

CHAPTER - III

NATIONALISED BANKS AND RURAL DEVELOPMENT

A. Introduction

B. Contribution of Nationalised
Banks in Rural Development.

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A. INTRODUCTION :

India is a land of villages. There are nearly 7 lakh villages in the country. Nearly 70 per cent population lives in rural area. Under the circumstances economic development of the country cannot be achieved only by concentrating on industrial development. Agricultural development should take place at the same time. Unless the rural development is made, centralisation of industry in urban areas reduced, imbalances in the economic growth in the different parts of the country cannot be removed. What needs is the encouragement to start industry, to develop trade, commerce in the rural area and to increase the agricultural production. Also village and cottage industries and secondary occupations should be encouraged. Establishment and development of all these depends, besides other factors, to a large extent on finance and here the banks can come to help in solving the problem.

B. CONTRIBUTION OF NATIONALISED BANKS IN RURAL DEVELOPMENT :

Public sector banks which share nearly 91 per cent of banking business in the country can assist the Government to a great extent in removing the imbalances in the economic growth in different parts of the country. In fact banks in India today hold a key position in the economic development of the country. They are now regarded as an important agency of the Government for accelerating the economic development. We shall now see how the nationalised banks can contribute to the rural development.

1) MOBILISATION OF SAVINGS :

In rural areas savings are small and widely scattered and for want of banking facilities they are wasted for consumption purposes. Banks, by opening their branches in rural areas, can provide their services to the local people, cultivate and develop banking habits amongst them, collect their savings and utilize them towards productive purposes. In country like India, where capital formation is low, this function occupies great significance.

2) RESOURCE UTILISATION :

Most local resources remain unutilised or under-utilised for want of finance and technical

assistance. Banks, having technical staff, can assist the possibilities of proper utilisation of such resources and help the people by providing them financial and technical assistance for their viable projects in agriculture, small business, retail trade, village and cottage industries etc.

3) EMPLOYMENT OPPORTUNITIES :

Nationalised Banks can also assist the Government in furthering its employment promotion programme aimed at removal of unemployment in the country. At present nationalised banks are implementing employment promotion programme under which financial assistance is provided to the new entrepreneurs to undertake such projects which will generate employment.

4) IMPROVED PRODUCTIVITY IN AGRICULTURE :

Nationalised banks can also assist in improving productivity in agriculture. This may be done by organising and financing Farmers' Service Societies which aim at providing integrated credit services for extensive modernisation of agriculture by fully utilising the talents, experiences, and resources available with banks.

5) VILLAGE ADOPTION :

Formulation and implementation of Village Adoption Scheme is an important strategic measure taken by the nationalised banks towards fulfilling their responsibility in rural areas. Under the Village Adoption Scheme the nationalised banks can adopt a village or a cluster of villages within a manageable distance for developmental assistance and prepare and implement schemes for meeting the credit requirements of all sections of community therein. The credit needs of all viable or potentially viable activities in agriculture as well as other sectors can be catered to, by the nationalised banks. This approach will benefit both the villagers and the banks. The villagers will derive the benefit of not only the financial assistance of the bank but also of the expertise services of technical and managerial talents available with the bank. If implemented properly and intensively, the Scheme will result into more utilisation of resources, generation of employment, increase in production and income. Economically weaker villagers will be converted into viable borrowers. Development of the villages will take place at a faster rate.

6) PARTICIPATION IN THE INTEGRATED RURAL
DEVELOPMENT PROGRAMME OF THE GOVERNMENT :

Nationalised banks can also Participate in the implementation of the Integrated Rural Development Programme introduced by the Government for improving the economic conditions of certain rural people living below poverty line in rural areas. Under the Programme, nationalised banks can provide finance to the small and marginal farmers, agricultural labourers, rural artisans etc. living below poverty line in rural areas to undertake productive endeavours in agriculture and certain other sectors like small business, retail trade. The finance is provided without taking margin money from the borrowers. For margin money the borrowers are given subsidies from the Government. Thus public sector banking can really become 'mass banking' extending a hand of co-operation even to the economically weakest man in rural areas in rising his present level of economic conditions.

7) FINANCE TO WEAKER SECTIONS :

Persons from economically weaker sections, who could not get the opportunity to avail of bank credit in the pre-nationalisation period due to their inability