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SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

The present chapter deals with summary of findings and suggestions on “Andhra Pragathi Grameen Bank and farm credit in SPSR Nellore District.” It is classified into two sections, first section dealing with the findings of the study and the second making an attempt to bring out some suitable suggestions in the light of field experiences.

A. FINDINGS

6.1 PROGRESS OF REGIONAL RURAL BANK’S IN INDIA

The then Prime Minister of India, Smt. Indira Gandhi declared emergency in the country in June, 1975, announced the ‘Economic Programme’ aimed at devising alternative agencies to provide institutional credit to the neglected rural masses like small and marginal farmers, agricultural activators and rural artisans under the programme to liquidate rural indebtedness of these classes of people. Accounting this, and further pursuance of the Banking Commission proposal, the Government of India appointed on 1st July 1975 a working group under the Chairmanship of Sri. M. Narasimham examines the in depth setting up of a new type of rural banks with a view to helping the neglected sections of the rural poor. The working group observes that “in a country of a size and regional diversity no single pattern, be it Commercial Banks or Co-operative Banks can be expected to meet all the emerging requirements in all areas. A degree of adaptation and improvisation is called for and the range of institutional alternatives widened”. Thus, the state sponsored, regionally based and rural oriented scheduled Commercial Banks have taken birth in rural India, which popularly known as “Regional Rural Banks (RRBs)”.

On a pilot basis, the first five Regional Rural Banks instead of immediately making a pattern for reorganization of existing rural credit institutions as a whole were started in five districts on the eve of 106th birth anniversary of Mahatma Gandhi on 2nd October 1975 for the first time in the country.

There was a rapid growth in the number of RRB’S and their branches in different States / union territory’s of the county at the end of March, 2005. There were
196 RRB’S with 14,484 branches (excluding satellite branches and extension centers) spread over 523 district in 26 states / 8 union territory’s of the country. This was in comparison to 6 RRBs expanded over 12 district in 1975, 85 RRBs is covering almost 144 district in 1980 and 196 covering 372 district in 1990. The maximum number of RRBs (29) was established during 1997.

Thereafter, there had been a slower progress in the number of RRBs, though the number of branches continued expanding 14,543 till 1993. During the period from 1975 to 2005, the number of RRBs increased by 32 times from 17 to 14,484. Since 1988, no further RRB was set up in India. The number of districts covered by the RRBs increased continuously and reached to 642 districts in 2013-14. The average number of district covered by each RRB is 1.69 in 1980-81. The coverage of district has increased to 2.63 districts during 2002-03. As a result of the reforms the number of RRBs has drastically declined from 196 in 2002-03 to 57 in 2012-13. The average number of districts covered by each RRB is 11.26 during 2013-14.

The deposits of RRBs have increased from 0.20 crores in 1975-76 to Rs.1286 in 1985-86, thereafter there is a considerable increase in the total deposits which reached to Rs. 2,39,504 crore in 2013-14. The total deposits increased at a compound growth rate of 31.64 per cent per annum. The deposit per RRBs has considerably increased from Rs.2.35 crore during 1980-81 to Rs.4201.83 crore during 2011-12, showing an increase of 1788 times during the last three decades. The deposits per branch have increased from Rs.0.06 crore to Rs. 12.55 crore for the same period.

Total loans and advances made by the RRBs have also increased impressively during the same period. The total credit of the RRBs have grown at a compound rate of growth of 21.84 per cent per annum. The total loan business per RRBs has increased from Rs.286 lakhs in 1980-81to Rs.278803 lakhs in 2013-14, showing an increase of 975 times during the last three decades. The credit per branch has commendably increased from Rs.7 lakh to Rs. 833 lakhs, representing 119 fold increases during the same period. The loaning operation of the branch shows higher than the deposits mobilization during the first decade. Later On, it declines that means the C.D ratio has considerably declines the rest of the two decades. On the whole, the total credit of the banks LGR 21.84 per cent credit per RRB (CGR18.94 per cent) and
credits per branch (CGR-12.88 per cent) have significantly increased during the same period.

The demand i.e. the principal amount with interest payable to the bank is continuously and steadily increased from Rs.4,427 crores during 1997-98 to Rs.1,20,483 crores during 2013-14, showing a compound growth rate of 23.16 per cent per annum. On the other hand the recoveries of loans have tremendously increased from Rs. 2,439 crores to Rs 98,675 crores, which shows a compound rate of growth of 28.48 per cent per annum. During the same period as a result of increased recovery performance of the Banks, the NPAs have also increased from Rs.1,988 crores to Rs.21,807 crores, registering an increase of 2.20 Per cent, which is not significant during the same period. The percentage of recovery is also steadily and continuously increased from 55 per cent to 82 per cent during the same period. The recovery performance of RRBs is highly commendable and appreciable.

Majority of the RRBs in the country are trying to obtain profits rather than the social benefits or the wellbeing of the rural poor. 163 RRBs have been lending with profits of Rs. 95,233 lakhs during 2004-05, but only 33 banks have incurred losses to the extent of Rs. 18,365 lakhs. But it has turned the scene. The number of RRBs which were obtained profits previously, turned to loss making units. The number of profit making RRBs has reduced to 57 in 213-14 as against 166 banks in 2005-06. While the number of loss making RRBs has considerably increased from 33 in 2004-05 to 58 RRBs in 2006-07 and reduced to 1 in 2012-13. There is no loss making RRB in India during 2013-14.

6.2. AN OVERVIEW OF LITERATURE

Several studies have been undertaken to evaluate the farm credit structure in SPSR Nellore district of Andhra Pradesh by the individual researchers and Government. Owing the fast changes taking place after amalgamation and globalization, a clear understanding of the working of Andhra Pragathi Grameena Bank (APGB) is of utmost importance. This calls for area specific empirical investigation to fill the gap and appraise the conditions. It is against this back ground that the present study is undertaken.
The fundamental objective of this empirical and fact finding investigation is to explain the main trends in the distribution of farm credit by Andhra Pragathi Grameena Bank (APGB) in SPSR Nellore district among the different categories of farmers. This approach is basically inductive and statistical exploring, measuring and explaining an objective field of observation relating to the deployment of farm credit by APGB in SPSR Nellore district during the period 2012-2013 to 2013-2014.

6.3. ROLE OF ANDHRA PRAGATHI GRAMEENA BANK IN FARM CREDIT IN SPSR NELLORE DISTRICT

The rural economy of SPSR Nellore District like that of the nation is dominated by agriculture. Agricultural credit market in SPSR Nellore District is a species of the genus of India. The net area shown in the district claimed 26.26 per cent of the total area. The operational holdings exhibit a skewed distribution. The normal rainfall recorded in the district is 982 mm. The main sources of irrigation in the district are canals accounting for 45.42 per cent, followed by Tube wells 25.2 per cent of the net area shown. Paddy is the most predominant crop grown in the district accounting for 74.57 per cent of the gross cropped area and non-food crops account for 24.25 per cent of the gross area shown.

The agricultural credit structure in the district is characterized by dualism. The formal and informal agencies operate and render services to different clientele. The picture of rural credit had undergone a significant change with the increased role of formal financial institutions in the district. The SPSR Nellore District Co-operative Central Bank (NDCCB) was established in 1918. The NDCCB has a network of 15 branches and the number of PACS under its jurisdiction is 79. Another important agency in the provision of from credit is commercial banks. As on 31 march 2014, 25 commercial banks were operating in the district with a network of 355 branches as against 291 branches in 2011. In the case of deposits and advance there is a perceptible increase of 165.47 per cent and 179.8 per cent respectively in 2014 compared to 2011.

In order to supplement and compliment the services of commercial banking system in the sphere of rural banking, the Pinakini Grameena Bank was established on 11th June 1982 under Regional Rural Bank’s Act. 1976. In order to improve the operational viability of the RRBs and to take advantage of the economies of scale,
RRBs have been decided to amalgamate the three RRBs in Andhra Pradesh, sponsored by the leading Public Sector Bank - Syndicate Bank. Accordingly the Government of India has amalgamated Rayalaseema Grameena Bank, Kadapa (YSR), Sree Anantha Grameena Bank, Anantapur and Pinakini Grameena Bank, Nellore (SPSR) into a single Regional Rural Bank called “Andhra Pragathi Grameena Bank”, with a Head office at Kadapa (YSR district). The area of the operation of Andhra Pragathi Grameena Bank consists of Kurnool, Kadapa (YSR district), Anantapur, Prakasam and Nellore (SPSR) districts which are mainly dependent on agricultural sector. After formation of Andhra Pragathi Grameena Bank in June 2006, it has extended its operations to additional two Districts i.e. Anantapur and SPSR Nellore District in 2008-09. Owing to this, the number of bank branches has increased from 332 in 2006-07 to 450 in 2013-14.

The bank has mobilized total deposits of Rs.2367.80 crores, and extended an advance of Rs. 2377.93 crore with 101 per cent credit-deposit ratio during 2006-07. The Andhra Pragathi Grameena Bank has recorded a significant growth in mobilization of deposits and disbursements of credit of Rs.5947.69 crores and Rs.7314.48 crore respectively at the end of March 2014.

The priority sector advances of APGB have shown steady and continuous progress. Such loans have increased from Rs.1912.25 crore under 6968.8 lakh borrowed account in 2006-07 to Rs.5632.38 crore under 8678.01 lakh borrowed accounts in 2012-13.

The loan amount demanded is increased by Rs. 1282.40 crore in 3766.38 over 2006-07. The total loan collections increased from 1037.28 to 3100.26 over 2006-07. The NPAs is Rs. 245.12 crores in 2006-07 to Rs. 6611 crores in 2013-14.

6.4. IMPACT OF FARM CREDIT ON INCOME, EMPLOYMENT AND ASSET CREATION OF SAMPLE BORROWERS.

6.4.1 INCOME GENERATION

The main objective of Andhra Pragathi Grameena Bank, as a part of the Government strategy for rural development, is for assisting the rural poor in generating activities by providing credit. It was intended that credit facilities extended by it would enable the borrowers to engage themselves effectively in income
generating activities during the post-loan period, so that the rural poor in particular would rise above the poverty line.

The percentage of incremental income is high in the age group of above 50 years and low in the below 25 years age group both in canal and non-canal regions. The percentage of incremental income is low in scheduled caste and high in forward caste. Compared to other castes in both the regions. The percentage of incremental income is low among college education and high among the illiterates in both the regions. In the same manner the percentage of incremental income is high in large farmers and low among the marginal farmers. Among the occupation categories in both the regions, the percentage of incremental income is high among those engaged in cultivation and business, and low among those engaged in cultivation and employment when compared to other categories.

\[ t \text{-test has been applied to know the significant difference in income generation between pre-loan and post-loan periods among the borrowers based on age, caste, level of education, size of farmers and occupation in canal and non-canal regions. There is a significant difference between pre-loan and post-loan periods among the age groups, among the caste category, among the level of education and among the category of farmers in both canal and non-canal regions. Hence, the formulated hypothesis is rejected. But, there is no significant difference among the occupation category in both regions. Therefore, the hypothesis is accepted.}\]

6.4.2 EMPLOYMENT GENERATION

Employment generation is an important objective of Andhra Pragathi Grameena Bank under its special sponsored programmes. The aim is to create more of self-employment than wage employment. The percentage of incremental man days in both canal and non-canal regions is high among those whose age is between 25 and 50 years and low those who are in the age group of below 25 years. Caste-wise, the percentage of incremental man days is high among the of backward caste and low among the forward castes in both the regions. Education wise, the percentage of incremental man days is high among the of primary education and low among the college education in both the regions. The percentage of incremental man days is high among marginal farmers and low among large farmers in both the regions.
Occupation-wise in both the regions, the percentage of incremental man days is high among those engaged in only cultivation and low among those engaged in cultivation and allied activities.

To test the formulated hypothesis viz., there is no significant difference in employment generation between per-loan and post-loan periods among the borrowers based on age, caste, level of education, size of farmers and occupation in both regions, t-test applied. The hypothesis is rejected in the case of age groups and caste category, because the calculated t-values are greater than the table values at 5 per cent level. But, the hypothesis accepted in the case of level of education, category of farmers and occupation, because the calculated t-values are less than the table values at 5 per cent level.

6.4.3. ASSET CREATION

A major objective of the Andhra Pragathi Grameena Bank is to provide finance to the rural poor in order to enable them to utilize the same in acquiring productive assets through effective utilization of loans. Age wise the percentage of incremental asset value is high among those who below 25 years and low in the age group between 25 to 50 years age in canal region. But, in non-canal region, the percentage of incremental asset value is low those who are above 50 years and high among those who are below 25 years. Caste wise the percentage of incremental asset value is high among the forward castes and low among the scheduled tribes in both canal and non-canal regions. Education wise, the percentage of incremental asset value is high among the college education and low among the primary education in canal region. But, in the case of non-canal region the percentage of incremental asset value is low among the illiterates and high among the college education. The percentage of incremental asset value is high among the marginal farmers in both the regions. But, in the case of non-canal region the percentage of incremental value is low among the large farmers. Occupation wise, the percentage of incremental asset value is high among those engaged in cultivation and business and low among the cultivation and allied activities in canal region. But, in the case of non-canal region the percentage of incremental asset value is high among those engaged in cultivation and employment and low among the cultivation.
t-test has been applied to know the significant difference in asset value between pre-loan and post-loan periods among the borrowers based on age, caste, level of education, size of farmers and occupation in canal and non-canal regions. There is a significant difference between pre-loan and post-loan periods among the age groups, among the caste category, among the level of education and among the category of farmers in both canal and non-canal regions. Hence, the formulated hypothesis is rejected.

6.5. MAGNITUDE AND CAUSES OF NPAs

In Andhra Pragathi Grameena Bank, the percentage of NPAs is more among the large farmers (83 per cent) than the other farmers, in both canal and non-canal regions. The percentage of repayment is high among small farmers with 34 per cent when compared to other farmers in both the regions. The percentage of total defaulters is high in the non-canal region than in the canal region. In the canal region the percentage of defaulters is high among large farmers, in comparison with other categories of farmers. But, in the case of non-canal region the percentage of defaulters is high among the marginal farmers in comparison to other categories. t-value for the canal region is 2.778 and non-canal region is 5.461, which are significant at 5 per cent level.

In both the regions, the percentage of defaulters is high among the backward castes compared to other categories. The percentage of defaulters is high among the illiterates in both the regions. The t-value for the canal and non-canal regions are 4.636 and 3.326 respectively, which are significant at 5 per cent level. Occupation-wise the percentage of incremental asset value is high among those engaged in cultivation and business and low among those engaged in cultivation and allied activities in canal region. But, in non-canal region, the percentage of incremental asset value is high among those engaged in cultivation and employment and low among those engaged in only cultivation.

To test the formulated hypothesis that there is no significant difference in creation of assets between pre-loan and post-loan periods among the borrowers based on age, caste, level of education, size of farmers and occupation in both regions.
According to t-values, there is a significant difference in creation of assets between pre-loan and post-loan periods among the borrowers with regard to age group, caste category, level of education, size of farmers and occupation in both the regions at 5 per cent level. Hence, the formulated hypothesis is rejected.

There are multiplicity of causes for loan default. In the present study the reasons for default classified into six categories. In canal region, defect in the farm production category account for 14.28 per cent and the loan amount defaulted is 10.5 per cent. For the same reason, in non-canal region the percentage of defaulters was 22.67 per cent and 22.25 per cent of the loan amount was defaulted.

In the variability in incomes category the defaulters are 22.86 per cent and their default amount was 21.1 per cent in canal region. In the non-canal region, the percentage of defaulters was 18.67 per cent and the loan amount defaulted was 32.1 per cent.

Deficiency in credit organization accounted for 11.43 per cent of defaulting borrowers, and their default amount being 8.25 per cent in canal region. For the same reason in non-canal region 8 per cent were defaulters and loan amount defaulted was 8.25 per cent, which is less than the canal region.

In the attitudinal conditions category in the canal region 14.29 per cent of defaulters and the loan amount defaulted was 9.15 per cent. In the non-canal region, the defaulters was 10 per cent and the loan amount defaulted was 12 per cent, which is comparatively high.

In the misallocation category, nearly 25 per cent of the loan amount was unpaid because 24.28 per cent of defaulters have used the money for unotherised purposes. For the same reason in the non-canal region 20 per cent of the defaulters accounted for 21.25 per cent of the loan amount defaulted.

In the miscellaneous category 12.86 per cent of the defaulters and 19.6 per cent of the loan amount defaulted in canal region and 17.33 per cent of defaulters and 4.8 per cent of the defaulted amount in non-canal region.
ANOVA results reveals that there is a significant difference among different categories of default (reasons for default) and also between canal and non-canal regions. Therefore, the formulated hypothesis is rejected.

B. SUGGESTIONS

The foregoing study is a fact-finding, in inductive and empirical investigation on the financing agriculture by Andhra Pragathi Grameena Bank in SPSR Nellore District. A few suggestions are made in this, it may serve its objectives more satisfactorily. Following are the few suggestion based on empirical investigation.

- In order to strengthen the financial position of the Andhra Pragathi Grameena Bank and to increase the loan size to all the borrowers, the bank must mobilize the more deposits.
- The percentage of incremental income is low among the scheduled tribes compared to other caste categories. For improving the income levels of these caste categories, the bankers must create the awareness about income generation activities.
- Illiterate farmers should be educated and encouraged to improve their income levels.
- Marginal and small farmers should be encouraged to co-ordinate with each other to implement new agricultural technology. It would help to get more yield and ultimately increase their income levels.
- The cultivators should adopt allied activities like dairying, poultry and sheep rearing etc., for improving their income levels.
- The percentage of incremental man days is very low in forward castes as well as large farmers in both canal and non-canal regions. Therefore, the borrowers in this category shall improve their working days through effective utilization of bank loans.
- The percentage of incremental asset value is low in the case of schedule tribes and schedule castes in both the regions. The bank must provide necessary information at the right time to the borrowers regarding the creation of assets and also provide proper training to them in this regard.
In the present study six major reasons are identified for default in repayment. The following suggestions are made to curb the malady of default and to improve the recovery performance.

- Loan should not be sanctioned to any one in a hurry or under political pressure. Every application for loan should be properly and thoroughly scrutinized.

- Bank officials should strictly monitor the utilization of the loan by frequent visits to the villages, so that the loans are used by the borrowers for the purpose for which they are sanctioned.

- Crop insurance scheme should be extended to the entire district and adequate supply of agricultural inputs are made available at reasonable prices to the farmers.

- Bank officials should convincingly explain to the borrowers about the importance of prompt and timely repayment of loans for recycling of funds and also to sanction new and additional loans.

- Proper procedure with a suitable repayment schedule should be adopted for the recovery of loans at the time when the farmers sell their produce. Efforts should be made well in advance to recover the loan installments by sending timely reminders and notices to the borrowers.

- Political leaders should not be allowed interfere in the working of the bank and the sanction of loans in particular. The bank officials must be left free to grant loans only to the deserving applications and to take suitable action against the defaulters.

- The realization of bank dues through the court, besides being lengthy in procedure, and is quite expensive. Hence special tribunals, should be setup for the recovery of agricultural loans.

- A common cause for NPAs in the study area is the incidence of cyclones and floods in the canal area and drought in the non-canal area. Heavy default in repayment of loans is often caused by these natural calamities. Through the introduction of crop insurance scheme in both the regions, the farmers will be benefited.