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Conclusion, Summery of Findings and Policies Recommendation

7.1 Conclusion:

Economic development of any nations is largely depends on banking and finance. Banks are providing in term of loans and advances to the needy people for different purposes. India, is a developing country and also rural based country while need a prominent role of financial institutions to become a developed country. These institutions have been set up with the prime objective to finance for economic and social activities for the growth and development. The idea behind achievement of such objective is to encourage overall development. The banking in India includes the public sector banks, private sector banks and co-operative banks. Co-operative and commercial banks have played a positive role for economic development. However, they could not be accessible to the grass root level and the rural masses remained in the remotest corner and un-banked areas. Therefore, the Government of India (July, 1975) appointed a working group on rural bank under the Chairmanship of Mr. M. Narasimham for setting up of new rural bank as addition to public sector banks to cater the need of the rural peoples. According to working group recommendation, the Government of India promulgated the RRBs ordinance on 26th September, 1975 and first five RRBs covering nine districts were established on 2nd October, 1975 for extending banking facilities primarily rural areas of the country. During the period
from 1975 to 1987, there were 196 RRBs covered 362 districts with a network of 13,076 branches. But, due to amalgamation the total number of RRBs reduced to 82 as on 31st March, 2010 with increasing network of 15,475 branches. However, in comparison to other states of the country, the development of banking service in the North-Eastern States is not satisfactory level.

In accordance with the Regional Rural Bank Act, 1976 Manipur Rural Bank was established on 28th May, 1981 as a joint undertaking of the Government of India, the Government of Manipur and the United Bank of India (sponsor bank) by contributing share capital at the ratios of 50:15:35 respectively. The mission of establishment of RRBs is “Developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities, particularly to the small and marginal farmers, agricultural labourers, rural artisans and small entrepreneurs, and for matters concentrated therewith and incidental thereto”.

Banks have occupied an important place in economic development as they have provided credit which lubricates the wheels of agricultural and allied activities and also industrial enterprises. They have mobilised deposits, disbursed funds to different sectors for productive activities if they open branches in remote areas, they expanded their channel for providing credit to the rural poor people which lead to total development.

When financial assistance is extended to poor and small people means in
economically backward areas, it will increase the production of goods and services, and generate additional purchasing power. The development process goes on; there will be demand for new types of services which in turn call for greater investment. Increasing earning capacity and improving standard of living condition of the rural people can be mopped up as deposits by the banking institution. The financial institution involves in rural development sets of a chain reaction.

The viability of RRBs has always engaged the attention of planners and policy makers. It is the most important as they are providing institutional finance to the weaker sections of the society.

The former finance Minister Mr. P. Chidambaram said “the Government would put in place an environment that would be conducive to mergers and acquisitions of banks”. In the global era, the Indian banks are facing very keen competition from the foreign banks. RRBs are facing competition from other public sector banks and also from private sector banks. Hence, it is the right time for merger of RRBs of the same sponsor bank in a state. Under section 23 A of RRBs Act 1976, the Central Government after consultation with the NABARD, concern State Government and Sponsor Bank can merge two or more RRBs in the public interest by notification in the Official Gazette. Therefore, RRB can be merged with another RRB or RRBs only. As merging process is going on, the number of RRBs is only 82 as on 31st March, 2010 from 196 RRBs (June 1987).
RRBs have to adopt appropriate technology and migrate to Core Banking Solution (CBS) for better customer service and viability of RRBs. The September, 2011 as the target for all RRBs to move towards CBS, with all branches of RRBs opened after September 2009 to be CBS. MRB has introduced CBS on 2nd November, 2010 in the state.

Information Technology and Communication (ITC) is very must essential for CBS solution and suitable for RRBs and to identify the cost elements and recommend the manner and criteria for funding such ITC solutions. It was announced in the annual policy statement for 2009-10 that a scheme would be worked-out, in consultation with NABARD, to decide the manner of providing assistance to RRBs adopting ITC solution for financial inclusion in district identify as having high level of exclusion.

The performance of MRB has been found from the present study that it has succeeded to some extend the banking service to the rural poor people in the rural and remote, urban and semi-urban areas of the state Manipur. It has been functioning as par the status of commercial banks in rural areas in the sense that it accepts deposits and provides loans and advances to the rural masses for rural development. It mobilises deposits (increased from Rs. 2,10,717 thousands in 1999-99 to Rs. 6,94,235 thousands in 2008-09) and grants loan (enhanced from Rs. 72,798 thousands to Rs. 3,06,712 thousands in 2008-09) particularly to the weaker sections.
MRB provides loans and advances to various economic activities and other sectors too such as agriculture and allied activities, SSIs, Retail Trade and Service sector including SRTOs, House Building Loans and others which involved LAD, LAGS, CCL and Loans to Staff etc. It was found that HBL percentage share to total loan amount was 42.01% in 2008-09 which was the highest among others sectors. The bank provides more loans to this sector because it hoped that good return could be achieved as loanees were Government employees and Government recognised Institutions etc. As per RBI guidelines, MRB provides loans and advances to Priority and Non-Priority sectors too at the ratio of 60% and 40% respectively of its total loan amounts.

Performance analysis at branch level of MRB required to be studied in order to know the strength and weaknesses of individual branch for a particular period of time. This study will certainly acknowledge the Head Office to take corrective steps against any deviation as well as it also facilitates to encourage branch officials to perform better results.

For the viability of the rural bank, a profitable management of rural branches is essential like suitable deposit mix, appropriate loan portfolio, supervision and close contact with beneficiaries in time, recovery of loan amounts timely, increased proportion of non-fund based business and reduce and avoid undesirable expenditure etc.

It has been taking a prominent role in reducing the influence of money-lenders. This bank deeply considered people of S/C, S/T, OBC and Minorities
sections and tried hard for the upliftment of these people. They have been provided loans and advances by the bank to become upliftment from the Below Poverty Line (BPL). The bank has also aimed to maintain a balance of socio-economic condition between different districts of the state. In such way, MRB has been working successfully extending its operational activities amongst the people of its functioning areas and secured considerable success but has not obtained the desire level of satisfaction. The main reasons are due to law and order problems, lack of people banking habit in case of mostly remote areas and lack of infrastructure facilities in rural areas. These are also the reasons for non functioning MRB’s branches located in hill districts and remotest corner of the state and ultimately two branches were merged to the nearer branches in 2006 which lead to cause more disparity in rural-urban economic development.

When the bank had taken up IRDP, there was emergence of middlemen who took a part of loan amounts as commission. There are some pressure groups who indulges and approaches to the respective bank officials to grant loans and credit facilities to their list of applicants whether they are eligible or not. If such situations are emerged the bank officials could not recovered their loan amount, hence the outstanding amounts became NPA. Therefore, even today MRB can not recouped the losses of IRDP and has increased accumulated losses too years after years. It has also been found that needy poor persons do not come to the bank for taking loan because of hesitation, favouritism, lengthy and complicated procedure of loan sanction. So, in actual practice real needy persons could hardly get benefits of the schemes run by the government. Moreover, there are some
instances whereby un-eligible persons approached the bank official for granting loans under these schemes. Therefore as of now the bank has not taken further any government sponsored scheme till today.

Statistical analysis and interpretation of field survey has been performed with the help of information and data collected through 227 beneficiaries of MRB operated in the four valley districts of Manipur state with respect to six different sectors. The researcher analysis is the real outcome of both primary and secondary data collection. After applying different statistical tools and techniques such as t-test, F-test, P-value, standard deviation, post-hoc test and SPSS, it was found that different beneficiaries under the different head of economic activities or sectors could improve their economic condition and standard of living after taking loans and advances of the MRB except HBL and CCL beneficiaries.

So far as the performance evaluation of MRB is concerned, it depicts a critical picture over the years of reference periods. It discloses that the loan recovery performance has not been satisfactory level which results the volume of NPAs level is very high that automatically affected the overall performance of the bank. The interest earned and accrued is not sufficient enough to meet the non-interest and other expenditures. As a result the bank is facing the problem of incurring huge amount of losses.

Thus, MRB is now facing a serious problem of unable to maintain quality of lending. This is also one of the main reasons to increase losses. In such critical
situation of the state, the bank is working hard for rural development without any arm guard securities except Imphal branch since its inception.

7.2 Findings:

In the foregoing previous chapters, on the basis of secondary data, it has been analysed the history of banking and reasons for birth of RRBs, genesis and organisational pattern of RRB, performance of MRB and its impact, branch level performance of MRB and also through the field survey as well as primary data which were collected through personal interview with 22 bank Managers and officers of MRB and its 227 beneficiaries, the researcher has already pointed out the results thereof. Therefore the following are the main findings of the research work.

7.2.1 Secondary Data:

- According to Thorat Committee Report on May, 2007. The excess staff of the bank is 2 in the category of officer scale-IL and the shortage of staffs are 1 in officer scale-III, 8 in officer scale-I, 11 in clerks, 3 in sub staff and total shortage is 21, therefore there is lack of manpower in MRB. Due to embargo on recruitment by Government of India, this bank is unable to recruit the necessary staffs even against vacancies arising out from the regular features like after the retirements and suspension and terminate of the bank personal. On the other hand, the existing employees have not given co-operation to one another at head office and branch level as well.
• In the year 2006, 2 (two) branches viz. Sugnu and Pallel branches in the hill districts of MRB, with the permission of RBI, have been merged with Kakching and Wangjing branches respectively of Thoubal valley district due to low volume of business, poor business growth and law and order problems etc. Besides Litan branch which has been non-functioning since March 1996 has again reopened on 28th March, 2007.

• The source of funds during the study periods are trend of increasing over the years from Rs. 3,24,283 thousands (in 1999-00) to Rs. 9,91,733 thousands (in 2008-09) which would encourage investment and disbursement of loans and advances to the needy persons of rural people. As a result of it, the standard of living condition and also economic condition of rural poor people could be improved and ultimately it would help to become a develop nation.

• The deposits amount of the bank are trend of increasing from Rs. 2,10,717 thousands (in 1999-00) to Rs. 6,94,235 thousands (in 2008-09) continuously but the rate of deposit growth is very fluctuating in positive manner due to the severe fund crisis, Government of Manipur which can not able to release their fund in time. Besides, during the financial year, there is an uncongenial law and order situation in the state therefore; bank branches could not function properly.

• During the reference periods, MRB has been increasing its total loans and advances for first eight years from Rs. 72,798 thousands (in 1999-00) to Rs. 3,80,910 thousands (in 2006-07) continuously. Hence, it is the right
indicator that the bank has been trying hard for the upliftment of the rural poor people. But in last two years total loans and advances were decreasing to Rs. 3,28,257 thousands (in 2007-08) and Rs. 3,06,712 thousands (in 2008-09) respectively on account of poor business growth and law and order problems in the state.

- In case of priority and non-priority sectors, it is found that MRB provided loans and advances to the tune of 77.09 average percent to priority sectors. It is very much higher than the RBI stipulated norms (60 percent). As a result of it, the average percentage of loans and advances to non-priority is 22.90 which is very low than RBI instruction (40 percent).

- MRB is not only performing banking business but also doing various extra activities for rural development like formation of SHGs, JLGs, Farmers’ Club, Village adoption, teaching banking habit and giving banking awareness to the public and facilitated to open account with zero balance, payment of remuneration of Anganwadi workers, National Rural Health Mission and National Rural Employment Guarantee Scheme etc. The bank has also been doing the formation of women SHGs but also financing to the matured SHGs since 2000-01 as a self help group promoting institution and further imparting training to them from time to time. During the nine years, formation of SHGs has been trend of increasing from 26 SHGs (in 2000-01) to 4,671 SHGs (in 2008-09) and the total credit advances to them has also increasing from Rs. 3.06 lakhs (in 2000-01) to Rs 718 lakhs (in 2008-09). Thus, MRB has been doing their maximum efforts for the
socio-economic development of poor people particularly for the women in the state.

- C.D. ratio is an important parameter to analyse the performance of a bank. The C.D. ratio of MRB during the reference periods is found that it has been increasing from 34.55 percent (in 1999-00) to 74.55 percent (in 2006-07) but in last two years the C.D. ratio decreased to 55.31 percent (in 2007-08) and 44.18 percent (in 2008-09) respectively. For all India RRBs as on 31st March, 2010, C.D. ratio is 58.51 percent.

- The poor recovery performance has a common regular features and common phenomena of MRB, but there is increased in recovery performance from Rs. 17,798 thousands (in 1999-00) to Rs. 1,05,312 thousands (in 2008-09) over the years except in 2007-08 i.e. Rs. 71,811 thousands. The highest recovery percentage is 59.51 in 2008-09 but for all India RRBs recovery percentage is 81 as on June 2007-08. Due to poor recovery climate, lack of manpower and adverse law and order problems in Manipur state, overdue amounts increased year after year from Rs. 35,022 thousands (in 1999-00) to Rs. 71,644 thousands (in 2008-09) which is not favourable position of a bank. However, the average recovery percentage is 47.27 and average growth percentage of recovery is 2.23 only.

- The recovery rate position of non-firm sector is better than that of recovery rate position of firm sector. The recovery percentage of firm sector is very low but enhanced from 5.79 percent (in 1999-00) to 42.67 percent (in
2008-09), average percentage for study periods is 20.43 percent and average growth rate is 3.66 percent only while in case of firm sector recovery percent increased from 46.18 percent (in 1999-00) to 64.93 percent (in 2008-09) average percentage was 56.17 percent and average growth rate was 18.75 percent.

- MRB earns income from interest accrued to the extent of 92.33 percent and miscellaneous income 7.67 percent respectively of total income earned. In case of interest earned, the highest income earned from interest on loans i.e. 56.23 percent and 60.93 percent of grant total and total interest earned respectively followed by SLR investment i.e. 18.63 percent and 20.18 percent of grant total and interest earned and minimum is non-SLR investment i.e. 17.44 percent of grand total and 18.89 percent of total interest earned.

- In expenditure of the bank, payment of employees’ salary is the highest expenditure among others at the average rate of Rs. 21,730.9 thousands followed by interest paid on deposit at the average of Rs. 15,969.6 thousands and the lowest is provision against standard assets at the average of Rs. 49.9 thousands.

- NPAs of the MRB are in the trend of increasing over the years from Rs. 37,800 thousands (in 1999-00) to Rs. 1,82,988 (in 2007-08) except in 2008-09 i.e. Rs. 1,46,473 thousands. Percentage of net NPAs to net advances is also very fluctuating but it reached to 38.10 percent in 2008-09.
• The productivity per staff of the bank increased as well as increased in productivity of the bank yet there is fluctuation in the annual growth rate reflecting inconsistency in the growth of productivity.

• The average spread and burden of the study period is Rs. 8,427.1 thousands and Rs. 27,093.6 thousands respectively. It is also found that though there was fluctuation in both terms (spread and burden); burden is always more than the spread in every year. Hence, the working result of MRB became losses in all the years.

• The total number of MRB’s customer increased by six times and decreased three times. The highest increased in total number of customers (borrowers and depositors) was 18,581 customers in 2008-09.

• In agriculture and allied activities, it is found that increased in the loan amount as well as increased in number of accounts too, which indicate the bank has provided credit facilities to the needy persons more and more for their economic development and their standard of living. Loan amounts per account also have a trend of increasing from Rs. 6.92 (in 1999-00) to Rs. 20.04 (in 2007-08) continuously that shows the bank has provided a large amount of loans to farmers. Agriculture and allied activities labourers got employment and generated income even after the harvesting from allied activities in slack season. Thus, rural people gradually developed their economic condition and standard of living, due to the constant encouragement given by the bank.
In case of non-target groups, it is found that the first five years (1999-00 to 2003-04) increased in both loan amounts and number of accounts i.e. Rs. 11,462 thousands to Rs. 62,813 thousands and 743 number of accounts to 1971 number of accounts respectively. But the following five years (2004-05 to 2008-09) found the decreased in both loan amounts and the number of accounts i.e. Rs. 59,383 thousands to Rs. 50,513 thousands and 1772 accounts to 1,170 accounts. However, in case of amount per account during the reference periods were trend of increasing over the years from Rs. 15.43 thousands (in 1999-00) to Rs. 43.17 thousands (in 2008-09) continuously except in the year 2005-06 (Rs. 31.83). It clearly proves that the bank provided loans to those people who have regular repayment habits.

- The volume of loans and advances to priority sectors is coming up over the years from Rs. 8.28 thousands per account (in 1999-00) to Rs. 53.52 thousands per account (in 2007-08) except in the year 2008-09 i.e. Rs. 43.21 thousands per accounts. It is further found that the number of beneficiaries and the loan amount to this sector is increasing in most of the years. Therefore, it is clearly an indicator that MRB provided loans and advances sufficiently to these sectors.

- The loan amounts provided under the IRDP or SGSY is trend of decreasing from Rs. 21,715 thousands (in 1999-00) to Rs. 21,016 thousands (in 2006-07) and same thing had happened in number of accounts i.e. from 5,160 accounts (in 1999-00) to 4851 accounts (in 2006-
07) except in the year 2004-05 i.e. 4,882 accounts. But the loan amount per account is almost at Rs. 4 thousands during the reference periods. It means that the bank had not provided more amounts through this scheme. From the year 2007-08, MRB has not taken any Government sponsored schemes because the bank had faced many problems like difficulties in identification of right borrowers, fake documents submission, difficult whole granting loans to borrowers, recovery problems and law and order problems etc.

- MRB has disbursed loans and advances to S/C, S/T, OBC and minorities groups for their socio-economic development. Under the annual action plan, it has found that the amount per account was fluctuating but it reduced from Rs.27.14 thousands in 1999-00 to Rs. 9.55 thousands in 2008-09. The same is happened in Minorities too, the amount per account reduced from Rs. 27.14 thousands to Rs. 9.45 thousands in 2008-09.

- In case of district wise deposit mobilisation and credit deployment, Imphal west district has dominated over other districts having 54.77 average percentage of deposit mobilisation and 45.55 average percentage of credit deployment. Chandel district is the lowest in both the cases, average percentage of deposit mobilisation and credit deployment of this district were .002 and 0.16 respectively.

- The role of Information Technology and Communication (ITC) is very important in banking activities, but it is very dishearten to note that there was even not a single employee who passed or specialised in modern
graduation or diploma in ITC. Therefore, the researcher has lamented that there were a lot of problems to record bank transactions and other activities. Most of the employees are untrained and unskilled to use and handle computers. There is also lack of ITC infrastructure and computer facilities in the bank during the study period. Some branches have not been provided computer during the study period however they would be facilitated in short span of time, as MRB introduced CBS in 2010. Above all, there are no any other instruments (Lane line) to communicate between head office and branches except employees’ personal mobile phone.

7.2.2 Primary Data (Field Survey):

- In case of average annual income improvement level of beneficiaries differentiated by district, Imphal West is the highest (12,942 ± 26202) followed by Imphal East (12,484 ± 17,589) and the lowest one (Rs. 10,999 ± 23,144) was observed in Thoubal district.

- The average annual income improvement after receiving the bank loan differentiated by different six sectors, the highest income is the business sector which is followed by agriculture and allied activities, SSIs, and the lowest in HBL and CCI sectors.

- A highly significant difference in the average annual income level of beneficiaries is found in both cases of pre and post loan by the five different amount of loan categories (F=15.43, P<0.01 and F=19.96, P<0.01). The overall improvement in the beneficiaries’ annual income (Rs.
12,252 \pm 21,411 \text{ with } 95\% \text{CI}:9,452-15,052), the maximum income improvement was observed to be Rs. 51,734 \pm 67,566 corresponding to the loan amount of rupees four lakhs and above. But, after applying Post-Hoc test for multiple comparisons, it was found that after getting loan similar significant pattern could be noted in the family income improvement of the beneficiaries.

- The average annual income improvement after availing loans is highly influence by the educational achievement of the beneficiaries ($F=8.374$, $p<0.01$). The highest income is in graduate and above standard (Rs. $1,77,319 \pm 1,18,249$ with $95\% \text{CI}:1,50,113-2,04,526$) and the lowest income in illiterate beneficiaries (Rs. $79,366 \pm 58,296$ with $95\% \text{CI}:53,518-1,05,214$).

- The annual incomes of beneficiaries in all distribution are not significant due to religion but visibly higher in the beneficiaries’ income improvement of Hindu religion (Rs. 13,218) than others.

- The average annual income of both married and unmarried beneficiaries were insignificant in all the stages that is pre and post loan, and income improvement but the level of married beneficiaries’ average annual income improvement is visibly higher (Rs.12,347 with $95\% \text{CI}:9,362-15,333$) than that of unmarried/widow beneficiaries (Rs. 10,910 with $95\% \text{CI}:6,310-15,510$).

- In case of type of family, the higher income level is observed for joint family both in pre-loan (Rs.1,35,610 \pm 78,706 with $95\% \text{CI}:1,17,746-$
1,53,474) and post-loan (Rs. 1,45,908 ± 82,001 with 95% CI: 1,27,296-1,64,520). In contradict with the higher income improvement level was found in nuclear family.

- Income level of beneficiaries on age categories in pre-loan there were highly significance in average income of beneficiaries (F = 3.934, P < 0.01) and statistically significance in post-loan (F = 3.35, P < 0.05) but there were no significance in the average annual income improvement of the beneficiaries (F = 0.415, P > 0.05).

- In case of number of family member, the average annual income improvement of beneficiaries is statistically significant (F = 2.606, P < 0.05) and it is fluctuating while the average annual income improvement is Rs. 12,252 ± 21,412. The maximum and the lowest average annual income improvement of beneficiaries are found as Rs. 17,768 ± 30663 and Rs. 5,407 ± 11088 in the family of 3 to 4 and 9 and above respectively.

- The average annual income improvement level of beneficiaries depending on dependent family members is not significant (F = 1.631, P > 0.05) and the highest and lowest average annual income improvement is Rs. 14,467 ± 35,439 and Rs. 6,536 ± 16,095 in the dependent family member of below 2 and 5 and above respectively.

- Out of 227 beneficiaries, 75 beneficiaries treated MRB as a poor men’s bank, 78 beneficiaries denied poor men’s bank concept and 74 beneficiaries were no response.
• It is found that out of 227 beneficiaries, 201 beneficiaries require credit more due to poor quantum of loan amounts sanctioned by the MRB to their project, 21 beneficiaries no required more credit for the projects and remaining 5 beneficiaries did not give any response.

• The researcher study found that 35 respondents were facing problems of loan taken, 182 respondents did not face any problems and 10 respondents were not giving any response.

• Further the researcher found that out of 227 beneficiaries 3 beneficiaries did bribe to get loan amounts, 219 beneficiaries took loan in normal process and there were no response to the tune of 5 beneficiaries.

• Out of 227 respondents, 46 respondents are using loan amounts in different sectors i.e. not for the specific propose for which the amount was sanctioned, 181 respondents were using loan amounts for the purpose or according to their project.

• It is very true that 42 beneficiaries were asked to give some percentage out of loan amounts by middlemen before the sanctioning of loan amount, 179 beneficiaries were not asked about bribe and 6 beneficiaries were no response.

• It has also found from the study that 149 beneficiaries could not repay loan installment in time due to urgent family requirements (marriage and other ceremonies, illness and death of family members, educational expenses), not produce more product, fund diverted, irregularity of Government employees’ salary, could not earn profit (due to band, blocked, curfew
etc.), due to bird flu in the state, natural calamity, a lot of unnecessary expenses incurred when loan taken, lack of profit due to changing market place, careless, law and order problems and due to goods thief and debts could not be recovered. Only 74 beneficiaries made repayment in time and 4 beneficiaries were unanswered.

- In case of SBL loanees due to inadequate credit received from MRB, they again took loans from daily collection private banks and money lenders timely therefore, they have made repayment for the daily collection private banks naturally, they have neglected MRB repayment because MRB’s officials never come to the market place for their recovery, loaness also felt careless for repayment of the bank. Hence, it is high time to make regular visit by the bank officials to the beneficiaries for their outstanding amount recovery.

- NGOs and middlemen took their percentage out of loan sanctioned from the maximum number of the beneficiaries. On the other hand, at the time of recovery they used force and rough words to borrowers to avail recovery percentage from the bank that is the main reason for distance or uncongenial relationship between the bank and borrowers.

- The main causes of the accumulation of the amount of NPAs of the MRB were due to the poor repayment ethics of borrowers, constrain of bank manpower, over and under finance, fund diversion by borrowers, due to inference by the middlemen, lack of frequency of recovery camp, inactive of recovery agents, absence of stiff penalties to the wilful defaulters,
wrong selection of borrowers and projects, improper quality of lending terms, lack of monitoring and supervision pre and post loans, fake documents or not properly checked documents before loan sanctioned, lack of proper follow-up, lack of integrity among the banks official and law and order problems in this state.

• MRB is not in a position to earn profit until now. The main reasons are, at the initial stage the main objectives of RRB was to meet rural growing demand of credit and teaching banking habit to the rural poor people whether they might earn profit or not however, it did not mean not to earn profit, opened branches in remote and unbanked areas under the RBI instruction, high management expenditures, low volume of business, losses incurred due to Government Sponsored Scheme (IRDP), increase in NPAs, lack of proper follow up, wrong information about loan waive out by the politicians not in full but partly in particular sector and period of loan taken, lack of State Government support, no core banking solution facility before 2010, lack of recovery and law and order problems.

• MRB can not get the expected levels of support from stake holders except Central Government. State Government did not deposit any funds to this bank, due to lack of motivation and not proper administrative help from the sponsored bank.

• Due to deteriorating law and order problems in this state, the bank has been facing a lot of hindrances in the regular functioning of the bank. Some branches remained closed even two consecutives days which caused
inconvenience to customers. After the transaction hour is over (up to 2 p.m.) most of the branches were bolted the door and bank staffs were working inside the bank as there were no armed guard security.

• One leader of JLG took her relatives photos and did fake signature instead of them and majority of loan amount taken. In such case, the motto of financial inclusion could not be achieved effectively. In another case, the members of JLG handed over their repayment to their group leader however instead of making repayment in the bank he utilised repayment amounts for his personal purpose.

• In a farmers’ club, there were 125 members formed by MRB. The bank promised them that they would be provided loan in phase-wise manner. In the first phase 25 members were granted loans by the bank after that no loans provided to the remaining members which was the reasons for not proper functioning the farmers’ club. It also affected recovery performance of the bank.

• The researcher has also found that there is no raise in terms of economic conditions and the standard of living in case of the HBL and CCL loanee. Since, they are belongs to the government salary groups they used to pay their monthly repayment on time but it also happens that due to irregularity in their monthly salary they could not pay the loan installment amount in time in such case, the bank charges compound interest on them this is the fact disclosed by the borrowers.
7.3 Recommendations:

On the basis of the foregoing findings and from the field survey the following recommendations are offered for formulating a smooth rural banking policy (RRBs), to improve the performance of MRB and its branches.

7.3.1 Branch of MRB:

- As per RBI guideline, RRBs have to earn profits. Therefore, before opening new branches, the MRB concerned officer should survey the particular area very carefully and branches should open in the suitable areas as the case may be. This aspect should be verified by an officer of “Research and Development Department” of bank. Instead of closing branches, they should try to shift to the potential areas where bank could run smoothly without any hindrance. Therefore, it is recommended that RRBs may be allowed to shift its branches without referring to any authority except RBI.

- Performance target at branch level should be strictly adhered to and manager’s career enhancement should be linked with their qualification and past performance.

- The respective bank branches should be opened in time i.e. exactly at office hour and as far as practicable even after transaction hour is over and try to dealt with customers satisfaction according to the situation and condition in both parties for convenience of customers and bank employees as most of the rural poor customer were the labourers as
sometimes they are not in a position to come during the transaction hour to the bank. Hence, the researcher recommends for healthy atmosphere in the bank.

- Branch employees need to take up awareness programme from the grass root level about the banking activities, Government sponsored scheme, advantages of CBS, formation of Farmers’ Club, SHGs and JLGs etc. The bank should take step for financial literacy to the rural poor masses. As a rural bank, facilities of motorcycle for each branch should be made available or adequate conveyance allowance should be given to the respective concerned officer for this purpose.

- It is high time to open counseling centre to each and every branches to advice the beneficiaries so that they (beneficiaries) can learn about the project and other related credit facilities in order to understand themselves the loaning procedures and timely repayment schedule.

- Due to present bad law and order situation in the state there is urgent need to ensure a safety and congenial working atmosphere to each and every branch in the state.

**7.3.2 Deposit Mobilisation:**

- To improve the deposit mobilisation and to create banking habit among the people, the bank should conduct awareness programmes from time to time in circle headquarters and at villages. This will popularize the different schemes of the bank and thereby attract new customers. Moreover, the bank has to renovate and modernize their offices to
provide easy procedures, prompt and efficient services to the customer, personalised behaviour of staff to attract the rural savings. The rural deposits would definitely be attracted towards MRB.

- MRB is facing competition with post offices, co-operative banks, commercial banks and Non-Banking Financial Companies (NBFC). One of the reasons of attraction of these institutions is their good rate of return. MRB should also provide good rate of return on their deposits. In order to avoid competition with commercial banks in terms of deposit mobilisation, MRB should convince the rural masses and show their superiority over the commercial banks.

- The deposit mobilisation of MRB will increase if the Government of Manipur release the funds in time and improves the law and order situation in the state. Hence, the researcher is of the opinion that the relevant funds should be released in time to increase deposits.

7.3.3 Advances:

- Loans should not be sanctioned on political ground or under any pressure, because these types of loans affect adversely the viability of the bank. The loans and advances should be sanctioned only on sound banking principles. Therefore, a clear cut picture should be placed before the rural public as it is the public that can raise their hands against them.

- The amount of loan granted and disbursed to the borrowers is inadequate (replied by 210 beneficiaries out of 227 beneficiaries) and
mostly not in time. The investment scale as well as loan amounts should be commensurate to the expected amount of the projects so that beneficiaries could run successfully for their projects which they have approved. In brief, adequate credit must be provided to the loanees according to their detailed project report.

- MRB must maintain as far as practicable both quality and quantity of loans and advances. Quality of loans is very much essential in order to have speed increase recovery performance. On the other hand, quantity of loans is also necessary to meet the growing demand of credit by rural poor people. Hence, the researcher feels that MRB should have a policy for such cases.

7.3.4 Recovery:

- Regular pre-lending appraisal system and post-lending supervision should be strengthened for the repayment capability of the borrowers by the bank employee and employer very carefully. MRB should understand the attitude and psychology of the villagers and dealt with them accordingly. With this view, they should be visit to the beneficiaries periodically and frequently. During the visit, the bank staff should have a good dialogue with the beneficiary in order to have a good intention of them to repay the loan amount in time.

- Monitoring and supervision of the borrowers after disbursing of loan is urgently needed for each branch of MRB in the state, to prove effective in bank recovery performance. Therefore, the bank should properly
arrange staff members and maintain efficient monitoring and supervision of the projects. In this context the branches’ managers should organise borrowers’ awareness camps, and due emphasis be given to the rural people for making repayment habits on time.

- A recovery plan should be prepared in advance and budget should be provided for this purpose. A particular arrangement must be made for repayment of loans on a daily basis rather than monthly or quarterly or annually for rural poor people like rickshaw pullers, bullock carts owner, women vendors and other small traders who can not save their income for a month or more. Reminders should also be sent to the borrower from time to time. Field visits should be made during the peak time of the crops. This will be helpful to chalk out proper plan for recovery. A recovery team may be constituted for this purpose. This team should inform the beneficiary about terms and conditions of loans given to them as most of the beneficiaries assumed that loans granted to them by MRB need not be repaid.

- There is a need of modification in pattern of repayment of crop loans. MRB generally scheduled repayment immediately after the harvesting of their crops. In such cases, farmers are compelled to sell their products at lower price. They should be given enough time for selling their products so that they can generate income.

- As far as possible the MRB should introduced “one time compromise settlement scheme” for all loan account holders in order to improve
their recovery performance. Therefore, the researcher has recommends to the concerned authority to do such scheme by compromising their dues so that the MRB could reduce the volume of NPAs.

- In case of wilful defaulters, bank must flash their photos and warn them through the local newspaper, other print and electronic media, and ISTV (Information and Satellite Television Network) to repay loan amounts, if there is no response within the stipulated time, stern action must be taken up with the help of legal authority. Such type of activity will give beneficial to other financial institutions operating in this state.

Therefore, the researcher has suggested that there should be a good cooperation and co-ordination among different financial institutions working in the same area of operation to ensure that wilful defaulters are not being entertained by them.

- To improve recovery performance, the state government and the local authorities should assist MRB. The borrowers should be asked to repay their outstanding loan amounts in time. For this purpose, meetings with the villagers or borrowers may be organised. Hence, the researcher has suggested obtaining no due certificate from the other financial instructions before obtaining loans from the MRB.

- Bank must categorise the type of beneficiaries. According to the type of beneficiaries, bank should make preplan for recovery loan amounts. Most of the loanees of SSIs and SBL have taken loan from NGOs, money lenders, private bank and commercial banks etc. The two
financial agencies (private banks and money lenders) have done daily collection (principle with interest) from the loanees at minimum amounts. The borrowers generally make repayment for them and neglected for the MRB loan amounts. Therefore, such type of loaness need to be collected daily loan amounts by the MRB else bank recovery performance would be reduced in future and becomes accumulated losses.

7.3.5 NPAs:

- Credit appraisal should properly be taken care of to avoid incidence of NPA. In each branch at least one trained staff should be there for this job. In this regard, the branches should go for rating the borrowers on a scientific basis rather than sanctioning loan on the need basis of the borrower. It is recommended that the bank should open a recovery cell to reduce the volume of NPAs.

- Sincerity is the most important to become step forwards in both sides (bank employees and borrowers). On the other words, loan should be granted and sanctioned sincerely based on through proper channel and repayment ethics of the rural masses must be in a good way.

- The bank must keep close contact and try to develop a cordial relationship with the Government agencies like the Block Development Officers; Village Level Workers etc. in order to bring a good environment will help to control NPAs.
- SWOT(s-strengths, w-weakness, o-opportunities, and t-threats) analysis of current NPAs as well as irregular account holders must be done and an action plan should also be drawn up by each Branch Manager for the upgradation of assets and maintenance of the existing standard assets in order to save from the degradation.

- The level of NPAs can be reduced by the following techniques or efforts like pre-inspection before sanctioning loans and counseling after loans sanctioned, selection of right borrower for the project, proper and regular follow up, adequate credit and timely disbursement of loans amounts, maintain quality of lending, discussion with borrower for making repayment and shortfall of their income, further requirement of credit or not, determine cause of the failure of the income generation, revival plan for sick unit, State Government machinery must help at the time of natural calamity, increase recovery camp frequency, one time compromise settlement scheme, frequently of different types of pressure, sending of legal notice, special recovery drive for NPAs, making recovery team at the head office and Recovery Act must be passed at State Assembly.

7.3.6 Profit:

- Profit is required to meet their day-to-day expenses. Reduction in transaction cost as well as bad debts minimisation, reduction in undesirable expenses such as travelling expenses, rent, stationery, postage, electricity etc. should be put a prime importance by the
employees of the MRB. All these can be done only through proper planning and effective management.

- MRB should also take steps to increase their non-interest income by way of collection of cheques, bills, giving guarantees, locker facility, and service charges on deposits etc. Bank should allow providing demand draft facility at national level.

- Various micro levels planning such as formation of SHGs, JLGs, Farmers’ Club and Village adoption is required to improve profitability. Branch manager should be the sole responsible for branch level planning and he should make plan after due consideration of all important features of its area of operation.

### 7.3.7 Viability:

- New attractive and innovative schemes should be introduced according to the requirements of different types of deposits in rural areas, such as “Daily Collection Scheme” to encourage tiny savings in MRB operating in their villages.

- There is a mis-understanding amongst the villagers about the status of MRB. They (75 beneficiaries out of 227 beneficiaries) think that the MRB is “small men’s bank” and have been established for advancing only and not for deposits. There is a need to educate rural masses about the role and function of MRB. The MRB should try to make the rural masses understand the status of the bank. MRB should also take steps to motivate the richer section of rural masses for deposit mobilisation.
and erase the stigma of “small men’s bank”. MRB has to inform them advantages of core banking solution.

- The State Government should instruct all of its departments functioning in rural areas to keep their funds with the RRBs. In this regard chairman of RRBs should convince concerned officers of government departments. This will help in image building in the long run.

- Identification of borrowers should be based upon survey by the team consisting of the bank officials, representatives of block development offices and weaker sections. Proper co-ordination with the Government is essential for identification of borrowers.

- MRB should adopt new techniques of marketing for their services such as, identification of consumers’ need, formulation of marketing policy for the specific area, planning and organising according to policy, advertising and publicity, cost estimation and evaluation etc.

- For the viability of MRB, it requires support from the stake holders particularly State Government and sponsored bank, qualified and able top executive, need to go CBS platform, need to recruit employees in time sincerely, the existing employees need honesty, devotedly and effectively in their duties, warm reception of customers, need to improve infrastructure technically, increase the business volume, try to reduce unnecessary expenditures both in head office and branch level,
need to maintain quality of lending, recovery of NPAs accounts and
need to improve recovery performance etc.

7.4 Information Technology and Communication:

- Information Technology and communication (ITC) in banking sector:
  Computer based banking system can help the bank management, if
  used properly to solve some of the inherent problems. It will also give
  advantages in getting required information to take proper decision like,
  credit management, maintaining accounts properly, recovery
  management of loan accounts and NPAs management etc.

- Use of computer should also be introduced in all branches for
  maintaining computerised accounting system, safety and early retrieval
  of information and for proper networking among them. However, their
  appropriateness and cost-effectiveness thereof has to be considered by
  MRB.

7.5 Stake Holders:

- State Government should form ‘District Development Plan’ for each
  district, strengthening ‘Self Help Promoting Institution (SHPI)’ and
  their duties smoothly for development of the economic condition of the
  people.

- Sometimes, Government writes off the loan amounts to take political
  advantages which affect adversely the recovery climate of the banks.
  Borrowers of sound financial position having repayment capacity also
tend to delay the installment. In such a situation, MRB should educate
the people about the causes of writing off the loans in certain genuine cases. Instead of write off loan amounts, Central Government should release fund from the natural calamity funds to provide financial assistance to the real affected borrowers by natural calamity.

- As per Thorat Committee Report, MRB need to recruit new staffs. The manpower recruitment of MRB must also undergo a change due to growth in business, computerisation, ITC and other developments. The existing employees of the bank must be arranged for ITC training and it is also found that there are two employees only from the commerce stream and no one from ITC stream therefore; new recruitment should be made especially for ITC and commerce stream for accountant and cashier.

- State Government ought to keep its funds to MRB as a stake holder. At least, rural development funds must be deposited into this bank by the State Government as MRB is established for the rural poor people or rural development. Once upon a time, Tripura Grameen Bank made losses however with the help of Tripura Government; it could earn profit which indicates that the Government kept its funds to this bank. Now Tripura Grameen Bank is the top among the RRBs of North-Eastern states.

- Sponsor bank (UBI) of MRB should purpose a qualified, good character, sincerity officer among them to elect as a chairperson of this
bank to the Central Government. A well qualified and good chairman is very much essential for viability of MRB.

7.6 Overall Development:

- From the field survey, it has found that Imphal West district is the highest average annual income improvement level of beneficiaries and the lowest one is observed in Thoubal district. To reduce regional disparity and rural-urban migration, MRB should see the effective of loan amount sanctioned to the rural poor public if any mistake found (like misutilisation of loan amount, wrongly taken up project, diversion of loan amount and using loan amount for family emergencies etc.) corrective measures should be taken immediately.

- MRB should not provide loans and advances to HBL and CCL sectors because in these sectors loans could not give their economic improvement in particular and standard of living in general to those beneficiaries who availed such facilities. Therefore, there is high need to frame certain norms to facilitate their economic improvement.

- After availing bank credit, the average annual income improvement of beneficiaries is the maximum in graduate and above standard, and the lowest income is in illiterate beneficiaries group. Bank officials may advice illiterate beneficiaries to take advice of concerned officer or from the long experience locality person of the project as a result they can run their project successfully and ultimately they might earn profit more. On the other hand, they are provided loans and credit under the
KCC and inadequate credit mostly. Therefore, Central Government need to increase investment scale and MRB should also sanction loan amount in time for them.

- In case of married and unmarried or widow beneficiaries, married beneficiaries shows better performance than unmarried or widow beneficiaries in all stages (before, after and income level improvement). Unmarried or Widow beneficiaries need to improve their work culture so that they can earn more profits.

- Work base on sincerity: Sincerity is also one of the very much essential factors to become a developed society. Both borrowers and bank employees need to do their duties sincerely. It means that borrowers must not do any bribe (3 beneficiaries out of 227) to get any loan, should try to utilise loan amount for the purpose for the loan was sanctioned only and must have repayment habit. On the other hand, bank employee must disburse the loan in time, if they fulfill all criteria of applicants’ application and not to ask the applicants to meet middlemen. Employees of MRB need to perform their duties actively, sincerely, devotedly and effectively to obtain the main objective of setting up of MRB. It is very must essential in the present situation of Manipur else establishment of MRB’s objectives hardly attained by the rural people.

- The bank should take appropriate action with regards to the employment of adequate and efficient staff in the branches. The Board
of Directors in consultation with the sponsoring bank should be permitted to undertake fresh recruitment of the staff as per the emergent need of the bank.

- RRBs should take steps to remove the evil practice of mediators or middlemen who bring the borrower to the bank and share the loans granted. For this purpose, the process of loaning should be made easy and convenient. Personal contacts by the bank staff with villagers would be helpful in the removal of these mediators.

- Central Government, State Government and other NGOs need to solve the law and order problems of the state Manipur otherwise it will affects adversely in the development process of the state and then pace of development will be slow down.

- Bank should employ technical staff to guide the borrowers properly after sanctioning of loan amounts so as to ensure proper utilisation of the loan amount. A meeting of the borrowers should be arranged regularly to discuss the progress and problems faced by the borrowers.

- The SARFAESI Act, 2002 came into force with effect from 31st June 2002. It enables the public sector banks to recover their dues from wilful defaulters’ borrowers without intervention of courts, thereby avoiding prolonged legal battle. It also enables the banks to take ownership of or sell or lease the assets financed by them after giving the errand borrowers a period of 60 days notice. However, RRBs in
India, as well as in Manipur are yet to enforce this act in recovering their long dues.

- To become overall improvement in the MRB’s activities, it requires State Government in term of deposit and sponsored bank support, arm guard securities, strengthening manpower or staff, punctuality of staff members, sincerity, sacrifice and courtesy to the customers, proper selection of borrowers and viability schemes, inspection of the unit in pre and post loans sectioned, hassle free service to customer, state government machinery and Ministerial view about MRB no influence of any others, increase advertise and group discussion about MRB must be telecast on Radio, T.V. and other print media, advances should be provided to the right person of the project, better deposit schemes should be introduced, technical upgradation, training of the staffs, workshop at the grass root level between bank employees and borrowers and infrastructure at par with commercial bank and need CBS.

- Bank branches’ employees should keep the record of transaction about the important parameters like deposit mobilisation, disbursement of loans, C.D. Ratio, recovery performance, NPAs, Profits or Losses, incomes and expenditures etc. Again, they have to record the beneficiaries’ profile or biodata properly with genuine documents.
Extra activities for rural development:

- MRB must try hard to form SHGs in each and every village of the Manipur state. The bank should continue its focus in providing credit and other financial assistance to the rural poor and women, using new effective methodologies such as finance to Self-Help Groups (SHGs) and cooperative ventures etc.

- MRB should prefer advancing to Self Help Groups (SHGs). It will decrease transaction cost and recovery cost. The bank should provide loan to SHGs which will then disburse it amongst the members. Branch manager should pay special attention regarding formation and training of these types of groups.

- When provided loans to Farmers’ Club, SHGs and JLGs, the loans amount must be handed over to each and every members after verifying their signature on loan application form in order to avoid their leader hands. Bank should arrange or give advantages to all members to make repayment to the bank only not to their leadership. This system will reduce the problem of repayment among the members and bank recovery problem too.

- When forming SHGs, JLGs and Farmers’ Club, and providing loans amount, bank should never used NGOs or any third parties. They took commission or percentage from beneficiaries which would affect the recovery performance of the bank. Since it is general phenomena that they use to get their loan amounts lesser than that of what actually they
suppose to get as they have to give certain commission to them and also incurred unexpected expenditure, that ultimately resulted not to run their project successfully and ultimately, they did feel not to make repayment of their outstanding dues.

7.8 Dos and don’ts for common people:

7.8.1 Dos:

- Before taking bank loan, rural poor people must decide to take up right project which can give beneficial to them and think for repayment. They should always try to keep close contact with bank officials and may held discussion if they have any problems even shortage of credit.

- Rural people must have basic knowledge about the loan which they intended to take for this purpose, meet the concern bank official and should take advice.

7.8.2 Don’ts:

- If anybody feels to apply loan from any financial institutions, don’t take loan with the help of third parties or NGOs or middlemen due to their or his or her commission out of loan disbursed.

- Loan amounts is not gift from the bank, therefore, beneficiaries must utilise the loan amount for the intended purpose or project for which they have taken loan.

- Loan amounts should not be diverted for any other purposes like family emergencies and for the repayment of other loan. The repayment should be made to the bank only for that specific purpose.
• Due attention must be taken care of about the genuine applicants in order to avoid the unidentified applicants easily as most of the cases such persons indulges to sign blindly on their application form and photos.

Suggested Study:

• The researcher suggests for the future study that there should be a competitive study between, i) the role of MRB for rural development in Manipur state and any one of the commercial banks or cooperative banks operating in this state and ii) the impact on Banks function in the valley and Hill districts of the Manipur state.

Since inception, MRB has been taking lion share to eradicate rural unemployment problems in this state. Bank has provided loans and advances to all those areas where gainful employment opportunities are more. Deposit mobilisation and amount of loans have also increased year after year which shows awareness of banking. MRB has provided large amount of loans to agriculture and allied activities, small scale industries and rural artisans, retail trade and service sectors including SRTOs, house building loans, S/C and S/T, minorities, S/F, M/F and A/L and other productive activities that really are helpful in removing of under-employment and disguised unemployment.

MRB is not only providing loans and advances but also taking formation of Self-Help Groups (SHGs), Join Liability Groups (JLGs), Farmers’ Club and village adoption etc. Bank has been giving awareness programme to them and providing loans and advances to them after opening their account to the bank.
Thus unemployed rural people got themselves employment with the help of bank loan. In such a way, MRB is playing prominent role in eradication of this unemployment problems and socio-economic problems which is definitely a good effort of bank. But, due to lack of State Government support in term of deposits, law and order problems, lack of repayment ethics of borrowers, irregularity of power supply, lack of manpower, lack of infrastructure, and lack of skill employees to utilise ITC for CBS, MRB can not achieve the desire level of satisfaction for rural development. In this era of Globalisation, Privatisation and Liberalisation, competition is very keen in every ways therefore; MRB’s employees ought to do their duties transparently on the basis of sincerity, devotedly and effectively so that this bank can bring a role model for rural development which can compete with other commercial banks or foreign banks. After analysing the role and performance of MRB for rural development from the view point of both bank officials and beneficiaries, the researcher felt that with the shine of India “Vision 2020” this industrially and economically backwards state may turn into a develop state in all respects.