

BANKING IN RURAL AREAS OF GUJARAT

A PROJECT REPORT

Submitted by

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in partial fulfillment for the award of the degree

of

**MASTER OF BUSINESS ADMINISTRATION
(INTERNATIONAL AGRIBUSINESS)**

**UNDER THE GUIDANCE
OF**

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JULY 2010

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CERTIFICATE

This is to certify that the project entitled **“Banking in Rural Areas of Gujarat”** of M.B.A (International Agribusiness) embodies bonafide research work carried out by **Mr. Bhargav Bhatt** under my guidance and supervision and that no part of this project work has been submitted for any other degree. The assistance, guidance and help received during the course of investigation have been fully acknowledged.

Place: IABMI, Anand

Date: 29/07/2010

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CERTIFICATE

This is to certify that the project entitled **“Banking in Rural Areas of Gujarat – Panoli (West)”** submitted by **Bhargav Bhatt** to the Anand Agricultural University, Anand in partial fulfillment of the requirement for the degree of M.B.A. (International Agribusiness) after presentation and defended by the candidate before the following members of the Advisory Committee. The performance of the candidate in this project has been found satisfactory; we therefore, recommend that the project report may be approved.

(Dr. G.B. Valand)

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DECLARATION

I hereby declare that the project entitled **“Banking in Rural Areas of Gujarat”** submitted for the M.B.A (International Agribusiness) degree is my original work and this has not formed the basis for the award of any degree, associate ship or other similar titles.

Place : IABMI, Anand

(Bhargav Bhatt)

Date : 29/ 07/ 2010

Reg. No. 04-0876-2008

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Abstract

Adequate, timely and hassle free institutional credit is *sine qua none* for the development of any sector. Growing income, education and changing pattern of life style in rural areas which is in line of urban pattern has arrested attention of many national and transnational agencies. As a result, these agencies are now envisaging a big market for their products, including credit, in the rural India. HDFC bank is also exploring business prospect in the rural areas. The bank has its immense financial contribution to Indian urban areas, but has not yet recognized the rural potential. In view of this, the HDFC bank assigned the project entitled “Rural Banking in Gujarat”. Bharuch district was selected for the purpose. Within the district seven villages and from each selected village 13 households were selected for primary survey. This apart, the study also used secondary data to meet the stipulated objectives.

Income level of the people, in this area, is relatively better than many other areas i.e. 2-4 lakh/family/year and they need good banking services. However these services are not provided by the existing banking systems particularly by co-operative banks which have their

strong hold in the area. Further, the co-operative banks are quite devoid of innovative products like ATM, NRI services, FOREX etc. This is in spite of the fact that the area has a vast population of NRIs who are ready to pay even some extra charges, for the quality services at their door step. In view of this it can safely be concluded that there is vast scope for HDFC Bank to expand its business in the rural area surveyed.

In spite of good quality soil and well established irrigation facilities, farmers grow mainly sugarcane and paddy thus, there is high scope of diversification. However, due to lack of quality services of existing banking system which is mainly the results of poor competition between the prevailing banking institutions, farmers hardly think of diversifying their existing cropping pattern. Further, for diversification in favor of high value added crops, *inter alia*, timely and hassle free credit is of vital significance. Expansion of banking services to meet the timely needs of the farmers in the area can go a long way in creating the win-win situation for the farmers and the credit institutions, particularly HDFC Bank.

The area is pre-dominated by small scale industries which account for as high as 80%. Interestingly, most of the people employed in these industries, about 23%, belong to the rural areas. Expansion of the banking network by HDFC Bank with particular attention on the banking products & services centric to the rural masses can help the HDFC Bank to make the rural people associated with it in the long run. To reap the benefit of growing rural market in all areas including banking it could be a step forward in the right direction.

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List of Abbreviations:

Abbreviation	Meaning
3P-D	3rd Party Deposit
3P-W	3rd Party Withdrawal
A/C	Account
AKV	Ankleshwar
ATM	Automatic Teller Machine
Avg.	Average
BDCo	Bharuch Dist. Co-operative Bank
BoB	Bank of Baroda
BOI	Bank of India
BOMh	Bank of Maharastra
CA-D	Cuurent A/C Deposit
CASA	Current A/C, Saving A/C
CA-W	Current A/C Withdrawal
CBI	Central Bank of India
CO-OP.	Co-operative
DCB	Development Credit Bank
Dist.	District
DRDA	Dist. Rural Development Agency
GDP	Gross Domestic Product
GS	General Saving
HDFC	Housing Develpoment Financial Corporation
IAB	International Agri-Business
ICICI	Industrial Credit & Investment Corporation of India
IDBI	Industrial Development Bank of India
IOB	Indian Oveseas Bank
KCC	Kisan Credit Card
Ltd.	Limited
M&A	Merger & Acquisition
MoU	Memorendom of Understanding
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Govt. Organization
NPA	Non Performing Assets
NRI	Non-Residential Indians
OBC	Oriental Bank of Commerce
PIA	Panoli Industrial Association
PNB	Punjab National Bank

PSB	Public Sector Bank
Pvt.	Private
RBI	Reserve Bank of India
RIDF	Rural Infrastructure Development Forum
RRB	Regional Rural Banks
SA-D	Saving A/C Deposit
SA-W	Saving A/C Withdrawal
SBI	State Bank of India
SCB	Scheduled Commercial Banks
SHG	Self Help Group
SSI	Small Scale Industries
UBI	Union Bank of India

Chapter-1

INTRODUCTION

I. INTRODUCTION

The RURAL sector continues to play an important role in terms of contribution to GDP and employment generation in India. Development, however, has been sluggish in these areas, in spite of new opportunities coming up in the post-liberalization era. There is an urgent need to empower rural population and equip it with necessary knowledge of proper credit and capital management to enhance their socio-economic level.

CREDIT is believed to be one of the important inputs to initiate any kind of venture especially in Indian Rural system where most of the people live below poverty line. Another important factor is to introduce efficient banking system in rural area so as to improve their access to capital for both investment and consumption purposes so that they can have better living standard for tomorrow.

Panoli-WEST was assigned by the organization as they have envisaged better business growth in rural areas. HDFC Bank has relatively less presence in rural sector as compared to other banks. To garner new business avenues in rural areas, HDFC Bank has decided to expand itself in the rural areas of Gujarat.

The selected region is blessed with prosperous Agriculture as well as well established Industrial set-up. It has been the core & the sole reason for HDFC Bank to enhance their vision in to the rural area around Panoli.

1.1 Company Profile: HDFC Bank

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an '**in principle**' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994.

The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets.

Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units.

HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

1.1.1 Business Strategy:

HDFC BANK mission is to be "**A World Class Indian Bank**", benchmarking themselves against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective is to build sound customer franchises across distinct businesses so as to be a preferred provider of banking services for target retail and wholesale customer segments, and to

achieve a healthy growth in profitability, consistent with the Bank's risk appetite. Bank is committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance. Continue to develop new products and technology is the main business strategy of the bank. Maintain good relation with the customers is the main and prime objective of the bank.

Table.1.1:- Infrastructure and Operations of HDFC Bank

	March 2006	March 2007	March 2008	March 2009	March 2010
Cities	228	316	327	528	779
Branches	535	684	761	1412	1725
ATMs	1323	1605	1977	3295	4232

Source: - HDFC Bank

As of March 2010, the Bank's distribution network was at 1725 Branches and 4232 ATMs in 779 cities as against 1412 branches and 3295 ATMs in 528 cities as of March 2009.

1.1.2 Contribution of HDFC bank in rural areas

HDFC Bank is one of the first new generation private sector banks to enter the microfinance sector.

1. The bank has appointed 151 top performing NGOs across the country as **BCs** providing SHG Bank linkage.
2. Rolled out SHG Lending Programme in September 2006 and MOU signed with the 151 **BCs** in 14 States. The bank has provided access to financial services to about 2.59 lakh families under 17,748 SHGs with disbursements of Rs.220 crore till date. The quality of portfolio is evidenced by the 100% on-time repayment track record.

3. All the members of SHGs hail from remote villages /unbanked areas. All the clients are women belonging to weaker sections.
4. More than 80 percent of credit facility availed by these SHGs are for agriculture and allied activities.
5. The bank has designed an exclusive savings product for SHGs and provided "ZERO BALANCE NO FRILL Accounts' for them. Till date 17,748 SHGs have been provided with such facility.
6. Out of the total micro finance clients of 2.59 lakh under SHG-Bank linkage programme, 28,892 belong to SC/ST. Of this 10476 members have been trained on banking aspects, account operation, repayment guidelines, etc. 13,115 beneficiaries falling under the minority community-categories have been provided with credit for taking up various economic activities to the tune of Rs. 14.07 crore in 7 states.
7. 40 qualified, experienced, and specially trained relationship managers from reputed institutions with high levels of commitment and social orientation are on board in the business division to run this programme.
8. 15,000 women members belonging to 95 SHGs residing in coastal area affected by tsunami have been provided with credit for livelihood activities.
9. The bank has opened SHG dedicated branches at Thudiyalur, Therku Venganallur (near Rajapalayam), Allinagaram (near Theni), Pettavaithalai, all in Tamil Nadu and propose to open more such branches in other parts of the country.

1.1.3 Social Impact of HDFC Bank's Initiative

1.1.3.1 Special Groups Financed:- About 300 people of the backward community and people belonging to minority groups in Muzzafarpur, Bihar, about 2250 tribals of Kalahandi, Sambalpur, Phulbani, Boudh, Jeypore, Bawanpatna and Ganjam districts of Orissa, about 250 tribals of Dumka, Hazaribagh and Deoghar districts of Jharkhand, about 900 tribals of Jhabua and Dhar districts of MP, 50 backward caste people in Mirzapur, UP, about 3750 tribals of Buldana, Ballarshah Pusad areas of Maharashtra are supported for their agricultural activities and financial needs.

1.1.3.2 Targeting “financial inclusion” in BIMARU (Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal): - 11000 families belonging to the BIMARU states were brought under financial inclusion by providing them No Frill Saving accounts besides credit linkage.

1.1.4 HDFC Bank Product and Customer Segment

Table.1.2:- WHOLESALE BANKING

Corporate	Small and Medium Enterprises	Financial Institutions and Trusts
Funded Services	Funded Services	BANKS
Non Funded Services	Non Funded Services	Clearing Sub-Membership
Value Added Services	Specialized Services	RTGS – sub membership
Internet Banking	Value added services	Fund Transfer
	Internet Banking	ATM Tie-ups
		Corporate Salary a/c
		Tax Collection
		Financial Institutions
		Mutual Funds
		Stock Brokers
		Insurance Companies
		Commodities Business
		Trusts

Table.1.3:- PERSONAL BANKING products of HDFC Bank

Loan Product	Deposit Product	Investment & Insurance
Auto Loan	Saving a/c	Mutual Fund
Loan Against Security	Current a/c	Bonds
Loan Against Property	Fixed deposit	Knowledge Centre
Personal loan	Demat a/c	Insurance
Credit card	Safe Deposit Lockers	General and Health Insurance
2-wheeler loan		Equity and Derivatives
Commercial vehicles finance		Mudra Gold Bar
Home loans		Silver Bar
Retail business banking		
Tractor loan		
Working Capital Finance		
Construction Equipment Finance		
Health Care Finance		
Education Loan		
Gold Loan		
Cards	Payment Services	Access To Bank
Credit Card	Net Safe	Net Banking
Debit Card	Merchant	One View
Prepaid Card	Prepaid Refill	Instant Alert
	Bill pay	Mobile Banking
	Visa Bill pay	ATM
	Instant Pay	Phone Banking
Forex Services	Direct Pay	Email Statements
Product & Services	Visa Money Transfer	Branch Network
Trade Services	e–Monies	
Forex service Branch Locator	Electronic Funds Transfer	
RBI Guidelines	Online Payment of Direct Tax	

Table.1.4:- NRI SERVICES of HDFC Bank

Accounts & Deposits	Remittances
Rupee Saving a/c	North America
Rupee Current a/c	UK
Rupee Fixed Deposits	Europe
Foreign Currency Deposits	South East Asia
Accounts for Returning Indians	Middle East
	Africa
	Others
	Quick remit
	India Link
	Cheque Lock Box
	Telegraphic/ Wire Transfer
	Funds Transfer
	Cheque/DDs/TCs
Investment & Insurances	Loans
Mutual Funds	Home Loans
Insurance	Loans Against Securities
Private Banking	Loans Against Deposits
Portfolio Investment Scheme	Gold Credit Card
Payment Services	Access To Bank
Net Safe	Net Banking
Bill Pay	One View
Instant Pay	Instant Alert
Direct Pay	ATM
Visa Money	Phone Banking
Online Donation	Email Statements
	Branch Network

1.1.5 MILESTONES OF HDFC BANK IN YEAR 2010

- **Avaya Global Connect 2010** - Customer Responsiveness Award - Banking & Financial Services category.
- **Financial Express** - Ernst Young Survey 2009-10 - Best New Private Sector Bank
- **Asian Banker Excellence Awards 2009** - Best Retail Bank in India, Excellence in Automobile Lending, Bank M&A Integration and Technology Implementation.
- **The Asset Triple A Awards** - Best Cash Management Bank in India.
- **Euro money Private Banking and Wealth Management Poll 2010** - Best Local Bank in India (second year in a row) and Best Private Banking Services overall (moved up from No. 2 last year).
- **Financial Insights Innovation Awards 2010** - Innovation in Branch Operations - Server Consolidation Project.
- **Global Finance Award** - Best Trade Finance Provider in India for 2010.
- **Two Banking Technology Awards 2009** - Best Risk Management Initiative and Best Use of Business Intelligence.
- **SPJIMR Marketing Impact Awards (SMIA) 2010** - 2nd Prize.
- **Business Today Best Employer Survey** - Listed in top 10 Best Employers in the country.

1.2 Banking in India:

Currently, India has 96 scheduled commercial banks (SCBs) - 27 public sector banks (that is with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53,000 branches.

Sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

1.2.1 Early history

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below

- Early phase from 1786 to 1969 of Indian Banks
- Nationalization of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

1.2.1.1 Phase I – Before Nationalization

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders.

In 1865, Allahabad Bank was established and first time exclusively by Indians. Punjab National Bank Ltd. was set up in 1894 with headquarters at

Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase, the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

During those days public had lesser confidence in the banks. As an aftermath deposit mobilization was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.

1.2.1.2. Phase II - During Nationalization

Government took major steps in the Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country.

Seven banks forming subsidiary of State Bank of India were nationalized in 1960. On 19th July, 1969, major process of nationalization was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country were nationalized.

In the second phase of nationalization Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949: Enactment of Banking Regulation Act.
- 1955: Nationalization of State Bank of India.
- 1959 : Nationalisation of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1969 : Nationalisation of 14 major banks.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of regional rural banks.
- 1980: Nationalization of seven banks with deposits over 200 crore.

After the nationalization of banks, the branches of the public sector bank in India rose to approximately 800% in deposits and advances took a huge jump by 11,000%, Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

1.2.2.2.1. Consequences of Nationalization:

- The quality of credit assets fell because of liberal credit extension policy.
- Political interference has been as additional malady.
- Poor appraisal involved during the loan *melas* conducted for credit disbursals.
- The credit facilities extended to the priority sector at concessional rates.

- The high level of low yielding SLR investments adversely affected the profitability of the banks.
- The rapid branch expansion has been the squeeze on profitability of banks emanating primarily due to the increase in the fixed costs.

1.2.1.3. Phase III – Post Nationalization Status

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up under his name which worked for the liberalization of banking practices. The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money.

The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.

1.3. The Banking Sector:

The banking system in India is significantly different from that of other Asian nations because of the country's unique geographic, social, and economic characteristics.

The country's economic policy framework combines socialistic and capitalistic features with a heavy bias towards public sector investment. India has followed the path of growth-led exports rather than the "export led

growth” of other Asian economies, with emphasis on self-reliance through import substitution.

These features are reflected in the structure, size, and diversity of the country’s banking and financial sector. The banking system has had to serve the goals of economic policies enunciated in successive five year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector monopolies in trade and industry.

In order for the banking industry to serve as an instrument of state policy, it was subjected to various nationalization schemes in different phases (1955, 1969, and 1980). As a result, banking remained internationally isolated (few Indian banks had presence abroad in international financial centers) because of preoccupations with domestic priorities, especially massive branch expansion and attracting more people to the system. Moreover, the sector has been assigned the role of providing support to other economic sectors such as agriculture, small-scale industries exports, and banking activities in the developed commercial centers (i.e., metro, urban, and a limited number of semi-urban centers).

The banking system’s international isolation was also due to strict branch licensing controls on foreign banks already operating in the country as well as entry restrictions facing new foreign banks. A criterion of reciprocity is required for any Indian bank to open an office abroad.

These features have left the Indian banking sector with weaknesses and strengths. A big challenge facing Indian banks is how, under the current ownership structure, to attain operational efficiency suitable for modern financial intermediation. On the other hand, it has been relatively easy for

the public sector banks to recapitalize, given the increases in non-performing assets (NPAs), as their Government dominated ownership structure has reduced the conflicts of interest that private banks would face.

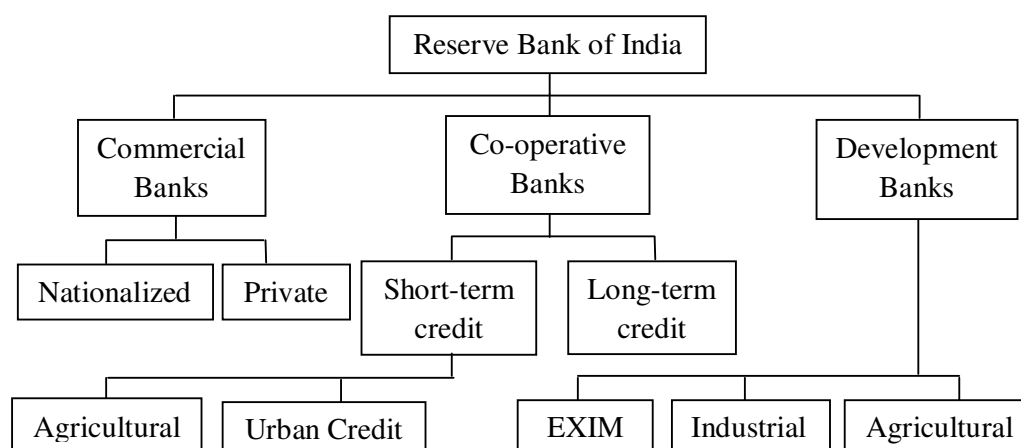
1.4. Indian Banking scenario:

1.4.1. Overview of Banking

Banking Regulation Act of India, 1949 defines Banking as “accepting, for the purpose of lending or of investment of deposits of money from the public, repayable on demand or otherwise withdrawal able by cheque, draft order or otherwise.” The Reserve Bank of India Act, 1934 and the Banking Regulation Act, 1949, govern the banking operations in India.

1.4.2. Organizational Structure of Banks in India

In India banks are classified in various categories according to different criteria. The following charts indicate the banking structure:



Source: - RBI.

Fig.1.1:- Banking structure in India

1.5. Broad Classification of Banks in India

1) **The RBI:** The RBI is the supreme monetary and banking authority in the country and has the responsibility to control the banking system in the country. It keeps the reserves of all scheduled banks and hence is known as the “Reserve Bank”.

2) **Public Sector Banks:**

- State Bank of India and its Associates (8).
- Nationalized Banks (19).
- Regional Rural Banks sponsored by Public Sector Banks (196).

3) **Private Sector Banks:**

- Old Generation Private Banks (22).
- Foreign New Generation Private Banks (8).
- Banks in India (40).

4) **Co-operative Sector Banks:**

- State Co-operative Banks.
- Central Co-operative Banks.
- Primary Agricultural Credit Societies.
- Land Development Banks.
- State Land Development Banks.

5) **Development Banks:** Development Banks mostly provide long term finance for setting up industries. They also provide short-term finance (for export and import activities).

- Industrial Finance Co-operation of India (IFCI).
- Industrial Development of India (IDBI).
- Industrial Investment Bank of India (IIBI).
- Small Industries Development Bank of India (SIDBI).

- National Bank for Agriculture and Rural Development (NABARD).
- Export-Import Bank of India.

1.6. The Role of Reserve Bank of India (RBI) – Banker’s Bank:

The **Reserve Bank of India (RBI)** is the central bank of India, and was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. Since its inception, it has been headquartered in Mumbai. Though originally privately owned, RBI has been fully owned by the Government of India since nationalization in 1949.

RBI is governed by a central board (headed by a Governor) appointed by the Central Government. RBI has 22 regional offices across India. The Reserve Bank of India was set up on the recommendations of the Hilton Young Commission. The commission submitted its report in the year 1926, though the bank was not set up for nine years.

1.7. Role of Banks:

Banks play a positive role in economic development of a country as repositories of community’s savings and as purveyors of credit. Indian Banking has aided the economic development during the last fifty years in an effective way. The banking sector has shown a remarkable responsiveness to the needs of planned economy. It has brought about a considerable progress in its efforts at deposit mobilization and has taken a number of measures in the recent past for accelerating the rate of growth of deposits. As recourse to this, the commercial banks opened branches in urban, semi-urban and rural areas and have introduced a number of attractive schemes to foster economic development.

The activities of commercial banking have growth in multi-directional ways as well as multi-dimensional manner. Banks have been playing a catalytic role in area development, backward area development, extended assistance

to rural development all along helping agriculture, industry, international trade in a significant manner. In a way, commercial banks have emerged as key financial agencies for rapid economic development.

By pooling the savings together, banks can make available funds to specialized institutions which finance different sectors of the economy, needing capital for various purposes, risks and durations. By contributing to government securities, bonds and debentures of term-lending institutions in the fields of agriculture, industries and now housing, banks are also providing these institutions with an access to the common pool of savings mobilized by them, to that extent relieving them of the responsibility of directly approaching the saver. This intermediary role of banks is particularly important in the early stages of economic development and financial specification. A country like India, with different regions at different stages of development, presents an interesting spectrum of the evolving role of banks, in the matter of inter-mediation and beyond.

Commercial banks provide short-term and medium-term financial assistance. The short-term credit facilities are granted for working capital requirements. The medium-term loans are for the acquisition of land, construction of factory premises and purchase of machinery and equipment. These loans are generally granted for periods ranging from five to seven years. They also establish letters of credit on behalf of their clients favoring suppliers of raw materials/machinery (both Indian and foreign) which extend the banker's assurance for payment and thus help their delivery. Certain transactions, particularly those in contracts of sale to Government Departments, may require guarantees being issued in lieu of security earnest money deposits for release of advance money, supply of raw materials for processing, full payment of bills on the assurance of the performance etc. Commercial banks issue such guarantees also.

1.8. Private Sector Banks:

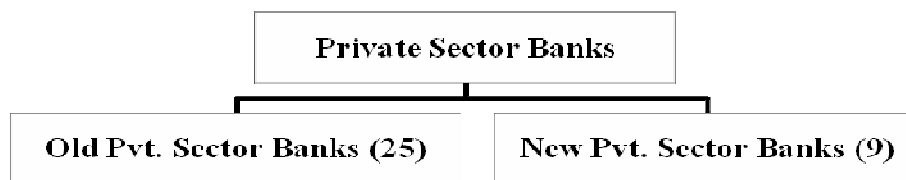
Private banking in India was practiced since the beginning of banking system in India. The first private bank in India to be set up in Private Sector Banks in India was Indusind Bank. It is one of the fastest growing Bank Private Sector Banks in India. IDBI ranks the tenth largest development bank in the world as Private Banks in India and has promoted a world class institution in India.

The first private Bank in India to receive an in principle approval from the Reserve Bank of India was Housing Development Finance Corporation Limited. To set up a bank in the private sector in India is the result of RBI's liberalization of the Indian Banking Industry.

1.8.1. Entry of Private Sector Banks

There has been a paradigm shift in mindsets both at the Government level in the banking industry over the years since Nationalization of Banks in 1969, particularly during the last decade (1990-2000). Having achieved the objectives of Nationalization, the most important issue before the industry at present is survival and growth in the environment generated by the economic liberalization greater competition with a view to achieving higher productivity and efficiency in January 1993 for the entry of Private Sector banks based on the Nationalization Committee report of 1991, which envisaged a larger role for Private Sector Banks.

The RBI prescribed a minimum paid up capital of Rs. 100 crores for the new banks and the shares are to be listed at stock exchange. Also the new banks after being granted license under the Banking Regulation Act shall be registered as a public limited company under the companies Act, 1956.



Source: - RBI.

Fig-1.2: Types of private sector bank

Subsequently 9 new commercial banks have been granted license to start banking operations. The new private sector banks have been very aggressive in business expansion and is also reporting higher profile levels taking the advantage of technology and skilled manpower. In certain areas, these banks have even crossed the other group of banks including foreign banks.

Table.1.5:- Types of Banks based on population census in India
(Implemented from 2001)

Population	Population Groups
0 - 10,000	Rural
10,000 - 1,00,000	Semi-Urban
1,00,000 – 10,00,000	Urban
10,00,000 & above	Metropolitan

Source: - RBI

1.9. Rural Banking in India:

Rural population continues to play an important role in terms of contribution to GDP and employment generation in India, as about 70 percent of India's population still lives in rural areas. Even though there is conspicuous improvement in living standards of the urban population, living standards of rural population has not improved significantly in the post-liberalization since 1990s. The slow reduction of poverty levels in rural areas as against

urban areas is an evidence of the sluggish development in rural areas, in spite of new opportunities coming up in rural areas in the post-liberalization due to better rural urban linkages and backward and forward linkages of agricultural sector with nonagricultural sector.

Agriculture and allied activities are main livelihood activities of rural areas. If the rural population takes advantage of these new employment and income opportunities there is a greater scope for reduction in poverty and increase in living standards. However, to fully exploit these opportunities, there is a need to empower rural population with necessary new knowledge, capital and entrepreneurial skills.

1.9.1. Liberalization- Importance of credit in rural India

With abundant knowledge/information flow even in rural areas, the major limiting factor for development of rural poor is the access to capital for both investment and consumption to upgrade living standards. As easy and timely availability of capital will act as incentive to wider adoption of productivity enhancing skills/knowledge/technologies by entrepreneurs, farmers and laborers. To vast majority of rural people, access to capital depends on development of efficient financial service providers (which include credit provision along with other services), as many rural people are poor and having shortage of capital. Provision of services along with credit will not only facilitate borrowers in better utilization of credit but also enhance the credit worthiness of borrowers, which helps in recovery of loans and reduction in nonperforming assets of banks.

1.9.2. Rural financial intermediation

Currently institutional rural credit system comprising about one lac primary agricultural credit societies (PACS), 196 regional rural banks (RRBs) with more than 30,000 branches spread throughout rural India, about 20,000 branches of commercial banks which provide about 60 percent of rural

credit needs. The remaining 40 percent of rural credit needs are taken care of non-institutional sources of credit like traditional moneylenders, shopkeepers and relatives. The general distinction between institutional and non-institutional credit sources is former offer credit at low interest rates but with little more paper work as against to the latter, which offer credit at exorbitant interest rates, but credit will be provided whenever, wherever required.

To some extent, their profitability is due to low cost of operation in terms of identifying individuals who are credit worthy, procedures and formalities followed, accessibility, located in densely populated area, individual assessment/pricing based on risk/behavioral assessment. But, due to the high exploitation by moneylenders by levying higher interest rates government discouraged traditional money lending. Since independence, Indian government encouraged many institutions beginning with cooperative credit societies in 1950s followed by social control in 1968, then nationalization of banks in two steps once in 1969 and another in 1980.

1.9.3. Rural Banking Policy, India

With the nationalization of banks in 1969 & 1980, establishment of Regional Rural Banks in 1975 and National Bank for Agriculture and Rural Development in 1982 by the Government of India, the policies evolved by the RBI laid a strong foundation for establishing “*Rural Banking System*” to act as a catalyst and lubricate the process for accelerating the agricultural growth and rural development, generation of self-employment opportunities, poverty alleviation, and minimizing regional & sartorial imbalances in particular.

These policies sharply focused on branch expansion in rural areas, Lead Bank Scheme, credit planning exercise at district/block level through formulation of District Credit Plans and subsequently Service Area Credit

Plans at village level, Service Area Management Information System, defining and broadening the concept of priority sector lending and allocation of credit under its three segments to meet changing socio-economic needs, increasing the flow of loan able funds through liberalizing reserve requirements & refinance facilities from NABARD, differential interest rate scheme, mainstreaming scheduled castes/scheduled tribes/minority communities, innovations like Micro-finance, Rural Infrastructure Development Fund, Kisan Credit Card, General Credit Card, no-frill accounts, financing small/marginal farmers and share croppers/tenant farmers for purchase of land for agricultural purpose, redemption of debt from moneylenders, simplifying lending procedure, prudential norms & deregulating interest rate structure to ensure operational viability & financial sustainability of banks etc.

With a view to enabling banks to increasingly involve in the area of rural banking during 11th Five Year Plan the Government of India and RBI have further committed to new innovations, such as establishing financial literacy/credit counseling centers [ii] technology adoptions establishing Financial Inclusion Fund [FIF]& Financial Inclusion Technology Fund [FITF] Micro-finance Development and Equity Fund [MfDEF].

1.10: Objectives:

- To identify the business potential for HDFC Bank in rural areas of Panoli.
- To identify and analyze various demographic factors in identified area.
- To find out the ratio of population depended on Agriculture, Industries, Self employed and overseas remittance.
- To identify the average land holding capacity and cropping pattern in identified area.
- To identify the number and types of various existing industries in identified area.
- To find out various existing competitors and their business strategy in market.

II. REVIEW OF LITERATURE

2.1. An Overview:

It is well known that the burden of indebtedness in rural India is very great, and that despite major structural changes in credit institutions and forms of rural credit in the post-Independence period, the exploitation of the rural masses in the credit market is one of the most pervasive and persistent features of rural life in India. Rural households need credit for a variety of reasons. They need credit to meet short-term requirements of working capital and for long-term investment in agriculture and other income-bearing activities. Agricultural and non-agricultural activities in rural areas typically are seasonal, and households need credit to smoothen out seasonal fluctuations in earnings and expenditure. Rural households, particularly those vulnerable to what appear to others to be minor shocks with respect to income and expenditure, need credit as an insurance against risk.

In a society that has no law of free, compulsory and universal school education, no arrangements for free and universal preventive and curative health care, a weak system for the public distribution of food and very few general social security programs, rural households need credit for different types of consumption. These include expenditure on food, housing, health and education. In the Indian context, another important purpose of borrowing is to meet expenses on a variety of social obligations and rituals, V. K. Ramachandran and Madhura Swaminathan (2004).

Chandrasekhar and Ghosh (2002) classify the policies of financial liberalization in India into three types: first, policies to curtail government intervention in the allocation of credit, secondly, policies to dismantle the public sector and foster private banking, and thirdly, policies to lower capital controls on the Indian banking system.

These features are reflected in the structure, size, and diversity of the country's banking and financial sector. The banking system has had to serve the goals of economic policies enunciated in successive five year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector monopolies in trade and industry. In order for the banking industry to serve as an instrument of state policy, it was subjected to various nationalization schemes in different phases (1955, 1969, and 1980). As a result, banking remained internationally isolated (few Indian banks had presence abroad in international financial centers) because of preoccupations with domestic priorities, especially massive branch expansion and attracting more people to the system. Moreover, the sector has been assigned the role of providing support to other economic sectors such as agriculture, small-scale industries exports, and banking activities in the developed commercial centers (i.e., metro, urban, and a limited number of semi-urban centers).

The banking system's international isolation was also due to strict branch licensing controls on foreign banks already operating in the country as well as entry restrictions facing new foreign banks. A criterion of reciprocity is required for any Indian bank to open an office abroad.

These features have left the Indian banking sector with weaknesses and strengths. A big challenge facing Indian banks is how, under the current ownership structure, to attain operational efficiency suitable for modern financial intermediation. On the other hand, it has been relatively easy for the public sector banks to recapitalize, given the increases in nonperforming assets (NPAs), as their Government dominated ownership structure has reduced the conflicts of interest that private banks would face.

In 1975, the Government established by ordinance and then legislation a new network of rural financial institutions called the Regional Rural Banks (RRBs), which were promoted by the Government of India, State governments and commercial banks. These were created on the basis of recommendations by a working group on commercial credit, also called the Narasimham Committee, and were intended to “combine the cooperatives’ local feel and familiarity with the business acumen of commercial banks” (Jagan Mohan, 2004).

III. METHODOLOGY

3.1 Rationale of the study:

Panoli-WEST, the area of study, was given by the organization, HDFC, as the management of the organization have envisaged their better business growth in this area. HDFC Bank has negligible presence in the rural sector of the country as compared to other banks. Thus, to fetch the new business avenues the Bank has decided to expand its business activities in the rural areas of Gujarat.

3.2 Research Methodology

The study was taken up as a part of our academic curriculum under the assistance of HDFC bank which assigned the title “*Banking in Rural areas of Gujarat*”. To achieve the objectives, we first had the detailed discussions with the concern officials of the organization. After the endorsement of the objectives from both organization officials and our faculties as well we drew out a general working format which revealed the systematic path to conduct the study.

3.3 Selection of Area:

The identified area, as suggested by the organization was nearby Ankleshwar in Bharuch District of Gujarat. The main targeted area was Panoli and its west side surrounding villages within 10 km of radius. The sample villages comprise Panoli, Ravidra, Sanjali, Umarwada, Alunj, Ghodadra, and Adadra.

3.4 Data Collection:

3.4.1 Primary data collection:

For primary data collection, we formulated a semi structured Questionnaire which included all socio-economic, and demographic factors of the

respondents. We targeted the villagers as our prime respondents as we wanted to know the banking activities in the identified villages. Total 8 villages were identified for primary data collection.

3.4.2 Secondary data collection:

As per the need and thrust of our study, we had to conduct both primary as well as secondary data from identified area. For secondary database we visited various Government offices and collected relevant available data. As the study was equally dependent on primary as well as secondary data, the compilation of both types of data in an appropriate manner was pre-requisite.

As per the pre-decided working format, we started our study by conducting secondary database from various resources like local village level *Gram Panchayat*, *Taluka Panchayat*, DRDA, local agriculture offices and from various banks. We prepared readily available census in a structured format as per the need of the study.

Information was also collected to meet the analysis of various existing manufacturing industries around Panoli. The information was collected from the records maintained by Panoli Industrial Association.

To meet the requirement of additional two villages, as suggested by the organization in the later stage of the survey, some secondary data was also gathered from two villages namely Por & Rajpipala. With the help of this data the organization wanted to have some understanding about the situation pertaining to rural banking in an area different from the main study area.

3.5 Sampling:

Seven villages from Panoli-West were selected randomly. From each village selected, on an average, 13 respondents were selected randomly. By this way, a total of 92 respondents were selected for primary data collection to meet the stipulated objective of the study.

3.6 Analytical tools:

To meet the objectives laid down tabular analysis and graphical presentation techniques were used.

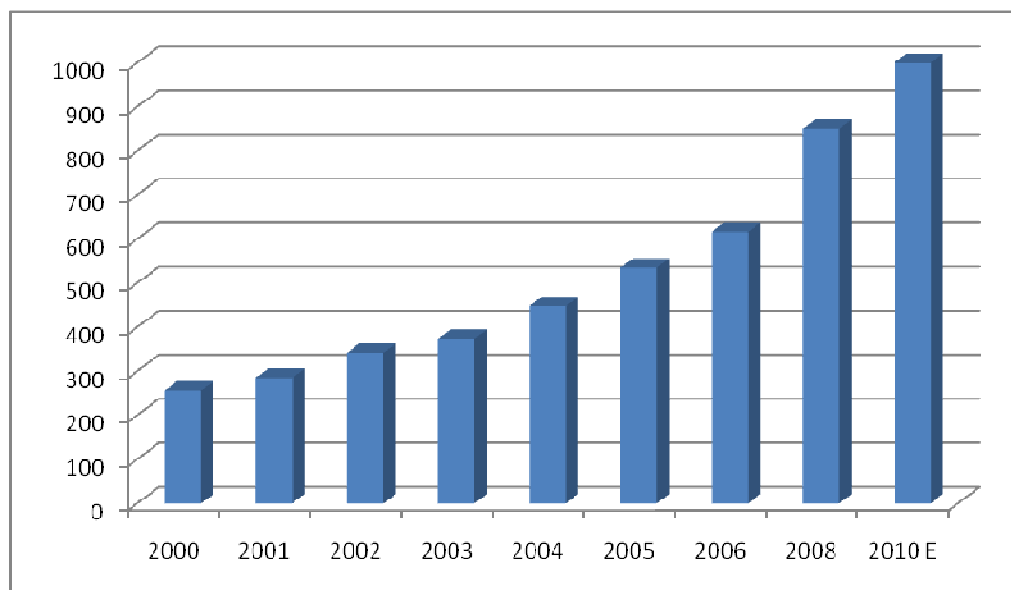
IV. RESULTS & DISCUSSIONS

4.1 Status of Banking in India, Gujarat & Bharuch District.

4.1.1 Indian Banking Industry

The Indian banking market is growing at an astonishing rate, with Assets expected to reach US\$1 trillion by 2010. An expanding economy, middle class, and technological innovations are all contributing to this growth.

The country's middle class accounts for over 320 million people. In correlation with the growth of the economy, rising income levels, increased standard of living, and affordability of banking products are promising factors for continued expansion.



Source – Hand Book Statistics on the Indian Economy, RBI.

Fig.4.1:- Growth in Indian Banking Assets (US \$ Billions)

The Indian banking Industry is in the middle of an IT revolution, focusing on the expansion of retail and rural banking. Players are becoming increasingly customer - centric in their approach, which has resulted in innovative methods of offering new banking products and services.

4.1.2. Contribution in Agriculture and Rural areas

Table.4.1:- Targets and Disbursements to Agriculture by Banks [Rs. crore]

Agency	2004-05 T/D	2005-06 T/D	2006-07 T/D	2007-08 T/D	Total T/D
Comm. Bank	57,000 (81481)	87,200 (1,25,477)	1,19,000 (164,488)	1,50,000 (1,56,850)	4,13,200 (5,28,296) (128%)
Coop. Banks	39,000 (31,231)	38,600 (39,786)	41,000 (42,480)	52,000 (43,684)	1,70,600 (1,57,181) (92%)
RRBs	8,500 (12,404)	15,200 (15,223)	15,000 (20,435)	23,000 (24,814)	61,700 (72,876) (118%)
Total	1,04,500 (125,116)	1,41,000 (1,80,486)	1,75,000 (2,27,403)	2,25,000 (2,25,348)	6,45,500 (7,58,353) (117%)

Source – Hand Book of Statistics on the Indian Economy, RBI.

Table.4.2:- Targets & Disbursements under Special Agricultural Credit Plans [Rs.crore]

Year	Public Sector Banks` Target	Public Sector Disbursements	Private Sector Banks` Target	Private Sector Disbursements
2004-05	55616	65218 [117.3] **		
2005-06	85024 [52.9]*	94278[110.9]**	24222	31199[128.8]**
2006-07	118160 [39.0]*	122443[103.6]**	40656[67.8]*	44093[108.5]**
2007-08#	152133 [28.7]*	11543[73.6]**	4142/[1.9]*	45906[110.8]**
Total	410933	393482[95.7]**	106305	121198 [114]**

Data provisional * % increase over previous year ** % achievements.

Source – Hand Book of Statistics on the Indian Economy, RBI.

Special Agricultural Credit Plans: Disbursements under special agricultural credit plans by public sector banks were Rs.2,81,939 crore against the targets of Rs.2,58,800 crore during 2004-05 to 2006-07, showing 109% achievements, whereas that of private sector banks were Rs.1,21,198 crore as compared to targets of Rs.1,06,305 crore during 2005-06 to 2007-08, exhibiting 114% achievements.

Table.4.3:- Statistics Relating To Commercial Banks at a Glance

Indicator	March 2001	March 2002	March 2003	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009
Number of Bank Offices in India	67937	68195	68500	69170	70373	71685	74346	78666	82408
(a) Rural	32585	32503	32283	32227	30790	30436	30575	31105	31699
(b) Semi urban	14843	14962	15135	15288	15325	15811	16620	17897	19082
(c) Urban	11193	11328	11566	11806	12419	13034	14049	15530	16614
(d) Metropolitan	9316	9402	9516	9750	11839	14204	13102	14134	15013
Population per Office (in thousands)	15	15	16	16	16	16	15	15	14

Source – Hand Book Statistics on the Indian Economy, RBI.

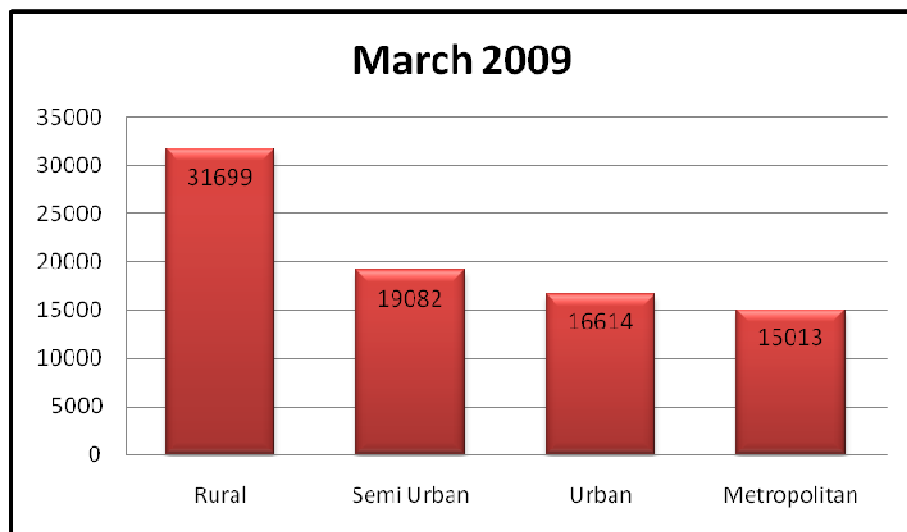
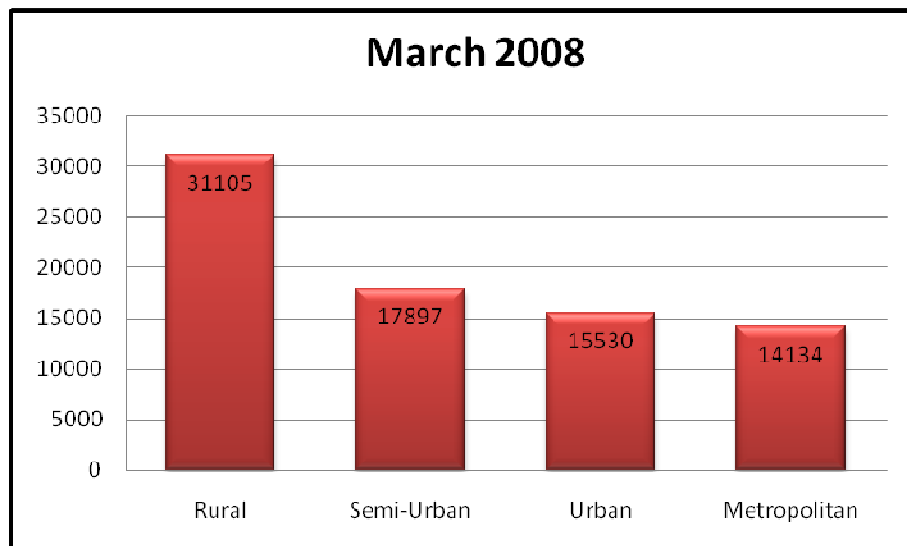
- From the table-4.3, it can be clearly seen that the number of offices is growing in India at the rate of 4% per year.
- Up to March 2009, all commercial banks have shown their specific interest in metropolitan areas in the country with the average growth rate of 6% per year.
- Growth of banking in rural India has been reported in poor stage i.e. at the rate of 1.7% per year.

Table.4.4:- Offices of Commercial Banks in India - 2005 To 2009

Bank Group	As on March 31				
	2005	2006	2007	2008	2009
State Bank of India and its Associates	14006	14294	14651	15814	16731
Nationalised Banks	35096	35848	37413	39204	40766
Foreign Banks	242	259	272	279	295
Regional Rural Banks	14763	14776	14812	15029	15384
Other Scheduled Commercial Banks	6462	6828	7415	8294	9186
Non-Scheduled Commercial Banks	37	41	46	46	46
Total	70606	72046	74609	78666	82408

Source–Hand Book Statistics on the Indian Economy, RBI.

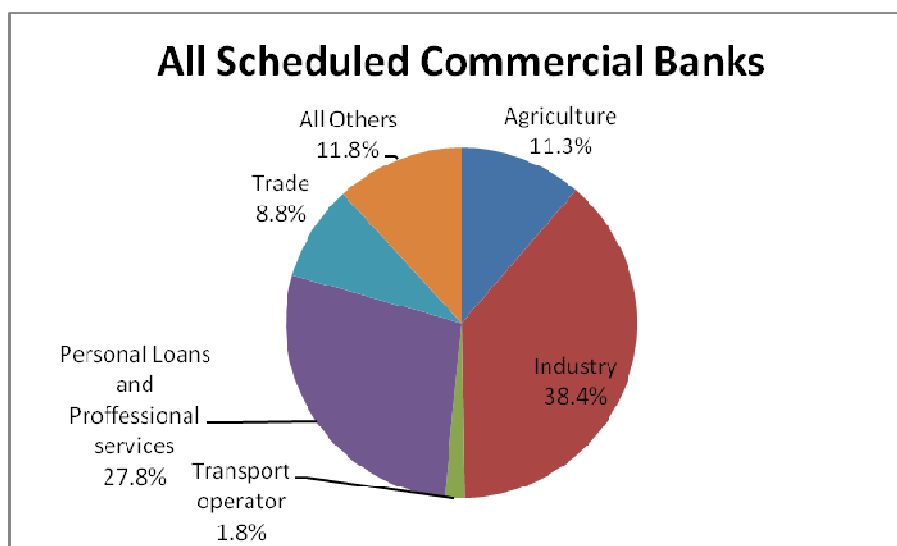
- From the above table, the steady and constant growth has been observed in each group of banks.
- It can be seen that number of offices of the State Bank group grew at the average growth rate of 5% per year.
- Growth rate of other Nationalized Banks have been observed at the growth rate of 4% per year. Whereas, the growth rate of foreign banks has been found 5% per year in spite of having less numbers of offices in the country.
- Regional Rural banks have shown their poor growth rate of 2.5% per year. The aggressive expansion of other nationalized as well as private banks in the rural areas may be the reason of less growth rate of these banks.
- The other non-schedule banks have shown constant growth in numbers of their offices in the past 3 years.



Source – Hand Book Statistics on the Indian Economy, RBI.

Fig.4.2:- Group-Wise Distribution of Number of Offices of Commercial Banks (2008-2009)

Above figures reveal that commercial banks have their aggressive vision in rural sector as figure shows the highest expansion in rural areas at the rate of 2% in just one year.



Source – Hand Book Statistics on the Indian Economy, RBI.

Fig.4.3:-Occupation-Wise Distribution of Credit by Scheduled Commercial Banks

4.2. Status of Banking in Gujarat

Table.4.5:- Population based banking in Gujarat

Rural		Semi-Urban		Urban		Metropolitan		Total	
No. of Centres	No. of Offices	No. of Centres	No. of Offices	No. of Centres	No. of Offices	No. of Centres	No. of Offices	No. of Centers	No. of Offices
1316	1486	282	989	23	649	4	1357	1625	4481

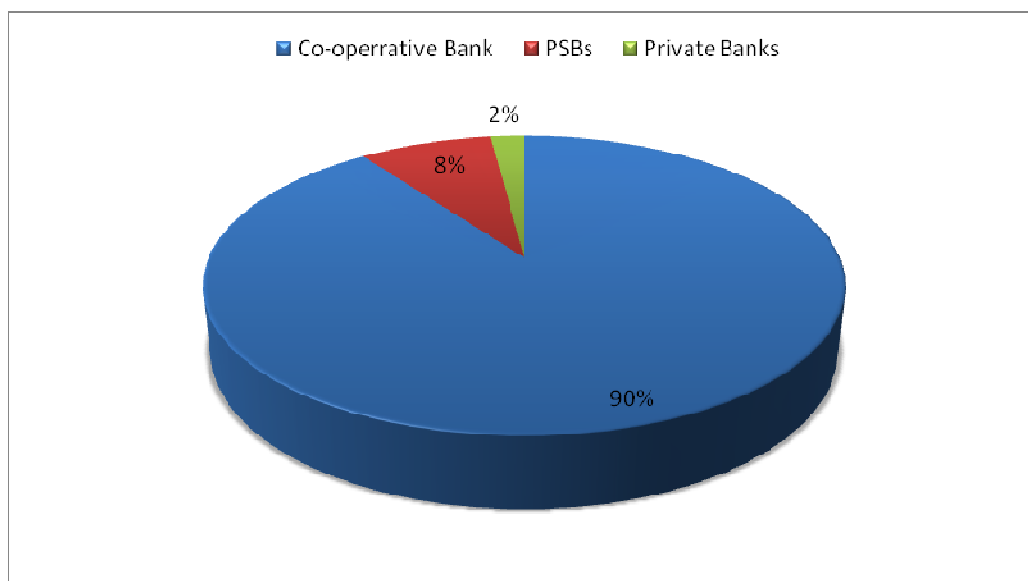
Source – Hand Book of Statistics on the Indian Economy, RBI.

Table.4.6:- District wise banking status in Gujarat

District/Bank Group-wise Distribution of Number of Reporting Offices, Aggregate Deposits and Gross Bank Credit (Quarterly) of All Scheduled Commercial Banks in Gujarat - Part II									
(June, 2009)									
(Amount in Rs. Crore)									
District	Regional Rural Banks			Other Scheduled Commercial Banks			All Scheduled Commercial Banks		
	Offices	Deposits	Credit	Offices	Deposits	Credit	Offices	Deposits	Credit
Ahmedabad	3	8	1	92	9091	8587	728	52204	50124
Amreli	11	55	29	4	66	21	98	1825	865
Anand	1	2	1	11	574	190	185	9622	1745
Banas Kantha	23	196	167	8	231	275	103	1926	1596
Bharuch	23	211	75	12	626	148	138	4171	1367
Bhavnagar	19	122	71	11	373	83	170	5299	1956
Dahod	24	139	84	4	61	1	69	1239	404
Dangs	3	53	19	-	-	-	8	171	54
Gandhinagar	10	124	26	8	320	18	119	6789	3480
Jamnagar	49	429	286	11	666	94	168	6587	1682
Junagadh	20	143	69	7	201	39	164	4335	1526
Kachchh	36	434	106	17	832	412	210	11772	2463
Kheda	2	4	1	5	200	15	149	4568	1054
Mahesana	28	237	92	20	421	452	151	3557	1912
Narmada	5	33	24	2	18	3	28	408	187
Navsari	22	181	57	6	218	30	156	6568	1037
Panch Mahals	30	231	105	5	76	8	97	2018	653
Patan	16	132	69	4	95	56	69	1343	672
Porbandar	5	32	16	3	118	5	54	2697	513
Rajkot	11	61	45	32	1512	1623	290	11127	7399
Sabar Kantha	27	243	151	5	93	49	137	2071	1414
Surat	3	15	10	52	2165	2414	370	16372	12101
Surendranagar	27	248	154	5	114	15	108	2061	939
Tapi	3	27	5	1	1	-	28	566	220
Vadodara	4	26	11	36	3118	2178	414	24403	19073
Valsad	13	127	54	20	872	302	127	4274	2009
Gujarat	418	3512	1725	381	22063	17019	4338	187973	116447

Source: RBI

4.3. Status of Banking in Bharuch District:



Source- Primary Survey

Fig.4.4:- Extent of Penetration of Banks in rural area of Panoli

- It can be clearly stated that Co-operative banks have the highest penetration in the rural area of Ankleshwar & Panoli.
- There are several reasons for such a vast penetration of Co-op. banks in rural area of Panoli. One of the reasons is to have very strong network in villages which has easy and fast approaching system for rural people.
- One of the strongest reasons for the highest penetration is to have large numbers of accounts of contract farming owned farmers in the area as the co-operative firms have their banking relation with co-op. banks only.
- Due to good expansion approach having by other PSBs, they have also started their expansion in rural areas of Gujarat. The penetration figure of these PSBs in various villages is 8 percent.

- The private sector banks have shown a bit poor penetration figure i.e. 2% in rural areas of Panoli & Ankleshwar.
- There are several reasons behind such a low penetration among two of them are having poor network in the rural area and lack of customized rural products.

TABLE.4.7:- STATEMENT OF BANKING FIGURES AS ON Dec-09, BHARUCH DISTRICT

Source: BoB, Regional office, Bharuch

SN	Name of Bank	No. of Branch	Deposit		Advances		CD	Priority Sector Advances						% of P/S
	Institute		A/C	Amt.	A/C	Amt.	Ratio	Agril.	Agril. % to Tatal Adv..	SSI	OPS	TOTAL		
								Amt.		Amt.	A/C	Amt.		
1	BOB	33	338780	126530	17079	65562	51.82	16778	25.6	14276	7665	12870	38719	59.1
2	SBI	30	348318	98675	18609	38797	39.32	9187	23.7	5456	17518	17867	32161	82.9
3	Dena Bank	9	60112	30775	2553	4300	13.97	1222	28.4	1009	887	17867	3118	72.5
4	CBI	7	50281	17752	2128	3234	18.21	1235	38.2	372	1030	1736	2637	81.5
5	BOI	5	31467	20429	2543	11191	54.78	899	8	1069	1781	1691	3749	33.5
6	UBI	3	25779	10278	975	3138	30.53	1396	44.5	470	852	622	2718	86.6
7	UCO Bank	3	14603	7006	687	867	12.37	193	22.3	13	563	628	769	88.7
8	Indian Bank	2	19130	7705	863	1814	23.54	483	26.7	222	805	251	1510	83.3
9	PNB	2	18927	7131	585	1734	24.31	325	18.7	653	296	231	1274	73.4
10	Canara Bank	2	11724	4731	896	801	16.93	21.85	2.7	0	282	126	304	37.9
11	Syndicate Bank	1	11780	4533	480	1173	25.87	57.03	4.9	190	682	220	929	79.2
12	IOB	2	4450	3439	290	1840	53.5	21.16	1.2	915	236	153	1172	63.7
13	Allahabad Bank	2	3944	722	301	427	59.2	106.26	24.9	73	223	260	402	94.1
14	BOMh	1	6902	2479	452	2574	103.85	180	7	1284	349	237	1813	70.4
15	OBC	2	9972	6479	661	4118	63.56	455	11.1	2019	635	283	3109	75.5
16	Vijaya Bank	1	6346	3294	372	2101	63.79	19	0.9	1179	504	247	1702	81
17	Andhra Bank	1	0	150	0	0	0	0		0	0	0	0	
	Sub Total	106	962515	352108	49474	143670	40.8	32578.3	22.7	29200	34308	55289	96086	66.9
18	B.G.G.B.	22	130456	21606	8282	5786	26.78	3796	65.6	50	1166	5936	5012	86.6
19	B.D.C.C.	49	222521	40951	32779	28607	69.86	17821	62.3	5	73	27314	17899	62.6
20	GSARDB (LDB)	8	505	298	2459	1793	601.53	1793	100	0	0	2459	1793	100
	Sub Total	79	353482	62855	43520	36185	57.57	23410	64.7	55	1239	35709	24704	68.3
21	ICICI Bk	3	0	12165	14710	12799	105.22	844	6.6	1050	5089	2650	6983	54.6
22	HDFC	4	0	30920	12347	12819	41.46	255	2	685	1849	2650	2789	21.8
23	Fedral Bk	1	3388	1164	386	1007	86.55	40	4	117	476	130	633	62.8
24	Axis Bk	3	21000	16841	587	3047	18.09	278	9.1	35	386	279	699	22.9
25	DCB	1	0	1213	0	4873	401.73	0	0	0	2473	0	2473	50.7
26	Kotak Mahindra	2	0	4940	680	1840	37.24	423	23	254	622	483	1299	70.6
27	IDBI	2	3732	948	14	49	5.21	0	0	14	28	6	42	85.1
	Sub Total	16	28120	68191	28724	36435	53.43	1841	5.1	2155	10923	6198	14919	40.9
	Grand Total	201	1344117	483154	121718	216291	44.77	57829	26.7	31410	46470	97196	135709	62.7

Table.4.8:- Role of banks in promoting SHGs in Bharuch District

Microfinance in Bharuch Dist. through various SHG by banks at the end March, 2010, District: - Bharuch											
SN	Taluka	SHG farmed &opened a/cs in Banks	Members in these SHG	SHG in Rs. '000	Internal lending by		Revolving Fund Given		Bank Linkage		SHG started Eco. Activity
					No. of SHG	Amt. of SHG	No. of SHG	Amt. of lending	No. of SHG	Amt. of lending	
						in lacs		in lacs		in lacs	
1	Jambusar	775	9339	5735	670	674	618	3090	602	8707	31
2	Amod	487	6101	3421	266	247	311	1555	311	4408	27
3	Vagra	452	4916	2504	221	626	245	1225	214	3649	21
4	Bharuch	710	7314	6496	359	396	406	2030	297	5072	11
5	Ankleshwar	617	7024	4282	428	934	470	2350	444	9347	50
6	Hansot	340	3732	1160	184	560	192	960	188	2654	56
7	Valia	706	7742	4224	618	1942	436	2180	405	7276	24
8	Jhagadia	791	9487	6110	560	563	642	3210	533	4884	18
		4878	55655	33932	3306	5942	3320	16600	2994	45997	

Source: DRDA, Bharuch

- SHG is a kind of group of economically poor people seeking credit facility from various banks for their various small businesses in the form of Microfinance for their economical development. Banks can play the role of direct financier or refinancing agency.
- The rural area of Bharuch district has shown one of the significant features of its development through Microfinance and SHGs.
- As per the secondary data available, about 4878 SHGs have been spread across the district, along with 55655 members having Rs 33932K lending amount. Among these, about 2994 SHGs have their direct linkage with banks.
- Such kinds of SHGs have their immense contribution to the development of rural economy as they are believed to be the emerging institutions for grass roots development in rural Asia.

- Such kinds of SHGs are running with two main types of their lending operations i.e. either by internal lending or by revolving fund. Bank mostly plays role of refinancing agent for socio-economic development of economically backward people.
- In respect of HDFC Bank such kind of SHGs can be a big source of potential rural developmental business.

4.4 Demographical analysis of studied area under PANOLI (W)

Table.4.9:- Average family size in sampled villages

Sr. No.	Name of the village	Avg. family members. (In nos.)
1	Panoli	6
2	Umarwada	6
3	Sanjali	5
4	Alunj	5
5	Ghodadra	5
6	Ravidra	5
7	Adadara	5

Source: Primary Survey

- The population in Panoli area is dominated by Muslim community and the average family size has been observed 6.
- Young population has been observed less in comparison to children and old age population. One of the main reasons behind this is that most of the youths of these villages are migrated to foreign countries or other big cities for their employment.
- Each family in the village has about 1-2 working persons.
- Hence the attention is needed in such a way that the introductory products and services should be introduced by keeping all such facts in the mind for any upcoming banker.

Table-4.10: Average Family income in sampled villages

Sr. No.	Name of the Village	Avg. Income of the family/year (Rs. in lakh)
1	Panoli	2.25
2	Umarwada	2.20
3	Sajali	2.5
4	Alunj	2.8
5	Ghodadra	3.5
6	Ravidra	2.75
7	Adadara	3.5

Source: Primary Survey

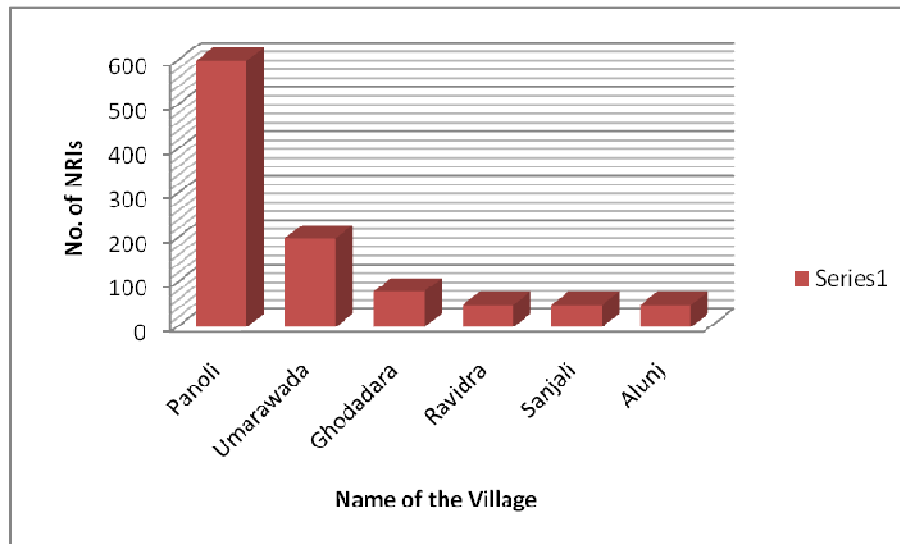
- Panoli and its nearby villages have average income per family within the range of 2-4 lakh/year which is a sign of developing economical status than many other areas in the state and country.
- Yet, most of the people are unaware of sophisticated banking system in the village; thus the vast scope for commercial banks to get penetrated in to the rural market.
- NRI remittance is another emerging option for commercial banks to get introduced themselves in the rural areas in and around Panoli.
- People in the area have general saving habit so it's a prime duty of any bank, including HDFC bank, to introduce some value added and customized products in conformity with this attribute in the area.

Table-4.11: - Scale wise sources of income in the sampled Villages

Sr. No.	Name of Villages	Agriculture (%)	Service (%)	Self employment (%)
1	Panoli	80	18	2
2	Umarwada	90	9	1
3	Sanjali	20	75	5
4	Ravidra	80	15	5
5	Ghodadra	85	12	3
6	Adadara	85	10	5
7	Alunj	75	22	3

Source: Respective Gram Panchayats.

- From the above table it can be easily seen that 75-90% of the families in the villages surveyed has Agriculture as their main source of income. As the area is agriculturally prosperous a large number of people are depended on this occupation.
- The table has also exhibited that 9-22% of the population has been engaged in various services in and around their respective villages and only 1-5% of the total population is in self employed.
- Thus, it is mandatory for any bank, including HDFC, to pay high attention to make prior concentration for the huge mass depended on agriculture and must formulate their products and strategies as per the dominant occupational level in the respective villages.



Source: Secondary data from Village Panchayat

Fig.4.5:- NRI population across the sampled villages

- Panoli and its surrounded villages are enriched in terms of their NRI population.
- Above graph has clearly exhibited the village wise NRI population with Panoli having the highest population in the sampled villages. Generally the people from these villages prefer to migrate to the countries like Canada, USA, Gulf countries and European countries.
- This additional feature can add benefits for upcoming private bank in terms of abundance business opportunity in NRI remittance facilities and FOREX services as well.

4.4.1 Description of Socio-economic and demographic features of villages studied:

4.4.1.1. Village: Panoli

Table.4.12:- Selected features of Panoli village

Parameters	Particular
Population	4800
Families	1280
Family Size	6
Numbers of NRIs	600
Average annual income per Family (Rs in lakh)	2.25
Bank Account holders (%)	100
Member of consumer co-operatives (%)	45
Average land holding capacity (in acre)	9.5
Main crops of the village	Sugarcane, Rice

Sources: Primary survey & Village Panchayat

- Panoli was the benchmark place for our study which was assigned by organization for initial survey.
- It is 10 km away from Ankleshwar and connected with Ahmedabad-Mumbai NH-8 and Railway line as well.
- The village is also surrounded by well established GIDC estate which is one of the prosperous industrial estates in Gujarat.

- Panoli village has 1280 families with the total population of 4800. The village is dominated by Muslim community and the male-female sex ratio is about 100:90.
- Some 80% of the total population is engaged in agriculture. Rest of the population is depended on Job and self-employment which account for 18% & 2%, respectively.

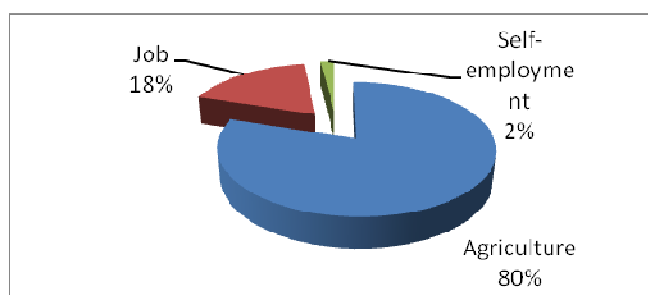


Fig.4.6:– Percentage of various occupations in Panoli

- Panoli is prosperous in terms of huge NRI population. As per the village Panchayat records, number of NRIs in the village is 600.
- There is one co-operative bank in the village which has maximum number of local accounts. Two more PSBs namely, SBI and Indian Bank are also situated at 3 km distance in GIDC estate.
- The average size of family in this village was 6 and average income of the respondent family was observed to be Rs 2.25 lakh/year.
- Most of the observed samples have their banking relation with local co-operative bank i.e. Bharuch Co-operative Bank. Other

banks wherein respondents were observed to have accounts were Bank of Baroda & SBI.

- Some 40% of the respondents had taken loan from different banks for various purposes whereas 60% had not taken any kind of loan from any bank.

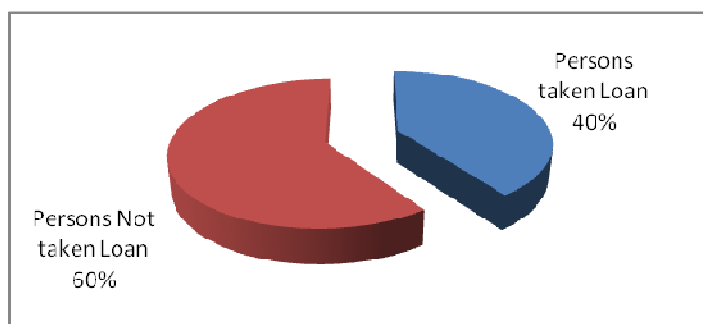


Fig.4.7:- Percentage distribution of people with and without loan in Panoli

- About 99% of respondents had saving account where as only one respondent reported current account in SBI.

4.4.1.2 Village: Umarwada

Table.4.13:- Selected features of Umarwada village

Parameters	Particular
Population	5500
Families	1500
Family Size	6
Numbers of NRIs	200
Average annual income per Family (Rs in lac)	2.2
Bank Account holders (%)	90.5
Member of consumer co-operatives (%)	19
Average land holding capacity (in acre)	15.75
Main crops of the village	Sugarcane, Rice

Source: Primary survey & Village Panchayat

- Umarwada is about 6 km away from Ankleshwar and 4 km far from Panoli with approached NH-8.
- The total population of this village is 5500 with 1500 families. The observed male-female sex ratio of this village is 100:90.
- About 90% of the total population in the village is engaged in agriculture. And in case of service and self-employment 9 & 1% respectively engaged.
- The village has its own richness in terms of good number of wealthy NRI census which has been observed 200 numbers.

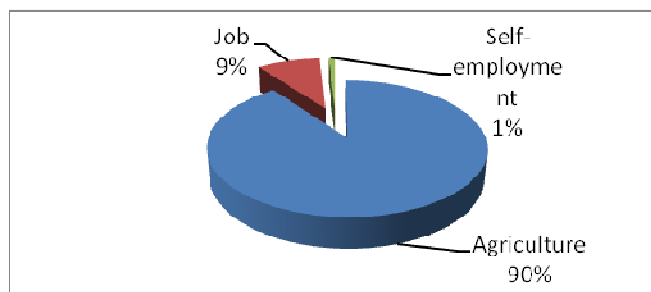


Fig.4.8:- Percentage of Various occupations in Umarwada

- Average family size in the village is 6. Most of the families have 1-2 working persons. Average income of sampled households has observed Rs 2.2 lac/family/year.
- No bank exists at present in this village so people have to go to Ankleshwar for their banking services. Most of the respondents (app. 99%) have their banking relation with Bharuch District Co-operative bank at Ankleshwar.
- About 19% of the respondents have taken loan from various banks for various purposes where as 81% have not taken any kind of loan from any banks.

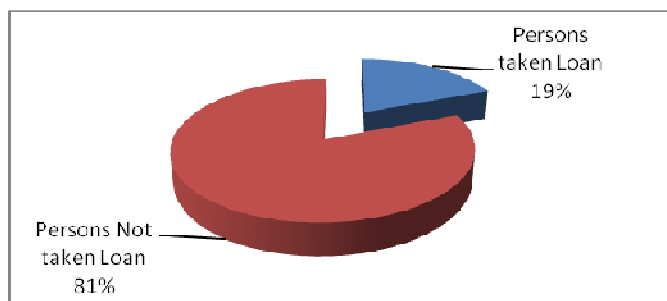


Fig.4.9:- Percentage distribution of people with and without loan in Umarwada

- 99% of all observed samples have general saving having habit rather than saving in other financial instruments where as only 1% of the respondents reported Investment habit under NRI account.

4.4.1.3 Village: Sanjali:

Table.4.14:- Selected features of Sanjali village

Parameters	Particular
Population	5000
Families	400
Family Size	5
Numbers of NRIs	50
Average annual income per Family (in lac)	2.5
Bank Account holders (%)	100
Member of consumer co-operatives (%)	19
Average land holding capacity (in acre)	5
Main crops of the village	Sugarcane

Source: Primary survey and Village Panchayat

- Sanjali is located 7 km away from Ankleshwar and 2 km from Panoli. It is surrounded by Panoli GIDC and connected with NH-8 through approach road.
- The village has about 400 households with the total population of 5000. The village is dominated by the Muslim community which constitutes 95% of the total population. The male-female sex ratio is observed to be 100:85 in the village.
- About 75% people of the village have employed with GIDC whereas population dependent on agriculture has shown a poor

figure of 20% only. Rest of the population was self-employed. The total number of the NRI in the village was noted 50.

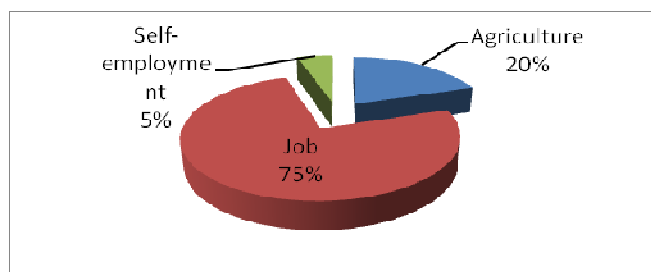


Fig.4.10:- Percentage of Various occupations in Sanjali

- The village has banking facility at just 2 km away in GIDC. There were 2 main PSBs in the observed area.
- Average family size in the sampled village is 5 with average 1 with working person from each family. Average income was reported to be Rs 2.5 lac/family/yr.
- About 90% of the respondents have never availed any kind of loan from any bank and rests of the observed families have taken loan from various banks.

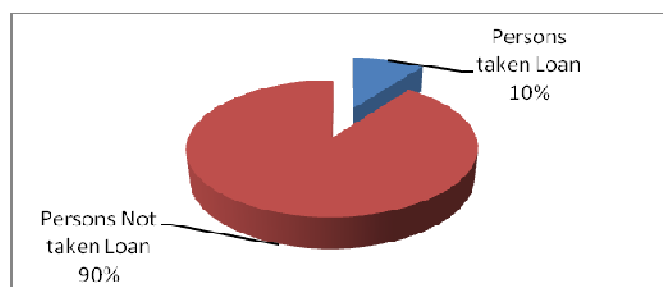


Fig.4.11:- Percentage distribution of people with and without loan in Sanjali

- Most of the respondents had their account with BDCo along with some PSBs and some private banks like HDFC, ICICI & DCB.
- The majority of the people had general saving account indicating their investment habit.

4.4.1.4 Village name: Alunj:

Table.4.15:- Selected features of Alunj village

Parameters	Particular
Population	2500
Families	500
Family Size	5
Numbers of NRIs	50
Average annual income per Family (Rs in lac)	2.8
Bank Account holders (%)	100
Member of consumer co-operatives (%)	45
Average land holding capacity (in acre)	
Main crops of the village	Sugarcane

Source: Primary Survey & Village Panchayat

- Alunj is located at 8 km away from Ankleshwar and 2 km far from Panoli which was 3 km interior from NH-8.
- The total population of Alunj was 2500 with total 500 households. The village is dominated by the Muslim community which constitutes about 80% of the total population. Male-female sex ratio was observed to be 100:90 which is the similar to the sex ratio in the area.
- About 75% of total population is depended on Agriculture. Whereas 22-23% population occupied with job and rest of the population is depended on own small-medium business.

- Majority of the respondents had their general saving account with BDCo.

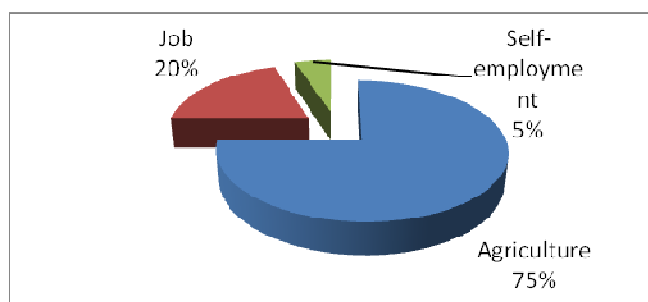


Fig.4.12:- Percentage of Various occupations in Alunj

- The village has a high number of NRI populations which is observed between 50-80.
- The most of the respondents have their bank account with BDCo.
- As per the demographic analysis in the village, average family size is 5 along with 1-2 working person from each family. Average income of the respondent families was Rs2.8lac/yr.
- The majority of the respondents had never taken any kind of loan from any bank as per our study. It indicates high scope for rural banking in this area. However this potentiality could be taped in a speedy way through strong awareness programmes.

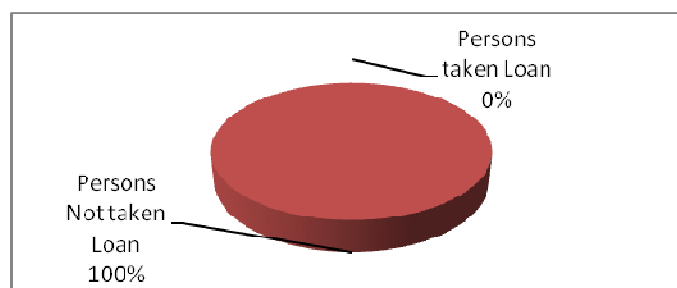


Fig.4.13:- Percentage distribution of people with and without loan in Alunj

4.4.1.5 Village: Ghodadra:

Table.4.16:- Selected features of Ghodadra village

Parameters	Particular
Population	1500
Families	225
Family Size	5
Numbers of NRIs	50
Average annual income per Family (Rs in lac)	3.5
Bank Account holders (%)	100
Member of consumer co-operatives (%)	88
Average land holding capacity	19.11
Main crops of the villages	Sugarcane, Rice

Source: Primary Survey & Village Panchayat

- Ghodadra is located 15 km away from Ankleshwar and 3 km from Panoli. The village is a bit interior from main NH-8.
- The total population of the village is 1500 with a total of 225 households. The village has 90% Muslim population along with male-female sex ratio of 100:88.
- About 85% of the total respondents are engaged in Agriculture. Remained population is occupied with job and self employment in the share of 12% & 3% respectively. The village has also recorded good number of NRI population which is between 50-70 in number.

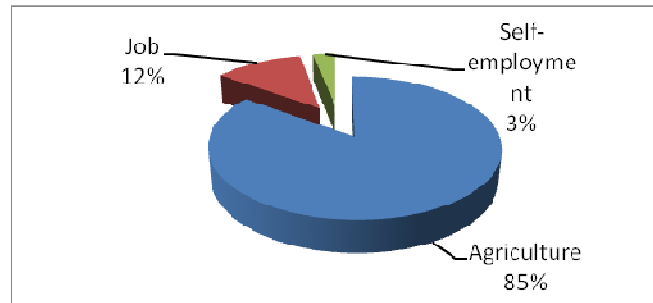


Fig.4.14:- Percentage of Various occupations in Ghodadra

- The village people go for banking service at Panoli and Kosamba.
- The average family size is 5 with on an average one working person from family.
- The average income per family had been observed Rs 3.5 lac/yr.
- Most of the people in the village have shown their banking accounts with Co-op. bank and with Bank of Baroda.
- About 22% among the total respondents have taken loans from various banks.

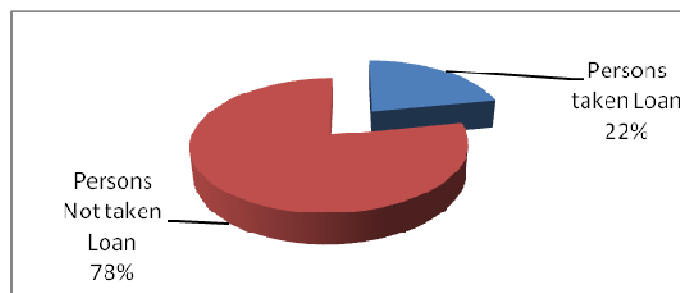


Fig.4.15:- Percentage distribution of people with and without loan in Ghodadra

4.4.1.6 Village: Ravidra:

Table.4.17:- Selected features of Ravidra village

Parameters	Particular
Population	1500
Families	200
Family Size	5
Numbers of NRIs	50
Average annual income per Family (Rs in lac)	2.7
Bank Account holders (%)	100
Member of consumer co-operatives(%)	77
Average land holding capacity	13.92
Main crops of the villages	Sugarcane, Rice

Source: Primary survey & Village Panchayat

- Ravidra is located 11 km from Ankleshwar and 2 km far from Panoli, the village is also a bit interior from main NH-8.
- The total population of the village is 1500 along with a total number of 200 households. The village is dominated by Muslim community with male-female sex ratio of 100:90.
- The 80% of the respondents have been engaged in Agriculture. Rests of the persons have been engaged in jobs and their own business.
- The village has large number of NRI population. As per available information about 50 persons from a village are settled in abroad.

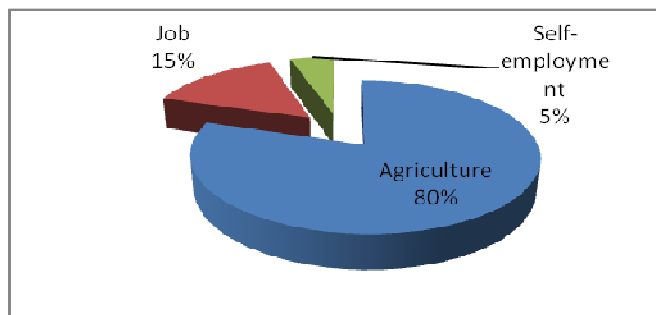


Fig.4.16:- Percentage of Various occupations in Ravidra

- There is no banking facility available in the village so the people have to go to Panoli or Ankleshwar for banking service.
- As per our observation the average family size in the village is 5 with average 1 working person from each family. The average income has been recorded at Rs 2.7lac/family/yr.
- The majority of the respondents have their banking account at BDCo in Panoli. The respondents were reluctant to answer the question relating to the loans taken from any bank. But it seems that about 5% of the people might taken loans.

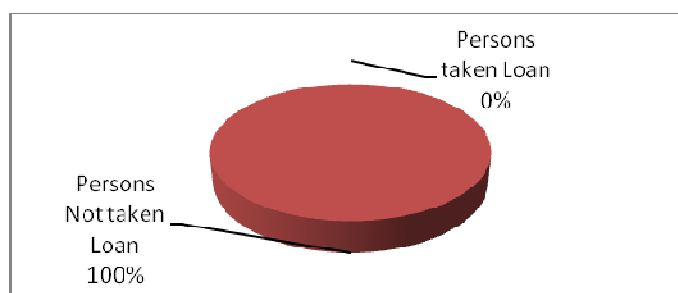


Fig.4.17:- Percentage distribution of people with and without loan in Ravidra

- They only have their general saving account in various banks for investment purpose.

4.4.1.7 Village name: Adadara:

Table.4.18:- Selected features of Adadara village

Parameters	Particular
Population	1500
Families	300
Family Size	5
Numbers of NRIs	-
Average annual income per Family (Rs in lac)	3.5
Bank Account holders (%)	100
Member of consumer co-operatives (%)	0
Average land holding capacity (in acre)	20.2
Main crops of the village	Sugarcane, Rice

Source: Primary Survey & Village Panchayat

- Adadara is about 15 km away from Ankleshwar and 5 km away from Panoli the village is away from NH-8
- The total population of the village is 1500 with the male-female sex ratio 100:85. The village is dominated by Hindu community which contains about 90%.
- The main occupation of the village people has been observed Agriculture which account for 85%, whereas 10% of the people have jobs and rest engaged in various own businesses.

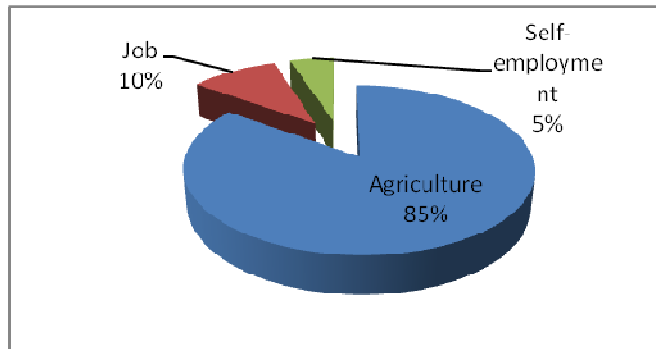


Fig.4.18:– Percentage of Various occupations in Adadara

- The village doesn't have NRIs at all.
- Village people go for banking services at nearby village in Bank of Baroda.
- As per the observation, the average family size is 5.
- Average income per family has been observed Rs 3.5lac/family/yr.
- It was interesting to know that most of the respondents were reluctant to take loan from any bank. Only 20% of the population has taken loan from banks.

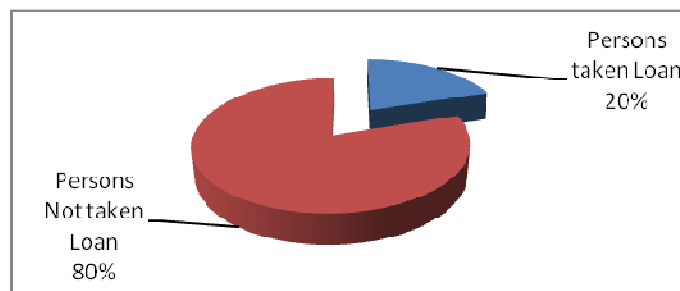


Fig.4.19:- Percentage distribution of people with and without loan in Adadara

4.5 Agriculture Profile of the sampled villages:

Table.4.19:- Village wise major cultivated crops

Sr. No.	Name of the Village	Main Crop	Sec. Crop
1	Panoli	Sugarcane	Rice
4	Umarwada	Sugarcane	Rice
3	Sanjali	Sugarcane	-
4	Adadara	Sugarcane	Rice
5	Ravidra	Sugarcane	Rice
6	Alunj	Sugarcane	-
7	Ghodadra	Sugarcane	Rice

Source: Primary Survey

- Since the area is endowed with well established irrigated system, most of the farmers in the villages surveyed had sugarcane production as their main crop.
- Other reason of the sugarcane as a primary crop is, there are several well established sugarcane co-operatives in and around these villages.
- Rice is another main crop, found in this area as the irrigated water facility is sufficient in this village.
- The area has also revealed large numbers of consumer co-operatives around the sampled villages, which provide all essential Agri. based inputs to all farmers.
- On the whole it can be said that good to rich irrigation facility these area has above average agriculture profile which may be one of the reason for prosperity of farmers in this area.

Table.4.20:- Average land holding by farmers in sampled village

Sr. no.	Name of the village	Avg. land holding by farmers (in acre)*
1	Panoli	9.5
2	Umarwada	15.75
3	Sanjali	5
4	Adadara	20.2
5	Ravidra	13.92
6	Alunj	11.72
7	Ghodadra	19.11

Source: Primary Survey

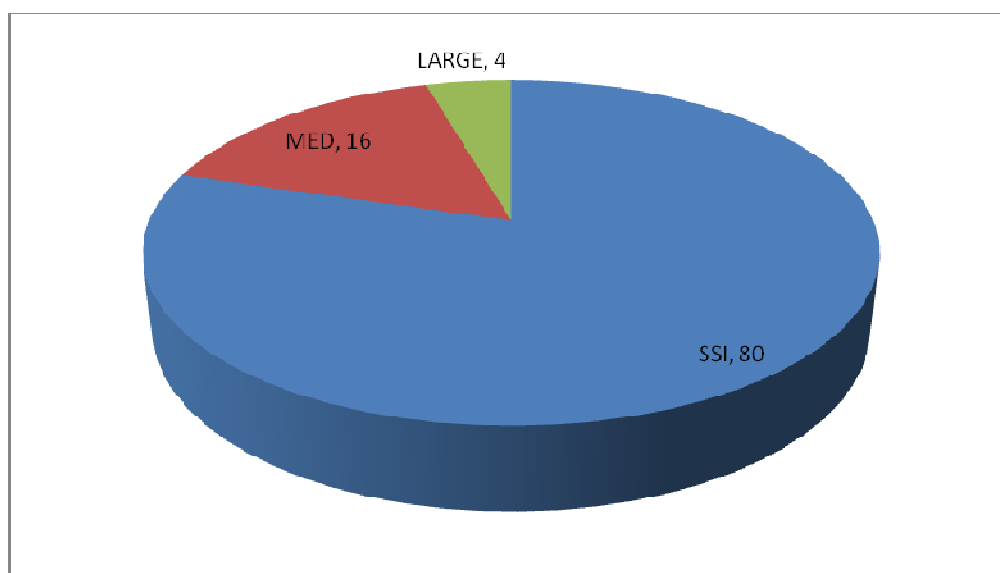
- Between 80-90% of the total population in the sampled villages engaged with Agriculture hence it's logical to consider all agricultural related products for the respective area for any bankers before initiating any banking venture in to the rural areas.
- To target the farmers and agriculture related professionals will add the additional benefit for any bank which needs a faster penetration in to the rural areas.
- The avg. land holding of the sampled villages mentioned above in the table varies from 5 acre to more than 20.2 acres. This indicates wide variation in average requirement of credit for Agriculture operations across the sampled villages.
- The banking products need to be developed to cater the need of all types of farmers.

4.6 Industrial status around Panoli:

Table.4.21:- Scale wise number of firms associated with Panoli
Industrial Association:

Size of Companies	No. of Companies.
SSI	177
Medium Scale	35
Large scale	10

Source: Panoli Industrial Association (PIA)



Source: Panoli Industrial Association (PIA)

Fig.4.20:- Distribution of percentage wise industrial distribution

Table.4.22:- Types & numbers of various industries

Types of Industries	No. of Industries	Percentage
Chemical	127	57
Agro. Chemical	12	5
Manufacturing	11	5
Textiles	38	17
Rubber & Plastic	4	2
Packaging	8	4
Ice factory	5	2
Transportation	5	2
Gas	2	1
Metal	1	1
Pharmaceutical	9	4
Total	222	100

*Figures in parentheses indicate percentage.

Source: Panoli Industrial Association (PIA)

- About 222 no. of various firms of different types around Panoli. The estate is connected with NH-8 and Ahmadabad-Mumbai Railway line. It is in the close proximity of one of the biggest industrial hub in India, Ankleshwar.
- At present, Panoli GIDC has industries of all sizes i.e. Small, Medium and large scale. As per the secondary data analysis such industries i.e. Small, Medium and large scale accounted 80%, 60% and 4% respectively.
- The Chemical manufacturing industries accounts for 57% textile and agro.chem. Industries accounts for 17% and 5% contribution respectively.

4.7 Other Observations:

4.7.1 Por & Rajpipala

As suggested by the organization two additional villages namely Por & Rajpipala were also studied to understand the situation difference from the main sampled villages. The profiles of these two villages are discussed below:

Table.4.23:- Secondary data resources about Por

Name of the village:	Por
Taluka & District:	Vadodara
Population:	6000 numbers
Numbers of family	1200
Percentage of families dependent on Agriculture:	60%
Percentage of job occupied people:	40%
Numbers of NRI population;	2-3 no.
Numbers of existing banks in a village;	3 no
Numbers of various industries:	300

Source: Village Panchayat

- Por is situated 15 km away from Vadodara and 12 km far from Karjan. It is located on one of the busiest highway in a country NH-8.
- The total population of Por is registered 6000 with a total of 1200 households. The observed sex ratio of the village has been reported 100:88. About 90% of the total population belongs to Hindu community.

- About 60% of the total population is depended on Agriculture in the village.
- The GIDC estate, which is in the proximity, provides employment to about 30% population of the village.
- About 10% of the total population has their own small or marginal businesses.
- The village has shown poor figure in terms of NRI population. Only 2-3 persons from the village have settled abroad.
- There are four banks namely SBI, BoB, HDFC bank and one local co-operative bank.
- Por has 300 registered small scale industries (SSI) in and around the village it can be considered an emerging business potential factor for HDFC bank.
- KARJAN, nearby taluka place is also another commercial town from business point of view for HDFC bank as this town has quit substantial numbers of NRI.
- Por, HDFC branch can also fetch some business from nearby villages as these villages are enriched in agriculture profile as well as NRI population.

4.7.2 Rajpipala:

Table.4.24:- Secondary data resources about Rajpipala

Name of the city:	Rajpipla
Taluka & District:	Rajpipla
Population:	1 lac
Numbers of family	30, 000
Percentage of families dependent on Agriculture:	App. 50%
Percentage of job occupied people:	App. 25%
Percentage of self-employed people:	App. 25%
Numbers of NRI population;	NA
Numbers of existing banks in a city;	12 numbers.
Numbers of various industries:	NA

Source: Taluka & District Panchayat

- Rajpipla is a district place located 60 km away from Ankleshwar and connected with state highway. This district includes 4 talukas and more than 300 villages.
- The registered population of this town is app. 1 lakh with about 30,000 families.
- Approximately 50% of the total population is involved in Agriculture where as 25% of the population has been occupied with various jobs and rest of the people are engaged in their own businesses.

- The area is endowed with good geographic location and good irrigation and water facility which are the major factors of enriched agriculture profile of this area.
- The surrounding area is a bit poor in terms of industrial establishment as most of the geographical area is hilly and forest surrounded area.
- The village is also revealed poor census in terms of NRI population belongs to tribal people.
- There are total 12 banks, which consents of PSBs, Private and Co-operative banks in this city.
- Bank can expand its business through extending some by focusing attention on rural population and some of the small entrepreneurs in the nearby areas.

4.7.3 Other issues studied:

4.7.3.1 Lobby Management

The organization, in the later stage of the study gave an assignment on Lobby Management and asked to make some observation about its significance in the study are against this backdrops. Some of the observations are discussed below.

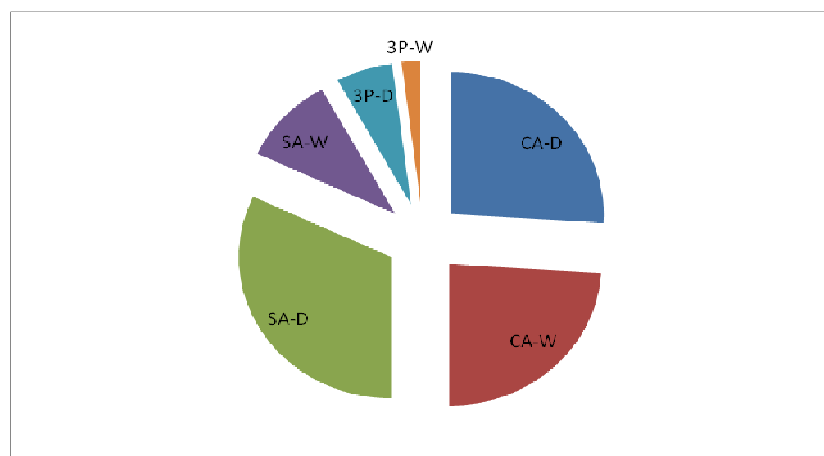


Fig.4.21:- Percentage of various activities done by the customers

CA-D: 26%,	SA-D: 32%	3P-D: 6%
CA-W: 24%	SA-W: 10%	3P-W: 2%

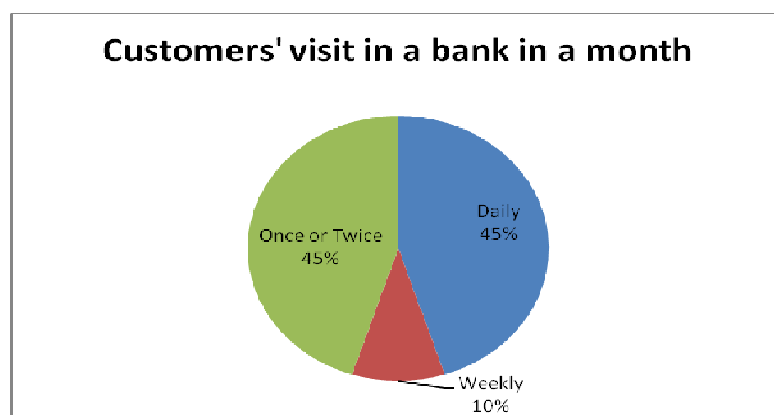


Fig.4.22:- Percentage wise transactions by various customers in AKV branch

- Majority of the customers visit a bank either to deposit the cash or cheque or to withdraw money or cheque with their CASA.
- About 66% of the customers visited the bank with the depository purpose. Whereas rest of the customers visited withdrawal of money from the bank.
- Out total visitor customers, 45% had regular daily basis transaction with the bank, 10% weekly and rest 45% once, twice or thrice in a month.
- Most of the customers didn't know the proper use of ATM card that's why they often visited the branch for minor purpose.
- Customers were not aware about depository system through ATM machine so proper guidelines in that direction is mandatory to curb the crowd in a bank.
- Majority of customers were demanding one more teller counter to curb the overcrowded situation.

4.7.3.2 Contract Farming around Panoli village:

Panoli and its surrounding places are blessed with prosperous agriculture which is mainly due to adequate irrigation system. The area has significant potential in Sugarcane production. Farmers around Panoli have shown their immense interest in contract farming prevailing in this area.

Mainly 3 dominant Sugarcane co-operative societies are existing around Panoli with which farmers are associated. These are:

- 1) Pandwai sugarcane co-op. Society
- 2) Vatariya sugarcane co-op. Society
- 3) Narmada sugarcane co-op. Society

These societies are not only the permanent customer for these farmers but also provider of financial as well as other agricultural input help to the member farmers. For membership of these co-operatives, it's mandatory for a farmer to have at least one share of respective co-ops. In other words only shareholder farmers are the supplier for these co-ops.

These co-ops. provide financial help @ 11% per annum to their shareholding farmers. They also provide help of fertilizer as an input @ 11% to the share holding farmers. The revenue to the farmers is decided by the respective co-ops authority at the end of the year on the basis of the selling price of the sugar in to the market. Hence we can say that the rate of sugarcane for farmers is uncertain and fluctuative in nature.

Benefits of Contract Farming:

- Farmers are fearless in terms of the selling of their readymade crop. In other words they have their permanent customer at their doorstep.
- Poor farmers get financial assistance from these societies which is the inspirational step being taken by these societies to enhance and initiate sugarcane farming in this area.
- Price to the farmers is assured and determined by these co-ops.
- Co-ops. are very much assured in terms of quality supply of the sugarcane year by year due to this reason, they can easily forecast their demand and supply as well as future expansion initiatives.
- Hence the contract farming provides win-win situation for both farmers' as well the co-operative societies.
- Also, Co-operative structure gets stronger in and around the state and in country as well.

4.8 SWOT analysis of HDFC Bank

4.8.1. STRENGTHS

- HDFC is the strongest and most venerable player on Indian mortgages over the long term. The management of the bank is termed to be one of the best in the country.
- HDFC has differentiated itself from its peers with its diversified network and revamped distribution strategy.
- HDFC has been highly proactive in passing on the cost and benefit to customers.
- High degree of customer satisfaction due to wide range of customized product at single door.
- Lower response time with efficient and world class effective service.
- Dedicated workforce aiming at making a long-term career in the field.
- Better quality of assets worth Rs. US\$ 39.723 billion (2009), lowest NPA < 1 per cent.
- Profitability is observed in higher stage.

4.8.2. WEAKNESSES

- Channelization and networking of bank is observed in poor stage in rural and interior areas.
- Service cost is much higher than other PSBs & Co-operative bank.
- Significant sectors like micro-finance and rural-agri. credit facility are still untouched.

4.8.3. OPPURTUNITIES

- Fast growing insurance business in the country but agri. insurance facility is still uncovered.
- Untapped rural and agricultural market.
- Could extend to overseas broadly
- Fast-track career development opportunities on an industry-wide basis.
- An applied research centre to create opportunities for developing techniques to provide added-value services.
- HDFC Bank anticipates major cost savings whilst maintaining high levels of customer service.
- NRI banking services in rural area is not conducted effectively and aggressively by PSBs & Co-operative banks so the significant and potential business ground is totally opened to generate forex business.

4.8.4. THREATS

- Risk of fraud and NPA accretion due increasing in interest rates and fall in property prices is inherent to the mortgage business.
- Lack of infrastructure in rural areas could constrain investment.
- Very high and stiff competition prevailing in the industry.
- Extension in overseas holds a lot of risk!
- Threat from credit collections dept., if recovery process noticed in poor stage, it may directly harm to controlled NPA.
- Other competitors are entering in market with versatile and customized products which may harm to market share of bank.

V. SUMMARY & CONCLUSIONS

5.1 Summary

This project entitled “Rural Banking in Gujarat” was taken up in the randomly selected seven villages with in the close proximity of western part of Panoli village in Bharuch district. The basic objective of the study was to explore the potential of rural banking in the study area.

The rural sector continues to play an important role in terms of contribution to GDP and employment generation in India. Development, however, has been sluggish in these areas, in spite of new opportunities coming up in the post-liberalization era. Rural banking with high scope in terms of coverage and contemporary needs of diversified and customized products to meet the dynamic requirements of the people can go a long way in enhancing the socio-economic well being of the people in the study area.

5.1.1 Major Findings:

- Panoli West and villages in its close proximity are enriched in terms of their NRI population. Generally the people from these villages prefer to migrate in countries like Canada, USA, Gulf countries and European countries. Number of NRIs in the study area ranged between 50 to 600 in the villages studied.
- The co-operative banks have a strong network in the study area as they account for about 90 percent of the total bank accounts. However, inspite of their strong hold the co-operative banks have not been able to address the growing needs of innovative products&

services like ATM, NRI services, FOREX services. PSBs and Private Banks account for eight percent and two percent respectively. Majority of the people in the area were reluctant to take loans from banks. Maximum 40% of the population in a sampled village was observed to have taken loans from some banks while in some villages this figure was as low as zero. One of the reasons of taking less loans seems to be the belief of the Muslim community of not getting involved in interest bearing loans.

- Majority of the people around Panoli (W) belong to the Muslim community which constitute minimum of 60 % to as high as 90% across the villages. Population across the sampled villages also varied significantly with a minimum of 1500 to as high as 5500. Average family size was about six and the male-female sex ration was 100:90 in the area.
- Average income per family per year was observed between 2-4 lakhs which is relatively better than many other areas in the state. This could be attributed, to some stand, to the large number of NRIs, well irrigated good quality land and close proximity to the industrial hub.
- Agriculture is the main source of income of about 74% of the population followed by service (23%) and self employment.
- The area is well endowed with well established irrigated system leading farmers to grow high water intensive crops including sugarcane as the most important crop followed by paddy. The average land holding size in the area ranged between 5 to 20 acres.

- One of the salient features of the study area is that it has a large number of industries (about 222). The Small, Medium and large scale industries account for 80%, 16% and 4% respectively. It is worth mentioning that chemical industries constitute as high as 57% followed textiles (17%).

5.2 Conclusion

- Income level of the people is relatively better than many other areas and they need good banking services. However these services are not provided by the existing banking systems particularly by co-operative banks which have their strong hold in the area. Further, the co-operative banks are quite devoid of innovative products like ATM, NRI services, FOREX etc. This is inspite of the fact that the area has a vast population of NRIs who are readily available to pay for the quality services at their door step. In view of this all there seems to be the vast scope for HDFC Bank to expand its business in the rural area surveyed.
- The area being well endowed with well established irrigation facilities provides the strong grounds for growing high value added crops including the major existing crops of sugarcane and rice. However, due to lack of quality services of existing banking system which is mainly the results of poor competition between the prevailing banking institutions, farmers hardly think of diversifying their existing cropping pattern. Further, for diversification in favor of high value added crops, *inter alia*, timely and hasel free credit is *sin qua none*. Expansion of banking services to meet the timely needs of the farmers in the area can go a long way in creating the win-win situation for the farmers and the credit institutions, particularly HDFC Bank.
- The area is pre-dominated by small scale industries which account for as high as 80%. Interestingly, most of the people employed in these industries belong to the rural areas. Expansion of the banking network by HDFC Bank with particular attention on the banking

products & services centric to the rural masses and this segment of industry can help the HDFC Bank to make the rural people associated with it in long run. To reap the benefit of growing rural market in all areas including banking it could be a step forward in the right direction.

5.3 Suggestions & Remedies

- As the HDFC bank is upcoming bank for rural sector, it has to acclimatize itself in rural market as to get quick drift in the new market environment.
- The bank has to select the local marketing path to facilitate the rural people. In other words it has to adopt some local marketing tactics to attract the rural people rather than any advanced promotional activity. E.g. Mouth to mouth marketing technique is the most occupied marketing tool used in Indian rural system.
- HDFC bank should introduce products by keeping in view the local rural environment of business. In other words the urban products may face big failure in a congested and rigid rural system. Hereby the customization of product as per rural condition is a primary suggestion for HDFC bank.
- The liasioning person for rural area from HDFC bank should be from local rural environment, if possible. It will help the bank to generate trust in rigid rural mind which will finally result in batter market penetration in rural society.
- The products which are offered by the bank should be customized by keeping in mind all demographic and occupational factors concerning rural environment. E.g. Panoli and nearby villages are dominated by Muslim community so people may not be interested much in any banking product which in linked with interest rate.
- Huge population of NRI from the Muslim families nearby Panoli has been observed, hence some the value added products

concerning such kind of people must be introduced by bank in the area.

- About 74% of the population has Agriculture as their prime occupation so some of the Agriculture technology based and crop concerning products should be formed to be trustworthy in the rural system.
- Several local trust and consumer co-operatives have old age existence in observed villages so some of the perks should be offered to such kind of valuable entities.
- Introductory price of any product in rural area must be in conformity with socio-economic condition of rural people. For example, there is need for Rs. 5000 to open an account with HDFC Bank in semi-urban area, this may not attract rural people and there is a need to reduce this amount.

5.4 Scope & Limitation of the project

5.4.1 Scopes

- Rural market, in emerging India, has a lot of business scope as it has yet not been explored.
- Some 65-70% of the total population in India lives in rural area with majority of them having Agriculture primary occupation so huge mass of population is still far away from the banking facility.
- As per RBI census on current banking status, at present in India on an average one branch of bank per 6 villages exists. It indicates tremendous scope of banking sector in India.
- As per our observation nearby Panoli, the majority of the population was not aware of general banking services hence more sophisticated banking system is a dream for such population, thus this can be used as an opportunity for the private sector banks.
- Credit is an essential input for agriculture sector. About 65% of the directly or indirectly agriculture indicating vast scope for banking system in rural India.
- At present banking service is not limited up to deposit, withdrawal and loan but innovative and value added products also have substantial effects on rural market.
- There is high scope for microfinance and credit linked SHG system.

5.4.2 Limitations:

- Sample size, itself, is limitation for conducting any study. This study is not an exception for that.
- The study area is dominated by Muslim community. This community does not believe in any interest bearing financial activities. Thus, the findings may not be generalized for the area not dominated by the Muslims.
- NPA level, in general, is higher in rural areas as compared to with urban area. This puts some developed banks in hesitation to enter in the rural market.
- HDFC Bank officials had limited knowledge about conducting such rural area based studies.

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Annexure-1: Questionnaire:

Name of the village: _____

1) Name of the respondent: _____

2) Contact detail:

Address:

_____ (M): _____

_____ (R): _____

3) Total no of family members: _____

4) Total no. of working persons in a family:

a) One b) Two c) Three d) More than three.

5) Individual's Occupation:

I. Farmer:

- Own land or Working? _____
- Type and size of arable land: _____
- Types of crops: _____
- Various technology adopted in Agri.
 - a) Tractors b) Pump set
 - c) Irrigation Equipment d) Others: _____
- Annual Income: _____

II. Service holder:

- Type of Job: _____
- Full time /part time? _____
- Annual Income: _____

III. Self employed:

a) Shop b) Cottage industry

c) Others: _____

- Annual Income: _____

IV. Others:

- Specify it: _____

6) Whether working persons of a family is in the same village or area? (Y/N)

7) At present any of the family members is in foreign country?

- In which Country? _____
- Their occupation? _____

8) Whether any of the family members is connected with any Trust or local *Mandis*? (Y/N)

➤ Specify it: _____

9) At present with which bank or financial institute have they connected?

State Bank of India	Bank of Baroda
Dena bank	Corporation Bank
Union Bank of India	Bank of India
Indian Bank	Punjab National Bank
Allahabad Bank	Canara Bank
IDBI	HDFC Bank
ICICI Bank	Axis Bank

Co-operative bank: _____

10) Have they ever needed any kind of loan facility? (Y/N)

11) From which bank? _____

12) Have they any kind of investment habits? (Y/N)

a) General Saving. b) Mutual Fund. c) Fixed Deposit.

d) Insurance. e) Others. Specify It: _____

(<50,000, 50,000-2,00,000, 2,00,000-5,00,000, >5,00,000)

13) Do you satisfy with your bank? (Y/N)

14) What is the advance and further requirement you have from your bank?

➤ Comments/ Remarks/ Observations:

(Data will be purely used for academic purpose only)

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Annexure-8: Name of Village: Panoli

Name of respondent	Contact No.	No. of family member s;	No. of Working people	Occupation			Annual Income	No. of NRI in family	Member ship In Co-operativ e	A/C in bank	Loan?	Saving habit
				Agri.	Job	Self Empl oyed						
Saiyadbhai Hatiya	9998093304	10	1	Y			1 lac	1	Y	BDC	N	GS
Bilalbhai Bhatiya	9925738237	6	2	Y	Y		2.5 lac	1	Y	BDC	N	GS
Ibrahim Hatiya	9998604341	6	1	Y			0.5 lac	-	N	BDC	N	GS
Ahemad Mohd. Jakda	9427816899	5	1	Y			1.5 lac	-	Y	BDC	Y	GS
Ismailbhai	2646274069	5	1	Y			3 lac	-	Y	BDC	N	GS
Ayubbhai	2646274140	7	3	Y	Y		2.5 lac	2	N	BDC	Y	GS
Yusufbhai Bhatiya	9898386194	4	2	Y		Y	1.6 lac	-	N	BDC	N	GS
Imtiyazbhai Bholat	9898776704	3	1	Y			1.5 lac	-	N	BDC	N	GS
Ibrahim Yakub bhatita	9998803572	10	4	Y	Y		1.6 lac	3	N	BoB, BDC	N	GS
Ilyasbhai Diwan	2646274280	8	2	Y	Y	Y	1.9 lac	1	Y	BDC	Y	GS
Sohailbhai Patel	2646274480	5	1	Y		Y	4.0 lac	2	Y	SBI	N	CA
Iqbal Ahmed Mulla	9427187970	7	2	Y	Y		2.5 lac	1	Y	BDC	Y	GS
Hasim Hakhi	2646274008	6	1	Y			2.0 lac	-	Y	BDC	Y	GS
Abdulla Gangat	9879064717	7	2	Y			3.0 lac	1	Y	BDC	Y	GS
Ismail Yusuf Badil	9428106086	6	2	Y			3.5 lac	1	Y	BoB, BDC	Y	GS
Ayubbhai Patel	2646274324	5	1	Y			2.0 lac	-	Y	BDC	N	GS
Sirajbhai Hakkari	9879254045	6	2	Y			3.0 lac	1	Y	BDC	Y	GS
Sabbir Yusuf Haki	9426882132	5	2	Y			2.0 lac	1	Y	BDC	N	GS
Soaib Musa Dudhat	9825688472	6	2	Y			2.0 lac	1	Y	BDC	Y	GS
Ismail Kasam	NA	6	1	Y			1.5 lac	-	Y	BDC	N	GS
Munaf Jogiyat	NA	5	1	Y			1.5 lac	-	N	BDC	N	GS
Nazibbhai	NA	8	1	Y			2.5 lac		N	BDC	N	GS