CHAPTER - VI

IMPLICATION OF THE RESEARCH

6.1 POLICY RECOMMENDATIONS

1. Providing incentives by way of interest reduction for prompt repayment is a possible proposition. Even a small percentage of one or two percent of interest reduction will enthuse both the prompt and default borrowers.

2. Extending efforts on awareness regarding scheme details particulars operative guidelines, marketing intelligence, alternate schemes to get over temporary overdue problem, desirable repayment behaviour etc. Banks, NGOs, government extension departments should undertake this work effectively with all sincerity.

3. Promotion of recovery camps in all the villages by the banks co-ordinated by government machinery and Panchayali Raj leaders to convince the borrowers and prospective borrowers on proper utilisation of bank funds for income generation with the conviction to repay promptly. People's representation such as MLAs, MPs should participate in such camps to improve results.

4. The NGOs with good local reputation in the area, should promote prompt repayment culture among the poor through the self help group concept of thrift and credit. Promotion of LINKAGE BANKING (SHG & BANK FINANCE) to the tone of 50% of the total farm credit will certainly have better results through 'peer pressure' which is a factor responsible for the best recovery performance in rural lending.
5. Public recognition of prompt repayers in all the villages recognising the individuals (PRIZES) as well the village as an unit by the banks (extending community services) for better understanding of the banks' gesture on prompt repayment with a suitable title, say 'Best Bank Beneficiary' (3B's).

6. Recognising the branch as a team and the individual as the basic worker achieving better results on recovery with incentives in the farm of "Rural service allowance" say 10% of basic pay, will also contribute for their own sustained growth and motivate others towards better performance creating competitive spirit. This will motivate the lenders towards better selection of applicants and proper follow-up.

7. RBI, NABARD, MINISTRY OF FINANCE, AGRICULTURE, RURAL DEVELOPMENT top officials may be assigned with to visiting villages, once in a year to oversee and guide the banks on perfect rural credit delivery which includes timely credit and timely recovery.

8. The Finance Ministry can institute awards so that banks perform better in recovery performance under farm credit. Active participation of such highest dignitaries including the ministers in visiting the villages will provide a good platform for guiding the rural mass towards prompt repayment culture which is of imperative need at present.

9. Arrangements for crop insurance for all crops on individual basis with or without government subsidy on premium to be paid.
6.2 ACTION POINTS

1. Posting of young officials by the banks for conducting farm credit business which facilitates proper mobility in villages for pre and post sanction inspections aiming for better recovery performance through providing of timely credit delivery and monitoring of loans.

2. The Technical Committee/Unit Cost Committee at the district/state level may study the cost of production of various crops/activities and fix the scale of finance/unit cost for sanction of crop/term loans facilitating adequate financial assistance with reasonable rate of interest, otherwise (the inadequacy is met from local lenders supplying credit with exorbitant interest rate leading for partial repayment to bank dues. The present method of working the scale of finance is that not exceeding one third of the gross income of the crop may be reviewed by the registrar of cooperatives in each state to avoid inadequate financing. The NABARD may take up revision of unit cost for term loan lendings on annual basis without fail to meet the cost escalation of the assets as on July 1\textsuperscript{M} (Fasli Year) as in the case of revision of scale of finance for crops.

3. The Panchayat raj institutions with the help of technical staff of the department like agriculture, horticulture, animal husbandry, sericulture, fisheries may identify the areas of preference for bank finance and recommend the same to the local banks for inclusion in their Annual Credit Plan/Branch Credit Plan. This is a development activity to be dealt with utmost sincerity. This will lead to "local area need-based credit system".


4. The banks and government should make joint efforts in creating awareness on repayment ethic through village meetings and other suitable extension methods. Recognising the prompt repayers in public with suitable title and reward.

5. A separate line of specialised staff compliment with rural background and good attitude towards the rural people in banks may be created for extending permanent ‘specialised’ service to farm credit business. Serving in rural areas may be recognised as special service with suitable reward/appreciation and also to be weighted favourably in their career prospects.

6. Sugarmills may adhere to early planting, timely cutting and timely payment of dues to the borrowers to avoid delayed payments causing penal/compounding of interest.

7. Banks may enroll more and more female borrowers who are more honest in repayment of loan. There is classic example available to vouch for the above i.e. women self help group have an excellent (95-100%) recovery performance in India.

8. Also, larger numbers of young aged, marginal/small farmers, weaker sections’, primary level educated, lesser amount of loan, non-political participants may be selected.