Preface

Rural development plays a vital role in the overall socio-economic development of a developing economy like ours, where majority of the population lives in rural areas and based on agriculture and allied activities. Without enlistment of the vast rural population, the objective of overall economic development of the country cannot be achieved. Infact, rural masses are suffering from acute poverty, unemployment and socio-economic backwardness. Keeping this end in a view, various programmes for rural development have been conceived and implemented by the Government of India from time to time. But an appraisal of achievement of those programmes clearly reveals that they could not achieve the desired results due to several reasons. Availability of finance at appropriate time and with appropriate amount could be identified as one of the most important hindrance for desired growth rate in rural development.

Rural financing was done in yester years by the indigenous bankers and sahukars etc. with their exploitative policies. Later on, co-operative banks have emerged as an important source for rural financing. Objective for the establishment of state bank of India was also for extending banking services for the rural sector of the country. Major commercial Banks were nationalized in 1969 and 1980 to uplift the living standards of the people and to develop the areas which were deprived of the banking facilities. In 1975, Regional Rural Banks also established to provide financial assistance to the rural Poor's.

Thus, an institutional arrangement has been made for financing the rural development, in which public sector banks have occupied a dominant position. The government of India has formulated the guidelines for the credit schemes and policies for the banks to direct their credit flow to hither to neglected sectors of rural economy with the sizeable percentage. Prior to nationalization, these banks were inclined towards financing industries only in the urban areas and that too for financing trade, commerce and industries. They were
hesitant to enter in the field of rural development. But after nationalization, whole situation has undergone a radical change and now the banks are directed to finance rural development programmes. Now they are extending banking services to the rural people by opening rural branches for ensuring adequate flow of credit in the rural sector. RBI has asked these bank to lend at least 40 per cent of their gross bank credit to the priority sectors comprised of agriculture, small scale industries and small business retail traders, artisans etc.

The public sector banks with the wide network of their branches in rural areas and with sufficient fund have been engaged in financing rural development schemes to bring up the overall progress of rural economy. During seventies, when the programme of Small Farmers Development Agencies was in operation, the bulk of institutional financial requirement was made through co-operative credit societies but later on public sector banks occupied their dominant position in lending to the weaker sections of the society. Regional Rural Banks have also been engaged since its inception to finance to the credit needs of small and marginal farmers, agriculture labors, rural artisans, and other down trodden sections of the rural society.