Chapter VII

Findings, Suggestions and Conclusion
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FINDINGS, SUGGESTIONS AND CONCLUSION

In this chapter the researcher explains the overall summary of the study of all the foregoing chapters, findings of the study, suggestion are made in the light of the major findings to improve the sector as a whole and conclusion is drawn about the study.

The presence study has analyzed the issue of long-term rural credit in relation to agriculture and rural development by evaluating the performance of PCARDBs of the Davanagere district in Karnataka. The following objectives were set forth:

The present study has the following objectives.
1. To study the origin and growth of PCARDBs in India and Karnataka in general and Davanagere district in particular.
2. To analyze the organizational structure of PCARDBs.
3. To know, document the lending norms and analyze the pattern of credit flow.
4. To assess the financial performance of Primary Co-operative Agriculture and Rural Development Banks, in Davanagere District.
5. To examine the problems of repayment and overdue dues.
6. To know the problems of Non-Performing Assets (NPAs) of the PCARDBs in study area.

The present study aims at testing following hypotheses,
1. The performance of Primary Co-operative Agriculture and Rural Development Banks in Davanagere district is not up to the mark.
2. There is no significant difference in over dues across the taluks.
3. Willful defaults, crop failure and diversion of credit lead to NPAs.
4. The farmers do not use the entire amount of loan for the purpose for which it is granted.
5. The percentage of defaulters decreases with the increases in the size of landholdings and irrigation facilities.

The first chapter describes the importance of agriculture and rural development in India, importance of long term credit in the present context, review of literature, statement of the problem, need for the study, and scope of the study. Various studies have been conducted to explain the performance and problems of PCARDBs in India and Karnataka. No studies are undertaken to evaluate the performance of Primary Co-operative Agriculture and Rural Development Banks in Davanagere district.

The present study is based on simple random sampling method. It is an empirical one; it is based on both primary and secondary data. Three stages sample design has been employed in the present study. Selection of the PCARDBs is the first stage of sample design. The second stage is selection of bank officers and managing committee members, the third stage concerns selection of beneficiaries.

In the first stage, in Davanagere district there are 6 PCARDBs, all of them have been considered for the study purpose to know the variation if any among the banks for selected parameters.

The second stage of sampling related to the selecting bank officers and managing committee members. Out of 32 bank officers in 6 PCARDBs, 20 officers were interviewed. It works out to about 62.5 per cent of the total 32. They comprise of 4 officers each from Channagiri and Honnali PCARDBs, 3 officers each from Davanagere, Harapanahalli, Harihara and Jagalur PCARDBs.
Totally 30 managing committee members were interviewed in six taluks. It works out to about 45.45 per cent of the total 66. They comprise of 5 members each from Channagiri, Davanagere, Harapanahalli, Harihara, Honnali and Jagalur taluks.

In the third stage, for the purpose of this study both Farm-loan and Non-Farm loan borrowers for the year of 2008-09 were considered. Out of total borrowers, simple random sampling 300 farmers were interviewed and responses were collected. 50 sample borrowers were interviewed from each taluk.

7.1 Analysis of Data

The data collected from primary and secondary sources have been processed and reduced in suitable table in order to present the matter in systematic scientific manner. The data has been made to diagrammatic, charts, table and graphical representation of the data whenever necessary. Further, statistical tools like percentage, Co-efficient of variation and Compound Growth Rate (CGR) are used to analyze data.

Chi-square($x^2$) method has been applied to test the significance of the relationship between the variables used in this study. ANOVA and Post Hoc test are also used to test the hypotheses of the study.

The second chapter traces the origin and growth of long term co-operative banks in India and Karnataka. Historical back ground of long -term co-operative credit movement. Organization of Land Mortgage Banks and Progress. Further, it explains the organizational structure of PCARDBs in different states and in particular in Karnataka state and Davanagere district and also describes the profile of PCARDBs in Davanagere district.
In the third chapter, an attempt is made to highlight the profile of Davanagere district. The performance of PCARDBs is closely related to the agro-climatic conditions, cropping pattern, size of land holding and irrigation facilities of Davanagere district. The performance of these banks varies substantially with respect to important indicators of PCARDBs in different taluks.

The fourth chapter assesses the performance of PCARDBs in all the taluks by selected certain indicators which have analyzed by using time series data from 2004-05 to 2008-09. The progress of PCARDBs based on the membership criterion indicated an increasing trend in total membership as well as membership per PCARDBs in all the taluks over the years. The compound growth rate of membership ranged from 1.29 per cent in Harihara taluk to 6.85 per cent in Jagalur taluk. The compound growth rate of growth in membership was 2.80 per cent in the district. It was inferred that the performance of PCARDBs in terms of membership was reasonable, but not satisfactory. The proportion of borrowing members to total members did not show any improvement was declined in all taluks except Harihara and Honnali taluks over the years.

The growth rate of share capital declined from Rs. 634.34 lakhs in 2004-05 to Rs. 582.57 lakhs in 2008-09. The overall growth in paid share capital had negative compound growth rate of -1.68 per cent. The total growth in borrowing funds declined considerably from Rs. 9093 lakhs in 2004-05 to Rs. 6605.80 lakhs in 2008-09. All the taluks registered negative growth rate. The owned funds considerably declined from Rs. 3693.5 lakhs in 2004-05 to Rs. 2584.77 lakhs in 2008-09. During period of the study all the taluks were shown in negative growth except Harihara and Davanagere taluks. The total deposits of PCARDBs in the district registered negative compound growth rate of -
11.74 per cent. Because, these banks are not deposit oriented since they are mainly meant for advancing loans for developmental activities.

There was a substantial decrease in the amount of loans advanced by all the PCARDBs except Harapanahalli taluk over the period. The overall of loan issued had negative compound growth rate of -9.82 per cent. The need to increase the amount of loan in all the taluks was felt necessary.

The total working capital is another financial criteria which are used to measure the potentialities of PCARDBs, for undertaking credit and service activities the results pertaining to the working capital of PCARDBs revealed that the negative growth rate in all the taluks. The working capital considerably declined from Rs. 10369.93 lakhs in 2004-05 to Rs. 8481.90 lakhs in 2008-09. The growth in loan outstanding was not satisfactory. The overall compound growth was negative growth rate of -4.00 per cent and inter taluk variation was marginal differences.

The better recovery credit would strengthen the liquidity and the lending capacity of the bank. During the period of study all the PCARDBs did not show appreciable progress in recovery performance. The above analysis is shows the overall progress achieved by PCARDBs in the district was not impressive and not satisfactory according to selected indicators. So, the first hypothesis “the working performance of PCARDBs is not up to the mark” is accepted.

The problem of a mounting overdue is evident in the PCARDBs of all the taluks in the district. The growth and variation in over dues among the taluks Honnali taluk registered positive compound growth rate of 3.14 per cent. Harapanahalli taluk PCARDB shown negative compound growth rate of -16.52 per cent it was followed by Harihara, Jagalur, Channagiri and Davanagere
taluk growth rate of -12.11 per cent, -7.88 per cent, -
9.4 per cent and -0.87 per cent respectively. Growth in over dues and variation
among the taluk PCARDBs is not same. There is a gradual increasing disparity
among the taluks. Hence, second hypothesis “there is no significant difference
in over dues among the taluks” is rejected.

The fifth chapter evaluates the problems of PCARDBs with focusing
only on Non-Performing Assets (NAPs) by explaining, meaning of NPAs,
criteria for treating a credit facility as NPAs, classification of assets,
provisioning norms, impact of provisioning. The percentage of Non-
Performing Assets to loan outstanding declined from 20.52 per cent in 2004-05
to 17.93 per cent in 2008-09. But, in all the taluks NPAs was more even though
implementation of agricultural debt waiver and debt relief scheme.

The field study found that willful defaulters, crop failure and diversion
of credit were responsible for NPAs. So, the third hypothesis “the willful
defaulters, crop failure and diversion of credit lead to NPAs” is proved.

The sixth chapter deals with opinion analysis of PCARDBs. This
chapter is divided into two parts. The first part consists of two sections. In the
first section an attempt is made to examine the opinions of bank officers
regarding level of computerization, demand for farm and Non-farm loan,
normal time taken to sanction the loan, endues of credit, visit bank officers
before and after sanction the loan.

The field survey revealed the level of computerization in the entire bank
partially; there is greater demand for farm loan than non-farm loan, the number
of visits made by the bank officers before the sanction of loan only once and
after sanction of loan also once and twice, it shows lack of follow-up action.
The study observed that 60.0 per cent sample bank officers opined that legal
action against willful defaulters is the best way to recover loan from the borrower. The study revealed that managing committee members of the banks, by and large, are co-operating with the officers of the banks in day to day functioning of the bank. Majority of the sample bank officers expressed this opinion.

In the section second an attempt is made to examine the opinions of managing committee members. Majority of managing committee members have expressed good opinion about the manager’s confidence on management committee functioning with honesty and efficiency. In the part second, an attempt is made to examine the utilization loan, recovery pattern and impact of landing.

The majority of the sample borrowers (96.34 per cent) opined that procedure for obtaining loan from PCARDBs is complex. 86.67 per cent of sample borrowers visit bank three times for getting each installment and 85 per cent of sample borrowers opined the period between date of application for getting loan and date of disbursement is usually two month.

The field study revealed the 77.0 per cent of sample borrowers fully utilized the loan amount for said purpose, and 23 per cent of sample borrowers utilized the loan amount for said purpose partially. Hence, fourth hypothesis “the farmers do not use the entire amount of loan for the purpose for which it is granted” is accepted.

The field survey revealed that the overall repayment performance is satisfactory with irrigation facilities as compared to borrowers with dry land cultivation and there is also increase in repaying capacity of the borrowers with the increase in the size of landholding. The study revealed the numbers of defaulters are more in the case of un-irrigated area (66.7 per cent) as compared
to irrigated area (34.9 per cent). The numbers of defaulters are more found in the case of marginal and small farmers (69.4 and 50.0 per cent respectively) compared to large farmers (26.3 per cent) so, there is positively associated with irrigation facilities and size of landholding. Hence, fifth hypothesis "the percentage of defaulter decreases with the increase in the size of landholding and irrigation facilities" is accepted.

7.2 MAJOR FINDINGS

1. There is increasing trend in membership found in all the taluks. While increase in membership is low in Channagiri, Davanagere and Harihara taluks, it is more in the case of Jagalur, Harapanahalli and Honnali. The overall compound growth rate was 2.80 per cent. The highest total membership was found in the year 2008-09 (45641) and the lowest total membership was found in the year 2004-05 (40169).

2. The borrowing members in Harihar and Honnali taluk registered positive growth rate 2.60 per cent and 0.77 per cent respectively and the remaining taluks show negative growth rate.

3. The compound growth rate of share capital found positive in Harapanahalli (7.63 per cent) is followed by Jagalur taluk (0.07 per cent) and in the same period remaining taluks show negative growth rate.

4. The borrowing funds of PCARDBs in the district found have decreased from Rs. 9093.00 lakhs in 2004-05 to Rs. 6605.80 lakhs in 2008-09.

5. The growth of owned funds in all the taluks found is not uniform. Davanagere and Harihara taluks have registered positive growth rate of 5.39 per cent and 5.92 per cent respectively and the remaining taluks have registered negative growth rate.

6. The trends of deposits in Harapanahalli taluk had registered positive growth rate and remaining taluks shown in negative growth rate. The mobilization of deposits by these banks was very low.
7. The loans issued by PCARDBs in the district found in Harapanahalli taluk had positive growth rate of 3.06 per cent and negative growth rate in remaining taluks.

8. The growth rate of working capital in all the PCARDBs found negative during the study period. The total working capital was Rs. 10369.93 lakhs in 2004-05 and it has decreased to Rs. 8481.90 lakhs in 2008-09.

9. The growth in loan outstanding declined from Rs. 8732.72 lakhs in 2004-05 to Rs. 7119.32 lakhs in 2008-09. The Harapanhalli taluk has registered positive compound growth rate of 7.75 per cent. But, remaining taluks registered negative growth rate.

10. It is found that there is an improvement in recovery performance of all the PCARDBs during the study period. The recovery of loans increased from Rs. 823.48 lakhs in 2004-05 to Rs. 1811.32 lakhs in 2008-09. The Channagiri taluk has registered high growth rate in recovery of Rs. 503.87 lakhs, in the case of Jagalur taluk was registered lower recovery Rs. 68.32 lakhs during the study period.

11. The growth rate of overdues was found negative in all the taluks except Honnali taluk which registered positive growth rate of 3.14 per cent. The reason for negative growth rate of overdues was the loan and interest waiving policy of the government. The recovery performance found in all the taluks was not satisfactory.

12. The level of Non-Performing Assets of all PCARDBs found decreasing trend during the study period in the district. It was 20.52 per cent in 2004-05 and it was decreased to 17.93 per cent in 2008-09. Willful Defaulter, Crop failure and Diversion of Credit are found to be the main reasons for NPAs in the study area.

13. It is found that the personal contact with borrowers and proper supervision improve the recovery performance of the banks.
14. Legal measures against willful defaulters are found the best way of recovery the loan from them expressed majority of the bank officers.

15. It is found that poor recovery performance restricted the flow of credit to farm and non-farm activities.

16. Computerization of the bank operations is found very poor. Even under the present context of globalized, liberalized and privatized economy, banks are still following the old procedures which are time consuming leading to greater inefficiency.

17. Lack of professionalism and appropriate norms for lending and recovery, violation of existing norms could be observed in majority of the banks. There is no proper system for the assessment of loan application and the existing rules are violated many times leading to unviable loans which result in default.

18. Field visit to the banks revealed that human resource management is very poor in all the banks. There are no efforts to improve the skill of the employees. Similarly there are no incentives and motivation efforts to improve the productivity of the bank employees leading to very low morale. Employees are de-motivated to take active part because there are no incentives for extra efforts and improved productivity.

19. The banks don’t have appropriate mechanism to follow up the loan provided for a specific purpose. Due to this the loan amount is diverted for other purposes which are non-productive, thereby leading to greater default.

20. Member education and training are important principles of cooperation. PCARDBs have made very poor efforts in this respect. When members are not aware of their duties and privileges, they do not show any interest in the operations of the bank.
21. The procedural formalities are found to be not very ‘borrower friendly’. Majority of the borrowers expressed that it is difficult to understand and follow the procedures.

22. Majority of the borrowers expressed that they had to visit the bank more than two times and wait for more than two months for the sanction of loan.

23. The rate of interest charged by the bank was found high by majority of the borrowers expressed in all the taluks in the district.

24. Majority of the borrowers admitted that there was diversion of loan for domestic consumption.

25. Strengthening of internal sources was found to be leading to better performance of the bank.

26. Banks are excessively controlled and needlessly regulated by the state governments with constant interference in their working. The registrars of cooperative societies have vast controlling powers which are totally uncalled for, if the banks have to function as sound business enterprises taking advantages of the liberalized economic policies.

27. Equally important is the freedom to cooperative banks in the matter of audit of business. Cooperative audit is inefficient, and not timely. It is also costly to banks as they are made to pay heavy audit fees disproportionate to the work of audit involved.

7.3 SUGGESTIONS

The following suggestions have been made to strengthen the functioning of the Primary Co-operative Agriculture and Rural Development Banks.

1. The policy maker should develop a clear vision about the future role of co-operative sector in the globalization regime, involving all the
stakeholders and initiate process to review the existing policy and make appropriate changes.

2. The bank should get all the agricultural families in the entire taluk enrolled as its members irrespective of borrowers or non-borrowers. This would improve the capital position of PCARDBs drastically and also motivate the new members to know about the PCARDBs and their operations. They may also borrow from the bank whenever there is a need. This would help PCARDBs to achieve the objective of rural development meaningfully.

3. The bank should develop new schemes for mobilization of rural savings through issue of rural debentures, saving certificate/bonds and acceptance of fixed deposits.

4. The loaning policies procedures need to be streamlined and simplified and the application form should be made in the local language. There is a scope for cutting down delays in sanction loans and simplifying the procedures, keeping in view the interest of the borrowers who are mostly illiterate. These aspects require constant review for effecting improvements.

5. The simple but comprehensive record book should be issued to every farmer containing information on land records and institutional transactions. This record book should be made a valid document for presentation to banks and other institutions for availing the necessary services.

6. All banks should fix one day in a week to deal with and help the farmers in filling up of the application form and completing the formalities.

7. To minimize the time gap between date of applying for loan and its disbursement, proper maintenance of records with respect to receipt of applications and disbursement of loan should be made mandatory.
8. There is a need for more careful pre-sanctions scrutinizing of the loan applications by the bank officials. It is very important to make a correct assessment of the repaying capacity of the formers before the loan amount is sanctioned.

9. The field officers recommending the loan should be instructed to give a separate certificate regarding repaying capacity and financial stability of the borrowers, which should be the main criterion for sanctioning loans.

10. The secretary/Branch manager should conduct test check of 50% of the reports and certificate on repaying capacity preferred by the field officers.

11. Field officers who recommend the loan should be made responsible for timely repayment/recovery of the loan and filed officers should be given monetary and non-monitory incentives for outstanding performance in quality lending and loan recovery.

12. Strict norms are to be followed in lending operations. Mechanisms are to be developed for monitoring the utilization of borrowed loan for given purpose. The effective monitoring and post-credit follow up would ensure proper utilization and prompt repayment of loans.

13. The interest on loan for the small and marginal farmers may be further reduced to encourage them to take up non-farm activities.

14. There should be greater thrust on better recovery. In order to achieve this objective:

   i) Implementation of compulsory comprehensive crop insurance scheme.
   
   ii) Avoidance of populist assurances by political parities such as loan and interest waiver and others.
   
   iii) Granting of extra time for repayment and interest rebates to non-willful defaulters.
iv) Financing of defaulters should not be under-taken and encouraged in any circumstances.

v) The recovery Melas can be organized with the help of panchayat pradhans and local leaders.

vi) Stringent action against willful defaulters.

15. Every PCARDB should constitute committee for recovery management with officials and non-officials members. This committee should meet at least once in a month to review the overall recovery performance of the PCARDB and also the performance of field officers with regard to the recovery targets given to them.

16. A grievance cell may be opened to hear and redress the grievances of the borrowers.

17. The banks should classify their existing borrowers into prime and sub-prime on the basis of track record of repayment. Bank should recognize all prime borrowers (prompt repayers) in village/block level public functions by giving appropriate gift/rewards, such functions should be clubbed with seminars, credit meets, cultural events, etc., and at the same time a list of big defaulters should be prepared separately and the banks must give due publicity to them in public functions, print and electronic media.

18. NPAs are an important parameter in the analysis of financial performance of banks. Reduction of NPAs is necessary to improve profitability of banks and comply with capital adequacy norms. To solve the problem of existing NPAs quality of appraisal, supervision and follow-up should be improved.

19. The soft measures taken by the RBI are not sufficient to reduce the NPAs. So, suitable amendments to the existing laws must be made to enable the bankers to initiate legal proceedings against the willful defaulters e.g. Indian Penal Code, Criminal Procedure Code, Civil
Procedure Code, India Evidence Act, Hindu Laws, Constitution of India, etc. be amended with a view to impose heavy penalty and/or punishment on defaulters.

20. Computerization is required for efficient operations, accuracy and timeliness of information and customer convenience. Computerization of both front and back officers should be carried out on a priority basis.

21. Inducting professionals at executive and board level, appointment of CEOs and senior executives on the basis of a selection process, a transparent system of recruitment, promotions, award, incentives and transfers are essential for improving professionalism in the banks.

22. The successful credit management of the bank requires right decision making skills in different functional areas like credit planning, credit disbursement, credit supervision and credit recovery etc. The existing management cadres should be given training to improve their management skills. Training modules should include information about macro policies, their impact, changing global scenario and management techniques. It is very useful and helpful to the executives in PCARDBs for dealing the NAPs properly.

23. Besides staff, co-operative elected leaders too need constant re-orientation to improve their knowledge and decision making ability.

24. The bank shall make SWOT analysis to find out their weakness.

25. The bank should be totally free to have their accounts audited by private chartered accounts.

26. In Davanagere district there are various co-operatives, commercial banks and RRBs, which are functioning simultaneously for dispensation of agricultural credit. The existing of multi-agencies retailing in a common area of operation has led to non-co-ordinate credit disbursals, resulting in multiple financing, over-financing, financial indiscipline and
division of scarce resources to unproductive purposes. Therefore, it is essential that the system of “one-borrower-one financial institution” should be accepted and implemented.

7.4 CONCLUSION

In brief, it may be concluded that in study area PCARDBs are the only specialized long-term agricultural financing agency. In the present context of agriculture and rural development, suitable policy orientation is needed in the light of findings and suggestions of the present study. The PCARDBs have to realize the constructive role in the development of agriculture and rural. On the other hand, farmers should learn to make the best use of the banking facilities. The periodical monitoring of operating performance and financial position of the bank would go a long way in improving their working results. The findings and suggestions of the study are expected to be used effectively, efficiently and achieve the target fixed by both the KSCARDB and the NABARD in the Davanagere district. These measures are necessary to make long-term credit as an instrument for agricultural and economic development of the region and to serve the desired purpose of long-term co-operative credit.
7.5 SCOPE FOR FURTHER RESEARCH

Research is an unending and a continuous process. Hence it is pertinent that every research report should conclude with a write-up on the scope for and contents of further research in light of the findings of the present study. Goode and Hatt rightly observe the study may end with some suggestions for further research or a statement of further problems which uncovered by the investigation.¹

The scope for further research on this subject can be much more wide encompassing different areas/interests, but in order to be more precise, it is suggested that the major areas which can be subjected to further research study may be listed as follows:

- Intra-state/Inter-state comparison and contrast in the performance of Primary Co-operative Agriculture and Rural Development Banks.
- Physical and quality performance of Primary Co-operative Agriculture and Rural Development Banks.
- Management of NPAs in Primary Co-operative Agriculture and Rural Development Banks-causes and cures.
- Application of prudential norms how its effects on improve the performance of Primary Co-operative Agriculture and Rural Development Banks.
- To evaluate the governance and professional competence of Primary Co-operative Agriculture and Rural Development Banks.
- Before and after with the effect of debt waiver and debt relief schemes on performance of Primary Co-operative Agriculture and Rural Development Banks.
- Primary Co-operative Agriculture and Rural Development Banks –the best substitute for Local Area Banks.
- Management of borrower's relations in PCARDBs covering relation with the Governments.