ABSTRACT

This thesis analysed the changes in the supply of formal credit from commercial banks and co-operatives and the changes in the debt profile of rural households, in the backdrop of the changes in the policy of rural banking. It broadly defined two phases in the rural banking policy. First started with the nationalisation of commercial banks in 1969, when there was an increased emphasis on societal objectives of redistribution while second started during the 1990s, when there was an increased emphasis on the commercial objectives of profitability. The thesis used secondary data at the national level and at the state level and also village level data from the state of Tamil Nadu for this analysis. The thesis found that there was significant expansion of the banking system after nationalisation. The banking network expanded geographically and there was an increased flow of formal credit to rural occupation categories though the distribution of credit remained largely skewed in favour of the population with relatively greater size of landholdings. This phase saw an increase in the share of debt from formal sources in the total debt of rural households at large though in the case of asset-poor rural labour households, the stronghold of informal sources continued. The 1990s saw a decline in the selective indicators of supply of formal credit not just at the national level but also for the state of Tamil Nadu. In the village under study, which belonged to a relatively well-banked and agriculturally advanced region in Tamil Nadu, the second phase saw an increased activity of informal sources and a rise in the level of interest rates charged by these sources. For the labour households in the village, the dependence on informal sources and the grip of usury further strengthened during this period.