CHAPTER II

MECHANISM OF RRBS
Capital formation is less in rural India; and a small portion of the rural people has surplus funds. On the other, the rural economy is coupled with poverty and backwardness. As an institutional agent, banking service is very much required on dual count viz., encouraging savings through banking habit so that warranting spurious expenditure, and making available surplus funds for deploying to the credit needy for socio-economic promotion. Because of availability of banking services, including credit, effective use of rural resources can be possible as credit is a key input factor. To have economic gains including full use of manpower under the dual function of banking as said above, the bank should have structure, system, skill, style, staff and subordinate goal. In other words, the bank should have a sound organisation and prudent management fitting in the environment of rural areas. An attempt has been made to examine the organisation structure and means of mechanism of regional rural banks in the present chapter.

Genesis of RRBs

On the dawn of Independence, the Government of India initiated steps in institutionalisation of rural credit. The Government of India has nationalised commercial banks to extend and accelerate their operations in rural areas and to supplement the efforts of other credit institutions in promotion of rural economy. Even after nationalisation of commercial banks, they could not provide the credit requirement of the rural sector in terms of quantity as well as quality. So, the Government of India thought
that it is essential to establish a specialized bank within the reach of the village people in order to cater their credit needs and promote their socio-economic status. While evolving an efficient rural banking system, the following considerations are taken into account. They are:

- about two-thirds of people are living in rural areas
- the economic status of the vast majority of these people is low
- these people are credit thirsty. It means, they need to borrow credit as they have no self support financially
- provision of adequate and timely credit with low transaction cost.

The Government of India felt the need to establish a new institution on the basis of attitudinal and operational ethos entirely different from the existing rural credit agencies. In the year 1972, the Banking Commission in its report\(^1\) mooted for the first time the proposal for setting up of regional rural banks after examining the registered expansion of services of commercial banks. In pursuance of the Banking Commission proposal, the Government of India appointed on July 1, 1975, a Working Group under the Chairmanship of Sri M.Narasimham, the then additional Secretary in the Department of Economic Affairs, Government of India, to examine in detail the need for setting up of a new rural banks as subsidiary of the public sector commercial banks to cater the credit needs of the rural people. The Working Group submitted its report within one month.

Thoroughly examining the Working Group report, the Government of India too felt the need to establish “a new institution on the basis of
attitudinal and operational ethos entirely different from those operating in the public sector banks.\textsuperscript{2} Financing the target groups namely weaker sections, marginal farmers, agricultural labourers and rural artisans is the motto of such banking.

"Setting up of the regional rural banks as a development banks have far-reaching effects on the extension of banking facilities to the rural areas."\textsuperscript{3} The Reserve Bank of India also stressed the need for urgency of establishing the regional rural banks since the commercial banks in India have been lending a negligible proportion of credit to the rural poor; and filling the gap between the available credit facilities and credit needs of the weaker sections in rural sector. It recorded that, though there had been tremendous growth of rural credit over time in the country, the non-institutional sources still are accounted for two-thirds of the total agricultural credit in the country.\textsuperscript{4} Money lenders both professional and non-professional credit charge usurious rates of interest and also indulged in unscrupulous practices.\textsuperscript{5}

Hence, on the recommendations of the Banking Commission and Working Group, the Government of India decided to set up regional based state sponsored banks namely Regional Rural Banks. Thus, the Regional Rural Banks came into existence by an Ordinance in 1975; subsequently which replaced by the Regional Rural Banks Act of 1976.
**Objectives of RRBs**

The main objective of the regional rural banks is to ameliorate the economic conditions of rural people by supplying their services. The specific objectives of regional rural banks are:

- to provide credit to small and marginal farmers, agricultural labourers, artisans, small entrepreneurs and persons of small means engaged in trade or other productive activities.
- to mobilize deposits in rural areas
- to expand branch banking in remote and unbanked areas
- to integrate the inputs, viz., infrastructure, extension services and credit for higher productivity towards the goal of achieving integrated rural development.

**Functions of RRBs**

To achieve the stated objectives as above, the regional rural banks undertake such functions as they lead to the socio-economic development of the rural people. The functions that are undertaken by regional rural banks are:

- to open branches in potential areas
➢ to mobilize rural savings by inculcating saving habit through designing appropriate saving schemes suitable to the rural people.

➢ To deploy credit adequately in right time to the target group such as small and marginal farmers, agricultural labourers, artisans and small entrepreneurs etc., who are economically potential.

➢ To undertake the supply, extension and customer services.

➢ To monitor the projects financed

➢ To recover loans lent for recycling to the economic significance programmes of the rural sector.

**FEATURES OF RRBs**

The regional rural banks are born with certain specific features suiting their operations in rural areas to their target clientele of small and marginal farmers, agricultural labourers and rural artisans. To render services to the target group needs a special ‘framework’ which inter-alia covers the following features. They are:

A. **Banking Business**

The business transactions of accepting deposits, lending money and other related functions in accordance to section 5 (a) of the Banking Regulation Act, 1949. Advance of loans may be productive and consumption. Regional rural banks are authorised to pay interest on
deposits at the rates higher than the rates payable by the scheduled commercial banks by 0.5 per cent.

Refinance facilities can avail from the NABARD in addition to getting funds at a concessional rate of interest i.e., below bank rate. Further, they are treated on par with the status of the co-operatives for the purpose of Income Tax.

B. SCHEDULED BANK

The regional rural banks are included in Schedule II of the Reserve Bank of India Act 1934 and hence they are scheduled banks.

C. TARGET GROUP

The activities of regional rural banks are confined to financing of the target group – small and marginal farmers, agricultural labourers, small business, artisans and other weaker sections of the rural area.

D. JURISDICTION

The regional rural banks operate within the specified district(s) in a State and establish their branches accordingly within their jurisdiction. Generally, the regional rural bank operates in an area of one to three districts with homogeneous economic conditions in terms of agro-rural entrepreneur – climatic. The area of operations of an existing regional rural bank can be extended to adjoining district(s) with the concurrence of
NABARD and the approval of the Government of India, in consultation with NABARD. The regional rural banks open their branches in unbanked and underbanked areas where co-operative credit system is weak and commercial banks have not been able to fully meet the credit needs of the people. The branch office of a regional rural bank covers one to three blocks, and is in a position to refinance five to ten farmers' service cooperative societies.

E. SPONSORSHIP

The regional rural bank is sponsored by a scheduled commercial bank preferably by a public sector commercial bank. It is established at the initiative taken by the sponsoring bank in consultation with both the State Government and Central Government; and under the license from the Reserve Bank of India. The sponsoring bank subscribed the share capital of its sponsored regional rural bank and extends managerial and financial assistance. The provision of managerial assistance is available for the first five years of the existence of regional rural bank under sub-section (3) of Section 3 of the Regional Rural Banks Act.

F. CAPITAL

The authorized capital of a regional rural bank is Rs.100.00 lakhs and the issued capital is Rs.25.00 lakhs. This issued capital would be subscribed by the Government of India, the Sponsored bank and the concerned State Government in the ratio of 50:35:15 respectively.6
The Board of regional rural bank in consultation with the Reserve Bank of India, the State Government concerned and the sponsor bank; and with prior approval of the Central Government can increase the issued capital of regional rural bank from time to time. Such increase in issued capital would also subscribed in the same proportion as specified earlier. seventh The Regional Rural Banks (Amendment) Act, 1988 has enhanced the limit of authorized capital from Rs.1.00 crore to Rs.5.00 crores, provided that the issued capital shall not be less than Rs.25.00 lakhs and shall not exceed Rs.100.00 lakhs. However, this issued capital will be decided by the Central Government. Accordingly, today, most of the regional rural banks are working with an enhanced capital of Rs.75.00 lakhs. eighth

ORGANISATION OF RRBS

The regional rural banks shall carry on and transact business of banking as defined in clause (b) of Section 5 of the Banking Regulations Act, 1949; and may engage in one or more forms of business specified in Sub-section (1) of Section 6 of the Regional Rural Banks Act. They grant production as well as development credit.

BOARD

The management of regional rural bank is vested in a nine member Board of Directors headed by its chairman. It is the highest-level body in the
organisational hierarchy of the management. The Board of Directors normally acts on business principles and safeguards the interests of public.

The chairman devotes his full time to the entire management of the regional rural bank subject to the policy frame by the Board from time to time, which in turn follows the guidelines of Reserve Bank of India.

The Board of Directors of a regional rural bank is the apex body, which formulates business policy, identifies potential areas, fixes targets and achievements of the regional rural bank, and makes strategic decisions.

The following members constitute the Board as per the Regional Rural Banks Act. They are:

♦ the chairman is appointed by the Government of India on the recommendation of the sponsoring bank from among its officers

♦ three Director are nominated by the Government of India, under Section 9 (1) (a) of the Regional Rural Banks Act, of which one non-official Director

♦ two Directors are nominated by the State Government under Section 9 (1) (b) of the Regional Rural Banks Act

♦ three Director are nominated by the Sponsoring Bank under Section 9 (1) (c) of the Regional Rural Banks Act.

The composition of Board, the professional credentials and commitments of the members have a far-reaching impact on the progress of the institution.
The role of Board is related to the expectations of the bank managerially. Keeping in view, the technological changes and keen competitive orientation, the role of the Board has begun to be viewed as wider and long-term perspective. In brief, the Board should ensure that the regional rural bank is:

- to be sound and effective in terms of business operations managerially
- to render quality service and ensure productivity on sound lines
- to develop a sound system of human values
- to achieve the defined objectives.

A common observation is that the Board function is rather passive. Often, the members are selected not because of their knowledge of the specific functioning of the bank that they are supposed to oversee but because of their compatibility. Traditionally, it happens that the Board approves the proposals forwarded to it by the top management with mounting uncertainties and changes taking place in the environment. The Board should undertake as well as perform the basic functions, which are:

- the board delineates the bank mission and strategic options
- the board examine the management proposals, decisions and actions; and give advice accordingly
- the board keeps abreast of developments.
MANAGEMENT OF RRBS

Sound management of any concern is the corner stone particularly in the context of competition. The aspect of management of banking institution is so prudent as it deals with the money in its financial transactions. Both transactions of tapping deposits and recovery of loans lent depend upon the probabilistic decision with certain degree of risk. This probabilistic decision needs to be transformed to the deterministic decision. This process involves not only technology and skills but also capability to win over. Thus, the management of bank depends upon the prudence, expertise and strategic approach.

Determination of future impact of change on the basis of the current variables involves the management in strategic planning. The strategic planning of management process depends upon multiplicity of factors, which influence an organisation's ability to change and proceed properly peeping into future. Inter connectedness of these multiplicity factors would be difficult to make significant progress in one area without making progress in others as well. The multiplicity factors in a banking institution are: Superordinate goals, structure, system, style, staff, skills and strategy. These are discussed hereunder.
**Goals**

Any banking institution like business concern has its own vision and mission; and thereupon goals to be achieved. These goals are nothing but the organisational purpose. The goals or objectives are the fundamental ideas of the bank around which it is built. In other words, they are the main values of the bank and future directions too. This should be the spirit, which is to be achieved. For achieving this, an innovative people in organisation are immensely required.

**STRUCTURE**

The regional rural banks came into operation with synthesis of merits of cooperatives as well as commercial banks. The regional rural banks emerged with a sense of local feel that possessed by the cooperatives administered democratically and the professional management of banking business, which exists in commercial banks. A degree of democratism in the cooperative institutions and professionalism in commercial banks is visible in functioning of regional rural banks. Thus, the regional rural banks, took the ‘good features’ of the cooperatives and commercial banks.

An organisation’s efficiency and effectiveness depends on its structure. Organisation structure refers to durable arrangements and relationship through which the intended goal can be attained. In brief, the task of banking institution can be integrated and coordinated effectively through a sound and healthy organisation structure.
The top management's critical task is an organisation of its institution. Organisation structure refers to arrangements and relationship with which how to communicate, what role is to perform, and what rules and procedures do guide various operations undertaken. The design of organisation structure involves decision of organisational talk, allocation of responsibilities among various positions and inter-connectedness between the different departments. Thus, the organisation structure of regional rural bank refers to the network of information and controls, rules and procedures, decision-making mechanism and authority relationship. These aspects, though, less visible but enables an organisation to undertake diverse task and keep them coordinated for achievement of goals.

SYSTEM

The word system refers to the rules, regulations and procedures of both formal and informal which compliment the organisation in terms of planning and control, training and development and performance evaluation. The regional rural bank has no sound system of its own except accepting the prescription done by the premier institute like the Reserve Bank of India and NABARD.

STYLE

The pattern of action taken by the top management for effectiveness and efficiency of organisation is referred to style. The top management
gives more attention down in the organisation and maintains a reporting relationship for the purpose of quality control. Failure, if any, in any banking organisation is due to mismatch of organisation culture. In the survey, it is noticed that the banking culture has not developed to the expectation in the organisation of regional rural banks not because of the existed environment but because of protective norms came into operation in the place of hire and fire.

SKILLS

Skills are the most crucial capabilities of the organisation, which can be developed as a result of the interaction of a number of factors. Performing certain tasks successfully over a period of time, the kind of people in the organisation, the style of top management, the management system and external environment are some factors, which provide necessary ambitious to build up skills. Since the regional rural banks came into being as rural based credit institutions with low transaction cost could certainly to identify themselves through innovative skills in the arena of rural credit. In other words, the regional rural bank is to be known for its skills entrepreneurally to snap the dictum that regional rural bank is known as bank of rural sector.

STRATEGY

Adoption of courses of action and the allocation of resources necessary for the purpose of achieving the goal is referred to strategy.
Strategic decision is the most important to make right decision. It relates to an interface between the organisation and its external environment. Though different strategies are applicable to different industrial concerns, in the business of banking sector, the growth strategy is more relevant with generic approach. The regional rural banks, right now have no strategic plans except monitoring towards objective. In the competitive environment particularly the regional rural banks, whose business operations are related to the rural sector is obviously need to adopt the generic approach in terms of efficient scale, customer service orientation and focus with designed functional activity for reaping more economic gains by the customers.

**Staff**

The sponsor bank appoints one of its employees to be the chairman on deputation, for a specific period stipulated by the Gazette notification. It is imperative on the part of the sponsor bank to depute one of its experienced employees as chairman at the helms of administration and business affairs of the regional rural bank. He should possess requisite acumen and skills, to meet the unforeseen challenges and strive for growth and development of regional rural bank. It is also forgone conclusion that the deputed person would be required to be withdrawn with the passage of time, and as a result, the internal promotion takes place.

The staff, except the chairman, to manage the head office and the branches of the regional rural banks can be recruited by the regional rural
bank itself. The cadres of the staff in the regional rural banks are officers, technical officers, field supervisors and clerks. The sponsor bank is expected to provide the services of its staff on deputation to the regional rural bank until the latter recruits its own staff.

OTHER ASPECTS

REMUNERATION

The remuneration to the regional rural banks staff is fixed by the Government of India. The remuneration is payable on par with the salary structure of the employees of the State Government and local authorities of cooperative level and status in the area of the regional rural bank.

COORDINATION COMMITTEE

The Government of India in consultation with NABARD, has set up a State Level Coordination Committee to undertake regular review of the progress made by the regional rural banks. The Officer-in-charge of the regional office of the NABARD in the State will convene a meeting in each quarter of the year. The Committee reviews the matters such as branch expansion, business development, credit-deposit ratio, training, management of resources and qualitative aspects of lending and recovery. The Committee will ensure that each regional rural bank is selected for a detailed review at least once in six months.
Audit

The Board of Directors selects the auditors out of the approved list that are prepared by the NABARD in consultation with Government of India and obtains the approval for the appointment from the Government of India by writing to the Ministry of Finance (Department of Banking), Government of India. The auditor shall complete the work by April 30 of the following year.

The audited profit and loss account and balance sheet; and also the auditor's report shall be placed before the Board of Director's of regional rural banks. The regional rural bank is required to submit within 90 days of the closure of its accounting year, a set of its audited Annual Accounts, Auditor's Report together with the Directors' Report to each of its shareholders namely Sponsor Bank, Central Government and concerned State Government. Further, 60 printed copies of these documents in English and Hindi should also be submitted to the Ministry of Finance, Government of India before June 30 of the following year.

Bank Policy

The premier institute, Reserve Bank of India is a policy-making body and is an organisation of higher control. Policy may be basic or general. A basic policy guides the executive management in its conduct. Koontz and
O’Donnel have described the policy as “a general statement or understanding which guides or implied overall guide setting up boundaries that supply the general limits and direction in which managerial actions take place.” 

Terry defines “a policy is verbal written or implied overall guide up boundaries that supply the general limits and documents in which managerial action take place.” The executive should carry out the business in accordance with these policy guidelines. The objectives set the goal and the policy shows the way towards the goal. The policy should be:

♦ made in consonance with the objectives
♦ temporal dimension
♦ feasible dimension
♦ stock environment dimension

An organisation without definite policy is like a ship without a rudder. Therefore, a policy is inscribed with sacred objectives fostering economic growth and development. Policy reflects the competence and capacity of an institution. In fact, the policy guides ‘thinking and actions’ in decision-making. Therefore, the policy prescription should take note of the fact that the banks are not only channel funds to day-to-day operations, but also act as change agent of the socio-economic conditions of people.
BRANCH EXPANSION POLICY

Effective operations for collecting rural savings from the myriad of savers and proper channeling credit to the credit needy always depend upon the sound and systematic banking structure and it constitutes the first systematic planned efforts for overall economic development. A bank, though small but sound financially, is permitted to open branches.

A greater emphasis is laid on opening of branches in the rural and semi-urban areas. A stipulation is made applicable in operation of the branch expansion policy. For every two offices opened, after October 1971 in the rural or semi-urban centres in the case of banks which had more than 60 per cent of their offices in the above centres; one office each is to be opened in the urban and metropolitan centres; and in the case of other banks, one office each in the urban and metropolitan/port-town for every three offices is to be opened in the rural and semi-urban centres can be opened. Branch expansion has gained a sense of urgency and a problem of all India Charter.

On January 1, 1977, a new Branch Expansion Policy came into being to cover up institutionally deficient rural and semi-urban centres. This policy stipulates that a bank will have to open four offices in the unbanked rural areas to get permission to open one in urban areas.
CREDIT POLICY

The emphasis of credit policy prior to the nationalization was on ensuring an uninterrupted flow of credit to the industrial concerns. Oftenly, the political forums stirred to curb this class banking. A restructuring of credit policy during mid-sixties emerged for the agricultural sector, the reason being that the cooperatives preserved for agricultural credit could not cope up, due to introduction of high yielding varieties. Further, the credit needs of farm sector become more and more as the big farmers group shown interest to adopt the new capital-intensive farm technology.

A new credit policy, after nationalization, envisaging extension of banking facilities to priority and neglected sectors of economic significance on preferential terms and conditions has been framed. This new policy is aimed at: (i) liberal credit to priority and neglected sector of economic significance and (ii) liberal credit to the projects in the backward areas and to help correct regional imbalances in the economy.

The envisaged credit policy has set the target and sub-targets for financing of specific purposes. Accordingly, the share of priority sector in total credit was 33.33 per cent of total bank net credit. Later, it is modified to 40.00 per cent of the total bank net credit. The sub-target for agriculture has been fixed at 18.00 per cent of total bank net credit. A significant structural transaction has taken place in the sectoral distribution of credit. The share of the agriculture, small industry and the specific segments of priority sector
has been stepped up. The anti-poverty programmes like, Integrated Rural Development Programme (IRDP), Jawahar Rogar Yojana (JRY), and Development of Women and Children in Rural Areas (DWCRA) etc., which have impressive economic impact, have actually been taken by banks into altogether new areas and shown a great degree of adaptability in catering the credit needs of such programmes.

The Government of India and Reserve Bank of India have not given any undertaking so far about the watering down the importance of priority sector lending in response to recommendation of the Narasimham Committee. Contrary, the Government has asked the banks to support the expanding economy and pay special attention to the priority sector lending and the credit needs of the backward States and regions. The then Prime Minister in his address at the conference of Chief Ministers on Rural Development on October 8, 1992 stressed the urgency of formulating ‘holistic’ approach, which would accelerate economy of rural sector in the country.

There is no programme more important or urgent than that of rural development as far as India is concerned. This suggests that the policy emphasis on priority sector is likely to continue; and perhaps, the targets in this respect may not be tampered with or modified. Even, if targets are modified in some near or distant future, these may be altogether dispensed.
Manpower

Manpower is an active actor in accelerating the pace progress of economic growth and development. "The management of a nation or an organisation must manage manpower into a useful, viable and valuable resource for getting this accomplished." Broadening the capacities of men, extending knowledge and upgrading their skills would lead to the progress of the economy. The exploitation of natural resources, physical and financial resources play a prominent role in economic growth and development but full utilization of them depend upon the efficient and committed manpower. It means, the manpower is a catalic agent in utilising effectively and fully the other resources for meaningful productive economic activities.

Manpower and its effective and efficient use need to function successfully at the level of operational, managerial and strategic. Pettigrew, Schuler and Dyer and Holder expressed the same opinion in the context of organisational management and the extent to which the success of an organisation must be balanced with the ability of individuals in it to develop their full potential. Thus, It is understood that without human effort, organisation cannot achieve its objectives. In other words, all the development comes from the human mind.

Men, material, machinery and money are important four M's; of which men constitute an integral factor as they have unlimited potential and ensure
endless results. Argyris, Chris has stated that, “no vision and no strategic
can be arrived without able and empowered employees.”16 Achieving higher
productivity of an organisation depends upon total knowledge, skills and
capabilities of employees. In other words, organisation can become
dynamic and grown only through the efforts and competitiveness of its
employees. Success of an organisation means reaping optimum
economies. “Human resource is an greatest asset. An employee can do
miracle which no machine or system can do it nurtures him carefully.”17

A sound and effective personnel management policy is sine-qua-non
for harmony in employee and employer relation in banking institution. A new
entrant as an employee into the banking no doubt, has knowledge, which
acquire through curricula and other courses of degree. Mere knowledge of
an employee is not sufficient to operate the banking business, what more
required is that of skills and talents. The skills and talents can be acquired
by means of training, which would certainly enhance the managerial
efficiency of an employee. Hence, training is a prerequisite to an employee
in a banking institution. Dubhashipor has clearly state thus: “Training is the
process of improving the knowledge, skill and attitude of employees to
achieve organisational objectives. It is only through a systematic
programme of training that necessary professional knowledge imparted,
skills developed and attitudes attuned to work situation.”18 Data on the staff
pattern of Sree Anantha Grameena Bank is presented in Table 2.1.
### TABLE - 2.1

#### STAFF PATTERN

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Officers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Area/Senoir Managers</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>Branch Managers Scale-I &amp; II</td>
<td>139</td>
<td>138</td>
<td>137</td>
<td>138</td>
<td>138</td>
<td>138</td>
<td>138</td>
<td>144</td>
<td>163</td>
<td>159</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Clerk-Cum Cashier</td>
<td>201</td>
<td>198</td>
<td>194</td>
<td>196</td>
<td>196</td>
<td>192</td>
<td>191</td>
<td>192</td>
<td>190</td>
<td>166</td>
</tr>
<tr>
<td>B</td>
<td>Driver-Cum Messengers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>C</td>
<td>Sweeper-Cum Messengers</td>
<td>75</td>
<td>77</td>
<td>77</td>
<td>76</td>
<td>76</td>
<td>80</td>
<td>79</td>
<td>78</td>
<td>78</td>
<td>76</td>
</tr>
<tr>
<td><strong>Deputed Staff (Syndicate Bank)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Reports of SAGB, Anantapur
Table 2.1 discloses that Sree Anantha Grameena Bank has recruited 422 employees in 1993, which gradually decreased to 404 in 2003. Besides this staff, Sree Anantha Grameena Bank has the facility of managerial assistance from its sponsoring bank, Syndicate Bank. Under this facility, it has three employees on deputation. Further, Table 2.1 shows that 32.86 per cent (139) of employees belongs to Officer cadre, 201 (47.52 %) employees are clerical cadre and the remaining 17.73 per cent (75) are watch and ward in 1993. The corresponding figures in 2003 are 39.36 per cent (159), 41.58 per cent (168) and 18.81 per cent (76) respectively. It is noticed that the number of employees under officer cadre has increased while the clerical cadre decreased. The attributable reason for this is that of promotion of clerical cadres to the officer cadre.

Sree Anantha Grameena Bank has provided an opportunity to all its employees training in order to enrich their knowledge to greater contribution to the growth of Bank. The staff of Anantha Grameena Bank has participated in the training programmes conducted by various institutes, which covered the areas of risk management, managerial effectiveness, financing of agriculture and industrial, watershed development, NPA management, branch management, funds management and Self-Help Groups.

In order to motivate the employees, the Anantha Grameena Bank has conducted competition for deposit mobilization and recovery of loans lent.
This type of trend would certainly disclose individual strength and capabilities. This provision can be availed, of by an employee who effectively carried out the entrusted task. By this type of competition, it helps not only to the employee in the form of award or reward but also the bank can achieve its target.

EXPERIENCES OF RRBS

The regional rural banks during the course of their operations have experienced some constraints or problems. They are:

PROBLEM OF PROFITABILITY

A greatest challenge on the part of regional rural banks is that of pressure on profitability. Continuous expansion in number of branches and manpower, thrust on social and rural banking, direct lending, maintenance of higher reserve ratio, overdues and cost of management had impact on the profitability of the regional rural banks. Further, with the introduction of prudential norms, a need arisen to show fairness of the financial position. In order to improve financial position of these banks, the Government of India provide a dose of hybrid capital, in turn they were made to sign a Memorandum of Understanding with Reserve Bank of India. The crux of MoU is on toning up productivity, efficiency, cost reduction and higher recovery. Accordingly, the focus of operations of regional rural banks has been on services marketing.
PROBLEM OF PRODUCTIVITY

Another constraint, which regional rural banks are confronting, is low productivity. This is due to surplus manpower, absence of good work culture, and absence of employees' commitment to the organisation. The individual excellence of staff members is mostly marred by a group of strong unions on the one hand; and on the other, callous, ineffective, short-sighted management with their opaque personnel policies. Due to fear of strong unions, the management has not been observing the problem in its proper perspective. To improve the productivity, the management has to remove the excess baggage of general cadre of low productive staff members.

PROBLEM OF NPAS

A serious threat to the survival and success of regional rural banks is uncomfortably high level of non-performing assets. Mounting of non-performing assets is lowering down profitability. In view of further tightening of norms of income recognition and provisioning in times to come, the size of non-performing assets is likely to surge unless strategic measures are initiated and implemented by the management of regional rural banks.

CUSTOMERS WIDE CHOICE

In the fast changing life styles and values, the customers have a wider choice to choose from various banking and non-banking
intermediaries. The banks, now, are offering more services and new complex products by dint of information technology to woo the customers. So, the regional rural banks are finding difficult to retain their highly valued customers and also in attracting the new clients. Although, regional rural banks are trying to computerize their operations, the pace of progress in this direction is slow.

**COMPETITION**

The regional rural banks are facing perilous challenges particularly on quality, cost and flexibility fronts from the emerging banks in urban areas. The latter with invigorating ambience and work culture supported by pragmatic leadership committed, courteous, affable trained staff and modern ultra gadgets are offering excellent customer services and making inroads in the business centres. The regional rural banks hitherto in highly protected and regimented system heavily titled towards deposits mobilisation and social banking responsibilities with little scope of their profitability and productivity levels. They are organizing with unhealthy organisational culture and less motivated team spirit with diminute loyalty towards their work life.
References


7. Ibid.


