Chapter - X

SUBANSHIRI GAONLIA BANK

- IT’S PROBLEMS

- Administrative
- Branch Expansion
- Deposit mobilisation
- Problems of lending
- Problems of overdue
- Area of operation
- Lack of Funds
- Non-Existance of Premises
- Lack of Security
- Overlapping of Branches Within one area
- Lack of profitability
- Training Problems
- Problems of Manpower
The Subansiri Gaonlia Bank (SGB) was established in the year 1982, with a view to assist in the development of rural economy of Lakhimpur and Dibrugarh districts. As mentioned earlier, since its inception the bank has played an important role in the credit advancement to rural poor. For this purpose the bank has opened 43 branches in rural areas which consist of more than 90 percent of its total branches. However, the bank has been facing a lot of administrative and operational difficulties in optimising its activities for achievement of its cherished goal. The researcher has analysed these problems on the basis of the information collected from the beneficiaries as well as concerned officials of the Subansiri Gaonlia Bank both at Head office and at branch level.

Here, I have tried to place in a brief way some of the problems faced by the bank at the operational level as well as at administrative levels.

**Administrative**

Regional Rural Banks (RRBs) are not only governed by the Banking Regulation Act, 1949 and the RRBs Act, 1976, but they are also governed by the rules and regulations framed by the sponsoring agencies viz. Central Govt. and sponsoring banks. The multiplicity of controlling centres
have created a number of problems which could be observed in the functioning of the SGB.

The overall control and administration of the bank is vested in the Board of Directors, which is constituted with the nominees of Central Govt, State Govt. and sponsoring bank (UBI). A majority of the Directors of the Board being from places which are far away from the SGBs Head office, the Chairman of the bank can not hold Board's meeting regularly and proper plans and policies cannot be implemented in time due to lack of communication and other difficulties. This position can be better understood from the fact that out of 9 Board meetings convened during the year 1990-91, 6 meetings adjourned for want of quorum. It was distressing to find that in the year 1990-91, the Central Govt and the State Govt. could not appoint 2 nominees and 1 nominee respectively to the Board. Thus, this type of incident gives us a clear picture of disinterest at the top level management, which ultimately creates some problems in the proper functioning, administration and control.

The Chairman of the bank was found to be overburdened. Being a Chief Executive of the bank as well as the Board meetings, the Chairman is directly or indirectly responsible for all activities of the bank relating to organisation, recruitment, business development, audit and inspection, follow-up and recovery etc. As majority of the staff members are not experienced, the Chairman has to
maintain a keen observation in all the banking activities. He has to spend most of his time performing day to day routine works. In Subansiri Gaonlia Bank the sponsor bank, (UBI) had deputed two Senior Managers in the Head Office of the bank, but the Chairman receives an intimation that the UBI is going to withdraw their deputed employees, as they have completed the deputation period.

The bank opened an 'Area Office' at Dibrugarh district, on the southern banks of the river Brahmaputra, in 1991, but the Manager appointed in the Dibrugarh Office was not of the rank of 'Area Manager'. Thus the prevailing situation at the administrative level failed to reduce the burden of the Chairman. Also persons on deputation from the parent organisation i.e. UBI naturally failed to take interest in administrative matters which indirectly resulted in less work and less involvement in the bank's activities.

Branch Expansion :

The expansion of branch network in rural areas is necessary to mobilise deposit as well as to extend credit to rural poor. However, like other commercial banks functioning in the district, the SGB has also find its difficult in the matter of expansion of branch network. Most of the villages in the districts are isolated and lack proper road linkages with the urban centres. The survey report of 8 villages under study indicates that 4 villages which are located in 'Less Developed Areas' (LDVs) are suffering from lack of
infrastructural facilities, viz. communication, transportation, pure drinking water, primary health centres, electricity and housing. The existing atmosphere does not seem to be favourable for the employees of the bank and also for the workers in those areas. It is to be noted that out of 7 branches of SGB under study, 2 Branch Managers stay at their own house, and 4 Branch Managers stay at rented house which are located in urban centres far away from their place of work. All of these six Branch Managers frankly admitted that due to lack of basic amenities of life, they were not interested to stay in rural areas. So, the lack of infrastructural facilities is found to be one of the factors for the failure of the programmes in many areas. A clear case can be cited that the scheme of 'Poultry Farming' under Moridhal Branch of the bank could not show any fruitful result, due to lack of veterinary facility in that areas.

The non-receipt of licences in time is also one of the causes for delay in the opening of new branches in rural areas. The Subansiri Gaonlia Bank applied for licences to open another 14 new branches during the period 1990-95. However, the bank did not receive a single licence from the Reserve Bank of India (RBI) till the year ended on 31st March 1993.

The abrupt selection of centres by the district authority to open branches in some areas ignoring the
required minimum infrastructural facilities as guided by the National Bank for Agriculture and Rural Development (NABARD) and Reserve Bank of India (RBI), also created problem in the matter of branch expansion. It was seen that during the period 1985-90 the bank received a licence to open a branch at 'Nagar Gaon' in Lakhimpur district, but due to poor communication and other infrastructural facilities, the SGB could not open the branch and ultimately the RBI had to cancel the licence. Over and above, the gradual increase in establishment costs and insignificant increase of business volume of the existing branches in rural areas led to rethinking with regards to opening of new branches in the district.

Deposit Mobilisation:

Deposit mobilisation which is one of the main function of banks, has a significant role to increase the fund position, extension of credit and to meet day to day expenditure of the bank. However, the SGB has to face a major problem as regards deposit mobilisation in rural areas. It is quite natural to see that the poor economic condition of the villagers is the main hinderance in the matter of deposit mobilisation to any desired level.

Lack of confidence upon the Regional Rural Bank is also one of the causes for low volume of deposit of the bank. An interesting news item was published in an Assamese daily news paper 'Dainik Assam' on 13th July 1992. The summary of
On 9th June 1992, the 'Namrup Gaon Panchayat Cooperative Society' issued a cheque of Rs. 50,125 against its deposit in SGB, Namrup Branch. But the branch could manage to pay only Rs. 33,000 on the 17th of June. Due to non-receipt of cash in time, the society could not purchase 100 quintols of sugar and 200 quintols of rice.

This state of affairs on the part of the bank creates lack of confidence among the depositors as well as other institutions. Even some of the Government agencies are compelled to think twice to keep their funds with the Gaonlia Bank. It was found that presently a few co-operative societies and schools have maintained their accounts with the SGB branches.

The traditional habit of the village people to keep their money with Jamindars/Mahajans still continue. Again high rate of interest provided by the private agencies is also a causing for low volume of deposits with the SGB. Even at the time of discussion with the sample borrowers, 72 of them (out of 175 active borrowers) were not desirous to invest their additional amount in the bank. Some of the borrowers even feel that purchase of gold or acquiring fixed assets with their additional income would be more safer, rather than depositing their money in the bank. However, it is observed that the branches opened in urban centres, are
not facing similar problems in respect of mobilisation of deposit. In the year 1989-90 the two urban branches viz. North Lakhimpur Branch and Dhemaji Branch, accounted for 31 percent (Rs. 122.11 lakhs) of the total deposit mobilised by 25 branches of SGB in Lakhimpur district. It is needless to say that better development of economic and social overheads, specially income, rate of literacy etc. have played a good role in this respect.

Problems of lendings:

As a part of the research, the researcher had the occasion to meet some Branch Managers who narrated some of the problems regarding lending by the bank. In the light of the discussion with the bank officials, the researcher has tried to state some of problems hereunder --

(a) Before the establishment of branches of the Subansiri Gaonlia Bank in rural areas, the rural poor had the prevailage of receiving loan from village 'Mahajans' without going through any formalities except a signature or thumb impression. This traditional habit of the village folk creates problems for bank personnel as they insist for granting loans without observing formalities prescribed by the bank.

(b) In some cases, local leaders with political influence, insist that loan be granted to applicants who do not come under the identified category. Sometimes target
group people are found to engage such person as a 'Middleman'.

c) Sometimes depositors belonging to non-target group are found to be offended with the bank as they think that they are the major contributors to the bank's deposit.

d) Some applicants pressurize the bank officials to accept their proposals, even though the bank can not recommend their proposals due to non-fulfilment of norms.

e) It has been found that some of the beneficiaries insist upon the bank to provide entire amount of loan in cash rather than in kind. Some applicants were more interested to get the entire loan amount in one instalment without showing any progress of works. It is nothing but an ill-motive of the applicants to misutilise the loan amount either for consumption or some other unproductive purposes.

f) It had been noticed that the bank received nearly 40 percent proposals during the latter part of the financial year 1990-91, but the bank personnel found it difficult to grant the loan to the applicants, without going through required formalities which generally take some time. This state of affairs sometimes creates undesirable situations and the applicant even goes to the extent of abusing the Branch Managers without any fault of their own.

g) It is very much distressing to note that the branches sometimes receive a large number of applications and
that they do not have requisite staff to process these applications. In that case the branches have to sanction the loan amount only to fill-up their target.

(h) Over and above the various formalities and other issues discussed regarding the lending procedures and problems faced by the bank officials at operational level, there are some other issues directly connected which influence the bank's lending because of changes of Government policies. Again there are some limitations imposed upon the Branch Managers in the matter of granting of loan.

**Problems of Overdue**:

It is generally understood that the bank being a commercial venture, its success and growth depends on early and timely return of loan by the loanees. But it comes to light that in case of SGB the rate of growth of overdue amount is very high. This position has created a menacing problem for the functioning of the bank itself and the bank has to think seriously while extending loan to the rural poor. It is deplorable to know that 35% of the outstanding amount of the bank is of overdue amount. The high percentage of overdue amount ultimately results in the blockade of funds, but at the same time it affects the advancement of the bank credit. The overdue amount of the bank was Rs. 19.39 lakhs in 1985 which rose upto Rs. 205.71 lakhs in the year ended on 31st March 1991. This has happened due to gradual
decrease of recovery percentage of the loan granted. The recovery percentage of the loan during the last three years can be well understood from Table 10.1.

Table 10.1
Recovery Performance of the SGB.

<table>
<thead>
<tr>
<th>Year</th>
<th>% of recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>29.12 %</td>
</tr>
<tr>
<td>1989-90</td>
<td>22.63 %</td>
</tr>
<tr>
<td>1990-91</td>
<td>23.78 %</td>
</tr>
</tbody>
</table>


Both external and internal factors are responsible for poor recovery of loan advanced by the bank. Among the internal factors defective method of identification and selection of borrowers, lack of proper appraisal of loan application, documentation and disbursement, irregular inspection of the projects etc can be cited as a major factors. For all these internal factors the bank can also be blamed to a certain extent. At the ground level it was noticed that the bank officials hardly visit the projects of beneficiaries within a period of 1 to 4 months. In some cases it was seen that the visit by the bank officials became more irregular after the disbursement of the loans. However, lack of willingness of the beneficiaries, frequent change of the Government policies and decisions, occurrence of natural calamities and personal difficulties etc are some of the
external factors, which are beyond the control of the bank. In the year 1988-89, the recovery percentage of Talem Branch of Jonai sub-division and Moridhal Branch of Dhemaji sub-division were very low mainly due to occurrence of flood that affected almost all parts of the said two sub-divisions of the Lakhimpur district.

On 19th March 1990, the Government of India declared a debt relief scheme to farmers, rural artisans and weavers to the extent of Rs. 10,000 under the 'Agricultural and Rural Debt Relief Scheme' (ARDRS). From time to time during the year several directive and clarifications were received by the bank for proper implementation of the above schemes. The announcement of the 'Relief Scheme' by the Government of India created a severe impact amongst the small borrowers and even those who were not eligible to get relief as per terms of the scheme included themselves by not repaying their loan. This was an important factor for low percentage of recovery during the year.

Area of Operation:

The Subansiri Gaonlia Bank (SGB) has covered 4 districts of the State viz. Lakhimpur, Dhemaji, Dibrugarh and Tinsukia. The former two districts viz. Lakhimpur and Dhemaji are situated at the northern part of the Brahmaputra river and the later two districts are situated in the southern parts of the river. Out of 45 branches of the bank the majority of them (nearly 90 percent) are located in rural
areas. As mentioned earlier, because of the poor communication and transportation facilities, shortage of officers, and other staff of the bank the Chairman has to face numerous problems for maintaining effective control over the branches and communicating the official matters to the branches in time. At the higher level, there is no General Manager of the bank and due to absence of the General Manager the proper growth of the bank has been hampered. The number of Senior Managers posted at the Head Office are found to be two. One is engaged in the developmental work while another is associated with the establishment. Of late the bank has opened an Area Office at Dibrugarh. Which is also under staff. Moreover, the Manager appointed in the Area Office has not been given sufficient powers and responsibilities to work as an Area Manager. As regards the communication and transportation, there are no all weather road connecting the branches which are located mostly in the interior areas of the districts. Specially in Sadiya subdivision of Dibrugarh district the transportation facilities are found to be very poor. As the operational areas of the bank covers a large part of the districts, but on the other hand the facilities available for effective control and communication is strictly limited so the bank has to face a serious administrative problem.
Lack of Funds:

To meet the expanditure, for extending credit as well as maintaining liquidity of the bank, the fund position should be sufficient. Both the 'Own Fund' (viz. Paid-up capital, and Reserve & Surplus) and the 'Procured Fund' (Deposit & Borrowing) have an important role to play for the healthy development of the bank. But it was seen in case of Subansiri Gaonlia Bank that the fund position, specially its Own Fund was not sound enough. On 31st March 1991 the Paid-up Capital of the bank was Rs. 50 lakhs and 'Reserve & Surplus' was Rs. 0.47 lakhs and thus it consisted of only 3.81 percent of the total fund of the bank. It was observed that gradual increase of accumulated losses have already wiped-out the entire Own Fund of the bank and the bank has to depend heavily on desposit of the customers which are also not sufficient as 90 percent of its branches are located in rural areas. Of-course it is not the philosophy of the banking institution that a bank should depend more on deposit, rather than its Own Fund. However, poor economic condition of the rural people and Government steps to provide half percent more interest on saving deposit in RRBs have failed to increase the deposit to the desired level. The field survey also reveals that even though the economic position of some of the rural people are better, yet their age-old habit of keeping the surplus money either in cash or in gold still continues. This has indirectly affected the mobilisation of funds by the bank.
Non-existence of Own Premises:

It is seen that majority of the branches of SGB are functioning without its own building. Even the Head Office of the bank is running in a rented house. Again it was found that some essential equipments viz. type machine, duplicating and zeroxing facilities are not available at the branch level. For these reasons the branches find it difficult to maintain official correspondence with the Head Office as well as among its own branches. Of the 7 branches of SGB under study it was found that in 3 branches the required furniture were not available for staff. The bank runs without the staff quarters of its own and majority of the staff are staying in rented houses. This has caused some difficulty to its employees and for which bank official could not attend their duties in time. For this the officials also cannot be blamed as it was seen that in some areas rented houses were not available where the branches were located.

Lack of Security:

Most of the branches of SGB suffer from lack of security. Survey of 7 branches revealed that only three branches are located within 5 Kms radius from the nearest Police Station. The bank did not have any security staff of its own. But on the other hand other commercial banks in the area, have their own security staff. Another difficulty is that most of the branches of the SGB do not have a compound wall and full wall construction. In the year 1990, a bank
robery took place in Lengri Branch of the Subansiri Gaonlia Bank during the working hours of the day. During the time of the incident the employees of the bank remained as helpless spectators as there did not exist any security staff and the Police Station was at a distant place. Therefore, arrangement of security is very much essential both for the bank as well as for its own employees.

**Overlapping of Branches within an area:**

It can be observed that there seems to be overlapping in the matter of branch expansion between the SGB and other nationalised banks. Even though certain specified areas are allotted to the RRBs' as well as to the nationalised banks by the RBI for opening new branches it has been found that there exist the branches both of the SGB and the United Bank of India / Allahabad Bank within the same area. The nationalised bank being more well organised and comparatively with more work advantages, definitely causes concern for the regional bank like SGB. The Chairman of the SGB even wrote to the RBI on this matter but till now no action has been taken by the RBI.

**Lack of Profitability:**

Right from its very inception the Subansiri Gaonlia Bank could not get rid of the recurring losses. The entire Paid-up Capital of the bank was wiped out. The accumulated losses which stood at Rs. 4.75 lakhs in 1984 rose to the
extent of Rs. 154.21 lakhs in March 1991. The continuing losses of the bank causes a great concern to its well wishers and even the viability of the bank is in danger. Some of the reasons that affected the profitability of the bank directly or indirectly are stated below —

(a) It is an admitted fact that with every increase of branch the cost of establishment also rises. The SGB being a rural bank, its establishment cost comes up in different heads. On the other hand being located in rural areas it finds difficult to mobilise more capital. During the period from 1984 to 1991, the number of branches of the SGB increased from 18 to 45.

(b) It deserves mentioning that with the judgement of the National Industrial Tribunal (NIT) the salary of the employees of RRBs also increased substantially. The NIT has recommended the same salary structure for the RRB employees like the employees of other commercial banks in the country.

(c) Poor recovery of bank loan creates a major problem for the SGB. The annual reports of the bank show that recovery of the loan during the last three years (1988-89 to 1990-91) was not more than 29 percent.

(d) Sometimes there seems to be unusual delay in receiving the refinance amount from the NABARD and sponsoring bank, which affect the funds position as well as the profitability of the bank.
(e) Naturally the amount of loans granted by the SGB is very small. It was found that 80 percent of the total loan granted by the bank was within the range of Rs. 2000 to Rs. 25,000. The range of loan being small, the rate of interest charged there on is also low, which ultimately affects the profitability of the bank.

(f) The Government and other institutional agencies' transactions/ accounts are expected to increase the fund position as well as income level of the bank. However, in case of SGB this type of transactions are found to be very limited.

Over and above these factors mentioned above lack of proper management of fund, low potentiality of business in rural areas, imbalance in investment credit and production credit etc are some of the contributing factors responsible for continuous suffering of loss by the Subansiri Gaonlia Bank.

Training problem:

It deserves mentioning that number of staff in the SGB are not only inadequate, but they also happen to be inexperienced in the line of banking activities. It has been noticed that the Head Office does not receive the quarterly progress reports and other official documents form the branches in time. This is mainly due to lack of proper training to the persons working in the bank. Some branches
send insufficient information/data. Which requires to be corrected by the Head Office. Perhaps, it is one of the reasons for delay in publishing the bank's annual accounts. Lack of accurate knowledge of maintaining accounts by some of the employees of the bank is clearly visible from the audit report of 1984. The report stated as under -

(a) All the debit balance and loan balance of Kadam Branch in Lakhimpur district could not be verified as books were not properly maintained.

(b) Interest receivable by the Gugamukh Branch of SGB for November and December from UBI was not recorded and for which the branch had incurred losses.

(c) In Moridhal Branch and Tingrai Chariali Branch interest charged on loan was found to be calculated on half yearly instead of quarterly basis. As a result there was loss of compound interest.

Even after the completion of 10 years of service by the bank, the employees of the bank could not possess the required expertise, which can be testified from the audit report published in different accounting years. All these types of ineffective work of the employees lead us to believe that employees training is essential for smooth running of the bank activities.

However, as regards training, some difficulties have been faced by the employees, as well as by the bank
itself. The SGB and other RRBs do not have its own centre for training of employees. So training of RRBs' employees was solely dependent upon RBI, NABARD and other sponsoring banks. The training imparted by these agencies was for a duration of one month or in some cases it was only for 3 weeks. Training is imparted along with other employees of the commercial banks, who are generally supposed to be more experienced in the line of banking activities. This has definitely created some problems for the new employees of the SGB to cope up with the training process. The bank as well as employees of RRBs being new the resource personnel should impart teaching/training systematically form the primary level. Without this, training to RRB employees is fruitless. Some of the bank employees reported that, since most of the training courses are conducted outside the district/State, they have to face the problems with regards to suitable accommodation, feeding and lodging during the training period. Most of the trained employees repeatedly said that training was found to be more theoretical in nature. The training agencies hardly arrange any seminar, group discussion and audio visual facilities for the trainees. The annual report of the bank (SGB) shows that they had 4 officers and 17 clerks, who were still to be trained. But it was painful to note that hardly 20 to 30 employees of the bank had attended 3 to 4 training courses in various disciplines of banking and rural development activities. It was also found that only 2 employees of the bank, received training in college of
Agriculture Banking (CAB), Pune till the year 1991. Similarly, not more than 2 employees had received training in the line of animal husbandry, horticulture, fishery, rural finance programme, and rural development programme. We also cannot deny the fact that attending one or two training courses do not mean that employees are well trained. While discussing the matter with the Chairman of the bank, he frankly admitted that due to shortage of staff he found it difficult to allow 10 to 15 employees to go for training at the same time and also expressed that training in the serving bank was also difficult, as involvement of expenditure was very high.

Problems of Manpower:

The total number of branches of the SGB are 45 of which 25 are located in Lakhipur district and the remaining in the Dibrugarh district. The total number of personnel working in different branches of SGB were found to be 121 which included Managers, Officers, Field supervisors, as well as clerical cadres. However it did not include 49 Messengers working in various branches. It is to be noted that average number of personnel per branch comes to less than three persons. The number of personnel working in the Head Office are also not sufficient. There are only 2 Senior Managers and 11 Officers who are supposed to over see the functioning of 8 departments in the Head Office. The lack of adequate manpower becomes a problem for smooth functioning of day to day banking activities. Due to fewer number of Officers and
other staff the Chairman of the bank is overburden. In the same way the branch work also suffer due to inadequate staff. This state of affairs had been noticed by the researcher himself at Bahpati Branch where it was found that the Field Officer of the bank had to do all official activities due to the absence of the Branch Manager and non arrival of the clerk till 11-30 A.M. It was also noticed that certain departments of the bank were run only by a single employee in that department. There was only one Inspector and 24 Field Officers to supervise the work of 45 branches of the bank. Under these circumstances, proper guidance and advice can hardly be expected by the beneficiaries which are not small in number. During the field survey of Dhalpur Branch it was found that the bank staff did not know many borrowers of the branch. It was also disheartening to note that a middleman helped to lead the researcher to identify the sample borrowers in that areas. The Field Officer who was also working as Manager in-charge of the branch for a long period of time, himself reported that due to heavy work in office and lack of communication facilities to remote rural areas, it was not possible to maintain in regular touch with the borrowers. This type of communication gap has seriously affected the recovery position of the bank. The Inspector of the bank, personally admitted that he had to spend most of his official time in clerical work at the office. Of course, physically it is not possible to conduct inspection work properly as there are no assistant in his department. Most of
the Field Officers have to cover more than one branch and some times, require to inspect the schemes of the beneficiaries, who live far beyond the distance of 20 Kms from the branches. It is not a healthy trend for the bank as the authority has not yet appointed technical staff for the bank. While discussing the man power problems with the Chairman, he stated that the recruitment of additional employees in the bank is under consideration. However the Chairman also reported that as at present the salary structure of all RRBs employees were at par with other commercial banks and the SGB is constantly suffering losses, so the recruitment of additional staff may causing financial burden to the bank itself. Of-course, the procedure of recruitment seems to be too lengthy as appointment of employees is beyond the control of the bank. The bank had to prepare the manpower plan, get the approval of the sponsoring bank, and submit the same to the Banking services Recruitment Board (BSRB) for holding the interview. Thus the whole process takes seven to eight months for completion. The Chairman of the bank had also indicated that resignation of some employees is also the cause of shortage of manpower to the bank. Most of the resignation were received due to placement in better job, marriage of women employees, and prevalence of poor hygenic conditions in rural areas. Under these circumstances the SGB has to loose a good number of trained and experienced employees and at the sametime bear unnecessary burden for fresh recruitment and training.