IMPACT OF REGIONAL RURAL BANKS ON RURAL DEVELOPMENT- A CASE STUDY OF SITAPUR DISTRICT

(ABSTRACT)

Rural Development is a cherished goal of all the developing countries. India is no exception to this where 72 percent population lives in six lakh villages. Since independence, many programmes were undertaken by the government such as, CDP, IADP, HADP, PIRDP, PMGSY, SGSY, etc. in order to accelerate the economic development of the rural areas. However, people of rural areas are still confronted with many problems, such as poverty, unemployment, housing, illiteracy, medical facilities, rapid population growth, etc. Therefore, the villages and rural areas still need attention for their sustainable development.

It is commonly held that banks can take right lead for the rural development, as they are the repositories of resources with which pace of agriculture and rural development may accelerate. Since independence a number of measures have been undertaken to institutionalise rural credit in the country. As a result, tremendous development in the spare of institutional credit has been achieved to cater to the credit need of rural masses. One of the major innovations in the field of institutional development of rural credit has been the establishment of Regional Rural Banks in the year 1975. These banks are meant for
economically weaker sections of the rural areas namely small and marginal farmer, landless labourers, rural artisans, small entrepreneur, etc. These banks have been conceived as hybrid type of credit agencies, which combine the local feel and rural orientation of co-operative and resource mobilisation and business organisation of commercial banks, so as to reach the rural poor more extensively.

To concentrate on detail contribution of RRBs in rural development a case study on Sitapur District has been conducted in the present study. The Bhagirath Gramin Bank was established on 19th September 1976 under the Regional Rural Bank Act 1976, to cater the credit needs of the rural poor.

The objectives of present research work are:

(1) To examine the problems of rural development.

(2) To review the background for setting-up of RRBs.

(3) To evaluate the government efforts in the subsequent development of RRBs.

(4) To examine the role of RRBs in socio-economic upliftment of rural poor in general and of Sitapur district in particular.

(5) To analyse the role of Bhagirath Gramin Bank of Sitapur this regard. In view of experience of Sitapur as a model.

(6) To find out the problems faced by RRBs during the mode of their working and formulate some concrete
suggestions for making RRBs economically viable, profitable and efficient enough.

This study has been undertaken with the hypothesis that for any rural upliftment it is needed that there should be some financial support available to the rural masses whether they are farmers, artisans or other inhabitants of the rural areas.

The financial accommodation to be provided to these rural groups was not seriously thought-out as an important parameter to be looked into. As a matter of fact, the financial institutions and banks upto a stage when RRBs were not available could not cater to the full needs of the rural population. It was worth the advent of these Regional Rural Banks that the financial needs of the rural masses have been taken care of. It is with this hypothesis that the study undertakes the job of analysing the problems.

The present study concentrates on the role of RRBs in rural development. The role is both qualitative and quantitative. The study takes both the aspects in consideration. Regarding the quantitative aspect issues of deposit mobilisation, advances and profitability have been taken in consideration. In view of the impact on rural development aggregate performance of RRBs fails to focus on certain issues that are unique in nature and specific to different places. There are many economic schemes of RRBs, which are available at certain districts and not available in other districts. Introduction of such schemes depends on the socio-economic patterns and potentials of
concerned districts. Impact of RRBs on rural development would be incomplete if this aspects is ignored this in mind, the present study includes a case study of Sitapur district. The RRB in Sitapur district is known as Bhagirath Gramin Bank. The case study concentrates on the socio-economic potentials of Sitapur district and in relation to that the role of Bhagirath Gramin Bank.

The present study is an exploratory research and so, it suffers from some limitations due to the constraints of availability of data backed by time and resource constraints. Some of the limitations are as follows:

(1) The study is a supply side study. Performances can be better assessed both by supply side and demand side study. The demand side part could not be taken care of in the present study due to the constraint of primary data. It may be suggested that some future study would fulfil this gap.

(2) Performances have been assessed on the basis of aggregate data of all the banks of RRBs as such, attempt will not be made to identify individual banks responsible for certain performance. For example, the present study will find out the profitability of all the RRBs in total. Attempt will not be made to find out the specific bank for what profit or loss happens to have a significant variation. Significance of such segregation is not undermined and so left to the course of future studies.
To achieve the above noted objectives the study is based on secondary data. The data is collected from various reports published by RBI, NABARD, books, journals and newspapers. The study unit is the Bhagirath Gramin Bank in the district of Sitapur in Lucknow region of Uttar Pradesh. The Bhagirath Gramin Bank, Sitapur is selected for study because Sitapur is one of the economically backward districts of state. The data of such bank is collected from published source of said bank and Lead bank of the district.

The entire study is divided into five chapters. Chapter one introduces the problems of rural development and states the approaches taken by the government of India and the bank to accelerate the process of rural development. Chapter two deals with the historical background of RRBs and examine the origin and development of RRBs. Chapter three makes an attempt to appraise the performance of RRBs in terms of deposit, advances, recovery and profitability. Chapter four outlines in short a socio-economic background of Sitapur district and examine the role of Bhagirath Gramin Bank in rural development of the district. The fifth and final chapter summarises the whole study and recommends suitable suggestion to achieve the cherished goal of rural development and to make RRBs more viable, profitable and efficient enough.

In its rural development approach, the Bhagirath Gramin Bank disbursed its major share of loan and advances to agriculture sector in the form of crop loan
and term loan. The crop loan is provided for short term period to purchase seeds, fertilisers, insecticides, pesticides, etc. in order to increase production. The term loan is extended to agricultural investment and allied activities to agriculture for medium as well as long term. Term loan to agricultural investment provided for the purpose of construction of wells, tube-wells and for the purchase of pump sets, tractors, thrashers and small agricultural implements. In order to generate supplementary source of income, term loan to allied activities is extended to promote dairying, poultry, goatary, fishery, etc.

The bank has also been providing credit assistance to the rural artisans and rural industries. In this sector there exists a great potential under the activities of handlooms, oils ghanis, gur units and other handicraft work. Although, the volume of credit is not sufficient to compare with demand then to generate more employment in the rural areas.

The activities of trades and services are considered vital in sustaining the development of other sectors of the districts. The bank extended its major share of loan and advances to this sector.

In district, the number of government sponsored programme are operating such as Special Component Programme (SCP), Swaranjayanti Gram Swarojgar Yojna (SGSY), etc. The Bhagirath Gramin Bank is contributing financial assistance under these programs to identify
beneficiaries. The bank is also discharging its traditional social obligation such as payment of pension to farmers and old aged persons, widows, etc. The payment of scholarship is also made by bank to student belonging to the schedule caste/schedule tribe, backward and minority communities.

The following suggestions were offered by the present study, which will be effective in improving the performance of the RRBs and efficient enough in the process of rural development.

The multi-agency control over the management of the RRBs should be dismantled. The reasons in support of this suggestion are; firstly, Problems arising out in systems, procedures, and policies due to the lack of uniformity in the functioning of bank will be checked and effective delivery system may be enacted. Secondly, poor identification of beneficiaries may be avoided and prompt loan may be provided to ultimate borrower without any delay. Finally, the leakage of information may be arrested easily.

While sanctioning loans, the concerned RRB officer should identify the potential borrower. The bank should also ascertain the viability of project and loan is given to only those projects, which can generate employment and sufficient surplus income for repayment of loan. Where the bank is sanctioning loan to existing assets, it should be ascertained whether the asset is capable to increase the productivity so as to reduce the
unemployment and bring about increase in the income level.

“Unsecured loan” should also be made available by the banks to all those rural poor whose income is below Rs. 50 per day. It may be helpful to such people to increase their income.

Provision of working capital in the case of dairying loan to landless is a must. Therefore, an arrangement of extra loan for product and animal husbandry facilities is the immediate need of landless labourer.

The RRBs have achieved an impressive growth in the deposit mobilisation but they have yet to become self-reliant. To further improvement in deposit mobilisation, the manager of rural branches with having knowledge as to who has no deposit account with the bank branches should make personal contact with the resident of local areas covered by their branches. During interaction with the rural poor, the importance of thrift and saving should be disseminated. Tiny savings of the rural poor should also be encouraged as much as possible.

To reduce mounting over dues it is suggested that the bank authorities should encourage the managers to work hard with sincerity and honesty. To have good recovery of loan it is necessary that the field officers should regularly meet the borrowers and to make them aware of the need to repay their loans.
Seasonality should be taken into consideration in fixing due dates of repayment of the instalment of loan. The recovery camps should be organised at village or panchayat level, soon after the harvesting, i.e., during the period when farmers may be expected to have money for repaying the loans.

The RRBs should concentrate and encourage more to develop rural industries and rural artisans. The banks have to make advances up to 15 percent of the total advances to this sector, compare to the existing level of around 10 percent.

To gain public confidence in RRBs, it is suggested that the government should instruct all its department functioning in the rural areas to keep their funds / grants with the RRBs. This will not only help these banks in attaining viability but will go a long way in image building.

In Sitapur District there are a good number of handloom weavers and there exists a great potential under this activity. It was found that these weavers are unable to take benefits of bank finance due to sickness of societies. The bank should encourage the weavers to avail of the credit assistant and also provide necessary guidance to the borrowers.

The districts are also suitable for sericulture activities such as mulberry plant, bee-keeping, and rearing of silk worm. These are good income generating activities but bankers are not interested to promote this
activity. The Bhagirath Gramin Bank should take an initiation to appreciate this activity and provide term loans to the farmers with the necessary technical guidance.

It was found that the bank advances were given to the farmers having more than five acres of land. Such a practice may be discouraged.

The Bhagirath Gramin Bank should improve the skill of the borrowers through training so that they can use the loans efficiently and repay at the specified date.

If these suggestions are taken with true spirit, the role of RRBs will go a long way in not only helping the poor but also creating a healthy environment for all round development of the rural areas.