CHAPTER VI

SUMMARY AND CONCLUSIONS
A study is made to analyse the role of Sree Anantha Grameena Bank with particular reference to non-agricultural loans. Though different aspects of agricultural credit by the co-operative banks and commercial banks have been studied and highlighted, the importance of credit provided by the Regional Rural Banks to the non-agricultural activities of the weaker sections is an area yet to be fully analysed. As it is indisputable that the weaker sections in rural areas are having a miserable existence on financial front, the subject of rural credit has come in for a critical review by the different expert committees from time to time. But these Committees are confined to strengthen the credit prospects of the large scale and the medium scale agriculture rather than the credit problems of the rural artisans, small businessmen and small entrepreneurs.

The present study is intended to examine the extent of credit given to weaker sections by the Regional Rural Bank in Anantapur district. The prime objectives of the study are
1. to understand the role of Regional Rural Bank in mobilising deposits and extending credit to the weaker sections in the district,

2. to assess the utilisation of credit by the borrowers of non-agricultural loans and

3. to analyse the credit problems faced by the non-agricultural borrowers with specific reference to the rural artisans and small businessmen.

It is viewed that despite the existence of cooperative movement and the nationalisation of banks, the economic conditions of the weaker sections have not been improved. With a view to uplift the weaker sections, it was decided to establish the Regional Rural Banks whose cost structure permits them to finance the activities of the rural sector at the rates of interest even lower than those of commercial banks.

As a result, the Government of India constituted the working group on Regional Rural Banks under the Chairmanship of M. Narasimham to examine the case for the setting up of new banks in addition to the existing nationalised banks. The Group felt that the existing credit
institutions because of inherent weaknesses were not able to fulfil the credit requirements of the rural population especially the smallmen with little means.

The Government of India accepted the recommendations of the Group. Accordingly, the Regional Rural Banks Ordinance was promulgated on 26th September 1977, and subsequently it was replaced by the Regional Rural Banks Act on 9th February, 1976. The Act provides for the incorporation, regulation and widening of Regional Rural Banks with a view to developing the rural economy by providing credit. The operational area of the Regional Rural Bank is relatively small and confining to the specific area. The staff of the Regional Rural Bank are recruited locally as they have familiarity with the local language and environment. The Regional Rural Banks evolved as the low cost rural based institutions are eminantly suited to implement the bankable schemes in the rural areas for the benefit of the rural poor.

With the inauguration of Prathama Bank as the first Regional Rural Bank in India sponsored by the Syndicate Bank on 2nd October, 1975, the number of Regional Rural Banks has increased from 6 in 1975 to 121 by the end of 1982.
Uttar Pradesh has the highest number of Regional Rural Banks with 29 in 1982 and second place goes to Bihar with 17 Regional Rural Banks. Madhya Pradesh occupied the third place with 14 banks and Andhra Pradesh, Orissa and West Bengal have 10, 9, 8 Regional Rural Banks respectively. Karnataka and Rajasthan have 6 Regional Rural Banks each and Assam, Gujarat and Jammu & Kashmir have 5, 4 and 3 respectively. Himachal Pradesh, Manipur, Meghalaya, Maharashtra, Tamil Nadu have only one Regional Rural Bank each. All Regional Rural Banks in the country are sponsored by the Syndicate Bank, The State Bank of India, the Union Bank of India, the Bank of India and the Allahabad Bank.

The performance of Regional Rural Banks reveals that they are playing a key role in the removal of economic inequalities among different regions. The Regional Rural Banks are satisfying all the requirements of sound rural credit system. They are able to mobilise rural savings through their innovative schemes of deposit mobilisation. The amount of deposits has gone up from Rs. 2 lakhs in 1975 to Rs. 3.82 crores in 1982. This achievement is definitely praiseworthy, though their areas of operation are confined to the relatively backward districts. A similar trend is also noticed in the field of advances as the figure
of advances has gone up from an amount of Rs. 1 lakh in 1975 to Rs. 4.63 crores in 1982. The credit deposit ratio shows that there is a net inflow of funds into rural sector to serve the weaker sections.

In Anantapur district, Sree Anantha Grameena Bank sponsored by the Syndicate Bank, was established on 1st November, 1979. Being well known for its scanty rainfall and inadequate irrigation facilities, the district has been depicting all features of underdevelopment. Though there has been adequate expansion of banking sector in the district, the credit needs of the majority of the rural population especially weaker sections are not met. It is felt that only through the development of rural banking the basic credit for investment of the small and marginal farmers, rural artisans and the small businessmen can be met in the district.

Sree Anantha Grameena Bank has so far been able to achieve the objective of helping the weaker sections by controlling its operational expenses quite efficiently despite the constraints of limited area of operation and an unenterprising social conditions. The bank in the district, could make significant progress in the direction of
deposit mobilisation and credit disbursement. As the amount of deposits has increased from Rs. 87,000 to Rs. 3.2 crores, the total amount of advances has also gone up from Rs. 25,000 in 1979 to Rs. 4.48 crores in 1982. The credit disbursed to the Scheduled castes, scheduled tribes and backward classes has also gone up significantly with the growth of total advances to the weaker sections.

There has also been considerable increase in the amount of advances made available to the small and marginal farmers since 1979. These two categories put together account for more than two thirds amount of the total advances in 1982. The share of rural artisans and small businessmen has also increased though the landless labourers almost got insignificant share of advances.

The study reveals that the overall performance of the bank in its lendings is quite impressive but the achievement in the non-agricultural front is gloomy. The proportion of total credit to the total non-agricultural sector has declined though some non-agricultural activities are able to secure higher percentage of credit. The share of agriculture and its allied activities in the total advances has gone up just 12 per cent in 1979 to 73.5 per cent
in 1982. Contrary to this, the share of non-agricultural loans has gone down from a very high figure of 88 per cent to 26.5 per cent during the same period. This trend of lending is quite disappointing since there is falling proportion of non-agricultural lendings in the bank's total lendings.

Among the non-agricultural loans, though jewel loans and loans on deposits occupied first and second place in the first two years of the bank's lendings, their share was slowly reduced, by the end of 1982. In the first year of the bank's establishment, no loans were issued to rural artisans and loans to petty trade were to the tune of 18.2 per cent of the total advances. In the year 1982, loans to rural artisans have gone up to 18.5 per cent from just 1.25 per cent of their share in 1980. Similarly loans to small business increased from 10.8 per cent to 32.2 per cent during the same period. Inspite of the measures taken to discourage jewel loans and loans on deposits, they still remain high with 25 per cent and 16.7 per cent in 1982 respectively.

To understand and analyse the pattern of finance to non-agricultural activities, the present study focuses
its attention on the lending operations of the branch in Dharmavaram where loans to non-agricultural activities particularly to handloom weavers and small businessmen are significantly high. The branch is placing equal attention on agricultural and non-agricultural activities as far as its lendings are concerned. This is the only branch of Anantha Grameena Bank giving equal attention to both the sectors since the artisans and small businessmen covered by this branch are more in number.

The study reveals that Dharmavaram branch gave about 50 per cent of the total credit to agricultural and 45 per cent to non-agricultural activities in 1982. This speaks almost the superiority of the branch over the average performance of the bank in the district as far as the non-agricultural loans are concerned. In the year 1982, the branch maintained a high figure of 32.3 per cent of the total credit to artisans and 42.4 per cent to the small businessmen. The share of jewel loans has gone down to 0.7 per cent inspite of higher share of loans on deposits in total non-agricultural advances. The branch however, has discouraged jewel loans, loans on deposits and consumption loans to spare a greater proportion of available credit to the other productive non-agricultural activities.
Of course, within the reasonable limits, the bank has been doing its best to maximise the lendings to small entrepreneurs and persons engaged in services sector. As the recovery performance of the bank is good, a higher proportion of credit can be made available to these borrowers to develop the severely drought affected areas in the district.

Borrowers' perspectives are also analysed in this study. 80 borrowers of non-agricultural loans are covered to assess the credit gap felt by the borrowers, utilisation of credit and its impact on their income and employment.

Though the bank has been meeting all the genuine production credit needs of the rural artisans to eliminate the scope for private money lenders, only 53.75 per cent of the borrowers got adequate credit. Even though there is need to fulfil credit requirements of the rural artisans and small businessmen, about 80 per cent of rural artisans and 25 per cent of small businessmen received adequate credit. In this context it is to be mentioned that there is a marked tendency in the borrowers saying that the loan amount given by the bank is inadequate, whatever may be the amount granted to them, inorder to get as much as possible to divert it for some other purposes.
Some of the borrowers got the alternative sources of credit to fulfil their requirements. Out of 37 borrowers who are reported to be insufficiently financed, 13 borrowers got the finance from the co-operative banks, 12 from the registered private finance corporations, 8 from the money lenders and the remaining borrowers from their friends and relatives. A favourable feature is that the bank like other banks is also rendering service to the customers by the way of granting jewel loans and loans on deposits. In some cases the only alternative is to increase the scale of finance by the bank for all purposes in view of rising cost of production.

Regarding the utilisation of credit, the study reveals that out of the total loan amount of Rs. 1.84 lakhs, Rs. 1.16 lakhs i.e., 63 per cent of credit was used for the specified productive purpose. The nature of utilisation in the case of artisans and petty trade is productive to a greater extent. This is 91 per cent in the case of artisans and 88 per cent in petty trade. Though the jewel loans are borrowed for the specified productive purposes, there is greater diversion to unspecified and mostly to the unproductive uses. Of course, the bank cannot restrict the utilisation of jewel loans and loans on deposits.
for specific purposes. This, however, reveals that the Grameena Bank in the district is relatively superior over the other commercial banks and the co-operative banks in ensuring credit utilisation for pre-determined purpose. This signifies the effective and timely pre- and post-monitoring operations of the Grameena Bank.

The impact of credit is felt by the borrowers in the form of increase in their income and employment opportunities in reasonable proportions. The study includes that after receiving credit and utilising the amount, the income of the borrowers has gone up to Rs. 5.09 lakhs from Rs. 3.69 lakhs showing an increase of 37.9 per cent. Similarly, employment of labour has gone up by 10 per cent. There is 64 per cent increase in the income of small businessmen and 46 per cent increase in the case of rural artisans. By providing higher doses of credit for the above activities the scope for enhancing the income and employment in the rural sector is high in present circumstances.

Prompt recovery of loans is one of the essential factors to have high efficiency in the bank's operations. The study of the recovery performance of the bank shows
that there is only 45 per cent of the sample borrowers are paying regular instalments of the loan amount, though 80 per cent of rural artisans and 65 per cent of small businessmen are paying regularly. The defaulters are mostly the borrowers of jewel loans. Efforts are to be made to increase the recovery performance without deviating from the usual norms of lending.

It is observed from the above analysis that the financial assistance to rural artisans and small business under the category of priority sector lendings of the branch is sufficiently high. Inspite of the impressive performance of the branch, the credit gap felt by the borrowers is facilitating the money lenders and private finance corporations to be powerful.

Any serious attempt to strengthen the rural non-agricultural sector should be in terms of converting the weak capital asset base of the rural poor families into strong and productive asset base to increase production and employment. Since the Grameena Bank is satisfying most of the conditions of a sound rural credit system, it is desirable to take the necessary step for its expansion by the Government. All the Primary Agricultural Co-operative
Credit Societies and the rural branches of commercial banks may be brought under the fold of the Grameena Bank at an early date to avoid unnecessary competition in the banking sector.

As the bank satisfies all the desired norms of a sound rural credit system, there is an imperative need for the expansion of the bank with additional financial resources from the Reserve Bank of India. Since there is scope for further improvement in its organisational and operational behaviour, adequate number of trained people must be recruited by the Bank to work with sincerity. Besides this, the employees of the bank must be motivated, by the suitable incentive schemes for the devoted and hard working employees so that they will put forth, with enthusiasm, their best efforts for the good and smooth running of the bank.

However, the significant performance attained by the bank in recent years can be retained in future also, provided the Grameena Bank is not constrained by the powerful employees union, lack of positive cooperation from the administrative agencies and the absence of involvement of
weaker sections in the implementation of the developmental programmes. Unless these constraints are overcome, the Grameena Bank in the district may not be useful to the target groups in the desired direction.