CHAPTER - IX

SUMMARY RECOMMENDATIONS AND CONCLUSION
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In the post nationalisation period banker's emphasis shifted from "security oriented" lending to 'purpose oriented' lending and in this process, neglected sectors of our economy were brought under the purview of bank credit. During the period spanning three decades from 1969 to 2000, the banks had made a major thrust into the field of social banking and priority sector lending. Not only the set targets were fulfilled, it had also seen the evolution of a new generation of personnel trained to undertake the unprecedented task involving social banking and priority sector lending. Various supportive measures have been drawn up to augment the realistic implementation of the priority sector lending policies and targets. A buffer zone was also created to reduce the burden of concession, entailed in priority sector lending, by providing refinancing facilities to banks on their lending to agriculturists and other small borrowers, so that the amount refinanced can be deployed at higher interest.

Moreover, the credit guarantee scheme has been introduced to overcome the difficulties in dealing with large number of small borrowers. This had helped banks, in the initial stages, to increase the lending to small borrowers for which they did not have previous experience. Apart from this, under the lead bank scheme, responsibility is entrusted to each bank to promote banking in the allotted district. A major modification of the area approach has been the introduction of the Service Area Approach, under which every village in the country is allotted to a commercial bank branch for the purpose of credit planning and deployment.
In pursuance of the various priority sector lending schemes, both qualitative and quantitative changes have taken place in Indian banking system. However, the present study was undertaken with a view to highlight the development and growth of commercial banking activities in the field of priority sector and its impact on the overall economic development of Assam. On the basis of our discussion in the last few chapters, we summarise below the findings of our study and also made some recommendations thereof under broad sub-headings.

9.1. **Priority Sector Lending**: One of the basic objectives of bank nationalisation was the extension of bank credit to the priority sectors thus paving the way for the banks to increase their participation in the socio-economic development of the country. The integration of poverty alleviation programmes with the priority sector and adoption of sub-targets for agriculture and weaker section lending have been major steps towards reaching the small borrowers.

Accessibility of the poorest of the poor to banking facility and the reorientation of lending pattern of banks from security/collateral orientation to lending based upon the economic viability and income generating potential of the borrowers, were the significant changes taken place not only in Assam but in the country as a whole.

The major findings in the field of priority sector lending by commercial banks are discussed below:

I. The extension of banking facilities have contributed to the increase in priority sector lending in Assam. The quantitative result in this
field have been very impressive, such as the aggregate priority sector advances in Assam went up by more than 844 times (growth rate 24.3 percent) during June 1969 to March 2000 as against national increase of 286 times (growth rate 20.0 percent). Even in comparison to certain selected states during the same period Assam's achievement was higher.

II. The share of priority sector advances to total bank credit in Assam registered a considerable growth during the period 1969 (12.8 percent) and 2000 (51.0 percent). This is an indication that commercial banks functioning in Assam deployed credit to different segment of priority sector above the stipulated target fixed by the Reserve Bank of India.

III. In sectoral deployment of priority sector credit, it was observed that amongst all priority sector segments in Assam, major share went to small scale industrial sector followed by 'Other Priority Sector' till 1976. 'Other Priority Sectors' like transport operators, professional & self-employed persons, retail trade etc. have contributed the major share in total priority sector advances.

IV. Bankwise credit to priority sector reveals that among all the bank groups, Nationalised Bank Group showed consistency in achieving stipulated target of priority sector lending in Assam. Percentage share of the Nationalised Bank Group was higher followed by State Bank Group, Regional Rural Bank Group etc.

V. The ascertained value of compound growth registered a positive growth rate in all bank groups except Foreign Bank and Other Scheduled Bank Group during 1973-2000.
VI. The district-wise priority sector lending shows that, there were wide disparity among the different districts of Assam throughout the post-nationalisation period. Out of total priority sector credit in Assam, the major share went to only one district, i.e. Kamrup district. The share of other districts particularly Lakhimpur and Sibsagar districts abruptly came down to a lower level, as a number of districts were bifurcated during the period between 1982 and 1994.

VII. All the districts, except a few, could achieve the minimum target set by the Reserve Bank of India by March 2000. Cachar, Darrang, Lakhimpur, Nagaon, Sibsagar which had earlier relatively low percentage, showed considerable improvement in the later years.

VIII. The broad conception of establishing an egalitarian social set up in India, had the economic planners hard pressed to corroborate with the necessary policies for the same. For this they resorted to the option of fixing time bound lending targets for priority sector at fairly high levels in order to accelerate the flow of credit to the neglected sectors. The effect can easily be felt in the astonishing pace at which the banking facilities increased along with the increase in priority sector lending.

IX. The interest rate policy relating to priority sector lending indicates a perpetual adherence to approaches and policies even after they have been proved wrong. It is marked by multiplicity of rates and prescriptions. The administered interest rate structure has failed to promote effective use of credit and the concessional rates have allowed projects of doubtful viability to enter the advance portfolio of banks. It has resulted in poor customer service and low profitability. In the long run, concessional rate will neither benefit the borrowers nor the lending banks.
9.1.1. Recommendations:

In the light of our findings in the sphere of priority sector lending, as discussed in the preceding few pages, the following recommendations are put forward for proper implementation and effective participation of the banks.

I. It has been expedient to fix time-bound lending targets for the priority sector at fairly high levels. Nevertheless in recent times, the targeting system has brought to light the fact that the targets stipulated at macro level have not been based on a realistic assessment of credit needs and it worsened the position of poorer states. To remove this inherent discrepancy toward the poorer states like ours, targeting should be linked to bank deposits rather than to bank credit.

II. The main objective of priority sector lending is to help the economically weaker section to undertake productive activities. But in their hurry to fulfil the target, the banks overlooked this criteria and sanctioned loans to all and sundry. Hence, the criteria of lending under priority sector needs to be reviewed and corrective measures to be taken whenever necessary.

III. Though banks in Assam managed to satisfy the norm of achieving 40 percent lending target in priority sector, the state continued to stay below the national average in per capita priority sector advances from the very beginning. Hence, this calls upon the need to improve the efficiency of bank branches to deploy more credit in priority sector.

IV. District-wise wide disparity in priority sector credit implies that the policy adopted by scheduled commercial banks in Assam with regard to reducing inter-district disparity is not satisfactory and needs immediate attention.
V. In their enthusiasm of meeting up target, scant attention is given to the proper identification of borrowers, market conditions and the capacity of the borrowers. In order to avoid wrong identification of beneficiaries, easy but fool-proof measures should be undertaken by banks.

VI. Monitoring a large number of small advances is both time consuming and manpower intensive which add up to the operative cost of the bank. To reduce the burden of monitoring a large number of small borrowers, banks may introduce a separate cell to look after government sponsored programmes which in long run would help them to improve the quality of priority sector lending.

VII. Timeliness and adequacy of credit are critical to increasing the credit flow to priority sector. Usually, small loans involve higher transaction and administrative costs. As a result, bank managers tend to look for larger loans where interest rates are deregulated, where banks seek to equalise the price differential by cross subsidisation. In effect therefore, regulated rates of interest operate as a barrier to sanction of small loans. As has already been done in the case of co-operatives and regional rural banks, commercial banks should be free to fix the rates of interest for loans of all amounts under priority sector.

VIII. Notwithstanding exceptions to the contrary, the morale of the rural cadre in commercial banks is low, commitment uneven and the sense of mission is weak. This has to be addressed if priority sector lending is to be stepped up. The Government of India stipulation for a compulsory rural posting may be done away with and posting of staff to rural centres should be based on institutional needs to be decided by the management of banks.
IX. Bank Training Institutions need to design the courses afresh shifting their focus from the present activity specific/project based training programmes to those emphasising borrower appraisal including techniques for assessing the needs of the rural household in a holistic way vis a vis the income generation stream/repayment capacity.

9.2. **Agricultural Credit under Priority Sector Lending**: Agricultural credit, being a prime segment under priority sector lending, has come under acute focus after nationalisation and it has become an important activity of banks. In the post-nationalisation period, commercial banks of the country have become the main source of finance to this sector as mentioned in an earlier chapter. The major findings in respect of commercial banks finance to agricultural sector are summarised below:

I. The volume of outstanding credit of scheduled commercial banks to agricultural sector of Assam increased from Rs. 29 lakhs in June 1969 to Rs. 28931 lakhs in March 2000 registering a growth of 998 times as against national growth of 282 times. The compound growth rate in Assam (24.95 percent) was higher than the country's growth rate of (19.96 percent) during the period 1969-2000. However, there were wide variation in deployment of agricultural credit in each year in Assam than in India which is amply indicated by the co-efficient of relative variability.

II. The proportionate share of agricultural sector to total credit in Assam was only 2.04 percent in June 1969 which increased to 20.3 percent in Dec. 1980 but thereafter showed a gradual decline and reached the level of only 9.71 percent in March 2000 which was well short of the stipulated target of 18 percent fixed by the Reserve Bank of India.
III. Though district-wise deployment of agricultural credit showed an upward trend, there were noticeable disparity among the districts either in terms of credit per account or in terms of district-wise share of total credit.

IV. Regional Rural Banks performance in the field of agricultural credit was better than the other banks. Amongst all bank group, only Regional Rural Bank could fairly satisfy the target of agricultural credit set by the Reserve Bank of India from 1991 onwards. This indicates that the RRBs had deployed more funds in order to achieve its objective for which the RRBs were established.

V. Percentage share in the state's total agricultural credit was higher in Nationalised Bank Group followed by State Bank Group, Regional Rural Bank Group etc.

VI. Yearly agricultural credit outlay fixed under Annual Credit Plan for both Golaghat and Jorhat districts was achieved by all banks, but the percentage of achievement was higher in Jorhat district. The performance of commercial banks in Golaghat and Jorhat districts was not satisfactory either in terms of credit per account or in terms of district-wise share of total credit. There is a noticeable inconsistency among the banks functioning in both Golaghat and Jorhat districts in credit deployment to Agriculture sector under Annual Credit Plans.

VII. Agricultural credit is disbursed partially in cash and the banker makes direct payment to the supplier of inputs or the equipment purchased by the farmer. This system has also led to undesirable practices, including submission of false receipts where the borrowers wish to misuse such loans.
VIII. It was found that the system of adoption of scales of finance for short term loans and unit cost of investment credit has led to distortions at the grass root level which also introduced an element of rigidity in assessment of credit requirement.

IX. The purposewise classification of agricultural advances made by banks indicated that most of the loans were disbursed for purchasing of agricultural machinery like tractor, power tiller, pumpset etc. which automatically increased the volume of credit in an area, but benefit of such loan is enjoyed only by the well-off farmers.

9.2.1. Recommendations:

The Reserve Bank of India and the Government of India had undertaken a number of steps to enlarge the flow of bank credit in agricultural sector as already mentioned in Chapter-V. However, we would like to supplement a few more steps to enhance commercial bank credit to agricultural sector.

I. The target for agricultural credit is fixed on the basis of 'outstandings' and thus drawing conclusions on the flow of credit to agriculture on this basis can be somewhat misleading. Therefore, banks should have self-set targets for lending to agriculture which should be based on the flow of credit. For this, banks would require to prepare special agricultural plans, the prime objective of which would be to accelerate the flow of credit as well as to substantially improve the quality of lending in terms of viability. Once such a system is adopted, it would be easier for banks to achieve the stipulated targets.
II. In view of the expertise developed by banks in financing agricultural operation during last three decades from nationalisation and in order to give them flexibility to take care of variations in the requirements of borrowers, the fixing of the scale of finance should be decided by the concerned banks.

III. Only agricultural credit is disbursed partly in cash and partly in kind. But no restriction of such a nature is imposed in case of borrowers of other priority sector. Hence, the practice of obtaining bills or receipts of inputs/assets purchased should be discontinued and banks should disburse loans for agricultural activities on a cash basis only.

IV. Submission of No Dues Certificate (NDC) is a pre-requisite condition for obtaining an agricultural loan from the bank which is unnecessary and time consuming. Therefore, where banks are familiar with the track record of the borrowers, obtaining a NDC should be left to the discretion of the lending banker.

V. There is an urgent need for branch managers to have a broad knowledge of agriculture and related activities. At many places, farmers are confused about the type of inputs to be used for crops and can be misled by input dealers or suppliers. Hence, banks should work out a system by which, information regarding the package of recommended practices for the cultivation of crops specific to their areas is communicated on a regular basis.

VI. There should be greater involvement of panchayats in agricultural extension including provision of training facilities to volunteers and creation of user groups of farmers for acting as nodes for technology transfer. Wherever possible rural bank branches should link up their activities with Farmer's clubs initiated by NABARD.
VII. Rural households generally pursue a number of activities both agricultural and non-agricultural, for supplementing their cash flows. These activities particularly agri-allied activities have modest working capital requirements. Therefore, banks should design specific loan scheme for such activities by first providing loans for short period and then may repeat loans for higher amounts for longer period but depending on the repayment behaviour of the borrower.

VIII. Taking into account the procedural difficulties and the high cost of stamp duty connected with registering a mortgage in favour of a bank, State Government should initiate steps to abolish stamp duty on mortgage of agricultural land for obtaining loans from banks.

9.3. **Small Scale Industries Credit under Priority Sector Lending**: Small scale industrial sector has been contributing significantly to production, employment generation, export and creation of new entrepreneurs and removal of regional economic disparity in our country. After nationalisation of major commercial banks in 1969, these nationalised banks became the main source of finance to this sector as mentioned in an earlier chapter. The major findings in respect of commercial banks finance to SSI sector are summarised below:

I. The volume of bank credit to small scale industrial sector of Assam increased significantly from Rs. 150 lakhs in June 1969 to Rs. 30931 lakhs in March 2000 registering a growth of 206 times as against national growth of 147 times. However the growth of SSI sector in the country as a whole was generally uniform and consistent which was not the case with Assam.
II. The proportionate share of small scale sector to total credit in Assam was 10.6 percent in June 1969, which increased to 37.5 percent in December 1972 but thereafter showed a gradual decline and reached the level of only 10.3 percent in March 2000.

III. Though there has been some growth in the SSI sector in Assam, the growth is not commensurate with the potential of the state. During 1969 to 2000, the state accounted for mere one percent of country's SSIs credits except in few years. This share has gone down to below one percent between the period 1978 to 1986, though the share has gone up marginally to 1.00 percent during a few years. Even in comparison to certain selected states during 1980-81 to 1999-2000, Assam's achievement in the sphere of credit to small scale industrial sector was far from satisfactory.

IV. Industrial sickness has been a major problem affecting the SSI sector in the state. The number of sick SSI units in the state was 4892 in 1991, which have over the years crossed 10,586 units in 1999. As against the increasing trend in total number of sick industrial units, the number of viable units in Assam is only 1383 as on 1999. A total of 11,445 small scale industries have closed down in the state till 1998. Among the various causes leading to closure of SSI units in Assam, problem of finance was found to be the main problem.

V. The relative share of small scale industries, the second largest component in priority sector lending, declined significantly over the years due to non-fixation of minimum target by the Reserve Bank of India.

VI. Nationalised Bank Group showed a satisfactory performance of credit deployment in SSI sector followed by State Bank Group since 1973.
However, achievement of either Regional Rural Bank or Other Scheduled Banks was not upto expectation.

VII. Districtwise deployment of SSI credit showed an upward trend, but there were noticeable disparity among the districts. Amongst all the districts, major share of SSI credit went to Kamrup district followed by Dibrugarh.

VIII. Geographical isolation, infrastructure bottleneck, problems of finance and of marketing, lack of entrepreneur-friendly organisational climate, lack of information and extension services and inadequacy of supply of highly motivated entrepreneurs are some of the problems hindering the growth of small scale industrial sector in Assam.

IX. The performance of commercial banks in Golaghat and Jorhat district was not satisfactory either in terms of credit per account or in terms of districtwise share of total credit. There was a noticeable inconsistency among the banks functioning in both Golaghat and Jorhat districts in achievement of credit deployment in SSI sector under Annual Credit Plans.

X. All banks functioning in both the districts took active participation under different schemes e.g. PMRY, SUME, 100% Margin Money scheme but their achievement was not upto expectation. A number of schemes like SUME, PMRY either become sick or abandoned due to the faulty identification of borrowers. The concerned District Industries Officials were reported to be under a lot of local or political pressure, resulting in wrong identification of borrowers.
9.3.1. **Recommendations**:

The following suggestions are advanced to enlarge the flow of bank credit in small scale industrial sector by banks in Assam.

I. The decision making process in banks should be quick and time-bound to minimize delays in sanctioning and disbursement of loan, or even in rejection of loan proposal. It is better to tell the entrepreneur about the rejection of loan proposal than keeping him/her waiting for months together.

II. For the purpose of bank finance, valuation of stock should be done at cost price or market price whichever is lower. Similarly, the valuation of finished goods should be based at the wholesale price and not on the prime cost.

III. Proper entrepreneurial training is one of the significant factor behind the success and prosper of most of the small scale entrepreneurs. Both bank and District Industry Centres should take initiative to motivate more small entrepreneurs. For this to happen, they should organise sufficient training camps and supporting service at a frequent interval of time.

IV. The working capital advance provided by banks to SSI borrower is generally on pledge basis. But this practice takes a good deal of time in releasing or depositing of stock. Therefore, this practice should be discontinued and instead, advance should be given against the hypothecation of stock only.

V. The process of liberalisation and globalization in the present socio-economic environment offers a number of opportunities in creating new entrepreneur in the whole country and is no exception to our state also. There are several activities which have been creating entrepreneurial
opportunities in Assam as information services, franchising, export trade etc. Hence, banks should come forward to deploy more credit in these fields, which also help them to improve their credit-deposit ratio.

VI. A number of small scale units become sick for various reasons and banks unable to recover their dues from such units. Banks should make special efforts to nurse the viable sick units back to health and at the same time prevent the healthy one's from falling sick.

VII. Many SSI units in Assam when producing a product, always concentrate their marketing thrust in the urban and semi-urban areas only and pays a very little attention to the vast rural market. The manufacturers are usually not aware about the newly created wealth of the rural people. Therefore, banks may take the help of those wholesalers/stockists who have proper linkage in the interior areas. In this way, banks may help SSI entrepreneurs to sell their product promptly which in turn help the banker to recover their dues from these entrepreneurs.

VIII. It is found that those banks which effectively follow-up and monitor utilization of their loan in SSI units, are found to have better recovery of their loan. Hence, a 'mission-mode approach' should be taken by each and every bank branch for effective follow-up and monitoring of utilisation of loan after it is disbursed to SSI entrepreneur.

IX. The rural SSI units in Assam are not in a position to secure the service of reputed wholesalers/stockists/retailers effectively because of lack of sufficient knowledge on offering commission, discount, credit note, bonus etc. Hence, effective linkage scheme through Non-Government Organisation/Self-Help Group on commission, discount, bonus etc. will have to be chalked out by banks to attract more small entrepreneurs in Assam.
X. Last but not the least, the number of persons coming forward to take up entrepreneurial activities is limited in Assam. This indicates that much more efforts are needed to promote entrepreneurship in our state.

9.4. **Credit to Other Priority Sector**: The pace of financial assistance by commercial banks to 'other priority sector' (OPS) accelerated tremendously after nationalisation not only in Assam but in the whole country. We have discussed in detail the commercial banks performance in the sphere of 'other priority sector' in an earlier chapter. We now summarise the major findings:

I. Commercial banks credit to OPS have increased significantly in Assam from Rs. 320 lakhs in December 1975 to Rs. 92900 lakhs in March 2000 registering a compound growth rate of 25.1 percent against national growth rate of 23.3 percent. Inspite of the total bank credit in Assam being on the lower side of the all India average, yet the growth of deployment of credit in other priority sector in the state surpasses that of the country's during the same period. The proportionate share of 'other priority sector' to total priority sector in Assam was 27.1 percent in December 1976, which increased to 60.8 percent in March 2000.

II. The districtwise growth of credit to OPS by commercial banks showed marked improvement between the period March 1991 and March 2000. The percentage share of credit to OPS to total bank credit in all districts except Karbi Anglong, Karimganj and Tinsukia showed noticeable increase in March 2000 than March 1991.

III. Districtwise deployment of credit in OPS revealed that amongst all the districts of Assam, major share of credit went to Kamrup
district followed by Dibrugarh district during the period March 1991 and March 2000. This is an indication of wide disparity among the districts and commercial banks in Assam did not show their initiative to reduce the disparity.

IV. The purposewise classification of 'other priority sector' credit made by commercial banks indicate that major share of credit were disbursed for financing retail trade followed by transport operators, small business, professional self-employed persons etc.

V. In sectoral deployment of credit under 'other priority sector', proper emphasis was given by the Nationalised Bank Group on retail trade, transport operators, professional & self-employed persons in Assam.

VI. The volume of outstanding credit of commercial banks to weaker section of Assam went up by more than three times during the ten years period spanning from September 1989 to December 1999. The annual compound rate of growth in credit to weaker section was 11.05 percent. Commercial banks in Assam fairly achieved both the norms related to weaker section during the period 1989-99. It will be pertinent to note that as per Ghosh Committee recommendation advance to weaker section should atleast be 25 percent of priority sector advance or 10 percent of total advance.

VII. Public sector banks in Assam deployed a major portion of their weaker section advance to Scheduled Caste/Schedule Tribe beneficiaries followed by IRDP beneficiaries while at national level it deployed a maximum share of its credit to small & marginal farmers followed by SC/ST beneficiaries during March 1996.

VIII. Public sector banks in Assam showed least initiative to finance small and marginal farmers and rural artisans in Assam. The amount
outstanding per account in Assam was very low as against national average. Though amount outstanding per account under IRDP in Assam was higher than the national average, IRDP, with political approval and attention of administrative set up to a considerable extent, had limited scope to succeed. Eventually, it did not make any positive impact on the income level of the poor in the rural sector.

IX. Bankwise credit to weaker section reveals that, among all the bank groups, Regional Rural Banks performance is better than all other bank groups in Assam and both Golaghat and Jorhat districts.

X. In spite of the novelty of various credit-linked government sponsored programmes within the pervue of weaker section credit, they suffered from poor implementation and could not deliver the desired impact. In the implemention of these schemes, emphasis was given by banks usually only on the quantitative achievement of targets rather than qualitative achievement.

XI. A section of weaker section borrowers are interested only in the subsidy given under various priority sector lending scheme. Indeed, subsidy is a cause for many mal-practices in weaker section lending scheme.

9.4.1. Recommendations:

Although, commercial banks achievements in the deployment of credit to 'other priority sector' in Assam is satisfactory, yet there are scope for further improvement. The following suggestions are advanced to enlarge the flow of credit to other priority sector in Assam:
I. No doubt, the share of other priority sector is appreciably high, it would have been ideal if the share of this sector is at a considerable lower level and that of agriculture and industry at higher level. The very high share of 'other priority sector' indicates top-sided growth of ground level credit. Hence, banks in Assam should deploy more credit in agriculture and SSI sector than other priority sector.

II. Banks in all districts should come forward to achieve a balanced growth in disburshing credit under other priority sector. What required is a "mission mode approach" for reduction of inter-district disparity to be undertaken by all banks in Assam can help the state to reach its development goal sooner.

III. To enlarge the credit flow to various segment under other priority sector, the Reserve Bank of India should place Assam as special category state by liberalisation of credit deployment procedure.

IV. The requirement to insure all assets purchased through bank loans is an imposition causing financial hardship to borrowers. Therefore, the decision as to the kind of insurance to be taken should be left to the borrowers subject to statutory requirements.

V. Banks often ask for the entire holding of a borrower to be mortgaged, even though in terms of value only a part of the holding would give the required security. Hence, the value of security should be commensurate with the size of the loan and the tendency to ask for additional collateral should be discouraged.

VI. In order to give operational flexibility to the lending banker, margin, security and collateral requirements should not be prescribed by the
Reserve Bank of India or any other agency and should be left to the discretion of the lending banker.

VII. Even in the sphere of weaker section, there is need for laying down 'priorities' so that the interest of the poorest of the poor are not overlooked. To be specific, landless labourers, share croppers, poor artisans of the rural areas should receive priority in this category.

VIII. As subsidy linked lending has proved unsuccessful and needs to be replaced by an alternative method. The rural poor borrowers can be directly targeted by commercial banks through Non-Government Organisation/Self-Help Group. There is ample scope that such lending can be done profitably on a large scale, given certain pre-conditions such as customer sensitive loan products, appraisal of projects consistent with assessment of borrowers, full discretion in selection therefore, improved methods of working and better follow up. In this way bankers may be able to increase the access of credit to the poor consistent with productivity without dependence on subsidy.

IX. The discretionary loan sanctioning power of Bank Manager should be enhanced to accommodate proposals submitted by weaker section borrowers after natural calamities like flood in the area.

9.5. Recovery of Priority Sector Credit: After deploying credit in priority sector, the banks are facing the problem of recovery of bank dues not only in Assam but throughout the country. The major findings in respect of recovery of priority sector dues in Assam are summarised below:
I. The outstanding priority sector credit of scheduled commercial banks amounting to Rs. 139224 lakhs, of which only Rs. 10917 lakhs was recovered till September 1999. The percentage of recovery was only 16.52 percent while percentage of overdue was 83.48 percent.

II. The mounting overdues under various priority sector lending scheme continue to cause serious concern not only because overdue prevent banks from recycling their funds effectively, but also because continued defaults tends to demoralise the field staff of the bank.

III. The percentage of overdues of public sector banks and regional rural banks' are 85.77 percent and 69.17 percent respectively, while it is 94.57 percent in case of Assam Co-operative Apex Bank on September 1999. This indicates that Assam Co-operative Apex Bank's performance in the sphere of recovery was totally unsatisfactory.

IV. Without recovery at acceptable levels lending cannot be sustained. This study perceives that recovery in priority sector lending has suffered partly because of excessive concern for target achievement at the expense of quality of the project; deficiencies in scale of finance and inadequacy in follow-up of advances on the part of bankers. The loans were given in many cases to individual borrowers scattered over a wide area, rather than to groups or associations representing farmers and other weaker section borrowers.

V. Regional Rural Banks' performance in the field of recovery of priority sector dues were better than the commercial banks. Its percentage of recovery was 30.83 percent while it was only 14.23 percent in case of nationalised banks till September 1999.
VI. The recovery position of agricultural dues of the banks during the period 1990-1999 was not uniform. There were marginal improvement in case of certain banks while it declined in certain other banks.

VII. Regional Rural Banks showed some consistency in recovery of agricultural dues and SSI dues while majority of other banks showed noticeable inconsistency in this regard.

VIII. The recovery performance under various government sponsored scheme including IRDP/PMRY revealed that overdue have been mounting each year and comprehensive measures are necessary for improving the recovery of dues.

IX. It was found that in the existing lending system adequate provision does not exit to provide tangible incentives to borrowers who are prompt in repayment of their dues to the bank.

X. It is observed that reluctance of banks to lend to small borrowers is primarily due to poor recovery. The banks are also responsible for poor recovery to some extent. Because, those banks which effectively follow-up and monitor utilisation of their loan, are found to have better recovery of their loan.

9.5.1. Recommendation:

The Reserve Bank of India, State Government and the Commercial Bank's management had undertaken a number of steps to to improve the recovery of bank dues as already mentioned in Chapter VIII. However, we would like to supplement a few more steps to recover dues under priority sector lending.
I. Recovery of bank dues is an ongoing activity and branch managers should have a system whereby they have a list of current dues so that action is initiated for collection before due date. It is general experience that when the borrowers are approached in time, collection is always satisfactory.

II. The present system under which a branch manager receives a report on 'defaulter status' between three to six months after the loans have become overdue should be discontinued. For this to happen, bank managers must have a statement indicating the defaulter list for the day on the basis of which they can initiate action and monitor the results.

III. The banks individually or collectively should arrange rural oriented field publicity campaigns projecting the message that banks are willing to lend all viable borrowers and unless funds are recycled promptly lasting relationship cannot be forged through credit mechanism. Such a publicity campaign, if creatively and sensitively structured, would definitely go a long way in creating a healthy and prompt recovery environment at the ground level.

IV. It has been found from the analysis of specific lending schemes like IRDP that unlike individual loans, group loans secured by group or association have resulted, by and large, in better recovery of bank dues. Therefore, bank should give preference in providing loan to priority sector borrower through Non-Government Organisation/Self-Help Group.

V. Self-Help Groups and Non Government Organisations have proved effective intermediaries for the transmission of bank loans. Therefore, banks should give wide publicity for their preference for financing SHGs/NGOs and use them as an effective channel of recovery.
VI. An allegation made by bankers that the Bakijai Officers are busy with other administrative matters which have a higher priority and recovery of bank dues are not attended to with urgency. Hence, State Government should take proper and prompt action to appoint required number of Officers in each district to cope with the situation. Moreover, State Government should waive the court fee to be paid by banks for lodging new Bakijai cases.

VII. In order to enhance a better flow of recovery of dues, banks should design appropriate incentive systems including interest benefit or rebate to borrowers who repay their dues promptly. If such a practice is adopted by banks, it will definitely help to create a healthy recovery environment in Assam.

VIII. The Debt Recovery Tribunals (DRTs) has been doing commendable service in recovery of bank dues. Hence, the banks should opt for the assistance from DRT as and when required, and should also work out a viable mechanism with the Government of Assam so that there is no leniency while confiscating the assets created out of bank loan of the defaulters.

IX. Effective follow-up and monitoring of utilization of loan after it's disbursement is an important step in improving recovery position of loan.

X. More recovery camps should be conducted by banks individually and/or collectively throughout Assam in Co-ordination with the State Government Officials like D.C., SDO, BDO and DRDA Officials, Co-operative Officials and the like.
9.6. Miscellaneous Recommendations:

I. In many cases borrowers under priority sector took loans without being aware of the amount and periodicity of the various fees and charges levied by banks. Hence, banker-borrower relationship demands transparency in mutual dealing and the borrowers should be given a clear statement of the facilities which can be availed of by him and separately indicating various fees levied. The instructions regarding compounding of interest issued by the Reserve Bank of India may be reiterated so as to ensure that these are invariably followed. Such a step would go a long way in establishing borrower confidence in the bank.

II. The manager of the bank branch has special role to improve the customer service in bank. He should be enthusiastic and encourage staff under him to be prompt, helpful and courteous to all those who came to the bank.

III. The efficacy of credit depends on the extent and quality of integration between infrastructural facilities, technological innovations, research and extension support. Such linkages are generally weak because different agencies tend to operate only for routine duty with field level interaction being minimal. Such linkage should be forged and strengthened between extension workers, faculty of agricultural colleges, branch managers and government departments (Agriculture, Industry, Rural Development etc.) at the local level through the various district forum.

IV. To maintain the credit-deposit ratio equivalent to bench mark set by the Reserve Bank of India, there should be monthly performance evaluation of the branches in the sphere of deployment of credit against deposit mobilised and adopt appropriate corrective measures.
V. Bankable schemes for deployment of credit should be prepared only after careful consideration of infrastructure facilities prevailing in Assam and not on the all India basis.

VI. Customer complaints must be attended to immediately and necessary action should be taken without delay.

VII. The agenda for discussions at the various forum viz, Block Level Bankers' Committee (BLBC), District Credit Committee (DCC) and the State Level Bankers' Committee (SLBC) should be radically changed. The focus at such forum presently is on the annual exercise for finalising service area plans and related matters, and above all, most of the remaining time is spent on allocating targets under the government sponsored schemes and monitoring performance in respect thereof. Hence, agenda of these committees should include much greater dialogue between banks and government agencies on matters concerning implementation of new schemes, area development, better recovery of bank dues, identification of fresh proposals as well as viable schemes for credit in the area, district or state as a whole.

VIII. The factors which constrain the capacity of the poor to borrow from the banking sector have been lack of skills, ignorance of economic opportunities and their inability to comply with procedural requirements. It is in this context that forgoing of linkages between the Self-Help Groups (SHGs) of the poor and the commercial banks with Non-Governmental Organisation (NGOs) performing a good range of intermediary functions has been explored in many countries. Therefore, banks in our country should also give wide publicity to their preference for financing Self-Help Groups and Non-Government Organisations.
IX. Mutual Co-operation and cordial relationship between borrowers and bankers as well as government agencies is the essence of success of any lending scheme. Attention to nurture this relationship should be prerogative of any customer relationship programmes of the banks.

X. Non-Public Banking Working days should be observed regularly in each and every rural branch to enhance the flow of credit to priority sector and to improve the recovery of the same.

Though there had been remarkable achievements in commercial banking, yet there is still more room for its expansion, mainly in its qualitative front. It is keenly felt that for overcoming the problems and deficiency in priority sector lending, the urgent need is to create social awareness and vigilance among all sections of people engaged in the programmes. Thus the need of the hour is the introduction of new and attractive schemes of deposit mobilisation, more customer friendly and effective credit delivery system and last but not the least, a very productive working mechanism for healthy recovery of bank dues.

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