Chapter - XI

FINDINGS AND SUGGESTIONS
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In the foregoing Chapters our whole exercise covers a detailed study on various aspects of rural development as well as growth and development of banking in India and in Assam with special reference to Lakhimpur district. The present Chapter makes an attempt to weave all the threads together in order to summarise the major points of discussion and results of the foregoing Chapters.

The introductory Chapter of the study highlights the scenario of rural India, and the concept as well as evolution of rural development.

It is found that 74 percent of the total population of our country still living in rural areas and nearly 85 percent of them are dependent on agriculture. The tremendous increase of population has reduced the average area of agricultural land holding and also created some acute problems viz. illiteracy, unemployment, underemployment poverty etc. Therefore, rural development - which means a process of economic, social and infrastructural development in rural areas, is becoming urgently necessary to tackle these type of problems and to develop the rural economy upon which our national economy is primarily dependent.

Before independence of our country some dedicated foreign as well as national leaders made an humble attempt on
rural development in India. But most of their programmes could not succeed due to lack of Governmental support, cooperation of the rural folk and inadequate financial support.

Chapter - II, deals with the rationale and objectivity of the study, methodology followed, hypotheses to be tested and Chapterisation made for the study.

It is strongly believed that banks have a vital role in the development of the rural economy. In the district of Lakhimpur, the position of scheduled commercial banks have improved only after the establishment of the Subansiri Gaonlia Bank (SGB), which has played an important role in the development of rural economy of the district. The thesis is divided into twelve Chapters. The study of the work is based on both primary and secondary data.

The profile of the Lakhimpur district has been covered in Chapter - III. The district is situated at the foot hills of Arunachal Pradesh and the northern part of the river Brahmaputra. It has three sub-divisions (viz. North-Lakhimpur, Dhemaji and Jonai) and embraces eight development blocks with a total area of 5514 sq. kms. More than 95 percent of the total population in the district live in rural areas, agriculture being their main source of income. However, cultivation of paddy which is the major produce of the district is badly affected due to occurrence of floods.
almost every year. The literacy rate in the district is 45.36 percent. There are 65 commercial bank branches in the district that serve 19000 people per bank barnch. It is expected that with the development of infrastructure facilities, the economy of the district will improve. The different plans and programmes launched by the Government for rural development during the plan periods have been briefly discussed in Chapter IV.

Immediately, after the independence of the country, the Community Development Programme (CDP) was launched as a first step for rural development, under the 'Multiple Approach' system. However, as observed by the Malhotra Committee the programme could not make much head way, due to less importance being attached to agriculture, village and cottage industries and lesser benefits to the poorer sections of the community.

Towards the late fifties and early sixties a package of programmes (viz. IADP, IAAP, HYVP and MCP) were introduced under the 'Sectoral Approach'. These programmes were implemented in 170 districts till the year 1970, as a measure of removal of food shortage in the country. But the programmes being more capital intensive in nature and it's stress being on limited areas with particular crop products; it too had to face a number of hinderances for achieving the desired result.
Another two schemes viz. SFDA and MFALDA, were launched in the year 1970, which were meant for the development of economy of small and marginal farmers as well as agricultural labourers. Till the Fifth Five Year Plan a total of 160 districts were covered under these schemes. However, in the year 1980 these schemes were merged with the Integrated Rural Development Programme (IRDP).

During the 4th Five Year Plan another package of programmes (viz. TADP, HADP, DPAP) were initiated to augment the economy of rural community, especially for the inhabitants in the hills, drought prone and other tribal areas. But due to lack of proper implementation of these programmes, they failed to generate a satisfactory result.

In the Fifth Five Year Plan, the Minimum Needs Programme was adopted to extend certain consumption facilities to the rural poor. However, with a view to assist the families of the target group, the different rural development programmes were brought under the coverage of a single programme and accordingly the IRDP was launched throughout the country in Sixth Five Year Plan. During the Seventh Five Year Plan the IRDP could assist 18 million families as its beneficiaries with a total investment of Rs.8688 crores. However, this programme also received a jolt as it had to face a number of criticisms, especially at its implementation stage viz. selection of beneficiaries, maintaining a definite reserve policy and extension of financial and capital goods assistance. Thereafter some other
schemes which can be termed as sister plan of IRDP (viz. TRYSEM, NREP and RLEGP) were introduced to generate additional employment and creation of durable assets in rural areas. It was found that during the 7th Five Year Plan 10 lakh youths were trained of which 47 percent got self-employment. The study also revealed that during the first 4 years of the 7th Plan, Rs.5352 crores were spent and 263 crore mandays were generated under NREP as well as RLEGP.

In the year 1989, both the NREP and RLEGP were merged with Jawahar Rozgar Yojana (JRY) - the new strategy evolved for rural development. A certain percentage of the total funds of this programme is earmarked for programmes under ST/SC benefit programme, Million Well Programme and for meeting administrative expenditure. In the year 1990-91 an amount of Rs.2600 crores were spent under JRY.

In respect of Assam as well as in Lakhimpur district, it is found that the performance under IRDP, NREP, RLEGP and JRY is appreciable. Of-course in TRYSEM, the number of trained youths who got self-employment is very poor. The lack of infrastructure facilities as well as lack of interest among the trained youths are to some extent responsible for these state of affairs.

Considering the number of limitations of rural development programmes, the following suggestive measures are advanced:
(a) Rural development programmes should be prepared at the micro-level, because a national level rural development programme may not be suitable for all the states of the country and even for all the districts of a state.

(b) Proper steps should be taken to wipe out any loophole at the grass root level. Therefore, active role of Govt., Banks and other rural development agencies is also mostly essential.

(c) The Government should rethinking whether the existing organisational structure of rural development agencies needs any change.

(d) There should be provision for modification of the plans and programmes, if necessary.

(e) The objective of the plan should be clearly and properly defined, so that it becomes knowledgeable to concerned officials, as well as to the rural folk.

(f) The programme should be productive in nature.

(g) Gramin Bikash Board should be constituted in each district with the representatives of concerned departments from the district to the village level, so that it can over see the implementation of rural development programmes.

(h) Village people especially the local youths can take initiative while selecting the bonafide beneficiaries under different programmes.
The growth and development of scheduled commercial banks in India as well as in Assam including development of RRBs is discussed in Chapter - V and Chapter - VI.

There is no denying the fact that the banking activities and its operation in the whole country including rural India has gathered momentum only after the nationalisation of 14 major commercial banks in 1969. It is very much interesting as well as laudable that during the last two decades and more (till 1991), there has been a per day increase of 7 branches; an increase of Rs.24.61 crores deposit and increase of Rs.16.24 crores credit. This significant growth of banking activities has been shown in Table-5.2. During this period the priority sector lending also went-up to 43 percent, when compared to the 1969 figures.

On the other hand the position of banking activities and its achievement in Assam were found to have improved only after the 2nd phase of bank nationalisation in 1980. It is to be noted that during the years from 1982 to 1991, there has been an average increased of 83 branches; Rs.191 crores of deposit and Rs.100 crores of credit per year which is being presented a tabular form in Table 5.4.

There has been a spurt in banking activity with the establishment of Regional Rural Banks (RRBs) in the year 1975. As on March 1989 there were 196 RRBs in the country. It
requires mention that these RRBs alone accounted for 25 percent of the branches of all scheduled commercial banks in India. Mention may also be made that nearly 90 percent of RRBs' branches are located in rural areas.

The findings also show that on the development of RRBs was found to be the fastest in the Central Region of the country. However, its progress seems to be slow in N.E. Region. Of-course, within this Region the position of 5 RRBs in Assam is not bad as they have covered all the 23 districts of the State.

Of these 5 RRBs in the State of Assam, the performance of the Pragjyotish Gaonlia Bank is much better than those of the remaining 4 RRBs.

The study also reveals that majority of RRBs in an country are suffering losses due to various reasons. The low rate of recovery, increase in establishment costs, over staffing in some of the branches of RRBs and low volume of business happen to be the primary cause for these state of affairs. The unworthiness of some of the RRBs can not be denied for their low levels of business. It was observed that out of 196 RRBs in the country, nearly 150 RRBs have suffered losses to the tune of Rs.6.19 Crores as on March 1988-89.

Suggestions :

In order to get better service from the scheduled commercial banks and Regional Rural Banks, the following steps are deemed to be of great importance:
(a) Strict vigilance and guidance of RBI over the activities of scheduled commercial banks will surely be a result-oriented approach.

(b) Instead of the Banking Division, Ministry of Finance, the RBI should be the primary agency for regulating the function of the banks.

(c) As expected Lead Banks should take an active part in organising workshops for various functionaries as well as bank officials in their respective district.

(d) Opening of a 'Rural Development Cell' in viable selected branches will definitely help in closely monitoring the various programmes in the area.

(e) Creation of infrastructural facilities in rural areas is highly essential for proper development of banking activities.

(f) To increase the profitability of the Regional Rural Banks and to reduce the losses suffered by them, the following suggestive measures are to be noted:

(i) The structure of RRBs should be re-organised by amending the RRBs Act, 1976.

(ii) NABARD should fix the recovery target to be achieved by the RRBs in their respective areas.

(iii) A reasonable policy with regard to manpower planning and recruitment of staff should be followed.

(iv) The percentage of loan granted/disbursed to non-target groups should be increased.
(v) Unviable and uneconomical as well as small RRBs should be merged.

(vi) The previous rule whereby refinance facilities were provided by NABARD to RRBs at a lower rate other than scheduled commercial banks should be re-introduced.

(vii) The State Govt. should consider formation of separate legislative cell in the RRBs for speedy recovery of overdue amounts.

In Chapter VII an attempt has been made to highlight the growth and development of scheduled commercial banks in Lakhimpur district. The fund position of the Regional Rural Bank in the district viz. Subansiri Gaonlia Bank and some theoretical aspects as regards to establishment, organisation, management etc are also included in this Chapter.

It has been found that even before the 2nd world-war there existed three banks in the districts, but it is distressing to note that development of banking in Lakhimpur district is far lower when compared to the neighbouring district of Dibrugarh, Sibsagar and Darrang. Lack of infrastructural facilities is mainly responsible for this state of affairs. Of-course there has been some improvement after the second phase of bank nationalisation in 1980 and also with the establishment of Subansiri Gaonlia Bank (SGB) in 1982 as RRB in the district. This becomes evident from the fact that on March 1991 the total number of branches of
scheduled commercial banks went-up to 65 in the district (including 25 branches of SGB). During that year the volume of deposit as well as credit also increased to Rs.5227 lakhs and Rs.3084 lakhs respectively.

It is no denying the fact that the avowed objective of the establishment of SGB was to raise the standard of living of the target group of rural poor. The study of organisational structure of the bank reveals that there are eight departments headed by 11 Officers and 10 Clerks to assist the Chairman at the Head Office. However it has been observed that at the Branch level there are only 3 employees in most of the cases, with Branch Manager functioning as the Head.

It is found that as per the Act the Chairman and two Senior Managers are appointment in the bank by its sponsoring bank (UBI) on deputation. Whereas other Officers and Clerks are appointed through interview process conducted by Banking Service Recruitment Board (BSRB), Guwahati. Presently there are 191 personnel in the bank which includes Officers, Clerks as well as Messengers. The bank also availed the training facilities for it's employees imparted by National Bank for Agriculture and Rural Development (NABARD), United Bank of India (UBI), North Eastern Institution of Bank Mangement (NIEBM) and National Institution for Rural Development (NIRD) Guwahati.

As regards the fund position of the bank it has been found that the percentage of it's own fund come down to
4 percent during 1991. This has happened due to non-increase of paid-up capital by the bank. The bank also could not earn profit since the year 1984.

Suggestions:

To improve the functioning of the banks in a fruitful way the following measures are advocated:

(a) For gaining better performance by the banks the authority should take initiatives to develop infrastructural facilities which have proved to be a hurdle in the progress of commercial banks in the district.

(b) Direction may be issued by the RBI to be Lead Bank of district for identification of the business potential in unbanked centres so that necessary steps can be taken for opening of new branches.

(c) It is desired that District Level Co-ordination Committee Meeting be held at regular intervals.

(d) As the SGB's own fund position is not too good therefore, it is essential to increase the paid-up capital of the bank from the existing Rs.50 lakhs to Rs.1 crore. Profitability of the bank must increase for its own healthy growth.

(e) It is expected that for better organisation and management of SGB, more experienced Officers be deputed to the Head Office by the sponsor bank which will ultimately be
more gainful. Appointment of a reasonable number of employees at the branch level, co-ordination and co-operation among the managerial staff as well as other employees will definitely help the bank in achieving its avowed objectives.

In Chapter - VIII some issues regarding branch expansion, deposit mobilisation and advancement of credit by the SGB in the district have been examined alongwith some theoretical aspects.

It is significant to note that the expansion of branch, deposit mobilisation as well as credit extension of the SGB is found to be better in Lakhimpur district than in the other command districts of the bank. With 25 branches in the Lakhimpur district itself within a period of less than one decade, it recorded a 38 percent growth in the total number of branches of all scheduled commercial banks operating in the districts as on March 1991.

As regards deposits the percentage of Savings Deposit is comparatively better than Term Deposits and Current Deposits.

In the matter of credit disbursement it seems that the target group of people received it's due share from the bank. While granting loans the bank has followed the rules and regulations framed by the Concerned authority from time to time and loans were disbursed for various sectors viz. agriculture, industry, service and business as per norms.
A few observations as regards to the credit made available by SGB in the district are narrated below:

The outstanding advance during the period 1985 to 1991, rose from Rs.48.64 lakhs to Rs.345 lakhs and at the same time there has been five fold increase of number of borrowers. The advancement of credit to the ST/SC communities during the same period comes to 34 percent and number of borrowers in these categories also increased to 33 percent. The study also reveals that advances to agricultural and allied sector has been gradually increasing. On the other hand the advances for crop cultivation and to cottage and village industries did not received the desired attention.

It requires mention that the overall performance of SGB in the District Credit Plan / Annual Action Plan is better and the bank could disburse more than 40 percent of the loan under the IRDP scheme.

Suggestions:

In expectation of getting better business for SGB the following suggestions are put forward:

(a) As the bank is not required to pay interest on 'Current and Other Deposits' and in respect of Term Deposits where the banks generally at an advantage for using the deposit money, therefore it is advised that bank should evolve some measures to increase the deposit under these two schemes.
(b) Considering the bankwardness of the district particularly in the industrial sector, the bank should give more emphasis for advancement of money for village and cottage industries.

(c) As a large number of the people in the district are dependent on agriculture, short term crop cultivation loans should get priority over other credit disbursement schemes of the bank.

(d) In order to provide better facilities to the target group of people in rural areas, the bank should see that more amount of loans be advanced to these categories of rural people.

(e) As the district is comparatively backward, the bank should maintain a reasonable balance between agricultural and non-agricultural loans while advancing credit.

To gather a better knowledge as regards to the performance of SGB in economic development of Lakhimpur district, field survey was undertaken the modalities of which have been stated in Chapter - IX as below:

The study covers 200 beneficiaries of 8 villages under 7 SGB branches which were selected on a random basis. On the whole of the 200 beneficiaries 41 belonged to the SC/ST community, 31 were women beneficiaries and 85 were IRDP beneficiaries.
It was found that the number of borrowers under these categories were higher in Less Development Village (LDVs). Loans were received by the sample borrowers during the financial year 1988-89 for agriculture/industry/service and business sectors. However, the number of agricultural borrowers were found to be high.

Some other observation of the field survey are recorded below:

The bank and other rural development agencies took an active interest in popularising the various loan schemes announced by the Government. However, it is distressing to note that the middlemen were quite active in some areas and the loanees were required to pay some amount of commission for getting the loan amount sanctioned.

There has also been an instance where IRDP loan was given to the borrowers who did not come under the target group category. It was found that 6 borrowers of non-target group had managed to get the loan with the help of block officials and middlemen.

Opinion has been expressed by a large number of borrowers that prior to the establishment of SGB the intending borrowers could not avail the loan facilities from the other commercial banks as the commercial banks did not have their branches in most of the rural areas.
It was also found that the loan sanctioning and granting procedure being of a lengthy nature, the borrowers had to wait for a relatively long periods and were required to visit the branches for quite a number of times for receiving the loans. This is due to some organisational as well as operational difficulties of the bank and other rural development agencies. Of the 200 beneficiaries who have been studied, 26 of them had to wait for more than 12 weeks for getting the loan sanctioned.

As regards misutilisation of loan by some of the borrowers, it has been found that poor economic condition of the borrowers, inadequate loan amount and lack of monitoring and follow-up action from the Govt. as well as from the bank management were the main factors.

The position of repayment of loan was found to be unsatisfactory. Of the surveyed borrowers (200) only 21 of them could repay their loan amount timely. The reasons behind the meagre loan recovery was found to be that some of the borrowers divert the loan amount for other purposes while some others divert their incomes from the loan for other consumption purposes. However, it is to be noted that borrowers sometimes did not repay the loan amount intentionally.

It is heartening to note that 175 active borrowers could increase their income and generate additional employment and at the same time could acquire durable
assets. There has been increase of income of these 175 borrowers from 8.7 lakhs to 11.8 lakhs during the two year periods, which means an increase of 35 percent to their annual total income. In case of agricultural borrowers this increase was found to be much more.

**Suggestions:**

The following suggestions are placed for better performance of SGB in the district

(a) The bank as well as other rural development agencies should take more initiative in popularizing the different loan schemes. This can ultimately be helpful for removing the influence of 'Money Lenders' and the 'Middlemen'.

(b) In order to remove the prevalent malpractices in the matter of selection of beneficiaries, the target group of people should be selected in co-operation and co-ordination with the bank personnel, Block Officials and Gram Pradhans etc.

(c) In order to minimise the procedural delays some of the measurers are expected to be more fruitful viz. lending procedure be simple, the power for granting loan by a Branch Manager be extended to Rs.10,000 and timely submission of proposals by rural development agencies are essential. This will definitely reduce the delay in lending and at the same time the borrowers will not be required to visit the bank branches for a number of times.
(d) For better functioning of the project for which loan is granted, the loan amount should be sufficient. Also regular inspection by the bank Officials and other rural development agencies is very much desirable. Creation of proper atmosphere by providing better infrastructural facilities in rural areas can indirectly help in proper utilisation of the loan amount and there by help in regular repayment of the borrowed amount.

(e) For speedy recovery of loans the existing legal provisions should be reconsider and if necessary criminal action can be instituted against wilful defaulters.

In Chapter - X an attempt has been made to arrive at certain observations in consultation with the bank officials and beneficiaries concerned for knowing the causes that creates problems at operational as well as organisational levels which are summarised below -

It is significant to note that a number of Bank Board meetings had to be adjourned due to lack of quorum. It was also found that the Chairman of the SGB is overburdened due to insufficient managerial staff at the Head Office.

Some of the major hurdles that have impeded the branch expansion programmes of SGB are found to be non-receipt of licences at proper time, increase of establishment cost of the bank and lack of infrastructural facilities in rural areas.
Other reasons which are the cause for low volume of deposits in rural branches seems to be the poor economic condition of the rural people and customers lack of confidence upon RRBs as compared to other commercial banks. The bank also suffers on the deposit side due to fewer number of Government departmental accounts.

It is distressing to note that some so-called rural and political leaders pressurise the bank personnel to grant loan without observing any formalities. The bank also finds it difficult in the matter of lending because of negligence of rural development agencies and defective policies pursued by the Government.

The recovery amount seems to be very low especially during the last three years (1988 - 1991) which ultimately leads to accumulation in the overdue amount of the bank. Of course it is admitted that some of the external and internal factors of the bank viz. lack of proper monitoring, delay in receiving refinance facilities from NABARD, IDBI, etc. are also responsible for this state of affairs.

Less amount of profit and low paid-up capital have created a problem for maintaining proper fund position of the bank which has affected its capability to acquire it's own premises and also in the matter of appointment of security personnel and other staff. The study also reveals that the manpower position of the bank is not satisfactory and its staff members are not adequately trained.
Suggestions:

To plug some of the existing loopholes at operational and organisational level of the bank the following corrective measures are suggested.

(a) The nominees to the SGB's Board of Directors from the Central and State Govts and from the sponsoring banks are expected to devote more time and attention for better health of the bank and for which effective supervision, direction and control over the bank operation is a must.

(b) For effective functioning of the Head Office a reasonable number of staff should be deputed by the sponsoring bank.

(c) It is desired that the NABARD should see whether it can relax the standard norms and appoint a General Manager for Subansiri Gaonlia Bank for proper functioning in the command areas.

(d) The RBI should also see that the licences are issued to the bank in time.

(e) The managerial structure of the bank should be re-organised.

(f) To inculcate the habit of savings and to create confidence among the rural people on the bank a sense of security of savings is a must.
(g) For better and stable fund position of the bank the State Govt. should issue instruction to it's various departments to maintain accounts in SGB branches.

(h) A 'Book of Indebtness' may be issued to each and every beneficiary showing the details of land holding, particulars of loan and their repayment position etc.

(i) The system should be followed right from the beginning in such a way so that the growth of overdue amount can be minimised.

(j) Interference of political leaders in the matter of lending should be avoided.

(k) The concerned rural development agencies should see that loan proposals are forwarded timely, so that the amount may be sanctioned in time.

(l) Various training programmes under which bank personnel are required to receive training, should be more practical and effective, rather than theoretical in nature.