SUMMARY & SUGGESTIONS

Since the beginning of planning era in 1951, growth with social justice has been set forth as the cardinal principle of Indian planned development. It has been repeatedly pointed out that for the economic development of this country greater emphasis needs to be laid on rural development. Rural development is feasible only through alleviation of rural poverty. Rural credit is an important catalyst which could be used effectively to augment the ability of rural poor to become more productive. The significance of a well-developed rural banking system therefore, can hardly be over emphasised. Various efforts have been made by Government on this front. The first organised step was the launching of Co-operative credit institutions. Co-operatives were nurtured as the primary institutions to relieve farmers, especially small and marginal, from debt burden. A critical review of progress of Co-operative Credit in mid 1960’s revealed that although the overall performance of the Co-operative credit structure was satisfactory and ameliorated the availability of credit in rural areas, it was characterised by regional disparities and imbalances. This led to adoption of ‘multi-agency approach’ to rural financing. Commercial Banks faced the problems of Organisational gap and Personnel deficiencies. The indigent and necessitous small and marginal farmers and other weaker
sections of rural communities were left without any benefits of huge amounts flowing into agricultural and other sectors. Failure of Co-operatives and Commercial Banks to meet the growing rural credit needs led to the emergence of Regional Rural Banks. Based on the recommendations of The Working group appointed by Government of India in 1975, under the Chairmanship of Mr. M. Narasimhan, the Government promulgated an Ordinance in Sept. 1975, which became an Act in Feb. 1976, for the establishment of these banks. According to RRBs Act of 1976, RRBs are set up 'with a view to developing the rural economy by providing' for the purpose of development of agriculture, trade commerce and other activities in the rural areas, 'credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small business incidental there to'.

The first five RRBs in India were set up way back in 1975. In Punjab Regional Rural Banks came on the scene only in 1983. RRBs in Punjab started with merely 11 branches but at present there are 5 RRBs working with a network of 201 branches. Almost a decade has passed since the emergence of RRBs in the state. It was therefore considered imperative to evaluate the performances of Regional Rural Banks in the light of objectives sought to be achieved by them. The scope of the study is limited to the 5 RRBs in the State and the performance has been evaluated from 1983 to the end of March.
1991. The banks were evaluated in the light of the following considerations:

- Operational and Functional Performance of RRBs in Punjab in respect of branch expansion, deposit mobilisation, credit deployment, advances under various schemes and recovery performance.

- Emerging trends in profits and profitability of Regional Rural banks in the State.

- Perception of beneficiaries and bank employees with regard to performance of RRBs in Punjab.

To carry out the trend analysis and structural change analysis so as to determine the magnitude and directions of operations of RRBs, various statistical tools have been used, for instance, growth rates, analysis of variance, chi-square tests, decomposition analysis, coefficient of concentration etc.

**Socio-economic Profile of Punjab**

The State covered by the study, that is, Punjab, is primarily an agricultural State with almost three fourth of the population engaged in agricultural and allied activities. Nevertheless, Punjab is making great strides in achieving new heights in industrial and in other sectors. Punjab was the first to adopt industrialization in view of changing economic, socio-cultural and political scenario. Agricultural base of Punjab provides an appropriate scope for development of agro-based industries in the State. In addition, ample
infrastructural facilities like transport, communication are available. All that is needed at this stage, is adequate rural finance. The state of banking operations in Punjab has registered a substantial improvement since nationalisation of Banks, Govt. policy since then with regard to rural finance has undergone a change. There is a network of rural branches of Commercial Banks, Co-operative banks and RRBs catering to rural finance requirements. During 1980’s Punjab’s economy had stagnated due to rampant militant activities in the State. Of late, all three sectors, namely, agricultural, industrial and tertiary, have indicated signs of revival. Thus, with the dawning of peace on the State there is hope of prosperity writ large all over.

OPERATIONAL PERFORMANCE OF RRBs IN PUNJAB

(a) Branch Expansion

High rate of branch expansion had contributed to the extension of the institutional framework of rural credit to the four corners of the State. This can be substantiated by the growth in branches. The numbers of branches of RRBs in Punjab increased almost seventeen times during the period covered by the study. Highest annual growth in branch expansion occurred in 1984 and lowest in 1991. At the end of the period of study, Amritsar-Gurdaspur Kshetriya Gramin Bank had maximum branches while Faridkot-Bathinda kshetriya Gramin Bank had the minimum. Highest exponential growth in branch
expansion over 1986 pertained to Malwa Gramin Bank while lowest was recorded by Shivalik Kshetriya Gramin Bank. Districtwise, maximum RRB branches, as at the end of March 1991, were concentrated in Amritsar, Patiala, under Malwa Gramin Bank, indicated the highest rate of growth in branch expansion since inception of the bank.

(b) **Deposit Mobilisation**

The first business of a bank as a financial institution is to mobilise savings. No society can survive unless it raises sufficient funds to finance its investment requirements. With the rise in the number of RRBs in Punjab and considerable expansion in their branch network, their deposits also increased substantially. Deposits indicated on exponential growth of more than 100 percent over 1983 and more than 50 percent over 1986. Amritsar-Gurdaspur Kshetriya Gramin Bank recorded highest growth in deposits over 1983, while Malwa Gramin Bank indicated the maximum growth in deposits over 1986. On the other hand, Shivalik Kshetriya Gramin Bank and Kapurthala-Ferozepur Kshetriya Gramin Bank recorded a lower growth rate of deposits than the average for the state. There was a significant increase in number of deposit accounts, as well as, amounts. Amritsar district recorded the maximum, while Bathinda district indicated the lowest amount of RRB deposits. Patiala district recorded the highest exponential growth in deposits.
Saving deposits constituted more than 50 percent and term deposits 20 to 46 percent of total deposits during the period covered by the study. On the other hand the share of current deposits in total deposits was negligible. As at the end of the period of study, maximum contribution in respect of saving deposits pertained to Amritsar Gurdaspur Kshetriya Gramin Bank while the lowest belonged to Faridkot-Bathinda Kshetriya Gramin Bank. Highest exponential growth in saving deposits was depicted by Amritsar Gurdaspur Kshetriya Gramin Bank (over 1983) and Malwa Gramin Bank (over 1986). Lowest rate of growth belonged to Shivalik Kshetriya Gramin Bank. Term Deposits were the only category of deposits that indicated an increase both in absolute, as well as, percentage terms. Highest exponential growth in terms of deposits over 1983 pertained to Shivalik Kshetriya Gramin Bank and over 1986 to Malwa Gramin Bank. Highest exponential growth in current deposits was exhibited by Amritsar Gurdaspur Kshetriya Gramin Bank and lowest by Shivalik Kshetriya Gramin Bank. As revealed by Decomposition Analysis and Coefficient of Concentration analysis there was no significant changes in the composition of deposits over the period covered by the study.

(c) Credit Deployment

In accordance with the main objectives of RRBs, these banks finance only weaker sections of the rural community. They are required to provide need based credit and other
facilities to small and marginal farmers, agricultural labourers, rural artisans and small entrepreneurs and they are expected to do it in such a way as to enable the recipients to improve their living standards. A review of advances made by RRBs in Punjab shows that the exponential growth in advances, as computed at the end of March 1991 was nearly 100 percent over 1983 (the year of inception of RRBs in the State) and nearly 50 percent over 1986. Kapurthala-Ferozepur Kshetriya Gramin Bank recorded the highest growth in advances over 1983, whereas, Faridkot-Bathinda Kshetriya Gramin Bank indicated the lowest. On the other hand Malwa Gramin Bank indicated the highest growth in advances over 1986. There had been a steady increase in the number of beneficiaries availing advances from the RRBs. As at the end of the study, maximum RRB advances pertained to Ferozepur district under Kapurthala- Ferozepur Kshetriya Gramin Bank.

Agricultural and allied activities had a giant share in the total advances of RRBs in the State. This sector was followed by ‘transport, retail business and other advances’ and ‘Small Scale industrial loans’. In case of loans to agricultural and allied activities, maximum exponential growth pertained to Faridkot-Bathinda Kshetriya Gramin Bank and lowest to Gurdaspur-Amritsar Kshetriya Gramin Bank. Almost a similar ranking was observed in the case of loans under other categories. Results of Coefficient of
Concentration and Decomposition Analysis indicated that there was no distinctive change in the share of the various loan categories in total advances, during the period under study.

(d) **Credit under various programmes**

Regional Rural Banks have been serving the areas where there is a concentration of economically weaker sections of the society. They have been assisting the programmes like 20 Point Economic Programme, Integrated Rural Development Programme, Differential Rate of Interest Scheme and encouraging adoption of new farm practices to raise the agricultural productivity. Advances by RRBs in Punjab under 20 Point Economic Programme grew at an exponential growth rate of almost 50 percent from 1986 to end of March 1991. As at the end of the period of study, Kapurthala-Ferozepur Kshetriya Gramin Bank contributed the maximum and Faridkot-Bathinda Kshetriya Gramin Bank the least to advances under the programme. On an average, RRBs in Punjab advanced more than 90 percent of their total loans under this programme. On the other hand, there was a decline in total amount disbursed under IRDP towards the end of the period of study. Gurdaspur-Amritsar Kshetriya Gramin Bank contributed the maximum amount to advances under this scheme.

(e) **VOLUME OF BUSINESS**

There was a phenomenal increase in the volume of business of all the RRBs in the State, during the period covered by the study. Gurdaspur Amritsar Kshetriya Gramin
Bank, depicted a declining trend in the percentage share in the total volume of business of all the RRBs in Punjab, taken together. Nevertheless, it contributed the maximum, in absolute terms, to total volume of business of all the five RRBs in the State. Malwa Gramin Bank followed by Faridkot-Bathinda Kshetriya Gramin Bank, had the highest exponential growth in volume of business over 1986 and Gurdaspur Amritsar Kshetriya Gramin Bank indicated the lowest growth during the same period.

(f) RECOVERY PERFORMANCE

The importance of timely recovery for maintaining an unrestricted flow of funds cannot be over-emphasised as recycling of funds is adversely affected by mounting overdues. The percentage of recovery, as against demand, ranged between 75-85 percent in the RRBs in the State. In some parts of Punjab there were intentional defaulters. The recovery rate was highest at the end of Dec. 1987. By the end of the period of study, the recovery rate in respect of Malwa Gramin Bank was highest and that for Shivalik KGB was lowest. Disturbed law and order conditions in the State and loan waiver schemes announced by political parties, adversely affected recovery rates of RRBs in the State.

FUNCTIONAL PERFORMANCE OF RRBs IN PUNJAB

There was a phenomenal increase in deposits per branch for all RRBs in Punjab, with the exception of Malwa
Gramin Bank. Almost all the banks registered a more or less constant growth from the second year till the end of the period of study. Credit per branch also registered a continuous growth from 1985 till the end of March 1991. Malwa Gramin Bank was the only bank which had lower growth rates for both deposits per branch, as well as, credit per branch, as compared to State average for RRBs. The growth rates of deposits and credit per branch were higher as compared to corresponding growth rate of branch expansion but lower than growth in total deposits and advances. This indicates that, during the period under study, deposits and advances grew at a much faster rate than the number of branches.

There were significant increases in deposits and credit amount per account for almost all the five RRBs in the State. Average deposit per account for RRBs in Punjab showed an upward trend during all years of study except 1984 and 1987. Shivalik Kshetriya Gramin Bank, Kapurthala Ferozepur Kshetriys Gramin Bank and Amritsar-Gurdaspur Kshetriya Gramin Bank were the three banks indicating positive growth rate in deposits per account. As at the end of period of study, maximum deposits per account pertained to Malwa Gramin Bank followed by Faridkot-Bathinda Kshetriya Gramin Bank and lowest amount was indicated by Amritsar-Gurdaspur Kshetriya Gramin Bank. Credit amount per account indicated a continuous growth over the period under study. All RRBs in the State, except Faridkot-Bathinda Kshetriya Gramin Bank, showed
positive growth in advances per account. Average loan per account varied between Rs. 1300 and Rs. 4850 and average deposit per account between Rs. 775 and Rs. 2005. Low average deposits and advances per account emphasise the 'small man' orientation of the the RRBs. Growth rate of deposits and advances per account was much lower than corresponding growth rate of advances, both in terms of amounts and accounts.

There was a decline in the credit-deposit ratio for all RRBs in Punjab, taken together, over the period covered by study. This ratio remained below the National Credit Deposit ratio, all throughout the study, except during 1983. In 1983, Shivalik Kshetriya Gramin Bank, followed by Amritsar Gurdaspur Kshetriya Gramin Bank, had the highest Credit Deposit ratio. Amritsar-Gurdaspur Kshetriya Gramin Bank and Kapurthala Faridkot Kshetriya Gramin Bank had the Highest Credit Deposit ratio during 1986 and lowest ratio during the year pertainned to Faridkot-Bathinda Kshetriya Gramin Bank. On the otherhand in 1990-91, Kapurthala-Ferozepur Kshetriya Gramin Bank, followed by Faridkot-Bathinda Kshetriya Gramin Bank had the highest Credit Deposit ratio and lowest ratio pertainned to Malwa Gramin Bank. The general decline in Credit-Deposit ratio of RRBs was due to lower rate of growth in credit deployment as compared to deposit mobilization. The Incremental credit Deposit ratios of the RRBs in the State indicated fluctuations. Kapurthala-Ferozepur Kshetriya Gramin
Bank had the highest ICDR during the entire period of study except for the initial two years. Shivalik Kshetriya Gramin Bank and Malwa Gramin Bank comparatively showed a poor ICDR and thus their relative efficiency in resource mobilisation and credit deployment was low.

**TRENDS IN PROFITABILITY OF RRBs IN PUNJAB**

The main sources of income of RRBs are 'Interest and discount earned' and 'other receipts including commission, exchange and brokerage'. Interest and discount income ranged between 71 to 97 percent of the total income. 'Interest on deposits, salaries, allowances, provident fund, bonus etc. and 'other expenditure' constituted the main components of total expenditure of RRBs. Interest on deposits accounted for almost 25 to 65 percent, while salaries, allowances etc. accounted for 20 to 50 percent of total expenditure.

Malwa Gramin Bank, followed by Faridkot - Bathinda Kshetriya Gramin Bank had the highest exponential growth of interest and discount income over 1986, as computed at the end of the study. The lowest growth pertained to Amritsar - Gurdaspur Kshetriya Gramin Bank which was even lower than the State average. Malwa Gramin Bank and Faridkot Bathinda Kshetriya Gramin Bank had the highest growth rate of interest income since the inception of the banks while Kapurthala - Ferozepur Kshetriya Gramin Bank recorded the lowest growth in this respect. Movement of income from other receipts was erratic.
for the RRBs in Punjab. Growth rates of 'income from other receipts' since inception of each bank, indicated that Malwa Gramin Bank had the highest rate, followed by Shivalik Kshetriya Gramin Bank, while lowest rate pertained to Kapurthala - Ferozepur Kshetriya Gramin Bank. Total income of all the RRBs showed an upward movement. Highest growth in the total income since inception of each bank, was depicted by Malwa Gramin Bank followed by Kapurthala-Ferozepur Kshetriya Gramin Bank and lowest pertained to the Shivalik Kshetriya Gramin Bank.

The total expenditure of all RRBs, taken together, indicated an exponential growth of more than 100 percent since inception of RRBs in the State, as computed at the end of the study. Malwa Gramin Bank, followed by Faridkot Bathinda Kshetriya Gramin Bank indicated the highest growth in total expenditure, while Amritsar-Gurdaspur Kshetriya Gramin Bank had the lowest growth. A comparison of trend in expenditure to income brings out a pertinent relationship between the two - if the income increased, expenditure also increased at an almost same rate. There was a rising trend in the ratio of interest paid to total expenditure. Interest paid by RRBs increased 11 times while increase in interest earned was only 9 times, during the period covered by the study. Faridkot-Bathinda Kshetriya Gramin Bank followed by Shivalik Kshetriya Gramin Bank recorded the highest
exponential growth in interest expenditure since inception of each bank, while lowest rate pertained to Amritsar-Gurdaspur Kshetriya Gramin Bank. RRBs in Punjab indicated a declining trend in the percentage share of 'salaries, allowances, contribution to provident fund and bonus' in the total expenditure. Exponential growth rate in the expenditure since inception of individual banks revealed that Malwa Gramin Bank, followed by Shivalik Kshetriya Gramin Bank had the highest rates while, Kapurthala-Ferozepur Kshetriya Gramin Bank indicated the lowest rate of growth. No clear trend in movement of 'other expenses' to total expenses of RRBs, taken individually, could be discerned. However, taking all RRBs together indicated a constant rise in other expenses to total expenditure. Since the inception, the highest growth in other expenses was recorded by Malwa Gramin Bank, followed by Kapurthala-Ferozepur Kshetriya Gramin Bank and lowest pertained to Shivalik Kshetriya Gramin Bank.

During most of the years of the study, RRBs in Punjab manifested themselves in losses, especially during initial years of functioning. Even when there were profits these formed an infinitesimal portion of the income and this ratio declined since 1988-89. Maximum profits were indicated by RRBs in the State in 1988-89 and it was only during this year when all the five banks showed profits. Though all RRBs in Punjab, except Faridkot Bathinda Kshetriya Gramin Bank, have almost reached / crossed the limits prescribed by Dantwala
Committee for an RRB to get the potential & capability of becoming a profitable venture, yet nothing can be said with conviction about the profitability of these institutions in the State. Amritsar-Gurdaspur Kshetriya Gramin Bank, which is the only RRB in the State that has crossed all limits prescribed by the Committee, has proved to be the most loss making venture. Faridkot-Bathinda Kshetriya Gramin Bank is still far away from the limits put forth, especially in terms of number of branches. The other three banks, for instance Shivalik Kshetriya Gramin Bank, still hold some ray of hope.

Both interest-earned and interest-paid ratios depicted a rising trend during most of the years covered. Shivalik Kshetriya Gramin Bank indicated the highest ratios during almost all the years. As at the end of the study, lowest ratios pertained to Malwa Gramin Bank. The 'other income' and 'other expenses' ratios were of a very small magnitude and showed a peculiar decline towards the end of the study. The movement of 'total income' and 'total expenditure' ratio too had been erratic. As at the end of the study Shivalik Kshetriya Gramin Bank, followed by Kapurthala-Ferozepur Kshetriya Gramin Bank, had the highest total income & total expenditure ratios, while lowest ratios pertained to Malwa Gramin Bank. Both 'manpower expenses' ratio and 'manpower expenses productivity' ratio did not indicate any clear-cut trend. Except for a negligible rise towards the end
of the study in case of Shivalik Kshetriya Gramin Bank, all the other banks indicated a decline in the manpower expenses ratio. Manpower expenses productivity ratio was negative during most of the years of the study except from 1987 till end of March 1990. At the end of March 1991, Shivalik Kshetriya Gramin Bank depicted the highest spread to volume of Business ratio while Malwa Gramin Bank had the lowest ratio. Except Malwa Gramin Bank & Faridkot-Bathinda Kshetriya Gramin Bank, all the other RRBs depicted a positive annual growth in these ratios. Kapurthala-Ferozepur Kshetriya Gramin Bank indicated very high ratios of 'Incremental advances to manpower expenses' and 'Incremental deposits to manpower expenses'. This was due to a marked decline in the manpower expenses of the bank. The ratio of net profits to volume of business had always been negative except during 1988-89, for all RRBs taken together. It was lowest in 1985. Towards the end of the study, all the banks, except Amrtisar-Gurdaspur Kshetriya Gramin Bank, indicated a positive ratio, highest being that of Shivalik KGB. Thus, the trends in income and expenditure of RRBs in Punjab has not been conducive to any improvement in profits or profitability of banks.

**BENEFICIARIES' PERCEPTION OF REGIONAL RURAL BANKS**

A survey of beneficiaries was conducted to examine how they perceived the Regional Rural Banks. The study revealed that Regional Rural Banks cater to the requirements of hitherto, neglected and weaker sections of the society.
Majority of applicants for loans are illiterate rural people who are either engaged in agriculture or allied activities or have their own business. Most of the RRB loans are for agricultural and allied activities. Inter-bank variations with regard to purpose of loans were insignificant during the time covered. The amount of loan applied for generally ranged between Rs. 4000-6000. Various difficulties were encountered by beneficiaries in filling the loan application forms. Some beneficiaries sought outside help in filling the forms as they found the language of the forms difficult, while some others complained about the length of the form. Generally, the time taken by RRBs to sanction and disburse the loans did not exceed 3-4 weeks and was in accordance to R.B.I. stipulations. However, in some cases sanction of loan alone took nearly 4 weeks. The applicant, on an average, had to visit the respective bank 2-6 times to get a loan sanctioned. Block development officers, Political Leaders, Members of Panchayat, in some cases, had to help the applicant procure loan. Callous attitude of the staff, paucity of bank staff and unnecessary queries were the three main reasons for delays, if any, in sanction / disbursement of loans. Though in many cases, the amount of loan was found inadequate to undertake the project, nevertheless, most of the beneficiaries reported satisfaction with the amount disbursed to them. Malpractices like illegal payments &
bribes played an important role in getting the loans sanctioned. Average amount of bribe varied between Rs. 100 and Rs. 400. There was misutilisation of bank loans in more than 50 percent cases and in almost 15 percent cases, the assets were not acquired at all. The main reasons for disposal of assets were: expending the funds to meet domestic needs or utilization of money to pay old debts or meet social obligations. The repayment schedule of more than three-fourth of the cases examined, were set in consultation with the beneficiaries. However, almost 50 percent of the respondents turned out to be defaulters in repayment. The impact of loans on post loan incomes of borrowers was not very encouraging and though the proportion of borrowers in post-loan period decreased in lower income category and indicated an upward trend in higher income categories, still, the RRBs were unable to help almost four-fifth of the respondents cross the poverty line. More than 50 percent respondents ranked the services of RRBs as ‘GOOD’ and were, thus, satisfied with the same.

PERCEPTION OF RRB EMPLOYEES

Most of the employees stressed upon the need to improve infrastructural facilities, for instance, transport, power supply and marketing facilities in the State, to help in development of state’s economy. Almost two-fifth of the employees questioned found the activities of RRBs incompatible to development potential in the State,
especially, employees of Gurdaspur-Amritsar Kshetriya Gramin Bank. While considering loan applications, potential incremental income, if the project for which loan is sought is undertaken, was the most important variable considered, followed by character & reputation of the client. Respondent employees opined that, on an average, it took 15 to 21 days to sanction loans and 8-14 days to make disbursement. Employees disagreed with each other in regard to their opinions as to the extent of wrong identification of beneficiaries. Almost one-fourth of them found it to be rare or nominal. Most of the respondent employees found branch expansion adequate but were dissatisfied with the recovery rates and availability of staff. According to them, most important reason for low recovery rates were: misapplication of credit and unrealistic repayment schedules. Except for the employees from Kapurthala-Ferozepur Kshetriya Gramin Bank and Gurdaspur-Amritsar Kshetriya Gramin Bank, majority of respondents found loan monitoring system of RRBs ineffective. Most of the employees agreed that there was misutilisation of bank loans in some cases but differed again as to the extent of the same. The leakages could be attributed to reasons like inadequate income, extravagant expenditure of beneficiaries on social ceremonies and wrong selection of projects by them. The employees opined that disturbed conditions in the State affected the performance of RRBs. However, most of the
respondent employees found their jobs with RRBs challenging & having growth potential but complained of low level of job satisfaction. The respondent employees indicated that they encountered various difficulties in carrying out their responsibilities. The main problems faced by them are:

(i) RRBs in Punjab, being new, have still not earned the desired level of credibility in some areas.

(ii) RRBs are meant to reach the interiors of villages where adequate infrastructural facilities are not available. This hampers efficient functioning of the employees.

(iii) The small man's bank is not equipped with adequate facilities, for instance, RRBs have unsatisfactory clearance facilities and no draft facility. All this leads to unavoidable delays.

(iv) The working & service conditions of RRBs are not conducive to efficient functioning of the staff.

(v) There is no coordination between the various financial institutions engaged in rural financing.

(vi) The orientation of the staff of RRBs, educated in college in cities, is highly urbane. Thus they are unable to adopt themselves sufficiently to become an integral part of the socio-economic milieu in which they function.
(vii) A wide communication gap exists between the bank employees and the section of population these banks cater to.

(viii) There is a shortage of staff in most of the RRBs in the state.

(ix) Employees of RRBs face lot of problems during inspections of loans.

A perusal of the preceding discussion brings to light that despite an upward movement in operational & functional performance, RRBs in Punjab are still far away from becoming a profitable venture and completely viable. The social character of banks makes it all the more difficult to do so. Besides, RRBs in Punjab are facing two major problems: Continuous losses and problems of recovery of loans. These banks may plead on the ground of the very nature of advances made by them in agriculture and other sectors of rural community which on one hand generates generally low interest yielding advances and on the other hand, they are highly susceptible to many uncertainties. But the continuous losses incurred year after year cause great alarm. RRBs should strive to correct the worsening situation in respect of declining profitability by controlling their activities more systematically.

SUGGESTIONS

Taking the above facts into consideration, there is an urgent need to check the working of RRBs in the State for
ensuring more rapid and healthy growth in the coming years. Following are some suggestions in this regard.

1. Many financial institutions are engaged in meeting the rural credit needs, for instance, Commercial Banks and Co-operatives. Instead of Commercial Banks or other financial institutions opening branches, only Regional Rural Banks should be given an opportunity to establish their branches in rural areas. This will also lead to an improvement in their credibility in the eyes of the rural people.

2. Regional Rural Banks should follow a more aggressive deposit mobilisation approach. These banks should recognise the need for the development of a sound deposit base so that the weaker sections can be served in a better way. Sponsor banks and Government should discourage the financial dependence attitude of RRBs and should help them in accelerating their growth rate of deposits. Besides, State Government should direct all rural agencies, for instance, Gram Panchayats, to keep their funds with RRBs. This will augment the resources of these banks.

3. Special efforts should be made to create demand for credit for development activities. The fact that rural people are investment shy should be kept in mind while laying down credit plans. RRBs and State
Government should work in unison especially in case of programmes like IRDP, which require preparation of important projects and schemes. Besides, RRBs should work towards progressive improvement in Credit-deposit ratio.

4. To overcome the problem of declining profitability there should be proper profit planning. The RRBs should be able to generate profits by taking care of their expenses and tapping sources of income. Thus their profit planning should involve adequate income and expenditure planning.

5. Regional Rural banks should take stringent measures to ensure repayment of loans, especially in case of wilful defaulters. There should be effective supervision of credit. Field officers should have regular contacts with beneficiaries. The various overdue accounts should be carefully examined. Quality of lending should be improved and efforts should be made to solve the problems encountered by the beneficiaries in repayment of loans. This will provide a solution for growing overdues. Various loan accounts should be divided into different categories like: good, doubtful and bad, as to exercise control by exception. Stringent control should be exercised on doubtful and bad accounts, whereas routine control is sufficient on good
accounts. For this purpose statistical techniques like 'discriminant analysis' may be used. Moreover, loan monitoring should start with the sanctioning of loan and end with recovery thereof and the banks should never become complacent in the area of loan recovery.

6. RRBs should finance the schemes that provide the basic requirements of life, for instance, rural housing etc. The assistance given by RRBs to people living below poverty line may not bear much fruit because their low consumption level may prevent them to undertake any useful occupation. Lending programmes should be sufficiently linked with the development programmes of the State Government. RRBs should expand their resource base by offering small savings schemes which suit the target population.

7. The rural people should be made aware of the existence of RRBs and should be encouraged to avail benefits of their lending programmes. To delineate the role of RRBs, workshops / seminars should be conducted at district level and to disseminate the information relating to the operations and role of RRBs to the rural people, exhibitions and fairs should be organised in the villages.
8. RRBs should be structurally made sound. They should be able to discharge their responsibilities effectively. All efforts must be made to simplify the loan application procedure and malpractices prevalent in RRBs should be looked into. Finally, steps to check the problems faced by beneficiaries and the staff should be taken. In view of the difficulties faced by the beneficiaries in filling up the loan application forms because of difficult language and excessive length of the application forms, it is imperative that the loan application forms should be designed by keeping in mind the comprehension abilities of the rural clientele.


10. The survey to identify families coming under weaker sector category was conducted by Punjab Government way back in 1980 when there were no RRBs in the state. Since then, more than 10 years have passed and it becomes all the more important to know as to how far the efforts of the State Government, in coordination with banks, have succeeded in bringing
the poor above the poverty line. It is therefore, suggested that a fresh survey should be conducted by the State Government to identify families still below the poverty line.

11. Credit planning should synthesise with infrastructural facilities development planning and in fact, the latter, should precede the former. The State Government should initiate immediate steps for development of infrastructural facilities specially transport facilities, power supply and marketing facilities. This will provide a sound base for efficient functioning of RRBs.

12. The working conditions of the RRBs in the State need to be improved and the banks should be equipped with adequate facilities, for instance, clearance and draft facilities. Besides, there is a shortage of staff in most of the RRBs in the State which aggravate the problems of the employees. This needs to be looked into.

13. The recruitment of Regional Rural Bank employees is done by the State Recruitment Boards. The employees so recruited are generally urbane and prove misfits for the rural areas. Even the beneficiaries do not feel comfortable with these employees. Thus, the Recruitment Boards should give preference to the
candidates with rural background. If sufficient number of such people are not available then, at least, efforts should be made to provide adequate training to people from urban areas. Training and Orientation programs should be conducted to familiarize the people recruited by the Recruitment Boards, before they are actually placed on their jobs.

14. Role of support organisations in the development of rural areas should be recognised. There should be synchronisation of activities of various agencies like Government departments, Universities, Voluntary Organisations and financial institutions engaged in rural development.

The present study aimed at evaluating the performance of Regional Rural Banks in the State of Punjab. The study reveals that the performance of RRBs in the state is not as per the expected performance. This is obvious from the fact that although there was significant growth in branch expansion, deposit mobilisation and credit deployment yet there was untapped potential in the state in these areas. The profitability and productivity position of the RRBs in the state has been far from satisfactory. Quite a number of people in the State have been living below the poverty line and there are persistent credit gaps. One thing which may be
the cause of such a state of affairs can be stated to be the rampant militant activities in the State which, in fact, coincided with the period of study. Now the political situation in the State has turned to normal and there is a silver lining that future would be bright in the State. The RRBs, we hope, would be playing a much better role in the future than they played in the past.