CHAPTER-IX

CONCLUSIONS AND SUGGESTIONS

Being India as a rural based country, the role of Commercial bank has main importance in the development of rural sector. To channalise the volume of credit to the appropriate sectors of the society, the concept of priority sector was formulated as early in 1968 before the scheme of social control over the Commercial banks was launched. After the nationalisation of 14 major Commercial bank, in 1969 there has been a drastic change in the advances to rural sector giving the most priority on them.

In the present study, it has been tried to analyse “A study of rural finance in Meerut District with special reference to Syndicate Bank” The area proposed for the study is one of the most prosperous districts of India i.e. Meerut District. According to the census (2001), 75.40 percent of the total population of Meerut belongs to the rural areas. Since the many early years, it has been noted that the agriculture remained the pre-dominance of the rural sector in the district. The Syndicate bank have advanced mainly to priority sector in the district, that is more than 100 percent of the targets allotted to them in the recent years, and the major portion has been advanced
for the agriculture (mainly sugarcane) sector for the rural development point of view.

150 beneficiaries have been selected as the sample beneficiaries for the study in which 30 are small farmers, 20 are marginal farmers, 50 are in landless labourers and 50 are in other than agriculture sector.

It has been found that all the farmers do not need the financial assistance. Some of them have their own resources. Some of them are too small to make a gainful borrowing and a large number of farmers do not or can not use optimum input. So they require the credit facility from the banks. It is not easy to work out the total requirement of rural finance in the district. One can always make a rough but reasonable estimate to find out. In this district the Lead Bank, Syndicate Bank, has estimated that normally 50 percent of the credit requirement is worked out on the basis of cost of inputs.

As against the above estimate demands, the district credit plan has made a tentative proposed financial resources availability of Syndicate banks. These resources are as under:-
1. Bank deposits

2. Recycling of funds,

3. National Bank for Agriculture and Rural Development (NABARD)

Regarding the bank deposits, it has been noticed that the trend of deposits is increasing in the last five years. The percentage of recovery of Syndicate banks has also been above 55 percent in the last three years. The availability of refinance from NABARD is also satisfactory. In this way the availability of resources for the Syndicate banks in the district is in a comfortable position to meet their credit requirements under the targets set by the Lead Bank in the annual action plans.

There are 202 branches functioning in the entire district and providing credit facility to all the sectors. In the direct financing, the Syndicate banks have provided the finance to agriculture and allied sectors. Under agriculture sector, the Syndicate banks have achieved their targets from 73 percent to 99 percent from the year 2000 to 2006. It shows the best performance of the Syndicate banks in this aspect. Under agriculture sector, the Syndicate banks have financed for the crop loan to the farmers and achieved their targets from 52 percent to 137 percent in the years from 2001 to 2006.
Under block-wise study, the Mawana block’s share of loan disbursement remained the highest in all the respective years, while the lowest share varied in the different blocks in the different years. The share of sugarcane finance remained higher than the crop in the crop loan advance. The sugarcane advance attracted more than 50 percent of the total crop loan. After sugarcane, the wheat crop comes next attracting the crop loan from the syndicate banks. Mawana block has the highest share of sugarcane crop loan in the over all district position.

It has also been studies the advance to allied activities by the Syndicate banks in the district. We have noted that the Syndicate banks have financed to dairy development, piggery, sheep and goat rearing, poultry farm, gobar - gas etc. The advance has been provided 44 percent to 77 percent to dairy development from 2001 to 2006 that is the highest share of allied activities loan amount. As per block-wise study the share of Meerut block remained the highest in the district in all the years and the lowest share varied in different blocks in different years.

Under indirect financing, the Syndicate banks did not finance to formers directly for the purchase of fertilizers and inputs as the finance is provided to
agriculture departments, co-operative societies, cane departments, private dealers etc. for further sale of fertilizers and other inputs to farmers. In the same way, the seeds and plants are also supplied by the horticulture department, forest department, private agencies and National Seeds Corporation. The advance has been provided to all of them for further sale to farmers so the Syndicate banks finance in directly through these agencies.

The study reveals that non agriculture sector is also as important as agriculture sector. Syndicate banks have financed this sector also for the development thereof. The Syndicate banks have given two types of assistance to rural artisans and small scale industries category:-

1. Financial assistance

2. Non-financial assistance

In the financial assistance, the Syndicate banks have financed 82 percent to 98 percent of total disbursement to rural artisans from 2001-02 to 2005-06.

In small scale industries, the Syndicate banks have provided credits 99.75 percent to 99.95 percent of total disbursement to S.S.I. from 2001-02 to 2005-06. The small scale industry is the main sector under non-farm sector being financed by the syndicate banks. The percentage of the disbursement
to cottage industries financed by the banks is very low. However, the disbursement by the Syndicate banks remained 89 to 90 percent of the total disbursement to cottage industries from 2001-02 to 2005-06.

Besides these activities, handloom, power loom, tiny sector and others are also covered under non-farm sector. Under this sector, the major financing banks are Punjab National Bank, Canara Bank, Indian Overseas Bank, Syndicate Bank and State Bank of India. The share of Punjab National Bank is 35 percent and the share of State Bank of India is 14 percent. More than 1/3 of the total financing has been done by Punjab National Bank alone followed by State Bank of India.

Under the head of non-financial assistance, the Syndicate banks have provided technical assistance, supply of raw material, supply of power through District Village Industries Office, District Industries Centre & District Power Committee etc. The Syndicate banks have provided training to suitable candidate through Khadi & Village Industries and District Industries Centre.

The Syndicate banks have also provided the financial assistance to small business and retail trades sector in the rural areas. They have financed 94
percent to 99 percent of the total disbursement to small business and retail trades from 2001-02 to 2005-06. Besides these activities transport, professional & self employment, housing, consumption are also covered under this sector i.e. other priority sector. In this sector 40 percent of the total advance has been done by Punjab National Bank and State Bank of India and the remaining 60 percent has been done by all other banks collectively.

The one of the main reason of lower scale financing to the rural artisans, small scale and cottage industries sector is certain problems that are being faced by the Syndicate banks and the beneficiaries also. As most of the rural beneficiaries are illiterate and do not know the system and procedure of the maintenance of records of the related industrial or cottage units. They are generally failed to choose the appropriate or suitable line of activity so that they are not in a position to earn the maximum profit from the units. They are also unable to get the continuous and adequate supply of raw material of good quality and at the reasonable price. Simultaneously, the marketing problems have also been faced by the beneficiaries as the marketing conditions in the rural areas are not upto the mark.
Further they do not know the art to work in a team spirit. Neither they can form the societies or groups to overcome the problems coming in the line of activities.

The Syndicate banks have financed for community development also in the rural sector. In the community development, the banks have financed for professional and self employment and consumption loan. They have financed 99 percent to 100 percent of the professional and self employment loan during 2001-02 to 2005-06. But under other priority sector, the Syndicate banks have given very few amount of loan to professional and self employment. For consumption loan, the Syndicate banks have given only 7.62 percent to 14.92 percent of total consumption loan in the district. In this way the Syndicate banks have disbursed the more finance to small scale industries sectors in comparison to other sectors in non agriculture sector.

It has also been studied that under Integrated Rural Development Programme (IRDP), there are two types of mobilisation of resources:-

1. Financial resources

2. Non-financial resources
Under financial resources, the Syndicate banks are giving to agriculture and allied activities, small scale industries and service sector. During 2005-06, the Meerut district has been placed 1st in the Uttar Pradesh State for the implementation of Integrated Rural Development Programme and IIInd for the benefiting the women beneficiaries. The banks have surpassed their targets as 107.23 crores against their target of 95.09 crores. The banks have achieved the target of crop loans as 130 percent, agriculture loans as 110 percent, SSI AS 108 percent, and 143 percent as service sector in the district and in the allied activities. The dairy development is the most important activity for which the loans have been given under IRD programme.

In the block-wise study, the Mawana block remained the highest, while the lowest remained different in different years. In case of schedule castes and scheduled tribes, the highest disbursement 17.64 percent remained in the Meerut block.

Under the sub-head of non-financial resources, the Syndicate banks are giving assistance to the rural society in the form of training to the beneficiaries under IRD programme. One of the main non-financial assistance is TRYSEM scheme under IRD programme. The Syndicate banks
are providing training to suitable candidates through DIC and blocks. In the Meerut district about 560 youth are getting training under TRYSEM scheme every year so that they may get self employment with the help of financial assistance from banks.

Though IRD programme is one of the most important programmes for the eradication of poverty among the rural society, yet so many problems are being faced by the beneficiaries and bank staff to implement this programme.

Under this programme, many complaints are being received from the bank and the beneficiaries also about the wrong identification of the beneficiaries by the development authorities at the block level. The main objective of the development authorities is to identify the poors among the poor families in the target group e.g. landless labourers, rural artisans, scheduled castes/tribes, marginal farmers and small farmers etc. and to provide them all the needful assistance for taking up economic activities which have potential to generate such a sizeable incremental income that a beneficiary may lift his standard of living in the weaker section.
It has been observed that generally the beneficiaries feel self employment better than wage employment because self employment not only makes them earn more but it also gives them a feeling of independence. The financial assistance provided by banks to the weaker section of the rural society has resulted in an increase in per capita income but has not enabled the beneficiaries to make them self depend. Their savings are meager and the loan amount being inadequate, they spend their savings in buying good milch animals.

The present survey reveals that the Syndicate banks in the rural area are not able to check flow of credit to under-serving candidates due to local political pressure in the village. The village pradhan and other influential leaders of the village try to take advantage of the subsidy available in the IRD programme.

Besides IRD programme, the Government has started so many programmes or schemes for the upliftment of rural people by providing them the financial assistance and by giving them a handsome amount of subsidy. These schemes are SEEUY, SCP, SLRS, PMRY, DRI etc. All these schemes are running in the district very well. The Syndicate banks are sufficiently
financing to the beneficiaries through these schemes and are giving their contribution in the rural development.

From the present study it has also been revealed that all the development blocks of the district are not providing agriculture bank credit in the same ratio to reduce their economic disparities.

The present study has been prepared after the survey of 5 blocks of the district and it is concluded that the Meerut block has the maximum scope and the credit utility whereas the Daurala block has the minimum in all the sectors deposits in all the activities.

Now when we put an eye on the impact of Syndicate banks finance on various sectors of rural areas on income and employment, it is noticed that in the agriculture sector the overall average income of sampled beneficiaries has been calculated as Rs. 6288.00 per family before the finance is provided and Rs.7449.00 per family after availing the loan facility. The percentage of overall increase in the income of the rural beneficiaries is about 18.20 percent among different economic categories, this increase in income is the highest in case of marginal farmers that is 22.80 percent.
In the allied sector, the overall average income of sampled beneficiaries has been calculated as Rs.5844.00 per family before banking finance and Rs. 6754.00 per family after the banking finance is provided. Thus the overall increase in income is about 15.60 percent. Among different activities, it is the highest in case of dairy development i.e. 18.00 percent.

In the industrial sector, the overall average income of sampled beneficiaries has been calculated as Rs.6160.00 per family before the banking finance and Rs.6875.00 per family after the finance has been provided. Thus the overall increase in the income is about 11.60 percent.

In the non-agriculture sector, the overall average income of sampled beneficiaries has been calculated as Rs.5725.00 per family before the banking finance and Rs.6858.00 per family after the finance has been provided. Thus the overall increase in the income is about 24.40 percent. Among different activities, it is the highest in case of rural artisans i.e. 24.40 percent.

In the other than industrial sector, the overall average income of sampled beneficiaries has been calculated as Rs. 6264.00 per family before the
banking finance has been provided. Thus the overall increase in the income is 16.00 percent.

Thus it is estimated that the overall highest increase in income is in non-agriculture sector. The increase in the income is related with the utilization pattern of loan amount and the nature of activity.

In the same manner, the impact of employment has also been calculated of then commercial banking finance on the sampled beneficiaries. The present study has revealed that the overall employment of the sampled beneficiaries in agriculture sector has been calculated as 286 man days per family per year before the Syndicate banks finance and 359 man days per family per year after the financial assistance has been provided. Thus the overall increase in human labour employment is about 25.52 percent.

Among different economic categories the percentage increase in employment is the highest in case of marginal farmers i.e. 27.00 percent. The reason being that the marginal farmers utilize the loan amount in a proper way for better earnings in comparison to others.
In allied sector, the overall employment of sampled beneficiaries has been noticed as 257 man days per family per year before banking finance and 350 man days after banking finance is provided. Thus overall increase in human labour employment has been noticed as 36.20 percent. Among different activities, the percentage increase in employment is the highest in case of dairy development i.e. 40 percent.

In the industrial sector, overall employment of sampled beneficiaries has been calculated as 244 man days per family per year before loan facility and 344 man days per family per year after loan amount has been provided. In this way, the overall increase in human labour employment has been calculated as 41.00 percent.

As regards, the non-agriculture sector, the overall employment of sampled beneficiaries has been estimated as 265 man days per family per year before banking finance and 356 man days after the finance has been provided. Thus the overall increase in human labour employment has been noticed as 34.30 percent. Among different activities, the percentage increase in employment is the highest in case of rural artisans i.e. 24.40 percent.
In other than industrial sector, the overall employment of sampled beneficiaries has been calculated as 285 man days per family per year before loan and 358 man days after the loan facility is provided. Thus the overall increase in human labour employment has been calculated as 25.60 percent. Among different categories, the percentage increase in employment is the highest in case of carpenters i.e. 29.10 percent.

The Syndicate banks have been extending their financial and non-financial services in the shape of loans for the agriculture and non-agriculture sectors for the development of rural sector. Simultaneously the banks are facing some problems in financial and in recoveries of their dues well in time. For continuing the process of developmental financing, the banks have only two sources to fall back upon viz. (a) increasing in deposits and (b) recycling of bankable funds. Recycle of funds is possible if dues are recovered at the appropriate time. Non –recovery of advances can ruin the financial institutions.

One of the main reasons of non-recovery of loans well in time is the regular pressure of the government for the compulsory finance under the targets fixed for the banks in the rural sector mainly but the government is not
bother about the recovery of monies disbursed in the shape of loans to the people. The banks are not getting back their money of loans in the ratio as required to maintain the recycle of funds.

The other reasons have been noticed during the study like the mis-utilisation of funds by the borrowers, wrong identification of borrowers, procedure for applying and sanctioning loan, payment of subsidy and time gap between the sanction and disbursement of loans.

In reference to the mis-utilisation of funds by the borrower, it is found that this is one of the most important causes responsible for the poor recoveries. The borrowers do not use the loan amount properly. The procedure followed for identification is found not satisfactory and there is no involvement noticed of the bank managers in the process of identification.

The late receipt of subsidy amount from DRDA causes delay in the disbursement of loan also. Under SCP & SLRS Schemes, the sanctions are conveyed to DRDA office for the release of related subsidy amount, that has been received very late by the banks.
Another factor, that is also felt in the recovery of dues, is that there, a vide gap is noticed between the sanctioning and disbursement of loan facility. This is due to a number of formalities at block level and the bank level also so that the proper utilisation at the proper time has not been done resulting that the real income is not generated by the project financed. After that the difference of unit cost between the market cost and the bank finance is also found responsible for the poor recovery. The borrower can not purchase the security of a good quality because it costs more than the finance is available.
SUGGESTIONS:

To meet the credit requirements of the borrowers, the Syndicate banks are playing a most important role in the development of the rural sector. The Syndicate banks have got success to fulfill the needs of the borrowers upto an extent in the district Meerut yet there are some improvements required in the working of the banks to the extent of satisfaction of the borrowers.

In the rural sector, before the period of nationalisation of banks, the private credit agencies and the private money lenders were prevailing with their hard terms and they had a tendency to exploit the farmers/ borrowers as they had no other alternative to fill the credit gaps in the rural areas. Presently the Syndicate banks are trying to their best to fill the credit gap and the agriculturists-borrowers are satisfied with their terms and conditions.

It is found that the borrowers feel difficulty to repay the loan amount easily due to heavy rate of interest on the loan, charged by the Syndicate banks. Although under the DRI scheme, the loan should be provided at the 4 percent rate to the poors but the banks are reported fail to finance under this scheme in the district. Hence it is suggested that the lending rate to farmers should be lowered and the agriculturists specially small and marginal
farmers should definitely be given some concession in the lending rate, may be 8 to 10 percent per annum. The present rate for agriculture credit varies between 12.00 percent to 14.5 percent depending up on the volume and nature of loan.

Further there are certain short comings in the Government sponsored schemes. Some of the suggestions for the fruitful implementations of these schemes are as follows:-

- Sufficient number of loan applications of various activities should be sponsored to banks according to their shares.
- Applications should be sponsored in sufficient interval of time for the smooth and better quality of lending.
- Technical experience should be the essential requirement for the activity for which he applies.
- List of IRDP beneficiaries selected in the villages should be made available to the banks so that only eligible candidates can get the advantage of the scheme.

To meet the targets of various activities and the recoveries thereof, the basic infrastructure should be provided to the banks such as veterinary hospitals,
construction of more and more link roads for better transportation, establishing more and more mandis for suitable price of agriculture produce.

**Recovery:**

Recovery of the bank dues is the most important aspect of lending. It not only facilitates recycling of funds, but creates confidence among the bank managers and encourages them for further lending. During the past few years, the recovery position of banks has not been upto the mark. In some branches it is as low as 30 percent. The recovery position in district Meerut is not in a very good position.

It is, therefore, suggested as follows:

1. The procedure of filling of Recovery Certificates should be made easy so that it may less time of the disposal. The old and chronic cases should be given top priority for recovery.
2. The lead bank manager should attend the meetings of recovery at Tehsil level along with recovery authorities and should discuss the old and chronic cases for early recoveries.
3. The recovery made by the recovery authorities should be remitted to banks within a month time and the amount so recovered should not be kept by them for a longer time.

4. After the harvest of every crop, a recovery campaign should be organized for recovery of bank dues during which a team consisting of block officials, revenue/tehsil officials and bank officials should visit the villages of chronic defaulters for the recovery purpose.

5. The recovery cases where Recovery Certificates have not been filed with recovery department should be given to block development officers and village development officers and their progress should be monitored in every Task Force Committee (TFC) meetings. As suggested agencies BDO/DRDA should be made responsible to recover atleast 50 percent of the loan amount excluding subsidy through own efforts.

**Repayment**

The following suggestions are being made in the situation of non-repayment of the loan of the Syndicate banks:-
Generally, it is found that the people do not repay because of the scheme being not profitable or not income generating as expected to be so. Therefore, efforts should be made to identify such schemes which are viable in all respect.

There should be the involvement of the bank managers along with DRDA and block personnel in the identification of the beneficiaries so that the finance should be made available to the suitable candidates.

Wherever beneficiaries experience difficulty in repayment of loan because of conditions beyond their control, there might be provision to postpone repayment of the account. However, the writing off loan should be discouraged.

It is necessary to involve the beneficiaries in selecting the scheme which should meaningfully be linked to their interest and skills.

Guidance to the beneficiaries should be the continuous process till the scheme comes to some stage of accomplishment. Besides, training for beneficiaries should also be periodically arranged.
Once the beneficiaries are identified and loans are disbursed, they should not be left to themselves but need continuous follow-up till they repay their loan in a full and final shape.

Lastly, this is also suggested that the bank staff should be sufficient and adequately trained so that the Syndicate banks make finance in the rural sector smoothly and the borrowers can get the financial facilities at the earliest enabling them for better earnings for their upliftment in the rural sector.

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