CHAPTER-VIII

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The immediate task of rural development is to help the people in the rural areas who are living below the poverty line. For this purpose Integrated Rural Development Programme have been initiated so that the poor people are provided with a means of livelihood. Needless to say credit form the basis of these developmental activities and it is in this context, we have discussed and analysed the role of commercial banks in the sphere of rural development.

Though the banks can help the rural poor by providing credit in the developmental activities, the performance of the banks is not satisfactory. After independence, particularly after nationalisation of commercial banks, there has been significant increase in the establishment of rural commercial bank branches. But it has not effectively changed the life style of rural poor. Hence the saying 'We have rural branches but not rural bankers'.

We have already stated that the banking system has to play a significant role in the implementation of rural development programmes and thus convert credit into service which can help the villagers to undertake viable economic
activities. However, notwithstanding the network of the branches in the rural areas and engaging sufficient number of field-staff the commercial banks performance in the rural areas is not considered satisfactory. In this connection we have observed number of economic and non economic problems as well as operational gaps which results in poor achievement in the sphere of rural development. Our findings in this respect may be summed up as follows:

I. Identification of beneficiaries should be the primary task in proper and effective implementation of rural development programmes. Bank credit to rural poor will result in transforming rural areas only if the people below the poverty line are properly identified. But in actual practice, identification have become a major hurdle for the following reasons.

a) The beneficiaries were not properly identified, some of the common defects are:

i) The household survey which forms the basis for identification and the preparation of development plan for the family is not done properly. Sometimes wrong information leads to select undeserving beneficiaries.

ii) In most of the cases the identified persons never produce full address, particulars of land holding, number of family members and present income are not provided to the financial institutions.
iii) Sometime due to the presence of politicians or middlemen, proper identification become difficult.

iv) As per the IRDP manual, the bank officers are also members of the IRDP Beneficiaries Selection Committee. But in practice the bank officers never attend the selection committee meetings.

b) For effective implementation of IRDP, provision of forward and backward linkage are always kept in mind. The concept of 'Cluster' therefore has a definite geographical connotation. However, often it is observed that the implementing personnel are not clear about this and the identified persons are spread over a wide area, as a result activity-wise grouping of beneficiaries is not possible. Sometimes the clusters are allocated to the financing institutions without following the required procedures.

After selection, their cases are forwarded to the banks. Most of the poor people find it very difficult to fulfil the various formalities associated with availing of loans.

The beneficiaries find it difficult to collect documents like right of land, non-incumberance certificate, technical feasibility certificates from Electricity Board, in case of loan for pump sets.
The availability of the backward and forward linkages for economic activities recommended to each clusters are not surveyed at the time of household survey. Unless appropriate backward and forward linkages are ensured many of the economic activities recommended to the IRDP beneficiaries would not be viable. The banks, having financed and beneficiaries in such cases comes to grief, and the beneficiaries face the burden of heavy debts.

II. In most of the cases it is observed that the beneficiary families are not properly involved, while choosing the scheme in which it should participate. As a result the identified persons are recommended one or other activity without due consideration for their aptitude, resources, and required skills. They either take up the recommended activities unwillingly and get into problems or go on making charges in their choice of activity. Most of the beneficiary families receive one loan and thereafter they are not chosen. A poor family may not overcome the poverty line simply on receipt of loan from the bank.

III. Each and every bank has to fulfill certain targets in respect of IRDP loan. Sometimes banks have been under
pressure to process a large number of loan applications to enable mass release of loans. Due to heavy work load the banks are not in a position to properly scrutinise the loan applications and make wrong loan decisions to the borrowers. The disbursement of the loan also may not be done in time to suit the needs of the borrowers due to shortage of time. Sometimes the borrowers has to wait for the loan distribution function, like "loan mela" arranged purely on political motive.

IV. As per the guidelines of Government of India, the subsidy is to be released in advance to the financing institutions by the DRDA in proportion to and with specific reference to the loans to be sanctioned by the banks. The guidelines donot appear to be implemented uniformly in the districts.

V. One of the main hurdle in smooth implementation of IRDP is shortage of staff. As per IRDP manual the bank officers are to inspect the beneficiaries from time to time. It is observed that the commercial banks are overburdened with their routine work. Under the circumstances the bank are not very much interested to devote time for the benefit of IRDP beneficiaries.
VI. A section of IRDP beneficiaries, it is found are interested only for subsidy. Subsidy is a cause for many malpractices in IRDP. It has been observed that poor transportation facilities, lack of security in rural branches, which are far away from bazar and police stations, hampers the proper implementation of IRDP loan disbursement. There is no strong-room facility to keep the cash safely.

VII. As a principle, the same borrower should not resort to borrowing from other commercial bank. But in practice it is found that the same borrower of one bank borrows from several banks without the knowledge of other banks.

VIII. It is noticed that adequate attention has not been given to select proper schemes and their implementation. The beneficiaries should have a continuous and cordial relationship with the panchayat and the banks. However, this seems to be lagging. Once the loan is sanctioned and disbursed, the beneficiaries do not maintain any link with the banks nor does the banks visit and followup the activities of the beneficiaries. It has been observed that the recovery position of IRDP loan is not encouraging. As a result number of defaulter increases day by day.
IX. Most of the schemes are hampered due to shortage of raw materials in the villages and non-availability of organised market to sale the products manufactured by the beneficiaries.

There is unusually much concentration on livestock schemes in Assam, thereby virtual exclusion of many other potential and profitable schemes.

X. On queries made to the beneficiaries during the course of survey, they pointed out the need for introduction of vegetable and fruit schemes, minor irrigation schemes and selected village industries where there is scope for these.

XI. Training camps are not organised by the commercial banks nor by the IRDP agencies. This is essential to wean them way from traditional practice to motivate them to develop right attitude to managing assets.

There is much scope for creating new employment opportunities in the secondary and tertiary sectors.

XII. IRDP implemented in the surveyed blocks has yielded benefits to the rural poor of the noted districts.
However there is much scope for commercial banks to assist directly the rural poor to reap quicker and higher benefits, provided the constraints before them are overcome.

In course of our field visit, it was observed that the implementing authorities including banks always feel that IRDP is implemented only to fulfill the Governments' targets, which is purely a wrong idea.

XIII. NABARD provides refinance to the commercial banks, RRBs and Co-operative banks for implementing IRDP schemes. However region-wise refinance performance of NABARD, it is not uniform. At the end of 1992-93, NABARD's refinance to North Eastern Region constitute only 1.6 percent of the total refinance in the country. This can at best be termed as discriminatory attitude of the Apex institution.

XIV. The schemes for which NABARD generally made available its fund are not very popular in the State. Further the eligibility criteria to obtain NABARD refinance is also considered strict. For these reasons NABARD's role in the Region as a whole and particularly in Assam has not been very effective.
XV. It is observed that neither bank officials nor DRDA and block authorities take any pains to explain the details of the schemes to the beneficiaries. In fact, most of the beneficiaries remain in the dark about the advantages of these schemes. From the Centre to the block every one is running after fulfilment of targets and achievements in terms of the numbers of families covered and expenditure incurred. But nobody cares for qualitative improvement. Until and unless this attitude is changed, the present scenario will continue to prevail, resulting poor implementation of the programmes.

RECOMMENDATIONS

In the light of our findings, discussed in the previous few pages, the following recommendations are put forward for proper implementation of the schemes and also effective participation of the commercial banks.

I. To ensure that really eligible persons are identified, measures should be taken for improving the process of identification of the beneficiaries. Only the deserving beneficiaries be selected, so that they sincerely participate in the programmes.
II. The financial institutions should be given free choice so that they can participate with a greater sense of involvement. There is need for clarity as to the concept of "CLUSTER" and choice of cluster among the staff responsible for the allocation of the assistance.

III. The DRDA and the bank should ensure that the identified persons are given loans without too much difficulty and the gaon panchayat should be made effective, so that the identified persons get the assistance immediately.

IV. The DRDA should make earnest attempt to bridge the gaps in forward and backward linkages. DRDA should try to promote private enterprise to take up the task of offering facilities such as supply of inputs, marketing and processing services on a local basis.

V. The unemployed youths of rural areas should be properly motivated and trained under TRYSEM and other programmes and encourage them to organise the required supporting service for the IRDP beneficiaries on a commercial basis.
VI. The borrowers should be given financial assistance in time by banks without any prejudice. DRDA should strictly follow the guidelines and evolve uniform procedures for providing subsidy in advance.

VII. The subsidy can be disbursed only after one year of regular payment by the borrowers to the bank. In case of default, it must be cancelled. The general experience of the banks is that once the loan has been disbursed, the bank is at the mercy of the borrowers.

In co-operative lending, a certain amount of deposit is regularly paid as thrift deposit to the society and the members are charged concessional interest. In case of commercial banks this system can be introduced. A higher interest rate can be charged from those who have no investment.

VIII. If the beneficiaries make regular recurring deposit, out of the income generated from the loan availed, than the relationship between the bank and the beneficiaries will continue to develop.

IX. In rural areas arrangement should be made for accommodation of official who may visit the areas for
inspection. Further Police security be provided to the bank/officials for as and when necessary.

X. To prevent multiple borrowing the bank should not be allowed to lend to a person who is beyond the limits of bank area. It is desirable to select schemes relevant to the background of the beneficiaries and with reference to the possible demand of services from the proposed schemes and as far as possible in accordance with the beneficiaries preference. The tendency of the beneficiaries to rush for a particular category of scheme for enjoying higher subsidy should be discouraged.

XI. RBI has instructed the banks not to provide credit to the defaulters. However, a distinction should be made between willful default and default due to crop loss, death of animal and natural calamities. Unless the small borrowers, who may be defaulters due to circumstances beyond their control, are made eligible for bank assistance, it will be difficult to find adequate number of potential beneficiaries who are the weakest among the weaker sections.
XII. The bank managers are not suppose to insist on any security in respect of IRDP loans. Strict strictures should be issued against the branch managers who neglect the rules and insist on security for sanctioning IRDP loans.

XIII. Suitable supply of desired raw materials to IRDP beneficiaries at reasonable rates be arranged. DRDA should make arrangement with marketing agencies to sale manufactured goods.

XIV. Credit camps should be organised not only to identify beneficiaries, but also for collection of loan application as also to collect overdues. It should function as a credit-cum-recovery workshop. The beneficiaries should be educated on the proper use of credit and the need for making timely repayment and consequences of overdues.

XV. At the time of preparing annual plan of action, DRDA should try to secure assistance from other development agencies or departments like Agriculture Department, Veterinary Department, District Industries Centre, Char Area Development Authority, State Land Use Board etc. for judicious combination of technology and credit for achieving good results.
XVI. Sometimes the poor people become frustrated and give up all hope for improvement in their living condition. This constraint can only be overcome through organising the poor under an umbrella of the Beneficiaries Advisory Committee at the block level so that the beneficiaries can get a regular forum to focus their problems for solution.

For making such Committees more effective, similar Committees should be constituted at the Gaon Panchayat level also. This will not only enhance the knowledge of beneficiaries about different components of the programme, but will also keep close surveillance over the beneficiaries so as to make the scheme succeed economically.

XVII. Training is undeniably an important input. It is in fact an integral part of the programme. Training is required for the functionaries, but it is equally important for the beneficiaries. Training enhance the capability of persons to manage a project efficiently, whatever be its size and contents. Training inculcates awareness and augments motivation in the beneficiaries, which ultimately ensure success of the scheme in terms of generation of more income for the
rural poor to enable them to cross the poverty barrier on a lasting basis. It is also necessary to explain to the beneficiaries, the benefits of such schemes.

All the apex agencies involved in the IRDP process should adopt some frequent training programme on - (a) technical, (b) socio-economic and (c) managerial aspects. This will also assist all functionaries concerned with IRDP to improve their competence in handling the programme.

XVIII. Government must help the rural poor to get organised, through a viable economic activity and within an institutional framework that gives them access to modern technology, institutional credit, organised markets, professional management. They are all crucial determinants of success of an economic enterprise. As compared with urban counterparts rural poor are at a great disadvantage in terms of availability of basic necessities such as food, clothing and shelter at a fair price and of such civil amenities as education, health care, drinking water, etc. Lack of these facilities creates several handicaps to rural poor and erodes their meagre incomes.
Therefore, Government must protect the purchasing power of the rural poor by providing all these facilities and service on a high priority basis and at fair prices. The integrated functioning of banks, BDO & DRDA can reduce very much the operational problems in the implementation of IRDP. Frequent meetings of officials from the banks, BDO and DRDA will increase the rapport, reduce friction and problems and expedite disposal of beneficiaries application.

XIX. DRDAs should make special attempts to identify all activities relating to creation of new employment in the secondary and tertiary sectors. It should be noted that all the IRDP loans under the two sectors are eligible for NABARD refinance and banks are also advised to lend at least 30 percent of the IRDP advances under the two sectors to create fresh employment.

XX. There is a need for proper interaction between the blocks and the concerned bank officials at grass root level, so that joint inspection and common approach between them can be made. An atmosphere should be created where the financing units and Government departments should feel that it is their duty to
assist the poor. The beneficiaries are made to know that the banks are for assistance and guidance for their development.

XXI. Greater emphasis should be given for -
   a) Formulation of viable schemes based on local resources.
   b) Organising a more effective delivery system which takes care of credit and input supply.
   c) As the coverage of villages by bank branches has not been sufficiently extensive and well planned in Assam particularly in backward tribal hill districts - the banks on their part, will also have to ensure that their rural branches are strengthened to enable them to handle this important national programme.

XXII. A senior-most official from NABARD be included in the Consultative Committee or District Development Committee to protect their interest. The refinance criteria may be relaxed and fund may be made available to the commercial banks for recycling of fresh loans.

XXIII. NABARD now provides refinance to a few selected schemes in Assam. The NABARD should include need-based
and area-based schemes for refinance which may contribute to development of rural areas. It may also consider providing refinance to schemes under tertiary sector.

However, it is keenly felt that for over coming the problems of deficiencies discussed above, the urgent need is to create social awareness and vigilance among all sections of the people engaged in the programmes.