CHAPTER - V
CHAPTER V

SUMMARY OF FINDINGS, AND RECOMMENDATIONS FOR IMPROVING THE PERFORMANCE OF ADHIYAMAN GRAMA BANK DHARMAPURI.

The detailed study of the role of Adhiyaman Grama Bank in the economic development of Dharmapuri District through the special activities, such as, Dairy Development, Sitheri Hills Tribal Development Project, Farmers Forum, Counselling Services, VVV club, Adhiyaman Kisan Credit card scheme, Kisan Bike Scheme, Branch Expansion Scheme, IRDP, Development of SC/ST, comprehensive crop insurance, clean loan scheme are discussed and it shows a very effective sign.

It is also observed that the problems of AGB relates to confrontation with the State Governments, Non-availability of reliable data, competition problems of overdues, limited channels of investment, Lack of co-ordination and Lack of infrastructure facilities.

In the first chapter the need for rural development and the various schemes sponsored by the Government and public sector banks for that purpose are described briefly. The main schemes discussed are
Taccavi Loan Scheme, Integrated level Development (IRDP), Village Adaption Scheme, Differential Rate of Interest (DRI), Twenty point Economic Programme, Nehru Rojgar Yozana (NRY) and Lead Bank Scheme. Agricultural Refinance Development (ARDC) and National Bank for Agriculture and Rural Development (NABARD) are also discussed. The penultimate section of chapter I contains the design of the study and the need for the establishment of Regional Rural Banks.

The initial section of Chapter II contains the constitution, working and progress of Adhiyaman Grama Bank, Dharmapuri. The second section deals with the role of Indian Bank, namely the sponsoring bank of Adhiyaman Grama Bank, Dharamapuri.

Chapter III contains the role and problems of Adhiyaman Grama Bank in the Economic Development of Dharmapuri District. A brief summary of the findings are given below.

The average loan per customer belonging to allied activities and industries, service and business activity is less than the corresponding value for customers belonging to agricultural activity.

The distribution of loans among the customers belonging to allied activity is more even than the distribution of loans for other categories of customers.
An uneven distribution is observed in the loans advanced to agricultural sectors.

The average outstanding the defaulter is maximum in agricultural sector.

The beneficiaries are classified with reference to the reason for their motivation and their activities.

In Chapter IV Deposits, Deposit mix, loans and Advances and financial performance of AGB Dharmapuri has been studied and analysed. While studying this, covering a period of five years, in the later part of years 1996-97 and 1998-99 the growth of Deposit was found unsatisfactory.

While analysing the Deposit mix, the Current Account deposits, shows a decreasing trend till the year 1997-98 but from 1998-99 it showed an increasing trend. It was mainly due to opening up of more branches in the year 1998 and inclusion of more number of non-agriculturists. But the trend in SB account was more encouraging except in the year 1998-99.

As far as the Re-investment plan is concerned it shows an increasing trend from 1995-96 onwards due to high rate of interest and safety for their deposits by joining in Deposit Insurance Credit and Guarantee Corporation.
The analysis of loans and advances since 1995-96 signifies the agricultural short-term production loan has been constantly increasing vis-a-vis agricultural allied term loans and SSI. But agricultural term loan, 'other loans' were having a fluctuating trend for the period of study due to fluctuations in the rainfall and sometimes due to unseasonal rainfall.

Analysis of financial performance AGB, Dharmapuri indicates the refinance facilities provided by NABARD and the sponsor Bank. Major portion of the Bank's resources was utilized for lending money investing in NABARD, RBI and inter-bank borrowing. The funds are also utilised to meet the administrative expenses and financial expenses.

In the last part of chapter IV the income and expenditure account of AGB has been analysed and interpreted covering a period of five years. Inspite of the decreasing profit in 1999-2000 by a margin of 3.74% the bank made a sustained effort in maintaining its profitability in the past three years. Though the bank has wiped out the previous year's loss, still the bank can endeavour in maintaining its profitability in future also.

RECOMMENDATIONS

A few of the problems confronted by the beneficiaries and some which hamper the successful working of Adhiyaman Grama Bank and the researcher's recommendations to overcome them are discussed below.
Many beneficiaries and officials of the Bank felt the undue influence of the politicians who are interfering in sanctioning of loans. This results in loans being sanctioned to the richer section of the society. Further such beneficiaries normally misuse the loan for other purpose. This can be avoided if the bank management allocates the job identification of eligible persons to the bank personnel only. These bank officials can be accountable for the sanctioning of the loan and this will ensure that loans are given to those to whom it is meant.

About 25% of beneficiaries complained that they had to bribe middlemen to get the loan sanctioned. To avoid this the recommendation given above may be implemented.

SUPPORT FROM STATE GOVERNMENT

The AGB need adequate support from State Government. The State Government should extend a minimum infrastructural facilities like premises, rods, public transport, security arrangements, and post office in rural areas where the AGB is operating. Talwar Committee recommendation have not been fully implemented and like other banks the AGB is in a disadvantageous position vis-à-vis co-operatives. Hence, the State Governments which have not been enacted the legislation recommended by the Talwar Committee or which have formed rules in that respect, should do so on a priority basis.
LOCAL PARTICIPATION

In order to strengthen and the working of AGB, the public participation in the equity structure of AGB be allowed as recommended by the Review Committee. The Review Committee recommended as follows in respect of the composition of share capital:

- RBI: 25%
- Sponsor Bank: 40%
- State Government: 15%
- Local participation: 20%

CO-OPERATION OF VOLUNTARY ASSOCIATIONS

The AGB can take the assistance of voluntary associations and other social services organization in implementing various schemes for the upliftment of rural masses.

ADEQUATE CREDIT FOR CONSUMPTION PURPOSE

The AGB has been lending a insignificant portion of their advances for consumption purposes. The denial of adequate credit for consumption purposes inevitably compels the poor farmers and others to knock at the doors of the money lenders which nullifies all attempts at doing away with the latter. Therefore, it is recommended that the AGB should also increase their advances for consumption purposes to poor persons of rural society.
CO-OPERATION WITH DISTRICT INDUSTRIES CENTRE

The AGB and DIC must work closely for evolving schemes for rural industries of mutual interest. The AGB could provide the required finance for setting up of a small and cottage industries within their capacity.

STRENGTHENING LINKAGE WITH COMMERCIAL BANKS

It is recommended that there should be established a fairly close link between sponsoring commercial banks and the AGB. The commercial banks should view the AGB as their principal agencies for further expansion of their rural credit activities. Commercial banks should handover gradually their rural branches to AGB. Commercial banks should be allowed to open and operate branches only up to district headquarters / mandi/block levels as recommended by the committee for studying the functioning of public sector banks.

DEPOSITS FROM LOCAL INSTITUTIONS

It is suggested that it should be made obligatory on the part of government departments, local bodies, procurement organisations and others to keep a part of their funds with the AGB.
OPENING OF MOBILE RURAL BANK BRANCHES

It is recommended that the AGB should open mobile rural branches in their operation area to meet out the credit needs of large number of the society engaged in business activities in rural areas.

TO OPEN URBAN BRANCHES

The AGB may be allowed to open urban branches with all banking facilities such as transfer cash credit, over drafts, dealing in the bills, etc., on the lines of commercial banks to make them financially viable.

PROPER SUPERVISION OF LOANS

The problem of overdues can be reduced by proper supervision of loans. The problem of overdues arises mostly in cases where the beneficiaries have diverted the funds for unproductive purposes and therefore their income position has not improved. The AGB must ensure that the loan is used only for the purpose for which it is meant. Frequent visits and inspection by bank officials to the beneficiary places would prevent a diversion of funds.
MAINTAINING LOW COST STRUCTURE

To reduce the cost of operation the AGB can appoint local educated people and only the manager can be a trained person from outside. Besides, reducing the cost of operations, the other advantages of appointing local people are that they reside in the village itself and know the people very well. A large section of beneficiaries report delay in getting the loan sanctioned.

AWARENESS OF THE RURAL PEOPLE

Educating the rural people in the availability of loans under different schemes and the procedure they have to follow in applying for these loans is very essential. The applicants for loans may be asked to fill up the particulars in the application form in the presence of the bank official. If these are properly done there will not be any delay in the sanctioning of the loans to the beneficiaries.
For various reasons the Government both the Centre and the State wish to implement certain populist schemes quickly. This has resulted in the Government pressurising the bank to disburse to a large number of beneficiaries a huge amount of loan in a short span of time. In many cases hastiness has resulted failure. When there is a pressure from the Government the bankers are helpless.

The delay in the grant of subsidy by the Government has resulted in a great hardship to both the beneficiaries and the bank as observed by the researcher. The bank should take up this issue with the Government and should impress the Government on the need for timely disbursement of subsidies.