ROLES OF NATIONALISED BANKS IN PROVIDING AGRICULTURE CREDIT

(A CASE STUDY OF JALGASH DISTRICT)

CHAPTER No. 10

SUMMARY AND CONCLUSION

Introduction = Structure and Size of Sample = Sectorwise Credit = Causes leading to the Delay in sanction or getting Loan = Reasons of Loan = Condition of Repayment of Loan = Non-Payment of Loan by Borrowers - Types of Loans - Relevance of sanction of Loan = Methods of Repayment of Loan = Loan Advanced by Financing Institutions = Utilization of Loan = Attitude towards Repayment = Pattern of Services = Problems of Occurrence = Steps for the Recovery of Dues - Difficulties in the way of Recovery = Complaints and Suggestions - Response to the Complaints = Bank's working and problems - settlement of disputes - Maintenance of Records and Books of Accounts - Performance of Nationalised Banks = Income and Expenditure

Working Fund and expenditure = General Profitability = Audit Objections = Inspection and Audit System = Effectiveness of Present Audit System = Weakness in the Existing System = Staffing Pattern = Welfare Activities = Expectation and Suggestion - Conclusions.
SUMMARY AND CONCLUSION

INTRODUCTION:

Banking has undergone a sea of change not only in its basic philosophy, structure and working but also in its long and short term objectives committed to the Planned Economy Development of the country and Welfare of the people. It is now being realised that Bank is an effective and potent instrument in achieving the socio-economic objectives of the Country. The bank is therefore, as an important agent to change facilities in the achievement of Socio-Economic goods in a planned economy.

The post-nationalization period has witnessed a tremendous increase in the operations of commercial banking in terms of deposit mobilization opening of branches in unbanked rural and semi-urban areas, financing of sick industries, advances under differential rate of interest (DRI) schemes, export credit etc. In addition, commercial banks have also been obliged to carrying out the directives of the Reserve Bank of India (RBI) to keep inflation in check.

Banking in India has really gone Public in recent time, not so much for the reason of its wide expanses and volume but for the reason that it has been able to arouse an intense Public interest. Banking efficiency in their operation has indeed
improved in each and every corner of the country, but their effectiveness has grossly suffered. However, banking activities in this Jalgaon district and Maharashtra State have made significant contribution and are responsible for the uplift of common men. The discussion up to this stage reveals that the progress of the nationalised bank is not confined to a specific area but has been extended over to other areas. As far as the agricultural credit and activities allied to agricultural etc. nationalised banks are concerned, it has significant progress. In view of the vital and significant role of nationalised bank in this district. The present investigation has been taken up. The overall environmental conditions are suitable for the growth of banking facilities in this area. The considerable area accounts for the largest proportion of the economic life of the people of this area. This study was taken up with the followings specific objectives.

1) To study the State of existing banking system specially nationalised banks.

2) To study the banking structure and working procedure in its long and short term objectives committed to the welfare of the people engaged in agricultural sector in this area in particular and the planned economy development of the country in general.

3) To study the problems vis-a-vis difficulties before the nationalised banks in this district.

4) To find out the ways and means in order to overcome them.
5) To see whether nationalised banks can play important role in overcoming the existing problems.

6) To find out the repayment performance of farmers - borrowers engaged in agricultural and allied activities.

7) To find out the factors affecting the repayment of the borrowers etc.

8) To study the overdue patoecon in the study area.

9) To isolate the reasons for irregular and/or non-repayment of loans.

10) To visualise the attitudes of the sampled borrowers, bank officials etc. towards repayment; besides obtaining suggestions of the farmers, official non-official etc. for effecting better recovery of loans and extended to different walks of life.

The sample of 60 branches of nationalised banks is selected at random from the list of banks from six talukas of the Jalgaon District. Purposive selection of talukas is made considering the most representative characters.

Both direct and indirect methods were used for the collection of information. The necessary data has been collected, analysed and proceed in order to study the overall progress and efficiency and potential for the banking section in general and working structure of nationalised bank in particular.

The results thus obtained are summarised below:

**Structure and Size of Samples:**

This study is confined to the study of 60 branches of
nationalised banks selected from six talukas of this district. The selection was made considering their representative characters. Hence, the present study can be taken most representative in characters.

SECTORWISE CREDIT:

It is seen that the sectorwise credit in Jalgaon district mainly goes to the agriculture and allied to agriculture by 50 percent and 40 percent respectively. The total number of accounts as whole is 68314 out of this 21897 is actual implements towards agriculture irrigation, from equipment and activities allied to agriculture by 11038, 1437, 306 and 9116 respectively. However, it is seen that less attention was paid by nationalised banks taken under study towards irrigation (6.56 percent) farm equipment (1.38 percent) as compared to other sector by 50, 40 percent agriculture and 41.63 percent towards activities allied to agriculture. This is a sine-qua-non of any banking industry. This is a general phenomenon. The agriculture credit provided by nationalised banks in this district is in progress, however, more attention must be paid towards backward region where banking services are not available at satisfactory level desired so far in recent years. It is further seen that most of the borrowers have dropped the idea to get the loan sanctioned from bank and they totally rely on other sources for their loan need.

CAUSES LENDING TO THE DELAY IN SANCTION OR GETTING LOAN:

It is seen that about 7 percent of the sample had no problems as such and about rest of the 90 percent complaints
about the delay in getting timely or sanctioning of the loan proposals. It is further seen that out of the sample banks under consideration i.e. the Bank of Maharashtra, Panjab National Bank Union Bank of India and others were comparatively in good position in sanctioning the early loan proposals and this is because of the Government directives (RAI) from time to time.

It is observed that there is a delay in sanctioning loan to the farmers - borrowers, due to non-availability of documents in time, ignorance of the loanee, office procedure about 20 banks (35.70 percent) the proposals were pending with the sanctioning agencies.

At the outset of official procedure and technical difficulties alone about (62.78 percent) 29 banks had to wait for sanctioning the loan proposals of the farmers in time. The severity of this problem seems to be very alarming in case of the Panjab National Banks, the Bank of India and the Bank of Maharashtra respectively in descending order of magnitude.

**REASONS OF LOAN:**

Working capital emerges from the major cause of borrowing by the borrowers, representing 44 percent of the loan alone. Because of this the percentage of raising loan for meeting working capital needs provided by the Bank of Maharashtra (75 percent), the United Commercial Bank (66.66 percent), the Central Bank of India (52.94 percent) in descending order is very high. This is because of the fact that this class of loanee has to invest such an account of day-to-day requirement as well as stock.
It is further seen that loan raised for meeting construction needs was very significant in case of Bank of India followed by Union Bank of India and Panjab National Bank. Because most of the borrowers had to invest on the account of building construction on large scale. While rest of the reasons such as redemption of previous loans appear to be very negligible.

CONDITION OF REPAYMENT OF LOAN:

About 11 nationalised banks representing 18.34 percent of the sample study were aware of the repayment of borrowing amount of their loanees. However, about 44 nationalised banks representing 31.66 percent seemed to have cared not for the same. These banks were not in a position to make the recovery from their borrowers and hence they had to face death of fund for the recycle of bank funds. However, it is seen that borrowers were honest enough in their intention of repayment of loans but they were presented from doing so because of political interference willful defaulter and due to Government Policy changed from time to time in recent years regarding the loan relief upto Rs.10000 to agriculture farmers too.

REASONS FOR NON-PAYMENT OF LOAN BY BORROWERS:

There are number of reasons told by banks for the non payment of loan by the borrowers, e.g. improper utilization dishonesty of the borrowers and some time natural calamities and ill-intention. It is seen that in all the banks most of their borrowers used to channelise borrowed money for other than the declared reasons in the loan application viz. utilisation of
medical college, marriage of daughter and sons or close relatives education, religion purposes. Pretext of theft and these are unproductive activities which result in a decreasing repayment capacity of borrowers of the respective banks. Sometimes the investment made in proper way fetches no revenue and less income due to uncertainty of monsoon in case of agriculture and wide fluctuation in prices of agricultural products in the market.

**Types of Loan:**

It is observed that the percentage of short-term loan is very high. It is followed by medium-term loan and long-term loan in descending order of magnitude. The fact emerges that short-term loan requirement is the major loan requirement in case of almost all the banks under consideration.

It is seen that Panjab National Bank, United Commercial Bank, Bank of Maharashtra, Central Bank of India had resorted to medium-term borrowing in descending order. On the other hand percentage of banks providing long-term loan is very high in case of Bank of India, Bank of Maharashtra etc. It was so because that according to the directives of Reserve Bank of India these banks were in a position to ask for such long-term loan to their borrowers.

**Relevance of Sanction of Loan:**

It is seen that about 47 sample banks under consideration fail to fulfill the demands of the borrowers owing to the non-availability of the loan. On the other hand only thirteen
banks have obtained a position well in time as per their borrowers requirement.

The reasons for non-sanction of the loan according to the requirement of applicants in time are discretionary policy of the sanctioning higher authorities the intricated loan sanction procedure of Reserve Bank of India. The post budgeted applications the delay of submission of loan application by the applicants. It is observed that about 40.66 percent of the banks complaints are due to the discretionality policy of the higher authority. As a result their application for loans were either not sanctioned at all or postponed. Most of the banks told that the bias attitude of the sanctioning higher central authority or these earlier reveralties or nepotism were responsible for this state of affairs. The reasons for this seems to be the absence of direct approaches. In these banks to the Reserve Bank of India for their satisfactory services in stipulated time with little amount to fulfill the timely need of their customers without any hurdles through better understanding of each other problems in day to day business of the banking sectors by way of better communication between each others.

METHODS OF REPAYMENT OF LOAN

It is observed that the nature of repayment instalment preferred by the various borrowers of the respective banks is that most of the borrowers of the respective prefer yearly instalment for the discharge of their loan. Except the borrowers belonging to the activities applied to agriculture
i.e. dairy, poultry and other explained by the banks. The reason for this is that it is convenient for the borrowers to have monthly deduction at source from their earning or income.

Besides these all the borrowers prefer yearly instalment because throughout the year they require to make number of adjustment as regards to purchases, stores and daily expenses. However, according to the circumstances, yearly or half yearly or quarterly or monthly instalment was also preferred for repayment of loans.

It is seen that 5 borrowers (1 small farmers, 3 to 7 arres) 3 Marginal farmers below 3 arres, and 1 agricultural labourer i.e. 5.15 percent of the total borrowers were found regular in repaying the loan amount upto the end of the years. This shows very poor repayment performance of all categories of borrowers. Further more it is seen that the marginal farmers and agricultural labourers were conscious of repaying the loan due to their honesty and fear of imprisonment, similarly there were some of the borrowers i.e. large farmers. Who did not repay any instalment initially started repayment after sometime.

FACTORS AFFECTING REPAYMENT PERFORMANCE:

It is seen that negative regression coefficient for $X_1$ (Fund available for repayment from activities allied to agriculture i.e. dairy, poultry) indicates that small farmers were the willful defaulters because pay back period of small farmers fail within prescribed period of three years, i.e. they could repay the loan within this period but they were not willing repaying
the loan. This shows that borrowers considered the various scheme to be self liquidating and were not willing to repay the loan amount from income incurred by other sources.

**LOAN ADVANCED BY FINANCING INSTITUTION:**

While going through the loan advanced by financial institution it is seen that Central Bank of India (Lead Bank in the district) followed by Panjab National Bank, Union Bank of India, United Commercial Bank, Bank of Baroda and Bank of Maharashtra provided loans in descending order. On the other hand District Central Cooperative Bank tops among list of agricultural credit provided to the farmers in the district. Because branch banking programme of this bank spread in each and every corner of the district with cooperative principle "one for all and all for each and self help and mutual help among the members/farmers and leaders in its area of operation. Same procedure is also found in Land Development Bank in the district followed by nationalised banks taken up for the study.

**MISUTILIZATION OF LOAN:**

Misutilisation of loan is maximum in case of agricultural labourers, marginal and small farmers too. It is seen that 12.37 percent of total beneficiaries did not get the actual benefit of the banking scheme, seven such cases were reported where actual benefit was taken by the landlords against the name of their permanent labourers. While 5 beneficiaries sold their buffaloes just after taking the loan.
Further more it is seen that total cost over entire period was found highest in case of small farmers Rs. 1645.92 followed by agricultural labourers Rs. 1622.59 and marginal farmers Rs. 1605.69. This resulted into higher labour cost in case of agricultural labourers but the gross return as well as net return over entire period was found highest among small farmers. This shows that the net present value was found positive and benefit cost ratio is more than unity for each category of beneficiaries i.e. each and every scheme was economically feasible for each category. But payback period fell within preadcribed period of loan repayment. Apart from this it is seen that 12.37 percent of the total number of beneficiaries misutilised their loan. Repayment performance was found quite unsatisfactory. Only 5.15 percent of total beneficiaries was regular in repaying the loan till the end of second year. Hence it is very important to note that the effective supervision of bank and block personnel will check the misutilization of loan in the various projects.

ATTITUDE TOWARDS REPAYMENT:

Attitude towards repayment of agricultural loan by the heterogeneous class of farmers is not so satisfactory as desired by the banking authority in coming days. Majority of the marginal farmers thought that repayment was one's moral responsibility while many of small/medium and larger farmers contended the view that regular repayment of loan would benefit other villagers. This is an appriciabe attitude indeed. They told that if Government of Bank officials want to speed up recovery
of agricultural loan, it is necessary to take a bold step against the defaulters without any delay so as to enable the banks to recycling the funds to the needy sector immediately. Majority of the sampled farmers are of the view that the present procedure was good and equally a good number of the farmers remedies suggested, better supervision and persuasion by the bank officials, to remedy the situation, educating the farmer regarding repayment of loans and consequences of overdues through voluntary organisations may be resorted too.

**PATTERN OF SERVICES**

In overall picture of credit deployment agricultural loans predominate in the fact that more than 70 percent of the total credit has been deployed under crop loans and medium term loans put together. It is seen that highest percentage of credit deployed has gone to the farmer belonging to small and marginal farmers category. Their percentage share has increased from 52.56 percent in the year 1985-86 to 59.54 percent in the year 1987-88. The same trend more or less was obtained in respect of the percentage share of scheduled cast, scheduled tribe and backward class farmers put together.

The credit facilities made available by the Bank were satisfactory. 75 percent of the respondents expressed their satisfaction. However, 90 percent wanted the quantum of loan to be increased where as 26 percent wanted that more loans be advanced for allied activities such as sheep breeding, poultry farming and dairy farming. With a view to increase repaying
capacity of loan from source of other income.

Scheduled Castes reported that though they were given loans for dairy animals, they were not in a position to maintain the same due to lack of fodder, rice bran and other feed and also the veterinary aids. It was also reported by some of them that milch animals supplied to them had died and hence they were not in a position to repay the loan.

PROBLEMS OF OVERDUES:

It is seen that the magnitude of overdue problem is really alarming. As it is observed that this problem is very much significant in case of Central Bank of India and Union Bank of India accounting for non recovery of loan to the extent of 59 percent and 56 percent respectively. The same is the common features in respect of other banks too.

The factors responsible for this state of affairs indicating high overdues includes external factors - Internal factors and writing off agricultural loan up to Rs. 10,000 by National Front Government recently.

The external factors - include natural calamities( for instance, failure of crop, flood cyclone, hailstrom ) causing damage to the repaying capacity of farmers. Misuse of the loan should also be considered as one of the external factors. At the same time, illiteracy and ignorance on the part of borrower is responsible for using the loan for unproductive purposes. In the same fashion as it is observed time lag between actual need and loan issue is very high preventing the proper utilization
of funds by the farmers/borrowers. Other reasons revealed under this caption were inadequacy of loan advanced to the members and lending loan only in cash.

Absence of proper supervisory measures as regards to the utilization of loans should be considered another lacuna.

It is interesting to note that in many cases, the farmers - borrowers were themselves defaulters making situation bad to worst. The political factors viz., advice by the political leaders not to repay the loan, guiding them for the sake of self political purposes, are the causes emerging in this context.

The State Government as well as the central Government policies as regards to the writting off agriculture loan upto Rs 10,000 to the farmers have also worsened this situation. Further due to all these above mentioned factors, the tendency of not repaying is growing alarmingly.

The study of the sample under consideration supports this findings.

STEPS FOR THE RECOVERY OF DUES:

It is observed that the Bank of Maharashtra (100 percent), the Panjab National Bank (75 percent), Dena Bank (66.67 percent) and other banks (50 percent) have taken concrete steps in respect of recovery of loan by appointing the necessary recovery officers and the other steps. The main reason for this is the high magnitude of over dues problems in case of these banks. The rest of the banks seem to have not much interested since this problem is not serious in their cases.
However, it is very shocking to note that about 35 percent of the banks found to be indifferent about this problem and did not give any reply whatsoever. This reveals that the banks of various classes should adopt a special recovery machinery by one way or other in this respect.

HURDLES IN THE WAY OF RECOVERY:

The Recovery officers explained number of the hurdles in the way of recovery of agriculture loan. These includes, complications of legal compliance document/presure from the elder officers, mental dissatisfaction about the working, lack of necessary powers, political influences and others. It is very interesting to study other difficulties greasing the hands by paying cash or gifts. In the same fashion as it was told that the most of the farmers/borrowers successfully postpone the visit of such recovery officers, either by not responding to them or by remaining absent on the date of visit by the recovery officers.

This through light on the fact that maladjustment, corruption prevails on a large scale, some times on the part of superior officers and some times on the part of political influences and some time on the part of recovery department itself.

COMPLAINTS AND SUGGESTIONS:

As it was observed that majority of the compliants were from clients (35 percent) servants etc (28.34 percent)depositors (21.66 percent) and institution (15 percent) in decending order. It is seen that there are many complaints from the clients.
against the working and officers of the Central Bank of India, Union Bank of India, Panjab National Bank etc. The reasons explained were that clients were not receiving proper treatment as regards to the services and behaviours of the respective authority.

The various complaints are concerned with the working of officers, Nepotism, working procedures and favorism. As it is observed the majority of the complaints were about the working procedures of the banks indicating unsatisfactory services. It was told that the working procedure of the respective banks was unscientific, time killing and harmful to the whole banking structure existing day.

It is further seen that nepotism is another root cause warranting necessary actions. Therefore, necessary machinery should be employed to check against such activities directly or indirectly.

It is the sad commentary on the part of the officers of the banks that they have become the target of complaints. As it is observed, these complaints prevails on a large scale in respect of the Dena Bank, the Bank of Baroda, the Central Bank of India, United Commercial Bank in which percentage of complaints is 50 percent, 33.33 percent, 28.57 percent and 25 percent respectively. It indicates that employees of these banks are not aware of their duties and are irresponsible.

RESPONSE TO THE COMPLAINTS:

It is observed that most of the banks had taken due cognizance of the complaints. Among them are the Bank of India,
United Commercial Bank, Bank of Baroda and the Central Bank of India. These banks seem to have taken effective considerations of the complaints. It indicates sound policy on the part of the management of these banks. However, corporation Bank, Vijaya Bank, Allahabad bank etc. seems to have adopted indifferent attitude towards complaints.

It is to be note that these banks have not cared for the spirit of banking goals. It is suggested to do needful in order to compel these banks to take necessary cognizance of the complied received.

As it is observed that further reasons for this as explained by them were subjudication, delaying tactics of the management, settlement on ways and cases pending with the Union leaders. It is seen that most of the cases of complaints near about 36 percent would be settled in short period but 32 percent remain unsettled since the matters have been subjudicated.

As a result the management did not pay attention to their complaints but asked the worker to approach through the Union leaders. Thereby they have not done nothing but delayed the matters tactfully. The percentage of such bank management delaying the matters by hook and crooks is 12 percent.

BANKS WORKING AND PROBLEMS :

Internal revelations if any do affect the daily working of the bank and spoils its image. It is observed that majority of the complaints are from the employees about the working hours. The nature of this complaints is really alarming in case of the
Central Bank of India followed by Panjab National Bank, Bank of Baroda, Bank of Maharashtra, United Commercial Bank and Bank of India in descending order of magnitude. Most of the employees told that an majority of the days for the year, employees are asked to work for even twelve to thirteen hours. It is also seen that most of such employees have to work under heavy strain of work creating bad effect on their health.

It is observed that about 13.34 percent complaints were of the promotion. Many time senior most and competent employees claim is set aside in favour of some relatives, such injustice largely prevails as is seen in case of the Dena Bank, United Commercial Bank, Bank of Baroda in descending order. Dissatisfaction of the employees pertaining to the legitimate claim for the higher post temper, the whole working and disharmony in organization in the banks existing day.

It is further observed that about 10 percent cases were reported the dissatisfaction as regards to the division of work. According to them it is faulty. In few cases it is reported that appointment of incompetent employees by the directors, have caused pressures on the honest employees.

About 11.66 percent samples are reported dissatisfaction of the facilities. According to the employees no substitute employees is provided for the work when they are on leave. According to them, employees required to gear up their work because of leave, as soon as they resume the work and this result in the internal rivelaries. It is further observed that no incentive or reward was given for the hard work and they were
dis-regarded by asking resign. This is the root cause of disbur-
uses in the regular working. Respective authorities should pay
special attention to this facts.

SETTLEMENT OF DISPUTES:

It is seen that all the banks under study are aware of
the need of settlement of disputes.

It is observed that the settlement of disputes have been
done either in the executive meeting or by the Board of Directors
This attitude of the management and employees is indicating of
helping attitude and greater communication among them.

It is seen that only 15 percent cases were sent to the
court. Instances of this kind as would be seen prevails on large
scale in case of Bank of Maharashtra, Bank of Baroda, Bank of
India in decending order.

MAINTENANCE OF RECORDS AND BOOKS OF ACCOUNTS:

All these banks under consideration have been punctuate
in maintaining the up to date records and books of accounts which
are binding as per the Banking Regulation Act 1949 and hence no
case is reported without keeping or the maintaining records and
books of accounts.

PERFORMANCE OF NATIONALISED BANKS:

The performance of a majority of nationalised banks,
present a mixed picture. It is seen that the deposit have regi-
tered a growth rate of over over 19 percent and the over all
profit have also gone up considerably.
It is observed that the deposits are the main source of working capital. The deposits of nationalised banks have shown significant increase in recent year. In term of global deposit, Bank of India top the list with deposit of Rs. 8916.91 crores. The nearest rival Panjab National Bank logging behind by more that Rs. 100 crore at Rs. 7809.19 crores. At this stage Bank of India is well set to a tune of Rs. 10,000 crores landmark in deposit during 1987. This is the first nationalised bank to achieve the target.

It is further seen that the term deposit, saving deposit and current deposit reveals that Bank of Baroda, Central Bank of India etc. have current deposit at 20 percent or more of their total deposits though current deposits position is volatile subject to withdrawals at any time, yet this type of deposits are more important to the banks as these provide interest free funds to the banks.

As regards saving bank deposits, Panjab National Bank, Central Bank of India, Union Bank of India, Dena Bank have 25 percent or more of their total deposit. Next to current deposit is the other cheaper source of fund to the banks.

As it is observed in case of advance, the growth rate in advances for a bank should be more or less canal to the growth rate of deposit. But the growth rate in advance is less because of two reasons - 1) some position of the deposit are due to window dressing adopted at the branch level, to achieve the deposits targets for the year and hence advances cannot be increased with these temporary deposits. - 2) Other reason being
that it takes time for the management of the bank, to ascertain overall fund position of the bank to consider suitable credit position or proposals.

The Bank of India, has achieved a growth rate of 19.68 percent in advances followed by United Commercial Bank 19.34 percent and other bank (includes corporation Bank, Vijaya Bank etc.) shows 15.74 percent. While the least growth has been reported by Dena Bank at 8.27 percent. It is seen that the Canara Bank occupies the 5th position in terms of deposit and 2nd position in terms of advance. The highest credit deposit ratio is reported by the Bank of Maharashtra at 62.82 percent, while least is reported by Panjab National Bank at 49.72 percent. A high credit deposit ratio indicates two things (1) Deposits are put to use to earn interest and (2) the statutory requirements of liquidity maintenance are taken care of better using partly other sources of funds such as remittance etc. Since the main earning to the bank from interest on advances. This pinpoint that needs to be handled carefully so that there are no interest losses to the bank on idle fund which may earn less when compared to higher interest costs on the deposits.

As it is observed in case of profit that the percentage increase in profits varies from as low as mere 25.08 percent in case of Panjab National Bank to as much as 256.74 percent by Central Bank of India and 758.06 percent by other banks. It is further seen that there is a substantial increase in the profit of Central Bank of India from Rs. 6.75 crore in 1985 to Rs 24.08 crores in 1986. Which may be a record performance in terms of
percentage. Yet its balancesheets containing many notes by the auditors giving details of various transaction or heads of items unprovided for and if one provides adequately for the concerned items to avoid the qualification to the balance sheet then the profit figures need to be reduced very much and so also reduced levels of provision for bad and doubtful debts.

However, the banks may use the reduction in interest rate on advances and also on deposits as a one of the reasons for slow growth in profit. Since the reduction in lending rate for advances affects most of the advances, whereas the reduction in deposit interest rate affect only one type of deposits viz. fixed deposits and that too long term deposits.

**INCOME AND EXPENDITURE**

Interest paid on deposit and borrowing constitutes the major items of expenditure by banks. It is observed that the expenditure on staff by way of salary, bonus, allowances, provident fund and gratuity is the next major items of expenditure for banks. Further more it is seen that the percentage of staff expenditure is the lowest in case of United Commercial Bank at 10.05 percent followed by Bank of India 1.09 percent while the highest percentage relates to Corporation Bank, Vijaya Bank etc. 1.31 percent followed by 1.69 percent and 1.68 percent Dena Bank and Central Bank of India respectively.

Lower rate indicate better and optimum utilization of staff at levels. At the same time, lower staff costs may also means staff shortages reflecting deterioration in customer services. Hence, it required striking a balance for both optimum
and better utilization of staff at all levels, without sacrifice in the quality of customers services rendered.

**WORKING FUNDS AND EXPENDITURE**

It is seen that Panjab National Bank has the least percentage of costs at 8.08 percentage while the largest percentage of costs stands at 9.72 percent by Dena Bank. It is interesting to note that Canara Bank which rank 5th in terms of deposits, ranks 3rd in terms of working funds. This analysis is also important for a bank in the sense that it has to regulate the deployment of funds based on the availability and the cost of working fund, in such a way that the deployment brings sufficient earning to cover the cost of funds administrative overheads and reasonable profit.

**GENERAL PROFITABILITY**

It is observed that there are many banks with too much of their infrastructure facilities, all of them are under-utilised. Majority of national banks is too small, to utilise the resources at their full range with a view to earn the minimum cost of fund to cover the administrative overheads and reasonable profit. So it is high time, the Government as well as Reserve Bank of India take necessary corrective actions. This is particularly so looking to the number of bank branches incurring losses as they are unable to generate sufficient samples to cover their operating costs, owing to inadequate business.
REMIDIAL MEASURES:

There are many ways and Measures to overcome the
problem of profitability as follows

(1) All loss making and unprofitable bank branches is to be
identified for each bank.

(2) Whenever possible a group of branches can be converted
into a single base branches, the rest of the branches in the
group being serviced on mobile branches basis.

(3) The Unviable branches should be closed down.

(4) Whenever possible and feasible multiplicity of bank
branches at one place or in the close vicinity be ended for this
purpose. Some of the loss making branches may be merged with
branches of other banks. The merged should be undertaken as a
give and take merger e.g. if one bank takes over certain branch-
es of a bank at another place it should give its loss making
branches to the other bank on a reciprocal basis. This exercise
need to be undertaken very carefully, by the Reserve Bank of
India. Initially it may be undertaken as an experimental system.

(5) All the Regional Rural Banks be taken over by NABARD
(National Bank for Agricultural and Rural Development) and
gradually all agricultural and rural development banking to be
directly handled by NABARD.

Only if measures such as these are gradually introduced
and able to take up increasing participation in the industriali-
ization of the county along with the agricultural credit system
there by affecting availability of finance for the corporate and
industrial sector too.
AUDIT OBJECTIONS:

Audit plays a significant role in providing direct and indirect control on the activities of the banks and its works as the trustees on behalf of the depositors, farmers/borrowers and the management. Effective internal checking and frequent checking can minimise the causes of audit objections. However, their occurrence and detection by the auditor (Internal Auditor mostly and department auditor frequently) points the need of taking corrective steps in order to overcome them. Audit objections in relation to the various difficulties/deficiencies held in rectifying them for the sound function of the banks. Audit objections bring moral check on the activities of the corrupt employees and helps the management and depositors etc. to know the deficiencies or malpractices or fraudulent activities if any.

It is observed that about 8.34 percent cases revealed were difficulty in understanding the meaning, whereas about 38.33 percent cases were pending due to the lack of knowledge in this respect and 35 percent banks reported the causes of undue pressure of work due to which objections remained outstanding. Cases of management interference in the matter were few and some were the cases with the lack of accounting knowledge.

INSPECTION AND AUDIT SYSTEMS:

Internal inspection and audit system had been developed during the so to say preindependent days. Until the nationalisation of banks in the sixties. It is seen that the system was inter-alia developed to ascertain the following.
1) Whether the system and procedures laid down by the management has meticulously followed by the branch offices.

2) Whether the administration at branch offices was effectively working up to the desired level.

3) Whether the bank's interest were safe guarded through proper implementation of instructions from management level from time to time.

4) Whether the quality of customer service had been kept up and so on. It is with this background in view, the focus is set upon the inspection and audit systems.

There are several audit system adopted by banks, according to the nature of business required by Banking Regulation Act from time to time, viz. Audit by professional chartered Accountant, Spot audit, Management audit, expenditure voucher audit, income of expenditure audit statutory audit, Branch audit, R.B.I. audit, Audit by Accountant General, Government audit and so on.

It is seen that all most all the banks under study adopted internal audit for the internal control not only on the staff but also the various transaction in day to day business and next followed by statutory audit, divisional audit and so on.

**EFFECTIVENESS OF PRESENT AUDIT SYSTEM**:  

As it is observed that inspection department is an integral part of the bank management. The officers and other staff members deputed to work on inspection duty belong to the banks. Further more it is seen that branch people see the inspection team (through they also belong to their bank family)
as an enemy. This is the general phenomenon in each and every organization. Because of this points the dissatisfaction and discontent among the each and every staff members relating to their respective audit system/sections.

The another lacuna is observed in this direction that the branch is pressurised by politicians and the government to give massive loans to the weaker sections without any hope of recovery. While on the other side they are asked to liberally advance to weaker sections, on the other hand the inspecting team find fault with branch for non-recovering overdues, from the defaulters. This is embarrassing to the branch.

It is noticed further that branch offices are not adequately managed by required staff members. With this shortage the branches are unable to cope with the increased volume of work and day to day activities i.e. balancing of accounts adjusting of outstanding entries, despatch of instrument etc. Notwithstanding this inspector will point out such type delaying tactics in their report.

WEAKNESSES IN THE EXISTING SYSTEMS:

Apart from the loopholes and bottlenecks and problems as discussed earlier in foregoing pages, which are prevalent in the inspection and audit system of banks summarised hereunder.

1. Inspecting officials are their own employees. They are deputed for a particular period so today they are inspector, tomorrow they would be branch manager, some where else and their branch would also face the similar inspection which they themselves had undertaken once and feel that why should presented
negative report on the matter resulting the purpose of inspection is defeated.

2. Sometime it is found that barring a few officers, inspecting officials integrity is of a questionable nature.

3. Firms of chartered accountants look at auditing of branches as a lucrative job (getting attractive fees). Their output on the hands seems to be far from satisfactory.

4. Non-Cooperation of branch staff in fulfilling the tasks assigned to inspection team.

5. Lastly it is seen that inspectors are instructed to go through various areas and also they are expected to complete the inspection within the allotted period. This is little bit cumbersome for inspectors because they are unable to cover all the area within the allotted period. Therefore, they go on a random basis and conclude the report. This pin points management has to blame themselves for their failure in evolving a methodical approach for inspectors.

Hence, it is high time for the Government Reserve Bank of India and management of banks come together, to act swiftly in this critical area. The number of inspections by various facts will not yield the desired result whereas it give negative feedback, because of obvious and reasonable problems faced at different levels. Complete revamping and over handling of the existing system, is to be thought of and the following areas need to be examined in depth and to rationalise the entire system.

1) Inspection and audit objectives and the extent to which the audit system and procedure are appropriate and adequate.
11) The changes, the banks could make in its audit strategy to cope with demand arising out of the bank's Perspective growth during the next decade. Indeed it is hoped in future that, the number of branches will go up to 75000 at the end of 2000 A.D. and the advances to weaker sections and other would cross the Rs.10 million mark according to an official review.

If the inspection and audit system is an on right path then, it is worth noting that there may be a concrete steps taken for preventing frauds, maladjustment and cases of corruption to some extent. Therefore, it is necessary to understand each and every authorities to each other for smoothening the working procedure of banking sector in coming days.

**STAFFING PATTERN**:

Staffing structure of the various banks under sample study is near about the same relevant to the nature of working. As regards to wage payment it is observed that majority of the employees are salary earner and certain cases bonus was also paid in addition to the regular salaries.

**WELFARE ACTIVITIES**:

It is observed that about 30 percent banks have made necessary arrangement for the provision of welfare activities to their employees. However, 20 percent banks seem to have adopted indifferent attitude.

Welfare activities provided by the banks includes medical aids to the family education to the employees children, bonus contribution towards employees liabilities in respect of marriage
of their sons or daughters. Desk remaining and such other
claimant. This shows that banks are aware of the welfare of
their employees. As it is observed, Central Bank of India, Union
Bank of India, Bank of Baroda etc. are the prominent in this
respect followed by other banks includes, Vijaya bank, Sangli
bank, Allahabad bank, Corporation bank and so on.

EXPECTATION AND SUGGESTIONS:

Most of the cases banks has to face competition from
other like district Central Cooperative Bank, Land Development
Bank, State Bank of India (Agricultural Development Branches) to
obtain a specific target within a stipulated period, but this
killing competition adversely affect the profitability of the
banks and prevent them from providing agricultural facilities
or benefits to the depositors, farmers/borrowers as well as
employees too. This is an instance of damaging the attitude of
nationalised banks towards providing agricultural credit in its
area and operation to a large extent.

Most of the banks complaints about the outsider factors,
which indirectly have adverse affect on the services rendered
themselves because of non-cooperation from the Central financing
agency, Land Development Bank, Reserve Bank of India, Crop insur-
ance agency, State Government agency electricity board. Banks
help may proved the fruitless in the absence of cooperation from
such agencies. It is seen that certain decision taken by the
Central/State Government agencies are politically motivated and
harmful of survival of banks e.g. written off of Agricultural
loan upto Rs. 10,000 by the Central Government recently.
According to them although beneficial in majority of the cases dishonest farmers were the beneficiaries and honest were suffers. It pin points that Government inference in this fashion should be consulted before such revolutionery steps or decisions.

CONCLUSION:

Most of the banks pin points the urgency and need for employing learned and knowledgeable staff members in order to smoothening the technical hardles in getting/sanctioning loan proposal in the respective departments or agencies.

Almost all the banks are found to be not in a position to make the recovery from their respective borrower/farmers/depositors in due time and hence unable to face depth of found for the recycling the funds.

In this context, it is recommended that necessary steps should be taken in order to control dishomony as well as dishonest of their respective borrowers etc.

After considering all these factor conclusion emerging from this should be that all these things are beyond the control of banks and hence Government as well as active leader, Reserve Bank of India and other agencies should extent help in this direction. It is also further suggested to give viability and supreme control in respect of recovery to Recovery officers of the banks in this district in particular and all over the nation in general. This will help recovery authority to take necessary steps in the direction of recovery of overdues.

As it is observed, Majority of the complaints were about the working procedures of the banks, indicating unsatisfactory
services. It was told that working procedure of the respective Banks was unscientific, time killing and harmful to the banking objectives. Hence, it is necessary to pay urgent attention to smoothen the working procedures in the light of existing context.

It is also suggested to frame bye-laws in such a fashion so that defaulter or would be defaulter would not dared to indulge in such an activities causing damage to the image of the banking structure and also to the objectives itself.

As regards to the internal control on the various activities at important points it is the backbone of the success of any organization and state of such control is to the satisfaction.

It is further seen that advice by Reserve Bank of India and internal auditors guide lines from time to time were responsible for such a regular control.

Audit plays a vital role in providing direct and indirect control on the activities of the banks and it work as the trustees on behalf of the depositor/farmers - borrowers and the management.

Audit objections bring moral check on the activities of the corrupt employees and helps the management to know the deficiencies or malpractices or fraudulent activities if any. Existence of audit objections without rectification is a serious matter and warrant special attention.
It is further recommended that cooperation from various agencies like Reserve Bank of India, Central Banking Agency, State Government, Electricity Board, Crop Insurance agency, should be solicited towards the working of the banks on sound footing.

To assess the self financing ability of the farmers and to make credit available in adequate quantity not only to meet the medium and long term needs but also genuine unproductive requirement, of the borrowers.

Bank should adopt a selective area or project approach in the field of agricultural finance. Further more a high level committee be set up to review the existing tenancy, debt relief other section of the banking sectors.

It was desirable that banks made package finance to farmers, to cover the entire cycle of their operations.

The banks should tackle the problem of training theirs staff engaged in agricultural finance with the assistance of the service offered by the various agricultural universities and Food foundation authorities.

Effective supervision of bank and block personnel will check the misutilization of loan in the project. So also before providing loan to the beneficiaries block and bank officials must critically examine the demand of the scheme/project and marketing facility in the area.

The large farmers who are responsible for major portion of the over due credit cause a real threat to the functions of the agricultural finance institutions. Both
Central financing agency and land development bank have still to achieve better recovery of agricultural credit. The main reasons for defaults are crop failed, late sales of crop produce, immediate investment of kharif income in rabi production.

To remedy the situation, educating the farmers regarding repayment of loans and consequences of overdues through voluntary organizations may be resorted too.

About difficulties in motivating the staff members, the excessive and some time unnecessary interference of union is the main problem. Absence of power to take independent actions and lack of special incentives are also the major problems. There are too lengthy procedures of head office and even every small decisions are taken by the top management which cause unnecessary delay and frustration. In some branches there was a problem of over burdening because of shortage of staff. Conflicts and frustration among staff members and also between executive and other staff restrict smooth communication in the branch. Which rose a problem in the way of motivation.

Autocratic behaviour of some officers, inefficiency of clerical staff, absence of relationship between work and promotion and frequent changes in bank policies are also considerable difficulties. Though job rotation is not a barrier but frequent job rotations, of course, is a demotivator.

If the above said difficulties could be removed then nicely dealt with and the barriers could be removed then the bank executives would be in a position to provide adequate
motivation to their staff members and get the work done in an effective and efficient way.

Bank Executives have suggested that to facilitate motivation, bank executives on the one side should treat their subordinate in a friendly and human way and on the others there should be improvement in rules and regulations governing banking operation.

Consumers finance requires to be rationalised to serve the customers better and help them in uplifting their living standards rapidly.

Restructuring of banking system becomes an urgent necessity. This will provide not only diversification but will permit "specialization" the need of our present times.

Mixed Banking should be adopted as early as possible so as to discontinue the present practice of vague credit Assessments and the "follow-up works. This will permit physical planning which suits the economy needs of our development programmes. Waste of valuable resources can be avoided in this method.

Specialization should be the main consideration while executing the proposed restructuring of the system, because banking measures useful, development and dynamic finance and this can be practiced only if Banks get specialised in respective finance job.

If this activities or new deal programme is practiced there are very bright prospects for the common man and the development of our economy. All obstacles can be overcome.
through good banking which provides all opportunities and facilities for expanding the sphere of "Good investment", which can be an engine for rapid balanced growth.

During past decade it is seen that majority of nationalised banks have not shown significant improvement in terms of discharging their socio-economic obligations. With a view to improving their performance it is essential that an increased improvement of fund should be simultaneously accompanied by the improvement in the management of outflow of funds.

It is seen that discriminating policy as to the facilities or some benefits is adopted by the banks and this resulted in the internal rivalries. Therefore, it is suggested to avoid such a policy.

In order to achieve efficiency in the working the organization of banks may decentralise its activities and entrust them to the local units or district units. It is hoped that this will improve the situation to a greater extent. It is necessary to pay special attention to providing adequate financial resources to agricultural credit provided by nationalised banks in nation in general and this district in particular.

In the context of service area approach being operational, the Branch field officers should undertake the identification of beneficiaries in the allotted area by taking the assistance of voluntary agencies or other developmental agencies, if necessary. The branch should prepare the plan of viable schemes in the area based on local resources and other relevant aspects and match them with skills available in the area.

Rigid distinction between Kharif and Rabbi loans may be
dispensed with for crop loans, cash credit system may be introduced for crop loans with the requirement of full adjustment at the end of the concerned season. Further, integrated needs of the borrowers may be assessed realistically and "single window" approach may be adopted.

For improving the quality of pending the need for having proper system of monitoring of loan accounts cannot be over emphasized. The banks need to ensure that each field officer is given a reasonable number of borrower accounts which they can manage effectively by having periodically visits, assessing their progress and helping them insolving their problems.

Performance budgeting system in the bank should lay greater thrust on recovery of agricultural advances.

Field officers should maintain a closer rapport with the beneficiaries particularly till the produce is marketed.

Cases by case analysed of overdue accounts at branch level and periodical review of recovery at Regional office level, followed by suitable action plan of crucial importance.

Banks may take actions against wilful defaulters with the help of the Government officials in a few herd cases so as to create a proper climate of recovery.

The recovery camps were organised in proper consultation with panchayat pradhans Block Development Officers (B.D.O's) village level workers, Panchayat pradhans and villagers may be organised viz. such an experiment by Allahabad Bank in some of the districts of west Bengal is reported to have proved effective. Therefore, it is utmost important to note that the following methodology may be organizing the recovery camps.
(i) Wide publicity was given to recovery camps by putting up the notice on the boards of branch, panchayat office, school building and making an announcement through loud speakers and drum beating in villages.

(ii) Notices of the camps were sent to all the borrowers in regional language.

(iii) Documentary/feature films having theme of social reforms and moral values were arranged.

(iv) Apart from recovery of loans camps were utilised for disbursing fresh loan to some small beneficiaries for motivating rural people to pay.

(v) Help of reputed voluntary organizations or progressive farmers may be taken for giving guidance to the farmers and creating an awareness about repayment.

(vi) Staff working in rural branches may be provided monetary incentives in the form of allowances like rural compensatory allowance children education allowance etc.

(vii) Service in the rural area and performance in lending and recovery may be given due weightage in placement, promotions etc.

(viii) One of the major reasons for the borrowers inability to repay the bank loans is inadequate income generation due to unremitting market price for their produce.

In this context, the Government should ensure adequate price support for agricultural produce and also create proper marketing organizations for facilitating marketing of produce.

As is observed, the bankers expressed that while the
Government departments were enthusiastic in exerting pressures on the banks to reach the lending targets, they should lukewarm response in helping the bankers in recovering the dues. The banks have therefore, suggested that the state government should appoint special staff for recovery of banks dues, example of this is observed in Madhya Pradesh, the Government has set up separate cells under Tahasildars in six districts on a pilot basis for recovery banks dues and the expenditure on the cells is to be shared equally by the State Government and the concerned head banks of the district. However, the experience of such cells in M.P. in recovery is reported to be not much satisfactory. It was therefore, suggested that banks should request the support of Government officials in recovery of loans in selected hard core cases so that proper climate for recovery is created.

Agricultural Debt Relief Acts and Usurious loan acts many of the agricultural borrowers have been seeking relief in the contracted rate of interest (which is already concessional) on the plea that they are punitive and various courts have accepted such contention and scaled down the interest. This pin point the tendency not only among borrowers to become a willful defaulters but will also affect the profitability of banks adversely. It has therefore, been suggested that a central legislation may be enabled to protect the contracted rights.

In view of enormous delays in disposal of suits for recovery of nationalised banks loans for agriculture it is suggested that the government may consider setting up of separate tribunals for expenditure disposal of recovery cases and exception proceedings.
In this way as we observed banking sector especially nationalised banks in this district has provided springboard for the overall development of rural as well as urban population and have set an example of ideal banking structure. However, if a study group is constituted by the state and especially by the Government of India with Reserve Bank of India, it could do much in reckoning the difficulties and allied problems of the Indian banking structure in India.

Thus Nationalised banks in this district have achieved significant progress and it could prosper till better if necessary steps are taken for their betterment and rejuvenation either by the State Government or by the Central Government with Reserve Bank of India to a large extent in coming decades.