

P R E F A C E

The planned efforts for economic development since the commencement of the planning from 1951 have not helped to reduce the poverty amongst the people living at the lower strata of the society, both in the rural as well as in the urban sectors in our country. During this process of direct efforts to alleviate poverty, an idea was mooted at a meeting of the Custodians of Public Sector Banks and Senior officials of the Reserve Bank of India, as well as the Union Ministry of Finance, to evolve a scheme of concessional rate of interest for selected low-income groups who deserve concessional financial assistance for their socio-economic improvement.

The outcome of this meeting resulted in the announcement of the scheme of Differential Rate of Interest, in March 1972. The Reserve Bank of India introduced the scheme, commonly known as 'DRI-scheme' and directed the fourteen major public sector banks in June 1972, to implement it initially in 163 relatively backward districts. It was then considered a novel scheme since the concessional rate of interest was only 4 per cent per annum (which was 2 per cent below the then Bank Rate) to the specified target groups, who were the weakest among the weaker sections of the Society.

The scheme has now been operated throughout the country, and all the public sector banks, and the private sector banks are directed to implement it. Under the scheme, the target set for the banks at the time of its inception in 1972 was 0.50 per cent of their aggregate advances as at the end of the previous year. Subsequently, it was raised to 1 per cent in November 1978. The Government also advised the banks to increase the amount advanced to the scheduled castes and scheduled tribes, to at least 40 per cent of their total advances under the scheme.

With a view to assessing the efficacy of the Differential Rate of Interest scheme, an attempt has been made in this study to analyse the strong and weak operational points that have emerged during its implementation and to make suggestions for improvement. For this purpose, an empirical study has been undertaken in eight selected districts in Gujarat.

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During the course of this study I had the benefit of partaking of the knowledge of many eminent personalities in the banking industry and academicians. Simultaneously, I had the opportunity to meet the underprivileged people at the grass root level as well. I have, indeed, enriched myself during the course of this study.

I express my very sincere thanks and deep gratitude to my esteemed research guide Dr M.D. Sharma, Professor and Head of the Department of Banking and Business Finance, and Dean of the Faculty of Commerce, M.S. University, Baroda for his encouragement and able guidance, without which this thesis would have remained incomplete. I am, indeed, highly indebted to him for his critical but constructive suggestions, which are based on long, varied and rich experience in the field of banking and business finance. He took immense pains in offering his valuable comments and enabled the thesis to attain the improved form.

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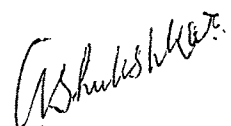
My parents have always been torch-bearers to me. Words fail me to thank them adequately for their unfailing attention, sustained guidance and continued encouragement.

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"This study has been done by me in my personal capacity and the views expressed therein are my personal views and should not be ascribed to the organisation in which I work".

BARODA

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(A.V. Bhuleshkar)