Chapter – 7
Conclusions & Recommendations

7.1 Introduction:

This chapter presents conclusions and gives recommendations with a view to control Non-Performing Assets. In this chapter the researcher has presented fulfillment of objectives, conclusions, and recommendations.

7.2 Fulfillment of Objectives:

The objectives of the present study are fulfilled as follows:

1. The researcher has studied the growth of concept of Rural – Gramin Banking as a part of development banks in the Indian Banking sector. This is evident from the discussions presented in Chapter No. 3.

2. The researcher has presented a profile of the area under study vis-à-vis profile of Marathwada Gramin Bank. This is evident from the discussions presented in Chapter No. 3.

3. The researcher has reviewed the performance of Marathwada Gramin Bank with special reference to Nanded district. This is evident from the Table No. 5.1 to 5.6.

4. The researcher has presented an analytic study of the concept of Non-Performing Assets (NPA) and Prudential Norms in the Banking Sector. This is evident from the discussions in Chapter No. 4.
5. The researcher has presented an analytic study of growth of Non-Performing Assets (NPA) in Marathwada Gramin Bank with special reference to Nanded district. This is evident from table No. 5.7 to 5.22.

6. The researcher has presented an analytic study of reasons of Non-Performing Assets (NPA) in Marathwada Gramin Bank with special reference to Nanded district. This is evident from table No. 6.7 to 22.

7. The researcher has presented an analytic study of problems in Non-Performing Assets (NPA) in Marathwada Gramin Bank with special reference to Nanded district. This is evident from table No. 6.21 to 35.

8. The researcher has suggested suitable measure for reduction and control of Non-Performing Assets (NPA) in Marathwada Gramin Bank with special reference to Nanded district.

7.3 Conclusions:

Various conclusions of the present study are divided into following sections:

1. General Conclusions
2. Conclusions Regarding Performance of MGB
3. Conclusions Regarding Non-Performing Assets of MGB
4. Conclusions Regarding Socio-Economic Status of the Respondents
5. Conclusions Regarding Problems

7.3.1 General Conclusions:
From the success of the above three banks in three different countries, a few lessons may be learned:

1. Access to credit on a long-term basis is more important than a low interest rate. Loan rates should be set to cover the costs of the banks so that they are financially viable and can provide credit over the long term. This is far more important to rural borrowers than cheap credit programmes which fade away sooner than later.

2. There is a large potential for savings among relatively low-income people in the rural areas. A large number of small savings accounts provide a relatively stable source of funds for the banks.

3. In order to minimise overhead costs, the banks in the rural areas need to be able to serve the whole credit market, and not only the target groups.

4. Finally, cost of credit is not so important as autonomy to banks in financial and organisational matters.

Based on the experience of NGOs, SHGs and voluntary agencies in several countries, the following observations may be made:

1. The poor are bankable and rural banking is viable.

2. Giving credit alone is not enough; it should be given with trust and faith.

3. Cost of credit is immaterial; more important is timely and adequate credit.
4. Material security may be better substituted by human security through peer pressure.

5. Individual financing through groups (SHGs) is more effective.

6. Saving first, credit next is the cardinal principle.

7. Targeted lending needs a debate so as to preserve the quality of banking and bankers' judicial prerogative.

8. Subsidy in any form, including loan waiver is not conducive to making people self-reliant.

7.3.2 Conclusions Regarding Performance of Marathwada Gramin Bank

Various conclusions regarding performance of Marathwada Gramin Bank are as follows:

1. It is concluded that, during the period under study the average No. of branches remained 118.90 and the total No. of branches increased by 12 with an average increase of 1.20 branches (0.51%) per year.

2. It is concluded that, during the period under study the average total deposits remained Rs. 23519.67 lacs and it recorded an average increase of Rs. 10005.63 lacs (14.67%) per year.

3. It is concluded that, during the period under study the average total advances remained Rs. 9146.06 lacs and it recorded an average increase of Rs. 3465.66 lacs (12.23%) per year.
4. It is concluded that, during the period under study the average number of staff remained 524.70 and it recorded an average fall of 7.40 (0.72%) per year.

5. It is concluded that, during the period under study the average loss of Rs. 52.29 lacs was recorded. However it should be noted that the figures of loss in the year 2002-03, 2004-05 to 2006-07 are comparatively higher than the profit figures.

6. It is concluded that, during the period under study the average total business remained Rs. 32665.70 lacs and it recorded an average increase of Rs. 13471.30 lacs (13.81%) per year.

7.3.3 Conclusions Regarding Non-Performing Assets of MGB

Various conclusions Regarding Non-Performing Assets of MGB are as follows:
1. It is concluded that, during the period under study the average standard assets remained Rs. 6038.08 lacs and it recorded an average increase of Rs. 3667.01 lacs (16.52%) per year.

2. It is concluded that, during the period under study the average percentage of standard assets to total advances remained 32.98 and it recorded an average increase of 2.53 (3.40%) per year.

3. It is concluded that, during the period under study the average Substandard Assets remained Rs. 1042.15 lacs and it recorded an average increase of Rs. 85.93 lacs (22.99%) per year.

4. It is concluded that, during the period under study the average percentage of substandard assets to total advances remained 5.74 and it recorded an average increase of 0.82 (6.89%) per year.

5. It is concluded that, during the period under study the average Doubtful Assets remained Rs. 1924.56 lacs and it recorded an average decrease of Rs. 144.62 lacs (3.17%) per year.

6. It is concluded that, during the period under study the average percentage of doubtful assets to total advances remained 10.50 and it recorded an average decrease of 1.63 (11.92%) per year.

7. It is concluded that, during the period under study the average Loss Assets remained Rs. 141.27 lacs and it recorded an average decrease of Rs. 29.24 lacs (12.68%) per year.
8. It is concluded that, during the period under study the average percentage of loss assets to total advances remained 0.77 and it recorded an average decrease of 0.07 (1.16%) per year.

9. It is concluded that, during the period under study the average Gross NPA remained Rs. 3107.98 lacs and it recorded an average decrease of Rs. 201.12 lacs (2.83%) per year.

10. It is concluded that, during the period under study the average percentage Gross NPA to Total Advances remained 17.02 and it recorded an average decrease of 2.57 (12.68%) per year.

11. It is concluded that, during the period under study the average Net NPA remained Rs. 1263.03 lacs and it recorded an average decrease of Rs. 1307 lacs (8.18%) per year.

12. It is concluded that, during the period under study the average percentage Net NPA to Total Advances remained 8.46 and it recorded an average decrease of 0.65 (4.87%) per year.

13. It is concluded that, during the period under study the average Total Overdues remained Rs. 8963.31 lacs and it recorded an average Increase of Rs. 55.52 lacs (0.33%) per year.

14. It is concluded that, during the period under study the average additions to NPA remained Rs. 752.21 lacs and it recorded an average decrease of Rs. 34.93 lacs (0.86%) per year.
15. It is concluded that, during the period under study the average Reductions in NPA remained Rs. 755.91 lacs and it recorded an average decrease of Rs. 63.55 lacs (2.78%) per year.

16. It is concluded that, during the period under study the average Provision Against NPA remained Rs. 1225.13 lacs and it recorded an average increase of Rs. 11.76 lacs (1.21%) per year.

7.3.4 Conclusions Regarding Socio-Economic Status of Respondents

Various Conclusions Regarding Socio-Economic Status of Respondents are as follows:

1. It is concluded that, the maximum no. of sample staff respondents i.e. 70% belong to the age group 30 to 50 years and the highest number of NPA borrowers i.e. 62% belong to the same age group.

2. It is concluded that, the maximum no. of sample staff respondents i.e. 85% are male and also the highest number of NPA borrowers i.e. 77% are male.

3. It is concluded that, the maximum no. of sample staff respondents i.e. 72.50% are married and the highest number of NPA borrowers i.e. 61.50% are married.

4. It is concluded that, the maximum no. of sample staff respondents i.e. 48.75% belong to the medium size family and the highest
number of NPA borrowers i.e. 46.50% belong to the same family size.

5. It is concluded that, the maximum no. of sample staff respondents i.e. 65% are from rural places and the highest number of NPA borrowers i.e. 58% are also from rural places.

6. It is concluded that, the maximum no. of sample staff respondents i.e. 65% are post graduate and the highest number of NPA borrowers i.e. 52.50% are under graduate.

7.3.5 Conclusions Regarding Problems of NPA

Various conclusions regarding problems of NPA are as follows:

1. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 46.25% have have given ‘Medium’ rating to socio-economic conditions as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 56% have have given ‘High’ rating to socio-economic conditions as a reason of NPA.

2. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 63.75% have have given ‘Low’ rating to lack of education as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 63% have have given ‘High’ rating to lack of education as a reason of NPA.
3. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 53.75% have have given ‘Low’ rating to lack of knowledge of banking as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 51.5% have given ‘High’ rating to lack of knowledge of banking as a reason of NPA.

4. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 41.25% have given ‘Low’ rating to financial indiscipline as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 54.5% have given ‘High’ rating to financial indiscipline as a reason of NPA.

5. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 58.75% have given ‘Medium’ rating to high interest rate as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 62% have given ‘High’ rating to high interest rate as a reason of NPA.

6. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 63.75% have given ‘Medium’ rating to improper repayment schedule as a reason of NPA and maximum number of sample NPA borrowers
of the Marathwada Gramin Bank i.e. 48% have given ‘High’ rating to improper repayment schedule as a reason of NPA.

7. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 57.5% have given ‘Medium’ rating to improper recovery method as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 48% have given ‘Medium’ rating to improper recovery method as a reason of NPA.

8. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 65% have given ‘Medium’ rating to high cost of processing as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 51% have given ‘Medium’ rating to high cost of processing as a reason of NPA.

9. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 66.25% have given ‘Medium’ rating to complicated documentation as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 46% have given ‘Medium’ rating to complicated documentation as a reason of NPA.

10. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 61.25% have
given ‘Medium’ rating to lack of follow-up of recovery as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 43.5% have given ‘Medium’ rating to lack of follow-up of recovery as a reason of NPA.

11. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 66.25% have given ‘Low’ rating to improper accounting procedure of bank as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 60.5% have given ‘Medium’ rating to improper accounting procedure of bank as a reason of NPA.

12. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 52.5% have given ‘Medium’ rating to insufficient recovery staff as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 51.5% have given ‘Medium’ rating to insufficient recovery staff as a reason of NPA.

13. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 58.75% have given ‘Medium’ rating to improper understanding of NPA norms as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 46% have given
‘Medium’ rating to improper understanding of NPA norms as a reason of NPA.

14. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 43.75% have given ‘Medium’ rating to lack of staff training as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 44.5% have given ‘Medium’ rating to lack of staff training as a reason of NPA.

15. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 46.25% have given ‘High’ rating to psychological approach as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 47.5% have given ‘Medium’ rating to psychological approach as a reason of NPA.

16. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 81.25% have given ‘Low’ rating to improper NPA norms as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 64% have given ‘High’ rating to improper NPA norms as a reason of NPA.

17. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 66.25% have
given ‘High’ rating to large family size as a reason of NPA and
maximum number of sample NPA borrowers of the Marathwada
Gramin Bank i.e. 63% have given ‘High’ rating to large family size
as a reason of NPA.

18. It is concluded that, maximum number of sample staff
respondents of the Marathwada Gramin Bank i.e. 60% have given
‘High’ rating to burden of private debt as a reason of NPA and
maximum number of sample NPA borrowers of the Marathwada
Gramin Bank i.e. 61.50% have given ‘High’ rating to burden of
private debt as a reason of NPA.

19. It is concluded that, maximum number of sample staff
respondents of the Marathwada Gramin Bank i.e. 55% have given
‘High’ rating to burden of family expenses as a reason of NPA and
maximum number of sample NPA borrowers of the Marathwada
Gramin Bank i.e. 59.50% have given ‘High’ rating to burden of
family expenses as a reason of NPA.

20. It is concluded that, maximum number of sample staff
respondents of the Marathwada Gramin Bank i.e. 52.50% have
given ‘High’ rating to burden of consumption needs as a reason of
NPA and maximum number of sample NPA borrowers of the
Marathwada Gramin Bank i.e. 65.50% have given ‘High’ rating to
burden of consumption needs as a reason of NPA.
21. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 47.50% have given ‘High’ rating to burden of Irregular Monsoon as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 57.50% have given ‘High’ rating to burden of Irregular Monsoon as a reason of NPA.

22. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 46.25% have given ‘High’ rating to burden of increasing inflation as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 52% have given ‘High’ rating to burden of increasing inflation as a reason of NPA.

23. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 65% have given ‘High’ rating to Fluctuations in Market Prices of Agro Output as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 66.50% have given ‘High’ rating to Fluctuations in Market Prices of Agro Output as a reason of NPA.

24. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 51.25% have given ‘High’ rating to Increasing Prices of Agro Inputs as a reason
of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 51.50% have given ‘High’ rating to Increasing Prices of Agro Inputs as a reason of NPA.

25. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 56.25% have given ‘High’ rating to Increasing Labour Charges as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 69% have given ‘High’ rating to Increasing Labour Charges as a reason of NPA.

26. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 50% have given ‘High’ rating to Increasing Cost of Live Stock Maintenance as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 68% have given ‘High’ rating to Increasing Cost of Live Stock Maintenance as a reason of NPA.

27. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 42.50% have given ‘High’ rating to Burden of Social Functions as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 54% have given ‘High’ rating to Burden of Social Functions as a reason of NPA.
28. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 45% have given ‘Medium’ rating to Lack of Storage Facilities as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 49% have given ‘Medium’ rating to Lack of Storage Facilities as a reason of NPA.

29. It is concluded that, maximum number of sample staff respondents of the Marathwada Gramin Bank i.e. 47.50% have given ‘Low’ rating to lack of ancillary activities as a reason of NPA and maximum number of sample NPA borrowers of the Marathwada Gramin Bank i.e. 48% have given ‘High’ rating to lack of ancillary activities as a reason of NPA.

7.4 Recommendations

The major recommendations are presented as follows:

1. The working of Regional Rural Banks suffers from the mindsets of the controlling officers who are normally from the sponsoring Bank. The concepts which are normally applied in industry and business by Banks cannot be adopted as it is in the rural area by Regional Rural Banks.

2. The staff of the Banks need training with reference to Prudential Norms of Income Recognition, Asset Classification and Provisioning.
Unfortunately there is no separate training institute for rural banking. It is necessary to conduct workshops and seminars for understanding of the new concepts.

4. The banks should conduct proper background study before establishing a branch in rural area. The branches of the bank should also conduct annual background study and access the credit need of farmers on realistic basis before preparing the credit plan.

5. The branches of Regional Rural Banks should provide loans for productive purposes only.

6. The crop loans should be the main target and be distributed well in time i.e. before the monsoon starts. The successive doses of crop loan should be delivered at the right time. These loans may be delivered in cash. In case of direct payment to dealers of agro-inputs there is possibility of malpractices which bring loss to the farmers. This will help to reduce NPA level.

7. The lending standards of crop loan should be based upon the cost input requirements of different crops and should be revised every year with reference to increased cost of inputs. If proper care is taken in this respect the NPA level can be reduced.
8. The loan delivery should be done with proper pre-sanction assessment. The assessments should be made on fact basis with proper survey of the background of farmers. This will also help a lot in reducing the NPA level.

9. The package of loans to be sanctioned to a particular farmer should contain scope for activities allied to agriculture. This will improve the income level of farmers. This will also help to reduce NPA level.

10. The Regional Rural Banks officers should suggest the farmers which allied activities they can adopt. This may be a helping hand to the farmers. This will help to reduce NPA level.

11. The Regional Rural Banks should start a cell of experts who can advise the farmers for proper agro-economic development. The banks officers should give continuous visits to the sites and access the growth and working of the farmers. Farmers should also be advised properly about the NPA concept.

12. The Regional Rural Banks should promote consumption loans so that the end use of funds in other types of loans can be assured. The bank should suggest the farmers to become independent in respect of agro inputs and supporting assets like bullocks, cows, bullock carts etc. and provide loans for the same. If consumptions loans are given the rural people need not go to private money lenders and NPA level can be reduced.
13. The Regional Rural Banks should promote the farmers for availing irrigation loans. The banks should promote the farmers for use of drip irrigation, sprinklers and other irrigation facilities so that water can be saved and increase the agricultural production. If infrastructure is promoted properly in case of farmers and artisans NPA level can be reduced.

14. The Regional Rural Banks should introduce a repayment structure which is flexible for the farmers. If repayment schedule is correct or properly revised NPA level can be reduced.

15. The Regional Rural Banks should avoid court cases for recovery and should settle the matters by mutual understanding as far as possible. Recovery method followed should be proper. There should be continuous follow-up at the right time. A number of NPA accounts are degraded only because of improper follow-up. This can be stopped.

16. The Regional Rural Banks should exempt the cost of processing and bank charges for farmers.

17. The Regional Rural Banks should keep flexible bank timings, suitable in the rural area.

18. The Regional Rural Banks should also provide loans to the farmers for storage of output whereby the farmers can fetch good price for their produce and there are no forced sales.
19. The Regional Rural Banks should not maintain commercial attitude towards the farmers. They should adopt the approach of a development agency working for the growth of rural area.

Rural banking should be viewed as a business proposition and not as a service to be rendered with no consideration to costs and returns. It has been proved worldwide that no real development can take place merely through provision of concessional financial assistance. In India itself, plenty of examples are available to prove that rural India represents a huge and responsive market if approached appropriately. Popularisation of tea, fertilisers, synthetic textiles and audio-visual media such as cinema, radios and television has been the result of sound application of commercial principles. They used subsidies in the beginning as vehicle for promotion of products or services but did not lose sight of the necessity to recover costs and earn a surplus.

The common feature of all the success stories of development of society and creation of markets in rural India is that new approaches to development were adopted and they succeeded. Just adaptation or grafting of methods, approaches and practices used in urban and metropolitan cities however successful there, would not yield success in rural areas where the canvas suddenly expands manifold, distances are bigger and variety creates more complexity. This calls for trying out innovative approaches to meet the banking needs of the rural areas. It is high time that rural banking industry thinks of
building up of liaison with other formal/informal agencies working in rural areas with a view to take advantage of their presence in delivering financial services in a cost-effective manner.

Although profit is not the only criterion to judge success of rural banking, its continuous absence and without definite sign of turnaround are certainly not positive indications. The basic truth is its inability to turn social needs into business opportunities in the marketing sense. It is therefore obvious that we should take a fresh look at what we understand as rural banking and should redefine rural banking by taking into consideration changes in rural areas aided by science, technology and rapid commercialisation.

All economic activities are transacted in a particular cultural ethical and institutional setting which invariably influences these transactions. Social banking (rural banking) is also considered an economic activity as it involves socially desirable investments for achieving development goals with a particular focus on the poor. So the credit relationship between the banker and the borrower is also very much affected by the above non monetary factors. Here it is pertinent to observe what Amartya Sen has said, "Social goals are rooted in ethical grounds and therefore distancing economics from ethics will narrow our understanding of human beings and society." Further, on the economic front, the economic theory insists that factors of production should be ideally combined to realise the optimum returns. When credit is associated with production, the basic theory of factor proportions and optimisation of returns
through ideal combination of resources, should be incontrovertibly taken note of.