CHAPTER-IX
SUMMARY AND CONCLUSIONS

In this chapter, the summary of the analysis in the form of findings, conclusions drawn and suggestions offered are presented.

Among all the sectors of the Indian economy agriculture plays predominant role. It has been providing employment to nearly 52.00 per cent of the total population and also contributing 17.00 per cent of the total population to the economy. Hence, this sector requires all types of support from the government including timely credit. This concept has been even accepted by the World Bank. The Government of India has rightly recognized the need for creating RRBs throughout the country. One of such steps is the creation of APGVB is head quarters at Honmakonda of Warangal district, covering the areas of Srikakulam, Vizianagaram and Visakhapatnam districts also in Andhra Pradesh State.

The sample survey conducted upon 1567 account holders, out of which 522 agriculturists are studied and the conclusion is that 60.00 per cent of the sample is represented by small and marginal farmers. The study on ownership of agriculture land has revealed that 80.31 per cent of the land is self-owned and rest of the 19.69 per cent land is leased out. The analysis has further revealed that out of the sample mandals studied the Ranasthalam mandal has cornered 42.44 per cent of the total agriculture credit followed by Rajam mandal with 32.22 per cent and
Narasannapeta mandal with 25.34 per cent. The study holding of land-wise has revealed that large farmers are availing more agriculture credit followed by small holding farmers. The crop-wise analysis of the credit observed that cashew, groundnut, jute and paddy agriculture lands have received more credit than compared to others.

In terms of the utilization or crop-loan by the borrowers 68.40 per cent has fully utilised followed by 24.90 per cent and 6.70 per cent of the credit and partially utilised and fully misused. In terms of the average yield the increase is registered highest of 58.78 per cent with paddy followed sugarcane, groundnut and jute during the period of study. It is interesting to note that the income of the farmers during the study period has increased to Rs.4702.09 lakhs as against Rs.2690.71 lakhs during the study period. This is a positive indicator that reveals the rural credit is acting as a catalyst for the enrichment of the rural farmers. Not only that the number of working days generated due to agriculture credit has increased from 43.00 per cent to 57.00 per cent during the study period.

About the 30 persons who have de-faulted the repayment of loan are given reasons that 7, 6, 5 have quoted that uneasy instalments, increasing cost and failure of crops are responsible for their inability to pay loan instalments respectively. Thus, it ultimately concluded that out of 522 sample agricultural farmers studied through this work majority of them are beneficiaries and a minor
part of the farmers are turned to be defaulters. The conclusion as far as agriculture credit, study proves that there are manifold advantages with minor deficiencies.

Rural development not only requires agricultural development but also includes rural crafts, animal husbandry along with small and micro enterprises. In-depth study has revealed that APGVB has contributed substantially for the development of village and cottage industries in the area of the study. This has resulted in the generation of rural employment and has further contributed to poverty elevation in the rural areas. Out of a sample of 522 village and small industries in rural areas, it is found that 100.00 per cent of these units have received help from APGVB.

The mandal-wise distribution of credit in the study area has revealed that Rajam mandal comes first followed by Ranasthalam and Narasannapeta mandals. Similarly, the distribution of credit among the 12 selected units have revealed that sofa making and tailoring units have achieved 100.00 per cent bank credit realization followed by garment making units and bakery units with 76.93 per cent and 65.23 per cent and respectively. Regarding the utilization of loans it is interesting to note that 80.00 per cent of the industrial borrowers have full utilised the rural credit given by the APGVB. As far as trading results of activity-wise small units are concerned, it is reported that garment making units have registered number one place in terms of progress followed by furniture making units and bakery units. It is also interesting to note that the sofa making units which have
been successfully utilised 100.00 per cent rural credit have registered a negative growth rate of four per cent in terms of progress during the period of study.

Further it has been observed that the progress of new units is registered as 87.70 per cent as against existing units which has been recorded as a mere 27.60 per cent during the study period. This clearly shows that new entrepreneurs are enthusiastic in avail the growth opportunities. A similar trend has been observed regarding profitability of various industrial units set-up of with the help of APGVB. While the profitability ratio is highest with garment making unit and negative in terms of tailoring units.

Regarding changes in employment pattern in small and village industrial units the highest change is recorded with iron grills work followed by soda making and bakery items. This fact shows that there is something changes in the lifestyle of the rural people. When it probed into the aspect of employment potential and capital intensity per labourer, is observed that capital intensity is highest among tailoring units followed by furniture making units. By and large it is observed that the per capita capital consumption is varying among the units but it is evident that the rural industries are less capital intensive per head.

Unlike previously, the development of transport, communication, education etc., leads to the creation of self-employment opportunities to the rural people with
the help of rural credit. Particularly the contribution of APGVB is laudable. This is revealed through table 7.1 regarding the extension of bank credit either to retail trade self-employed people and professional self-employed people. This study has revealed that petty shop traders have received 69.40 per cent of the total investment through bank credit followed by fruit business people with 64.30 per cent. Regarding occupational and professionally employed people radio repairers, watch repairers followed the suit regarding the receipt of rural credit for doing their business. It indicates that the self-employment people have utilizing the maximum extent of the credit facilities for their survival.

The study has further observed that 72.60 per cent of the self-employed people have full utilised the loan amount followed by partial utilization with 21.40 per cent and misutilisation by 6.00 per cent. The study has further revealed that while the grocery traders has improved their turnover by 15.00 per cent followed by ration shop owners with 12.50 per cent while the carpentry people have improved their turnover during the period of study. An in-depth study is made regarding the income generated by the sample borrowers under retail trade the growth income followed by stationary and petty shop traders during the study period. Among professional self-employed people the growth of income during the study period is recorded as 540.00 per cent in respect of paddy hulling followed by basket making with 200.00 per cent. On the whole it is proved that the rural traders as well as
occupational people have immensely benefited through the rural credit extended by APGVB.

Regarding employment generation under self-employment activities has shown that grocery trade comes first with 44.00 per cent increase in employment, as against 33.00 per cent in respect of stationary trade. Similarly, among professionally self-employed people the growth rate of increase in self-employment generation is recorded among goldsmith with 75.00 per cent followed by garment making units with 66.60 per cent. The fact is that the overall situation presents that with the help of the rural trade more number of people are employed at varying degrees in different fields.

The study relating the capital intensity per labourer under self-employment activities has revealed that the capital intensity is the highest with ration shop traders followed by pharmacy shops, whereas in respect of professional people the capital intensity per labourer is the highest with 266.60 per cent among clinical labs followed by the goldsmith with 105.70 per cent. Regarding the repayment of loan, while 63.79 per cent of the retail traders have full paid the loan in time, among professionally self-employed people the repayment is recorded as 50.00 per cent only. On the whole the study proved that retail traders are more alert in the payment of loan either partially or totally when compared to occupational and professional people. Similarly, an enquiry is made as to due reasons that are
hindering the borrowers about non-repayment of loan amount. Out of 64 defaulters, 19, 30 and 12 per cent of the people have submitted that poor business, repayment of other debts and absence of other sources of income are the reasons for non-repayment of loans in time.

The study has further revealed that around 50.00 per cent borrowers have paid their dues to the bank in time, because of the reason that they have had incremental income. Most of the promptly paid borrowers are further influenced by bank efforts and desire to get further loans in future. It can be summated that majority of the rural agricultural traders, occupational and professional people are immensely benefited through rural credit extended by the APGVB. If this bank can open more rural branches for extending services, it will be greatly useful for the development and strengthening of rural economy of this coastal part of Andhra Pradesh State.

After going through the last eight chapters of this study, it is possible to have a fair and detailed outlook of the manner in which the institutional credit agencies in general and Regional Rural Banks in particular have emerged as a pioneering institutions to provide credit to the weaker sections of the society in India and Andhra Pradesh in general and Srikakulam District of Andhra Pradesh in particular. This study has tried to analyse the position of Regional Rural Banks in
developing the rural areas of the Srikakulam District of Andhra Pradesh. The bank was established with a specific objective to provide credit facilities to vulnerable sections of the society, i.e. the weaker sections who come under the concept of rural development. It has been observed that rural development is a strategy designed to improve the living conditions of the rural poor. It includes small and marginal farmers, landless labourers, artisan class and socially and economically backward castes and classes. The Regional Rural Banks have facilitated this section of the population only, particularly in the rural areas and so, these institutions have close relationship with the policies and programmes of rural development and the implementation thereof.

Credit is one of the most important aspects to make rural development strategy and programmes successful and Regional Rural Banks were established particularly to meet this objective. The present study has tried to analyse in detail the position of the Regional Rural Banks in respect of achieving their objective in accelerating the pace of rural development with particular reference to Andhra Pradesh Grameena Vikas Bank of Andhra Pradesh. The major findings of this study are summarized in the following paragraphs.

The rural population of Andhra Pradesh is 70 per cent as against the average of 67 per cent in the country. Out of the rural population, about 75 per cent is
dependent on agriculture for livelihood in Andhra Pradesh as against 57 per cent in India. Thus, Andhra Pradesh is basically a rural-oriented economy and its development is based upon rural development. The population of the state constitutes 6.36 per cent of the nation's population which lives only in 10.06 per cent of the total area of the country. Only 57 per cent of the total area of the state is under net area and 80 per cent of the population depends upon agriculture for their livelihood. Apart from it, about 79 per cent of the land holdings in the state are of less than 2 hectares accounting for only about 30 per cent of the total operated area which reveals that majority of them are small and marginal farmers who have no enough money to invest but have ample time to devote in additional employment activities, if adequately and properly created. Out of the total agriculture workers, 35.40 per cent are agriculture labourers. The socio-economic characteristics of the state indicate the per capita net cultivated land heavy pressure of population on less cultivated land which has resulted in the problems of poverty, unemployment etc. Low per capita income and overall backwardness of the state covers 50 per cent of the population of the state that live below poverty line in rural areas.

Therefore, rural development is the focal point of all developmental efforts of the state and this can be done by providing easy and adequate credit facilities to the weaker sections of the society and in this context the role of institutional credit
agencies in general and of Regional Rural Banks in particular has been analysed and concluded the role highly commendable.

After analysing the physical and socio-economic features of the Srikakulam District of Andhra Pradesh in the study and having reached at the conclusion that rural development should be the essence of all plans and programmes in the agriculturally dominated rural economy of the district. The study has focused light on the theoretical and conceptual aspects of rural development. Rural development is primarily associated with the development of the weaker sections of the rural population consisting of the small and marginal farmers, landless agricultural labourers, poor artisan class, economically and socially backward castes like scheduled castes and tribes constituting about 75 per cent of the population. The need is to touch this group by enunciating and implementing specific programmes adequately supported by finance and other essential infrastructure. What is required is to give this section of the population supplementary sources of employment and income not as a 'Dole' but work of a permanent nature maintaining the elements of justice and equality. The basic problem relating to rural development is huge capital which is to be pumped up to starved rural population that depends upon the inadequate land-base for its livelihood. Therefore the significance of credit and finance seems to be immense to the rural people.
The summarized position of the rural development programmes shows that development of the rural areas has been one of the abiding concerns of the successive Five Year Plans. The starting point is with the Community Development Program in the early 1950s which helped to establish a net work of basic extension and development services in the villages and thereby creating awareness in the rural communities about potentials and means of development which made quicker adoption of major technological advances in agriculture and creation of essential physical and institutional infrastructure of socio-economic development in many rural areas. Later, realizing the fact, that the benefits of various developmental programmes were being taken away by the richer sections of the population. Programmes specially designed for the development of the small and marginal farmers and the landless agricultural labourers were taken up in the early 1970s. Special Area Programmes, and programmes for the socially and economically backward classes were also launched during the Fourth Plan Period to provide relief to the weaker sections, particularly in the rural areas.

Integrated Rural Development Program and National Rural Employment Program were launched during the Sixth Plan Period whereas the 20-point Economic Program and Minimum Needs Program were launched during the Fifth
Plan Period, which possess specific significance for developing the rural areas. But all these programmes need appropriate and adequate financing for creating additional employment and income to the weaker sections and this is possible only by expanding the institutional credit agencies with a bias to concentrate on rural financing and implementation of the specific programmes. With the nationalization of commercial banks in 1969 and opening up of the rural based and rural development oriented Regional Rural Banks, a new chapter in the history of institutional financing of rural development was started in the country as a whole and in the State of Andhra Pradesh in general and Srikakulam District in particular.

The study shows that credit holds a unique position in the economic development and it provides energy to lubricate the idle assets particularly of the weaker sections of the rural population. The sources of credit are divided into institutional and non-institutional sources of credit agencies. The non-institutional sources of credit are professional moneylenders, agriculturist moneylenders, traders, commission agents, relatives and friends. The institutional sources are comprised of co-operative banks, commercial banks and Regional Rural Banks. Up to 1969, i.e. before the nationalization of commercial banks, non-institutional credit agencies covered more than 90 per cent of the credit supplied to the rural population. And among the institutional agencies, co-operatives and Government were the main sources whereas commercial banks have had their coverage rather
less than one per cent. The non-institutional sources were exploiting the weaker sections by charging exorbitant rate of interest.

The All-India Rural Credit Survey Committee and its following survey reports have emphasized the need to provide rural credit in organised sector. As a consequence of those recommendations commercial banks were nationalized in 1969 particularly to give them rural orientation by reducing their urban bias. But the expectations could not be fulfilled and commercial banks could not change their attitude of profitability, safety and urban orientation. On the other hand, co-operatives being the center of political activities have always been the institution of the elites and therefore they have not been helpful in promoting the interests of the weaker sections of the population particularly in the rural areas. After nationalization, commercial banks have achieved a commendable success in branch expansion and disbursement but their rules and regulations require security and therefore they do not suit the existing conditions of the weaker sections. Consequently, in the rural areas, even today, the non-institutional credit agencies have had their deep root and exploit the weaker sections of the population.

The study further reveals that in spite of the concerted efforts made by the Government, the co-operatives and the commercial banks failed in providing proper and adequate benefits to the weaker sections, therefore it was felt that there was the need of ‘credit gap filling’ institution and this feeling gave rise to create a
special rural bank which was earnestly taken up by the Working Group on Rural Banks headed by Mr. Narasimham in July 1975. The Committee observed that it was necessary to establish an institution on the basis of attitudinal and operational ethos entirely different from those of obtaining finances in the public sector banks and on the recommendation of this group, the idea of Regional Rural Bank emerged and first five Regional Rural Banks were established on 2\textsuperscript{nd} October, 1975. Regional Rural Banks were state sponsored, regionally based and rural oriented commercial banks and were meant to combine the local feel and familiarity with general features which the co-operatives possess and the degree of business acquisition, ability to mobilize deposits, access to central money markets and a modernized outlook which the commercial banks must have. Thus, the Regional Rural Banks came into picture particularly to provide credit facilities to the weaker sections of the rural population because the existing institutional credit agencies were not specifically suited to the conditions of the weaker sections. The social structure prohibits the weaker section to get appropriate benefit from these institutions and therefore the Regional Rural Banks were started to be specific credit agency for the weaker sections that dominate the population of the country as well as the state of Andhra Pradesh in general and Srikakulam District in particular.

The Regional Rural Banks are Government owned, regionally based and
rurally oriented financial institutions specialized to cater to the credit needs of the neglected and weaker sections of the society. It intends to fill up the regional and functional gap present in the institutional credit in respect of the rural areas. Because of low cost operation, operational area being the remote part of the country-side and its access to get the credit flow up to the doors of the specified borrowers, Regional Rural Banks are better tailored to meet the credit needs of the rural poor. The development of the rural poor and thereby of the rural areas vis-a-vis urban areas is the chief objective of the Regional Rural Banks. In fact, Regional Rural Banks are small man's banks.

The study shows that during a short span of time after their birth in 1975, the Regional Rural Banks have achieved remarkable progress in respect of branch expansion, credit disbursement and coverage. Though this institution was started amidst the cloud of fear that they might prove economically and technically non-viable but they have shown their worth and have developed and expanded as a prime institution in the rural areas of the country. The Regional Rural Banks presently cover more than 80 per cent of districts in 26 States and Union Territories of the country and altogether there had been 189 Regional Rural Banks with a branch net work of 14,508 in the country at the end of March 2008-09. The expansions of bank branches have been mostly in unbanked, neglected and remote
areas. The study also shows that the expansion of Regional Rural Banks in India has been faster and larger in the States like Uttar Pradesh.

The study also reveals that Regional Rural Banks have shown considerable success in the field of deposit mobilization and advances made available to the borrowers. There had been 70 times increase in the total amount of deposits made by the Regional Rural Banks in India between 1999-2000 and 2008-09. This indicates that the progress of Regional Rural Banks in India has been tremendous. However, the recovery of the advances given by the Regional Rural Banks has not been satisfactory with the result that the amount of over dues has increased to the insurmountable level posing threat to the smooth and efficient functioning of the Regional Rural Banks. The overdues are mainly due to improper identification of beneficiaries, lack of proper evaluation of the implementation process of schemes, absence of follow-up actions, and non-availability of supporting loans, lack of education among the beneficiaries. Taking illegal gratifications by the staff for financing them sent wrong signals among the beneficiaries to treat the loan as gift. Excessive political interference in almost all the activities of the bank is resulting in slackness in the staff to be indifferent in respect of collection of the dues. Moreover with the absence of the specific provisions of legal punishment gives rise to willful defaulters. Attempts must be made to check these shortcomings, so as to give a sound footing to the Regional Rural Banks for their smooth and
The study further shows that the Regional Rural Banks grew in Andhra Pradesh simultaneously with their growth all over India. They have demonstrated the phenomenal progress and a good account of success in quantitative terms. The Regional Rural Banks in Andhra Pradesh cover all the Districts in the State. It is heartening to note that there is better coverage of Regional Rural Banks in north coastal Districts of Andhra Pradesh which has poor industrial base, high proportion of weaker sections living mostly in the rural areas depending on agriculture for livelihood with very backward economy. The average number of branches per Regional Rural Bank in Andhra Pradesh works out to be 81, which is higher than the norm of 50 to 60 branches set by the Dantawala Committee. Further, against the norm of 20,000 people per branch, as proposed by the same Committee, each Regional Rural Bank branch in Andhra Pradesh serves about 40,000 people, which may affect the achievement of the objectives in aggregate terms. The number of branches of Regional Rural Banks sharply increased from 17 in 1975 to 3279 in 1980 and further to 14,508 by March, 2008-09. About 91 per cent of the branches are in rural areas and this is as per the objectives of RRBs.

The analysis revealed that its rapid branch expansion programmes had vastly increased the banking facilities in the command area of the bank. The Andhra Pradesh Grameena Vikas Bank, besides taking banking to the far flung areas, had
mobilized sizeable deposits. Their credit-deposit ratio was highly commendable. This resulted in an increased flow of institutional credit in its area of operation. The composition of loan and advances revealed that agricultural sector bagged a major share in the total credit in the early years; but of late, the non-agricultural sector claimed the bulk of the credit (more than 80 per cent) of short-term nature. It was observed that about a cent of the loan went to the priority sector. The role of the bank in advancing loans under IRDP, Family Adoption Scheme, etc, was also quite satisfactory. On the recovery front, the bank's record was relatively good. However, the rate of recovery in the year 2003 was found to be far from satisfactory. The rate of recovery of non-agricultural loans was found to be relatively much better than agricultural loans. The impression created about the staffing pattern reveals that the bank has a team of young and efficient employees dedicated to the cause of rural development.

Coming to the problem of overdues and repayment of loan, it was found that the generation of incremental income was the major basis for repayment. The other reasons are the desire to get further loan, bank effort, timely loan, easy installment etc. The reasons cited for default in repayment are, expectations regarding the waiving of loan by the Government, low production, absence of other sources of income, unyielding installment, increasing family consumption etc. Some borrowers are observed to have developed negative attitude to loan repayment,
mainly due to politicisation of rural credit.

The study, after an in-depth, analysis, has pin-pointed out some of the basic problems that have been hampering the smooth and efficient functioning of Andhra Pradesh Grameena Vikas Bank (APGVB) in Srikakulam District of Andhra Pradesh. The problems may be summarized in a compact way. Some of the problems stated are mounting overdues, low credit-deposit ratio, faulty identification of the beneficiaries, lack of profitability, high establishment cost, lack of sufficient staff, lack of supervision, absence of research wing, insufficient training of the staff, political interference etc. These problems have badly affected the functioning and performance of Andhra Pradesh Grameena Vikas Bank and it has deviated the bank from their objective. As a result, rural and weaker sections have become a source of exploitation of the politicians and the bank staff and this has become the focal point of criticism by people all over.

The study has tried to make an in-depth analysis of the working of the Andhra Pradesh Grameena Vikas Bank, which covers the three north coastal districts namely Srikakulam, Vizianagaram and Visakhapatnam of Andhra Pradesh. It has pin-pointedly observed basic issues relating to the working performance and problems of the Bank. Andhra Pradesh Grameena Vikas Bank was established at Warangal as Head Quarters and sponsored by State Bank of
India. Up to March, 2009 Andhra Pradesh Grameena Vikas Bank had 163 branches in the three districts covering north coastal area of Andhra Pradesh region, apart from other five districts in Telangana region of Andhra Pradesh State. The total deposits of the bank was Rs.34,676.49 lakhs as on 31 March 2009. The total advances made by the bank was Rs.22,952.00 lakhs. The pattern of advances has got a positive change over a period of time. At the beginning of the banking operations, the agricultural sector accounted more than 60 per cent of the total advances made by the bank.

It has been concluded on the basis of the analysis that there has been an improvement in quantitative aspects of the Andhra Pradesh Grameena Vikas Bank like branch expansion, advances, deposits, etc., But the increasing quantum of overdues clearly gives an indication that the utilization of loans has not been in right direction. In turn, its impact has not been up to the expectations on income and employment of the weaker sections of the rural population. The primary study had been conducted on 1565 sample beneficiary households selected from three sample mandals (Narasannapeta, Ranasthalam and Rajam) of Srikakulam district of Andhra Pradesh Grameena Vikas Bank. It also confirms the weaknesses and problems of the Regional Rural Banks in general and Andhra Pradesh Grameena Vikas Bank in particular.
The findings of the study show a gloomy part of the impact of the financial operations of these banks. It is due to unfavourable economic, political, social and administrative reasons; these banks served more the upper income groups of the society, whereas its chief aim of establishment was specifically for the promotion and development of the weaker sections and enrichment of their standards of life by creating additional income through supplementary occupations. Though the quantitative performance is impressive but the qualitative performance presents a dark and desperate picture. As in practice, these banks have misled and exploited the weaker sections and have proved to be instrumental in augmenting corruption and ethical degeneration of the people at large in the rural areas of the state in general and in the area served by Andhra Pradesh Grameena Vikas Bank in particular. The correction in the mode of operation of Regional Rural Banks requires complete revamping of the administrative system with heavy emphasis on social welfare and only then; these banks may prove to be a source of enrichment of the living conditions of the rural masses. As the Regional Rural Banks are public institutions meant for serving the weaker sections with equality and social justice, they need to be strengthened by overcoming all the existing deficiencies.
SUGGESTIONS

Any suggestion for reforming the working and performance of the Regional Rural Banks in Andhra Pradesh State and particularly the APGVB must be made on the basis of the findings mentioned. It has been observed that the bank has progressed much in quantitative terms, i.e. in respect of branch expansion and credit disbursement and moderate progression in respect of deposit mobilization. But in qualitative forms, the bank's performance is relatively poor, particularly in respect of identifying genuine beneficiaries of the group of weaker sections of the population. As a result, in spite of their quantitative progress, they have not proved to be a reliable and satisfactory institutional agency to re-orient, revitalize and upgrade the living conditions of the weaker sections. This has given rise to huge amount of overdues, which has emerged as a major threat to economic viability of this rural financial institution. The reasons are many-fold and multi-cornered being economic, social, political and administrative nature. Therefore, the suggestion for reforming the working and performance of APGVB are in main, associated with the qualitative reforms in economic, social, political, administrative aspects and environments, which if followed in their true perspective may go a long way in solving the problems and making the Regional Rural Banks economically viable, socially acceptable and administratively efficient in meeting their prime objective is rural development.
The experience as well as the evidence shows that Regional Rural Banks are more suitable than the commercial bank branches to meet the task in hand. Apart from the fact that Regional Rural Banks devote special attention to the weaker sections, they have the advantage of lower cost of operation, and therefore, they should be confined to take banking closer to rural households and ensure more effective utilization of credit and supervision over the end-use-of credit. The Regional Rural Banks should be made economically viable and for this purpose, the commercial banks should be encouraged to transfer the eligible business of their rural branches to Regional Rural Banks wherever possible. Rural branches with predominance of loans to weaker sections may be given priority for such transfer. Similarly, rural branches which have not been able to develop adequate business even after a reasonable period, so as to cover their own costs of establishment deserve to be considered for this purpose. On the other hand, where the bigger category of borrowers is substantial in number in any rural branch and accounts for bulk of the business, may be retained by the commercial bank. The transfer envisaged is of eligible business and not of the staff. The sponsor banks themselves may take the initiative to draw up a program of transfer of business on a mutually agreed basis. The Reserve Bank of India/National Bank for Agriculture and Rural Development may take such steps as necessary to facilitate the transfer operations when such agreed programmes are presented.
To make the Regional Rural Banks economically viable, for sometimes, the losses incurred by them should be made good annually by the shareholders, viz., the Government of India concerned state government and sponsor bank in the same proportion as their shareholding. Even now, the Regional Rural Banks should continue to confine their operations to the weaker-sections. The present stage is not conducive for any general relaxation that may have the effect of diverting the attention of Regional Rural Banks from their goal. The departure, if any from rural should be exceptional, for example, in backward hill/tribal areas. The image of the Regional Rural Banks as a small man's bank must be kept up.

In order to make them more viable, mobilization of adequate deposit is essential. In this context, the Regional Rural Banks should take positive initiative to convince the people and show their superiority over the commercial banks in prompt action, polite behavior and show more profit to the depositors. The rate of interest on the fixed deposits for more than three years should be kept slightly more than commercial banks. The bank should launch a daily deposit scheme to increase savings potential and facilitate the deposit process of the poor people. A ‘contingency fund’ at the beneficiary village level should be established consisting of the contributions made by the beneficiaries. Out of this fund, loan should be
given to the needy households who are the contributors of the fund and a Committee consisting of the representatives of the weaker section, Mandal Development Officer and the bank concerned should be set-up. This will be helpful in increasing the economic viability of the bank by rendering help to the needy weaker sections of the population, in case of emergency needs.

The bank should provide production as well as consumption loans to the weaker sections. The bank should educate the people of the area about the schemes and should also provide technical facilities as well as means for other infrastructure facilities to implement the scheme and utilize the assistance properly and effectively. The process of loaning should be easier and convenient for the weaker sections. A sanction of loan should be given only to these projects that are found economically viable and technically feasible and the sanction should be followed by close supervision.

Each branch of the Regional Rural Bank should be adequately computerized so as to enable the staff to devote time in supervising the accounts. The District Rural Development Agency (DRDA) should insist the Regional Rural Banks to release subsidy only after the production of loan utilization certificate particularly to ensure strict supervision on the financial projects.
The majority equity stake, preferably 100 per cent ownership, of the Regional Rural Banks, needs to be transferred to the sponsor banks to ensure good governance. Having a single owner is critical for clarifying channels of control, responsibility and accountability. However, in keeping with principal-agent theory, this ownership will be ineffective unless it also gives sponsor bank a free rein to operate the Regional Rural Banks as real commercial entities.

Administrators need to evaluate rigorously claims regarding dramatic improvements in RRBs viability. Since official assessments of loan-recovery performance are based on estimates of collections over demand and collections are getting a strong boost from the recovery of portions of overdue portfolio. It is unclear whether recovery of post-reform loans is high enough to make the Regional Rural Banks viable in the long term. In order to assess accurately the quality of new lending, computation of a Current Recovery Rate (CRR) that divides total cash receipts by total amounts falling due for a given loan contract in the post reform period is recommended. Given the challenges faced by Regional Rural Banks accounting systems in segregating principal from interest can be made by the Regional Rural Banks so as to allow producing a reasonable estimate of annual loan losses.
The provision of guarantor should be discontinued for providing loans to the weaker sections and asset record of the small and marginal farmers as stated by the Committee of the representatives of the weaker sections, Mandal Development Officer and the representative of the bank should be given weight for the purpose of giving loans. The amount of loan for trade, business, small-scale industry and agricultural implements should be increased. Effective steps should be taken to improve the position of recovery of the loan. The beneficiaries should be given appropriate knowledge of the need and procedures of repayment. Overdues should be minimized. There is an urgent need to make necessary punishment by the judiciary to the defaulters whether they are the beneficiaries or the bank authorities. For curbing the problems of mounting overdues, there should be a direct relationship between the bank and the beneficiary.

For the purpose of judicious identification of beneficiaries and proper implementation of the schemes, the study strongly supports the recommendation of the Dantwala Committee for issuance of land pass book to each cultivator stating the details of land held and their rights particularly to avoid overlapping in financing and also for proper identification. Similarly, other constituents of the weaker sections having no land should also be given identity cards showing their occupation and assets.

Further, participation of local people in the share capital and management is
also suggested. A guaranteed dividend equivalent to the interest paid by the commercial banks on more than one year fixed deposit may be desirable to encourage such local participation. Such share-holding should be open to co-operatives, other local institutions and other individuals within the jurisdiction of the Regional Rural Banks. If there is shortfall in the share of the local participation, it should be filled up by the sponsor banks or the Reserve Bank of India and National Bank for Agriculture and Rural Development with the provision that as and when the local demands for subscription comes up, the shares held may be released to the eligible institutions and individuals. The composition of the share capital should cover 25 per cent of the share capital by sponsor bank, 40 per cent by state government, 15 per cent share capital by local participation and the rest of 20 per cent by NABARD/RBI.

The most important problem before the Regional Rural Banks in Andhra Pradesh has been with that of the wrong selection and financing of beneficiaries. It is suggested that identification of beneficiaries must be based on a survey of households by the team consisting of the representatives of the bank, the Mandal Development Officer and the representatives of the weaker sections of the population. Intervention of the local politicians and rural elite must be avoided. From amongst the identified weaker sections of the population, priority should be from the lowest rung and finance should be made available in adequate amount and
at proper time, without exploitative activities of the bank staff and the intermediaries. An expert committee consisting of stalwarts in the field of agriculture, economics, the local higher educational institution or University, the representatives of the bank, District Rural Development Authority and the farmers should be constituted to examine the potentialities of the area and the actual credit needs of the beneficiaries. The Committee should also give technical advice to the beneficiaries and the members of the Committee should be given incentive honorarium for the work in securing their honest and sincere work.

It is also suggested that there is a dire need to impart training to the staff of the Regional Rural Banks in its own perspective of business. In terms of Section 3 (3) of the Regional Rural Banks Act 1975, it is obligatory on the part of the sponsor bank to provide facilities for recruitment and training of personnel for a period of five years. Even thereafter, there is no bar on continuing financial and managerial assistance by mutual agreement. So far, the banking aspects of linkage are concerned, it has to be continued since the sponsor banks are financing banks as well. In regard to managerial and other aspects, it is suggested that the recruitment of the staff of the Regional Rural Banks should be directed by the National Institute of Bank Management through the written test, oral examination, computer knowledge and personality test of the candidates qualified in the written
examination. It should be done by an All-India Board, not solely by the Chairman of the Regional Rural Bank. This will minimize corruption at the recruitment level. The sponsor bank should provide technical assistance to the banks in project formulation and the sponsor banks, for the coming 10 years should also arrange training Regional Rural Banks should be encouraged to be self-reliant in every respect. In view of the computerization of Regional Rural Banks, it is necessary to equip them with adequate technical staff. The exact composition of the technical staff will have to be determined according to local needs and the technical needs of the branches of the Head Office of Regional Rural Banks.

Having gained experience in the practical problems, the study suggests nomination of at least two non-officials who are either progressive farmer. Social reforms or workers or persons connected with rural welfare, agriculture development, village industry or the men of the local areas involved in research on rural problems. They may be from either in the university or institutes; they should be nominated by the Government of India and by the sponsor bank. In no case, persons who are active politicians or office-bearers of political parties should be nominated. In other words, the management of Regional Rural Banks should be kept free from politics. Experts in the field of rural development and financial management should be given preference in the Board of Management of Regional Rural Banks.
Hence, it is strongly endorsed that the recommendation of the Dantawala Committee for the transfer of the entire control regulation as well as the promotional/developmental responsibility relating to Regional Rural Banks from the Government of India to the NABARD followed by necessary amendment of the Act. As the Regional Rural Banks are intended to be the low cost institutions, the scale of pay of the staff should be equivalent to the staff of the State Government but certain promotional avenues should be there as incentive and special incentive amount should be granted to the staff of these Regional Rural Bank branches. The performance in quantitative as well as in qualitative respect in the eyes of the evaluating expert Committee is satisfactory. As the Regional Rural Banks devote exclusive attention to the weaker sections, they should be continued to be treated as special on different footing in facilitating their operations. Certain facilities now available to Regional Rural Banks such as concessional refinance from the Reserve Bank of India and National Agriculture Bank for Rural Development, lower standards of liquidity, slightly higher rate of interest on deposits, etc. should be continued.

These measures, if adopted and implemented in their true spirit, may improve the working and performance of Regional Rural Banks in general and Andhra Pradesh Grameena Vikas Bank in particular in helping the weaker sections
of the population and developing the rural areas by and large. These must be supported by moral up-gradation and mind-set of the bank staff and the beneficiaries, proper involvement of the identified households. For financing the weaker sections, strict check on undue involvement of the politicians and intermediaries may be imposed to implement the schemes with honesty, caution and suitable supervision monitoring and follow-up actions.

It is observed in agricultural sector that the development of agriculture and allied activities are the core competencies to the rural development of the country. The present study covered 522 sample borrowers comprised of agricultural labourers (13.41 per cent), small farmers (19.92 per cent), marginal formers (45.02 per cent), and large farmers (21.65 per cent). The average amount of credit disbursed to the sample borrowers was Rs.225 lakhs, though it varies from, district to district, scheme to scheme and in different size of holding groups. The average amount of credit disbursed and the size of land holding were found to be positively correlated. But the size of credit granted was found inadequate to meet the requirements of a large number of borrowers.

Among the various agricultural development programmes the crops like paddy, groundnut, sugarcane, cashew and jute are the main income generated crops of the people. It is observed in the study that the total credit 62.00 per cent was
availed for harvesting paddy, followed by sugarcane 13.78 per cent and groundnut 11.33 per cent. The average credit was found the highest for jute crop with 18.00 per cent followed by cashew 13.64 per cent. On comparison with the incomes of agriculture produce, they received seemed to be remunerative.

The borrowers received income from the sale of agriculture produce in the survey year 2008-09. The gross income has been worked out to Rs.10242.41 lakhs, the cost of cultivation was worked out to 5540.32 lakhs, and the net income of borrowers reached 4702.09 lakhs. In the survey year, the annual net income was found the highest, for it is observed in agriculture sector that the development of all activities is central to the rural development of the country.

The employment generated was found to be 57 man-days during the survey period. Somebody in the sample used hired labour. Daily farming was predominantly a female activity. Participation of child labour was also very low. Major portion of man-hours have been used for harvesting, cutting, and hulling. The agriculture activities are followed by the collection of seeds for sowing purposes.

About 68.40 per cent of the borrowers fully utilised the loan. The repayment of loan was very low in general and so worse for the IRDP borrowers. The reasons are: The declaration of waiving of loans by the Government, misutilisation or
partial utilization of loans, increase in cost, failure of crop, fall in product price, increase in family consumption, uneasy installments, and repayment of other debts. Apart from that the borrowers complain low yield, longer dry period, non-availability of good quality seeds, under-financing etc., These were the main reasons for non-payment of loans. Regarding the repayment, the factors are many viz., borrower’s negative attitude to repayment due to incremental income, the desire to get further loan, renewal of the loan, the effort of the bank, the desire not to be defaulter, income from other sources and timely loan facility etc; Apart from that, good yield at times, the remunerative prices the effort of the bank etc., were pointed out as the reasons for prompt repayment.

It is observed from the entrepreneurial development of the district, that the bank has assisted a number of rural industries varying from tailoring, sofa making etc., to engineering works, printing press etc. The bank was also instrumental in starting new industrial units. Similarly, loans were also given to many borrowers. The investment pattern of the industrial units selected, revealed that the average investment of the units varied from Rs.3.30 lakhs to Rs.30.70 lakhs. The loan component in investment seemed to vary from Rs.4.79 per cent to 100 per cent. The bank mainly provided the working capital requirements of the units. However, in the case of IRDP and new units, the bank provided cent per cent of the capital investment.
The utilization of loan amount revealed that 80.00 per cent of the borrowing units fully utilised the loan amount. None of the units reported full misutilisation. The economic impact of the schemes selected showed that the profit of new industrial units was far lower than the existing ones in the survey year. However, the net profit ratio was found to be higher for the new units in the survey year. The main reason for the commendable performance of the selected units was the production of goods, which are on demand in local markets.

The financing by the bank was also instrumental in generating additional employment. It was seen that the bank credit generated 316 new jobs. The average number of employment per unit increased from 5.50 per cent during the base year 1999-2000 to 21.00 per cent during the survey year 2008-09. It was also noted that the nature of employment generated was full time for all the activities except soda making units. The capital intensity per labourer revealed that the small-scale industrial ventures were capable of generating more employment with low capital intensity.

It is also observed that the self-employment schemes of Andhra Pradesh Grameena Vikas Bank, the repayment of loan from the borrowers were able to recover the dues. 63.79 per cent of the borrowers fully paid the loan amount. With regard to the total amount demanded, 57.66 per cent had been repaid. The repayment was found to be the highest in Narasannapeta Mandal in the district.
The repayments of IRDP units were poor. Compared to the existing units, the repayments of new units were not commendable. None of the borrowers fully defaulted the loan repayment. High domestic consumption, under financing, absence of proper marketing, competition from fellow businessmen, lack of seriousness to repay the loan etc., were found to be the prime reasons for non-repayment and default. While, high demand for goods, good profit and bank efforts were stated to be the main factor, which facilitated prompt repayments.

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