis in the State of Orissa, India" examined how the enforcement of loan contracts by legal institutions is associated with the access to small credit, across different districts in Orissa. He also studied the reasons for variations in recovery by banks in select district. He observed that the mechanism for debt recovery is weak due to procedural delays. The loan recovery in rural areas is found to be higher than in the urban areas; and the recovery in the government sponsored schemes is significantly lower than in the other sectors. He stressed the need for financial literacy and access to basic financial services like money transfer and savings and educating the borrowers about the importance of credit and timely repayment for the development of the area. He felt that credit alone cannot reduce poverty and there is a need for strengthening the legal system. Field staff of banks should be keen in selection of borrowers and grounding the credit.

Dr. Jasmindeep Kaur and Silony (2011) in their research article “performance review of commercial banks in India with special reference to priority sector lending - a study of post reforms era” during the period 1990-91 to 2007-08 found that the total priority sector NPAs of public sector banks increased and that of private sector banks decreased. This might be because of risk-aversion approach followed by the private sector banks. Sector-wise analysis shows that in agriculture and other priority sector, NPAs of public and private sector banks have increased. However, in small scale industries sector, NPAs of both the banks have decreased during the study period.

Puneet Verma and Sonali Adki in their research paper “Comparative Performance of Different Bank Groups from the Era of Global Recession” found that NPAs of foreign banks and private banks witnessed a sharp increase after global recession and other groups showed their strength during the same period.

2.5 FINANCIAL INLCUSION:

Shree Leeladhar V. (2005) suggested that banks have to redesign their business strategies to incorporate specific plans to promote financial inclusion. Banks can perceive financial inclusion as a business opportunity as well as a corporate social responsibility. They have to make use of available technology and expertise available with them. They can use the services of MFIs and NGOs to extend the banking facilities to rural areas. Initially it may not be profitable for the banker to the take the banking facilities to the desired sections of the society constituting the “bottom of the pyramid”. But, in the long run, it can be a very profitable business. Only the banks should be prepared to think outside the box.

Dr.Rakesh Mohan (2006) in his address stated that the financial depth in India is much lower than that of other Asian countries and there is a greater need to increase financial depth and breadth also. Deepening the financial system and widening its reach is important for both increasing the growth rate and equal distribution of national assets. Despite the risk in financing new entrepreneurs, it is a must for financial inclusion and inclusive growth. He further stressed that in order to meet the growing demand for credit, banks need to mobilize the resources from a wider deposit base and extend credit to activities hitherto not financed by banks. Financial inclusion will strengthen financial deepening and provide resources to the banks to expand credit delivery.

Sri Badal Chowdhury (2007) observed that though RBI initiated several measures to bring greater financial inclusion among the people, access to banking is limited even today for middle and lower class people. The banks are hesitant to open branches in rural areas and banking facilities are largely confined to urban areas. The CD ratio of all India and North eastern states shows a decline during the period 1994 to 2000. Hence, financial inclusion is a must for bringing uniform economic development. Micro credit through non-government orgranisations is an excellent tool to bring in such development.

World Bank report (2007) revealed that lack of access to finance will cause constant income inequalities and slow growth in economy. Hassle-free access to finance is not only pro-growth but pro-poor. Poor not only need credit but also financial services. Hence, Government policies should focus on building sound financial institutions and encourage the competition in the sector.

Smt.Usha Thorat (2007) stated that use of services of post offices, co-operative societies and non-government organizations as business facilitators would enable the banks to reduce the costs to deliver the banking services at the door steps of the customers. The use of IT services also enable the banks to handle enormous increase in the volume of transactions for millions of households for processing, credit scoring, credit record and follow up. In addition, she added that state governments should play a proactive role in facilitating financial inclusion.

Hanumantha Rao S.V. (2007) stated that the Total Financial Inclusion model implemented in CC Pally village in Karimnagar district in Andhra Pradesh and also in a few villages in other districts by Deccan Grameen Bank has shown tremendous impact on the economic conditions of the beneficiaries in disposing of their previous loans with money lenders which cause much interest burden. They were able to live in a peaceful atmosphere by doing productive activities for which loans were extended by the bank. Deccan Grameen Bank considers this as a very satisfying experience. It is a real success story of the bank which will have a long lasting impact on the rural population.

Gadewar A.U. (2007) in his article expressed that promoting financial inclusion has become a part of India’s mission or goals. It is an essential for building uniform economic development, both spatially and temporally and ushering in greater economic and social equity. Besides, it is viewed as an opportunity to tackle poverty and deprivation. He further stated that financial inclusion covers a wide range of financial services. It needs to address several issues like geographic coverage of all sections of the society, capacity building, effective promotion of services and products and financial education etc.

Dr. Rangarajan C. (2007), in his address at R.K.Talwar Memorial Lecture stated that financial intermediation is essential to promote extensive and intensive growth. Efficient intermediation of funds from savers to users enables the productive application of available resources. Economic growth is possible through an efficient financial system. He stated that at the present moment, the Indian banking system is facing challenges like consolidation, capital adequacy, risk management and customer service.

Devaki Muthukrishnan (2008) in her research paper stated that financial inclusion was implemented in Karnataka, unlike in other states, under the Service Area Approach-Lead Bank Scheme by all the bank branches operating in the State. The campaign was driven and monitored at the block and district level by the Lead District Officers of Reserve Bank of India, Bangalore. RBI, Bangalore initiated action on IT enabled financial inclusion and proposed to make payments under NREGP and social security pension through banks. She also stated that RBI, Bangalore has launched a FIN-LIT project with a series of four comic books which educate the various target groups about the banking products and services in English and Kannada. A short film on the frames of these books with voice over in Kannada was put in the Mysore Dasara Exhibition. She concluded that financial inclusion should be led by understanding the needs of customer rather than achieving the targets. They can use technology such as ATMs, Smart cards, Mobile phone to reduce costs.

Dr. Chakrabarty K.C. (2009) in his address at 62nd International Banking Summer School at New Delhi stated that the reforms have brought about a sea change in the profile of banking sector. He opined that Know Your Customer (KYC) norms in banks, Risk Management and Treating Customers Fairly are the three issues before the banks to achieve qualitative growth. KYC norms are not only a risk management process but it also makes a good business sense. The major challenge before the Indian banking is financial inclusion through improved financial penetration in hitherto neglected areas.

Nirupam Mehrotra et.al (2009) felt that there is a need to perceive financial inclusion as a 'quasi public good'. Financial inclusion is a pre-requisite for achieving inclusive growth and credit inclusion is the first step to benefit the disadvantaged sections of the society. They concluded that financial inclusion is an explicit strategy to achieve economic growth.

Somdev Chattopadyay (2009) made several case studies on financial awareness/literacy of various groups of people in West Bengal and found that lack of financial literacy and reluctance of bankers to deal with low income group people are the main reasons for financial exclusion of various categories of people. Appropriate policies are required to provide easy, simplified and quick financial assistance to them.

Dr. Chakrabarty K.C. (2010) in his address stated that banks must utilize the technology to leverage costs, as the transaction costs are still high and the penetration indicators are still very adverse compared to OECD economies. Appropriate business models have to be devised to serve the customers at the bottom of the pyramid. Services of Business Correspondents and Business facilitators are useful in this way.

Dr. Swain B.K. (2010) made an evaluation on the claim made in the SLBC meeting that Srikakulam district in Andhra Pradesh has claimed 100% financial inclusion. His found that **43.5 per cent of the Below Poverty Line population was covered by bank accounts and the average number of transactions was around three per each no-frill account. 90 per cent of no-frills accounts are remained dormant.** The accounts holders (no-frills accounts) are enjoying deposit facility and only a few sample branches are offering credit under General Purpose Credit Cards (GCC). Only 79% financial inclusion was actually achieved as per records. The researcher concluded that 100 per cent financial inclusion is still a dream in the district. He observed that there lacks a link between the financial assistance and poverty alleviation programmes devised by the government. Hence, he suggested that proper financial education and credit counselling is necessary among villagers to achieve the 100 per cent financial inclusion.

Harish Kumar Singla (2011) in his research paper explored the ground level status of the first phase of financial inclusion in Chandigarh, Panchkula and Mohali after the SLBC (State Level Banking Committee) Report which has claimed that 100 per cent Financial Inclusion in rural areas of Punjab and Haryana. He found that financial inclusion in Tricity is 70 per cent in terms of number of accounts (savings and loan). He concluded that a lot is required to be done in terms of creating awareness about the banking services offered and making the household use them.

Nageswara Rao N D S V (2011) in his article felt that in spite of the progress made by banks in ensuring delivery of financial services to the people across the country, still large gamut of population are not connected to formal financial institutions. RBI came out with various measures and one such measure is allowing the banks to use the services of Business Correspondents (BC) and Business Facilitators (BF) to extend the banking facilities. He remarked that after nearly five years of its implementation, many banks have come out with various pilot projects and opened nearly five crore 'no-frills' accounts. Yet, many banks could not expand their pilot projects.

Santosh Ranganath N and Dr. G. Tualsi Rao (2011) stated that that financial inclusion is the key to empowerment of poor, underprivileged and low skilled rural households. They suggested several models which require the emerging role of financial inclusion in banking sector in India. Various models proposed by them are rural students banking model, financial education –framing book model, extended bank- joint MFI model, RBI education - institution linkage model, refinancing model-small credit facilities etc.

Consolidated Review of Literature:

Bhatt V.V. (1970)	Lead banks should provide guidance as well as finance to farmer in procuring the inputs for agriculture.
Patel S.G. (1996)	Loans were adequate but time consuming and costly. Small borrowers faced hardships in obtaining loans.
Mahajan K.M. (1998)	Banking sector reforms have a negative impact on Priority sector lending.
Kanagasai.S (1999)	The banking system is suffering from many operational and functional deficiencies. After the introduction of banking sector reforms, banks are losing their social orientation and as a consequence of this, priority sector lending has suffered a setback.
Narayana D. (2000)	Banking sector reforms had a negative impact on priority sector lending.
Uma S. (2001)	Profitability of the majority of beneficiary industries was more than that of the non-beneficiaries.
Shete (2002)	The performance of Public sector banks and private sector banks is not up to the mark during 1990-91 and 2000-01. However, foreign banks have achieved their PSL targets.
Vimala P. (2002)	Kerala state has achieved the targets of PSL
Deepali Pant Joshi (2003)	Policy and structural changes are necessary to bring in growth in agriculture sector.
Tapas Kumar Chakrabarty (2003)	At the moment, there is a supply led approach in rural finance.
Dadhich (2004),	There are wide gaps in the performance of individual banks due to differences in ownership, rural branch net work etc.
Shete (2004)	After financial sector reforms, the growth rate of advances to priority sector was declined.

Gagan Bihari Sahu (2004)	The proportion of credit going to agriculture sector to net bank credit has been declining from 1991. The same situation was found across the bank groups.
Kulkarni P R and Kaveri V S (2005)	Micro level study is necessary to know the status of the small scale industries sector while assessing the role of institutional finance in the development of SME sector.
Angabalan M.and Selvam V. (2005)	Micro Finance sector offers new hope for banks to increase their loan portfolio with quality clients.
Chandak B.L(2005)	Both institutional and non-institutional credit sources have to play mutually supportive roles.
Suraj Chatrath and Dr. Gourav Vallabh (2006)	Small and marginal farmers have no access to bank credit.
Sunil Kumar and Neetu Bala (2007)	Economic reforms process initiated in the early nineties has had a less impact on the growth and productivity of small scale sector.
Shanmukha Rao Padala (2007)	Self Help Groups (SHGs) have given ample opportunities to women to create self-employment.
Ramesh Golait (2007)	Agriculture credit continues to be inadequate and banks are reluctant to give credit to small and marginal farmers on various grounds.
Usha Thorat (2007)	Banks have to design the appropriate delivery channels and use IT models to meet the banking and remittance needs of the rural population.
Subrahmanyama N(2008)	Emphasized the need for business development services and support by the concerned organizations including NGOs and the government.
Ram Pratap Sinha(2008)	The mean technical efficiency scores of the observed public sector commercial banks are marginally higher than the

	observed private sector banks. Total factor productivity growth of the observed private sector commercial banks exhibited marginally higher Malmquist TFP Index than the observed public sector banks. All the observed commercial banks registered positive total factor productivity growth during the period.
Shalini Yadav and Kumbhare S.L. (2008)	SHG bank linkage helps the banks in reducing the costs for both the banks as well as borrowers.
Uppal (2009)	PSBs have not achieved the PSL targets, But private sector banks and foreign banks have achieved the PSL targets.
Jaynal Ud-din Ahmed (2009)	Banks could achieve the priority sector lending targets of 40% as per the RBI norms in Barak Valley
Dr. Tripathi K.K. (2011)	Lack of quality inputs and timely and adequate credit continued to affect the agriculture sector.
Pawan kumar Tiwari (2011)	Kisan Credit Card Scheme (KCC) facilitates the farmer to get adequate and timely credit support to the farmers from the banking system
Susmita Chatterjee (2011)	The analysis of district level data revealed that the performances of all institutional agencies supplying credit in rural West Bengal have deteriorated since 1990s.
Kaushik J B (2011)	Stressed the need for agriculture development by giving top priority to small and marginal farmers.
Raman .Pand Dr. Thangavel.N	All the banks have made advances to priority sector as per the targets. However, they have failed to meet the 18% target of lending to agriculture.
Dr.Parimala Rani.G (2011)	Performance of commercial banks was on an increasing trend.
Dr. Jasmindeep Kaur	Priority sector advances and agricultural advances of public sector banks and private sector banks had improved manifold

and Silony (2011)	over the study period from 1990-91 to 2007-08.
Ibrahim M. Syed (2011)	Operational performance of scheduled commercial banks improved since the year 2000. Deposit mobilization and credit deployment was significant and their C-D ratios showed an increasing trend over the period.
Silony	Credit deposit ratio of both the public and private sector banks in rural and semi-urban areas of Punjab were below national targets in all the years under study except a few. The most important observation of the study was that banks were not able to meet the targets of priority sector lending in any of the reference years.
Smita Nirbachita Badajena and Prof. Haripriya Gundimeda	Self Help Group-bank linkage programme has a positive and significant impact on financial inclusion in terms of credit deepening. SHG bank linkage model exhibits the potential to provide an alternative mechanism to extend financial services to large unbanked sections of the society.
Sadhan Kumar Chattopadhyay	Share of credit to agriculture in total net bank credit had significantly declined, especially after the introduction of banking sector reforms. Banks could not achieve the targets set for agriculture lending. Banking sector mainly gone in favour of the medium and large farmers
Vimala P(2002	Commercial banks in Kerala achieved a spectacular progress in deposit mobilization and credit deployment compared to the national level. The credit deposit ratio is low compared to all India level. There is no significant difference between the growth rates of deposits and advances at the State and national levels.
Narayana D(2003)	The reasons for low C-D ratio in Kerala are lack of deployment of credit in industry, trade and finance. In Kerala State, most of the industries are low capital intensive (food

	manufacturing and processing, other industries, and construction industries etc.) and hence the credit amount per account in industry was very low. Further, most of the industries in Kerala are no larger than small scale industries. The small scale industries in Kerala are also too small.
Puneet verma and Nitin Kumar (2007)	The Credit Deposit ratio of scheduled commercial banks of the three major states of western part of India, viz., Rajasthan, Gujarat and Maharashtra during the period 1977 to 2005 is significantly different. Performance of Maharashtra is well in terms of CD ratio but volatile, whereas Rajasthan and Gujarat are stable but low. There exists a lot of scope for branch expansion and improvement of service quality by the banks in Gujarat and Rajasthan.
Vijay Hooda (2011)	Credit deposit ratio of scheduled commercial banks has been more consistent in comparison to that of state co-oprerative banks under reference period. SCBs and StCBs differ significantly as per the ratio.
Ibrahim M. Syed (2011)	The operational performance of scheduled commercial banks improved since the year 2000. Deposit mobilization and credit deployment was significant and their C-D ratios showed an increasing trend over the period.
Puneet Verma and Sonali Adki	Credit deposit ratio of foreign bank group was the highest with high variation and RRBs CD ratio was the lowest with lowest variation during period 2006-2010.
Binswanger, Hans, Khandker, Shahidur (1992)	Branch expansion in rural areas has had a positive effect on rural non-farm employment and output. Increase in rural credit has less effect on output and employment in agriculture than in the non-farm sector. However, the impact is more on the inputs than on output, because of increased use of fertilizers, livestock and private investment in machinery.

	Farm households' indebtedness is also reduced. Wages have risen for agriculture labourers.
Robin Burgess and Rohini Pande (2005)	Opening branches in rural unbanked locations in India was associated with reduction in rural poverty.
Sriram M.S(2007)	It is difficult to establish a casual relationship to show that the increased supply and administered pricing of credit will help in the increase in agricultural productivity and the well being of agriculturists. There are so many variables which are required for conducting agricultural operations. Credit is a sub component of the total investments made in agriculture. The policy is focusing more attention on agriculture rather than on non-farm credit. However, the cost of accessing credit from formal credit institutions by farmers is more and this must be corrected by suitable policy changes i.e., branch licensing and target fixing.
Abhiman Das, Manjusha Senapati, Joice John (2009)	Direct agriculture credit amount has a positive and statistically significant impact on agriculture output and its effect is immediate. Even though there are credit gaps in rural areas, agricultural credit is still playing a critical role in supporting agriculture production in India.
Shete (2004)	There is a negative relationship between NPAs of individual bank and overall NPAs in priority sector advances.
Uppal (2009)	NPAs of public sector banks were more while the least was in foreign banks. High NPAs in public and private sector banks are due to increase in priority sector advances by these banks.
Jaynal Ud-din Ahmed (2010)	The increase in priority sector lending leads to corresponding increase in NPAs. The recovery position in agriculture and allied activities was poor compared to other priority sector.
Saurabh Garg (2010)	The mechanism for debt recovery is weak due to procedural delays. The loan recovery in rural areas is found to be higher

	than in the urban areas. The recovery in the government sponsored schemes is significantly lower than in the other sectors.
Dr. Jasmindeep Kaur and Silony (2011)	The total priority sector NPAs of public sector banks increased and that of private sector banks decreased. Sector-wise analysis shows that in agriculture and other priority sector, NPAs of public and private sector banks have increased. However, in small scale industries sector, NPAs of both the banks have decreased during the study period.
Shree Leeladhar, V(2005)	Banks can perceive financial inclusion as a business opportunity as well as a corporate social responsibility. They can use the services of MFIs and NGOs to extend the banking facilities to rural areas.
Dr.Rakesh Mohan (2006)	The financial depth in India is much lower than that of other Asian countries and there is a greater need to increase financial depth and breadth also.
Sri Badal Chowdhury (2007)	Financial inclusion is a must for bringing uniform economic development. Micro credit through NGOs is an excellent tool to bring in such development.
World Bank report (2007)	Lack of access to finance will cause constant income inequalities and slow growth in economy. Hassle-free access to finance is not only pro-growth but pro-poor.
Smt.Usha Thorat (2007)	Use of services of post offices, co-operative societies and non-government organizations as business facilitators would enable the banks to reduce the costs to deliver the banking services at the door steps of the customers.
Hanumantha Rao S.V. (2007)	The Total Financial Inclusion model implemented in CC Pally village in Karimnagar district in Andhra Pradesh and also in a few villages in other districts by Deccan Grameen Bank has shown tremendous impact on the economic conditions of the

	beneficiaries.
Gadewar A.U. (2007)	Financial inclusion is essential for building uniform economic development, both spatially and temporally and ushering in greater economic and social equity.
Dr.Rangarajan .C (2007),	Economic growth is possible through an efficient financial system. At present, the Indian banking system is facing challenges like consolidation, capital adequacy, risk management and customer service.
Devaki Muthukrishnan (2008)	The financial inclusion was implemented in Karnataka through lead bank scheme.
Dr. Chakrabarty K.C. (2009)	Know Your Customer (KYC) norms, Risk Management and Treating Customers Fairly are the three issues before the banks to achieve qualitative growth.
Nirupam Mehrotra et.al (2009)	There is a need to perceive financial inclusion as a 'quasi public good'.
Sri Somdev Chattopadyay (2009)	Lack of financial literacy and reluctance of bankers to deal with low income group people are the main reasons for financial exclusion of various categories of people.
Dr.Chakrabarthy K.C (2010)	Banks must utilize the technology to leverage costs, as the as the transaction costs are still high and the penetration indicators are still very adverse compared to OECD economies.
Dr. Swain B.K. (2010)	43.5 per cent of the Below Poverty Line population was covered by bank accounts and the average number of transactions was around three per each no-frill account. 90 per cent of no-frills accounts are remained dormant. The accounts holders (no-frills accounts) are enjoying deposit facility and only a few sample branches are offering credit under General Purpose Credit Cards (GCC).

Harish Kumar Singla (2011)	financial inclusion in Tricity is 70 per cent in terms of number of accounts (savings and loan). He concluded that a lot is required to be done in terms of creating awareness about the banking services offered and making the household use them.
Nageswara Rao N D S V (2011)	In spite of the progress made by banks in ensuring delivery of financial services to the people across the country, still large gamut of population are not connected to formal financial institutions
Santosh Ranganath N. and Dr. G. Tualsi Rao (2011)	stated that that financial inclusion is the key to empowerment of poor, underprivileged and low skilled rural households. They suggested several models for financial inclusion.