CHAPTER - VIII
CONCLUSION & SUGGESTIONS

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ABBREVIATIONS

RESEARCH PAPER
CHAPTER - VIII
CONCLUSION & SUGGESTIONS

The RRBs are playing a predominant role in the socio-economic development of rural poor. In spite of all the policies and practices of financial aspects, there should be continuous monitoring for the evaluation of financial performance with regards to inflow and outflow of funds, banks' performance parameters such as; investment, deposits, profitability, capital adequacy etc. The regional rural banks would be a 'model financial infrastructure' for rural development with patronage and encouragement given by planners in the field. Thus, the State sponsored, regionally based and rural oriented commercial banks have taken birth in rural India which popularly known as 'Regional Rural Banks'. These banks penetrate every corner of the country and have been extending a helping hand in the growth of the economy. Despite the RRBs journeyed over three decades, they have achieved performance to the expected level quantitatively not turning towards sound financial management and productivity. Moreover the achieved performance is not uniform though they are working under the approach of same management.

Effective performance is the success of every business. In order to achieve the effective and efficient performance, the RRBs (Central M.P. Gramn Bank, Madhyanchal Gramin Bank & Narmada Jhabua Gramin bank) have been selected from the year 2011-12 to 2014-15. In every line of business, the performance of each bank is appraised in financial perspectives and ranked them. In this study an attempt is made to discuss the financial performance of selected regional rural banks during the studied period. To measure the financial soundness in terms of capital adequacy, financial ratios, business ratios, balance between inflow and outflow of funds, operational efficiency, banks' performance, net profit and loan disbursement of selected sampled banks, the correlation & Regression analysis and chi-square which is an appropriate technique is adopted. The present study in relation to the recovery, net profit, financial return during the studied period was enough sound. Hence, the banks have to take care to reduce the expenses and also to improve the productive efficiency through an effective utilization of capital, assets, investment, and employee.
8.1 A BRIEF SUMMARY OF THE CHAPTERS:

Chapter 1 is comprised of 'Conceptual and Theoretical Framework', 'Significance of the Study' and 'financial performance of RRBs. Theoretical explanations have been explained in order to support the current study and also to determine the relevance of this study, previous researches have been also undertaken. Various models and figures were incorporated for the in depth knowledge of the particular study. This chapter also describes the background of the research topic containing dimensions, factors, scope and parameters of the variables. 'Significance of the Study' offers the viable importance of these variables in the current scenario and helps in need of identifying the impact of these factors on financial performance. 'Objectives' of the study are base and foundation for providing the appropriate platform to the current study.

This chapter also discussed about the Methodology including sample size, universe, sampling techniques and tools used to obtain results from the data. The primary data was collected mainly from employees. A structured questionnaire was constructed for the selected respondents to collect the data. Total 25 items were covered in the questionnaire associated with the attributes of financial performance of RRBs; the secondary data were collected from published & unpublished documents of Libraries. Thereafter the required data were analyzed and inferences/interpretations have been made. All relevant data/opinions sought from these sources are also embodied into this report. Hence, the research design is exploratory and descriptive. Exploratory because the researcher has explored variables and described those variables in a quantitative and qualitative manner so that it can be concluded how much variance among different variables and measured the relationship between dependent and independent variables. Initially total responses of 550 employees were collected. Further, it was observed that the 10% questionnaire were incomplete and improperly filled hence these questionnaires were dropped out. Finally 200 responses were taken into consideration and then data refining was done. After a brief description of the study, design and sample, the tools for data collection and analysis have been discussed.
This chapter is also followed by ‘Review of Literature’ which is an evaluative report of selected past researches in the area of study and gives a theoretical base for the research and helps to determine the nature of the current research. In this chapter various factors have been studied which have been associated with dependent and independent variables of the study. It also investigates the scope for future research on the related problem and used as a literature background for the current research.

Chapter 2 consists of an Introduction of Madhya Pradesh and the Demographic Profile so that proper information has been extracted regarding the growth of the Banking Sector.

Chapter 3 contains the Introduction to Financial Management, Objectives; profit maximization, wealth maximization etc.

Chapter 4 comprises of factor analysis and through the factor loadings, the study has found that which the most important factors of financial performance are. This study has explored five factors which determine the parameters of performance.

Chapter 5 consists of Data analysis and Interpretation. In this chapter the Capital Adequacy, Recovery performance, deposits, loan disbursement, growth, investments, balance between inflow and outflow of finds etc. have been measured through correlation and regression. Tables and Charts have been generated with the help of SPSS 20.0.

Chapter 6 covers the financial and business ratios and tested hypothesis's results by applying correlation and regression. It was applied to explore the important variables on which correlation and regression was done to measure the percentage of variance among variables. All the tables and figures which have been generated with the help of SPSS 20.0 are presented in a systematic manner with explanations.

Chapter 7 contains the Results and Discussion. The results were examined in support of each assumed hypothesis and it has also supported by the other researcher's findings. It also discussed the importance of the result and connects with existing knowledge of the subject.
Chapter 8 discusses about the ‘Summary’, ‘Conclusion, Problems and Suggestions. In the summary part the chapter wise summary is there which gives an instant overview of the work done. The conclusions describe the conclusion in detail and hence justify the framework of the study. The suggestions throw light on the critical issues and provide the base for future research. Further this chapter discusses about the Problems of the study. This section gives the practicality of the project in the real time situations.

Bibliography comprises of all the authors and their works which are duly acknowledged. The references used to complete this study were compiled under the bibliography in alphabetic order. Bibliography is enclosed at the end of the thesis for the reference.

8.2 CONCLUSION
It has been evident from the study of regional rural banks’ performance that regarding deposits Madhyanchal Gramin Bank has mobilized aggregating ₹ 61357 lacs (13.1%) during the year which is 72% of M.O.U target. Deposits being the important source for banking business, intensive thrust for expanding the stable base of deposits was given, focusing on public deposits which registered a growth of ₹567.24 crore (13%). As regards as loans and advances-out standings total advances of the bank grew from ₹ 178805 lacs to ₹ 205899 lacs during the year of 2013-2014, net growth registering of ₹ 27094 lacs in absolute terms and 15.15% in percentage terms. In the same manner in the Central M.P Gramin Bank, the per branch deposit and per employee deposit increased to 1238 lacs in 2014-15 and ₹ 344 lacs as against last year 2013-14.

Investment constitutes an important source of earnings of the bank. The bank had been vigilant on this account. The Bank in terms of the instructions issued by the RBI, have invested all the SLR funds in Government Securities. Non S.L.R funds reinvested with Sponsor Bank and Mutual Fund. The surplus funds were effectively deployed to optimize the interest income.

Under the loan disbursement the regional rural banks have fulfilled its commitment to increase priority sector advances and simultaneously continued disbursement under non priority sector advances also to increase yield on advances and to ensure overall development of the service area.
Regional Rural banks have authorized all branches of the mentioned three Gramin Banks to issue Bank Guarantees to their customers. They have introduced Gramin Pay Orders for its customers as an alternative solution to the demand draft. The Banks have also provided locker facilities also at the potential branches. In addition to that, bank earns commission by collecting cheques and Money Transfer on behalf of its customers.

Bank has adopted system generated NPA through CBS system as per directive received from Government of India. The Banks have taken all possible steps to reduce the NPAs. In addition to other vigorous efforts taken by the Banks to reduce NPAs, cluster base recovery camps have been organized to recover overdue (CARE) amount. During the financial year, Narmada Jhabua Gramin Bank has made continue the cash incentive scheme for staff members for NPA recovery as formulated last year. This Bank has used all possible means to recover dues. From the year 2012-13 bank has provided special attention on recovery under SARFAESI Act, in which Bank has issued 212 demand notice under Through this bank could succeeded in recovering all dues in 119 accounts, whereas in 63 accounts, dues recovered partially.

This study also indicated that the motto of merger of regional rural banks is only to increase the service portfolio. As these rural banks are running in profit before and even after the merger. As even there is a great need for rural people also borrowings and deposits.

8.2.1 LOAN DISBURSEMENT

The Central M.P Gramin Bank is continuing its policy of extending adequate credit facilities for development of Agriculture, upliftment of rural poor. In compliance of Central Government new directives, bank have revised and simplified the KCC scheme to make it farmers friendly. Bank has extended KCC facility upto ₹ 3.00 lacs at concessional interest @ ₹ 146358 lacs in 2014-15 and in 2013-2014 it was 158362 The share of agriculture and allied activities during the year 2014-15 is ₹ 156446 which is 83.24% of total loan disbursement of ₹ 187993. Bank is playing a meaningful role in rural/agriculture development through credit disbursal under Government sponsored schemes like Swarna Jayanti Gram Swarojgar Yojna, Antyavasayee Scheme, Khadi & Village Industries, Minor Irrigation etc. It will help in removing economic imbalances in society and shows bank's commitment towards growth of rural economy and
creation of employment in rural areas. During the financial year 2014-15, to extend credit facility to economically weaker section of the society, bank has linked 1688 Self Help Groups and disbursed loan of ₹ 294.97 lac under NABARD Scheme. This bank has fulfilled its commitment to increase Priority Sector advances and simultaneously continued disbursement under Non Priority Sector advances also to increase yield on advances and to ensure over all development of the service area. On the other hand, Narmada Jhabua Gramin Bank has disbursed loan of ₹ 330225.07 lacs during the financial year 2014-15 as against ₹ 265983.29 lacs loan disbursed during the last year 2013-14. Portion of loan disbursed under agriculture sector is ₹ 292688.83 lac which is 88.42% to the total loan disbursed by the Bank during this year.

8.2.2 RECOVERY PERFORMANCE (NARMADA JHABUA GRAMIN BANK)

It has been revealed from the above table that the recovery performance of priority sector in Narmada Jhabua Gramin Bank is a slightly variate as in 2011-12 it was 84.37% but in 2012-13 it was reduced to 83.44%. But again it was increased to 85.73% in 2013-14 and again reduced to 84.38% in 2014-15. Hence, it was concluded that performance is much better and deviate from 1-2 % does not matter. So this variable shows the performance of banks in the good parameters. In the same way in non priority sector the percentage of recovery performance was 82.67% in 2011-12 but it was increased by 2 point something percentage in 2013-14 but in 2014-15 it was reduced to 65.04%. In this sector there was much deviation in the recovery due to increasing interest rate depending on the market scenario and also some restricted guidelines in providing the time limit to customers. The bank has given utmost priority to recovery, especially in the area of NPA reduction. Efforts were also been made to maximize recoveries in written off accounts and unrealized interest, to improve profitability of the Bank. To enhance recovery provision, bank has implemented OTS scheme to accelerate recoveries in NPA and written off accounts. Bank has started system of periodical monitoring of recovery in NPA and overdue accounts with outstanding of ₹ 1 lacs and above. Bank has appointed Nodal Officer at HO level for each region and Relationship Managers for each Branch, apart from this bank has also obtained services of recovery agents for recovery of NPA & written off loans. Branches were also given loan recovery targets to recover the dues in a planned manner with special emphasis on overdue amounts.
8.2.3 RECOVERY PERFORMANCE (MADHYANCHAL GRAMIN BANK)

It has been revealed from the above table that the recovery performance of priority sector in Madhyanchal Gramin Bank was 70% in 2011-12 and was increased upto 80% in 2014-15 but in 2013-14 it was reduced to 75.15% as against in the non priority sector the recovery performance in 2011-12 was 88% and again in 2012-13 it was stable but in 2014-15 it was increased from 86.71% to 87%. The performance in non priority sector is much good then the priority sector. It is evident from the table on recovery of performance that in 2012-13 the percentage of priority sector was 75.65% but it was reduced to 69.61% in 2014-15 as against in the non priority sector in 2013-14 the performance was much appreciated and it was 91.50%. But in 2014-15 it was reduced to 79.96%.

8.2.4 REASONS FOR INCREASING AND DECREASING DEPOSITS

The reasons for deposits depend on the inflation and the market position. The interest rate is regulated by the RBI guidelines so depending on the level of interest rate is highly influencing factor. It also observed after reviewing the RBI guidelines that the rate of interest is partially fixed after 1977. Hence, the fluctuation has been observed.

8.2.5 LENDING PROCESS

- RRB's were mainly established to meet the needs regarding the credit provided to small farmers, landless workers and artisans of rural India especially focusing on agro sector.
- RRBs have penetrated every corner of the country and extended a helping hand in the growth process of the country.
- Lending process is envisaged as a low cost financial intermediation structure in the rural areas to ensure sufficient flow of institutional credit for agriculture and other rural sectors.
- It has been decided that all loans granted by commercial banks/sponsor banks to RRBs for on-lending to agriculture and allied activities sector may be classified as indirect finance to agriculture in the books of commercial banks/sponsor banks. Consequently, the amount lent by RRBs out of funds borrowed from commercial banks/sponsor banks, may not be classified by RRBs as part of their priority sector advances. The RRBs need not also include such lending as part of their bank credit for the purpose of computing achievement level under priority sector lending. The commercial banks may report such loans separately.
under the head 'Loans granted to RRBs for on-lending to agriculture & allied activities' in the half-yearly (Ad-hoc) [under 1 (vi)] and yearly (final) [under 12 (a)] return on priority sector advances.

- From September 1992 onwards, the RRBs were allowed to finance non-target groups to the extent not exceeding 40 percent of their incremental lending. This limit was subsequently enhanced to 60 percent in 1994. As a result, the RRBs diversified into a range of non-priority sector (NPS) advances, including jewel and deposit-linked loans, consumer loans and home loans. The RRBs adopted new innovations for credit delivery with lower risk of default such as Self help Group linked lending, non-priority sector collateralized lending, Kisan Credit Card scheme for landed agriculturists, etc. Even among the categories that were eligible as priority sector, the attempt was to minimize credit risk and make easy loans.

8.2.6 CASH CONTROL

Most of the transactions in the rural economy take place in terms of cash and there is continuous increase in currency with public, which ultimately finds its way to the banks.

- Location of Rural and Semi-urban branches/remote areas without adequate infrastructural facilities for frequent remittance of cash.
- Over enthusiasm on the part of banks in accepting deposits often resulting in accumulation of small denomination notes and soiled notes.
- Acceptance of cash only on limited days or denominations at currency chests. Ineffective utilization of cash by banks, which lead to non-sorting of, notes which in turn results in non-acceptance by currency chests.
- Seasonality in the rural activities requiring high liquidity.
- Lesser usage of other forms of money in rural areas.

8.3 CONCLUDING REMARKS:

RRBs also use group lending and guarantees by salaried individuals to reduce credit risk. The use of insurance, asset collateral, and other financial risk management tools is not common in the rural banks. Microfinance groups have monthly savings that are separate from the group loan account that will be used to repay the loan in case of default. Additionally, the banks hold a certain percentage of all loans as security. For microfinance loans, individual savings of group members are used as security.
Boards of RRBs are increasingly involved in cases of delinquency, and this has reportedly improved loan recovery. In cases of delinquency, the bank management usually notifies the board. The board and the credit officer follow up with the client. Board members may also visit the client at his or her household or business. If a loan is delinquent for three months, a demand notice is sent to the client and the case is transferred to the bank’s lawyer. In some cases, village chiefs are also involved in persuading the borrower to repay the loan. In case of lending to individuals via a group, the group chairperson, the treasurer, and other group members work together to recover the loan from the individual. In some cases, groups have paid the amount due from their group savings.

8.4 PROBLEMS
1. The RRBs follow the actions of the commercial banks in the matter of deposits and advancing loans which are very complex and time-consuming from the villagers. The rural borrowers always appreciate easy ways and simple procedures as have been followed by the money-lenders and the indigenous bankers.

2. The RRBs come crossed a number of realistic difficulties in deposit mobilization. On account of their restrictive lending policy which excludes richer sections of the village society, these potential depositors show least concern in depositing their money with these banks.

3. The significant growth of rural bank outreach among depositors and borrowers demonstrates the ability of the rural banks to provide services to an increasing number of clients but due to fluctuations in inflation observed in the statistics sometimes it increases or decreases.

4. Rural banks cater primarily to the low-income and middle income segments of the population. The rural banks serve primarily smaller clients because of several factors, including local ownership, regulation, and capacity. Most clients of the banks are teachers, government employees, pensioners, and small and micro entrepreneurs. Some banks, however, do have relatively large clients that obtain part of their financial service needs from rural banks. The total outreach is not upto the par so this is the main problem for the banks in increasing the number of customers.
5. Due to the lack of information and technology the speed rate of rural banks is slower and unable to cope the competitive advantage.

6. Appropriate lending technology and credit risk management are among the most important factors in the sustainability of a lending institution. The tasks involve identifying creditworthy borrowers, appraising and approving loan applications in a timely manner, managing credit portfolios so that revenue is maximized and delinquencies minimized, and taking appropriate action in case of delinquency. This management has generally been a weak area in rural banks, with the result that the percentage of nonperforming loans has generally been higher than that in other financial institutions in the rural financial sector in M.P.

7. The recovery performance of the RRBs is not satisfactory. The Rate of recovery in respect of RRBs in MP is around 80 percent only. The directed lending policy for RRBs has resulted in low quality of assets. This coupled with high cost of funds below cost interest rates on loans has led to high accumulated losses.

8. The RRBs are control and management directly and indirectly by different organizations, i.e., the sponsoring bank, NABARD, Central Government and State Government. Thus, it takes long time to take decisions on some important matter. It affects the growth of RRBs.

9. The basic objective of RRBs was to supply credit facilities to weaker sections of society; they were originally having limited scope to invest their surplus funds freely. It shows limited scope of investment.

10. Poor financial management skills coupled with pressures from various quarters shows to have resulted in unproductive allocation of resources by MP RRBs which in turn is reflected in the high occurrence of NPAs.

11. The RRBs are aiming at catering to the requirements of poor and are not serving the requirements of the rich. So, the RRBs are not able to catch the attention of the deposit from that potential sector.

12. The capital adequacy is the very basis to financial soundness. As per RBI norms, Indian scheduled commercial banks are required to maintain a CAR of 9% while Indian public sector banks are emphasized to maintain a CAR of 12%. Central Madhya Pradesh Gramin Bank not fulfills the norms of RBI for CAR.
13. Usually the staff of MP RRBs is urban-oriented and they may not be familiar with the problems and conditions of rural areas. Lack of training facility concerning these areas also affects the development of RRBs.

14. The customers of MP RRBs compromise of small and marginal farmers, small scale sector, SHG groups, etc, whose credit needs are mostly small. RRBs are not able to cross-subsidize their lending business as they do not usually provide credit to rich borrowers with big needs, so affecting their capacity to earn higher incomes.

15. The reasons for deposits depend on the inflation and the market position. The interest rate is regulated by the RBI guidelines so depending on the level of interest rate is highly influencing factor. It also observed after reviewing the RBI guidelines that the rate of interest is partially fixed after 1977. Hence, the fluctuation has been observed.

16. RRB's are facing the problem of insufficient finance. They are dependent on NABARD to collect finance for their additional operation. Poor rural people are unable to save anything due to poverty and low per capita income. The low level of saving of these customer create barrier for RRB's to collect adequate deposits.

17. High over dues and poor recovery of loan is one of the biggest concerns affecting the functioning of RRB’s. Reasons being poor access of granting loan, insufficient and untrained staff, less productive use of credit, poor marketing facilities and improper channel of recovery system.

18. MP RRBs have still not played a major role in poverty alleviation of the country. Although various efforts have been made in this regard but lack of economic infrastructure, poor marketing strategies, poor awareness of customers, and low awareness about savings have created many hurdles for RRBs.

19. There is also a problem of regional imbalance in banking facilities provided by RRBs. They are creating this problem by concentrating their branches in some specific districts & loose other prospective group of customers.

20. Lack of good co-ordination between RRBs and other financial institution like commercial banks, NABARD and other co-operative bank has poorly affected the performance of these banks.
8.5 SUGGESTIONS & RECOMMENDATIONS

In the light of the findings of the study, the following suggestions are made for improving the performance of the regional rural banks.

➢ From the findings it is revealed that the bank has adequate capital in terms of total assets. Therefore it is suggested to the banks that they should increase more profits in lieu of the loan disbursement, borrowings, investment in different avenues and also should reduce the liabilities from outside from the customers' perspective.

➢ In compiling of the data some fluctuations were observed so, it is recommended to the banks they should attract more customers to open their account so that profit per employee may be increased.

➢ The rural banks should implement certain innovative methods and measures for savings or schemes which suited to the needs of the people in order to attract a large population for making deposits.

➢ The banks have to give proper attention to reduce the risk ratio. It is suggested to the banks to take care and follow rules and regulations governed by RBI guidelines.

➢ Further it is recommended that the banks have to control the operating expenses and strengthening the profit of the banks so that the efficiency of the banks in terms of higher profit may be increased.

➢ The burden for the banks is meeting non-interest expenditure with that of non-interest income. The banks have to plan operations in such a way that non-interest expenditure is fully squared up by the non-interest income.

➢ The banks should facilitate some more effective schemes to attract agriculture unit.

➢ As customer services occupies a pivotal place in the rural banks, the banks under study need to develop a greater attention than existing at present on the aspect of customer services and customer research. This opens the golden doors for the prosperous banks.

➢ There should be a training programme for employees so that they can maintain customer relationship management and able to retain the customers for a long time.

➢ During the year, per branch deposit in Madhyanchal Bank stood at ₹ 1275 lacs. The level of low cost deposits in total deposits is 58.83%. To reduce the cost of deposits, branches are paying more attention to increase demand deposits.
➢ To make more earnings from interest the Bank will continue to give emphasis on agriculture sector and in tune with the changing scenario and to improve the yield on advances, thrust will be given to diversify the lending without diluting the basic obligations of the bank in lending to weaker sections/rural sector.

➢ The Bank on continuous basis will give due emphasis and priority on recovery of loans and advances. Continuous will follow up and supervision from H.O and R.O by mobilizing the operating staff to maximize their efforts towards recovery drives involving Government officials through recovery camps, have finally will result in recovery with maximization.

➢ The rural Banks should provide its employees incentives or benefits according to their performances based on the increase of customers and retain them for a long time. This is the best method for retaining their employees and also sustaining the number of customers. Training and development should provide to them so that they can learn to retain their customers and also at the same time they are able to maintain customer relationship management.

➢ To increase the profit, Banks should reduce their NPAs so that the profitability should be assessed at the fixed point.

➢ Customer Meet will be organized by the branches of the regional rural banks regularly. Such meetings will be appreciated by the customers. Banks should organize more and more such meetings in the coming years to understand the requirements of the customers and efforts will be made to fulfill their requirement to increase the level of customer satisfaction. Information will also being provided on e-payment system to customers in these meetings. Few branches are involved in convening such meetings but these are not fixed so proper schedule will follow and also monitor the system to take the feedback from the customers.

➢ The primary purpose of regional rural banks is to provide quality service to customers is to achieve a broad customer base, loyalty and retention. This means that the banking sector must to strive to be efficient and be able to provide competitive services in order to meet customers' satisfaction and customers' perception of value.

➢ Through CRM sustainable competitive advantages is build and develop understanding, communicating, and delivering, and developing existing customer relationships in addition to creating and keeping prospects customers.
The extent of nonperforming loans in a financial institution's loan portfolio is often considered the best leading indicator of the institution's financial performance. A low ratio of nonperforming loans to the total outstanding loan portfolio is often correlated with low financial expenses and higher profitability. A low nonperforming loan portfolio also necessitates a lower spread for the financial institution between the interest it pays on its deposits and the interest it charges on its loans, thereby benefiting its customers.

Credit evaluation has to be done branch officials not including any bias taking into consideration the well defined policies framed for the loan portfolio.

All loan accounts are to be reviewed at periodical intervals and they should be renewed timely wherever necessary.

Borrowers are to be contacted at periodical intervals and the managers should be in a position to make certain the financial position of the borrowers at every stage.

The managers should have profound knowledge about the market conditions and towards enriching his knowledge in this direction, he should be capable of updating his knowledge through a variety of resources like newspapers, media, internet etc.

Lok Adalat is for the recovery of small loans. According to RBI guidelines issued in 2001, they cover up NPA up to ₹ 5 lacs, both suit filed and non-suit filed are covered.

It is a scheme which provides a easy mechanism for recovery of NPA. It is applied to advances less than ₹ 10 Crores.

A Credit Information Bureau help banks by preserving a data of an individual defaulter and provides this information to all banks so that they may avoid lending to him/her.

The debt recovery tribunal act was passed by Indian Parliament in 1993 with the objective of facilitating the banks and financial institutions for speedy recovery of dues in cases where the loan amount is ₹ 10 lacs and above.

Reducing interest costs by even a few basis points can boost spread revenue when rates are so low.

Make deposit management more effective, banks have to invest in technology, tools and staff.

Target the advertisements to reach core depositors within the communities served.

Provide brief description of the quality of service and pride of being part of community.
- RRBs should use advertising campaigns to bring in awareness regarding their offers among the existing and prospective customers. It involves using the information in a way that induces interest towards a company, event or person. Public Relations in banking helps in: 1) Establishing most effective communication system. 2) Creating understanding about relationship between bank and customer. 3) Giving broadest information about activities of bank.

- Very often communication about the banking services activity takes place by word of mouth information which is also known as word of mouth promotion. In the banking industries we find use of different components of promotion and word of mouth is one of the main source of promotion and a satisfied group of customers is considered to be the most successful hidden promoters and if the RRBs keep on moving the process of satisfying the customers, the circle of word of mouth promotion would keep on moving.

- Regular monitoring, especially in the case of New clients, Agricultural clients with a grace period, Agricultural clients with irregular payment plans, Sufficient incentive systems for agricultural loan officers, Adequate incentives for clients to always pay back on time, Fair and equal handling of repeat clients with a poor payment history.

- RRBs personnel together approach the defaulting borrowers for repayment at a place and time convenient to both the parties. These are more suited to small loans. Usually the borrowers who had availed small loans will be more in number in rural and semi urban areas rather than urban and metro centres. As such, the RRBs instead of conducting the recovery camps at their branches, they usually conduct such recovery camps in centres like panchayat board offices, court buildings and government department buildings. Such recovery camps so that the borrowers find it suitable to attend the recovery camps. Under certain circumstances, the manager in charge of the bank branches along with some branch officials go to each visit: each house of the borrowers and recover the instalments due in respect of loans availed by them. This type of recovery camp will be successful in case an advance notice is served on the borrowers mentioning the date of recovery camps.
➤ NPA is result of poor due diligence while extending the loan facility to the client. Know Your Customer is the bare minimum requirement which should complete in the first round of discussion so RRBs should follow Know Your Customer norms strictly.

➤ Co-ordination between district level development planning and district level credit planning is also required in order to chart out the explicit role of the RRB as a expansion agency of the rural areas.