SUMMARY AND CONCLUSIONS

India is essentially rural India with nearly three-fourths of its population inhabiting the rural areas. Therefore, rural development is *sine qua non* for economic development of this country. As such, rural development has been on the main agenda of the Five Year Plans of the country. Several changes have taken place in the policy framework of rural development since the beginning of the First Five Year Plan in 1951.

A dynamic agricultural sector holds the key to rural development. A vigorous, healthy, dynamic and highly productive agricultural sector, apart from providing increased supply of food grains to meet the growing food needs of the burgeoning population of the country, raises the income level of low income groups in the rural areas, provides more employment opportunities and creates a market for
industrial goods, thereby providing a fillip for expansion, development and modernisation of secondary and tertiary sectors in the country.

Credit plays an important role in any programme of assistance aimed at bringing about economic upliftment of the poor. The alarming rural indebtedness and the unscrupulous practices of professional money lenders and other non-institutional sources made the Government to enact Cooperative Credit Societies Act in 1904 to provide for the establishment of Cooperative Credit Societies for enabling the needy farmers to get institutional credit. In 1920 the Cooperative Land Mortgage Banks came into existence to cater to the long term investment credit needs of the agricultural sector. But, soon the defects of the cooperative credit system became apparent. The various measures taken by the Government of India and the Reserve Bank of India to strengthen, revitalise and reorganise cooperatives, including the setting up of multipurpose cooperative societies and Farmers' Service Societies, met with mixed success. The first step for taking banking to the rural areas culminated in nationalising the Imperial Bank of India and setting up of State Bank of India in 1955. In 1959, other major State owned/State associated banks operating in the former princely states were taken over by the State Bank of India for further strengthening the rural institutional credit structure.

Though the State Bank fulfilled the task initially assigned to it, other commercial banks did not follow the suit due to historic reasons. The policy of social control of banks in 1968 aimed at reorienting the lending policies of commercial banks more in favour of priority sectors, but it was the nationalisation of 14 major commercial banks in 1969 that heralded a new era in rural banking. By 1974, all the villages were covered by cooperative credit societies and their share in the total borrowings of rural households grew from 3 per cent in 1951 to over 25 per cent in 1974. The network of rural branch offices of commercial banks increased from 5204 as on the eve of nationalisation in July, 1969 to 12065 as at the close of December, 1974. Despite this, the non-institutional sources in rural areas accounted for nearly two-
thirds of the rural credit and there were still many unbanked areas. The really needy small and marginal farmers and other weaker sections of rural community were left high and dry without any benefit from huge amounts flowing into the agricultural sector. Besides, the weaknesses and defects of cooperatives and commercial banks necessitated the setting up of a new banking institution which is cost effective, rural oriented, region based, and state sponsored. Green revolution in agriculture, moratorium on debts from non-institutional sources and other aspects of the Twenty Point Economic Programme made the Government of India to appoint a Working Group under the chairmanship of Sri M. Narasimham on 1st July 1975 on Rural Banks to examine the matter in depth. The acceptance of recommendation of this Group ushered in a new breed of banks on the evolutionary scene of rural credit in India called the "Regional Rural Banks" (RRBs). The Ordinance promulgated in September, 1975 was later replaced by the Regional Rural Banks Act in February, 1976. The main objective of the Regional Rural Banks is "developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities particularly to the small and marginal farmers, artisans and small entrepreneurs and for matters connected there with and incidental thereto". Thus, they were specially designed as "weak man's banks" and required to cater exclusively to the credit needs of the weaker sections/poor in hitherto neglected and unbanked centres.

Though different aspects of credit made available by cooperatives and commercial banks have been studied, the significance of credit made available by the RRBs is an area yet to be fully analysed. Besides, most of the studies conducted so far on the operational performance of the RRBs relate to their initial stages and are based mainly on secondary data and hence they are not of much importance. The present study assumes significance in view of the fact that nearly two decades have elapsed since the establishment of RRBs and there has been widespread discussion in different quarters about the need for their continuance in the changed context/cir-
cumstances. Besides, in view of paucity of comprehensive, area-specific, micro-level studies on the success or otherwise of RRBs in fulfilling their manifold functions, the present study assumes added significance. The study is an attempt to examine how far the RRBs have fulfilled the set objectives.

Scope of the Present Study:

Sree Anantha Grameena Bank - a Regional Rural Bank operating in the drought prone Anantapur district of Rayalaseema region of Andhra Pradesh has been specifically chosen for the present study to examine its relevance in bringing about rural development in one of the most backward districts of the country through the financing of the rural poor. The study, apart from analysing the performance of the Bank in terms of branch expansion, deposit mobilisation, disbursement of credit, recovery performance and profitability, seeks to critically examine the problems faced by the borrowers in securing credit and in its utilisation. The impact of bank finance on the generation of additional income and employment and creation of assets among the borrowers is analysed along-side the repayment performance of the borrowers and factors affecting the same. The study attempts to highlight the operational problems of the Bank and offer suggestions for accelerating its role in bringing about socio-economic development in the district.

Objectives:

The specific objectives of the study are to:

1) examine the structure and organisational set-up of RRBs and to examine the growth trend and progress achieved by the RRBs at the all India level and in Andhra Pradesh;

2) analyse the performance of Sree Anantha Grameena Bank operating in Anantapur district with particular reference to its branch expansion, mobilisation of deposits, loans advanced, recovery of loans, overdues and financial profitability;
3) critically examine the working of the selected branches of Sree Anantha Grameena Bank at micro level in terms of lending procedures, adequacy and timeliness of credit, utilisation of credit and problems and opinions of the sample borrowers in this respect;

4) assess the impact of Sree Anantha Grameena Bank finance on the generation of additional income and employment among the sample borrowers;

5) study the repayment performance of the sample borrowers and to identify the factors affecting overdues among the defaulters; and

6) suggest measures, in the light of the empirical study, for the effective functioning of RRBs in general and Sree Anantha Grameena Bank in particular.

Sample Design:

The study has been conducted in Anantapur district which forms part of the Rayalaseema region of Andhra Pradesh. This region is drought prone and backward. And within this region, Anantapur is worst hit by recurrent droughts. Sree Anantha Grameena Bank operating in Anantapur district is chosen for the study to bring out the role of a Regional Rural Bank in rural development within its operational area. A combination of Purposive Sampling and Simple Random Sampling methods has been used for selection of the Bank branches and borrowers. With a view to give equal and adequate representation to all regions within Anantapur district and also keeping in view the regional disparities, three branches of Sree Anantha Grameena Bank each from relatively developed and relatively underdeveloped areas of the district were chosen for the study. Since the study is aimed at bringing out the role of Regional Rural Banks in rural development, it is confined to only production credit given by Sree Anantha Grameena Bank under the following five purposes, viz., 1) Agriculture Investment Credit, 2) Allied Activities, 3) Rural Artisans including cottage industries, 4) Petty Trade or Small Business and 5) Professional and Self employed. Loans given under the above purposes during the period April, 1989 to
March, 1992 were considered for selecting the sample. And 10 borrowers under each of the above five categories were selected on the basis of simple random sampling method from each of the six selected branches for the purpose of the study. This ensured that minimum 30 borrowers were covered under each purpose, falling under relatively developed and underdeveloped areas of the district for facilitating comparison between the two areas. Thus, the sample comprised 300 borrowers distributed equally under the two areas.

The primary data was collected from the sample borrowers with the help of a pre-tested schedule during the Field Survey undertaken in 1993. The study is therefore limited in scope due to its limited coverage, limited period and limited area. Besides, the information furnished by the sample borrowers from recollection of memory without being backed up by authentic accounts may be subject to built in biases and so the generalisations drawn may not have unquestionable validity and universal application.

**Progress of RRBs:**

As regards the progress of RRBs, there were six RRBs with 17 branches covering 12 districts with deposits of Rs.20 lakhs and advances of Rs.10 lakhs at the end of the initial year, i.e., 1975. By the end of 1976 there were 40 RRBs with 489 branches covering 84 districts with Rs.772 lakh deposits and Rs.702 lakh advances. During the next three years, i.e., 1977, 1978 and 1979, the tempo received a set back due to some reservations and fresh thinking on RRBs. However, after the strong recommendations of Dantwala Committee, which felt that "within a short span of two years, the RRBs have demonstrated their capability to serve the purpose for which they were established", there was a sharp increase in all aspects of the performance of RRBs in the following years.

The Committee on the Functioning of Public Sector Banks (1978) appointed by the Reserve Bank under the chairmanship of James Raj, while observing that
RRBs can play a significant role in the financing of rural sector, felt that RRBs should not only open branches in rural areas but also take over gradually the existing rural branches of commercial banks. The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) appointed by the Reserve Bank under the chairmanship of Sri B. Sivaraman (1981) observed that RRBs played a significant role in alleviating poverty in rural areas as they were conversant with local conditions and so the Committee recommended further expansion of these branches in rural areas. The Working Group under the chairmanship of Sri S.M. Kelkar appointed in August, 1984 by the Government of India to examine the functioning of RRBs felt that these banks have catered successfully to the banking requirements of small men in rural areas of the country. The Committee felt that they are eminently suitable to do job -- that of taking banking to the weaker sections -- particularly in view of their large branch net work, comparatively low cost of operations, local involvement and operations in tune with the national objective of serving the weaker sections. The Committee recommended an increase in the authorised capital of RRBs and a reduction in the interest rate charged on the borrowings of RRBs from the Sponsor Bank. For a better supervision and control of branches, it would be desirable to restrict the coverage of each RRB to two districts. So the Committee felt that there is need to bifurcate unwieldy RRBs and also amalgamate two or more small and uneconomic RRBs into one single viable unit.

There has been a phenomenal increase in the number of RRBs and their branches. The number of RRBs went up from a mere six as at the end of December, 1975 to 196 as at the end of March, 1991. Thus, there was thirty two times increase in the number of RRBs. During the same period, the number of branches of RRBs went up from 17 to 14257 -- an increase amounting to 854 times. The 'spurt in the growth of RRBs can be noticed in two periods, i.e., between 1975-76 and between 1979-1987.
From 1987 onwards, there has not been any increase in the number of RRBs. However, the number of branches went up from 13353 in 1987 to 14527 in 1991. As a result of the expansion, the average number of branches per RRB went up from a mere three in 1975 to 74 in 1991. Uttar Pradesh has highest number of RRBs (40), followed by Madhya Pradesh (24), Bihar (22) and Andhra Pradesh (16). It is observed that the RRBs, as expected of them, have opened a large number of their branches in remote rural areas. It is heartening to note that, as per Kelkar's Working Group Report, 90 per cent of the branches of RRBs were opened in hitherto unbanked rural centres. With the opening of more branches in unbanked, hitherto neglected and remote rural areas, it is observed that the stranglehold of non-institutional sources in rural credit has come down rapidly.

The coverage of districts is one of the important parameters in assessing the performance of the RRBs. The first five RRBs established in 1975 covered a total of ten districts. The figure reached 84 in 1976 and 351 by 1986. This went up further to 381 by the end of March, 1991. Thus, when compared to 1975, there has been thirty eight fold increase in the districts covered by 1991.

The performance of RRB in terms of deposits and advances is quite impressive. The deposits of the RRBs increased from a mere Rs.20 lakhs in 1975 to Rs.4989.23 crores in 1991, while deposit per RRB went up from Rs.3.33 lakhs in 1975 to Rs.2545.52 lakhs by 1991. The deposits per RRB branch increased from Rs.0.58 lakhs in 1975 to Rs.34.34 lakhs in 1991. There has been a phenomenal increase in the number of deposit accounts during the same period. The outstanding advances of all RRBs rose from Rs.10 lakhs in 1975 to Rs.3609.27 crores by 1991. During the same period, the outstanding advances per RRB went up from Rs.1.60 lakhs to Rs.1841.46 lakhs and outstanding advances per branch rose from Rs.0.58 lakhs to Rs.24.84 lakhs. The number of advances accounts also recorded an impressive growth.
The available data throws light on the per account deposit and per account outstanding advance. As at the end of December, 1976, the per account deposit stood at Rs.407, while the per account outstanding advance was Rs.713. By the end of March, 1991, the deposit amount per account stood at Rs.1457.27, while the per account outstanding advance was Rs.2931.98. Two important things become discernible from this data. One, that the increase in the amount of deposit and outstanding advance per account showing improved performance by the RRBs on both the fronts and two, the meagreness even at the end of March, 1991 in per account deposit and outstanding advance, showing that they (RRBs) are essentially "Weak man's banks".

The Credit-Deposit Ratio is one of the indicators of the performance of any banking institution. The Credit-Deposit Ratio for RRBs was 50 in 1975 but this rose to 72 by March, 1991. Between 1975 and 1991, the Credit-Deposit Ratio reached a peak of 165 in 1978, but declined to 136 in 1979, 113 in 1984 and 94 by 1989. The RRBs, initially took resort to refinance facilities and raised their Credit-Deposit Ratio upto 200 per cent. To curb this tendency, the NABARD directed RRBs to bring down their Credit-Deposit Ratio to 100 by December, 1990. Now, the RRBs are required to depend more on internal resources than on refinance from NABARD for their lending operations. The Credit-Deposit Ratio of 72 at the end of March, 1991 speaks about the healthy performance of RRBs.

The recovery performance is another parameter for judging the operational efficiency of RRBs. At the end of December, 1982, the overdues of all RRBs amounted to Rs.128 crores which formed 22.2 per cent of their total outstandings of Rs.577 crores. By March, 1990, the overdues of the RRBs amounted to Rs.937 crores which stood at 26.4 per cent of outstanding advances of Rs.3554.03 crores. However, the recovery performance can better be judged when overdues are related to demand rather than outstanding amount. The overdues of all RRBs as a percentage to demand stood at 51 per cent at the end of June, 1986 but fell to 48.89 per cent at the end of June, 1988. It is evident that overdues as a percentage to demand and also as a
percentage to outstanding advances have been on the increase. The recovery performance of RRBs at present is almost much akin to that prevailing in cooperatives and commercial banks and the edge that the RRBs had in this regard in the early stages had now totally gone.

The success of any financial institution depends on the level of repayment of loans by the borrowers and RRBs are no exception to this. In fact, the recovery performance is an index for judging the operational efficiency and organisational competence of a financial institution. Greater the recovery of lent advances, greater shall be the funds for recycling and lesser shall be the locking of staff in sticky loans. The following remedial measures can be taken up for implementation in letter and spirit for achieving better recovery:

1) Adoption of scientific appraisal methods for processing loan proposals;
2) Cutting out any unnecessary delay in sanction of loans;
3) Timely disbursement of credit;
4) Ensuring adequacy of loan for the purpose;
5) Sanction of production credit to borrowers who were given investment loans or term loans;
6) Fixation of realistic repayment schedule where the amount and time for repayment of loan instalments are based on the income flow or cash accruals from the project financed to the borrowers;
7) Formulation of location-specific schemes suitable to different regions/locations within the district;
8) Releasing loan in kind wherever feasible to ensure proper end-use;
9) Conducting follow-up inspections to ensure proper use of credit and timely completion of projects;
10) Releasing loan in instalments wherever feasible to ensure proper end-use and to avoid mis-utilisation or diversion of entire loan;
11) Promoting a strong credit-market linkage;
12) Conducting timely recovery visits for ensuring better recovery;
13) Conducting 'Recovery Melas' on the lines of 'Loan Melas' for ensuring the participation of Government officials in recovery efforts;
14) Initiating prompt and effective legal action against wilful defaulters;
15) Setting up recovery cells at branch level and at Head Office level to monitor overdues and to initiate/recommend suitable action for recovery of overdue loans and thereby arrest their growth;
16) Adopting conversion and rescheduling of loans wherever it is genuinely needed and provision of relief in the case of infructuous investment;
17) Ensuring the supply of quality inputs at appropriate time through the suppliers of inputs;
18) Providing infrastructural facilities through appropriate efforts for involving the concerned Government Departments; and
19) Providing technical guidance and extension service to the borrowers.

Accepting the recommendations of Tiwari Committee (1984) Vesuvalla Committee (1986), Narasimham Committee (1991) and Hegde Committee (1992), the Government of India promulgated 'The Recovery of Debts Due to Banks and Financial Institutions Ordinance' on 26th June, 1993 under which provision is made for the establishment of Debts Recovery Tribunals, Debts Recovery Appellate Tribunals and Recovery Officers for speedy disposal of legal cases for recovery of dues of State Bank of India and its subsidiaries, Nationalised Banks and RRBs. However, the provisions of the Ordinance have to be suitably amended to cover smaller loan amounts of RRBs as the present minimum debt of Rs.1 lakh under the Ordinance may not be applicable to many overdues of RRBs. Besides, the Government has to amend the Law of Limitation to provide more time for obtaining Debt Acknowledgement.
Viability of RRBs:

Another important aspect which has caused much concern to all connected with RRBs is the number of RRBs which had gone into red and the quantum of losses incurred by them. In 1976, 26 RRBs were earning profits, while 14 were incurring losses. The losses incurred by the 14 RRBs were just Rs.2.51 lakhs as against the profits of Rs.10.92 lakhs earned by the 26 RRBs. But by March, 1991, there were only 44 profit making RRBs, while 152 RRBs were incurring losses. Besides, the losses incurred by these 152 RRBs (Rs.9404.59 lakhs) exceeded the profits earned by the remaining 44 RRBs (Rs.2146.41 lakhs). In percentage terms the number of profit earning RRBs came down rapidly from 65 per cent to 22 per cent, while the loss incurring RRBs increased from 35 per cent to 78 per cent. What is more worrying is the fact that the losses incurred by some RRBs surpassed the profits earned by others. According to Kelkar Working Group, the number of RRBs making larger losses have been increasing. Most of these loss incurring RRBs had wiped out their equity and reserves. Keeping this in view the Kelkar's Group recommended that the paid up share capital of each RRB be raised to Rs.100 lakhs. The Group recommended various other measures for making the RRBs viable.

Observing that the RRBs which were fashioned as low cost institutional set-up to look after mainly the credit needs of weaker sections of the rural society have degenerated into the sickman of the Indian Rural Credit structure, the Khusro Committee (1990) felt that the weaknesses of RRBs are endemic to the system and non-viability is built into it. The Committee opined that the logic and rationale which justified or perhaps necessitated the setting up of the RRBs do not exist any longer. There has been near parity in pay scales between commercial banks and RRBs pooh-poohing the fact that the latter were designed as low cost banking structure as a substitute to the high cost rural branch set up of commercial banks. The local feel thought to be brought in by RRBs had evaporated with the recruitment of staff of all cadres being now entrusted to Banking Service Recruitment Board and with throwing
open the competition to eligible persons outside the operational area of the particular RRB. So the Committee recommended that the RRBs be merged with their Sponsor Banks. This recommendation can only be termed 'drastic' as it, instead of suggesting ways and means for remedying the situation, makes the problem worse confounded. Even the nationalised banks which in most cases are the Sponsor Banks of RRBs have been suffering from problems of financial viability and a budget provision of Rs.5700 crores was made during 1993-94 to help them make necessary provisions against bad and doubtful debts and to meet the new capital adequacy norms.

The Narasimham Committee (1992) proposed that RRBs should be allowed to engage themselves in all types of banking business and their interest rate structure should be in line with those of the commercial banks. The RRBs should, however, continue to lend to the target groups at a certain percentage of their lending to these groups. The Narasimham Committee went ahead and recommended a new rural banking structure which combines effectively the advantages of the local character of RRBs and the financial strength and organisational and managerial skills of commercial banks. It can, however, be stated that there is no need for a new rural banking structure but there is need to impart organisational and managerial skills of commercial banks to RRBs. The recent measures introduced by NABARD for strengthening the RRBs including enhanced diversification of lending or enhanced proportion of non-target group lending up to 60 per cent of fresh lending with effect from January 1, 1994, issue of guarantees, purchase of Demand Drafts and Cheques by RRBs, issue of Rupee Travellers Cheques, provision of remittance facilities and locker facilities would go a long way in improving the financial viability of RRBs.

While presenting budget proposals for 1994-95, Dr. Manmohan Singh, Finance Minister, announced on 28th February, 1994, that long term structural measures are necessary for rehabilitating RRBs. His speech brings out a desire to take up, on an experimental basis, 50 of the 196 RRBs from all over the country in
the course of 1994-95 for undertaking comprehensive restructuring including cleaning up of the balance sheets and infusion of fresh capital. While the form and modality of the restructuring and associated financial support would be worked out during the year, the Minister felt that the experience with these 50 RRBs would guide Government's approach in later years to the other RRBs. But the Government's objective to transform presently weak and ailing RRBs into financially viable and effective instruments of decentralised banking would definitely help resuscitate RRBs. In view of the various changes that had taken place changing the very spirit of RRBs, it may be suggested that the RRBs be converted into 'Rural Subsidiaries' of the Sponsor Banks and the rural branches of the Sponsor Bank within the operational area of the RRBs be 'ceded' to the concerned RRB. This would create a separate rural subsidiary banking structure of each Sponsor Bank. The staff of the RRBs shall continue to be the staff of such subsidiaries without the need for absorbing them into the cadres of the Sponsor Banks which in any case is difficult in view of the resistance which the respective cadres of staff of Sponsor Bank would put up if the staff of RRBs have to be absorbed into the Sponsor Bank.

All the RRBs sponsored by the same Nationalised/Sponsor Bank all over the country may be amalgamated into one 'rural subsidiary' of each Sponsor Bank. This is suggested in view of the inescapable factor that each Sponsor Bank breathed its own style of functioning into each RRB sponsored by it through deputation of its staff and methods. Such amalgamation would provide for transfer of staff of each rural subsidiary of a Sponsor Bank in the cadres of Field Supervisors, Branch Managers and Area Managers within the state but from one region to another. The 'capital needs' of each such rural subsidiary should be met by the Sponsor Bank or met through specially floated long term 'rural bonds' of which a specified portion be earmarked to be contributed by the concerned staff of such subsidiaries, thereby making inevitable the involvement of staff in healthy operational performance of rural subsidiaries in future.
The creation of such rural subsidiaries would inevitably lead to reduction in staff on deputation from each Sponsor Bank. The amalgamation of RRBs of each sponsor bank into one rural subsidiary under its banner would significantly reduce the number of independent RRBs now and this would help better coordination and supervision and swiftness in policy making at all India level. A separate National Bank for such Rural Subsidiaries or a separate division in NABARD for Rural Subsidiaries can be established to promote coordination, supervision, monitoring and review of the performance of such subsidiaries.

**RRBs in Andhra Pradesh:**

In Andhra Pradesh, there are 16 RRBs covering all the 23 districts in the state. At the end of March, 1991, these 16 RRBs through 1127 branches spread out in 23 districts mobilised savings of Rs.400.07 crores and lent Rs.428.27 crores, thus having a Credit-Deposit ratio of 107. However, their overdues amounted to 33.9 per cent of their outstanding advances.

**Profile of Anantapur District:**

As regards the profile of Anantapur district, it is located in an unfavourable climatic zone and as such it does not enjoy the full benefits of either south-west or north-east monsoon. Like other districts of Andhra Pradesh, Anantapur district is primarily an agricultural one with about 74 per cent of the people dependent on agriculture for their livelihood and employment. About 85 per cent of the cropped area is dependent on uncertain and inadequate rainfall. Though it has the largest gross cropped area in the state, the district is known as stalking ground of famine due to poor and erratic rainfall. The district specialises in the production of commercial crops, particularly Groundnut, with greater extent of cropped area under non-food crops. Among food crops, rice and jowar are major crops grown in the district. Anantapur district has a huge livestock population. Animal Husbandry, Poultry and Petty Trade constitute the main occupation to some and a subsidiary occupation to
many. Anantapur district is the first district in the state to develop sericulture as a profitable venture in a drought prone economy.

Rural population forms 76.5 per cent of the total population in the district. There is preponderance of small holdings in the district with small and marginal farmers constituting 78.4 per cent of total land holdings. The district is grossly underdeveloped in the matter of industrialisation. Socio-economic infrastructure of the district is yet to become broad-based. There is, however, good bank network in the district with 192 branches in rural areas and 17 in urban areas. It is heartening to note that rural and semi-urban branches have more than proportionate share of total branches in the district. The block-wise branch distribution, however, is uneven with Gooty, Tadpatri, Kambadur, Kanekal, Kadiri West, Hindupur and Madakasira having less than proportionate share of branches. Syndicate Bank is the Lead Bank of the district and is entrusted with the responsibility of coordinating the efforts of banks through preparation of Annual Credit Plans.

Progress of Sree Anantha Grameena Bank:

Sree Anantha Grameena Bank was established on 1st November, 1979 with its Head Office at Anantapur, in accordance with the provisions of the RRBs Act of 1976. It was sponsored by Syndicate Bank which is the Lead Bank of the district. Its initial paid up capital was Rs.25 lakhs but this was raised to Rs.50 lakhs in 1986 and to Rs.75 lakhs with effect from 23rd May, 1992.

The Bank started its operations with one branch in 1979 but by June, 1993, it had 70 branches of which 59 were located in rural areas, nine in semi-urban areas and only two in urban areas. Of the 70 branches, 54 branches were opened in unbanked centres, while only 16 branches were located in already banked centres. So it can be said that the Bank is successful in establishing its image as 'Rural Bank' with over 97 per cent of its branches located in rural and semi-urban areas. It is 'regional' as it confines its operations to Anantapur district only. The Bank has a share of 70
out of 209 bank branches in the district as on 31st March, 1993 accounting for 33.49 per cent of total bank branches. It has branches in all the taluks in the district. However, the Location Quotient worked out shows that Kudair, Gooty, Tadpatri, Dharmavaram, Kanekal, Kadiri West, Hindupur and Madakasira blocks have less than proportionate share of its branches, suggesting that the Bank can expand its branch network in future in these blocks.

The Bank made rapid progress in its business from the point of view of deposits and advances. The deposits of the Bank increased from Rs.0.72 lakhs in 1979 to Rs.4023 lakhs in March, 1993. The per branch deposit increased from Rs.0.72 lakhs to Rs.57.47 lakhs during the same period, while the deposit per account went up from Rs.251 to Rs.1890 during the said period. The outstanding advances of the Bank also increased rapidly during the period 1979-93. The total outstanding advances increased from Rs.0.17 lakhs in 1979 to Rs.4561 lakhs in March, 1993. The per branch credit rose from Rs.0.17 lakhs to Rs.65.16 lakhs, while the per capita credit rose from Rs.810 to Rs.5558 during the period 1979-93. So, it can be said that the Bank remained essentially a 'weak man's bank' which is evident from the smallness of per capita deposit and per capita advance of Rs.1890 and Rs.5558 respectively. The Bank had a Credit-Deposit Ratio of 24 in 1979 which reached a peak of 211 in 1985 but came down to 113 in 1993 in pursuance of the directive of NABARD in this regard. However, the Credit-Deposit Ratio still shows that the credit flow was more than the deposits mobilised by the Bank in the district.

The priority sector advances went up from Rs.9.15 lakhs under 673 accounts at the end of December, 1980 to Rs.3746.94 lakhs under 68055 accounts by the end of March, 1993. Within the priority sector advances, the share of Agricultural Sector came down from 82.30 per cent at the end of December, 1980 to 70.41 per cent by March, 1993. On the other hand, the share of Industrial Sector went up during the same period from a mere 1.31 per cent to 11.42 per cent, and that of Tertiary Sector from 16.39 per cent to 18.17 per cent. The change in relative shares of the three sectors
shows diversification of rural economy from primary sector to secondary (industrial) and tertiary (services) sectors. Such a trend is noteworthy from the fact that in a drought prone economy, expansion of industries and services alone can improve the economic lot of the rural people.

Another interesting point to be noted is that with the increase in the number of advances to all categories of weaker sections, the credit disbursed to Scheduled Castes, Scheduled Tribes and Backward Classes also increased substantially during the period 1980-93.

However, the Bank's financial viability had been undermined by losses incurred year after year. The Bank earned profits in only five out of 14 years of its existence. The accumulated losses had eroded its initial paid-up capital so much so that its paid up capital was raised twice - to Rs.50 lakhs in 1986 and to Rs.75 lakhs in 1992. The Bank's performance in this regard leaves much to be desired.

Profile of the Sample Borrowers:

The analysis of the socio-economic profile of the sample borrowers revealed that the sample borrowers had a higher proportion of Scheduled Castes, Scheduled Tribes and women in underdeveloped areas than in developed areas. The educational status of the sample borrowers in underdeveloped areas was lower than that of their counterparts in developed areas. As high as 65.85 per cent of male sample borrowers and 81.48 per cent of female sample borrowers belonged to the productive age group of 18 to 40 years. Nearly 50 per cent of the sample borrowers were illiterates. Also, 94 per cent of the sample borrowers were married. The average family size and proportion of workers to family size were higher in developed areas than in underdeveloped areas. It is interesting to note that sample borrowers of all categories have some land holdings. Only 31 sample borrowers had borrowed from non-institutional sources, of which the share of under-developed areas was more both in terms of number of indebted sample borrowers and amount of outstanding debt. It is inter-
esting to note that the average annual gross income of each sample borrower household in both developed and underdeveloped areas was more than its average annual expenditure thus showing a surplus family budget per each sample borrower household.

**Working of the Selected Branches:**

Regarding the working of selected bank branches, it was found that the bank officials constituted the single largest source of information about loan schemes to the sample borrowers. About 34.67 per cent sample borrowers in developed areas learnt about bank’s loan schemes on their own efforts or through their neighbours, friends and relatives indicating a higher level of inquisitiveness and awareness due to higher literacy in the area. A large majority of sample borrowers (97.33 per cent in underdeveloped areas and 86.67 per cent in developed areas) could procure loan from the Bank by visiting the bank one to five times only. It can be deduced from the above that the bank officials had succeeded in taking banking to the door steps of the rural folk and provided credit without making the sample borrowers to go round the bank many times.

However, only 43.34 per cent and 33.33 per cent of sample borrowers in underdeveloped and developed areas respectively received sanction within 10 days of application, which clearly shows the need for the Bank to expedite its loan processing mechanism/procedure. However, once the sanction is accorded, the Bank did not take much time for actual disbursement as is evident from the fact that over 80 per cent of the sample borrowers in both developed and underdeveloped areas received loan amounts within 10 days from the date of sanction. It is a matter of concern/interest to note that 80 per cent of sample borrowers in developed areas as against 63.33 per cent of sample borrowers in underdeveloped areas received the sanctioned loan amounts in lumpsum or in one instalment. It can, however, be said that the Bank should release the sanctioned loan in instalments wherever feasible as
this would provide it one more opportunity to check the end-use of credit by conducting follow-up inspection before the release of second or subsequent instalments and thereby initiate necessary remedial measures before the entire loan is released.

In over 50 per cent of cases the loans were released in cash directly to the customer/borrower. This again points the need for release of loan in kind wherever possible to ensure better end-use of the loans and to prevent diversion of loans for other than the loan purpose. It is, however, gratifying to note that middlemen and other intermediaries had no access to loans. On an average the expenditure incurred by the sample borrowers for obtaining loan was Rs.114.59 in underdeveloped areas and Rs.191.97 in developed areas, which worked out to just 0.24 per cent of the average loan amount. This is a testimony to the fact that the Bank could provide credit to its borrowers at a very low cost.

A larger percentage of sample borrowers in underdeveloped areas (61.98 %) than in developed areas (50.64 %) benefited from various Government schemes like IRDP, SC Action Plan, ST Action Plan, BC Action Plan, ANSET and PASMA. However, the average subsidy amount received by the sample borrowers was more in developed areas (Rs.16370) than in underdeveloped areas (Rs.7640). This difference is accounted for by a larger volume of credit sanctioned in the former than in the latter under all purposes except under Petty Trade/Small Business category. However, the subsidy as a percentage of loan amount sanctioned worked out to 19.62 per cent in developed areas as against 18.32 per cent in underdeveloped areas.

It is gratifying to note that over 97 per cent of sample borrowers had utilised the loans for the sanctioned purposes and in the remaining cases, there was only partial diversion of loan amounts sanctioned for other than sanctioned purposes. The average loan amount diverted per diverting borrower is more in the underdeveloped areas (Rs.4500) than in developed areas (Rs.3250). The main reasons for diversion of loans were pressing domestic expenditure, performance of marriage and farming
expenses. Only one sample borrower had diverted the loan amount because of its inadequacy. It can be deduced from this that the Bank had been successful in ensuring proper utilisation of loans sanctioned. However, it may be recommended that the Bank should provide consumption credit also in deserving cases to prevent diversion of loans sanctioned.

It is a matter of satisfaction to note that over 98 per cent of sample borrowers were in possession of the assets financed by the Bank and all of them felt that the attitude of the field staff of the Bank towards maintenance of the assets was favourable. Thus, there was thorough supervision and follow-up by the field staff of the Bank which ensured the possession of assets by the sample borrowers.

Further, 77.33 per cent and 89.33 per cent of sample borrowers in developed and underdeveloped areas respectively disposed off their produce or products of occupation/profession locally, i.e., within the village in which they reside. Over 75 per cent of the sample borrowers sold their products directly to the customers. The percentage share of other agencies like Cooperative Marketing Society, Government Agency or other agencies is meagre, more so in underdeveloped areas than in developed areas. In the absence of such agencies, the Bank cannot enter into tie-up arrangements for recovery of loans from the sale proceeds. It is felt by 98 per cent and 88.67 per cent of sample borrowers in developed and under-developed areas respectively that they had to contend with the problem of inadequate demand for their products, while a small percentage had to face the problem of lack of transportation facility to sell outside the village.

The major problems confronted/encountered by the sample borrowers in their dealings with the Bank were the non-availability of technical guidance and extension services, their lack of knowledge of rules and procedures in regard to bank loans, inordinate delay in getting loans and untimely credit disbursement. Thus, there is need on the part of the Bank staff to cut down delay in sanctioning loans. The
discretionary powers of the managers at branch level need to be raised so that most of the applications can be disposed off at branch level itself. The field staff of the branch should process the applications in time and see to it that credit is disbursed in time. Untimely credit disbursement is not desirable not only from borrower's point of view but also from banker's point of view since such credit would in most cases be diverted for other-than-sanctioned purpose. Even if the project is taken up by the borrower, it would hazard him to many risks of high costs or low benefits, jeopardising the viability of the project financed and thereby affecting the repayment performance. The field staff and the branch manager should enlighten the borrowers about rules and procedures connected with bank loans. And above all, the field staff need to be educated, through appropriate training courses designed for the purpose, regarding the various aspects of productive enterprises they take up for finance at field level so that they can provide necessary technical guidance and extension services to the borrowers. The other problems faced by a small minority of sample borrowers pertain to difficulty in getting revenue records and No-Dues Certificates, inadequate valuation of land, etc. The State Government should expedite the issue of Pattadar (Title holder of land) Pass Books so that such problems can be done away with.

There are certain matters of vital importance where certain recommendations can be made from the analysis of the opinions expressed by the sample borrowers. Though it is gratifying to note that 97.67 per cent of the sample borrowers felt that the working of Sree Anantha Grameena Bank branches is satisfactory and that 66.33 per cent felt that there is no discriminatory treatment towards them, one cannot, however, ignore the views of 71 per cent of sample borrowers who felt that the lending procedures need to be simplified further and 70.67 per cent of sample borrowers who felt that repayment schedule should be liberalised. It must be borne in mind the RRBs introduced simplified procedures in regional languages so that the borrowers and other customers can follow them easily. And even taking surety upto a loan amount of Rs.5,000 was done away with subsequently. In view of the experience
gained over the last 19 years, there is need to review the lending procedures to simplify them further. Above all, there is need to fix realistic and flexible repayment schedule so that the borrowers can be at ease in repaying the loans in convenient and easy instalments. This would help them to utilise greater portion of incremental incomes generated due to bank finance for improving their living standards. Apart from this, a realistic repayment schedule based on income flow would certainly reduce the risk of loan account becoming irregular or bad.

Again, there is need to increase the quantum of loan, particularly by the branches in underdeveloped areas, as 64 per cent of sample borrowers felt that the loan amount was not adequate for the purpose. Though banks are advised to see the credit worthiness of the project and not be over obsessed with the character, capacity and credit worthiness of the borrower, the Branch Managers seem to be still exercising greater caution when it comes to financing the really poor. The nexus in thinking of small man, small means and small loan should be discarded. It is true that the right to sanction loans given to the Branch Managers entails the duty of recovering the loans on them. But, under-financing a project does not help the cause of better recovery performance as inadequate loan would defeat the very financial soundness of the project financed.

**Impact of the Bank Finance on the Sample Borrowers:**

Institutional credit, particularly that of production credit, when properly utilised results in change in occupations, gross and net incomes and productive and non-productive assets of the sample borrowers. It was found that credit from Sree Anantha Grameena Bank brought about shift in main and subsidiary occupations of the sample borrowers to considerable extent. The shift was mostly from primary sector to secondary and Tertiary sectors; there was a shift in the main occupation of Agricultural labourers to the extent of 90.1 per cent, followed by those in Agriculture (20 %), Petty Traders (10.40 %) and Rural Artisans (5.90 %). The Bank finance had
also provided employment in the case of six sample borrowers. Further, the Bank finance had induced the sample borrowers to take up subsidiary occupations. It was found that 66 out of 279 sample borrowers who had no subsidiary occupations in the pre-loan situation had taken up various subsidiary occupations in the post-loan situation. While this augurs well for the rural economy by augmenting the incomes of the poor, it is to be noted with concern that 215 sample borrowers out of the selected 300 had no subsidiary occupation after bank finance. The Bank should endeavour to motivate the borrowers to take up subsidiary occupations to utilise the available time and human resources for betterment of their living conditions.

As regards the impact of bank finance on the incomes of the sample borrowers, it was found that the incremental average gross income as a percentage to pre-loan average annual gross income ranged from 119.39 per cent in the case of Professional and Self employed to 39.54 per cent in the case of Agriculture-Investment Credit. There was an overall increase of 52.68 per cent for all sample borrowers put together. The percentage increase in average gross income is however more in developed areas (56.06 %) than in underdeveloped areas (47.20%). Likewise, there was an increase in net incomes, with the average net incremental income as a percentage to pre-loan average net income standing at 58.98 per cent. The increase is more in developed areas (60.36%) than in underdeveloped areas (57.35 %). The increase in average incremental net income varied between 87.97 per cent in the case of Professional and Self employed to 46.70 per cent in the case of Agriculture-Investment Credit. The application of 't' test revealed that the difference in the average gross and net incomes of the sample borrowers between pre-loan and post-loan situations was significant at one per cent probability level for both the developed and underdeveloped areas as also for the district as a whole. Similarly, the Bank finance had resulted in increased employment of the members of the sample borrower households as measured in terms of mandays of employment. The overall incremental employment generated in mandays stood at 51.66 per cent over the pre-loan
employment. The average incremental employment generated in percentage terms was around 52 per cent in both developed and underdeveloped areas. Among the purposes of borrowing, the highest increase in average employment generated in percentage terms was in the case of Agriculture-Investment Credit. The 't' test revealed that the difference in employment between pre-loan and post-loan situations was significant at one per cent probability level for both developed and underdeveloped areas and also for the district as a whole.

Yet another area where the Bank finance had brought about increase is in the value of productive and non-productive assets of the sample borrowers. The increase in the average value of productive assets is, however, more in developed areas (Rs. 10086.4) than in underdeveloped areas (Rs.7594.8). But it is significant to note that the increase in average value of non-productive assets (Rs.27088.8) was more than the increase in average value of productive assets (Rs.10086.4) in developed areas, while reverse is the case in underdeveloped areas, the increase in average value of productive assets (Rs.7594.8) being more than the increase in average value of non-productive assets (Rs.2459.2). It is clear from this that the sample borrowers in developed areas had shown preference to acquire more of non-productive assets like gold, silver, consumer durables, etc., while their counterparts in underdeveloped areas had shown preference for acquisition of more productive assets, further evidencing the fact that the sample borrowers in developed areas had more comfortable financial position. However, it is gratifying to note that bank finance had undoubtedly resulted in acquisition of assets, whether productive or non-productive, held by the sample borrowers.

A RRB has been designed as a banking institution with a limited area of operation or specific region with the specific objective to see that the resources mobilised by way of deposits within the region are deployed therein itself. Naturally, with a preponderance of branches in rural areas, the RRB is expected to deploy its funds mostly in rural areas through its operating rural branches. The success of a
RRB therefore can be measured by assessing as to what extent the Bank had been successful in mopping up surpluses generated through its loans to borrowers by way of deposits for re-deployment among the weaker sections in rural areas. In fact, there is a crying need to restrict consumerism or utilisation of surplus incomes generated by the borrowers for building up non-productive assets. Economic development based on rural development through bank credit can be a self-sustaining and self-generating process only as long as there is minimal leakage from circular flow of bank credit (productive investment -- income generation -- savings -- deposits -- bank credit). The minimum leakage permissible that can rationally be justified is that part which is utilised for improving the living standards of the borrower-beneficiaries whose standard of living is less than the national average.

The study as to how far the selected branches of Sree Anantha Grameena Bank were successful in mobilising deposits from the sample borrowers out of the surplus incomes accruing to them from the projects financed, through various demand and time deposit schemes of the Bank, revealed that the average increase in the quantum of demand deposit was just Rs.934, of which greater share was accounted for by underdeveloped areas (52.05%) than the developed areas (47.95%). The increase in average demand deposit was Rs.974 in underdeveloped areas as compared to Rs.897 in developed areas. So, it is evident that branches in underdeveloped areas were more successful than those in developed areas in mobilising demand deposits.

In respect of term deposits, it was revealed that the number of sample borrowers having term deposits increased from 140 in the pre-loan situation to 174 in the post-loan situation and, of the 34 sample borrowers who opened term deposit accounts newly, 23 belonged to the underdeveloped areas, while the remaining 11 belonged to developed areas. However, the average term deposit per sample borrower in underdeveloped areas actually declined from Rs.5232.80 (pre-loan) to Rs.4977.36 (post-loan). The increase in overall average term deposit from Rs.6917.26 to Rs.8370.6 in respect of all the sample borrowers was accounted for by
the increase recorded in average term deposit per sample borrower in developed areas from Rs.8595.73 to Rs.11763.84. It can be said that branches in both areas were not highly successful in mobilising savings from the sample borrowers. So, it is recommended that the field staff should motivate the sample borrowers to hold their increased incomes in bank deposits so that they can be fruitfully channelled or ploughed back for further productive investments either in their own enterprises or enterprises of similar other categories of rural folk.

Repayment Performance of the Sample Borrowers:

Effective recovery of loan dues against total demand speaks of the operational efficiency of the Bank. A study of the repayment performance showed that out of a total demand of Rs. 907754 from the 300 sample borrowers in both areas, the branches were able to collect Rs.620439, leaving a balance of Rs.287315. In percentage terms, the overall recovery to total demand worked out to 68.35 per cent, the recovery percentage being more in developed areas (71.47%) than in under-developed areas (61.54%). However, it can be said that the overdues at 31.65 per cent of total demand were considerably high, particularly in the backdrop of considerable increase in average net incomes.

The study revealed that there were 113 sample borrowers (37.67% of the total) comprising 66 (44%) from developed and 47 (31.34%) from underdeveloped areas who repaid total dues to the Bank. There were 82 sample borrowers in all (27.33% of the total) -- 39 (24.67%) in developed areas and 43 (24.66%) in underdeveloped areas -- who repaid anywhere between 20 to 99 per cent of their dues. There were another 105 sample borrowers (35% of the total) - 45 (30%) from developed and 60 (40%) from underdeveloped areas who did not make any payment to the Bank. However, this class comprised 31 sample borrowers each from developed and underdeveloped areas of the district, in whose case no amount had fallen due for repayment. And 50 per cent of the sample borrowers who made
repayments to the Bank had done so from the sale of products of their occupation or profession financed by the Bank. Sale of livestock, sale of agricultural produce, sale of livestock products and income from subsidiary occupations formed other sources of income from which the sample borrowers could repay their dues.

Another interesting point that needs to be mentioned is the number of sample borrowers who paid the amounts in advance and the total advance payments so made. There were 113 sample borrowers (37.66% of the total) -- 64 from developed (42.66%) and 49 (32.66%) from underdeveloped areas -- who made advance payments to the extent of Rs.366700 at an average of Rs.3245.13. The total advance payment and average advance payment were higher in developed areas (Rs.295069 and Rs.4610.45 respectively) than in underdeveloped areas (Rs.71631 and Rs.1461.85 respectively).

Notwithstanding the above, there were 125 sample borrowers (41.66% of the total) -- 53 in developed (35.33%) and 72 (48%) in underdeveloped areas -- who could be categorised as "defaulters". They had defaulted an amount of Rs.287315, at an average of Rs.2298.52 which is considerably high. It is disconcerting to note that the total amount in default and default amount per defaulting borrower were both higher in developed areas (Rs.177547 and Rs.3349.94 respectively) than in underdeveloped areas (Rs.109768 and Rs.1524.55 respectively). This is disconcerting because the average incremental gross and net incomes generated were higher in developed than in underdeveloped areas. However, in respect of number of defaulters, the underdeveloped areas overtook the developed areas. Again, in respect of sample borrowers who had defaulted 100 per cent of dues, the underdeveloped areas (29) had outstripped the developed areas (14).

An analysis of the reasons or causes for default revealed that 42 sample borrowers - 21 each from the developed and underdeveloped areas - had failed to repay due to pressing domestic expenditure, while 30 sample borrowers - 16 from
developed and 14 from underdeveloped areas - failed to repay due to inadequate income from the projects financed. Another disquieting feature is the number of sample borrowers who wilfully defaulted the payment, particularly in underdeveloped areas. There were 25 of such wilful defaulters in underdeveloped areas as against only two in developed areas.

The Discriminant Function Analysis was applied to study the factors that distinguished the defaulters from the non-defaulters among the sample borrowers. Twelve highly relevant variables were selected for drawing a comparison between non-defaulters and defaulters. The discriminant function was not found significant implying that the variables considered together could not significantly differentiate between non-defaulters and defaulters. However, it was revealed through 't' test that when analysed separately, two variables, viz., caste and education could significantly distinguish between the non-defaulters and defaulters; the non-defaulters belonged to a higher caste and had a higher education when compared to defaulters. These two variables, when taken in isolation, could distinguish the non-defaulters from defaulters, but their behaviour was different when taken in a group along with other variables.

In order to study the factors affecting the amount of overdues among the defaulters in respect of sample borrowers, step-wise multiple regression technique was employed. The results showed that in the entire study area, the most important independent variable affecting the overdues was the amount borrowed or size of the loan. The regression coefficient associated with this variable was found positive and significant at one per cent probability level and the variation in this variable alone accounted for 52 per cent variation in the amount of overdues. This variable, along with two other independent variables, viz., age and time lag between the date of sanction of loan and its disbursement, together explained 55 per cent variation in the amount of overdues. While the variable 'Amount borrowed' accounted for 52 per cent
variation in the amount of overdues in developed areas, it explained only 18 per cent variation in the 'amount of overdues' in underdeveloped areas.

**Regional Disparities in the Disbursement and Impact of Credit:**

The application of Discriminant Function Analysis for distinguishing the sample borrowers in developed areas from those in underdeveloped areas revealed that the discriminant function was significant when 14 important variables were taken together. The results showed that sample borrowers in developed areas were significantly different from those in underdeveloped areas not only in respect of certain socio-demographic variables such as 'caste', 'education', 'family size' and 'number of workers per household' but also in respect of the variables such as 'amount of loan' 'net incremental income', 'incremental employment' and 'repayment performance' which reveal the impact of bank finance. In all these respects, the sample borrowers in developed areas were on a higher scale compared to their counterparts in underdeveloped areas of the district.

For example, the difference was significant in respect of the amount borrowed or size of loan. The average amount of loan given per borrower was Rs. 19944 in developed areas which was as much as 102 per cent higher when compared to Rs. 9873 in underdeveloped areas. This disparity may be on account of a higher credit absorption capacity in developed areas when compared to underdeveloped areas. As a consequence of this, there was a significant difference in the impact of bank finance between developed and underdeveloped areas as reflected in the case of incremental income, incremental employment and repayment performance among the sample borrowers. It was found that the net incremental income per annum per borrower in developed areas was Rs. 7727, about 25 per cent higher when compared to Rs. 6060 in underdeveloped areas. Similarly, the incremental employment per borrower was 301 man days per annum in developed areas, about 64 per cent higher when compared to 184 mandays in underdeveloped areas. With regard to repayment performance also,
it was 79.45 per cent in developed areas when compared to 68.72 per cent in underdeveloped areas.

Thus, it can be inferred that in respect of disbursement of credit and as a sequel, in the impact of credit mostly among the weaker sections of the society in rural areas of the backward Anantapur district, there are regional disparities between developed and underdeveloped areas. The discriminant function analysis showed that the difference was significant at one per cent probability level when 14 variables were considered together. Hence, there is a need for modifying the policy of Sree Anantha Grameena Bank in favour of underdeveloped areas with regard to the disbursement of credit. Simultaneously, efforts must be made by the Bank in coordination with other development agencies - both governmental and non-governmental - to increase the credit absorption capacity in underdeveloped areas. Further, there is a need to diversify the loan operations of the Bank and the strategy in this regard should be different in underdeveloped areas by focusing more on the ISB Sector (Industries, Services and Business) than on the Agricultural Sector. Thus, there is a need to evolve location-specific strategies for bringing about balanced development in different parts of Anantapur district.

Policy Implications:

To conclude, the following important policy implications may be highlighted, on the basis of the findings of the empirical study, for the effective functioning of RRBs in general and Sree Anantha Grameena Bank in particular:

1. Lending procedures should be simplified to reduce the time-lag between loan application and sanction as well as the time lag between loan sanction and disbursement;

2. Technical guidance should be provided to the borrowers wherever necessary in order to ensure successful functioning of the units financed;
3. Since the overdues are found to be directly related to the size of loan, extra care should be taken while processing loan proposals involving huge amounts before sanction;

4. The repayment schedule should be flexible and liberal to suit the needs of different categories of borrowers in order to ensure better recovery; and

5. In view of the regional disparities existing even within backward areas, there should be focus on formulating special schemes for facilitating increased flow of credit to relatively underdeveloped pockets by simultaneously making concerted efforts for increasing the credit absorption capacity of borrowers in such pockets with a view to bring about balanced development.