CHAPTER 7: FINDINGS, RECOMMENDATIONS AND SUMMARY

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7.1 Findings of the Study:

Regarding to the period of study for 10 (ten) years (1989-90 to 1998-99), the refinance assistance of NABARD to MRB and MSCB Ltd. is not considered satisfactory. The National Banks refinance has gaps between years. There were no credit refinances in 1996-97 and 1998-99 to MRB and 1992-93, 1993-94, 1994-95, 1996-97 to 1998-99 to MSCB Ltd. respectively. Due to this factor, the two banks viz. MRB and MSCB Ltd. could not extend credit in full swing in agriculture and allied activities for the development of Manipur. MRB disbursed a sum of Rs.32.38 lacs in 1989-90, but in 1993-94, it was Rs.2.74 lacs only which can be considered as a decreasing trend in the sector. Likewise, MSCB Ltd. also distributed a sum of Rs.583.13 lacs in 1989-90 in the same sector but it became zero during the last 3(three) years of study period. The irregular and decreasing nature of credit assistance of these banks show that there has been no sound institutional credit assistance in agriculture for the development of Manipur.

The total deposit of MRB has been increasing very rapidly. They rose from 122.94 lacs in 1989 to 1391.91 lacs in March, 1999. The number of depositors in 1989, were only 26045 as against 54717 in 1999. On the other hand, the total deposit of MSCB Ltd. has also beer
increasing. In 1990, the total deposit was 67.09 lacs. But it has increased to 110.26 lacs in 1999. The total number of depositors has been increasing.

Therefore, the increasing in the number of depositors shows a favourable trend, which is the outcome of a satisfactory attitude of the customers towards MRB and MSCB Ltd.

The loan recovery positions of the two banks are very low. Both the banks cannot reach fifty percent of the total demand in most of the study years. But in 1988 and 1989, MRB can reach a little more than fifty percent. The main reason is that successive loan write-offs have encouraged willful default and recoveries are pathetic (as low as 30 percent in many years). Any loanee who repays a loan look on utter foo when his neighbour, who has repaid nothing, try to get a write-off. Thus non-repayment is rewarded instead of being penalised and has become fashion. From the present study, it is found that a bulk of loans from MRB and MSCB Ltd. go to richer farmers/loanees. If old loans are repaid, more credit would be available for poorer farmers, who have not got credit so far. Looking into the quantum of overdue amounts, the position of MRB and MSCB Ltd. cannot be treated as comfortable.
As per financial ratios discussed above, the current ratio measures "the margin of safety". A current ratio to 2 to 1 is considered satisfactory. But MRB and MSCB Ltd. have less than 1(one) for many of the years of study period. Therefore, the two banks have low current assets than current liabilities. The quick ratio helps to know whether a firm can meet its obligations because of its quick assets or not. The two banks carry a very small quick ratio in many years. Therefore, the liquidity positions of these two banks are not considered satisfactory. The banks also carry a very small cash and net working capital ratio. The total debt ratio is very important to analyse the long-term solvency of a firm. The average total debt ratios of MRB and MSCB Ltd. for 10(ten) years of study are 2.41 and 0.45 respectively. Regarding to the statistical tool discussed, it is clear that credit disbursement of MRB does not account for any of the variations in deposits but in MSCB Ltd., credit disbursement and quantum of deposits are directly related. MRB can disbursed credit as the bank can be refinanced by NABARD. This condition is not possible in case of MSCB Ltd. as the bank has refinance gaps from NABARD in many years.

The MRB has incurred a loss of Rs.20.78 lacs during the year 1989-90 as against a loss of Rs.53.30 lacs in 1998-99. But the MSCB Ltd. made a profit of Rs.15.81 lacs and 15.82 lacs in 1989-90 and 1990-91. Since then, the bank made great loses. The loss reached Rs.338 lacs in 1989-99. Both the banks prepared prospective plans under the
guidance from UBI and NABARD for better productivity and minimising the loss. But the loss increased continuously. In 1996-97 the MRB has made provisions for Bad and Daubtful assets as per new guidelines of RBI to the tune of Rs.263.35 lacs. The same case also happened to MSCB Ltd. The accumulated loss of the two banks has increased year by year and eroded the entire share capital plus reserve and substantial portion of working fund.

According to the quantum of losses, the working result of the two banks cannot be treated as comfortable. As a result of analysing the ratios, both the banks cannot be considered “satisfactory” in many factors. One factor in which both the banks enjoying smoothly is the increase of deposits and depositors. But, when it is compared with the credit disbursement from the two banks by using statistical tools, the MSCB Ltd. has positive correlation between these two variables. The two variables namely deposit and credit disbursements are not related in case of MRB. Therefore, the customers' attitude may change day by day which may lead to decrease in deposits.

Lastly, the overall performance of the two banks cannot be treated as “Satisfactory”.
7.2 Conclusion and Recommendation:

In a state like Manipur, financing to agriculture and allied activities is faced with a number of problems. The unawareness of the rural farmers coupled with poor economic conditions have compounded the problems of agricultural credit in the State. Since most of the farmers are illiterate, they do not know how to approach the Branch Managers of the financial institutions for a loan. The employees in the bank branches are also very busy to perform their day-to-day activities and therefore they cannot help the farmers in this matter. Many branches are afraid of disbursing a loan as the branch has to recover it in time. It has been found that the loans are misused which leads to non-repayment of loan. Consequently, the MRB and MSCB Ltd. cannot fulfil the target of recovery so that the refinance assistance of NABARD to these banks became a gap in many years of the study period.

The borrowers (farmers) are also facing a lot of problems in order to get a loan. The problem just started when he got the loan application form from the branch office of the bank. The application is to be accompanied with documentary evidence regarding bonafide of the purpose of loan, financial requirements, income potentialities, margin money (25 p.c. of the total project cost), hypothecation of assets, mortgage deed through the Office of the Sub-Deputy Collector, sureties:
(not less than two) who are to be the employees of State, Central or reputed organisations etc. These are not matched with RRB Act, 1976 and Co-operative Act (Assam), 1956. There are many additional and ready-made supplements to the requirements for a loan, which indirectly pull out the farmer from the loan.

Successful business operations whether commercial or public utility, services demand strict observance of certain rules, which remains the same whether the undertaking is private or public. A sound organisational structure and good management is essential prerequisites for the success of any enterprise. Excessive government control in day-to-day administration, law and order situation of the State, undue political interference, excessive red tapism in the bureaucratic style of management along with insufficient delegation of power/authority constitute major causes for inefficient functioning of the two Banks. In view of the findings, the MRB and MSCB Ltd. have to adopt necessary changes in their workings. The State Government, UBI (sponsored Bank of MRB) and the Government of India have to render full support and no less important is the co-operation and goodwill extended by the various depositors, loanees and other essential constituents which will enable the banks to attain the objective for which they were established.
Repayment of loan together with interest thereon by the farmers (loanees) is essential for the smooth functioning of institutional credit. "The assumption, banking institutions make while providing credit is that it would generate sufficient income to repay the loan together with interest and leave a reasonable surplus".  A Generation of income to both sides (Banks & Borrower farmers) has accompanied by the willingness to sanction advance in short period by the banking institute and willingness to repay the loan by the loanee. The most complex task of the banking institution in Manipur is recovery of dues which also most important to rural credit.

The MRB and MSCB Ltd. have the problem of loan delinquency. The loan and advances in Agriculture and allied activities by these banks are becoming fall in the category of bad loans. Factors influencing non-repayment of loans in this sector are mainly conditions of weather, non-availability of agricultural operations in relation to their position in the market, lack of forward and backward linkages, infrastructural facilities and services. Further, the socio-political, law and order problems etc. effects the functioning of financial institutions. In simple words, the MRB has nearly 60% control of its own functioning and MSCB Ltd. have little or

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no control and for the mitigation, the bank have to depend almost entirely on outside agencies.

Selection of Borrower is the main task to perform by the banks as it is directly related to recovery. While selecting a borrower, the two banks can follow the following:

i) Go give complete freedom to the concerned bank to select the borrower without affecting by socio-political factors or, agents.

ii) The selection of a borrower can be done in the scientific way. Bank of Agriculture and Agricultural Cooperative (BAAC), Thailand calls this system as “client recruitment”. In this process the following steps are taken.

Step.1. Farmers contact field officers of the concerned bank to get their loan application form.

Step.2. The concerned branch office calls a meeting of all applicants explain the farmers (applicants) about Bank’s rules, regulations, their rights & responsibilities etc.

Step.3. The loan application are appraised and the decision is conveyed to the borrowers.
Adopting the above method, the MRB and MSCB Ltd. will get positive result. The branch office concerned have also clear up the borrower about the linkage of repeat loan eligibility to recovery performance of borrower.

Banking is a service-oriented industry. Therefore, customer service is essential to banks. A major problem in the case of customer service is the non-availability of requisite information. This problem is further compounded by the fact that most of the facts of customer service are not amenable to direct measurement. In the absence of systemically collected data, assessment of the quality of customer service is largely dependent on the subjective judgment of the decision-maker. The three major elements of customer service are speed in collection of instruments and funds in transit, accuracy in accounting transactions and treatment to the customer. The two banks could practice these elements so that it can make a better performance.

The recovery of loans requires a co-operative and collective responsibility of administrative machinery, public and loanees. The repaying capacity of the loanees should be taken into consideration and there should be a constant watch on the end use of the credit by the supervisory staff of MRB and MSCB Ltd. Loan waiving should be discouraged by giving strict instructions.
The banks could make efforts to shift the branches existing at the area of low volume of business to future prospected area. This would result in increase of depositors and consequently increase deposits.

The eligibilities in order to get a loan from MRB or MSCB Ltd. mentioned at the time of submission of loan application at the Branch Office can be altered by the sanctioning authority at the door of disbursement. This makes the applicant boring and unnecessary expenses incurred. To site an example, in MRB, before disbursement of a loan, the bank ask to deposit a margin money which is 25 percent of the project cost, the original patta copy of the applicant's land holdings and the mortgage deed between the applicant and the bank. The land holdings have to mortgage to the bank. It is not an easy task as it seems. There is necessary to use Non-judicial Stamps @ Rs.3 per Rs.100 of the amount to be sanctioned. The process also has to go through a lawyer and the Sub-Deputy Officer of the block/area concerned. The bank also ask to submit no-due certificates from other 15-20 banks located in the District in order prove the borrower is free from any other debt. Therefore, the sanctioned amount reduces from the total project cost. As a result, the project cannot be implemented. This also leads to non-repayment and misuse of loan. Therefore, all these are necessary to minimise so that the loanee is automatically motivated.
The banks also interested to implement the CCL, which is a new loan avenue given only to the Government employees. It is done so because the bank can recover these loans easily. This leads to non-availability of credit to farmers and the development in the field of agriculture and allied activities becoming slower. Therefore, banks have to work inside the framework given by the bank itself or any other outside agencies concerned.

The most essential requirement is the "willingness to repay". The banks should appeal to the loanees to repay the dues in time so that the fund of the bank be recycled as much as possible. Before assisting a farmer, it is necessary to examine whether he/she is mentally willing to repay the loan or not. He/She should be fit in all respects viz. to do the work which he/she asked to do so and to repay the loan by the fruits of the activity.

As discussed above by using many financial ratios and statistical tool, it is clear the following points as,

1. There has been no sound credit planning in Manipur.

2. The loans are misused.
3. Overdue of loans is very high and

4. Farmers have no willingness to repay the loans as loan amount is reduced due to unnecessary expenses and delay.

Therefore, it can be concluded that all the hypotheses formulated at the beginning of the study have been accepted without any hesitation.

7.3 SUMMARY

Agriculture is the backbone of our economy and country. It can be defined as the science or practice of cultivating the land and rearing animals. The progress of our nation is mainly linked with the advancement in agriculture. In our country, agricultural research and education has reached a considerably advanced level. Indian farmers adopt agriculture as a business proposition like industry. But, there still exists a wide gap between the available agricultural credit and its rapid transfer to the farmers by the financial institutions. Despite this, the gap is also in between the available agricultural technology and its transfer to the farmers. In order to increase the growth and development in agriculture as well as the national economy, availability of agricultural credit is very much important. In Manipur, NABARD deliver credit requirements of the farmers indirectly through MRB and MSCB Ltd. The bank is taking several initiatives to ensure flow of credit to the agriculture
sector. NABARD plays special attention to monitoring various projects planned by MRB and MSCB Ltd. This leads to proper implementation and systematic flow of the projects. Financial assistance by MRB to Small and marginal farmers and agricultural labours and the like is done according to RRB Act. But the bank has made flexibilities for a loan to recover the loan in easy way. Like MRB, MSCB Ltd. also takes an important role for the development in agriculture in Manipur. It delivers credit to the farmers through Central Co-operative Banks in each district and Primary Agricultural Credit Societies in villages. Since the two banks, namely MRB and MSCB Ltd. is not working well the two banks are not considered satisfactory in financing rural farmers in agriculture sector. These banks has refinance gap from NABARD as they could not repaid the previous one to NABARD in time. The following financial institutions are taking part for agricultural development in Manipur.

1. National Bank for Agriculture and Rural Development (NABARD):

The committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) set up by Reserve Bank of India (RBI), in consultation with Government of India in 1979 under the Chairmanship of Shri B.Sivaraman recommended in its interim report the setting up of a national bank to be known as NABARD. The bank has to give undivided attention for providing all kinds of production
and investment credit to Agriculture, Small Scale Industries (SSIs), Artisans, Cottage and Village Industries, Handicrafts and other economic activities in integrated manner. Accepting the proposal, NABARD Act was passed by the Parliament in December 1981. It commenced its business from 12th of July 1982 as per notification of the Government of India under NABARD Act. With the setting up of NABARD the functions carried out by RBI are discharged to NABARD.

The eligible institutions in which NABARD can provide different types of refinance are:—

a) State Co-operative Banks (SCBs).

b) State Land Development Banks (SLDBs).

c) Regional Rural Banks (RRBs).

d) Commercial Banks (CBs) and

e) Other financial institutions approved by RBI.

NABARD is the bank in the country gearing agriculture and rural development through RRBs and SCBs Ltd. In 1994-95, NABARD allowed to borrow RRBs by Rs.1905.05 crores and it was increased by Rs.2066.81 crores and 2456.97 crores in the year 1995-96 and 1996-97
respectively. In order to supplement the limited resources of the RRBs, NABARD extended assistance in the form of refinance to them. Of the total, term loan refinance assistance by NABARD during 1996-97, the RRBs accounted for a share of Rs.645 crore registering a growth of 33% over previous year in availsment of refinance. The short-term credit limits sanctioned by NABARD to RRBs for Seasonal Agricultural Operations (SAO) including Oilseed Production Programme (OPP) and National Pulses Development Programme (NPDP) has also increased year after year. For Indian farmers, NABARD can be considered as the "pool" of refinance for agricultural development.

2. Manipur Rural Bank (MRB):

In accordance with Regional Rural Bank Act, 1976 of Government of India, MRB was established on the 28th of May 1981 as a joint undertaking of Government of India, Government of Manipur and United Bank of India (UBI) by contributing share capital at the ratio of 50 : 15 : 35 respectively. The bank started its operation with an objective of economic development of the rural people of the state, particularly the weaker section by participating in different poverty alleviation programmes of Central and State Governments. The bank has been included in the 49 RRBs selected by the Government of India in the first phase of restructuring.
The area of operation of MRB covers the entire state of Manipur. The state consists of 9 (nine) districts and 30 (thirty) community development blocks. The economy under bank's command area is under developed and in general characterised by inadequate infrastructural facilities.

During 1996-97, the bank could disbursed loans amounting to Rs.106.70 lacs in 482 numbers of accounts, comprising 71.13% of the total credit plan for the same year. Out of this, the bank disbursed Rs.9.79 lacs in the year as short term and medium term loans to the farmers for agriculture and allied activities.

Supervision and control of MRB vest with NABARD. Monthly/Quarterly and Half Yearly reports are obtained by NABARD to assess periodical position of MRB. But, the rural farmers have been associated with MRB and seek financial assistance for their seasonal and permanent requirement for agriculture and allied activities.

3. Manipur State Co-operative Bank (MSCB) Ltd.:

A Co-operative institution is one of the powerful institutions/instruments for enlisting the objective participation and involvement of the people. It is also an institution, perhaps, the closes to
the people, purposefully designed for the gainful interaction of various services and activities so that the "felt needs" of the people are adequately taken care of.

The MSCB Ltd. was established in the year 1956 under Assam State Co-operative Act. After the establishment of this bank agricultural lending was started in the State of Manipur under two tier credit structures. These are Primary Agricultural Credit Societies (PACS) at the base level and the State Co-operative Bank (SCB) itself at the apex level. After Manipur got its statehood in 1972, the MSCB Ltd. was upgraded as an Apex Bank. It has an unitary structure. The Head Office is at Imphal and has 9 branches with an operational spread throughout the State. There are about 2,121 Primary Societies affiliated to this Bank.

The whole affairs of MSCB Ltd. has been managed by an elected Board of Directors consisting of 14 members including 3 members nominated by the Government of Manipur.

The aim and objectives of MSCB Ltd. in agricultural sector are as follows:

- To improve the standard of living of the agriculturists, by making agriculture a business rather than a way of life.
- To help augment agricultural production and consequently strengthen the farm economy.

- To encourage the agriculturist to adopt new techniques to initiate improvement in production.

- To provide necessary credit at reasonable rate of interest.

- To develop mutual understanding of big, medium and small farmers alike.

- To provide both production and consumption credit to farmers, to be subsequently free from the clutches of moneylenders.

- To inculcate thrift and saving behaviour among the farmers through better use of capital and encourage market interaction.

The major objectives of the study were as follows:

i. To study the role of NABARD, MRB and MSCB Ltd. for the development in agriculture in Manipur;

ii. To depict the lending and borrowing policies;

iii. To analyse the loan disbursed and recovered;
iv. To evaluate the performance;

v. To explore the customers’ attitude and

vi. To suggest remedial measures to improve the health of NABARD, MRB and MSCB Ltd.

The objectives are also included as:

vii) To examine analytically the problems faced by the rural people of the State, particularly, small and marginal farmers while seeking financial assistance from the banks;

viii) To study critically, the impact on the growth of rural economy and the role of MRB and MSCB Ltd. in the development of agriculture and other allied activities for the removal of poverty, agricultural unemployment and underemployment.

The study covered a period of 10(ten) years commencing from 1989-90 to 1998-99.

The study mainly based on the secondary data. The data are collected from the concerned banks through the annual publications, documents and relevant records.
However, the study also adopted Personal Contact Method of data collection. In this method, sample individuals personally contacted and information are collected. This method was only the method, which permits to go deep into the feelings of the respondents. There were exchanges of ideas for making the study more useful and meaningful. New questions are asked and cross-checking have done at the same time by this method.

To analyse the data for drawing conclusion, the study went through various tools like Current Ratio, Quick Ratio, Cash Ratio and Size of Deposits etc. Statistical tool namely "correlation" was also used to find the relationship of two variables. Various data has also presented with the help of suitable diagrams like bar chart, pie chart, graphs etc.

The study was divided into 7(seven) Chapters.

In Chapter 1, introduction explaining the genesis of NABARD, MRB and MSCB Ltd. will be included. Research Methodology covering the objectives, hypothesis, sampling, source and method of data collection, data analysis techniques and limitations of the data were the components of the next Chapter 2.
In chapter 3, a theoretical framework is built up to give a related meaning of the terms associated with the present study.

In chapter 4, the new and old avenues in agricultural economy of NABARD, MRB and MSCB Ltd. are discussed.

In Chapter 5, the operational aspects of MRB and MSCB Ltd. are discussed.

Chapter 6 is devoted in dealing with the analysis of financial ratios and the implications of the ratio analysis are also indicated. Statistical tool(s) are also used in this chapter.

In Chapter 7, all the findings of the study are discussed. Conclusions and suggestions as a direct reflection of the analysis for smooth running of NABARD in Manipur and the viability of MRB and MSCB Ltd. for a long run also be included. A clear image of the study as "Summary" was also a part of this Chapter.

After a systematic study using many financial ratios and statistical tool(s) all the hypotheses formulated at the beginning of the study have been accepted as there has been no sound credit planning in Manipur, loans are misused, over-dues are very high and no willingness to repay.
The study about "Institutional Financing for Agricultural Development in Manipur - A study of NABARD, MRB and MSCB Ltd." will be beneficial to both the bank and its customers specially farmers. The customers will be familiar to old and new avenues in agriculture sector of MRB and MSCB Ltd. It makes easy to touch themselves with the bank to seek their short, medium and long term agricultural credit. The study would be very important to bring back the MRB and MSCB Ltd. from their moribund state into the viable and vibrant part of the institutional credit delivery system for serving the farmers. Indeed, numerous constrains have prevented the banks from performing their role as a low cost institutional device in remote rural areas. Factors that determine cost of operations seem to be beyond the control of MRB and MSCB Ltd. Their operational expenses have been raising at a rate higher than the rate of growth of earnings and consequently, the low cost profits, which they were expected to maintain, has not been achieved. Since, the banks (MRB and MSCB Ltd.) are expected to operate on low spreads or margins because of their obligations to lend to weaker sections at law rates of interest and pay a little scope for cross subsidisation. These constrains would be minimised or even try to solve by the study.