CHAPTER VII

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

The main findings, suggestions and conclusions that emerge from the study are summed up in this chapter.

7.1 Findings

The following findings have emerged from the study and analysis of the working of the Pandyan Grama Bank:

There is no significant increase in the number of branches of Pandyan Grama Bank during the study period. The number of branches of PGB increased from 158 in 2001-02 to 161 in 2006-07.

The bank has inculcated greatly to the banking habits among the rural people since 94.41 per cent of the branches of PGB are located in rural areas.

The working of PGB in its five operational districts has shown satisfactory performance in terms of deposit mobilisation. During the period under study, the deposits mobilised by PGB increased from Rs.3,033.85 lakhs in 2001-02 to Rs.7829.90 lakhs in 2006-07 showing a growth rate of 158 per cent.
Deposit mobilisation policy of PGB is high interest cost-oriented because high interest paid on fixed deposits. Fixed deposit constituted 65 per cent to the total deposits. It resulted in adverse impact on profitability of PGB during the period 2006-07.

The per staff deposits increased from Rs.3.39 lakhs in 2001-02 to Rs.8.68 lakhs in 2006-07. The increase in per staff deposit indicates the extent of involvement of the staff in improving the volume of business of PGB.

The performance of the branches of PGB is encouraging in terms of disbursement of loans. The amount of loan disbursement by PGB increased from Rs.3,658.87 lakhs in 2001-02 to Rs.5,244.15 lakhs in 2006-07.

The sector-wise advance composition indicates that agricultural sector occupied its due position in the advances of PGB. Of the total advances, agriculture and allied activities account for 35.54 per cent. But it is a matter of great concern that the percentage of stagnant advances to the total advances increased from 14.35 per cent in 2004-05 to 20.58 per cent in 2006-07.

The credit-deposit ratio of PGB had declined from 147 per cent in 2001-02 to about 85 per cent in 2006-07. It signifies the presence of idle cash balances which affects the profitability of PGB.
The study has revealed that the amount of overdue increased from Rs.1,198.65 lakhs in June 2001 to Rs.2,290.41 lakhs in June 2007. The increased amount of overdues will affect the recycling of funds and will make the PGB to depend more upon the sponsor bank and the NABARD for funds.

Deposits constitute the main source of funds of PGB. 75 per cent of the financial resources of the bank came from deposits in 2006-07. At the same time the borrowings from the sponsor bank and refinancing agencies declined from 41.00 per cent in 2001-02 to 23.00 per cent in 2006-07. This was due to the reason that the recovery percentage was less than 75 per cent to demand which is fixed by NABARD as the norm for availing refinance.

During the period of study, only in 2001-02, the bank earned a marginal profit of Rs.3 lakhs but the losses are mounting up year after year from 2002-03. In 2001-02, eighty two branches earned profit and seventy six branches incurred losses. On the contrary, only 12 branches earned profit and the loss-incurring branches increased to 149 in 2006-07.

The study has revealed that the financial viability of the PGB is declining. The margin available or the profitability ratio declined from 0.04 per cent in 2001-02 to –3.69 in 2006-07.
In the present study the average recovery is satisfactory in the case of 12 branches but it is relatively lesser in the case of 149 branches. The authorities have to focus on 149 branches to improve their recovery position.

The following are the observations which could be made from responses obtained from beneficiaries for various queries on motivation, reason for obtaining the loan, adequacy of loan, delay in getting the loan and speed money paid to get the loan.

384 of the 600 sample beneficiaries forming 64.00 per cent were new to institutional finance.

Out of the 600 respondents 124 are illiterates, 252 have attended primary school and 72 have completed higher secondary education.

Nearly 80 per cent of loans were disbursed to the target group. The beneficiaries of the bank belong to the target group consisting of agricultural labourers 38.00 per cent, rural artisans 20.00 per cent, small farmers 13.00 per cent and marginal farmers 8.00 per cent.

The source-wise information about PGB’s loan schemes indicates that 46.67 per cent of the beneficiaries were motivated by the PGB officials, 20.00 per cent were self-motivated, 18.00 per cent were motivated by village officials and 15.33 per cent were motivated by friends and relatives to obtain loan from PGB.
Unemployment, lack of capital and expansion of existing activities were the factors which forced a person to obtain a loan from PGB. This forms 16.67 per cent, 49.33 per cent and 34.00 per cent respectively.

Of the 600 sample beneficiaries 290 (48.00 per cent) received their loans without delay. In the case of 166 (27.27 per cent) beneficiaries there was a delay of 2 weeks and 138 (23.00 per cent) beneficiaries experienced a delay of one month in getting loans.

The overall average of speed money of total cost was 7.20 per cent and it accounted for 23.47 per cent of the subsidy. To get the loan and subsidy all the sample beneficiaries have paid Rs.374 by way of speed money. The gratification money is the heaviest (Rs.434) in the case of sheep loan and the least (Rs.320) in the case of dairy loan and small business loan.

The loans advanced to the beneficiaries have resulted in creating more employment both at the family level and outside. However, the small businessmen, rural artisans and dairy loan beneficiaries gained more in terms of employment compared to the other loan activities.

Regarding the impact of bank loan, the study has revealed that the household income of 76.67 per cent of the respondents increased from 25 per cent to 125 per cent which helped them to meet the necessary household expenditures,
make purchase of durable assets and their saving capacity also increased. Small businessmen and rural artisans are the most benefited groups because a majority of them witnessed an increase in income between 50 to 125 per cent.

There is a considerable increase in the consumption pattern of the sample households as a result of bank credit.

The impact of the bank loan on the eradication of poverty among the beneficiaries is found to be better. Of the total beneficiaries, 552 were below poverty line at the time of assistance. Of this, the study reveals that 404 households have crossed the poverty line and only 148 have yet to cross the poverty line.

The average annual expenditure for a respondent family increased from Rs.5264 in the pre-loan period to Rs.6910 in the post-loan period.

The average annual savings for a respondent family increased from Rs.327 in the pre-loan period to Rs.943 in the post-loan period. The average amount of savings was high (Rs.1275) in the case of small businessmen and low (Rs.694) in the case of sheep loan beneficiaries. The chit fund savings is the most popular among the respondents.
In the pre-loan period, 380 beneficiaries were in debt position but, in the post-loan period the number declined to 204. The average amount of debt declined from Rs.1380 in the pre-loan period to Rs.576 in the post-loan period.

55.33 per cent of the beneficiaries had repaid their loan amount regularly and 44.67 per cent were irregular in their loan repayment. The sheep loan beneficiaries were irregular in their loan repayment.

Generation of income, desire to get further loan, persuasion by the bank staff and good moral values were the main reasons for prompt repayment behaviour of the beneficiaries.

The study has revealed that 61.33 per cent of the beneficiaries have fully repaid their loan amount to the bank while 25.67 per cent have partly repaid and still 13.00 per cent of the beneficiaries have not started the repayment for different reasons already discussed. Rural artisans showed best repayment record of 80.00 per cent and it is very poor in the case of sheep loan beneficiaries with 35.00 per cent.

Out of 600 sample beneficiaries 368 (61.33 per cent) were non-defaulters and 232 (or 38.67 per cent) were defaulters.

Out of 600 sample respondents, 142 (23.67 per cent) were found unsuited for the activity.
The study has revealed that out of 232 respondents who had not repaid the loan, 64.65 per cent diverted the loan amount or generated income for other purposes, 12.07 per cent felt that the yield from the activity was poor, sale of assets by 5.17 per cent of the beneficiaries and another 12.07 per cent expected debt relief or waivers from the Government. 150 beneficiaries diverted incremental income to meet family expenses or ceremonial expenses or unexpected medical expenses or utilised for the repayment of past loans taken from other sources.

Of the 600 sample beneficiaries 402 (67.00 per cent) were benefited from the bank loan in the form of increase in income, employment, saving and purchase of durable assets.

Of the 600 sample beneficiaries, 198 were not benefited from the bank loan due to poor yield from the activity or misutilisation of credit or diversion of incremental income to other purposes.

382 of the 600 respondents did not want to avail further loan. 70 respondents wanted to avail further loan for the same activity.

The majority of the beneficiaries (82.67 per cent) opted for PGB though there is co-operative societies functioning in the study area in view of easy terms and conditions, simplified loan procedures and better services.
The influence of the private money-lenders is very negligible in the study area, as the people have good access to the bank credit.

7.2 Suggestions

In the light of these findings a few suggestions are offered to improve the working of the Pandyan Grama Bank.

- The target-based credit policy should be replaced by the need-based credit so that only the needy class of people may get credit.

- No loans should be advanced unless it is economically beneficial to the borrower.

- The bank should arrange for the training of their clients, in collaboration with other technical departments before giving loans. The rural poor should be educated not to accumulate debts and also how to channel credit for productive purposes.

- The selection of bank staff should not be confined to the local region as in the present system. It should be made through open competition as in the case of commercial banks.

- To be effective, the bank should be provided with qualified and trained personnel who have a good knowledge of agriculture, trade and industry, so
that they can promptly co-ordinate the activities and guide the beneficiaries to venture into new activities and assist them in every stage.

- Institutional deposits particularly from Government agencies should be kept with the Regional Rural Banks. Such a step would undoubtedly strengthen the resources of the bank.

- The deposits of RRBs should be given the status of National Saving Certificates for tax benefit and concessions.

- The amount of loan granted to any beneficiary should be adequate in view of his production and consumption needs otherwise recovery could not be effected.

- The loans should be sanctioned and disbursed without any avoidable loss of time to cut the transportation costs and implicit costs of labour.

- The unit cost under various scheme should be increased so that it would be adequate for the beneficiary to carry out productive activities.

- The bank should reduce the number of beneficiaries to be serviced by a field officer.

- The branch manager and staff should have a personal and close contact with beneficiaries so that he could act as a friend, adviser, supervisor and guide to
the beneficiaries instead of being a mere purveyor of credit. This would ensure proper utilisation of bank loans.

- The field supervisors should be freed from desk work for three days in a week when they are required to visit and inspect borrowal accounts and exclusively devote their time to recovery.

- The beneficiaries should be allowed to purchase their assets from the free market provided that they purchase standard assets.

- To avoid corruption in the case of Government sponsored schemes, the subsidy should be stopped. If the Government hesitates to take such a drastic step, it would be better if subsidy is released to the bank for adjustment after the loan amount is fully repaid by the beneficiaries. Subsidy should be the last component of credit.

- Timely recovery of demand presupposes the four conditions to be taken into account by the branch before sanctioning a loan. Loan should be given to the right person, who will put it to the right use, which could give him the right return from which the beneficiary could make the right repayment.

- Credit should be supervised properly in order to ensure that it is used for the specific purpose for it is granted. Provision of after-care services is very essential for the success of any programme based on credit.
In view of mounting overdues, it is very essential to deal with recovery matters on war-footing basis. The bank should set up “Task Force” to plan and monitor the recovery matters. It is also essential to involve all staff members in the recovery of loans.

The Government should create the necessary infrastructure, technical know-how and other services to enable the beneficiaries to make effective use of loans.

The Government agencies should co-operate with the bank in the recovery of loans. The State Government should play a decisive role in educating the rural poor about the advantages of institutional credit and the need for prompt repayment of loans.

The voluntary agencies and non-governmental organisations can help the bank in the follow-up and supervision of the project and ensure that expected results are achieved. Deficiencies in the implementation of the projects can be brought to the notice of the bank for remedial action.

The Government should pass the necessary legal measures to take stern action against wilful defaulters.

Prompt repayments by the beneficiaries should be encouraged by offering an interest rebate.
- The bank should introduce a scheme of incentives and pay incentive bonus to the staff who show good performance of recovery of overdues.

- The bank may also introduce rolling trophy plus cash incentives to be given to a model branch which establishes highest record of improvement in the recovery of loans.

- For difficulties undergone by the staff placed in rural areas suitable compensatory incentives should be provided. Efforts should be made for providing basic amenities like housing, transport and communications, drinking water, electricity, education and entertainment in the rural areas.

- The branch staff should not be transferred from the branch before a specified period, say 5 years, unless their shifting becomes absolutely necessary in the interest of the bank.

- The manager and staff should reside in the same village / town where the bank branch is located.

- With a view to improve the profitability and viability of the bank, there should be a reasonable spread, say at least 5 per cent, between the cost of raising funds and the return on deployment of funds. The spread ratio between the
deposit and lending rates should be adequate to provide for the operating costs of the bank.

- The profitability of the bank can be improved by relocating the non-viable branches in the business centres and by increasing their non-target group lending.

- The profitability of the bank can be improved by controlling manpower cost and other operating costs and by increasing ancillary income through the expansion of ancillary services of the bank like draft facility.

- The restructuring of the RRBs should be expedited. The non-viable branches should be closed or merged with more successful branches in the neighbourhood.

7.3 Conclusion

In fine, the suggestions made in the study provide a broad framework for reorganising and improving the working of the RRBs in the future. The acceptance and implementation of the recommendations made in this study would go a long way towards enabling the RRBs to achieve their objectives in a better way than they are being achieved at present. These suggestions are bound to pave the way for greater success.
Scope for Further Research

The present study is an evaluation oriented investigation of a vital sector concerned with particularly the rural people of India and their commercial activities. It is time bound and with limited resources, still this work enjoy the necessary theoretical base, analytical ease and practical use and so becomes naturally justified and significant. This work is capable of adding to the original and creative types of knowledge and does not confine to the repetitive or reproductive types.

The researcher has a supreme sense of joy and satisfaction while giving the final touches to this explorative exercise as it is concerned mainly with a local problem of common masses as the proverb goes nothing is real unless it is also local. So this is a real problem.

There are many reals and many more ideals in every field. As Albert Einstein says, what is real is not ideal and what is ideal need not necessarily be real. Remembering such aphorisms the researcher becomes optimistic that this work can persuade and promote further research in the field. A number of case studies also could be tried scientifically. In this manner the present study has a wide scope for enrichment of knowledge through research pursuits.