CHAPTER X
SUMMARY OF FINDINGS, CONCLUSION
AND SUGGESTIONS

The commercial banks had enlarged their rural credit under different credit strategy introduced by the Reserve Bank of India from time to time. However there was no planned lending covering every sector of the rural economy and every section of the rural community in their area of operation. There was lop-sided credit deployment, multiple banking and double finance, absence of compulsion in the matter of village adoption and village-wise credit planning. To overcome this problem the service area approach has been introduced under the Lead Bank Scheme on 1st April 1989. There was a few attempts to assess the performance of service area approach in different regions of the country. However, these studies are not exhaustive in their efforts covering each and every aspect of service area approach. Hence, the present study has been made in Bhavani Block of Erode District to ascertain how far the service area approach has satisfied its objectives in the deployment of rural credit.

10.1 FINDINGS OF THE STUDY

The study on the performance of service area approach has brought into light certain important points on the continued implementation of service area approach. The following are some of the findings of the study.
1) There is significant improvement in the service area concentration of the banks under service area approach in the extension of productive credit. However, in terms of each of the types of productive credit, there is no significant improvement in the service area concentration of the banks under service area approach.

2) There is no significant change in the proportion of productive credit under the impact of service area approach. However, the proportion of productive credit is at a higher level both before and after the introduction of service area approach.

3) The service area approach has no impact upon the proportion of credit made to the target group by the commercial banks in the extension of different types of credit.

4) There is no significant improvement in the proportion of credit made to the priority sector under service area approach.

5) There is no change in the sectoral pattern both in IRDP and Non-IRDP credit extended by different banks under study due to service area approach.

6) The balanced and common sectoral pattern of credit that existed between different commercial banks under study has sustained under service area approach.
7) There is inequitable distribution of credit between the various sectors of the economy which has not changed under service area approach.

8) All the banks under study have adopted the targeted sectoral pattern of credit both before and after the introduction of service area approach.

9) There is no significant change in the credit performance of different banks under study in the extension of different types of credit under the impact of service area approach.

10) The homogenous credit performance of the banks that existed before the introduction of service area approach in the extension of different types of credit has been distorted by the impact of service area approach.

11) The sectoral balance in the credit performance of banks that existed before the introduction of service area approach has been maintained under the service area approach.

12) The banks have paid greater attention to outside service area than to their own service area in the extension of different types of credit. The situation has further deteriorated under service area approach.

13) There is inequitable distribution of credit between individuals and there is varying impact of service area approach upon the banks and sector in reducing the inequality in the distribution of credit between
individuals. Across all types of credits, significant impact of service area approach upon the individual distribution of credit is noticed only in the case of Canara Bank - Sakthinagar and South Indian Bank - Bhavani.

14) There is inequitable distribution of credit between villages in the case of different banks under study in the extension of almost all types of credit before the introduction of service area approach which has not declined under service area approach.

15) Under service area approach, there is increase in imbalance between target and achievement of credit both within each credit sectors and across the credit sectors of the economy.

16) There is lesser concentration of credit in the service area as against that of the district. Besides, there is sustained imbalance in the concentration of credit between the service area of each of the banks under study and the district as a whole under the service area approach in the extension of different types of credits.

17) There is scattered lending under service area approach. However, there is reduction in scattered lending under the impact of service area approach in the extension of all types of credit excepting agricultural credit and non-productive credits. In the extension of agricultural and non-productive credits, there is increase in scattered lending under service area approach.
18) While there is improvement in the recovery performance of banks in non-productive credit, there is decline in their performance in productive credit under service area approach.

19) There is reduction in the proportion of non-performing assets both in the case of IRDP and Non-IRDP productive credits under service area approach. The non-performing assets are higher in productive credit than in non-productive credits. There is no non-performing assets in the case of non-productive credits under service area approach. Thus, there is improvement in the efficiency of banks in making recovery of loans made under service area approach.

20) There is improvement in the deposit mobilisation of banks under service area approach.

21) While some banks have concentrated in the service area for deposit mobilisation, some others have concentrated in the outside service area for their deposits. However, the disparity that existed between service area and outside service area in the mobilisation of deposits has declined under service area approach.

22) There is no effective deployment of credit by the banks both before and after the introduction of service area approach.

23) The poor performance of the banks with regard to resource deployment and recycling of credit has further worsened under the service area approach.
24) The credit deployment performance of the banks in the service area is relatively higher than that of their performance in outside service area.

10.2 CONCLUSION

In the light of the above findings, it can be concluded that there is no significant improvement in the credit performance of the banks under service area approach in the extension of different types of credit, even though there is greater concentration of credit efforts in the service area in extending productive credit. The homogenous performance of the banks has been distorted by the service area approach. The average amount of credit extended to the service area in relation to that of the credit extended to outside service area has declined under service area approach. There is inequitable distribution of credit between sectors, between individuals, between service area villages, between service area and outside service area and between district and service area. The commercial banks continued to adopt the targeted sectoral pattern of credit under service area approach. However, there is imbalance between the absolute amount of targets and achievements under service area approach. There is significant achievement of the banks in reducing scattered lending, in mobilising the deposits, in recovering the credit and in reducing the non-performing assets under service area approach. However, there is poor and worsened performance of banks with regard to deployment of resources generated and recycling of credit under service area approach.
10.3 SUGGESTIONS

The results obtained in the study have some policy implications. The results of the study imply lack of seriousness on the part of the branch managers in the implementation of service area approach in its true spirit and there was widespread feeling among the branch managers that the old system of lending on a free for all area approach could be continued with the justification of greater flow of credit. Hence, attitudinal orientation through training must be imparted to the branch managers. The results also imply that there is no realistic credit planning. Hence, while fixing the targets, they must take into consideration the potentialities of credit demand from the service area villages. Similarly, while allotting the villages under service area approach, the previous business operational area of the respective banks must be considered. In case of two branches operating in the same area, the bank which has shown greater business must be allotted with that particular area. To have better recycling of credit, the branch managers must identify the potential area for credit demand in the allotted service area. In their credit efforts they must concentrate more on priority sectors, target groups and weaker sections by enhancing their post-disbursement supervision, so that, they could achieve greater credit with better recovery which would definitely lead to the achievement of favourable corporate budget. In the extension of credit, the banks must maintain balance between villages and between individuals. Steps must be taken to extend more credit in the present study area so as to fill the gap in the credit concentration efforts of the banks in the service area under study in relation to that of the district.