CHAPTER VII

SUMMARY AND CONCLUSION
7.1 **Summary:**

The purpose of this chapter is to summarise the observations made in the previous chapters and to suggest measures in the light of the study for the improvement of the activities of the Bolangir Anchalik Gramya Bank in future.

The present study 'Impact of Bolangir Anchalik Gramya Bank on Western Orissa : A Regional Study' is undertaken to analyse the role of Bolangir Anchalik Gramya Bank in the economic development of an underdeveloped region like Western Orissa.

Western Orissa is a backward region of an underdeveloped state like Orissa. The basic problem of the state is that it exhibits all the characteristics of backwardness against the background of abundant supply of resources - natural and human. Paradoxically, there is widespread poverty in the region in the midst of plenty of resources. Economic development is directly related with income generation which in its turn could be possible through investment. BAGB can undertake this task by mobilising more savings in the form of bank deposits and channelising these savings for purposes of productive investment.
Bolangir Anchalik Gramya Bank (BAGB) sponsored by the State Bank of India, started functioning from the 10th April, 1976. Its area of operation extends over the three undivided districts of Western Orissa viz., Sundargarh, Sambalpur and Bolangir. The total number of branches of the bank has increased from 11 in 1976 to 155 in 1991. The annual average rate of growth in its branches has been 5.11 per cent in the above period. The share of the bank in the total bank offices in Western Orissa has been 34 per cent in 1991; as against share of 26 per cent by SBI which is the Lead Bank of the region. Thus the BAGB has contributed perceptibly towards the extension of banking facilities in the remote rural areas of Western Orissa.

An analysis of deposit mobilisation by the BAGB shows that the number of deposit accounts has increased from 12,539 in 1976 to 3,40,800 in 1991, a 26-fold increase. The compound growth rate in these deposit accounts has been 11.80 per cent per annum during the same period. Similarly, there has been a phenomenal growth in the amount of deposits mobilised; which has increased from Rs. 8.58 lakhs in 1976 to Rs. 2199.71 lakhs in 1991, an increase by 244 times. The compound growth rate in the amount of deposits has been 16.72 per cent per annum during the period under review. The deposit per capita has also registered an increase from Rs. 141 in 1976 to Rs. 646 in 1991, a three-fold increase.
BAGB has launched a number of deposit schemes to inculcate the habit of thrift among the people in the rural areas of the region. In the deposit composition of the bank, current or demand deposits account for 2.16 per cent and 17 per cent of the total deposit accounts and total deposit amount respectively during 1982-91. The compound growth rates of deposit accounts and amount of deposits for such deposits are 16.26 per cent and 9.80 per cent per annum respectively during the period under observation. The average deposit per account, however, moves downwards during the same period.

Savings bank deposits are bulk source of deposit to the bank. Such deposits, account for 86 per cent and 56 per cent of the total deposit accounts and total amount of deposits of the bank, respectively during 1982-91. The compound growth rates of deposit accounts and amount of deposits in respect of savings bank deposits are 11 per cent and 12 per cent per annum, respectively during the stated period. The average deposit, per account has moved upwards during the period under review.

Recurring Deposits of BAGB on an average claim 6.63 per cent and 7.32 per cent of the total deposit accounts and total amount of deposits respectively during 1982-91. The compound growth rates of deposit accounts and amount of deposit in respect of this type of deposits are 13 per cent and 14 per cent per annum, respectively during the said period. The average deposit per account has also registered upward movement during the period under review.
The Term Deposits accounted for 4.87 per cent of the total deposit accounts and 25.48 per cent of the total amount of deposits of the BAGB during 1982-91. The compound growth rates in the deposit accounts and amount of deposits are 16 per cent and 11 per cent per annum, respectively during the said period. The average amount of deposit per account has moved upwards during the period under review.

The sample study reveals that 75 per cent of the selected depositors of the bank belong to weaker sections of the rural community; which consists of landless labourers, marginal farmers and small farmers. This shows that BAGB has been spreading the message of savings and habit of thrift among the weaker sections of the rural population. It is also observed that size of land holding has a considerable bearing on the choice of deposit accounts. For instance, proportion of savings deposit accounts is highest with the category of landless labourers and it is lowest with the category of big farmers. Likewise, proportion time deposit accounts is highest for the category of big farmers while it is lowest for landless labourers. The analysis of variance carried out reveals that the level of deposit does not vary significantly among different categories of depositors (landless, marginal farmers, small-farmers and big farmers) and also among different types of deposits (savings, recurring and time deposits). However, we have noticed intra-regional variation in the matter of deposit mobilisation by BAGB. As for instance, the deposit per capita
for the irrigated sub-region is Rs. 1990; whereas it is Rs. 1283
for the non-irrigated region and Rs. 986 for the hilly sub-region.

An analysis of credit deployment of BAGB shows that
the number of borrowal accounts has increased from 11,342 in
1976 to 3,04,700 in 1991, a 27-fold increase. The total quantum
of outstanding advances has also increased phenomenally from
Rs. 15.92 lakhs to Rs. 4521.02 lakhs, a 282 times increase during
the same period. The annual average rate of growth of number
of borrowal accounts and quantum of outstanding advances are
10.87 per cent 22.52 per cent respectively during the period
under review. The average number of borrowal accounts per
branch has increased from 1031 in 1976 to 1965 in 1991.
Similarly, the average outstanding advances per branch has
increased from Rs. 1.44 lakhs to Rs. 29.17 lakhs, a twenty-fold
increase during the aforesaid period. Outstanding advances
per capita has also gone upwards from Rs. 140.36 in 1976 to
Rs. 1483.76 in 1991, recording a ten-fold increase. The average
credit-deposit ratio of the bank has increased from 1.86 in
1976 to 3.89 in 1979. It has begun to decline since 1980 and
has touched the level of 2.06 in 1991, nevertheless it is at
impressive level.

A sectoral analysis of the deployment of credit by
BAGB reveals that agriculture claims a lion's share in the total
outstanding credit followed by services and rural artisans
sectors. It is observed that while agriculture has accounted for
75 per cent of the total advances of the bank, services sector and rural artisans sector have accounted for 15 per cent and 10 per cent respectively during the period 1982-91. The advances of the bank to the agriculture although large bulk, yet it is not encouraging when considered its growth over the years. It has been observed that all the constituents of agricultural credit, namely crop loans, term loans and loans for allied activities have shown a declining trend during 1982-91. On the other hand, the bank has made substantial progress with regard to its advances to services sector. In fact, the compound growth rate in its advances to this sector has been 10 per cent per annum during the aforesaid period. The advances of the bank to rural artisans sector is not as impressive as that of service sector; yet it is found to be satisfactory because the advances of the bank to this sector has registered a compound growth rate of 2 per cent per annum during the period under observation. Furthermore, it has been noticed that while percentage share of agricultural credit to total credit of the bank has been gradually falling, the percentage share of non-agricultural credit to total credit has been gradually rising over the years. Thus the bank has been laying more emphasis on its advances to non-agricultural sector as compared to agricultural sector.

The performance of the bank under the Integrated Rural Development Programme has not been impressive over the years. It has been observed that the number of beneficiaries
as well as amount of loans disbursed have shown a declining trend during the period 1982-91. However, only per capita advances has registered an increase from Rs. 2250 to Rs. 4016 during the aforesaid period.

From the sample study also we have made several observations regarding the credit deployment of BAGB. More than 90 per cent of the selected borrowers of the bank belong to economically weaker sections of the society such as landless labourers, marginal farmers and small farmers. While selecting the borrowers for financing, the bank accords preference to those belonging to SC and ST communities. It is noticed that approximately 63 per cent of the sample borrowers belong to this community. Further, it is observed that proportion of SC and ST borrowers is highest i.e. 74 per cent in the hilly sub-region followed by non-irrigated sub-region i.e., 66 per cent and irrigated sub-region i.e., 50 per cent. We have noticed an intra-regional variation in the deployment of credit by the BAGB. For instance, the average amount of loan per borrower is highest i.e. Rs. 3294 in the irrigated sub-region followed by non-irrigated sub-region i.e., Rs. 2646 and hilly sub-region i.e., Rs. 2432. It is further noticed that the average amount of loan per borrower is directly related to the size of holdings or categories of the borrowers. This indicates that average amount of loan per borrower is highest for big farmers and lowest for landless labourers.
The study of commonality between depositors and borrowers reveals that 30.99 per cent of selected borrowers of the bank are also simultaneously its depositors. Likewise, approximately the same percentage i.e., 30.55 of selected depositors of the bank turn out as its borrowers. The percentage of depositors is highest i.e., 33.73 among the big-farmer borrowers whereas it is lowest i.e., 26.78 per cent among the marginal farmer borrowers. On the other hand, percentage of borrowers is highest i.e., 61.25 among marginal farmer depositors; while it is lowest i.e., 17.5 per cent among the depositors of both landless labourers and big farmers categories. In terms of both the percentages (percentage of depositors among the borrowers and percentage of borrowers among the depositors), the irrigated sub-region is far ahead of the non-irrigated and hilly sub-regions.

BAGB has been actively participating in the credit plans of the districts under its command area. The perusal of the overall credit plan of the region for the year 1990-91 reveals that BAGB has fulfilled 72 per cent of the target assigned to it for making advances in the region. This achievement of the bank compares favourably with the average achievement made by all banks of the region together which stands at 71 per cent of the target laid down. It has been observed that the attainment of plan target by the BAGB is not uniform in the three districts. While it has overfulfilled the targets for advances in the Bolangir district, it has under-
fulfilled the targets fixed for advances in the Sundargarh and Sambalpur districts. The relatively better performance of BAGB in Bolangir district may be due to the location of its Head-Office in this district. This enables it to properly co-ordinate, supervise and monitor the activities of various branches of the district in the implementation of credit plan. The per branch advances of the bank in respect of crop loan varies widely among the three districts. For instance, it is highest i.e., Rs. 3.28 lakhs for Sambalpur district followed by Sundargarh district i.e., Rs. 2.12 lakhs and Bolangir district i.e., Rs. 0.88 lakhs. Furthermore, it has been observed that BAGB lags behind SBI and DCCB (Co-operative banks) so far as per branch advance of crop-loans is concerned. While it stands for Rs. 9.30 lakhs in the case of DCCB, it is Rs. 3.50 lakhs and Rs. 2.14 lakhs for SBI and BAGB respectively.

The recovery position of the BAGB though not quite satisfactory, yet it has shown remarkable improvement during 1982 to 1991. Recovery of loans by the bank on an average stands 55 per cent of the demand during the above period. It is noticed that the bank has been making constant effort to reduce the overdues. This is evident from the much faster annual compound growth rate in the recovery compared to the demand. It is observed that the percentage overdues to demand has been declining at an annual average rate of 8.34 per cent in the case of agricultural loans and 6.62 per cent in the case of non-agricultural loans during the period under review.
The sample study on recovery of loans reveals that the repayment of loans is better in irrigated and hilly sub-regions compared to non-irrigated sub-region. However, in the overdues per borrower, it is highest for irrigated sub-region followed by non-irrigated and hilly sub-regions. It is further noticed that an inverse relationship exists between percentage of borrowers not repaying the loans at all and their size of holdings. This indicates that percentage of non-repaying borrowers is highest with the category of landless labourers and lowest with the category of big farmers.

The over-all performance of the bank on financial front reveals that its annual income has increased from Rs.123.66 lakhs to Rs.462.61 lakhs and annual expenditure has increased from Rs.116.19 lakhs to Rs.738.53 lakhs during 1982 to 1991. It is noticed that the bank has not been able to exercise proper control over its expenditure during the aforesaid period. The average annual growth rate of its expenditure has been 24 per cent whereas that of expenditure has been 16 per cent during the period of observation. Consequently, barring two years viz., 1982 and 1988, the bank has been incurring huge losses in the remaining periods under review. The magnitude of loss of the bank has increased from Rs.22.20 lakhs in 1983 to Rs.275.92 lakhs in 1991. The mounting losses of the bank has been largely due to phenomenal rise in its salary costs consequent upon the implementation of NIT Award equating BAGB staff salaries with that of sponsoring bank.
7.2 Conclusion:

On the basis of the study, the following measures may be suggested for future development of the activities of Bolangir Anchalik Gramya Bank.

The area of operation of the BAGB is too big as it covers three undivided districts i.e., Sundargarh, Sambalpur and Bolangir. In view of economic backwardness and vast tracts of land under possession of each district, each should have one RRB. It is, therefore, necessary to incorporate separate RRBs by trifurcating Bolangir Anchalik Gramya Bank. It should evolve an independent style of functioning. It should not follow blindly the practices and procedures adopted by the sponsor bank. There should be flexibility in working hours for the branches of the bank. Each branch should fix up the working hours taking into consideration the suitability and convenience of the local people. The weekly holiday need not be only on Sunday as it is busy market day for many areas. Branches of those areas where Sunday is a bazar day, may be allowed weekly holiday on some other day of the week. Such a flexibility will enable the branches to attract a large number of customers and increase their business.

Deposit mobilisation is an important banking variable that throws light on the contribution of a bank to capital formation. Our study has revealed that BAGB has not performed well in the hilly areas i.e., Sundargarh district with regard to
mobilisation of deposits. Since this sub-region is largely dominated by tribal population, the officials of the bank should develop a close rapport not only with the depositors and borrowers but also with others in the village. Particularly, there is a need for popularising the various deposit schemes of the bank among the tribals who are ignorant of it. Furthermore, gifts, prizes and awards may be encouraged for the depositors and the villages placing the highest amount of deposits with the bank. Besides, with a view to mobilising greater amount of deposits, the bank need to appoint agents like non-banking financial company and Post Office Savings Banks on commission basis.

One of the objectives behind the establishment of the BAGB is to bring about over all development of the rural economy under its command area. Rural development is dependent on agricultural development; as nearly two-thirds of rural population is engaged in agriculture. But the study reveals that the advances of the bank to agricultural sector have been declining over the years. This practice of the bank is against its very objective. Hence, the bank should make effort to augment its advances to this important sector.

It is observed from this analysis that per capita credit of BAGB is higher in irrigated area compared to non-irrigated and hilly areas. This type of credit deployment by the bank will accentuate intra-regional economic disparity. Therefore, the bank should make an attempt to supply more credit
to the non-irrigated and hilly areas to ensure a greater regional equitability in the distribution of credit.

For quick disbursal of credit, there is also need for simplification of loan policies of the bank. Loan applications may be simplified by incorporating only a few number of questions to be answered by borrowers. Furthermore, the bank should undertake the responsibility of procuring various documents from different authorities on behalf of the borrowers who are unable to procure such documents owing to ignorance, lack of time and resources. Similarly, the bank may undertake to provide loans on the personal security of the borrowers and can adopt personal interview method before deciding to advance loans to borrowers.

In advancing loans, BAGB depends on government agency like DRDA for identification of the beneficiaries. Such dependence should be given up. The bank should evolve its own ways and means to select the target groups. This is necessary to provide safe-guard against faulty selection of target population on the pressure of local politicians.

The problem of overdues of the bank also demands proper and timely attention. The overdues of the bank is higher in irrigated areas compared to non-irrigated and hilly areas. Hence, the bank should be careful while advancing loans to the irrigated areas. It should see that the loan has been sanctioned to the right person for right purpose. Besides, the bank should
have regular follow up, constant contacts and frequent persuasion with the borrowers to ensure better recovery.

The losses incurred by the BAGB can be minimised to some extent by exercising proper control over its expenditure. Our analysis reveals that per employee expenditure on salary, allowances, etc., and per branch establishment expenditure on rent, lighting, insurance, taxes, etc. have been rising substantially over the years. Hence, the bank should find out ways and means of economising its expenses on those fronts.

The State Government has a significant role to play for the success of the BAGB. The State Government should take care for providing banking infrastructure like construction of bank premises, staff quarters and provision of security arrangements, etc. Furthermore, it can take steps in the direction of educating rural people about various activities of the BAGB through its mass media and publicity agencies. The State Government should establish a 'Directorate of Recovery' and entrust the responsibility of recovering overdues of BAGB and other financial institutions. The Directorate should take initiative in recovering overdues from the wilful defaulters and also punish them.