CHAPTER IX

CONCLUSION : FINDINGS AND SUGGESTIONS

India lives in villages and nearly 5.73 lakh villages are in our country, which are the back bone of our economy. As per the 1991 Census India's population is 84.7 crores, of which 62.9 crore are rural. Seventy five per cent of the people are living still in villages. As such rural development of the country is essential i.e., Agriculture, rural industries, rural artisans, rural unemployeds, infra-structure in rural areas (rural roads, means of transport and communication, water and power supply) etc., should be well developed for the uplift of our villages. Till our villages are not well developed and the lot of seventy five per cent population living there is not ameliorated, India is bound to remain a poor country. Because agriculture and the villages have been the symbol of backwardness and image of rural economy is not all that green as it should have been. It is gray and dark. The problems of rural economy are vast and varied. There are many problems that the Agricultural sector has to face and in the root of all the problems there is finance. Poverty in rural India is the basic phenomenon. Millions of people in rural India live in acute misery and Uttar poverty. The income and consumption of rural masses is miserably low, lower than the minimum requirement of physical subsistence for healthy living.
Where needs of life i.e. food, clothing and shelter are denied and absolute poverty of Indian masses living in villages is consistent that no statistical record is necessary to convince any one for the rural poverty. Poverty in an absolute term is well proved by the simple fact that people living below poverty line in India constitute half of the total world poors.

India is predominantly an agricultural country. Truly speaking rural character of India is so dominant a fact that almost all the activities of Indian people bear its stamp. The entire economy depends on it. Agriculture and allied activities is the testimony of rural development. So, there can be no national development without development of the rural areas. It is necessary to develop its rural sector in a proper way.

After independence, this has been the accepted theory of Indian economic development that rural development is the pre-condition for economic upliftment of the country. Rural development and reconstruction have been given top priority in the economic planning and programme. This has also been accepted that rural development can be possible only through rural credit.

After the independence, the union Government took charge of the overall development of the rural economy. For this purpose, it has created many institutions, including commercial banks for helping the villages. For instance,
Food Corporation of India buys food-grains and pulses directly from the farmers. The minimum rates of procurement are prescribed by the government every year. A large number of branches of commercial banks and rural banks have been opened up in rural areas for providing financial assistance to rural masses at reasonable rates of interest.

The Indian agriculturists are backward inspite of the significant progress made during the last fifty years. The causes of such backwardness are (i) inadequate facilities of credit to farmers at proper time and in proper way and (ii) natural calamities such as drought, floods etc. Now, it is very much clear through various studies that credit is essentially needed for the development of agriculture which in turn increases the living standard of the farmers and the society as a whole, as the farmers form the 70 per cent of the total population of the country. The credit is required for the purposes such as purchase of seeds, fertilizers, animals, agricultural implements and to acquire new lands or to improve the existing lands of the farmers by irrigation, drainage, weeding, planting, payment of labour cost, payment of land revenue and inset the domestic burden of social and religious obligations. Thus it is essential for the development of agriculture that adequate credit is made available to farmers at reasonable rates of interest and at proper timings.
Banking is an aid to trade and the most potent lever of economic development. Banks are the sure Index of a nation’s economic development as development follows the Banks. With this view in mind the Banking network in the country has been widened. Since Nationalisation of commercial Banks, more and more Bank branches have been opened in either to un-banked areas or to villages. The policy of Reserve Bank of India has helped increase in the number of rural Banks. All commercial Banks have opened their Branches in the rural areas and the Regional Rural Banks have also come into existence.

Keeping in view the importance of banking in rural areas, Regional Rural Banks were established in India during the year 1975. The Banking system in India, before the establishment of RRBs in 1975 was considered inadequate to provide finance to the priority sector (i.e. Agricultural sector) and also there were inadequate facility to mobilise the deposits in rural areas. Co-operative Institutions and Commercial Banks did not pay reasonable attention to rural area. Hence, the idea of RRBs was cropped up.

Even after large expansion of institutional credit, credit from private sources continues to be important in rural areas. Becuase it is easily available and comparatively more capable of meeting the immediate needs of the farmers but it is, however, exploitative in nature. Such credit is used for unproductive purposes and carries a
very high rate of interest. The institutional credit, on the other hand, is cheap and is usually used for productive purposes. As such, expansion of institutional credit on a large scale is imperative. No doubt, there has been an enormous expansion of institutional credit and Regional Rural Banks have especially tried to meet the credit needs of the farmers at their door steps in the rural areas, yet, the need is to make the procedure of advancement of loans simple and the working of the institutional credit agencies efficient, so that farmers and the rural poor people are able to meet their credit needs in time and they are not forced to go to the exploitative grips of money lenders and other private credit agencies.

Inspite of the huge expansion and investment of the institutional credit agencies, they provide only about 10 to 11 per cent of the total rural credit. There is still a big credit gap between the demand and the supply of the credit. Due to this gap, the rural poor people have to depend upon the help of the rural elite of their credit needs. The existing credit agencies do not provide adequate financial assistance to their section of the society and at the same time they have not proved their suitability for the weaker section of the society, especially in the rural areas. As a result, the RRBs were established in October, 1975 to bridge-up the gap of the credit requirement of rural population and an Act relating to RRBs was implemented in February 1976.
The main considerations in the setting up of RRBs were that (i) in spite of the impressive progress of the rural branches of commercial banks, there is no hope of their spreading to all unbanked pockets even in the course of more than two decades (ii) commercial banks suffer from two deficiencies in relation to rural credit i.e., lack of rural background and high cost structure of operations. In many cases employees of commercial banks do not want to work in rural areas. Thus the intention of the government in promoting RRBs was to combine the better features of the two different systems viz., commercial banks and co-operatives, proving rural credit in the country, avoiding at the same time the disabilities that are inherent in them. The role of RRBs in comparison to other financial institutions has been satisfactory and the banks are moving towards their goal.

As far as the Agra Region is concerned, it comprises of six districts, namely, Agra, Aligarh, Etah, Ferozabad, Mainpuri and Mathura, with the Head Quarter in the district of Agra. The first RRB, in the Region was established on 20th May, 1980, according to the provision of RRBs Act 1976 vide notification No. F.1-17/79 RRB(l). The bank is called Kshetria Gramin Bank, Mainpuri and was sponsored by Uttar Pradesh Cooperative Bank Ltd., Lucknow. This being the first bank in the country which is sponsored by in the field of co-operatives by an Apex Bank. At present the bank
functions through its 69 branches of which 44 branches are in Mainpuri and remaining 25 are in Ferozabad. The second RRB in the Region was established on 22nd March, 1981 at Aligarh District as Aligarh Gramin Bank, Aligarh and was sponsored by Canara Bank. At present, the bank functions through its 91 branches in the district. The third RRB was established on 31st March, 1981, in Etah, as Etah Gramin Bank, Etah and was sponsored by Canara Bank. At present the bank functions, through its 58 branches in the district. The fourth RRB in the Region was established on 2nd December 1983, at Agra, named Jamuna Gramin Bank, Agra and was sponsored by Canara Bank. The Bank, at present, functions through its 46 branches, of which 3 branches are in the district of Ferozabad and remaining 43 are in Agra. Still there is no RRB in the districts of Ferozabad and Mathura, but Ferozabad district has 3 branches of J.G.B., Agra and 25 branches of K.K.G.B. Mainpuri has the total number of 73 RRBs branches.

The RRBs in the Region are engaged in providing credit and other facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs for matters connected therewith and incidental thereto. In recent years, another development in the loaning policy of the bank in the Region, has been the
growing emphasis on formation of integration scheme for exploiting natural resources in well defined areas, especially the scheme of minor irrigation and soil conservation. In addition the banks have also provided loans to finance the scheme of allied activities of agriculture such as storage, bullockcarts, Horse/Mule Carts, He Buffalo Carts, goat and sheep rearing, poultry farming, dairy, fisheries, etc.

The RRB has penetrated deeper into unbanked rural areas, mobilised rural deposits, extended extensive credit and there by created new schemes of employment for small and marginal farmers, rural artisans landless labour and petty businessman. As on 31 March 1996, 196 RRBs in the country with 14497 offices had mobilized deposits to the tune of ₹.1418790.32 lakhs from 38857716 depositors and provided credit to the tune of ₹.750502.54 lakhs to 12659365 borrowers.

With the reorganisation of policies and procedure the bank could expand their financial operations both in term of amount disbursed and coverage of the rural people. The banks have also provided loans for various development schemes and activities involved in the implementation of special programmes sponsored and supported by the government through NABARD and their respective sponsor Bank.

It is clear from the previous discussion that the RRBs of Agra Region have very successfully expanded their operational super-structure and have given advances for
different purposes and have also mobilised deposits. But the increasing amount of over-dues presents a gloomy picture of the entire financial operations of these banks. These banks have served more the upper income group of the society, due to economic, political, social and administrative reasons, whereas they were set up specially for promoting development of the weaker sections of the society. Therefore, in quantitative terms, i.e., expansion of their branches, total advances, total deposits mobilisation etc., the banks have shown a commendable progress. But in quality terms, they present a dark and desperate picture, as they have neither the motivation nor the efficiency to serve the weaker sections of the society. On account of the target orientedness of the programmes of RRBs, most of the objectives concerning the removal of poverty, have not been able to receive proper priority or attention. The RRBs, however, have made a break through in the rural areas in the field of institutional financing and have been able to break the monopoly of the private financing institutions upto some extent.

Although after the establishment of RRBs in Agra Region simultaneously with their growth in India they have made good progress in all fields and have contributed greatly in the development of rural areas in quantitative forms but they have to face several problems.
The most significant problem before RRBs in the Region is the recovery performance of loan which is far from satisfactory. It may be due to a number of reasons, such as, a good number of wilful defaults, failure of a large number of borrowers to generate adequate income to repay the loans as projects in many cases are not viable. Even if, projects are viable, they fail to generate adequate income because of reasons beyond their control such as, natural calamities, floods, draught, crop failure etc.

The most important problem before the RRBs in the Region has been the wrong selection and subsequent financing of beneficiaries, because the identification of the eligible beneficiaries is the starting point in the credit development process of the RRBs, as the RRBs are supposed to provide credit facility to the weaker section of the society. But there are many cases where the big landlords, having land in two villages furnish documents as small farmers showing a fraction of their land assets and avail the benefits of a small farmer.

A major portion of the loan sanctioned by RRBs is influenced by political leaders and newly born rural neo-capitalists and the loans are easily diverted towards the persons of their own choice who are in most of the cases, the upper income groups. Bank officials for their personal gains co-operate with them wilfully and as such the entire philosophy behind the establishment of RRBs has worked in
the reverse direction. As a result, development of the weaker sections through these banks and attainment of goal of social justice has remained a dream.

Another problem before RRBs is infrastructure facilities as they have to open their branches in those areas where facilities like, transport, post office and telegraph are not available. Along with that the absence of educational and medical facilities in those places, trained and able personnel having knowledge of regional languages are not available. Hence maintaining contact with villagers is quite difficult. Moreover, the personnel deputed from cities are not fully aware of the regional problems, they are not able to do justice with the needy villagers and most of the city based people do not want to go to villages.

Competition with other banks is also one of the problems of RRBs as under the programme for the improvement of banking facilities in the rural areas, the commercial banks are also operating through their branches in those areas. Consequently, as the operational cost of RRBs is higher, almost all the branches of RRBs, have yielded no profit between 1990-91 to 1996-97, except Aligarh Gramin Bank, Aligarh which yielded a profit of ₹1.87 crore in the year 1996-97.

The cumulative losses of all RRBs had registered a height of ₹2160.33 lakhs. This is really a very sorry
state of affairs. The following reasons have been attributed to the losses:

(i) Lower rate of interest on loans and higher rate of interest on deposits.

(ii) Shortage of Capital.

(iii) Limited banking services.

(iv) The large amount of credit to priority sector, the poorest among the poor.

(v) Low level of recovery.

(vi) High cost of servicing a large number of small accounts.

Lack of coordination among the employees is another problem as they do not have a favourable attitude towards the bank in which they are working. The reason being that the banks which were established for rural development and bringing the people above the poverty line, the personnel working there are themselves sliding below the poverty line. At present the personnel working in these banks are caught in the web of different pay scales, service conditions and facilities in different states.
As revealed from the information furnished by the employees through the questionnaire and personal discussions, the employees of RRBs in the region have the following problems:

(i) Disparity in salaries as compared to the employees in commercial banks.
(ii) Lack of residential facility together with basic facilities, such as Light and Water at the place of posting.
(iii) Lack of comfortable furniture at the branch office.
(iv) Posting distant from the native place.
(v) Lack of courtesy on the part of seniors.

The greatest irritant of the employees is the disparity of pay scales with those of Commercial Banks, which is a national problem. To quote an employee "when it comes to providing remunerations and perks at par with those of State Government employees, we are compared with Commercial Bank employees and when we attract the attention of our bosses to the pay scales applicable to them, we are matched with State Government employees."

The recruitment and selection of RRB staff (both officers and clerks) has now been entrusted fully to B.S.R.B. and RRBs have no involvement in the process.

Of late, the practice to recruit clerical staff from the every district(s) in which the RRB operates or from a
district in contiguity with the operating area has been dis-
continued and the selections are now made at the state
regional level. This would in the long run dilute the local-
feel-character of RRBs, particularly in backward districts,
from where the youth would hardly be able to compete with
those living in developed districts or cities.

Almost every RRB claims that Induction training,
on-job training and institutional training are imparted to
employees. Information furnished through questionnaires
revealed that the clerical staff had invariably undergone a
training course of 15 to 21 days duration, which is,
obviously, very short and inadequate.

Most of the trainees felt that the training
programme was tedious and tiring as it was only lecture-
based. Participants also felt that the course-contents
furnished them with routine job or RRBs but failed to enrich
their knowledge. The trainers well dull and bore.

One of the most important problems of K.K.G.B.
Mainpuri is that there is no branch of its sponsor bank in
the district i.e., U.P. Cooperative Bank Ltd., Lucknow.
Therefore, for any matter relating to finance, it has to go
to Agra, the nearest branch of the sponsor bank. This in
turn increases the operational cost and reduces the profit.
Suggestions:

Thus it is clear from the previous discussion that for the progress and proper functioning of the RRBs of Agra Region, the following steps should be taken to improve their efficiency in the rural areas.

These banks should provide adequate and timely credit with the maximum possible simple methods, at reasonable rates of interest. Consumption loan should also be made to check diversion of a large part of credit for productive purposes. Credit provided by the RRBs must be enough as to enable the rural artisans to be free from the clutches of ruthless money-lenders. A proper credit plan and co-ordination of efforts are required from other credit agencies.

Advance of loan is generally made on credit worthiness of the borrowers. It should be made according to the purpose and follow up actions must be taken in order to enable the borrowers to repay the loans. And the farmers should be given facility of repaying loan in instalments. Schemes for providing subsidies to rural artisans may also be formulated to upgrade production.

An expert committee should be set up to go into details of the problems faced by the farmers and to make recommendations for their solution. An easily accessible body may also be setup at local level to provide technical guidance, supervision and direction to farmers in matters
like use of tools, production, techniques and marketing mechanism.

These efforts may remove to a large extent many of the problems of the farmers and may lead to their prosperity. Yet there may be lack of intensiveness and motivation in the absence of a reasonable body which may ensure regular supply of inputs, finances and marketing facilities for the produce of the farmers. It will provide the benefits of large-scale operations on the one hand and check the wastage or credit on the other. It will also help the RRBs and the financial institutions in making advances and in taking follow up actions.

To streamline the lending operations of RRBs of the Region, following steps may be taken.

(i) In view of the economic backwardness and vast tracts of land under the districts, each district in the state/region should have one RRB., the "local limits within which the Regional Rural Bank shall operate" should not exceed one district. It is, therefore, necessary to incorporate separate RRBs by bifurcating the two-district RRBs and trifurcating the three-district-RRBs.

The Reserve Bank of India should make such a policy that in the rural areas where the RRB's branches are operating, other commercial banks should not be allowed to open their branches because the rural banks only play a good role in the development of rural areas.
(ii) The policy of the branches should be intensive financing in the areas of operation covering the maximum number of eligible borrowers. This will enable the branches to create an impact of their lending operations and contribute significantly in bridging the credit gaps in the areas.

(iii) By adopting area approach as against scattered lendings, the branches can cover maximum eligible borrowers. The branches should not go beyond their area of operation and should confine lending activities only to villages allotted or adopted by them.

(iv) For identification of the eligible borrower, the Manager/Field Supervisor should visit the place of the borrower to assess the technical feasibility and economic viability of the proposal. In the identification of borrower he is expected to act honestly.

(v) In the cases of all IRDP loans, a certificate to the effect that the beneficiary (with full address) identified, falls under the category of small and marginal farmer, agricultural labourer, rural artisan. They are eligible for subsidy from 25 per cent to 33.3 per cent under IRDP, and it should be given by the concerned Block Development Officer. Apart from this, his serial number in the IRDP register maintained at block office should be furnished clearly.

(vi) The farmers must be motivated and educated to realize the fact that repayment of loan is in their own interest as it will enable RRBs to provide more credit to
them. It will help to check the wilful default which is rampant today.

(vii) Attempts should be made to involve more and more people at the village level itself in identifying beneficiaries for advancing loan and in-follow-up actions in order to avoid pressure of local leaders who usually instigate farmers against the loan repayment.

(viii) For the recovery of loans, steps should be taken by adopting special recovery operations substantially with the coordination, cooperation and assistance of the NABARD and respective sponsor banks. Several loan recovery camps may be organised at village or panchayat level, soon after the harvesting i.e., during the period when farmers may be expected to have money for repaying the loans.

In order to streamline the recovery process, the researcher suggests the following important steps to be taken up on war footing by RRBs officials, which would definitely improve the functioning of the banks as the banks would become enable to provide financial assistance to the new beneficiaries in line.

(a) The organisation structure, both at the controlling office and the field level, should be strengthened.

(b) The approach to lending must be made schematic and balanced, keeping in view the various other inputs required to facilitate the optimum use of funds let out.
(c) Pre-lending appraisal system, post lending supervision techniques and monitoring of credit should be toned up through improved system and training.

(d) Recovery-drives should be organised to coincide with harvests.

(e) Recovery cells should be created for a cluster of branches for continuous and effective supervision.

(f) NABARD has asked banks to carry out a case by case analysis of over-dues, which would help RRBs to know the causes of default and action desired.

(g) RRBs should involve maximum guarantee of DICGC for their advances.

(ix) The process of recruitment and selection as in the past should be reverted so that, RSRB may have the responsibility to recruit and screen the clerical staff and final selection be made by the selection committee of the respective RRB. In case of officers, the present practice should continue.

Clerical staff should be recruited from the same district(s) or a district in contiguity thereof to maintain the local character of RRB.

Training period should be of not less than four to six weeks duration. Emphasis should be laid on making the employees aware of their responsibilities in areas of rural development.

The programme should be made more enlightening and
interesting. The course-content must include rural-orientation, moral values, teachings of Geeta, highlighting the principles such as "Service is God" "Work more sincerely without expecting fruit of action," "Efficiency in Karma is true Yoga" etc. The methodology of training should not be only lecture-oriented. It must include group discussions, micro-lab activities, seminars and audio-visual aids. Resource personnel should be not only experts but perceptors with perfect delivery-skills and oratory power.

A few posts of heads of Departments such as Personnel Manager and Incharge Technical Monitoring and Evaluation demand special qualifications, skills and experience. It is, therefore, essential to recruit officers on such posts with special qualifications, such as diploma in Personnel Management (in case of Personnel Manager) and graduate in agriculture science (in case T.M.E.) Appointees on such posts must be allowed a separate identity.

(x) The question of salaries at par with those of commercial banks pertains to the RRBs in the whole country. All India RRB Employees Union, of which almost all the employees of RRBs in the state/region and members, has already taken up the matter with GOI.

The problem of residential facility is connected with the job specification of RRB staff and they should not have any grudge to share the difficulties of proper
residential facilities and other amenities of life. What RRB can do is the depute an officer from H.O. for a day or two in a month at every branch Head Quarter to sort out the difficulties of the employees by using his good office.

RRBs are required to lay put their branch office in a manner which may be consonance with rural set up. The functionaries at the rural branches should be provided with suitable office furniture, gaddis, cushions etc., to give the office a semblance of rurality.

Officers of RRBs should cultivate habits of courtesy to their subordinates. Unlike Governmental bureaucracy, they must not be status-oriented, rather they should be work-oriented and be equally courteous to their staff as well as the customers.

(xi) In respect of better counter service, RRB is expected to give a local feel, a feeling of belongingness to the borrower. This could be done by courteous behaviour and service-with-a-smile-attitude of bank staff. RRB staff has yet to develop such attitudes.

Inviting catch-words and slogans such as "we welcome you," "you are our valuable customer," "RRB is born for you and it lives for you" etc., should be prominently displayed at every branch office.

Proper seating arrangement for customers should be made at the branch office. Customer complaint-box should be
placed at each branch with a 'Notice' above it, "please put your complaints in the box hereunder." Aligarh Gramin Bank, Aligarh has "received complaints through the scheme of customer-complaint-box at the branches as well as Head Office," which are disposed of appropriately." It is quite possible that a few baseless complaints are also posted, but that should not deter the RRB staff.

(xii) It is necessary to place the branch staff at a place, which should in no case be more than 20 kms. from the employees native place.

Inter - RRB survey of employees should be conducted to find out the desire of such employees who are working in RRBs outside their own districts. Such employees should be exchanged on inter-RRB basis immediately. Since the employees have been selected by a Common Board and have undergone identical training courses, there should be no difficulty in accepting such candidates by RRBs.

In case it is unavoidable to place an employee more than 20 kms away from his native place, a fixed allowance (whatever be its specification) of ₹.100/- per month should be allowed to such employees. Officers should develop a humanitarian outlook and attitude towards subordinates.

(xiii) The tendency of running is loss continuously is not suitable for these banks, therefore, they should reduce their losses in any case and try to earn profits. For this,
the researcher suggests the following guidelines for the RRBs officials:

(a) Losses are the function of excessive expenditure in comparison to income. A major portion of expenditure of RRBs pertains to salary bill for the redemption of RRBs from 'red', NABARD and Sponsor Banks should reimburse on 50-50 basis the total expenditure on salary head of the Head Office of each RRB, till the time the RRBs over-passed the crisis.

(b) RRBs should be allowed loose rope to extend twenty per cent of total advances on commercial basis on interest rates matchable with those of Commercial Banks.

(c) RRBs should be allowed to diversify and enlarge their activities, such as Draft Facility on inter RRB basis in the region and other relevant jobs.

(d) The funding of branches should be properly managed as that they don't feel tight in this respect. The main suggestions made by Working Group on RRBs are briefly summarised as follows:

(i) The paid up share capital of each RRB be raised from Rs.25 lakhs to Rs.100 lakhs (the proposal is going to be implemented in near future). The rate of interest charged by Sponsor Bank should be brought down from 8.5 per cent to 7 per cent.
(ii) RRBs should be allowed to invest funds of SLR requirements in Government securities to enable them to get a higher rate of interest (11 per cent per annum) that what the Sponsor Banks pay presently.

(iii) There is a mismatch in the loan portfolio of RRBs in the form of imbalance between investment credit and working capital loans. Adequate short term credit is essential to fructify the investment. RRBs should try to correct the situation by allowing adequate working capital together with investment capital.

Inspite of a set-back mainfested in recurring losses, RRBs are expected to play a vital role in the "new strategy on rural credit designed to serve every village in the country," together with other commercial banks. "Under the proposed dispensation each bank branch in the country will have a designated service area" in the neighbourhood of the branch. "The branch will be primarily responsible for meeting the appropriate credit needs of its areas." It may well be appreciated that the role of RRB in the new strategy of serving the credit needs of the village community is going to be very crucial in times to come. The very centre to the planning process of our country is the reduction of poverty, especially in rural areas and in the profess RRB is going to act as an arm of the Government in "multi-pronged strategy".
"As district level organisations they can be trusted to take banking closer to the rural households and ensure effective supervision over the end-use of credit." There should be no doubt that RRBs have a promising future as an effective instrument in the economic growth and upliftment of the never-cared-for and down-trodden sections of Indian Society, particularly in rural areas. Let us wish god-speed to RRB movement in India in general and in Agre Region in particular.