

CHAPTER - IV

PERFORMANCE EVALUATION OF THE RURAL BANKING SYSTEM IN GUJARAT STATE

After examining the rural banking system in India, we now proceed to analyse the growth trend and pattern of the system in Gujarat state, and make a comparative study with other states. The following chart II gives a synoptic view of the rural banking system in Gujarat.

Chart - II
Rural Banking System in Gujarat State

(As on June '90) (Rs. Lakhs)					
Sr. No.	Agency	Number of Banks	Number of Outlets.	Deposits	Advances
1	2	3	4	5	6
1	CBs of which	38	1304	155772	94613
	(a)Public sector banks.	28	1304	155772	94613
	(b)Private sector banks.	10	-	-	-
2	RRBs	9	413	6063	5252
3	GSLDB	1	183	-	16181
4	GSCB	1	1	52483	48202
5	DCCBs	18	942	126231	100541
6	PACS	6828	6828	2347	59498

- Source : 1 Important Items of Data, Credit and Non-Credit Co-operative Societies, 1989-'90, Published by NABARD.
- 2 Banking Statistics, Quarterly Hand-out, June 1990. Published by RBI.
- 3 Agenda Notes and Background Papers Circulated by Dena Bank, Convenor, Gujarat State Level Banker's Committee Meetings, Dated 4.1.1990.

The Gujarat state was serviced by 66 banks and 8728 primary rural credit delivery outlets, as on June end 1990.

Objectives

The main concern of this chapter is to examine the growth and composition of the rural banking system in Gujarat state. The specific objectives are :

- (1) To measure the growth of the rural banking system with reference to the three parameters viz, Primary Credit delivery outlets, deposits mobilised and credit deployed in Gujarat
- (2) To measure the growth of the three parameters in various states of the country, for finding out the position of Gujarat state vis-a-vis other states.

Data Source and Methodology

Statewise time series data for measuring the growth trends of rural banking parameters viz bank outlets, deposits mobilisation and credit deployed were collected from the Banking statistics, BSR and Quarterly Hand-out, published by RBI, and the Statistical Statements Relating To The Co-operative Movement In India, Part-I, Credit Societies, Published by NABARD.

It may be noted that for the first time in 1973, REI started Publishing Banking Statistics under the BSR System, presenting data on the operations of Scheduled commercial banks in rural areas, for the June end period. The Statistical Statements Relating to the Co-operative Movement In India, for the year 1983-'84, is the last publication of NABARD. Hence, to examine the growth pattern of rural banking parameters, the study covers the given total period of 12 years from 1973 to 1984 (June end). Further, only 18 states are included in the analysis as comparable data of other states is not available as noted earlier.

Further, the data and information on Agricultural and Population parameters are taken from the Census figures published by GOI/Central Statistical Organisation and the office records of the Directorate of Economics and Statistics, Government of Gujarat at Gandhinagar.

For measuring the growth trends, the statistical techniques of compound growth rates and annual growth rates are used. The techniques of ranking, percentages and averages are used to identify the place of Gujarat State in the all-India scenerio.

Rural Banking System in Gujarat

An attempt is made here to measure the growth pattern of each of the three field level agencies viz. PACS, SLDBs, and CBs and the rural banking system as a whole, operating in Gujarat. The growth of Gujarat state is then compared with growth in other states and country as a whole.

The growth trends in the following three parameters are measured :

viz (1) Number of primary Rural Credit Delivery Outlets.

(2) Rural Deposit Mobilisation and

(3) Rural Credit deployment.

The statewise data for all the parameters is presented in appendix no. IV.1 to IV.11 for all the years of the study period and is summarised in the table no. 4.1 to 4.12.

The Primary Rural Credit Delivery Outlets

This section reviews the growth of primary rural credit delivery outlets in India and the state of Gujarat. The relevant data of number of primary rural credit delivery outlets is presented in appendix no. IV.1 to IV.3, and is summarised in the table no. 4.1 to 4.3.

The table no. 4.1 present the number of PACS in India and Gujarat state, during the 12 year study period, ending June 1984.

Table Number : 4.1

Number Of Primary Agricultural Co-operative Credit Societies
In Gujarat And All-India

(1973-1984)				
Sr. No.	Year (June end)	All-India	Gujarat	Percentage share of Gujarat in All-India
1	2	3	4	5
1	1973	154670	8322	5.38(8)
2	1974	153808	8419	5.47(8)
3	1975	152572	8711	5.71(8)
4	1976	139038	8655	6.22(8)
5	1977	123356	8407	6.81(7)
6	1978	116125	7896	6.80(7)
7	1979	95782	7756	8.10(3)
8	1980	94592	7684	8.12(3)
9	1981	94484	7650	8.10(3)
10	1982	93889	7473	7.96(4)
11	1983	92714	6954	7.50(5)
12	1984	92695	6875	7.42(5)
13	Decline rate (Compound)	-4.55	-1.72	(6)

Source : Appendix no. : IV.1

N.B. : Figures in bracket is rank of Gujarat State in all-India.

As a result of the policy of consolidation of PACS as noted earlier, the number of societies declined both in the Gujarat

State as well as country as a whole. The table no. 4.1. Shows that, over the study period the number of societies declined from 154670 to 92695 at the all-India level, and from 8322 to 6875 in Gujarat state. However, the decline in Gujarat state was relatively much lower than the country as a whole as indicated by compound growth rates.

The share of PACS in Gujarat state to all-India increased from 5.4 to 7.4 per cent, over the study period and touched the peak in 1980 (8.12 per cent).

The rank of Gujarat among the states ascended from 8 to 3 between 1973 and 1979 where it stabilised for 3 years and again declined to 5 in the last two years.

The SLDBs outlets are mainly located at the Block/Taluka head-quarters. In Gujarat, the GSLDB branches are located in all the 184 talukas except one (Dangs) which is a predominantly forest area. Hence, as on June 1984, there were 183 branches of GSLDB.

At the all-India level share of GSLDB outlets was 7 per cent and the state occupied 7th place, as on June end 1984 (appendix no. IV.2).

Commercial banks opened rural offices from 1969 onwards. Table no. 4.2 presents the growth of rural commercial bank branches in India and the state of Gujarat, during the 17 year period, ending June 1989.

Table Number : 4.2
Number Of Rural Commercial Bank Branches In Gujarat And
All-India (1973-1989)

Sr. No.	Year (June end)	All-India	Gujarat	Percentage share of Gujarat in all-India
1	2	3	4	5
1	1973	5491	548	9.98(3)
2	1974	6069	578	9.52(3)
3	1975	6616	606	9.16(3)
4	1976	7414	652	8.79(3)
5	1977	9122	703	7.71(3)
6	1978	11553	858	7.43(4)
7	1979	13081	909	6.95(4)
8	1980	14817	972	6.56(8)
9	1981	17306	1029	5.95(8)
10	1982	20079	1082	5.39(8)
11	1983	21981	1177	5.35(8)
12	1984	24577	1303	5.30(9)
13	1985	28595	1452	5.08(10)
14	1986	29733	1511	5.08(10)
15	1987	30144	1512	5.02(10)
16	1988	30798	1519	4.93(10)
17	1989	32499	1602	4.93(10)
18	Growth rate (Compound)	11.75	6.93	(17)

Source : Appendix no. IV.3

N.B. : Figures in bracket is rank of Gujarat State in all-India.

The above table no. 4.2 shows that the growth of rural branches of CBs was much higher in the country as a whole compare to that in Gujarat, as indicated by compound growth rates.

The percentage share of rural branches in Gujarat to all-India halved over the study period. Similarly, the rank of Gujarat among the states continuously declined from 3 to 10, over the period.

The above analysis shows that expansion of rural commercial bank outlets was much slower in Gujarat compared to all-India level. One of the factors responsible for this position is a relatively better coverage of Co-operative and Commercial banks in the state, in the beginning of period.

The RRBs outlets are included in the commercial bank outlets due to data limitations. Further, it may be noted that their proportion is comparatively very small in Gujarat state.

As we are interested in the rural banking system as a whole, the outlets of all the above agencies operating in the state are aggregated. Table no. 4.3 presents the

growth trends in the primary rural credit delivery outlets of the rural banking system in Gujarat and for the country as a whole.

Table Number : 4.3

Number of Primary Rural Credit Delivery Outlets In Gujarat
And All-India. (1973 to 1984)

Sr. No.	Year (June end)	All-India	Gujarat	Percentage share of Gujarat in all-India.
1	2	3	4	5
1	1973	161649	9075	5.61(9)
2	1974	161601	9202	5.69(9)
3	1975	161074	9521	5.91(8)
4	1976	148408	9511	6.41(8)
5	1977	134762	9314	6.91(7)
6	1978	130003	8957	6.89(6)
7	1979	111244	8869	7.97(3)
8	1980	111712	8843	7.92(3)
9	1981	114082	8866	7.77(3)
10	1982	116365	8741	7.51(4)
11	1983	117188	8327	7.11(6)
12	1984	119849	8365	6.98(6)
13	Growth rate (Compound)	-2.68	-0.74	(8)

Source : Appendix no. IV.1 to IV.3

N.B. : Figures in bracket is rank of Gujarat state in all-India.

Various structural reforms were introduced to make rural banking system a viable and strong enough to

play an effective role in the economic development of the country side. With the result, the overall number of operational outlets at the grass root level declined, both in the state as well as country as a whole. However, the decline was smaller in Gujarat state, because of the relatively stronger base. The decline in outlets in Gujarat was slower compared to the country as a whole, as indicated by compound growth rates.

The percentage share of number of outlets in Gujarat to all-India increased from 5.61 to 7.97 per cent per annum between 1973-'79, and thereafter, declined continuously to the low of 6.98 per cent as on June end 1984. Annually the place of Gujarat in all-India improved from 9 to 3 between 1973-'81 and declined to 6th rank at the close of the study period, June end 1984.

For more meaningful analysis of the population coverage by the primary rural credit delivery outlets, we have worked out the population per outlet. The relevant data is presented in the table no. 4.4.

Table Number : 4.4

Coverage of Rural Population Per Outlet in Gujarat And

	<u>All-India</u> (As on 1973 and 1984)	
	Rural Population Covered	
	1972-'73	1983-'84
Gujarat state	2116 (14)	2807 (16)
All-India	2716	4384

Source : Appendix no. IV.4

N.B. : Figures in bracket is rank of Gujarat State in all-India.

The table no. 4.4 indicates that during the period under references, Gujarat State was better served than the country as a whole, in terms of the per outlet rural population coverage. Especially in 1983-'84 the coverage was much better in Gujarat, compare to most of the other states as well as the all-India average. Considering the population per outlet the average shows increase at both the levels due to the reduction in the number of outlets as mentioned above.

Rural Deposit Mobilisation

Deposit mobilisation is one of the twin functions of the banking institutions. The extent of tapping of savings from rural people in the form of deposits is one of the measure to determine the efficacy of rural

banking system as a change agent. In the rural banking system, at the branch/society level the deposit mobilisation from the public at large is undertaken only by CBs, RRBs and PACS. Deposits with the SLDBs are in the form of transitory funds from state governments and the share capital of members, hence, are excluded from the analysis.

The growth of deposits is examined both at the all-India and Gujarat State level for the rural banking system as a whole and its constituents, separately. Further, the growth in rural deposit mobilisation is related to the per primary rural credit delivery outlet, per capita and the agricultural income, for the more meaningful analysis. The relevant data for deposit mobilisation is presented in the appendix no. IV.5 and IV.6 is summarised in the table no. 4.5 to 4.8 .

The table no. 45 presents the growth of rural deposits in Gujarat state and in India, during the study period, both at the agency level and the rural banking system as a whole. The table reveals that PACS in Gujarat have very little to show by way of deposit mobilisation. The average growth rate of deposit mobilisation in Gujarat during the 12 year study period ending June 1984, was less than 8 per cent as compare to more than 16 per cent at the all-India level. Gujarat ranked

Sr.No. Year
(June-end)

GUJARAT

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		PACS		CB		Rural Deposits	
		Amount	Percent of Col. 3 to Col. 9	Amount	Percent of Col. 5 to col. 10	Amount	Percent (Total) of Col. 7 to Col. 11
1	2	3	4	5	6	7	8
1.	1973	706	8.37 (3)	8705	13.31 (2)	9411	12.75 (2)
2.	1974	730	8.18 (3)	11027	13.19 (2)	11757	12.71 (2)
3.	1975	807	7.99 (3)	13550	13.17 (2)	14357	12.70 (2)
4.	1976	823	7.21 (4)	16694	12.60 (2)	17517	12.17 (3)
5.	1977	903	6.34 (5)	19765	11.55 (3)	20668	11.15 (3)
6.	1978	914	5.53 (6)	24359	10.52 (3)	25273	10.19 (3)
7.	1979	1078	4.98 (6)	29691	9.72 (3)	30769	9.41 (3)
8.	1980	1156	4.63 (7)	35651	8.99 (3)	36807	8.73 (3)
9.	1981	1335	4.59 (7)	44497	8.46 (3)	45832	8.26 (3)
10.	1982	1360	4.30 (7)	51556	8.17 (3)	52916	7.98 (3)
11.	1983	1592	4.32 (7)	60376	7.87 (3)	61968	7.71 (3)

14 among the states, considering the growth rates. Further, the share of PACS in Gujarat state to all-India, declined continuously from 8 per cent in 1972-'73 to a low of around 4 per cent in 1983-'84 and its rank among the states declined from 3 to 8 over the study period.

Commercial banks with their entry in rural banking system started mobilising deposits by expanding branch net work in rural and semi-urban areas, establishing specialised branches, adoption of villages for intensive coverage and developing various deposit mobilisation schemes to mopup the savings of different segments in rural areas. The result of this solid penetration in rural areas have annually increased substantially the deposits with rural branches of commercial banks. The deposits mobilised by RRBs are included in commercial banks, for the reason mentioned earlier. The data relates to the period 1973-'89. The table no. 4.5 shows that the deposits with rural branches of CBs in Gujarat increased at an annual growth rate of 19 per cent as compared to nearly 25 per cent at all-India. The rank of Gujarat was 17 among the states, considering the growth rates. Further, the percentage share of Gujarat in all-India declined continuously from 13 in 1972-'73 to 6 in 1988-'89. Similarly, the rank of Gujarat among the states declined from 2 to 6 over the period.

To sum up, the growth in rural deposit mobilisation by CBs in Gujarat was much lower as compared with all-India level, during the 17 year period ending June 1989. On the other hand, the comparative performance of PACS in deposit mobilisation was much poorer compare to CBs in Gujarat during the period 1972-'84. The share of PACS and CBs in total deposits at the end of June 1984, in Gujarat were 2 and 98 respectively. The corresponding percentage at the all-India level were 5 and 95 respectively.

The focus of our analysis is to measure the growth in total deposit mobilisation by the rural banking system as a whole in Gujarat as compared with other states and at all-India level. The relevant data is presented in table no. 4.5. The average annual growth rate in deposit mobilisation by rural banking system in Gujarat was 21 per cent as compare to 26 per cent at the all-India level, during the period 1972-'84. Gujarat ranked last among the 18 states having comparable data, considering the annual growth rate. The percentage share of Gujarat in all-India declined continuously from 13 to low of 8 per cent over the same period. Further, the rank of Gujarat among the states declined from 2 in 1972-'73 to 4 at the close of the study period.

Thus, at the agency level as well as rural banking system as a whole, the growth in rural deposit mobilisation in Gujarat were lower compare to the all-India level.

For the more meaningful analysis of the growth in rural deposit mobilisation we have worked out deposits per society/branch, and per capita deposits. Further, the ratio of deposits to agricultural income is worked out with a view to present the efforts of deposit mobilisation in a proper perspective. The relevant data are presented in table no. 4.6, 4.7 and 4.8 for the period 1973-'84. In case of CBs the data relates to the period 1973 to '89.

Table Number : 4.6

Per-Outlet Rural Deposit Mobilisation In Gujarat And All-India
(Rs. Thousand)
(1973-'89)

Sr. No.	Year (June end)	Gujarat		All-India	
		PACS	CBs	PACS	CBs
1	1973	8.48(5)	1588.50(5)	5.45	1190.75
2	1974	8.67(5)	1907.79(4)	5.80	1377.25
3	1975	9.26(5)	2235.97(4)	6.62	1555.41
4	1976	9.51(5)	2560.43(3)	8.21	1787.44
5	1977	10.74(7)	2811.52(2)	11.54	1876.20
6	1978	11.58(7)	2839.04(3)	14.22	2004.77
7	1979	13.90(8)	3266.34(3)	22.59	2334.00
8	1980	15.04(7)	3667.80(3)	26.38	2676.90
9	1981	17.45(8)	4324.30(3)	30.75	3039.92
10	1982	18.20(8)	4764.88(3)	33.70	3144.36
11	1983	22.89(7)	5129.65(3)	39.75	3490.28
12	1984	23.68(7)	5521.57(3)	47.75	3760.90
13	1985	-	5316.74(3)	-	3641.01
14	1986	-	5789.74(4)	-	4307.94
15	1987	-	6782.94(4)	-	5149.16
16	1988	-	7621.46(4)	-	5994.38
17	1989	-	8556.87(4)	-	6764.65

Source : Based on appendix no. :IV.1,IV.3,IV.5 and IV.6.

N. B. : Figures in bracket is rank of Gujarat in all-India.

The table no. 4.6 indicates that per society deposit mobilisation in Gujarat was above the national average only in the first four years of the study period. Then-after the all-India deposits were higher than the state average with the difference steadily increasing over the period.

The average deposits per rural branch of commercial bank in Gujarat in all the 17 years of the study period was higher than the all-India averages. The differences increases as one moves over the period. Further, the rank of state in all-India marginally improved over the period.

To sum up, the deposit mobilised per outlet by commercial banks were much higher than those of PACS in all the years and both for Gujarat as well as at the all-India level.

The table no. 4.7 presents the per capita rural deposit mobilisation by rural banking system in Gujarat and at the all-India level, during the first and last year of the study period.

Table Number : 4.7Per Capita Rural Deposit Mobilisation In Gujarat And All-India

	(As on June end '73 and '89) (In Rs.)	
	1972-'73	1983-'84
Gujarat State	49.01(3)	313.29(4)
All-India	16.81	184.33

Source : Appendix no. IV.7

N.B. : Figures in bracket is rank of Gujarat in all-India.

It is clear from the table no.4.7 that during the period under reference, the per capita rural deposits in Gujarat was much more than at the all-India level. Further, there was a phenomenal increase over the period in case of both the states as well as all-India figures, which could be largely explained by the efforts of commercial banking system in mobilisation of rural deposits. In spite of this, the rank of Gujarat among the states declined from 3 to 4 during the reference period, primarily due to the co-operatives which were the strength of Gujarat rural banking system earlier, turning into its weakness.

Agriculture is the largest and most important source of income to the rural people. Therefore, an important indicator of the development of banking habits among the rural people is the ratio of deposit mobilisation by the rural banking system to agricultural income. The ratio

also measure the efficiency and effectiveness of rural banking system in tapping the savings from the rural masses. The table no. 4.8 presents the ratio of rural deposits to agricultural income (at the current prices) in Gujarat and for the country as a whole, for the 12 years period ending June 1984.

Table Number : 4.8

Ratio of Rural Deposits to Agricultural Income In Gujarat
and All- India

		(Rs. in Crores) (1973-'84)					
Sr. No.	Year (June end)	Gujarat			All-India		
		Rural Deposit (Total)	Agricul- tural income (at curr- ent price)	Per cent of Col.3 to Col. 4.	Rural Deposit (Total)	Agricul- tural income (at curr- ent price)	per- cent of Col.6 to Col. 7.
1	2	3	4	5	6	7	8
1	1973	94	775	12.13 (2)	738	19750	3.74
2	1974	118	1473	8.01 (3)	925	26579	3.48
3	1975	144	1014	14.20 (2)	1130	28936	3.91
4	1976	175	1518	11.53 (3)	1439	27922	5.15
5	1977	207	1771	11.69 (4)	1854	29006	6.39
6	1978	253	1886	13.41 (4)	2481	32617	7.61
7	1979	308	1897	16.24 (4)	3270	33527	9.75
8	1980	368	2178	16.90 (4)	4216	34623	12.18
9	1981	458	2490	18.40 (6)	5551	42880	12.95
10	1982	529	3300	16.03 (7)	6630	49419	13.42
11	1983	620	3068	20.21 (7)	8041	52251	15.38
12	1984	736	3767	19.54 (7)	9686	62993	15.38

Source : 1 Column number 3 and 6 are reproduced from table no.4.5.

2 Agricultural income at current prices: For all-India : National Accounts Statistics, Central statistical Organisation, GCI, Feb.1980, and Jan.1986 Pub. and Estimates of state Domestic Product, Nov.85 and Nov. 1986 publications. For Gujarat state : Office Record of the Directorate of Economics and Statistics, Government of Gujarat, Gandhinagar.

N.B. : Figures in bracket is rank of the Gujarat in all-India.

The table no. 4.8 shows that the deposit mobilisation by rural banking system as percentage to the agricultural income at current prices in all the years of the study period, in Gujarat state was higher as compared with the country as a whole. In the last year of the study period the ratio in Gujarat state was 20 compared to 15 at the all-India level.

The above data analysis indicates that the greater success is achieved in Gujarat compare to the country as a whole in mobilising deposits from rural areas, in the context of the rising rate of savings as well as income. In spite of this the rank of Gujarat among the states declined from 2 to 7 over the study period mainly because of the poor performance of co-operatives.

Rural Credit Deployment

With the entry of CBs in rural financing the access to bank finance was made easier. Further, under the LBS, banks were instructed to provide a specific portion of credit to the identified sectors, Investments and class of people in the country side. Similarly, the establishment of new institution viz RRBs in 1975 for financing the 'Small Man' in rural areas and NABARD in

1982 for providing refinance for all types of rural credit to the member banks engaged in rural financing, gave fillup in increasing the credit flow for agriculture and other allied activities in rural areas.

In this section, the growth in rural credit (out standing) is examined both at the all-India and Gujarat state for the rural banking system as a whole and its constituents, separately. Further, for the more meaningful analysis the growth in credit deployment is related to the per primary rural credit delivery outlet and per hectare of gross cropped area. The relevant data is presented in appendix no. IV.8 to IV.10. The data for co-operatives relates to the 12 year period ending June'84. In case of CBs, the data relates to 17 years period ending June'89.

The table no. 4.9 presents the growth in rural credit deployment in Gujarat state and all-India during the study period, both at the agency level and rural banking system as a whole. The table reveals that credit provided by PACS in Gujarat during the study period ending June 1984, increased at an average annual growth rate of 7 per cent as compare to 13 per cent at the all-India level. The rank of Gujarat was 17 among the states, considering the growth rates. Further, the percentage share of Gujarat in

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Table Number: 4-9
Rural Credit Outstanding In Gujarat And All-India

Sr. No.	Year (June-end)	GUJARAT						
		PACS		GSLDB		Co-operatives		
		Amount	Percent of Col. 3 to Col. 13	Amount	Percent of Col. 5 to Col. 14	Amount	Percent of Col. 7 to Col. 15	Amount
1	2	3	4	5	6	7	8	9
1.	1973	14081	14.39 (2)	11270	8.70 (7)	25351	11.14 (3)	2188
2.	1974	15431	14.62 (2)	10958	7.91 (7)	26389	10.81 (3)	3353
3.	1975	19796	16.82 (2)	11413	7.55 (7)	31209	11.61 (3)	3352
4.	1976	21042	16.09 (2)	10528	6.40 (8)	31570	10.69 (3)	4373
5.	1977	20564	12.86 (2)	9546	5.08 (9)	30110	8.66 (6)	5448
6.	1978	21801	12.12 (2)	8534	4.18 (9)	30335	7.90 (6)	7463
7.	1979	24062	11.74 (2)	6982	3.19 (12)	31044	7.33 (7)	10113
8.	1980	26684	11.24 (3)	6504	2.68 (14)	33188	6.91 (7)	12942
9.	1981	26923	10.27 (3)	6067	2.26 (14)	32990	6.22 (9)	21200
10.	1982	28587	9.64 (3)	7419	2.52 (14)	36006	6.09 (11)	22794
11.	1983	29620	9.16 (3)	7920	2.43 (14)	37540	5.78 (11)	25606

all-India show a rise from 14 to 17 per cent in the first three years of the study period. Then after, the share of Gujarat in all-India declined continuously reaching a low of 8 per cent in the last year. The rank of Gujarat among the states declined from 2 to 4 over the period.

The credit provided by SLDB in Gujarat has shown a declining trend at an average annual rate of 4 per cent as compare to an average annual growth rate of 10 per cent at the all-India level. It may be noted that only in Gujarat among all the states, a declining trend was observed in the credit deployed. Further, the percentage share of Gujarat in all-India declined continuously from 9 per cent to a low of 2 per cent over the study period. Similarly, the rank of Gujarat among the states declined from 7 in 1972-'73 to 14 in 1979-'80, and was stagnant in the last 4 years of the study period.

After the nationalisation of CBs in 1969, the RBI and GOI evolved specific development programmes and policies so as to ensure that the flow of credit to rural areas and neglected sectors increases considerably. CEs were asked to provide a stipulated percentage of their aggregate advances in these rural development programmes of state. The result of this target lending for identified

sector, comprising agriculture and allied activities, small scale and cottage industries, small traders, weaker sections of society etc, have annually increased substantially the credit provided by CBs in rural areas. The table no. 4.9 presents the rural credit provided by CBs in Gujarat and all-India, during the 17 year period ending June 1989. As indicated by the table, that during the study period the rural credit provided by CBs in Gujarat increased at an average annual growth rate of nearly 26 per cent as compare to 27 per cent at the all-India level. The rank of Gujarat was 15 among the states, considering the growth rates. The reason for lower growth rate as compare to other states could be attributed to the late start of RRBs in Gujarat state. Further the share of CBs in Gujarat state to all-India declined from 7 per cent in 1972-'73 to 6 per cent in 1988-'89. It touched the peak in 1974 (8 per cent) and a low in 1984 (5 per cent). Similarly, the rank of Gujarat among the states was at best in 1974 (6th rank) and a low in 1984 (10th rank).

The main objective of our analysis is to measure the growth in rural credit outstanding provided by the rural banking system as a whole, in Gujarat as compared with other states and at the all-India level. The relevant data is presented in the table no. 4.9. It reveals that the

rural credit deployment over the study period in Gujarat increased at an annual compound growth rate of 8 per cent compared to 17 per cent at the all-India level. Gujarat ranked last among the 18 states having comparative data, considering the annual growth rates. Further, the percentage share of Gujarat in all-India declined continuously from 11 to a low of 5 per cent at the end of the study period. Correspondingly, the rank of Gujarat among the states declined from 4 to 11 per cent.

In sum, the above analysis reveals that the growth of rural credit in Gujarat during the study was much slower compare to the all-India position, both for the system as a whole as well as individual lending agencies. In particular, the progress of GSLDB credit was highly dissatisfactory and hence, the bank was brought under the rehabilitation programme of NABARD in the early eighties.

Having analysed the growth pattern of rural credit, deployment, we now examine in this section, the annual share of each agency in total rural banking system in Gujarat as well as at the all-India level, during the 12 year period ending June 1984. This indepth probe is undertaken with a view to throw some light on the causes of lower growth rates in Gujarat as compare to all-India. The Table no. 4.10 presents the agency wise distribution of rural

credit in rural banking system in Gujarat and at the all-India level, during the study period.

Table Number : 4.10

Agencywise Distribution of Rural Credit Outstanding in
Gujarat and All-India

Sr. No.	Year (June end)	Gujarat				All-India			
		PACS	SLDB	Co-oper- atives (Total)	CBS	PACS	SLDB	Co-oper- atives (Total)	CBS
		3	4	5	6	7	8	9	10
1	1973	51	41	92	8	38	50	88	12
2	1974	52	37	89	11	37	48	85	15
3	1975	57	33	90	10	36	47	83	17
4	1976	58	29	88	12	36	45	81	19
5	1977	58	27	85	15	37	43	80	20
6	1978	58	22	80	20	36	40	76	24
7	1979	58	17	75	25	35	37	72	28
8	1980	58	14	72	28	34	35	69	31
9	1981	50	11	61	39	31	32	63	37
10	1982	49	12	61	39	31	30	61	39
11	1983	47	12	59	41	29	30	59	41
12	1984	43	11	54	46	26	26	52	48

Source : Based on table no. :4.9.

The table no. 4.10 reveals the declining share of co-operatives and the rising share of CBs in total rural credit, in Gujarat as well as at the all-India level over the study period. The main reason for this was steep decline in case of SLDB credit in both the cases. The share of Co-operative agencies and particularly of PACS in total rural credit in Gujarat was substantially higher than at the all-India level. On the other hand, the share of CBs in total rural credit in all-India was marginally higher than that in Gujarat state. The agency-wise share of credit were for more inequities in Gujarat compare to the position at all-India level, in 1984.

To sum up, the above data reveals that in the multi agency system of rural lending, CBs over the study period have emerged as the most important agency, mainly due to the weakening of co-operatives and more particularly SLDBs. The reason for the poor performance of SLDBs is largely due to the rising overdues resulting in restricted eligibility for lending in terms of NABARD discipline¹.

For the more meaningful analysis of the growth in rural credit outstanding, we have worked out credit per primary delivery outlet and per hectre of gross cropped area. The relevant data is presented in the table no. 4.11 and 4.12.

Table Number : 4.11

Per-Outlet Rural Credit Outstanding In Gujarat And All-India

Sr. No.	Year (June end)	Gujarat			All-India		
		PACS	SLDB	CBs	PACS	SLDB	CBs
1	2	3	4	5	6	7	8
1	1973	1.69(2)	54.98(11)	3.99(9)	0.63	87.09	5.61
2	1974	1.83(2)	53.45(11)	5.80(9)	0.69	80.36	7.04
3	1975	2.27(2)	55.95(10)	5.53(11)	0.77	80.10	8.09
4	1976	2.43(2)	51.61(11)	6.71(10)	0.94	84.12	9.22
5	1977	2.45(4)	46.79(14)	7.75(10)	1.30	82.20	9.81
6	1978	2.76(4)	42.04(14)	8.70(10)	1.55	87.74	10.53
7	1979	3.10(4)	34.13(14)	11.13(10)	2.14	91.91	12.69
8	1980	3.47(4)	34.78(15)	13.31(9)	2.51	105.33	14.60
9	1981	3.52(6)	32.44(15)	20.60(6)	2.77	117.05	17.81
10	1982	3.83(9)	39.89(15)	21.07(6)	3.16	122.84	18.67
11	1983	4.26(7)	42.58(15)	21.76(9)	3.49	130.79	20.71
12	1984	4.40(10)	40.05(15)	25.05(10)	3.99	139.64	27.43
13	1985	-	-	27.65(9)	-	-	25.45
14	1986	-	-	30.39(9)	-	-	28.26
15	1987	-	-	34.06(9)	-	-	32.33
16	1988	-	-	44.18(7)	-	-	37.64
17	1989	-	-	51.93(8)	-	-	43.49

Source: Based on appendix no. IV.1 to IV.3 and IV.8 to IV.10

N.B. : Figures in bracket is rank of Gujarat in all-India.

Considering the PACS credit per society, the table no. 4.11 indicates rising trends of credit both in Gujarat as well as all-India, over the study period. Further, the amount was higher in Gujarat than in the country as a whole in all the years. Yet, the rank of Gujarat among all the states declined from 2 in 1972-'73 to 10 at the close of the study period. Considering the SLDBs, the credit per outlet in Gujarat was much lower than the national averages, with the differences steadily increasing over the period. Consequently, the rank of Gujarat among the states declined from 11 to 15 over the study period. Incase of CBs, the credit deployment per rural branch in Gujarat was lower than the national averages between 1973 and 1980, then after the position was reversed. Further, the rank of Gujarat among states marginally improved over the period.

To sum up, the above analysis reveals that CBs have emerged as the most important agency purveying rural credit both in Gujarat as well as in all-India level. Further, PACS had better performance in Gujarat than at the all-India level. Considering the position by the end of 1984, the performance of PACS was marginally better in Gujarat compare to the country as a whole. On the other hand, the SLDBs performance was better by more than 3 times at the national level, compare to Gujarat.

Whereas in case of CBs the national average was marginally above the state average. However, during 1985-'89 period the position was reversed, and Gujarat took the lead over the all-India position in all the 5 years.

A production oriented system of bank lending implies credit widening and also credit deepening. In the absence of the data for number of accounts financed by rural banking system, an attempt is made here to relate the amount of credit to the gross cropped area. Table no. 4.12 presents the per hectre of rural credit at the end of 1972-'73 and 1982-'83 for which period the relevant data were available.

Table Number : 4.12
Per Hectre Of Rural Credit Outstanding In Gujarat And All-India

	(Amount in Rs.)		
	1972-'73	1982-'83	Percentage growth during the period
Gujarat state	286.03 (4)	619.75 (9)	216.67
All-India	159.59	639.84	401.00

Source : Appendix no. IV.11

N.B. : Figures in bracket is rank of Gujarat in all-India

It is clear from the table no. 4.12 that the per hectre of rural credit deployment was almost double in case for the country as a whole compare to Gujarat. Consequently, the rank of Gujarat among the states declined from 4 to 9 between the reference years which could be mainly attributed to the extremely poor performance of co-operative sector in Gujarat.

Conclusion

The primary rural credit delivery system in the country has four constituents viz. CBs, RRBs, PACS and SLDBs. However, in Gujarat the RRBs were introduced only in December 1978 and experienced limited growth during the study period. Hence, we have clubbed RRBs data with that of CBs for the purpose of our analysis. The growth of the rural banking system is analysed by using three indicators viz Primary credit delivery outlets, deposits mobilised and credit deployed. The analysis brings out the changes in the structure and functioning of the multi agency system in Gujarat. The compound growth rates over the 12 year study period ending June 1984, revealed that out of the three agencies, only CBs reported progress in the number of outlets (7 per cent per annum). The position of GSLDB was stagnant, where as PACS registered decline (-2 per cent per annum). For the system as a whole, the number of operational outlets at the grass root level declined (-0.74 per cent per annum). In case of deposits, CBs

reported an attractive growth rate of more than 21 per cent per annum, whereas PACS had a relatively very low growth rate of nearly 8 per cent per annum. For the system as a whole the growth in deposit mobilisation was around 21 per cent per annum. Similarly, considering the credit deployment the growth rate in case of CBs was phenomenally high (28 per cent per annum) as compared to the very slow growth in case of PACS (7 per cent per annum). GSLDB recorded a negative growth rate of nearly 4 per cent per annum. The overall system had a growth rate of little over 8 per cent per annum.

The comparative analysis of the growth rates of the rural banking system in Gujarat with the all-India position, we found that the growth of outlets was negative for both the country as a whole as well as Gujarat state. However, the decline in outlets in Gujarat was relatively much lower (-0.74 per cent per annum) compared to the country as a whole (-2.68 per cent per annum) and the rank of Gujarat among the states was 8th. In case of the operational parameters of deposits mobilisation and credit deployment, the progress in Gujarat was much slower compare to the country as a whole and it ranked last among the 18 states.

Considering the share of Gujarat in the all-India total as on June 1984, commercial bank branches accounted

for less than 5 per cent and occupied 10th position among the states. The PACS and GSLDB share was 7 per cent each and ranked 5th and 7th among the states. At the system level, the share of Gujarat state in all-India outlets was 7 per cent, giving 6th position to the state at the national level. In case of deposit mobilisation, the CBs accounted for around 8 per cent share with 4th rank among the states, whereas the share of PACS was only 4 per cent in national total and occupied 8th rank. For the system as a whole, Gujarat accounted for less than 8 per cent of the national total and held 4th rank among the states. In case of credit deployment, CBs share was around 5 per cent and occupied 10th rank, and PACS had little over 8 per cent with 4th position among the state. The performance of GSLDB was the poorest, with just 2 per cent of share in the all-India total. The overall system share of Gujarat in the all-India credit provided was 5 per cent and held 11th rank among the states.

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