CHAPTER – VII

CONCLUSION AND SUGGESTIONS

INTRODUCTION

This study is divided into seven chapters including this one i.e. the seventh chapter. It is conclusive the whole study in the first chapter we have discussed the importance of agriculture in India, the purpose of study, research hypothesis, demographic characteristics of the Muzaffarnagar district and the research methodology adopted.

The second chapter has been devoted to the assessment of credit requirements of Muzaffarnagar district, the availability of resources and the difficulties being faced in obtaining the finance for agriculture sector.

The third chapter deals with the Lead Bank scheme, its salient features and its organizational set-up. The role of District Rural Development Agency (DRDA) has also been dealt with.

The fourth chapter gives an account of the District Credit and Annual Action Plans prepared by the Lead Bank in District Muzaffarnagar bank-wise and sector-wise District Credit Plan with targets and Achievements have been
given since 1995-96 to 2005-06. A detailed account has been given in respect of the potential linked credit plans prepared by NABARD during the past five years making a comparison with actual.

The **fifth** chapter contains credit provision for economic and social development programme initiated by the Central and State Government. Chapter **sixth** makes critical evaluation of the Lead Bank Scheme in providing Credit to Agriculture Sector along with problems being faced by the Lead Bank in the preparation and implementation of the Credit Plans. In the last chapter we have given suggestions to make credit plans more effective in resolving the problems of agricultural finance in rural areas of Muzaffarnagar.

A little more than half of world’s population (50.9%) live in Asia and one fourth (26.5%) live in India. India is the second largest country in Asia in terms of population and area\(^6\). The population of Indian on 1\(^{st}\) March 2001 was 1,029 million whereas total area is about 32,87,263 sq. kms\(^7\). Its level of development is low and exhibits the features of an under developed economy. It is, however, not quite correct to describe Indian Economy as under-developed. It has achieved multi-faced socio economic progress during the last 59 years of its independence. It has become self sufficient in agricultural production and is now the tenth industrialized country in the world and the

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\(^6\) Registrar General of India, (Statistical Abstract of UP issued by Economic and Statistical organization) Planning department, Government of Uttar Pradesh, 2003

\(^7\) India 2001, Ministry of Information and Broadcasting, Government of India, p-1 & 10.
sixth nation to have gone into outer space of conquer nature for the benefit of the people\textsuperscript{66}. It recently joined the select band of countries having nuclear capability by testing 5 underground nuclear devices at Pokhran in Rajasthan in 1998.

Lead Banks should continue to prepare District Credit Plans and ACPs with an aim to eradicate poverty from the country. The following suggestions will go a long way in making the credit plans more effective in the Development of Agriculture and allied activities and the eradication of poverty in the country.

According to the 2001 census India had 639,00 villages with a population of 743 million. Of the total rural population 107.1 million people are engaged in cultivation and 73.8 million were engaged as agriculture labourers as per 1991 census\textsuperscript{67}. The objects of the present study are as follows:

1- To highlight the importance of agriculture in India with special reference in District Muzaffarnagar;

2- To review the position under pre-district credit planning and the progress made in the post district credit-planning phase of the Lead Bank Scheme;

\textsuperscript{66} India 2005, Ministry of Information and Broadcasting, Government of India, p-1
\textsuperscript{67} Statistical Outtime of India, 2004-05, p-36
3- To evaluate the working of the Lead Bank Scheme in District Muzaffarnagar and credit provided to agriculture under the credit plans;
4- To trace out the problem encountered by the different financial institution in the implantation of the scheme;
5- To make fruitful suggestions to make the Lead Bank Scheme more helpful providing credit in agriculture and allied activities including non-farm sector.
6- Lead bank should continue to play their role towards eradication of poverty from the country. The following suggestions will go a long way in making the credit plans more effective in the Development of Agriculture and allied activities and the eradication of poverty from the country.

The second chapter enumerates the problems of economic development, such as, low per capita income, agricultural prominence of the economy, over population, low rate of capital formation, chronic unemployment and illiteracy. This chapter highlights the resource gap for different activities and also discusses the various difficulties being faced by the agriculturists in the district of Muzaffarnagar

The third chapter is the key chapter of this chapter it discuses the genesis of the LBS, objectives of the scheme, functions and the organizational
of a Lead Bank. District Rural Development agency (DRDA) also takes care of the rural development programmes of the State Government. The organization and function of DRDA have also been given palace in the third chapter.

The fourth chapter is devoted to the agricultural credit plan of the Lead banks in district Muzaffarnagar. The Lead Bank is the PNB prepares the annual action plans for the developments of different sectors, such as agriculture sector SSI sector and the Territory sector. For all these tree sectors target loan amounts and actual disbursements for the year 2005 and 2006 have been given. Variance have been observed between the targets and actual amounts of loans granted to the beneficiaries.

Chapter five discusses the credit provision for village and cottage industries that provide gainful employment in the district these units need funds for working capital and fixed assets. The chapter highlights to the potential requirement the likely credit flow and the resultant resources gap for non-farm sector units such as the handloom and powerloom, the SSI units and the rural artesian etc.

The sixth chapter makes a critical evaluation of the LBS. In this regard a lead bank may be considered as a driver of a bullock cart which has wheels and oxen but does not have their rein in his hands. Therefore, they will need to
have some sort of special power of control and coordinate banks as also to setup an effective monitoring mechanism to receive the branch wise progress of the banks. It highlights the different road blocks to the successful implementation of the LBS. Bottlenecks include delay in the formation of credit plans Lack of adequate staff, anomalies in estimating crop loans, absence of alignment of Bank business with AAP, lack of public participation, arbitrary allotment of schemes to banks, lack of provisions for consumption finance, lack of consultation with the beneficiaries etc. Suggestions have also been forward to make the LBS a success.

SUGGESTIONS

On the basis of our study of the different Lead bank schemes in district Muzaffarnagar and as per the opinion of the beneficiaries, the LBS should not be dropped but continued with certain modifications. The following suggestions may prove useful:

(I) Change in the Attitude of Bank Officials

In the first place, it is suggested that lead banks should provide copies of the credit plans to all the banks (preferably to each branch of each bank of the district), development agencies and government officials in the district. At the block level also, the responsible officials must be provided a copy of the plan. Its district coordinator should meet every
new incumbent and apprise him of his role in the credit plan implementation. As part of business planning the branch managers should be communicated the commitments in the form of credit plans.

(2)  *Training to Bank Officials*

To carry out District Credit Plans successfully bank officials should be trained in the philosophy and methodology of IRDP and other poverty alleviation programmes. Clinics, seminars and training programmes should be organized to make them aware of the latest trends and policies of the governments to help the farmers, targets of the scheme, methodology to be adopted and results that are expected of them. They should be trained in such a way that they may develop a close rapport with the beneficiaries, understand their problems and find solutions for them and helping them out in the best possible way.

(3)  *Motivation of Rural Branch Managers*

Bank officials, particularly rural branch manager should be motivated to lend to poorest of the poor members of scheduled caste and scheduled tribes on the basis of viability schemes and giving the applicants the full benefits of relaxation allowed by RBI in regard to security, margin money and guarantee etc.
(4) **Incentives for Good Work**

It is the human psychology that due recognition should be given for the efforts put in by anybody in achieving the desired growth. One may not desire financial benefits, but appreciation in general. The same thing applies to the officials working in banks. They must be motivated to lend to the poorest of the poor particularly scheduled castes and scheduled tribes on the basis of the viability schemes and giving the applicants the full benefits of the relaxation allowed by RBI in regard to security, margin money and guarantee etc. Bank should institute incentives for good performance and motivating the back benchers for better performance on the part of their officials by finding the real reasons of their poor performance and helping them overcome these.

(5) **Organization**

To cooperative societies should be strengthened and revitalized. Secondly identification of area of rural and semi-urban branch should be rational. If the cooperatives and commercial banks both are not doing well, the lead bank may examine the feasibility of sponsoring Regional Rural Bank branches in the district. The bank should review
their recruitment procedures, selection policies and training programme to provider right type of personnel in right number. Besides, to overcome problems arising due to inexperienced employees, short term training programme should be conducted.

To improve procedures, there is need for decentralization of powers, better and detailed internal monitoring system, periodical meetings of top bosses with branch managers to review the problems and performance and modifying performance budgeting. The officials of the Lead Bank at the Divisional/Zonal level should monitor performance of all the financing agencies. Besides, close contacts should be maintained with divisional offices of other banks.

(6) **Coordination**

In order to avoid concentration of operations in few areas and to provide benefit of their operations to a large number of people, the District Consultative Committee (DCC) may help in demarcation of areas of operations for different financing agencies.

To improve coordination among different officials and to increase their awareness about District Credit Plans, district level workshops should be organized by the High Powered Committee on the Lead Bank Scheme. The lead bank should (i) Give priority to implementation of
credit plans; (ii) Help the banks in getting premises for new branches; (iii) Extend vehicle facilities in remote areas; (iv) Reduce stamp duty for mortgage (to be decided at state level) and the state governments should also help in recovery of loan through suitable legislative and other measures; and (v) Issue Agriculture Pass Book to the farmers.

To increase credit extension to agricultural sector, the lead bank may prepare specific development schemes for the area concerned. The functioning of District Consultative Committee needs improvement. This can be done in the following ways:

(i) This bank should be made accountable for implementing the recommendations of DCC; (ii) the DCC should review sector-wise scheme-wise/bank-wise progress instead of reviewing just a few schemes; (iii) schemes showing poor results be specifically studied to find out causes for it; (iv) standing committee of DCC should look after technical aspects needed for detailed examination of the scheme; and (v) to maintain proper minutes of DCC meeting.

(7) Creating Awareness among Farmers

To develop consciousness and skills it is necessary to make people know about different financing schemes in local language. The farmers
must also be told about the improved farm practices. Hence it is suggested that sufficient extension workers be made available at each block.

(8) *Grouping Base of Beneficiaries should be Revised*

It was wrong to club together marginal, sub-marginal cultivators and landless labourers, as one economic category, to whom the same prescriptions are sought to be applied for the elimination of poverty. Unless there is a radical rethinking in regard to marginal farmers, sub-marginal farmers and landless labourers, we doubt that the rural poverty in Muzaffarnagar can be removed.

(9) *Equitable Distribution Pattern of Land and other Productive Assets*

Unless sound radical steps are taken to bring about a more equitable distribution pattern of land and other productive assets in the rural areas, it is difficult to see how it is possible to bring about either integrated rural development or the abolition of poverty in rural India. However, the Lead Bank has no role to play in this respect.

(10) *Science and Technology should Reach the Remotest Area*

Science and technology are, as we have seen in our experience of the green revolution has benefited only the rich farmers because the marginal and poor farmers had no access to the better seeds and
fertilizers. Green Revolution has benefited the country a lot but its benefit did not reach the remote areas. To avoid such a situation it should be ensured that the lead bank scheme reaches the remote areas and its benefit should not be restricted only to the riches.

(11) Policy shift needed

Implementation of poverty alleviation programmes, like the IRDP, is itself a Herculean task which for its ultimate success calls for policy shift on specific issues and the task should be performed scientifically, schematically and chronologically.

(12) Scientific Assessment of Credit Needs

The needs of the families for their taking up productive income generating endeavour should be assessed scientifically based on their urge for development rather than inspired by the element of subsidy and credit or imposing any scheme just to achieve the plan targets and then the effective demand for credit for this development process should be realistically estimated. Service Areas Approach and NABARD’s Potential Linked Plans are the right steps in this direction.

(13) Uniform Terms of Lending Institutions

The terms of lending by different credit institutions with regard to rate of interest, security of documents, repayment period, disbursement
schedule etc. adopted by RRBs/LDBs/PACs commercial banks have been different for agriculture, the IRDP and other rural beneficiaries, which should be uniform otherwise it would create bitterness among the borrowers.

(14) Efficient Monitoring System

Setting up efficient monitoring system within the organization for effective monitoring of the implementation of the urban rural schemes on one side and assigning task of concurrent and export evaluation studies to the independent institutions for determining the extent of benefits and degree of divergence, if any, between the anticipated and actual benefits accrued is also required.

(15) Ensuring Recycling of Funds

Recycling of funds already lent has to be ensured so that the same may be made available to other beneficiaries of the programme. This has to be done as per recommendations of the Sivaraman Committee and Datey Committee on overdues. Recovery of overdues is a must for the purpose.
(16) **Computerization of data for Reviewing Performances**

We would suggest that all the branches associated with the Lead Banks should be connected to each other through computer networking so that the data of each branch is available for processing and study at the earliest at the Central Office. With this, the Central Office will be in a position to formulate plans for further improvements based on the statistical study of the data so available. Computerization of data is very essential for reviewing performance in various sectors. It is gratifying to note that computerization of data has been introduced at certain levels and the work is in progress.

(17) **Growth Centres**

The growth centre exercise in this endeavour can be a good instrument for assisting the policy makers and the planners in improving the well being of the population. The growth centres should necessarily be equipped with the required facilities which may help the rural population to get their works done in the area itself rather than visiting cities/towns etc.

(18) **Planning Exercise**

The entire planning exercise needs to be geared up and given so much importance than it has to be weighed in favour of optimum utilization
of the growth potential of the area to increase income, employment and production.

(19) **Marketing Support to Productive Units**

It is suggested that marketing support should be provided to the agriculturist/farmer by providing them easy finance for transporting and selling his produce to the nearest market and help him sell the products/produce at the correct and remunerative prices by providing him the statistical feedback available to it from various government agencies like Mandi Boards, FCI, Markefed etc. I am also of the view, that in this way they will also be helping the Banks and the Lead Banks themselves in timely recovery of the loans granted to them as earlier as possible. It has been reported that a national level organization is proposed to be set up to promote marketing of goods produced by beneficiaries in rural areas.

(20) **Bridging the Implementation Gap**

During the past, there have been substantial delays in the actual implementation of the policies mainly because of bureaucratic problems. Many a time the plans were made long before their actual implementation and by the time the implementation process was started the purpose of the formulation of the plan was defeated as agricultural
plans so prepared were seasonal in nature. If the plans are implemented at the right time and in the right season, the fruits may be much higher, thus, the ultimate benefit will pass on to the persons for whom the plan was formulated. In order to bridge the implementation gap, the focus would be on the objective of the programme and the entire strategy of organization. This may be done through effective communication networks, computers, proper information handling and understanding right from top to bottom, proper feedback and scientific allocation of duties so that everybody in the chain now exactly what he has to do. For this purpose, proper advertising materials, reports, circulars, communiqués and magazines should be circulated.

(21) **Loans be given to Members of Cooperatives**

The emphasis would be on the assistance given to individual families being an integral part of technically sound and economically viable projects. Unless the individual beneficiaries are made productive participants in a well conceived project, the goal would not be achieved. It is suggested that the loans be given to members of cooperatives because the loans are given to cooperatives then the ultimate benefit will pass on to the right beneficiary and people of the masses will be motivated to opt for the membership of these co-operatives.
(22) **Fiscal & Budgetary Management**

The idea behind the Rural Development Programmes under the District Credit Plans is that two streams of funds, one from the banks and the other from Government agencies, should be continued. This would require a technique of fiscal and budgetary coordination of resources into meaningful plan.

(23) **Provision of Improved Implements**

It is suggested that improved tools and implants be supplies to the beneficiaries from out of the financial help given to them and they should be trained to use those tools and implements with efficiency. If possible, training should also be imparted to them.

(24) **Identification of beneficiaries by Consulting Panchayats to avoid favour or Foul Play**

It has been observed that identification of beneficiaries is not done properly. Corruption is rampant and the poorest of the poor who are unable to grease the palms of the inspectors and officers appointed for the purpose are left out and well-to-do persons are identified for financial assistance purposes. It is suggested that the work of identification of beneficiaries of different categories should be entrusted to the Village Panchayat which can prepare list of the poor people
living below the poverty line and those who deserve financial assistance according to the rules, assistance should be provided to the people in order of preference laid down. The Service Area Approach has made it possible to select the beneficiaries in a proper way.

(25) **Linking to Sectoral Projects**

District Credit Plan Programme should be linked to sectoral projects in dairy, sericulture, pisciculture and horticulture etc.

(26) **Infrastructure Facilities should be Provided**

Only financial assistance will not help the farmers in improving their lot, efforts are needed to remove the existing bottle-necks in the development of agriculture and other allied activities in every block viz., Absence of assured irrigation, lack of adequate and timely supply of raw materials, seeds, fertilizers, pesticide/insecticides, tools and implements and farm machinery etc. hampers development.

Special training programmes are needed for developing skill in the effective utilization of agricultural and industrial implements and water management. Besides, land development programmes should remove all obstacles to the drainage of water from the
fields. Efforts are also required for the provision of marketing and storage facilities.

(27) **Strengthening Block Level Staff**

The block level staff should be strengthened so that they do their job effectively to make the district plan programmes a success. Development administrators and bank officials should forge close links with each other at all levels. It is observed that majority of the time of the existing staff is consumed in data collection and preparatory activity and the real time available for field work is very less. Hence, a separate wing should be created for data collection and statistical surveys, tabling of reports, preparation of various charts regarding progress indices etc. To this effect the block level staff need be strengthened.

(28) **Formulation of Single Window Schemes**

As the Uttar Pradesh Government has been helping the Industrial sector by providing them Single Window Clearance Schemes through their offices like UDYOG SAHAYAK which is situated at Muzaffarnagar, wherein all the clearances like pollution board clearance, electricity department connections, licensing, financing and other approvals, registrations etc. are provided under one roof, through their higher
ranked officers. On the same line, the Lead Banks, in association with District and State Authorities should formulate single window schemes at the district levels so that the Agriculturists do not have to go from pillar to post for getting his loans, registrations, connections, clearances etc. This will help in faster and smoother implementation of projects.

(29) *Curb Corruption*

It is easier said than done, but one has to rise to the occasion to shun corruption and help the poor farmers. It is such a curse that is the root cause in hampering the development. We did find that there were families, which got financial assistance in the name of all the members of the family while a number of poor families could not get such assistance in the name of even one man in a family. So much so, the same person got financial assistance twice or thrice. The money so received was mis-utilized. It state of affairs can be attributed to corruption prevalent from block level to district level and in banks. It is suggested that stern steps should be taken to curb corruption to make District Credit Plans and Annual Action Plans successful. Financial help to the beneficiaries should mostly be provided in the form of assets required and not in cash, as far as possible.
(30) **Larger Quantum of Second dose of Assistance to the Poorest**

It is felt that many a time for the want of the second installment of the loans, the projects, which took a flying start by erecting and developing the land related projects, buying machinery and implements, equipments etc. are force grounded for the want of working funds. For example, they may not be able to buy seeds, fertilizers etc. in time and all the equipment and machinery and land development expenditures are gone futile. On the other hand the interest factor on these investments has already come into being. This results into further cash losses to them and thus in further cash crunch.

We strongly recommend that the time gap between the first and second and second installment be rationalized. A second dose of financial assistance may be provided if the monitoring team finds the beneficiary genuinely in need of and recommends such financial help.

(31) **Minimum Wages be Enforced**

Another way of improving the plight of the small poor farmers would be the enforcement of the minimum wages. A rural labour enquiry revealed that hardly 2 percent to the workers were aware of the fact that the government has prescribed minimum wages. Workers in villages
are treated as bonded and are paid wages not sufficient even to meet the bare necessities of life. This was due to widespread illiteracy and lack of organization. Efforts should be made to remove illiteracy by starting adult education centres and primary schools in almost all villages of the country.

(32) **Amenities to Banks by State Government**

State Government should help banks by developing infrastructure facilities like storage, marketing, health cover for animals, etc. without which credit support would be of no use as also, by assisting in the prompt recovery of bank dues.

(33) **Interest Rates should be Reduced instead of Cash Subsidies**

Instead of giving cash subsidies, the RBI should reduce the prime lending rate for agriculturists in consultation with the Ministry of Agriculture and Ministry of Finance. It will help it in two ways – one, the subsidy is given to the beneficiary in lump sum, which may be delayed for months, and thus during that period, he has to pay the interest on the loans taken by him. If interest rate is reduced, the benefit will be passed on to him right from first day. In addition to this, the burden of interest on the loans will also be smoothed to suit his
returns from the agricultural activities. Secondly, has also been observed that in majority of the cases, the benefits of the subsidy is not actually passed on to the real beneficiaries. If the interest rates are reduced, it will ensure that the benefit is being passed on to beneficiary directly.

All in all it can be concluded that the District Credit Plans and Annual Action Plans should be continued but the above suggestions should be given attention to get better results. The process of development should originate at the grass root level, i.e. at the individual level, then it should spread upwards, i.e. family, a group of villages and so on and so forth. The service area approach adopted by banks and the PLPs prepared by NABARD should be taken up more vigorously to get better results and for providing employment opportunities to the poor rural folk, more particularly to those living below the poverty line.

(34) **Support of Land Development Activities**

It should timely availability of inputs to the beneficiaries should organize extension work by soil conservation department to motivate the small/marginal farmers to take up land development through institutional credit.
(35) **Farmers should be motivated to switch over from traditional**

**Cash to cash crops**

Regular training programme should be continued for mushroom and beekeeping activities. Nurseries for supply of quality seeds for floriculture schemes to the beneficiaries should be setup by the Horticulture department. Banks should think of financing some insulated vans to a group of beneficiaries for transporting their produce (flowers) to Delhi for better price. There is an immediate need for setting up of a fruit processing unit in the district for which the Horticulture department must identify some entrepreneurs an guide/persuade them for setting up the above unit with institutional finance. In the absence of any fruit processing unit the fruits produced did not get remunerative price. Kisan Sewa Kendras may be made more effective.

(36) **Heifer Development Programme**

There is strong need to implement heifer development programme so that quality animals could be produced locally. Since proposed programme will be implemented through Animal Husbandry Department so the graded murrah breed make available to the farmers. The defunct milk societies need to be revived and 250 more new milk societies be recognized to cope with the growing demand of the animal
husbandry activity, particularly in OOn, Kairana and Kandhla Blocks since population of breedable cows/buffaloes are available in these block. Department of Animal Husbandry should identify suitable entrepreneurs for establishment of hatchery unit with bank finance. They should be provided training and assistance for implementation of hatchery unit. The animal husbandry department should organized awareness programme at block level to invite needy farmers who intended to setup small poultry units with bank finance or own efforts. A few poultry feed mixing plants of medium size may be established in private sector with the financial assistance from banks.