Summary of Findings and Suggestions
CHAPTER - VI

SUMMARY OF FINDINGS AND SUGGESTIONS

On the basis of the official records and factual informations collected from the officials of banks, and sampling beneficiaries in the adopted villages the following important findings relating to "A Study of VAS by nationalised banks in Periyar District" have been deduced which are detailed below.

The main motive of bank nationalisation was to meet progressively and serve better the developmental needs of the economy in conformity with the national policy and objectives. To carryout lending operations in rural areas on sound and systematic lines, one of the major strategic decision taken by commercial banks, was the formulation of Village Adoption Scheme. It envisaged the adoption of cluster of villages within a manageable distance by a branch to prepare and implement schemes for meeting the credit requirements of all sections of communities.

Though the scheme was introduced in July 1969, it started its rolling in 1970-71 and the progress made thereafter was quite appreciable.

Except for a little statistics provided by the RBI on mainly the number of villages adopted, hardly any data
are available about the scheme. There is no information available even today which would reflect on the state of affairs about the villages adopted by banking industry.

To begin with, the banks adopted villages which were located around urban centres/ semi-urban centres/ towns for obvious reasons. Subsequent branches opened at such centres found extremely difficult to get unadopted villages in the vicinity. Normally in a district, there are two or three banks which share most of the branches all over the district. Remaining banks have hardly two or three branches usually situated at District headquarters and one or two important towns.

No doubt number of villages adopted is quite large. But the intensive efforts on the part of banking industry are perceptible only in a few villages. In most of the adopted villages, banks have not been able to penetrate in the rural economy. It is not an uncommon experience that they have lent for only a few economic activities. The coverage in terms of number of borrowers in adopted villages has also been at a very meagre level.

Besides, the contour of their financing in adopted villages has been extended to relatively lucrative and
established economic activities and to financially well-off segment of rural society. It is very rare that banks have been able to design financing schemes to suit their adopted villages to convert potentially, promising activities into profitable ones and economically weaker villagers into viable borrowers. On the whole, the scheme has not been able to meet the productive credit needs of all deserving activities and all individuals. The coverage of the scheme has been quite nominal in terms of

i) Quantum of credit disbursed,

ii) the number of beneficiaries and

iii) type of activities lent for

Further village co-operative credit societies have already captured most of the business in the adopted villages and banks are not left with much scope.

More liberalised norms for branch expansion in hilly and tribal areas were adopted, during the period 1986-1989. Branch offices in rural areas formed nearly 56% of the total at the end of March 1989 as compared to only 22% in June 1969. Overall Banking development in the Periyar District reveals that, the number of commercial banks have increased from 175 to 180 during this period.
The deposits which stood at Rs.280.69 crores in 1987 increased to Rs.328.41 crores with 17% growth rate in 1988. The total advances also increased from Rs.213.57 crores to Rs.254.84 crores during the same period. The credit deposit ratio of 1987 was 76% whereas for 1988 it stood at 78%. Due to drought situation in the district, the growth of deposits was not adequate to cover the credit needs of the people.

Advances to priority sector went upto Rs.174.97 crores in 1988 from Rs.150.16 crores in 1987. The present level of priority sector advances out of the total advance is 70% and the total advances to weaker section is 27% of the total advances. However the DRI advances accounts to 0.56% of the total advances.

During 1984-'89 among the 488 inhabited villages, only 356 villages were covered by bank offices. 45 villages were adopted by commercial banks for their allround development. Among the 17 commercial banks, Canara bank covered 147 villages, out of which 27 villages were adopted followed by Indian Overseas Bank with the coverage of 59 villages out of which 5 villages were adopted and State Bank of India with the coverage of 47 villages, out of which adopted 5 villages. The lowest coverage is made by the
private sector banks viz., Bank of Tamil Nadu Ltd., Bank of Madura Ltd., Bank of Thanjavur Ltd., Southern India Bank Ltd., etc. So far they have not adopted any village for development purpose.

Out of the seven banks covered in the present study, it is only the Canara Bank which contributed the maximum amount of loans under different cadres during the period 1984-'89. The lowest contribution is made by Central Bank of India.

Since the District is agrarian in nature, the performance of banks is not upto the expectation as regards small scale industries. The maximum benefit was enjoyed by agricultural borrowers. Among the borrowers in the agricultural sector, the maximum beneficiaries comprise the marginal and small farmers.

A higher outlay has been made by banks in blocks like Ammapet, Bhavani, Erode, Gobi, Kodumudi, Modakurichi, to cultivate high yielding varieties of paddy, cholam, cumbu, ragi, maize and improved varieties of cotton, sugarcane, turmeric etc.
Schemes under irrigation like dugwells, installation of pumpsets and deepening of wells, were taken up liberally in those blocks, which have been identified dry area.

Dairying is the most important activity allied to agriculture and carry more prospects throughout the district. Sheep rearing and goatery have become an important activity under IRDP. Cattle salvage and calf rearing schemes have scope in all the blocks as these schemes are complementary to dairying.

In almost all blocks handloom weaving is an important activity. There is much scope for powerlooms also. IRDP block plan has been fully dovetailed for those schemes which comes under cottage industries.

Regarding the availability of infrastructural facilities the communication and public health care is not satisfactory. A large number of houses in certain villages are yet to be electrified.

Most of the villages are adopted just because the banking centre is located within or adjacent, which are already having the necessary infrastructure facilities and
good business potentials. This makes other villages which are backward but are in genuine need of the financial assistance may continue to remain backward forever.

The bankers are not in a position to identify the actual beneficiaries and their family background since they are recommended by the task force committee.

The failure of seasonal crop, loss in operation of business, inadequate knowledge of the borrowers and lesser infrastructural facilities for utilisation of loan amount for productive purpose make it difficult for the borrowers to repay the dues promptly.

Suggestions:

There were numerous hurdles faced by the bankers at the time of granting and recovering loans and advances. The beneficiaries also faced a number of difficulties in obtaining and repaying the loans. Therefore, the researcher has given the following suggestions to overcome the problems of the bankers and beneficiaries.

The bankers should verify the family background and the genuineness of the purpose of the beneficiaries before granting loans to them.
Bankers' personal discretion is essential for granting loans, only then the bankers can easily recover the loan amount without the interference of politicians.

The Banking authorities should create sufficient man-power for the implementation of Government Schemes.

Every bank must adopt village so that the bank officials will make a personal visit to the adopted village regularly and give directions to them as regards utilisation of bank loans.

There is a longstanding complaint that the village adoption by banks largely only in name, since a village is reported as adopted even if a few persons are financed for one or two simple, activities like cultivation of crops or dairying. The banks should endeavour to adopt the village in the real sense of the term by providing the entire credit needs of a majority of the rural families, covering all the important economic activities carried out in the village so that the banks can play a major role in the integrated development of the village.

Time-bound programmes of rural development should be strictly adhered to by the banks in the adopted villages.
No relaxation in their activities should be allowed to affect their performance. Such time-bound actions on the part of the adopting banks should be insisted upon by the Lead Bank and the Government. Banks should not be allowed to postpone their activities under the pretext that adoption is a voluntary programme. Such stipulation would bring about rapid development within a specified period of time.

Lead banks or other co-ordinating authorities should take care that other banks or financial agencies do not participate in the development schemes in the same adopted village, so that overfinancing and duplication of work can be avoided. A proper allocation of projects for the non-adopting banks in other villages would help in achieving this objective. Choice of the villages for adoption should be made on the basis of the locational advantages so that the administrative and transport costs are minimised and implementation of the development projects is effective.

Recruitment of bank staff for carrying out the project in adopted villages should be made carefully. The bank staff should be properly trained and oriented to identify themselves with the rural people and their
attitudes and aspirations so that they can take rural people into confidence and win their co-operation. Only such staff can succeed in making rural people receptive to changes and innovations which are vital in making the village adoption scheme successful in bringing about all-round development of the village.

Existence of all the infrastructural facilities in a village should not be a pre-condition for village adoption. Infrastructure could be created by a proper co-ordination between the bank which proposes to adopt the village and the concerned departments of the Government like the departments of agriculture, public works, education and public health.

State Government officials like Block Development Officers and District Rural Development Agencies who generally sponsor the applications specially, under IRDP do not take active part in recovery efforts. A little support from those agencies in effecting recoveries would help the banks considerably.

States political leaders and especially leaders of the ruling party should refrain from giving assurances that
the payment of the loans would be waived. Such promises and
generalised waivers even where the State Government takes
over the loans obligations to repay have serious
demonstration effects. The inclination of other borrowers,
to repay gets weakened. Thus the environment for timely
repayment and effective recycling of credit is vitiated.

To check and control wilful default of the
borrowers in observing the repayment schedule appropriate
steps be taken for moulding public opinion against its ill
effects on the banks and the society as a whole. Banks have
to adopt a multipronged approach in arousing a social
consciousness among the borrowers about repayment ethics.

Taking a long term perspective, it may be
suggested that what is needed is to bring about conducive
rural banking culture wherein the availment of credit and
repayment of loans should be considered as two sides of the
coin. Repayment ethics should form an integral part of
principles of development banking and there is every reason
to disseminate this message among the rural community.