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FINDINGS AND SUGGESTIONS

In this concluding part of the thesis an attempt has been made to focus on the findings and make some suggestions regarding better functioning and viability of the RRBs in general. Fifth Chapter of this study has revealed that the AJGB is moving towards the fulfillment of the objectives set forth. The performance of the bank, during the period under consideration in terms of its expansion particularly in respect of the number of the branches and area covered and in case of their loan operation as well as deposit collection, has been much impressive. The AJGB thus has achieved a considerable degree of success in taking the banking services to the remote areas, which has hither-to remained unbanked and made available institutional credit to the weaker sections in both the districts. The bank plays a vital role in extending credit facilities to persons belonging to the SC/ST persons in order to bring up this socially weaker section above poverty line. The achievement of the bank in respect of coverage of S.C. and S.T. borrowers has also been equally significant. Further, in making available credit to the far-flung rural areas the bank has facilitated the flow of credit through refinance from the NABARD. Both the districts and the state government have realised the efficiency of the Regional Rural Banks as the most powerful and useful component in the totality of the rural credit structure in the region. Now the bank has established its image as the unique type of institution
catering to the credit needs of the target group and also the image of a small man's bank. This vast neglected group of people is looking up towards this institution with very high hopes. The AJGB, therefore, has to play a dynamic role effectively in meeting the credit needs of the economically and socially vulnerable sections of society in the Marathwada region.

But as mentioned in the fifth chapter, the bank has been facing serious problems in respect of their viability. The problem of continued losses (except during the years 1988-89 and 1989-90) high overdues, low margins, low volume of business, high operating cost, large scale defaults etc. has been cause of the poor performance of the AJGB. And thus the bank has become economically non-viable. This is definitely a sad phenomenon detrimental to the objectives for which the RRBs have been established. Though the bank is a service-oriented organisation, not necessarily compelled to make large profits, at the same time it cannot be expected to work with losses either and thus endanger its very existence. The pace of expansion has contributed to the rising operating costs with a large number of branches being opened in remote areas. The operating earnings have not, however, kept pace with the rising cost. The depositors as well as borrowers of the AJGB, by and large, are the rural poor. The servicing cost both for deposits and advances is fairly high because of low the volume of business. It may further be noted that the margin available to the Bank between the cost of fund raised and average interest earned on loans is too small to
The AJGB to incur losses. Besides, there is a significant fall in recovery performance of the AJGB due to natural calamities, the rising number of wilful defaults, deficiency in lending policies, lack of proper follow-up actions, improvident use of credit by beneficiaries and so on.

The analysis of primary data focus on the following main findings.

1] Demographic Features:

1.1 Family Profile:

The average size of the family works out to 6.8 in the farm sector and 5.9 in the non-farm sector. Thus conforms to the general pattern of the rural society, where the farm sector families are larger in size.

1.2 Age Pattern:

The Heads of the non-farm sector belong to younger age group is higher as compared to those in the farm sector.

1.3 Family Type:

The unitary type accounts for the majority of the sample in Aurangabad with 58 percent and Sillod with 55 percent approximately. But it should be noted that in the case of the Vaijapur block it is the joint family type that accounts for nearly 65 percent of the sample households.
2] Educational Features:

Nearly 1/3 of the informants are illiterate at the aggregate level of the sample. In respect to the sample from the Sildod block, it can be said that it is slightly better placed, i.e. the illiteracy proportion is just about 1/4 of the total. The other two blocks show greater proportion of around 37 percent as illiterates.

3] Economic Features:

3.1 Earners In The Family:

We find over 3/4 of the sample households having two to four earners each, participating either in family occupation or working as wage earners elsewhere. The multiearners-composition owes much to the fact that nearly one half of the sample families are joint families.

3.2 Land Holding Pattern:

Small farmers' category forms 71.4 percent of the total sample at the aggregate level. It varies from 69 percent in the Sildod block to as high as 74.5 percent in the Aurangabad block. Marginal farmers account for 22.6 percent of the total sample in the farm sector. It is around 24 percent in respect of the Aurangabad and Sildod blocks and 17.8 percent in the Vaijapur block. The remaining sample consists of large farmers, which comes under the category of non-target group.
3.3 Economic Status: Target Group:

In the farm sector, out of the total sample households, 68.3 percent belong to the target group. Among that the economically weaker segment accounts for 48.8 percent and the socially and economically backward accounts for just 19.5 percent. In the Aurangabad and Sillod blocks, the economically weaker segment is dominant followed by the non-target group. While in the Vaijapur block the economically weaker sections have an overwhelming proportion i.e. 75 percent. It should be noted that in the same block the non-target group is the least important (7.1 percent).

In the non-farm sector the economically weaker category is dominating, accounting for 59 percent of the total at the aggregate level. The socio-economic weaker category forms 27 percent and is followed by the non-target segment with 14 percent. This pattern is more or less similar at the block level too. The non-farm sector has lower proportion of the non-target group as compared with the farm sector.

2] Involvement Of The Sample Beneficiaries In Improvement Schemes:

The majority of our sample falls below the poverty line. In the farm sector one third of the sample has come under the purview of the IRDP at the aggregate level. In respect to the individual blocks, the percent of sample beneficiary coming under the schemes like the IRDP were 33, 22 and 61 percent in the
Aurangabad, Sillod and Vaijapur blocks respectively. In the farm sector it should be noted that the non-government schemes have been receiving a good response. In the non-farm sector, the picture is quite controversial compared with the farm sector. In this sector, 74 percent of the beneficiaries come under the purview of the IRDP. In respect to the individual blocks it is more than 75 percent in Aurangabad and Sillod, while in Vaijapur it is about 67 percent of the sample. If we consider both the farm and the non-farm sector together, 52 percent of the sample comes under the IRDP.

3] Sources Of Information:

Among the eight main sources the knowledge obtained from the fellow villagers and bank officials constitute the two most important sources which accounts for 69 percent of responses. Even amongst these two sources fellow villagers occupies the significant position at the aggregate level, i.e. 37 percent and staff of the bank accounts for 33 percent. It should be noted that self-enquiry emerges as the third important source of information particularly in case of the Sillod and Vaijapur blocks. In the non-farm sector, knowledge obtained from fellow villagers, bank officials and social workers constitutes its own significance since it accounts for 79 percent of the total non-farm sector. It is the summation of 45, 23 and 11 percent respectively. The distinctive feature of the Vaijapur block is that, 11 percent of the sample in Vaijapur has obtained the information by means of "Self-enquiry".
4) Experience In Securing Credit:

Out of the total beneficiaries from both the sectors, it is definitely creditable to the Bank that 96 percent of them have not faced any difficulty in obtaining credit from the bank.

5) Purposewise Loans:

The Bank provides credit for a variety of purposes which are broadly classified under three categories in the farm sector. viz. crop loan, medium term loan and agriculture allied activities. Out of the total sample in the farm sector crop loan accounts for 39 percent, medium-term loans for 41 percent and the remaining 20 percent of the sample is accounted for the allied activities. But this proportion considerably varies. The crop loan forms the largest proportion in both the Aurangabad (45 percent) and Sillod (43 percent) blocks; while it is of least importance in the Vaijapur block i.e. 21 percent of the sample. It should be noted that the share of the term loan is 57 percent of the total sample in the Vaijapur block.

Credit provided for the non-farm sector is grouped under three broad categories. viz. Traders in goods, Professional and self-employed and Village or rural artisans. The traders group accounts for 34.8 percent self employed and professionals accounts for 34.8 percent and remaining is for artisans of the overall sample.
6] Loan Utilisation Pattern :

It gives an idea about the proper and the improper utilisation of loans against the purpose of the borrowal. In the farm sector, improper utilisation is just about 7.5 percent of the total. It is 3.8 and 3.6 percent in the crop loan, and term loans respectively. While it is too high in agriculture-allied activities i.e. 23 percent. In the non-farm sector, it is slightly lower than that of the farm sector, i.e. 7 percent of the total non-farm sector. In case of the tea stalls, pandal with public address system and cloth shop improper utilisation is 100, 20 and 40 percent respectively. It is observed by the supply sides that in the non-target group in both the sectors credit is better utilised.

7] Impact Of Credit :

In the farm sector nearly 16 percent of beneficiaries found that, the loan is non-beneficial to them. In the Aurangabad and Sillod blocks it is 10 - 12 percent, while in the Vaijapur block it is rather high i.e. 32.2 percent. In the non-farm sector for 13 percent of the sample credit was found to be non-beneficial. In the Aurangabad and Sillod blocks it is 11.5 and 7 percent respectively, while it is quite high in the Vaijapur block i.e. 20 percent.

1] Benefits Obtained :

Various benefits have been obtained by the sample beneficiaries in both the sectors. Out of 248 beneficiaries, 212
have obtained the benefits and stated on an average more than three benefits each. Out of 212 positive cases 112 are in the farm sector and remaining 100 are in the non-farm sector. In the farm sector 96 percent of the respondents have stated their benefit in the form of improved level of income, nearly 80 percent have stated the benefit of agricultural improvements, about 62 percent have benefited in improvement in output level. Along with these other major benefits are improvement in the farm soil condition (46 percent), savings (42 percent), and modernisation of agriculture (32 percent). In the non-farm sector 97 percent of the informants have benefited in the farm of improvement in the level of income. Similarly, improvement in the living standard and investment are the other two benefits received very high responses. It should be noted that in both the sectors the reporting cases of 'no rise in income' are quite considerable for the Vaijapur block, while overall performance in the Aurangabad and Sillod blocks is quite good.

ii) Reasons For Ineffectiveness Of Loans:

Loan is non-beneficial due to many reasons. In the farm sector, more than 1/2 of the total non-beneficial cases stated that natural calamities like drought are the most important factor. For 14.3 percent of the reporting loanees, improper utilisation and for 10 percent to settle the old debts obtained from non-institutional sources, has resulted in non-accrual of any benefit. In the Aurangabad and Sillod blocks natural calamity factor is the most serious reason, while in the Vaijapur block
all of them have stated miscellaneous reason like '- In the non-farm sector, the lack of skill, experience and confidence is the composite factor' responsible for no benefits in 2/3 of total failure cases, particularly in the Aurangabad and Vaijapur blocks. In the Sillod and Vaijapur blocks improper utilisation of loan is the reason stated by concerned persons. Many of them were in need of technical guidance and follow up from the bank people.

iii) Disposal Of Incremental Incomes :

Three fourth of the overall sample in the farm sector allocated their incremental income for four major items. [A] Long term investment (30 percent), [B] Improvement in standard of living (25 percent), [C] Other family responsibilities (12 percent), [D] Repayment of non-institutional credit (9 percent). In all the three blocks, the cases reporting allocation on the living standard and other family responsibilities together are greater in number than those reporting productive purposes.

Nearly 85 percent of the overall sample in the non-farm sector allocated their incremental income for three major items. Productive use - 30 percent and both the improvement in the standard of living and other family responsibilities is about 53 percent. It is significant to note that the proportion of the allocation for investment purposes is quite low in the Vaijapur block and funds used for repaying debt of the private agencies is rather high in the same block as compared to other two blocks.
The pattern of incremental income disposal from the viewpoint of target status of the sample reveals that 22 percent among the target group and 50 percent of the non-target group are found to be using the incremental incomes for investment purposes.

8] Credit Default:

Out of the total sample 40 percent of loans get defaulted for various reasons. In the farm sector the number of defaulters form 35 percent of the total and it is very high in the Vaijapur block. i.e. 53.6 percent of its total sample. In the non-farm sector 47 percent of the sectors' total sample are found to be defaulting. As is the case in the farm sector, the Vaijapur block's sample in the non-farm sector also stands in the higher percentage of defaulters. i.e. 54.3 percent of the block.

1] Status Group And Credit Defaults:

In the farm sector nearly 45 percent of the EW and 46 percent of the SW segment of the target group are found to be defaulters; while in non-target group the percentage of defaulters is only 14 percent. In the non-farm sector the pattern is almost similar.

1il] Causes Of Credit Defaults:

Wilful default is the major cause accounting for 50 percent of the reporting cases in the farm sector. The Sillod block is preponderant in this respect. 43 percent of the total
defaulted loan is due to the failure of the monsoon. This reason constitutes a very high proportion in the Vaijapur block, i.e. 83 percent. Seven percent of the sample said rise in the cost of production due to the rise in price of fertilisers for their defaults. All of them are from the Aurangabad block.

**Diversion of funds emerges as the single most major cases (42.6 percent) for defaults in the non-farm sector. The wilful defaults account for 33.3 percent while 'no rise in income' accounts for 24.1 percent of the total defaults. In Aurangabad (58 percent) and Vaijapur (40 percent) blocks diversion of funds and in the Sillod block it is wilful defaulting (47 percent) that stands out as the main reason.**

9] **Attitude Towards Subsidised Credit:**

In all the blocks there is still a considerable proportion of people who are clearly motivated by the subsidy element even to improve their own economic lot. It is found that in the non-farm sector greater proportion of loans is dependent on the subsidy component as compared to the farm sector. Thus the possibility of improper use is more in the non-farm sector. It is more alarming in the Aurangabad block (85 percent) compared to the Sillod block (38 percent) and the Vaijapur block (30 percent). It is also pointed out that in both the sectors those requiring subsidy to their continued borrowing mainly belong to the socially weaker section of society. Rural people are found to be very keen to obtain the subsidy benefit. The operating staff
thinks that if the subsidy component is withdrawn, nobody will come from the target group to demand credit. They feel deeply that the credit without subsidy is a need-based credit, thus it has resulted into better utilisation.

10] Changes In Outlook:

In the farm sector 67.7 percent of the sample farmers have pointed out that there is a change in the outlook particularly in respect of the commercial and innovative attitude to a very large extent. In the non-farm sector also the answers given by the majority of the sample beneficiaries refer to commercial and innovative attitude as the result of the change in outlook.

The non-response category in both the sectors belongs to the target group. While innovative attitude is the major change in the outlook of the non-target group in both the sectors.

11] Drawbacks In The Implementation Of The Scheme:

There have been considerable drawbacks in implementing various schemes of development financed by the RRBs. Wrong choice of activity, and an excessive no of beneficiaries for a particular activity in a village are the major drawbacks. Absence of backward and forward linkage was also one of the major problems. Virtually no steps were taken for providing institutional support for the supply of raw materials and more particularly for marketing.
12] Increasing Habit Of Non-repayment Of Loans:

This is more true in the case of credit sanctioned under government schemes. It is due to the faulty government policies, political interferences and irresponsible statements, delay in legal proceedings, lack of rapport between the staff and the borrower. The problem of wilful default is observed to be common for all the groups.

13] Inadequate Amount Of Loan:

In the Vaijapur block it is found that the loans sanctioned were inadequate for the purposes for which they were sanctioned. This was especially true in respect of loans sanctioned for construction of new wells.

14] Poor responses were recorded for medium term loans particularly for the agricultural processing units, borewell, drip-irrigation, and sprinklers.

15] The foregoing discussion clearly indicates that the RRBs have certainly succeeded in bringing about certain changes in the work styles of the beneficiaries as well as in their incomes. So far as the farm sector is concerned the RRBs have been instrumental in initiating changes in the cropping pattern, making practices and better farm management. The impact of the RRB credit on the non-farm sector is suggestive of growth in self-employment and better business management. A qualitative
change clearly discernible in the personal interviews of the beneficiary emerges in the form of greater confidence in the work undertaken and a better response in problem solving. All there findings therefore highlight the great potentialities of the RRBs in their role as agents of development. It is for this reason that we have to understand their problems and weaknesses so as to formulate measures aimed at overcoming the same.

SUGGESTIONS

Here I propose to mention a few suggestions and recommendations for making the RRBs viable and strong so that they can play their role most effectively. The schemes implemented by the RRBs for the weaker sections are quite useful and can surely help alleviation of rural poverty provided certain improvements in planning and implementation are brought about and the beneficiaries are better mobilised. It seems that the schemes implemented by the RRBs for the weaker sections are quite relevant in the present Indian context and with the changing banking scenario. Like the IRDP it has a powerful public appeal. All the schemes directly address themselves specifically to the poor families and offer direct assistance in the form of income earning assets. Now it is a matter of improving the quality and efficiency of the programme. For this, the major areas on which attention needs to be concentrated are: - detailed micro-planning, a proper implementation of the schemes, creation of the necessary infrastructure, adequate interaction between the bank and the
development agencies in the districts, organising activities more effectively and better financial management in both the sectors.

It is worth noting that, the RRBs in general are expected to be not a transient or temporary instrument but a permanent setup in the overall rural credit structure of the economy. Their overall management, financing and operation must be so organized as to ensure long-term viability. Any measure to tackle the problem with short-term solutions is not likely to be much helpful. If the RRBs are to remain small-man oriented credit institutions and still remain long-term viable and strong, subsidies, concessional interest rate, and the ARDR schemes announced by the government are not the permanent solutions, but only the temporary one. A viable and strong credit structure cannot be expected to develop with the help of the above mentioned temporary measures. What actually needs is the long-term policy having broad socio-economic spectrum in the changing Indian Banking Scenario.

Various suggestions have been made at different points of time in regard to ensuring the viability of the RRBs. The following set of suggestions may be made with particular reference to the AJGB to improve its efficiency to achieve economic viability.

1] Deposits should be considered as the main stay of the RRBs, from the long term point of view. The AJGB should introduce
special deposit schemes for all the sections of the village community. e.g. weekly or daily deposit collection schemes. Special efforts should be made to attract the deposits from the non-target group with these banks. Local authorities and institutions should also keep deposits with the RRBs. Special efforts may be made to encourage saving habits among the borrowers of the AJGB. The common deposit campaign should be directed through the mass media. apart from local newspapers particular mention may be made in regard to film songs, dramas, one act play, street plays etc, which have greater appeal particularly to rural culture.

2) There is a need to increase the margin enjoyed by the AJGB as between its average borrowing and average lending rate.

The average margin of the AJGB seems to have been adversely affected due to the poor recovery and consequent higher overdues. It has emerged due to many reasons. Our study pinpoints three important reasons viz. improper utilisation of funds, wilful defaults, and natural calamities. But these causes are inherent in any lending. Thus the bank has to live with overdues but at the same time it has also to see that it remains afloat. And this can ensured only by maximising its earnings by a judicious deployment of its working funds and reducing its expenditure by controlling its costs of funds. (i.e. interest, salaries and other expenses incurred.).

It seems that upto 1994 the RRBs did not have ample opportunities to invest their surplus funds in government or
other approved securities because of their peculiar geographical dispersal. Most of the branches of the AJGB are in rural areas and some are in very remote areas. In such a setup it remains to be seen as to how the bank can maximise its earnings. Taking into account this severe bottleneck in the functioning of the RRBs, the government policy towards "Restructuring and Strengthening of the RRBs" is quite a remarkable and constructive remedial measure. Besides, the bank has to identify the potential borrowers through the list of depositors. One advantage of this exercise would be that the branch manager would come to know about the financial soundness of the borrower and as such the chances of the loan lapsing into an overdue loan will be less. After all the AJGB is one of the RRBs in the Marathwada region of the Maharashtra State which have been established to meet the credit requirement of the weaker sections of society. The borrowers belonging to the weaker sections of society do not have the same ethos as the urban elite. The borrowers have to be persuaded to undertake a productive activity. This would be possible only if the officers and staff of the AJGB do more leg-work and create confidence among the borrowers.

Besides, three basic principles of credit management should be taken into account by the bank before lending to the beneficiary in both the sectors for any purpose. They are as follows:

- A: Returns from the total investment
- B: Repaying capacity and honesty of purpose.
- C: Risk bearing ability of the beneficiary.
3] On the expenditure side, one major item which is required is the controlling of the cost of establishment. The major portion of the expenses of the Bank relates to the payment of salary and dearness and traveling allowances to its employee. And these two continue to increase periodically, thus adding to the cost of establishment. The RRBs are now "no more low cost institutions" due to fixation of the pay scales of its staff on par with the pay scales of the sponsor bank. w.e.f. September 1st, 1987 (actual implementation from January 1st, 1991). Consequently the salary bill has shot up considerably. The demand for the wage rise made by the All India Gramin Bank Employees Association is going to deal more severe blow to the viability of the RRBs. In addition, as the majority of the branches are situated in interior area, the cost of outward and inward remittances is also an important factor on the expenditure side.

4] To reduce the overall losses following measures may be suggested:

4.1 The bank should be more scrupulous while sanctioning advances especially loans and financial assistance under the IRDP.

4.2 For effective in recovery and recycling the funds, proper follow-up action should be taken by the Bank.

4.3 The deposit target per employee should be laid down and the employees should be properly motivated to mobilise the savings from the local population.
4.4 Regarding reduction in the refinancing rate, suggestions made by the RBI study team (1981) and the Kelkar Committee (1986) should be considered. One way of reducing the costs of funds could be a reduction in the refinancing rate of the RRBs by the NABARD and the Sponsor Bank.

4.5 For increasing earnings of the RRBs in general and the AJGB in particular, the schemes of loans to the public bodies like SC/ST corporations, Housing boards etc. should be considered.

4.6 Special drive should be undertaken in respect of recovery of loans, i.e. recovery month twice in a year.

4.7 Village level meetings should be undertaken by branches of the AJGB to stress the timely repayment of loans.

4.8 Special provision should be made for loan recovery. The recoveries of the Co-operative Bank were much better than those of the RRBs. The reason is that, the co-operatives have special provision in the Act, to appoint special recovery officers (having the power of attachment) which enables them for a better follow-up and coercive recovery. We suggest that similar provisions are also needed for the RRBs as well if their recovery is to be improved.

During the study it was observed that the defaulters have realised the fact that, the RRBs have no power to take any action except legal proceedings. There is an urgent need for streamlining the recovery procedures, and for developing a system of supervised credit. Thus we suggest that the Bank
should revamp their credit follow-up and supervision system at the grass roots level.

Besides, the Recovery of Debt due to the Bank and the Financial Institutions Act 1993 passed by the Parliament in August, 1993 should be implemented at the earliest, which has the provision of:

A> The Establishment of Special Recovery Tribunals.

B> To publish a list of defaulting borrowers in cases where suits have been filed. Effective implementation of both these measures will encourage greater discipline among the borrowers.

4.9 Credit should be linked with Marketing. This would serve the double purpose of ensuring timely recoveries and of providing a right type of liberal credit. This will ensure rapid and sustained growth of both rural credit and marketing institutions in both the sectors.

4.10 A Loan should be utilised properly by the beneficiary for the purpose for which it is availed, and at the same time it should be repaid promptly. Greater awareness on these lines should be created in society. We suggest that help from a few social organisations and self-help groups in this regard will have immense significance.

4.11 All social and political workers should appeal to the public that there would be "No Further Loan Waiver". They should further urge the people to repay the loans promptly.
which would help them to avail of more loans.

4.12 Government officials, particularly the District Collectors and the Chief Executive Officers of the Zilla Parishad, Tahasildar, the Block Development Officers should seize every opportunity of educating the people in respect of savings in the bank and timely repayment of the loan.

4.13 To make the functioning of the RRBs more effectively it is necessary that the Bank staff stays in the village where it is posted. For ensuring this, basic amenities to the employees should be provided by the Banks so as to make rural posting more attractive to the staff of the Bank. Such amenities however should be linked with the deposit mobilisation efforts by the staff concern.

5] Following precautions should be strictly implemented while lending to the IRDP beneficiaries.

i> The Bank should decide optimally feasible activities in the block and then prepare the plan for providing assistance. There is a need to prescribe population norms for services and business sector. e.g. if a population of say

* In this regard recently the NABARD has taken a right step. i.e. the NABARD had signed MoUs with various state governments, the terms of which include stopping of the announcement of loan waivers to farmers. the RBI had opined that any waiver would not benefit either the farmers or the lending institutions in the long-run. (The Economic Times dated May 29, 1995).
5000 can sustain 4 grocery traders, the applications for additional grocery shops should not be sanctioned. Such a proposal should be given a serious thought.

ii> Identifying proper borrowers who have both the ability and the intention to repay.

iii> Proper scrutiny and processing of the loan proposals is necessary.

iv> Effective and proper follow-up and supervision over the end-use of credit.

v> The bankers should consider seriously the qualitative aspects of lending rather than being concerned with the target achievement only.

6) Better management of subsidy is essential. We suggest that the Scheme of Loan should be converted into subsidy. The subsidy should be paid in the form of a loan at the time of the purchase of the asset interest on this amount should be taken from the beneficiary, recovery of loans should be made. at the last installment, the loan should be converted into subsidy and the interest should be refunded. The interest may be refunded in any one of the following ways: -

i> Full payment in cash at the last installment.

ii> Payment in two annual installments.

iii> Payment in the form of a fixed deposit receipt for a period of two years which the beneficiary may be able to utilise for credit purpose also. Unless the asset is held and the repayment is made regularly, the conversion should not be carried out.
7] **Deregulation of Interest Rate for Sound Banking.** The regulated concessional interest rate while seemingly beneficial to the agricultural sector is actually harming the cause of rural credit. Experience shows that concessional agricultural credit is unviable and therefore acts as a disincentive for credit flow in the rural sector. No amount of directed credit can meet the real need for capital formation in rural areas, unless the financial institutions find it worthwhile economically to refinance this sector. The apprehensions that costly rural credit may hamper agricultural and rural development seem to be misplaced, particularly in the light of the experience of the Gramin Bank in Bangladesh, and many primary thrift and credit societies operate with their own resources without any concessional refinance. It is generally recognised that timely and adequate credit flow is far more important than the rate of interest.

Unless the viability of the RRBs improves and adequate margins are available, it will not be possible to enhance the credit flow to meet the increasing needs in rural areas. Further cheap, easy and unrestricted credit leads to malpractices including diversification and adjustment which are common in many credit schemes for the weaker sections. Cheap credit certainly causes sickness. Thus interest rates must be deregulated and left to market forces.

8] **Managerial factor is a crucial input in institutional credit.** Returns and repaying capacity are intimately related to the production planning and implementation of the production
programme. All this needs, the skill of an astute businessman. Inputs and supplies as well as production and marketing opportunities made available to a poorly trained and inefficient farm entrepreneur will not yield adequate results. The management factor is a crucial input which can improve the returns to all other farm inputs. Training of beneficiaries in both the farm and non-farm sector in the resource-use-planning, production and marketing techniques will have a better influence on the output and repaying capacity. This can set off a chain of action and reaction to improve production capacity and credit rating of the beneficiary.

9) Credit is no doubt necessary, but not a sufficient condition for upliftment of the weaker sections of society. It requires something more for providing credit to the miserable section of society. Formation of a carefully well-thought out area: and specific programmes suited to the skills of the beneficiaries are of vital significance. In this regard the Banks and the concerned agencies and the government departments should have "adequate co-ordination". Besides, before granting loans, the beneficiaries should be properly motivated to use the credit, to adopt improved knowledge, to keep-up credit discipline and be sincere and honest in his occupation.

10) In respect of rural banking the "Narasimham Committee" has suggested that the RRBs should be permitted to take over the rural branches of their sponsor banks and all rural banking
should be done only by the RRBs. so that the RRBs branches can handle all the rural banking business in their jurisdiction irrespective of target groups to increase their banking transactions. The RRB should be the only agency to finance at the village level. The co-operative and rural branches of commercial banks should be ceded to the RRBs. We also suggest that other public sector banks should totally withdraw from the rural field and concentrate on banking which is truly "commercial".

This suggestion however does not appear acceptable on the basis of the present study. The resources at the disposal of the RRBs (including manpower resource) are limited and are not likely to cope with the challenge of growing rural credit requirements. The non-farm sector requirements of credit are growing fast especially in Maharashtra. Besides, industries allied to agriculture and horticulture, a no. of processing industries, small scale industries and even medium scale industries are spreading in rural areas and receiving all encouragement from the government. This rural dispersal of productive activity is expected to place great claims on rural credit. The RRBs, it is feared, may find it impossible to satisfy these claims over and above their basic responsibility towards their own target group.

11] The Vaijapur block in the service area of the AJGB appears to represent a typical case of a limping partner. This is typical because there are drought prone areas where good monsoons are an exception, the incidence of poverty is very high and
consequently rural indebtedness with dependence on non-institutional sources of finance is predominant. Our study of the Vaijapur block shows that the loans from the RRBs have been utilised for the repayment from money lender. The arrears are mounting and credit utilisation for such areas obviously need a special treatment. For such areas the following suggestions can be made.

i> Free technical assistance linked with loan utilisation for the borrowers in these areas would be helpful in making the best of the RRBs financial resources.

ii> A closer monitoring of the productive activity undertaken by the borrowers would be necessary.

iii> Marketing assistance through the marketing cooperatives linked with repayment of a reasonable installment of bank credit will also help the borrower in gaining a foothold in their area of production.

iv> Medium term loans especially for the digging of the new wells have proved to be highly inadequate. It appears necessary for the bank to keep advancing money until through digging the source of water is reached. Then only the amount of loan can be fixed. It is also necessary to insist upon the use of the scientific methods of land water survey so that the digging efforts are not wasted.
12] Our study of the beneficiaries shows that the rise of incomes of the target group is much lower than that of the non-target group. This is mainly due to the following reasons:

i> Lack of awareness and lack of confidence among the borrowers.

ii> Lack of proper managerial guidance, and

iii> Lack of complementary resources.

In this regard the following suggestions may be made:

i> A greater awareness should be created through field workers, local leaders and mass media.

ii> Complementary resources and services like cheap raw material or marketing services should be made available at reasonable rates.

13] At present, the cases referred to the RRBs are directly taken up for finance. Instead of following this practice, the bank officials should call all the claimants together and discuss with them the feasibility of their proposals and conduct a sort of orientation camp for preparing them to receive the loan and use it for the purpose which appears to be workable after such an open discussion. Such procedures should be supported by the government machinery.
As was rightly pointed out by Mr. C. Rangarajan, the Governor of the RBI in one of his speeches, the linking of formal credit institutions with the rural and urban poor through intermediaries such as the NGOs and the SHGs must be thought as an alternative mechanism of meeting the credit needs of the Target group, in both the sectors. In the Indian context the linkages between the credit agencies and the SHGs and the NGOs are still in the process of evolution. Promotion of the concept of "Promoting and Financing" Self-help Groups is an alternative mechanism for credit delivery to the rural poor. The SHG model development in India with a stress on savings and lendings by the groups and their linkages with the financing banks particularly the RRBs has much in common with the scenario in other developing countries like, Indonesia, Philippines and Bangladesh. The concept held promise of an efficient and cost effective credit delivery and other financial services to the rural poor. We suggest that linking SHG and NGOs with RRBs should be pursued as a policy of self-reliance and it will also act as an instrument of financial innovation in India.

The main task before the policy makers is to strengthen viability and to ensure continued sound health of the RRBs. The basic objective of rural development, creating more employment opportunities and boosting agricultural production can be achieved by making the RRBs strong and viable institutions. At present the bankers have to shoulder a great responsibility and play an important role in bringing about the socio-economic
development of the rural areas by making a judicious use of the financial resources. The success in effecting this change will largely depend on the bankers’ understanding of the rural areas, the rural setup and the rural problems. The bankers’ will continue to play the important role in future too. The present policy and decisions of the government about strengthening the RRBs do not seem to be in accord with the basic objectives for which the RRBs were established. I therefore strongly hold the view that the performance should be viewed in the light of the national objective of the development of the rural poor. This objective should never be lost sight of or compromised.