INTRODUCTION

India is basically an agricultural country and the study of rural development has attracted attention of the economist, planners and the social scientists in India. Agricultural development is important because it provides economic sustenance and builds up a strong industrial base. Regional Rural Banks (RRBs) which appeared on the banking map of the country in 1975 have now become the main plank of the organized rural credit structure. The banks are state-sponsored, regionally based and rural oriented, functioning specifically to meet the credit needs of the weaker section of rural population including small and marginal farmers and landless labourers.

RRBs in India are the major investors in different types of operations in the rural areas. The concept of rural banking in India dates back to the time when the banking sector was set up in India. RRBs in India are spread all across the country and have been playing an important part in the development and growth of rural business and economy.

Banking policy.

Banking is the backbone of modern economy. No business, trade or commerce can be conducted on large-scale without an efficient banking system. Before the nationalization of banks in July 1969, the commercial bank of India had an urban and selective group outlook, responding mostly to the credit requirements of a few big industrialists and affluent businessmen. The new banking policy aims at ruralisation of banks. As a result there has been a phenomenal growth of bank branches. There has also been an astronomical rise in the number of employees. Further an ordinance called the rural ordinance promulgated by the president on September 26, 1975, gave a momentum to the task of ruralising banks. As a consequence, the banking services are now available to the masses at their door-step, and the banking industry has entered the hinterlands and economically backward areas.

Fourteen major commercial banks were nationalized in July 1969. It was a new feather in the cap of the banking industry. The industry got a further impetus with the nationalization of six more banks in 1980. The profit motive has been replaced by welfare motive. Before nationalization, banks were financing large and medium scale industries while the priority sectors namely agriculture, small-scale industries and exports was being neglected.
Farmers in India have had to face a number of problems, one of them being great difficulty in getting credit because of the peculiar nature of agricultural credit. The agriculturalists (borrowers) want credit at relatively low rates of interest to cover the risk of uncertainty. Therefore, one of the important objectives of the nationalization of 14 major commercial banks in India, among others, was to make a provision of adequate credit for agriculture and the agricultural sector was included in the category of priority sectors. The DRI (Different Rate of Interest) scheme was introduced in 1972 by the public sector banks for the upliftment of weaker sections of society. Under this scheme, banks are required to lend up to 1% of their lending at a rate of 4% interest to specially disadvantaged classes. Landless laborers, small land-owners, rural artisans and members of scheduled castes and scheduled tribes are to benefit under this scheme.

However, nationalization by itself cannot be a panacea for all the problems afflicting the banking system in the country. Much depends upon how these institutions are run and managed. If our nationalized banks are able to render more prompt and efficient service to masses, they would be able to make significant contribution to the country’s economic development. All-India Regional Rural Bank Employees Association (AIRRBEA) general secretary Dilsipkumar Mukherjee has asked employees or rural banks to work sincerely towards upliftment of weaker sections. The uplift of weaker sections was the slogan raised by the organization in its inception itself, he recalled. He urged the bank employees to take upon the responsibility of protecting society, armed with an understanding that only the working class is the energy and spirit of society.

**Evaluation of RRBs**

According to RBI, therefore, “The RRBs have fared well in achieving the objective of providing access to the weaker sections of the society to institutional credit but the recovery position on the whole is not satisfactory.

Recommendations of the committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) Reg. RRBs In its comprehensive review of the institutional set-up for Agriculture and rural development, the CRAFICARD found (in its final report submitted in March, 1981) the RRBs especially suitable for rural development and therefore, recommended that the RRBs should continue to
confine their operations to the weaker sections and the preference should be given to RRBs in regard to the licensing of branches in rural areas.

With the establishment of the NABARD in July 1982, the control, etc. of RRBs has already been passed on to this newly-set up apex institution (i.e., NABARD). The sixth plan (1980-1985) proposes to take the number of RRBs from the base-year of 65 to 170 and to cover by them 270 out of the country’s total number of 405 districts by the end of the plan period; i.e., by end of March end 1985’.

**Rural Banking- Indian Scenario**

Regional Rural Banks are working under State Bank of India which is known as RRBs. The rural banks of SBI are spread in 13 states extending from Kashmir to Karnataka and Himachal Pradesh to North East. The total number of SBIs Regional Rural Banks in India branches is 2349(16 percent). Till date in rural banking in India, there are 14,475 rural banks in the country of which 2126(91percent) are located in remote rural areas. Apart from SBI, some other banks are also working for the development of rural areas in India.

National Bank for Agriculture and Rural Development (NABARD) is a development bank in the sector of Regional Rural Banks in India. It provides and regulates credit and gives service for the promotion and development of rural sectors mainly agriculture, small scale industries, cottage and village industries, handicrafts. It also finances rural crafts and other allied rural economic activities to promote integrated rural development. It helps in securing rural prosperity and its connected matters. Sindhanur Urban Souharda Co-operative Bank, popularly known as SUCO BANK is the first of its kind in rural banks of India.
REVIEWS OF LITERATURE:

Avasthi & Sharma (2000) have said in their study that advances in technology are set to change the face of the banking business. Technology has transformed the delivery channels by banks in retail banking. It has also impacted the markets of banks. The study also explored the challenges that banking industry and its regulators face.

B. Janki (2002) analyzed that how technology is affecting the employee's productivity. There is no doubt, in India particularly public sector banks will need to use technology to improve operating efficiency and customer services. The focus on technology will increase like never before to add value to customer services, develop new products, strengthen risk management etc. the study concluded that technology is the only tool to achieve their goals.

Bhasiri (2001) analyzed the impact of IT on banking sector. It has transformed the repetitive and overlapping systems and procedures, into simple single key pressing technology resulting in speed, accuracy and efficiency of conducting business and enabling them to enter into the new activities. The banking industry has itself prepared and is strongly emerging to play a major supplementary role in nurturing e-commerce applications, which is still in the infancy stage in India. While few of the new generation private banks have taken an early initiative in these innovative areas, other banks are gradually catching up. The author feels that utmost importance that proper security infrastructure should be in place for routing seemed transactions through the public network.

Kaveri (2001) tried to extend the study conducted by the Verma Committee more specifically to ascertain whether enough signals of weakness were indicated much before the event. The present study considers 1998-99 as the year of event when the Verma Committee identified weak banks, strong banks and potential weak banks. This study considers nine efficiency parameters, which are computed, based on the data collected from the Reserve Bank of India publications. That focused on two major concerns of banks i.e. loan default and profitability whereas the Verma Committee covered all aspects of financial health. This article has given some evidence to indicate that no bank can weak or potential weak all of a
sudden. There is a gradual deterioration in the position of loan default & profitability. Hence it is suggested to develop a ratio model to arrive at a single score to classify banks into three categories i.e. weak, strong and potential weak.

Rao (2002) analyzed the impact of new technology on banking sector. The technology is changing the way the business is done and opened new vistas for doing the same work differently in most cost-effective manner. Tele-banking and internet-banking are making forays such that branch banking may give to home banking. He provided some policies to protect their profitability.

Shveeta and Satish Verma (2002) analyzed the inter-temporal profitability behavior of SBI group, other nationalized and foreign banks in India. They empirically estimated factors influencing the profitability of banks. They concluded that priority sector advances (in case of public sector banks) and spread and burden (for all categories of banks) were the major and significant factors that influence the profitability of banks.

Swamy, B.N. Anantha (2001) made comparative analysis of performance of specific bank groups during 1996-2000 and concluded that the share in assets of scheduled commercial banks was declining in public sector banks and foreign banks while increasing in old private sector banks and new private sector banks. Among the factors influencing their relative share, profitability and spread were continuously declining whereas costs were increasing although non-performing assets of public sector banks have declined while increased in all other bank groups. Overall performance of banks is not sound in some selected parameters of performance.

Vageesh (2000) highly appreciated the new private sector banks which have adopted IT. The new private sector banks with their state-of-the-art technology and grandiose plans to make inroads into e-banking are now darlings of the stock markets. Banks like HDFC and ICICI are foraying into net banking offering great convenience to the customers on one hand and results in lower transaction cost for the banks on the other hand.

Ballabh, J (2001) analyzed challenges in the post- banking sector reforms. With globalization and changes in technology financial markets, world over, have become closely
integrated. For the survival of the banks they should adopt new policies/strategies according to the changing environment.

Kaveri, V.S. (2001) studied the non-performance assets of the various banks and suggested various strategies to reduce the extent of NPAs. In view of the steep rise in fresh NPA advances, credit should be strengthening. RBI should use some new policies/Strategies to prevent NPAs.

Singh, R (2003) analyzed profitability management of banks under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer non-interest income sources.

Vashist, A.K. (2004) studied recent global developments, which has transformed the environment in which commercial banks operate. Globalization has expanded economic interdependence and interaction of countries greatly. Under the regime of globalized environment, the financial performance of the commercial banks has changed and the commercial banks will face new challenges and also new opportunities in the coming years.

Wahab, A (2001) has analyzed the performance of the commercial banks under reforms. He also highlighted the major issues need to be considered for further improvement. He concluded that reforms have produced favorable effects on performance of commercial banks in general but still there are some distortions like low priority sector advances, low profitability etc., that needs to be reformed again.

Review of literature on technical efficiency:

Das (2002) tried to explore the interrelationships among capital, non-performing loans and productivity in Indian public sector banks (PSBs) for the period 1995-96 through 2000-01, he found the capital, risk and productivity change to be intertwined, with each reinforcing and to a degree, complementing the other. The results imply that inadequately capitalized
banks have lower productivity and are subject to a higher degree of regulatory pressure than adequately capitalized ones.

**Ram Mohan and Ray (2004)** compared the performance of state-owned enterprises with those of private sector firms in respect of technical efficiency. The comparison was made in eight different sectors over the period 1991-92 to 1998-99. They found that there is no conclusive evidence of superior performance on the part of the private sector.

**Tompson (2004)** examined the state of the Russian banking sector in 2004. He concluded that the Russian authorities’ approach to banking reform is to be commended. The major lacuna in the Russian bank reform strategy concerned the future of state-owned banks. Despite a long-standing official commitment to reducing the role of the state- and of the Bank of Russia in particular in the ownership of credit institutions, there is still a need for a much more clearly defined policy in this area.

The system of administered interest rates was characterized by detailed regulatory prescriptions on lending and deposits, leading to a multiplicity of interest rates. As a result, the spreads between deposit and lending rates of commercial banks increased, and the administered lending rates did not factor in credit risk. The lack of transparency, accountability, and prudential norms in the operations of the banking system led also to a rising burden of non-performing assets. On the expenditure front, inflexibility in licensing of branches and management structures constrained the operational independence and functional autonomy of banks and raised overhead costs. The financial environment during this period was characterized by segmented and underdeveloped financial markets. This resulted in a distortion of interest rates and the inefficient allocation of scarce resources (Prashad and Ghosh, 2005).

Meanwhile, a consensus is emerging that state ownership of banks is bad for financial sector development and growth (World Bank 2001). Based on data from the 10 largest commercial and development banks in 92 countries for 1970-1995, **La Porta and others (2000)** have found that greater State ownership of banks in 1970 was associated with less financial sector development, lower growth, lower productivity, and that these effects were greater at lower levels of income. **Barth and others (2001a, 2001b)** have shown that greater state ownership
of banks tends to be associated with higher interest rate spreads, less private credit, less activity on the stock exchange, and less non-bank credit, even after taking into account other factors that could influence financial development. This suggests that greater state ownership tends to be anti-competitive, reducing competition from both banks and non-banks.

Robin Burguess & Rohini Pande (2003) explains that, Lack of access to finance is often cited as a key reason why poor people remain poor. This paper uses data on the Indian rural branch expansion program to provide empirical evidence on this issue. Between 1977 and 1990, the Indian Central Bank mandated that a commercial bank can open a branch in a location with one or more bank branches only if it opens four in locations with no bank branches. We show that between 1977 and 1990 this rule caused banks to open relatively more rural branches in Indian states with lower initial financial development. The reverse is true outside this period. We exploit this fact to identify the impact of opening a rural bank on poverty and output. Our estimates suggest that the Indian rural branch expansion program significantly lowered rural poverty, and increased non-agricultural output.

Abhijit V. Banerjee and Esther Duflo; Abdul Latif Jameel(2006) This paper uses survey data from 13 countries to document the economic lives of the poor (those living on less than $2 dollar per day per capita at purchasing power parity ) or the extremely poor (those living on less than $1 dollar per day). We describe their patterns of consumption and income generation as well as their access to markets and publicly provided infrastructure.

Abhijit Banerjee, Esther Duflo, Rachel Glennerster, Cynthia Kinnan (2009) The researchers from the Abdul Latif Jameel Poverty Action Lab (J-PAL) at MIT and the Indian Centre for Micro Finance worked with Spandana to randomize the roll-out of its micro credit operations in Hyderabad, India’s fifth-largest city. Spandana chose 104 areas of the city to expand into eventually, rejecting some districts as having too many construction workers, who come and go and might take Spandana’s money with them.

Pascaline Dupas and Jonathan Robinson (2009) In their active research states that, a field experiment to test whether savings constraints prevent the self-employed from increasing the size of their businesses. We opened interest-free savings accounts in a village bank in rural Kenya for a randomly selected sample of poor daily income earners. Despite the fact that the bank charged substantial withdrawal fees, take-up and usage was high among women and the
savings accounts had substantial, positive impacts on their productive investment levels and expenditures. These results imply that a substantial fraction of daily income earners face important savings constraints and have a demand for formal saving devices (even for those that offer negative de facto interest rates).

**Nava Ashraf, Dean Karlan, Wesley Yin (2005)** explains that, a commitment savings product for a Philippine bank and implemented it using a randomized control methodology. The savings product was intended for individuals who want to commit now to restrict access to their savings, and who were sophisticated enough to engage in such a mechanism.

**Jain and Jain (2006)** show that the Indian banking industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. There has been a great surge in retail banking. The study based on responses received from 200 customers of HDFC bank, ICICI bank and some other private and nationalized banks in Varanasi identified the various types of services offered by banks, the level of satisfaction about different types of services, expectations about these services and the level of segmentation among the services offered.

**Singh (2006)** discusses customer management in banks. As such, the management aims to target the customer with a view to gain customer insight and provide value added products and services. Technology has enabled the banks to reach customers in any part of the world at any time with customized products, thereby moving towards the concept of customer satisfaction. Management must strive to deliver positive experience (proper service delivery) to each customer; and as such, this may be functional, emotional or situational for long term customers and business management in the banks.

**Bhaskar (2004)** analyzed that when good service is extended to a customer, a loyal customer will work as an ambassador to the bank and facilitate growth of business. Customer service is the base for business expansion because of the stiff competition prevalent in the banking industry. The survival of banking business is dependent on customer service. To conclude, the banking industry is active in India, due to technological revolution. Banks have to utilize this opportunity to become strong organizations providing essential service.
Hasanbanu (2004) pointed out that rural customers do not have any idea as to how much time is required for any type of bank services. The rural customers are not aware of the purpose availability of loan and how they can be availed, since they do not know the complete rules and regulations and procedures of the banks, and as such, bankers reserve them for themselves and do not find interest in educating the customers. The study is based on secondary and primary data. The secondary data were collected from technical books, articles, previous studies, committee reports, IBI bulletins, RBI bulletins, staff training college of the state bank of India and data relating to banks, while the primary data related to customers banking services were collected with the help of questionnaires. Nonetheless, the study was based on a sampling method.

Singh (2004) analyzed the level of customer services, and explained that customers’ satisfaction is determined by branch location and design, variety of services, rates and changes, systems and procedures, delegation and decentralization, mechanization and computerization, competitive efficiency, complaint redress and very importantly, staff skills, attitude and responses. The ongoing review shows that a customer’s satisfaction of is an invaluable asset for the modern organization. To reduce the complaints, bank should improve service because the survival of banking business is dependent on customer service.

Karlan, Jonathan Zinman (2009) explains that, Micro credit seeks to promote business growth and improve well-being by expanding access to credit. We use a field experiment and follow-up survey to measure impacts of a credit expansion.

Nava Ashraf, Dean Karlan, Wesley Yin (2008) states that, Female “empowerment” has increasingly become a policy goal, both as an end to itself and as a means to achieving other development goals. Microfinance in particular has often been argued, but not without controversy, to be a tool for empowering women. Here, using a randomized controlled trial, we examine whether access to and marketing of an individually-held commitment savings product leads to an increase in female decision-making power within the household. We find positive impacts, particularly for women who have below median decision-making power in the baseline, and we find this leads to a shift towards female-oriented durables goods purchased in the household.
OBJECTIVE:

1. To study the profile of customers and banking environment prevailing in the sample area.
2. To find out the level of awareness on banking services among the sample.
3. To analyze the factors influencing the poor level of awareness and usage of banking services in the sample area.
4. To identify the appropriate strategy to create awareness and to improve the banking habits among the sample area.
5. To offer suggestions to reduce the gaps in the practice of banking and the services offered to the customers in the sample area.
SCOPE OF STUDY

The present study covers the state of TamilNadu. In future similar studies can be conducted in other states of the country; a comparative study can also be made between the companies or in between the states. At the broader level, the study can be made as comparative by comparing two emerging economies or one developed economy with another emerging economy. Banking habits in the urban areas and rural areas are to be similar. But the wide gap is observed in the usage patterns on a banking service. The usage patterns of technological services are comparable with the urban areas. This may be due to convenience and accessibility of banking services and the method of promoting a service. The rural customers are equally important to the bank and to the economy at large. The usage is depending upon awareness, availability and accessibility at all points of time. This is possible only through better co-ordination and initiatives of the bank employees. At policy level the promotional budgets can be improved to have a wide coverage. The primary success factor to any bank is trust. A bank can create a trust and confidence to the rural mass can able to produce better harvests.
NEED OF STUDY:
The Regional Rural Banks (RRBs) have been growing their importance since inception, in 1975 as special institutions playing a catalyst role in the development of rural areas they have been playing a significant role in financing the weaker sections of the community in the rural areas inculcating banking habits among rural masses. RRBs being a new species in the multi-agency credit delivery system of India. Particularly at the grass root level it is worthwhile to study their contribution to the economic development of India.

Statement of the problem.
Banking is the back bone of financial inclusion in rural areas. The schemes implemented by the union of India, has to reach rural mass. This is possible through effective banking and financial services awareness among the rural mass. It is necessary to study the level of awareness on the banking habits and the degree of usage of financial services in the rural areas. It is also necessary to find out the role played by the RRBs in this initiative. This can help to understand and to asses the present situation and to plan for the effective financial inclusion in the rural areas. Hence the study on the assessment of banking services and financial inclusion in rural areas and the role of RRBs in this initiative is appropriate to take up for research and for the social benefit at large.
RESEARCH METHODOLOGY

Pilot study and Reliability test

Initially a pilot study was conducted with 60 questionnaires for each category of users for testing the relevance and the understandability of the questions. Based on the pilot study some questions were modified and the final version of questionnaire was made and used for the study. The reliability coefficient of the questionnaire designed for investors was computed using Corn Bach’s Alpha and the value is 0.82, which shows that the instrument is reliable.

Descriptive method is used in this analysis.

Reliability Statistics

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<tr>
<th>Case Processing Summary</th>
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<tr>
<td>Cases Valid</td>
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<td>Excluded*</td>
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<td>Total</td>
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Reliability Statistics

<table>
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<tr>
<th>Cronbach’s Alpha</th>
<th>Number of Items</th>
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<td>.820</td>
<td>172</td>
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The cronbach alpha value for all the variable is 0.820.

In the second level reliability test is administered for the various parts of the questionnaire. The part-II of the questionnaire deals with the level of awareness on various banking services offered by the rural banks in the sample area. The reliability statistics for the same is as follows:

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<tr>
<td>Cronbach's Alpha</td>
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<td>.794</td>
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Part-III of the questionnaire is deals with the frequency of usage of the banking services by the rural customers. For this section, separate reliability test is administered and found reliable. The results of the test are as follows:

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<th>Reliability Statistics</th>
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<tr>
<td>Cronbach's Alpha</td>
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<td>.784</td>
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**Sample method:**
For the purpose of survey, sample is made through a convenient sample method. In order to avoid the extraneous variance, and for statistical concerns, the reasonable sample is drawn. The researcher aimed at collecting data from 400 customers from the rural areas in Thiruvallur district, TamilNadu. The total samples collected were scrutinized to check the validity and found 41 questionnaires as defective. These questionnaires were removed and the remaining 359 sample was taken for the purpose of the study.

Sample areas are Tiruttani, Gummidipoondi, Pooneri, Madavaram, Ambattur, Poonamalle, Pallipattu, Uthukkootai, and Thiruvallur.

**Tools and Techniques used for Analysis:** For the purpose of analyzing the data, appropriate statistical techniques are used in consultation with the research supervisor. The analysis part of the present thesis was made by using the various parametric and non-parametric statistical tests namely, Percentage Analysis, Chi-square Test, ANOVA, t-Test, and Multiple Regression Analysis.

**Structure of the Questionnaire:** The questionnaire is framed with eighteen major questions covering areas like profile of the customer, level of awareness on banking services, frequency of usage of the banking services, problems faced while availing the services, reasons for poor banking habits among the customers, level of agreement on the importance of the banking services, level of satisfaction on the banking services offered in rural banks, motivating factors in availing banking services, and finally the level of agreement suggestions to improve the banking services in rural areas. The questionnaire ends with an open ended question asking any other information would like to provide by the sample respondent.