ABSTRACT

The present study entitled 'An Evaluation of the Performance of Regional Rural Banks in the Rural Development of Agra Region', is an attempt to review the historical background of the establishment of Regional Rural Banks in the country specially in Agra Region, and evaluation and assessment of their financial resources, progress and performance of RRBs in rural areas, management structure, lending policies, the problems faced by these institutions and to make suggestions to improve their working. The study has been divided in nine chapters.

India lives in villages and nearly 5.73 lakh villages are in our country, which are the backbone of our economy. As per the 1991 Census, India's population is 84.7 crores, of which 67.9 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, infrastructure 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 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.

Credit is considered as an important instrument for agricultural and rural development which is available to the villagers from two types of broad sources i.e., institutional and non-institutional credit agencies. Inspite of the rapid expansion of institutional credit agencies (cooperatives and commercial banks) in the country a large segment of rural population consisting of small and marginal farmers, agricultural labourers, and rural artisans, were not availing the facilities of institutional credit agencies and were dependent upon money lenders for borrowing, both for production and consumption purposes, who exploited them by charging very high rate of interest and they became victim of various other mal-practices.

To save the rural people from exploitation as well as to assess the rural credit requirements, the Reserve Bank of India appointed a working group during 1974-75. The group highlighted that the major gains of institutional credit agencies have been enjoyed by the rural rich, whereas the rural poor were denied the gains. Consequently, small and marginal farmers failed to adopt new form of technology for the production of the crops, to the same extent as by the
rich farmers and lagged behind in reaping the benefits of seed, fertilizer, technology, etc.

As far as the Agra Region of Uttar Pradesh is concerned, it comprises of six districts viz., Agra, Aligarh, Etah, Ferozabad, Mainpuri and Mathura. The 80 per cent population of the region lives in rural areas. The farmers of the region have 77.84 per cent agricultural land with 61.38 per cent irrigated land. The principal crops are wheat, barley, maize, rice and course grains. Sugarcane, potatoes and cotton are produced extensively as the cash crops. There are many cooperative societies and commercial banks, operating in the region through their branches. But they are still not able to reach the remotest areas of the rural population to serve them.

In this connection the government took the bold step to establish the rural banks to advance loans to the neglected sections of rural population for the adoption of production boosting technology and subsidiary occupations. A beginning was made with the establishment of five Regional Rural Banks on 2nd October 1975 and the Regional Rural Bank Act was passed in 1976 which empowers the government to set such banks in the areas where there are no banks to serve a cluster of districts. The RRBs have been set up to increase local involvement of the banks for meeting the credit requirements of the small and marginal farmers, landless labourers, artisans and small entrepreneurs.
The first rural bank in Agra Region came into existence in 1980 at Mainpuri as Kshetriya Kisan Gramin Bank, Mainpuri and was sponsored by U.P. Cooperative Bank Ltd., Lucknow. At present there are four RRBs in the region one each in Aligarh, Agra, Fath and Mainpuri respectively. Whereas the district of Ferozabad and Mathura have no such bank but there are 28 branches of these banks in Ferozabad of which 25 are connected with K.K.G.B., Mainpuri and remaining 3 are connected with J.G.B., Agra while Mathura district has no branch of RRB. The total number of RRBs branches in the region is 76.

The authorised capital of each rural bank will be Rs. one crore but the Central Government may, however, increase or reduce it, in consultation with the Reserve Bank and the sponsor bank subject to the minimum of Rs. 25 lakhs and maximum to Rs. five crores. But the shares shall be, in all the cases, of Rs.100/- each, fully paid. The issued capital of each rural bank will be Rs. 25 lakhs in the ratio of 50:15:35 subscribed by the Central Government, concerned State Government and sponsor bank respectively. There is a provision for increasing the issued capital by Board of Directors of the rural bank, concerned, after consultation with the Reserve Bank and the sponsor bank and with the prior approval of the Central Government.

The General supervision, direction and management of the affairs and the business of a rural bank is vested in a Board of Directors.
The main consideration in the setting up of RRBs were that (1) inspite of the impressive progress of the rural branches of commercial banks, there was no hope of their spreading in all the areas where there is no banks, even in the course of a decade; (2) commercial banks suffered 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 did not want to work in the 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 cooperatives, providing 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.

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 matter connected there with and incidental thereto. In recent time another development in the loaning policy of the banks in the region, has been the growing emphasis of formation of IRDP, 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 schemes of allied activities of agriculture such as storage, bullock-carts, horse/mule, carts. He-buffalo-carts, goat and sheep rearing, poultry farming, dairy fisheries, biogas, dairy development scheme etc.

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

Although after the establishment of RRBs in the 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. They have successfully expanded their operational superstructure and have given advances for different purposes and have also mobilised deposits. But the increasing amount of overdues presents a gloomy picture of the entire financial operation of these banks. These banks have served more the upper income groups of the society due to economic, political, social and administrative reasons whereas they were set up especially 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., they have made a commendable progress. But in qualitative terms, they present a dark and disparate 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 removal of poverty have not been able to receive proper priority or attention. The RRBs, however, have made a break-through in rural areas in the field of institutional financing and have been able to break the monopoly of the private sector financing institutions. But due to some bottlenecks, these banks are not able to serve the rural people in proper way and reasonable time.

One of the bottlenecks is the wrong selection of the beneficiaries and subsequent financing to them, because the identification of the eligible beneficiaries is the starting point in the credit development process of the RRBs as they are supposed to provide credit facility to the weaker section of the society. But there are many cases where the big landlord and influential persons having land more than the requirements of a small and marginal farmers, furnish documents as small farmers showing a portion of their assets and avail the benefits of small and marginal farmers.

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

Another bottleneck is inefficient infrastructural facilities to these banks such as transport, post offices, telegraph etc., which are merely available to these banks as they have to open their branches in those areas where there is no adequate transport facility. Besides, the absence of medical and educational facilities in those places, trained and able personnel having knowledge of regional languages are not available. Hence maintaining contacts with villagers is quite difficult. Moreover, the personnel deputed from cities are not fully aware of the regional problems. Therefore, they are not able to do justice with the needy villagers and most of the city based employees do not want to go to work in rural areas.

Lack of coordination among the employees is another bottleneck of these banks, 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 employees of 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 RRRs 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 discontinued 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 of RRBs but failed to enrich their knowledge. The trainers well dull and bore.

The most important problem of these banks in the region as well as in the country is the increasing amount of overdues and the recovery performance is far from satisfactory. It may be due to a number of reasons, i.e., a good number of wilful defaults, failure of a large number of borrowers to generate adequate income from agricultural produce for repaying the overdues 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.
Thus, to improve the economic viability of these banks, it is necessary that the provision of a guarantor should be discontinued for providing loans to the weaker sections on the one hand, and on the other hand, asset records of the small and marginal farmers and recommendations of the committee of the representatives of the weaker sections. Block Development Officers or the representatives of the bank should be given weightage for the purpose of giving loans. The amount of loan for trade, small scale industry and agricultural implements should be increased. Effective steps should be taken to improve the position of recovery of the loans. The beneficiary should be provided with the appropriate knowledge of the need and procedures of the repayment. Overdues should be minimised by the administrative machinaries and by involving Block Development Officer. In this context it is suggested that there should be a direct relationship between the beneficiaries and the bank.

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.

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

(ii) 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 lent out.

(iii) Pre-lending appraisal system, post lending supervision techniques and monitoring of credit should be toned up through improved system and training.

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

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

(vi) 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.

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

Inspite of a set-back manifested 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 process RRB is going to act as an arm of the Government in "multipronged strategy."

"As district level organisations they 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-card-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 Agra Region in particular.