CHAPTER IX

MAIN FINDINGS AND SUGGESTIONS
9.1. MAIN FINDINGS

The main findings relating to the performance of the Rayalaseema Grameena Bank and its role in farm finance are given below:

9.1.1. The Rayalaseema Grameena Bank was established on 6\textsuperscript{th} August 1976. It is the second Regional Rural bank in Andhra Pradesh. It is sponsored by the Syndicate Bank. It has jurisdiction over Kadapa, Kurnool districts and a part of the Prakasam district in the Rayalaseema region of Andhra Pradesh.

9.1.2. On an average the Rayalaseema Grameena Bank opened 10 branches per annum by the end of 2002-03. It could open a total of 142 branches – 126 rural centres, 14 semi-urban centres and 2 urban centres. It has fulfilled targets allotted to it in branch expansion. Its performance is impressive in opening branches at unbanked centres. It has done a good job in spreading banking facilities into the rural and remote places in the backward region of Rayalaseema.

9.1.3. The Rayalaseema Grameena Bank has formulated several innovative deposit-schemes to suit various sections of the rural society. The deposits of the Rayalaseema Grameena Bank have increased from Rs.13.7 lakh in 1991 to a record level of Rs.5814 lakh in 2003-04. A phenomenal growth is noticed in the case of
the number of deposit accounts also. There were 5.13 lakh deposit accounts in 1990 as against only 4,000 in 1991. There is more than three-fold increase in the case of deposits per account. The Rayalaseema Grameena Bank scored the 10th rank among the RRBs in the mobilization of deposits at the all India level and the first rank in Andhra Pradesh and fourth rank in the case of sponsor bank. The Rayalaseema Grameena Bank is able to mobilize small savings of small men in its operational area.

9.1.4. The total outstanding advances of the Rayalaseema Grameena Bank stood at Rs.98.56 crore at the end of March 2003 as against Rs.0.97 crore in 1993. The credit expansion has been as per the plans drawn by the bank and effort has always been made to ensure the flow of credit to the various sectors of the rural economy. There was substantial improvement with regard to the average advances per branch, per account and per employee. Special emphasis was laid in providing financial assistance for the development of the non-farm sector in recent years. The Rayalaseema Grameena Bank is providing production and term loans for agriculture and its allied activities. The bank has sponsored 8 farmers’ service co-operative societies for their betterment. It has more than 50 per cent share in the annual action plans for credit disbursement in Kurnool district. It has
taken care of meeting the credit needs of weaker sections. It continues to make a major contribution in the implementation of various Government sponsored schemes aimed at the upliftment of the rural poor.

9.1.5. The share of the farm sector in the total outstanding advances of the Rayalaseema Grameena Bank is greater than that of the share of the non-farm sector. The share of the crop loans in the total outstanding advances given to the farm sector by the Rayalaseema Grameena Bank in greater than that of the share of term loans to the farm sector.

9.1.6. The credit-deposit ratio of the Rayalaseema Grameena Bank has increased from 55 per cent in 1993 to a record level of 211 per cent in 1996 and declined to a level of 174 per cent in 2002-03. The credit-deposit ratio of this bank is always greater than 100 in all the years except in 1993 and 1994. It depends on refinancing agencies for advancing loans. The main refinance agencies for this bank are NABARD, Syndicate bank and the Industrial Development Bank of India. This bank continues to occupy the first place among all the RRBs in Andhra Pradesh in respect of drawal of refinance from NABARD and the sponsor bank.
9.1.7. The performance of the Rayalaseema Grameena Bank in the recovery of loans when compared to the aggregate picture of RRBs in Andhra Pradesh and in India is satisfactory. This bank could achieve the recovery percentage of 62 per cent by June 2003. The loan recovery performance of the Rayalaseema Grameena Bank in the case of the farm sector is better than the non-farm sector. The overdue position in the case of term loans is worse than the short-term loans. In the case of term loans, the loan recovery rate of the farm loans is less than that of non-farm loans. Within the farm sector, the loan recovery rate of short-term loans is greater than that of term loans. The overdue position has acquired a serious dimension in the case of loans sanctioned under the different schemes of the Government. The overdue in the case of these schemes was 56 per cent in 2003. An inverse relationship between the age of the overdue and the amount of the overdue is present. Some of the loans are overdue for more than 8 years.

9.1.8. The total staff strength of the Rayalaseema Grameena Bank as on 31st March 2003 was 875. The relationship with the unions continues to be cordial. The bank is undertaking internal promotions, training to staff members and conducting workshops and customer meets.
9.1.9. The Rayalaseema Grameena Bank earned profits in 8 years out of the 14 years of its operation. In fact, it crossed the red in 1995 and maintained the green till 1998 and again entered the red in 1999; this trend continued till 2000. Since 2002, it is in the profit zone of the breakeven chart. The bank earned a net profit of Rs.73.89 lakh in 2002-03. The number of branches incurring losses were needed from 58 in 2000 to 12 in 2002-03. The per employee productivity increased sharply from Rs.14.94 lakh at the end of March 2003 to Rs.17.87 lakh at the end of March 2003.

9.1.10. There are inter-branch variations in the performance of deposit mobilization, deployment of funds and credit-deposit ratio. The inter-branch variations in the credit-deposit ratio are not due to the difference in irrigational facilities in the villages. It is mainly due to the existence of other institutional agencies in the locational areas of the branches. The old branches of the Rayalaseema Grameena Bank are able to reduce their dependence on external finance compared to new branches. There is an inverse relationship between the age of the branch and the credit-deposit ratio. In some cases it is also due to the failure of maintaining the initial enthusiasm in advancing loans.
9.1.11. It is noticed that there is a positive correlation between the levels of overdue and the credit-deposit ratios. The branches recording lower credit-deposit ratios are very careful in lending and that is why the level of overdues is at a low level.

9.1.12. The Rayalaseema Grameena Bank is doing its business as per the norms of the Reserve Bank of India, the NABARD and the Government especially relating to scales of finance and unit costs, security norms and rates of interest.

9.1.13. Age is not a constraint in borrowing funds by poor farmers from the Rayalaseema Grameena Bank. Illiteracy is not a constraint for farmers, in borrowing funds from the Rayalaseema Grameena Bank. The Rayalaseema Grameena Bank is covering almost all communities in its operational area. The activity rate is greater in the case of beneficiary households (63 per cent) compared to non-beneficiary households (59 per cent). Beneficiaries are the active participants in the village level organizations compared to non-beneficiaries.

9.1.14. Branch to Branch variations and year to year variations are noticed in the role of the Rayalaseema Grameena Bank in farm finance. The Rayalaseema Grameena Bank has a habit of financing commercial crops more actively than the food crops. There is no
relationship between the level of irrigation in the villages adopted by the branches and the share of farm sector in the total advances.

9.1.15. According to the opinions of the officials of the Rayalaseema Grameena Bank, natural calamities, misutilisation of loans, over optimistic assumptions made in the formulation of the schemes, multiple finance, willful default politicisation of credit, lack of infrastructural facilities and lack of proper tie-up arrangements, with the marketing agencies, are the major reasons for the overdues of the farm loans.

9.1.16. There is a provision for supervision of farm loans at the branch level. Branch managers have rejected loan applications because of the following reasons:

a) already financed by other institutions,
b) if the party is not reliable,
c) if the scheme is not viable,
d) if the applicant belongs to medium and big farmer range, and
e) defaulter in the past or applicant is a minor.

9.1.17. The Branch Managers have faced the following problems in sanctioning and recovering farm loans:

a) multiplicity of applications for loans from a single family
b) incomplete application forms
c) infiltration and intermediary phenomena
d) some threats by the farmers  

e) inadequate knowledge of the use of the loans  

f) lack of co-operation from the Government officials and beneficiaries and  

g) lack of desired powers with the branch managers.  

9.1.18. On account of borrowing from the Rayalaseema Grameena Bank, the share of institutional agencies increased from 75 per cent to 85.75 per cent in the current borrowings and from 73.57 per cent to 83.74 per cent in the debt outstanding of farm households. The per household current borrowing and debt outstanding also increased from Rs.1304 to Rs.6895 and from Rs.1428 to Rs.7825 respectively. The Rayalaseema Grameena Bank mainly reduced the role of agricultural money lenders in the credit scene of the poor farmers. During the year 2002-03, the shares of institutional agencies in the total current borrowings and debt outstanding of non-borrowers from the Rayalaseema Grameena Bank are 6.88 per cent and 6.72 per cent respectively. Therefore the Rayalaseema Grameena Bank is acting as a good instrument for the institutionalization of credit to the poor farmers.  

9.1.19. On account of borrowing from the Rayalaseema Grameena Bank the average value of the assets per households of the beneficiaries has increased from Rs.78,097 to Rs.81,447. The average value of assets per household in the case of non-borrowers was only 260
Rs.25,190. The households belonging to the higher assets groups among the poor farmers are able to get the benefits of credit from the Rayalaseema Grameena Bank. There was a marginal increase in the share of productive assets in the total assets in the loan period. The credit provided by the Rayalaseema Grameena Bank to farmers is dynamic and it has benefited them.

9.1.20. There is no significant change in the cropping pattern of the farmers due to the loans borrowed from the Rayalaseema Grameena Bank. But there is an increase in the gross cropped area and cropping intensity.

9.1.21. Loans from the Rayalaseema Grameena Bank are able to increase the incomes of the farmers by 24.82 per cent. The income per household in the case of non-borrowers was Rs.14,254 as against Rs.15,058 in the case of borrowers. The percentage of households below the poverty line decreased from 42 per cent to 29 per cent after borrowing loans from the Rayalaseema Grameena Bank.

9.1.22. Out of 92 sample beneficiary households, 58 reported that the bank loans created additional employment to them. But on an average, the additional work per household works out to 18 mandays per annum. The average household expenditure of the
beneficiaries of the Rayalaseema Grameena Bank increased from the pre-loan level of Rs.5,216 to Rs.5,860 in the post-loan year. This is marginally higher than the household expenditure of non-borrowers i.e., Rs.5,820. The loans of the Rayalaseema Grameena Bank increased the average household savings (from Rs.165 to Rs.430). But the average household savings of the beneficiaries is less than the average household savings of non-beneficiaries i.e., Rs.2,929. The incremental income of the borrowers due to bank loan is mostly eaten away by the incremental operational expenses and that is why the savings of non-borrowers is greater than the savings of the borrowers.

9.1.23. About 80 per cent of the beneficiaries fail to repay the loans within due dates. About 65 per cent of the demand falls overdue. In the opinion of the beneficiaries the causes for overdues are:

a) diversion of funds for consumption purposes
b) repayment of old debts
c) failure of crops
d) unexpected repairs to assets and
e) postponement of repayment expecting writing off loans by the Government.

It is also observed that there is an element of willful default.

9.1.24. Nearly 60 per cent of the borrowers expressed that there is delay in the sanction of the loans and there is no co-operation from the
bank officials. About 66 per cent of the households, felt that their economic conditions have improved due to the Rayalaseema Grameena Bank loans. Nearly 67 per cent of the beneficiaries opined that the Rayalaseema Grameena Bank is the best source of finance. A majority of the beneficiaries are satisfied with the interest rates charged by the Rayalaseema Grameena Bank. But they felt that the scales of finance and unit cost are inadequate.

9.1.25. The analysis in the eighth chapter clearly reveals that there is an improvement in the economic conditions of the agricultural labourers, marginal farmers and small farmers mainly because of the financial assistance extended by Rayalaseema Grameena Bank.

9.2. SUGGESTIONS

9.2.1. The Rayalaseema Grameena Bank has to bring down its credit-deposit ratio to 100 per cent in the nearest future. This is possible only through the mobilization of more deposits in its operational area.

9.2.2. The Rayalaseema Grameena Bank should take keen interest in the production of more food crops, to solve the food problem in the backward region of Rayalaseema. This is possible by encouraging small and marginal farmers with required funds to
adopt modern farm technology in growing food crops. It is also essential that the Rayalaseema Grameena Bank treats both food and commercial crops as equally important in the rural economy.

9.2.3. It is desirable to give some discretionary powers to branch managers in case of security norms, especially in dealing with different types of poor farmers in different agro-economic conditions.

9.2.4. As most of the loans given by the Rayalaseema Grameena Bank to the farmers are short-term in nature (crop-loans), their requirements as to term loans to create productive farm assets are hardly met. The remedy lies in extending term loans enabling the poor farmers to acquire new productive assets, that give them regular income and a sort of security for further loans. For this purpose more term deposits are to be mobilized by the Rayalaseema Grameena Bank.

9.2.5. The Government and non-Government organizations including social service organizations should come forward to educate the poor farmers to the effect that financial resources are scarce and they do cost something and therefore they should be used more efficiently. The other aspects of educating the farmers is that bank is an intermediary between the savers of the money and
users of the money. It is responsible to the depositors. It is also a
game of confidence. The banks can meet the demands of the
depositors if the borrowers are regular in payment of their dues.
In other words the loan repayment culture is to be promoted. This
does not mean that every defaulter should be suspected. The
genuine defaulters are to be identified, their problems are to be
studied and analysed; if needed rescheduling of due dates,
conversion of short-term loans into term loans, postponement of
repayment and write off debts may be undertaken. This should
not be the responsibility of the bank. The Government should
come forward to the rescue of the bank in doing something in
these areas.

9.2.6. The Rayalaseema Grameena Bank has to take effective measures
to bring down the overdues to the minimum, within a definite
time frame. It is therefore necessary that a time bound action
programme is drawn up by it. In drawing up the action plan, the
demand should be split into (1) the current demand and the other,
(2) demand and under areas. The target should be to effect
recoveries up to 80 per cent of the current demand.
9.2.7. There is a need for a common legal framework for commercial banks, co-operatives and Regional Rural Banks in each state for the recovery of loans.

9.2.8. Since defaults under many of the poverty alleviation programmes, are higher than those under normal loaning, it is of paramount importance that the bankers are left free to exercise their professional judgement using the banks normal banking norms for the grant of individual loans without any interference whatsoever.

9.2.9. Crop insurance is an effective answer to combat the recurring problem of defaults due to natural calamities. A separate crop insurance corporation has to be set up in the country.

9.2.10. The crux of the problem of farm finance is the weakness of farm economy characterized by low productivity, under employment inadequate income and consequent poverty of the people. Credit institutions, whether co-operatives or commercial banks or Regional Rural Banks can give credit only to those who can repay it. But a majority of the rural people don’t come under this category. The basic problem of non-viable farm households is not mere finance. They should be converted into viable productive units. Credit is only one of the inputs among many inputs that are
required for the upliftment of the poor farmers. Apart from the institutionalisation credit for poor farmers, creation of new productive assets and infrastructural facilities are essential for their rapid development.

9.2.11. Since the economic conditions of the poor farmers are improved due to the financial assistance made available by Rayalaseema Grameena Bank, the Rayalaseema Grameena Bank should be continued and it should be expanded and strengthened further to remove rural poverty in the backward region of Rayalaseema. Streamlining procedures in credit delivery, realistic assessment of credit requirements based on feasibility of the loanable schemes, follow-up action on loans, realistic loan repayment schedule adjusted now and then to meet unforeseen contingencies, branch expansion in unbanked areas are essential.