

**THE IMPACT OF BANKING AND FINANCIAL  
SECTOR REFORMS ON RURAL CREDIT-  
A STUDY WITH SPECIAL FOCUS ON KERALA**

**Thesis submitted to**

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**For the Award of the Degree of Doctor of Philosophy in Commerce**

**By**

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**September 2006**

## DECLARATION

I, Mohanan M. K., do hereby, declare that the thesis **“The Impact of Banking and Financial Sector Reforms on Rural Credit- A Study with Special Focus on Kerala”** submitted to **The Mahatma Gandhi University, Kottayam, Kerala**, for the award of the Degree of **Doctor of Philosophy in Commerce** is the record of original and independent research work done by me during 2001-2006 under the supervision and guidance of Dr. James Mathew M.Com., Ph.D., Postgraduate Department of Commerce and Research Centre, Nirmala College, Muvattupuzha, Kerala and it has not previously formed the basis for the award of any degree/diploma/associateship/fellowship or other similar title to any candidate of any university.

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## CERTIFICATE

Certified that this thesis entitled “**The Impact of Banking and Financial Sector Reforms on Rural Credit- A Study with Special Focus on Kerala**” is a record of original research work done by **Mr. Mohanan M.K. M.Com., M.Phil** in the Postgraduate Department of Commerce and Research Centre, Nirmala College, Muvattupuzha, as part-time research scholar during 2001-2006 under my guidance and supervision for the award of the Degree of Doctor of Philosophy in Commerce. I further certify that this research work has not previously formed the basis for the award of any other Degree or Diploma or Associateship or Fellowship or other similar title to any candidate of this or any other University.

He is permitted to submit the thesis to the University.

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PRINCIPAL

## Preface

The concept of rural development continues to be an enigma for social scientists and policy makers. An uninterrupted credit supply is the catalytic force behind a healthy economy. So, for a sustained rural development, the presence of a sound rural credit delivery system is very crucial. The scheduled commercial banks (SCBs) have a pivotal role in this. The bank nationalization in 1969 and 1980 replaced class banking by mass banking. The post nationalization period witnessed a phenomenal growth in branch expansion, deposits and credits of SCBs. Till 1991, the concept of social banking was very popular and directed lending was made to materialize social goals and banking operations were in a controlled environment. But the banking sector reforms (BSRs) ushered in the country changed the banking scenario and banks started to provide increased weightage to profit and wealth maximisation. The policy of priority sector advance was diluted.

In spite of directions from the RBI, many banks insist on collaterals as additional security from poor people. As many of them are assetless, they cannot provide such collaterals and fail to get credit from banks. At the same time, it is true that the dilution of directed credit policy helped banks to improve their profitability and financial stability. But, in a developing economy like India, social obligation is very important for banks. This is because no system of planning is fruitful unless adequate importance is given to rural sector and rural credit delivery system. An integrated rural development system is the need of the day. The BSRs are expected to provide adequate support for sustainable development in the rural sector. How far these BSR measures contributed to rural development is a matter of serious discussion for policy makers, at present. So the impact of BSRs on the performance of SCBs in rural credit is analysed here. The findings of the study may help policy makers and rural credit institutions in taking various measures for correcting the adverse effects of BSRs and also for revitalizing rural credit, which is so essential for the development of the country.

Mohanan M.K.

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