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## “PRAGATHI KRISHNA GRAMIN BANK AND RURAL ECONOMIC DEVELOPMENT: WITH REFERENCE TO RAICHUR DISTRICT”.

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### ABSTRACT :

**T**he nerve centre of economies and finance of a nation and the barometer of its economic perspective. They are not merely dealers in money but are in fact dealers in development. Banks are important agencies for the generation of savings of the community. They are also the main agents of credit. They divert and employ the funds to make possible fuller utilization of the resources of a nation. They are thus catalytic agents that create opportunities for the development of the resources to speed up the tempo of economic development. In the Indian financial system. Commercial banks are the major mobilizers and disbursers of financial resources. The role of banks in accelerating the economic development of a country like India.



**KEYWORDS :** Economic Development , Commercial banks , Indian financial system.

### INTRODUCTION

Banks play an important role in mobilization and allocation of resources in any country. Rural people in India are facing problems in the inadequate supply of credit. The major source of credit to rural households, particularly-low income working households, has been the informal sector. Informal sector advances loans at very high rates of interest; the terms and conditions attached to such loans have given rise to an elaborate structure of intimidation of both economic and non-economic conditions in rural population in India. RRBs were established in India in 1975 essentially for the purpose of taking banking service to the doorsteps of rural people, particularly in places without banking facilities.

The objectives as given in the preamble of RRBs Act of 1976 were "to develop the rural economy in providing for the purpose of development of agriculture, trade commerce, industry and other productive activities in the rural areas, credit and other facilities particularly to the small and marginal farmers, agricultural laborers.

### PERFORMANCE OF RRBs:

To review the performance of RRBs, certain well-known parameters have been chosen. These are; (a) number of banks (b) coverage of districts, (c) number of branches, (d) deposit Reserve Bank of India, (e) deployment of credit, (f) credit- deposit ratio, (g) percentage of recovery and (h) working results. Each of the

parameter is explained with the help of the statistics published from time to time by the Reserve Bank of India and the National Bank for Agriculture and Rural Development (NABARD). Regarding the geographical coverage of RRBs, Table 1.1 indicates that there was no significant increase in the number of RRBs. The number of RRBs increased from 194 in 1986 to 196 in 1994. The compounded growth rate of the number of RRBs is the least and it is only 0.07 per cent.

The coverage of districts by RRBs increased considerably from 351 in 1998 to 401 in 2007. Thus, during 1998 and 2007 the coverage of districts has increased by 114 per cent. As a result of this, about 90 per cent of the total districts (448) in the country have been covered by the RRBs. The most important achievement of RRBs is the coverage of the not easily accessible and economically backward areas of the country. The number of branches of RRBs increased from 12,838 in 1998 to 14,561 in 2007. Between 1998 and 2007, the percentage increase in the number of branches is about 113 per cent. Thus, RRBs have succeeded, to a larger extent, in taking the banking services to the door steps of rural masses particularly to those in the hitherto unbanked rural areas.

It is to be noted that the RRBs are expected not only to achieve their socioeconomic objectives but also to earn profits to sustain their continued operations. The profit depends upon the judicious deployment of internal resources and borrowings. Table 1.1 shows the working results of RRBs in terms of profit/loss. The table indicates 48 out of 194 RRBs earned profit in 1998. But in 2004, only 23 RRBs earned profit. Thus, the percentage of RRBs making profit gradually declined from 25 per cent in 1998 to 12 per cent in 2004. The compounded growth rate of the number of RRBs making profit is negative at -9.22 per cent during the study period. The determination of profit-making RRBs has posed a serious problem for the very existence of RRBs themselves. This situation is likely to further worsen on account of increase in overhead expenses consequent upon the revision of staff salaries and allowances.

There is an urgent need for streamlining all the operational policies of RRBs so as to make them operationally and financially viable. The Reserve Bank of India in its Annual Report 2006-07 has observed that the rural financial institutions can to some extent, improve their viability by expanding their volume of business and increasing interest rates especially in the non-poor sector. Then viability can also be improved by diversifying into non-fund business and acting as intermediaries for technology transfer, input supply and marketing. Erosion of paid up capital of a large number of RRBs has become a cause for concern. The RBI has been constantly hammering at the point that RRBs in its present form should not continue, as many of them have become unviable. So they should be strengthened and made viable.

The performance of RRBs as in 2007 compared to those in 1998 has showed contrasting features. On the one hand, RRBs registered a tremendous growth in their geographical coverage, deposit mobilization and deployment of credit to the target group in rural areas. A disturbing feature of their operations has been that a number of RRBs have shown poor financial viability even after several years of existence. The economic viability of RRBs is absolutely necessary for improving the economic viability of the rural poor. From the foregoing discussion it can be concluded that RRBs have played a vital role in the upliftment of rural economy. Being solely responsible for rural finance, they have brought about a tremendous change in the rural economy which other financial institutions could not do during the long span of rural financing.

## REVIEW OF LITERATURE

Ishwar (2011): conducted study on "A Financial Performance Analysis of RRBs: Pre and Post Transformation". The study made an attempt to study the performance of the RRBs from 1980-81 to 2008-09. Soni, A & Kapre A. (2011): made study entitled "Performance Evaluation of Regional Rural Banks in India. The objectives of the study were to measure financial performance by key performance indicators, progress, growth, pattern and make important suggestions to improve the working of RRBs in India. The finding of the study revealed that the efforts made by RRBs in branch expansion, Deposit mobilization, rural development and credit deployment in weaker section of rural areas are appreciable. Bhatia, Arpana (2013): made study on "Performance Evaluation of RRBs in India during Pre and Post merger period". The overall objective of the study was to assess whether the amalgamation process in the Indian rural banking sector has been successful in restructuring the banks. Bhatt, K.A. (2013): made study entitled "Profitability Analysis of Regional Rural Banks in

India: with Special Reference to Western Region”. The study focused on western region of India i.e. Gujarat, Maharashtra and Rajasthan. The study made an attempt to study the profitability analysis of the RRBs from 2007-08 to 2011-12. Kanika & Nancy (2013): made study on “Financial Performance of Regional Rural Banks in India”. The increase in the amount of NPA’s and the problem recovery necessitated the need to study the financial performance of Regional Rural Banks. The main objective of the study was to know the growth pattern and financial performance of RRBs in India. The study covered a specific period from 2006-07 to 2011-12. As observed by P.A Steeven Raj, (2009) the first phase while more focused on outreach was not devoid of a blueprint for viability, though the notion of viability for the Regional Rural Banks was much more nuanced than what it denoted under the neoliberal reform era.

**OPERATIONAL DEFINITIONS:**

**Short, medium and long-term Loans**

To distinguish short-term, medium term and long term loans the researcher has adapted the definition given by All India Rural Credit Survey Committee Report (1954) based on the period of loan.

**Table – 1.1  
Types and period of loan**

Sl.No.	Type Of Loan	Period of loan
1.	Short-Term	Up to 15 months.
2.	Medium Term	15 months to 5 years
3.	Long Term	Above five year.

**Categories of Farmers:**

Farmers are distributed in four categories. Marginal, Small, Medium and large based on the size of the land owned and cultivated.

**Table-1.2  
Categories of farmers size of land holding (in acres)**

Sl.No.	Categories of farmers	Size of land holding (in acres)
1	Marginal	0.01-2.5
2	Small	2.6-5
3	Medium	5.01-10
4	Large	10.01-& above (up to 20 acres)

**Cropping Pattern:**

Cropping pattern in particular periods of time is usually expressed by estimating the area under a particular crop as percentage of the total cropped area in both the seasons. A change in cropping pattern is indicated by a change in the proportionate area under the different crops.

**COST AND RETURNS: COST OF PRODUCTION:**

The concept of production used in the present analysis is the total variable costs incurred on agricultural production. These costs include money expenditure on inputs like seeds, manure, fertilizers, pesticides, and human labour, (family as well as hired) animal labour, machine etc.

**TOTAL RETURNS:**

Total returns the money value of the total produce (including by produce) produced during the period of

one year in both the seasons.

**STATEMENT OF THE PROBLEM:**

The study has to assess how the RRBs are to be functioning for achieving rural development through the development of agriculture Sector of the rural masses. The problem is stands in still in place like Raichur District which is backward district of Karnataka State. Even though it is a land of between two Rivers i.e. Tungabhadra and Krishna rivers. The RRBs are played crucial role in the rural development of Raichur District.

**OBJECTIVES OF THE STUDY:**

The major objectives of the study are as follows:

1. To study the Regional Rural Banks and Rural Development in India and Karnataka.
2. To know the performance of Pragathi Krishna Grameena Bank in study area.
3. To examine the extent of beneficiaries’ utilization of Pragathi Krishna Grameena Bank credit intended for their welfare.
4. To suggest the suitable policy measures on the basis of field observation.

**HYPOTHESES OF THE STUDY:**

1. There is a significant association between the category of the respondents and loan borrowers from Pragathi Gramin Bank in Raichur District.
2. There is a significant association between the loan borrowers and the size of land holdings PGB in Raichur District.

**METHODOLOGY:**

The methodology of the present study may be broadly out lined as under.

**Source of Data:**

The study is mainly based on primary data collected through the interview schedules addressed to the sample beneficiaries. The secondary data is also collected from various sources such as annual reports of Pragathi Grameena Bank. The data published by the Reserve Bank of India, government reports etc is also used here. Further books, journals and other tertiary sources etc also used of the collect of data.

**Sample Design:**

A multistage stratified random sampling method is adopted to draw the final sample. The Raichur district consists of five talukas viz; Raichur, Deodurga, Manvi, Lingsugur and Sindhanur. It comes under the jurisdiction of one regional rural bank viz; Pragathi Grameena Banks this Bank covering the Raichur district.

**Table - 1.3  
Selection of Branches of Regional Rural Banks**

Name of the Bank	Taluks	
	Highly developed/ Irrigated	Highly backward/ non- irrigated
Pragathi Gramin Bank	Sindhanur	Deodurga
	Manavi	Raichur

Source: Field Survey

In the second stage from two talukas from each group in the district two branches each with maximum number of accounts were chosen. This is indicated in table. From these 04 branches three villages from each branch for analysis was chosen on random basis for selection of final beneficiaries. Thus, we have 04 branches and 12 villages this is given in table.

**DATA ANALYSIS:**

The data collected was arranged in a tabular form. The suitable statistical techniques were used to draw the conclusions. A co-relation technique was applied to find out relationship between credit as well as input utilisation.

Further to identify the impact of credit on production benefit cost ratio before and after credit are calculated. The benefit cost ratio per acre is calculated by using the following formula.

$B = R/C$  Where

R = Average return per acre.

C = Average cost per acre

B = Average benefit cost ratio

Besides this, average percentages are used. To show the growth of banks, profit and loss incurred, and percentage share etc, bar and pie diagram are used and compound growth rates are calculated.

Data Analysis presents a report of the sample survey on rural development activities of the PGB. It also examines the impact of PGBs financial assistance schemes on rural development and repayment performance.

**1.4 . Distribution of borrowers on the basis of level education**

Sl.No.	Level of Education	Irrigated	Non irrigated	Total	SHGs
1	Illiterate	74 (52.49)	62 (57.95)	136 (54.83)	6 (24.00)
2	Primary	39 (27.66)	24 (22.42)	63 (25.41)	9 (36.00)
3	Secondary	28 (19.85)	21 (19.63)	49 (19.76)	10 (40.00)
4	Total	141 (100.0)	107 (100.0)	248 (100.0)	25 (100)

Source: Primary data

Note: Figures in brackets indicate percentage to total.

Table 5.3 refers to caste-wise distribution of the sample borrowers in irrigated are 46 borrowers belongs to forward caste i.e. 43.40 % and remaining percentage is shared by other categories of borrowers. The SC & ST borrowers share 33.02% and 19.81% respectively. OBC share is highest i.e. 43.40. The GM percentage is very less. In the non-irrigated area also same situation is seen.

In case of SHGs out of 25 borrowers, highest share of category is OBC i.e. 44.00 % SC and ST share is 24.00% and 12.00% respectively, and the share of GM is 20.00% only observed in the study area.



**Table- 1.6**  
**Distribution of borrowers on the basis of caste**

Sl.No.	Categories	Irrigated	Non irrigated	Total	SHGs
1	SC	35 (33.02)	52 (36.62)	87 (35.09)	6 (24.00)
2	ST	21 (19.81)	28 (19.71)	49 (19.75)	3 (12.00)
3	OBC	46 (43.40)	57 (40.15)	103 (41.53)	11 (44.00)
4	GM	04 (3.77)	05 (3.52)	09 (3.63)	5 (20.00)
5	Total	106 (100.0)	142 (100.0)	248 (100.0)	25 (100.00)

Source: Primary data

Note: Figures in brackets indicate percentage to total.

**Table – 1.8**  
**Distribution of borrowers on the basis of family size**

Sl.No.	Family Size	Irrigated	Non irrigated	Total	SHGs
1	1-5	63 (52.06)	41 (32.28)	104 (41.93)	8 (32.00)
2	6-10	27 (22.32)	47 (37.01)	74 (29.84)	12 (48.00)
3	11 and above	31 (25.62)	39 (30.71)	70 (28.23)	5 (20.00)
4	Total	121 (100.0)	127 (100.0)	248 (100.0)	25 (100.00)

Source: Primary data

Note: Figures in brackets indicate percentage to total.

Table 5.4 indicates family size-wise distribution of borrowers of irrigated and non- irrigated share is 41.93 the size of the family i.e., 1 – 5 members, and in SHGs the family size is 32.00% in case of 6-10 size of the family in irrigated and non- irrigated is 22.32%, where as in SHGs share is 48.00% and finally the size in irrigated and non- irrigated is 25.62 % and in SHGs share is 20.00 % of the family size 11 and above in the study area.

**Table – 1.9**  
**Distribution of borrowers on the basis of main occupation**

Sl.No.	Occupation	Irrigated	Non irrigated	Total	SHGs
1	Agriculture	116 (95.86)	117 (92.13)	233 (93.95)	8 (32.00)
2	Non- agriculture	5 (4.14)	10 (7.87)	15 (6.05)	17 (68.00)
3	Total	121 (100.0)	127 (100.0)	248 (100.0)	25 (100.00)

Source: Primary data

Note: Figures in brackets indicate percentage to total.



The borrowers also do not differ with regard to their main occupation 93.95% of the borrowers in PGB and 32.00% of the borrowers in SHGs reported agriculture as their main occupation. The percentage of non-agricultural borrowers is highest in the case of borrowers of SHGs i.e. 68.00% in non – agriculture in the study area.

Table 5.6 shows loan- wise distribution of sample borrowers both in irrigated and non – irrigated area, out of 133 borrowers in irrigated area 49 are the crop loan borrowers i.e. 36.84% 34 are bullock and bullock cart borrowers i.e. 25.56, 9 are animal husbandry borrowers. The minor irrigation borrowers share is 30.83% in case of the non-irrigated area of 115, 70 are crop loan borrowers i.e. 52.63 percent, 22 borrowers belongs to bullock cart i.e. 16.54 percent. Animal husbandry share is 5.26% and minor irrigation borrowers share 12.4%.

In case of SHGs out off 25 borrowers in petty business is 6, i.e 24.0%, 7 are tailoring borrowers i.e 28.0%, 5 are mat making i.e 20.0%, the Beedi making is 3, i.e 12.0% and other borrowers share is 4, i.e 16.0% in the study area.

Table No.1 shows that the significant association between the category of the respondents and loan borrowers from Pragathi Gramin Bank in Raichur District. The chi square value 13.831 df 6 at the 5 percent of the significant level. The chi value is more than the table value hence null hypothesis has been rejected and alternative hypothesis accepted. It reveals the significant association of category of the respondents and loan borrowers from Pragathi Gramin Bank in Raichur District

Table- 2 in the above table reveals the chi value 17.531, (df 3) at significance level of 5 percent. The table value is less than chi square value it means the null hypothesis has rejected and alternative has been accepted. It also shows that the loan borrowers and the size of land holdings PGB in Raichur District.

This chapter is devoted to bring summary of findings and suggestions. Hence, the first findings are presented and in the second, relevant and appropriate suggestions for the improvement of Rural development through Regional Rural Banks.

**FINDINGS**

Sl. No.	Type of hypotheses	Statement of hypotheses	Chi- Square Test			Result
			Chi value	df	p-value	
1	H <sub>0</sub>	There is no significant association between the category of the respondents and loan borrowers from Pragathi Gramin Bank in Raichur District	13.831	6	0.0316	Rejected
	H <sub>1</sub>	There is a significant association between the category of the respondents and loan borrowers from Pragathi Gramin Bank in Raichur District				Accepted
<b>Table No. 2 Significant Association Test</b>						
2	H <sub>0</sub>	There is no significant association between the loan borrowers and the size of land holdings PGB in Raichur District	17.531,	3	0.0005	Rejected
	H <sub>1</sub>	There is a significant association between the loan borrowers and the size of land holdings PGB in Raichur District				Accepted

**The following are the important findings of the present study.**

- + It is found that the age distribution pattern of sample borrowers indicates that the bank has concentration of the borrowers in the two groups 30-40 and 40-50 these are the age groups where the persons have gained experience in the field the spirit of enterprise is also high and desire to adopt changes is also there. Therefore, the bank has concentration of borrowers rightly in these two age groups.
- + Observed that in non-irrigated area illiterate borrowers percentage is 57.95%, irrigated area literacy rate is better in case of non-irrigated area.
- + The study find outs that the SC & ST borrowers share 33.02% and 19.81 respectively. OBC share is highest i.e. 43.40. The GM percentage is very less. In the non-irrigated area also same situation is seen.
- + Family size-wise distribution of borrowers of irrigated and non- irrigated share is 41.93, the size of the

family i.e., 1–5 members. 6-10 size of the family in irrigated and non- irrigated is 29.84%, the finally the size in irrigated and non- irrigated 11 and above are 70, i.e is 28.23%.

- + Deals with regard to main occupation 93.95% of the borrowers in PGB reported agriculture is their main occupation. In case of non – agriculture is only 15, i.e 6.05 found in the study area.
- + Loan- wise distribution of sample borrowers both in irrigated and non – irrigated area the crop loan borrowers i.e. 36.84%, bullock and bullock cart borrowers i.e. 25.56%, 6.76% are animal husbandry borrowers. The minor irrigated borrowers share is 30.83%.
- + In case of the non-irrigated area crop loan borrowers i.e. 52.63 percent, 22 borrowers belongs to bullock cart i.e. 16.54 percent. Animal husbandry share is 5.26% and minor irrigation borrowers share 12.4%.
- + The land size-wise distribution of the borrowers of marginal farmer i.e those who are less than 2.5 acres of land is 43.95%,
- + Small former i.e. those who are less than five acres is 25.40%.
- + The medium farmers constitute 20.96% of the borrowers.
- + The marginal farmers are more in non-irrigated are 52.25% there is more or less equal distribution of borrowers in irrigated are borrowers in all the categories are above 30% to the total .the percentage of marginal farmer is slightly higher.
- + Refers to average crop per acres among different categories of the borrowers from Krishna bank both in irrigated and non-irrigated area.
- + In irrigated area average loan per acres is not the same among and all four types of borrowers. It is lowest in marginal farmers i.e. Rs 8535 in small farmer i.e. Rs 10252.
- + Highest is in big farmer i.e. Rs 18326 and for medium farmer average loan was Rs 1515.
- + In case of non- irrigated area more or less same average may be observed among all the three categories of farmer's i.e. Rs11367.
- + Jawar among all types of been declining it was 14.56% in case of marginal borrowers before loan. But it has come down to 10.72% after loan same situation may also be observed in small, medium and large type of borrowers.
- + The share of Cotton which was 22.34% in case of medium borrowers before loan is replaced by in case land under for the large farmers has decreased from 19.53% to 11.36% the major change may be observed in case in case of Tur crop in all these types of borrowers.
- + In case of marginal borrowers increased is about 21.35% compared to before loan case of medium types borrowers from 26.63 % to 24.63%.
- + Large farmers from 28.37% to 19.01% the share of the sunflower both in medium and big other crops also increased is observed in the small and large farmers.
- + The percentage share of groundnut and sugar cane after loan among all types of borrowers has increased. In case of groundnut, the percentage share of marginal, small, medium and large farmers have increased after loan from 11.97 to 10.75, 9.33 to 12.22% and 14.34% to 16.60 percent respectively.

### SUGGESTIONS:

Government should encourage and support banks to take appropriate steps in rural development.

- + Efforts should be made to ensure that the non-interest cost of credit to small borrowers is kept as low as possible.
- + Policy should be made by government for opening more branches in weaker and remote areas of state.
- + Productivity can be improved by controlling the costs and increasing the income.
- + To participation cost, subsidy should be adjusted towards the end of the transaction for which loan assistance is sanctioned.
- + Government should take firm action against the defaulters and shouldn't make popular announcements like waiving of loans.
- + The RRBs have to make an important change in their decision making with regard to their investments.
- + The RRBs have to give due preference to the micro-credit scheme and encourage in the formation of self

help groups.

- + A uniform pattern of interest rate structure should be devised for the rural financial agencies.
- + The RRB must strengthen effective credit administration by way of credit appraisal, monitoring the progress of loans and their efficient recovery.
- + The credit policy of the RRB should be based on the group approach of financing rural activities.
- + The RRB may relax their procedure for lending and make them easier for village borrowers.

### CONCLUSION:

To conclude, the rapid expansion of RRB has helped in reducing substantially the regional disparities in respect of banking facilities in India. The efforts made by RRBs in branch expansion, deposit mobilization, rural development and credit deployment in weaker section of rural areas are appreciable. RRBs successfully achieve its objectives like to take banking to door steps of rural households particularly in banking deprived rural area, to avail easy and cheaper credit to weaker rural section who are dependent on private lenders, to encourage rural savings for productive activities, to generate employment in rural areas and to bring down the cost of purveying credit in rural areas.

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