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CONCLUSION: Finding and Suggestions:

India lives in villages and nearly 5.73 lakh villages are in our country, which are the backbone of our economy. India is predominantly an agricultural country. Truly speaking rural character of India is so dominant a fact that almost all the activities of Indian people bear its stamp. The entire economy depends on it.

The Indian agriculturists are backward inspite of the significant progress made during the last fifty years. The causes of such backwardness are:

i) In adequate facilities of credit to farmers at proper time and in proper way, and

ii) Natural calamities such as drought, floods etc.

Credit is required for the purposes such as purchase of seeds, fertilizers, animals agricultural implements and to acquire new lands or to improve the existing lands of the farmers by irrigation, drainage, planting, payment of labour lost, payment of land revenue. Thus it is essential for the development of agriculture that adequate credit is made available to farmer at reasonable rates of interest at proper timings.

Banking is an aid to trade and the most potent lever of economic development. Number of branches of commercial banks is an indicator of a nation’s economic development and vice-versa. In India, banking network
has been widen over time. After nationalization of commercial banks in 1969, more and more branches of commercial banks have been opened in villages and backward areas. All commercial Banks have opened their branches in the rural areas and the Regional Rural Banks have also come into existence.

Keeping in view the importance of banking in rural areas, Regional Rural Banks were established in India during the year 1975. The Banking system in India, before the establishment of RRBs in 1975 was considered inadequate to provide finance to the priority sector (i.e. Agricultural sector) and also there were inadequate facility to mobilize the deposits in rural areas. Co-operative Institutions and commercial Banks did not pay reasonable attention to rural area. Hence the idea of RRBs was cropped up.

In modern times the banks are to be considered not only as the dealers of money but as the leader in economic development their primary objective is to mobilize the savings and direct them in some productive channels. Basically they acts as a bridge, between those who require funds and those who have surplus funds but are unable to make an effective and productive use of them. Out of their saving they provide financial assistance to the agriculture and industry, Trade and commerce give a push to the development of the economy.
A number of studies have been conducted in our country on various issues or aspects of banking industry. Researchers have made a number of attempts to study the extent of variations in banking services at all India level. Most of the studies pointed out that imbalance in banking services have been minimized since nationalization. The present study is the pioneer study in which an attempt has been made to examine how far the RRBs is successful in lending the agricultural sector (specially in Aligarh District as Aligarh Gramin Bank. The rural sector, small scale industries education, other neglected and weaker sections of the society were fully deprived of financial assistance provided by Banks. As their motive of providing the financial assistance, was not governed by credit worthiness of purpose but by credit worthiness of persons. Such attitude of banks was basically responsible for widening imbalances among the regions which helped in the concentration of economic power in a few hands and in the creation of industrial and business monopolies. Banks were not being utilized in the national interest rather funds of the banks have been used for the promotion of the business and industrial concerns of directors. Hence banks were lacking a sense of social justice the interest in the development priorities and the need for financing the economically weaker sections of the society whose credit worthiness is no doubt poor but their urge for development was very genuine. Inspite of the fact that agriculture is the basic industry of the
country, was completely ignored. They remained indifferent toward the credit needs of the farmers and land improvement. Thus, it was realized that the banks are actually aggravating inter regional interstate and inter district imbalances. And such a policy of banking industry went against the welfare of the general masses resulting serious imbalances, neglecting priority and the weaker sections in the country.

Even after large expansion of institutional credit, credit from private sources continues to be important in rural areas. Because it is easily available and comparatively more capable of meeting the immediate needs of the farmers but it is however, exploitative and carries a very high rate of interest. The institutional credit, on the other hand, is cheap and is usually used for productive purposes. As such, expansion of institutional credit on a large scale is imperative. No doubt, there has been an enormous expansion of institutional credit and Regional Rural Banks have especially tried to meet the credit needs of the farmers at their door steps in the rural areas.

The RRBs were established in October 1975 to bridge up the gap of the credit requirement of rural population and an Act relating to RRBs was implemented in February 1976.

The main considerations in the setting up of RRBs were that (i)inspite of the impressive progress of the rural branches of commercial banks, there is no hope of their spreading to all un-banked pockets even in the course of
more than two decades. (ii) commercial banks suffer from two deficiencies in relation to rural credit i.e. lack of rural background and high cost structure of operations. In many cases employees of commercial banks do not want to work in rural areas. Thus the intention of the government in promoting RRBs was to combine the better features of the two different system viz. commercial banks and cooperatives, proving rural credit in the country, avoiding at the same time the disabilities that are inherent in them. The role of RRBs in comparison to other financial institutions has been satisfactory and the banks are moving towards their goal.

Findings:

In the present work apart from evaluating the performance of the RRB, an attempt has also been made to identify the credit lending to agriculture sector, specially in Aligarh District on the basis of primary and secondary Data.

To find out the impact of loan on the borrowers, we used the random sampling method. We have collected the data of 100 borrowers from agricultural sector. To find out the impact of loan on agriculturist, we took Kasimpur and Amrouli branch of Aligarh Gramin Bank, Aligarh. we have prepared the questionnaire for agricultural field survey which is included in the thesis. To know the impact of loan, we have taken borrower’s net income (before borrowing the loan and Income after investing the loan) After
analyzing their income, we found that 70% borrower’s income was increased and 30% borrowers were in loss. But they were in loss due to mis-utilisation of their loan instead of farming.

Our finding and suggestions are based on the results of secondary data and on the field survey. Aligarh Gramin Bank in the district are engaged in providing credit and other facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas particularly to small and marginal farmers, agricultural labourers artisans and small entrepreneurs for matters connected therewith and incidental thereto. In addition the bank have also provided loans to finance the scheme of allied activities of agriculture such as storage, bullock carts, Horse/Mule carts, HeBuffalo carts, goat and sheep rearing, poultry farming dairy etc.

Although after the establishment of Aligarh Gramin Bank in Aligarh District simultaneously with their growth in India they have made good progress in all fields and have contributed greatly in the development of rural areas in quantitative forms but they have to face several problems.

The most significant problem before Aligarh Gramin Bank in the district is the recovery performance of loan which is far from satisfactory. It may be due to a number of willful defaults, failure of a large number of borrowers to generate adequate income to repay the loans as projects in
many cases are not viable. Even if, projects are viable, they fail to generate adequate income because of reasons beyond their control such as natural calamities, floods, drought, crop failure etc.

A major portion of the loan sanctioned by RRBs is influenced by political leaders and newly born rural neo-capitalists and the loans are easily diverted towards the persons of their own choice who are in most of the cases, the upper income group. Bank officials for their personal gains cooperate with them willfully and as such the entire philosophy behind the establishment of RRBs has worked in the reserve direction. As a result development of the weaker sections through these banks and attainment of goal of social justice has remained.

Another problem before Aligarh Gramin Bank is infrastructure facilities as they have to open their branches in those areas where facilities like transport, post office and telegraph are not available. Along with that the absence of educational and medical facilities in those places, drained and able personnel having knowledge of regional languages are not available. Hence maintaining contact with villagers is quite difficult.

Competition with other banks is also one of the problems of AGB as under the programme for the improvement of banking facilities in the rural areas, the commercial banks are also operating through their branches in those areas.
The employees of Aligarh Gramin Bank in the District have the following problems:

i) Disparity in salaries as compared to the employees in commercial banks.

ii) Lack of residential facility together with basic facilities such as light, water at the place of posting.

iii) Lack of comfortable furniture at the branch office.

iv) Posting distant from the native place lack of courtesy on the part of seniors.

The greatest irritant of the employees is the disparity of pay scales with those of commercial banks, which is a national problem.

Finding of the Field Survey:

We have surveyed 100 farmers. We have tried to find out the impact of bank loans on the borrowers. How much new income generated after investing the loan? How much they are benefited from the loan? The income increased after investing the loans of farmers but in some cases income does not increased. We find that the negative impact of loan was due to misuse of the loan amount i.e. they used borrowed amount for domestic purposes instead of investing the amount for farming. According to the report of field survey 70% farmers were benefited after investing the loan, on an average their income increased Rs.200 per month and Rs.2000 per annum.
Suggestions

A number of experiments have been made in India for the fulfilment of rural economy and total development of the rural people. It is true that rural development depends on agricultural development and as such all activities need to concentrate on the agriculture front.

A large number of small and marginal farmers and agricultural labourers have to depend on non farm activities for their economic viability, it can be said that the benefits from financial institution could not reach these classes. There is need for a change in the power structure in the villages as otherwise the weaker section just cannot be effectively helped. It is common knowledge that the dominant class in the village manages to grab the chunk of benefits by virtue of their influence and bargaining capacity. In fact the need for spreading network more extensively in the rural area still remains to be achieved as a matter of top priority some more suggestions for evolving new strategy for commercial banks in the sphere of agricultural finance are as follows:

Sanctioning of loans to Individual Borrowers

Many difficulties in the implementation of credit schemes arise mainly due to the requirements of several certificates and documents and time consuming procedure some efforts are required in following other formalities to remove this bottleneck.
(a) Making land records up to date and issue therein, source of irrigation, taccavi loans given and other encumbrance are issued to all the cultivators.

(b) Commercial banks should simplify and standardised their loan applications and documentation formalities with a view to reduce the number of required documents also to make the life of the documents longer.

(c) Branch Manager should be powers to sanction individual loans under approved agricultural schemes. It is also suggested that branch managers should not normally be transferred for a period of 3 to 5 years, as sanctioning of loans for various agricultural credit schemes required acquiring of fairly detailed knowledge of the particular rural environment.

**Insurance of Crop Loan:**

Another suggestion is that in case of crop loans, if crop fails due to failure of monsoon or flood etc or non-striking of water in case of loans given for constructing wells, the government should come forward to repay above loans or to bear at least 50% of the default. In a country like India, where agriculture is still a gamble in the monsoon, one very effective way to encourage back to provide increasing finance especially by way of crop finance is to introduce as expeditiously as possible crop insurance scheme in the district.

**Recovery of loans and over-dues:** Commercial banks have been taking several measures listed below to improve recovery of loans and reduce the
percentage of overdues. Some of the important measures taken by them are as follows:

i. Adoption of area approach of lending particularly to supervise the utilisation of agricultural loan.

ii. Tie up arrangements with marketing agencies

iii. Timely reminding borrowers through personal contacts and also serving the demand notices in time.

iv. More careful appraisal of loan applications.

v. Instituting stern legal actions against wilful agriculturist defaulters.

The expert committee of Reserve Bank of India (1978) has made the following recommendations to improve the recovery of agricultural loans by commercial banks.

i. Appointment of special recovery officials by state governments to help commercial banks in the recovery of overdues.

ii. Dues of the agricultural loans by commercial banks should be made recoverable as areas of land revenues.

iii. Commercial banks should be allowed to dispose the securities without intervention of civil courts.

iv. Government should be willing to purchase land given as securities by agriculturist borrowers who happen to be wilful defaulters in case no purchaser come forward to purchase willingly land of wilful defaulters.
v. Introduction of Farm Pass Book with legal backing to eliminate the possibility of an agriculturist taking loan from more than one source.

vi. Instituting crop insurance.

vii. Agriculturist defaulters of commercial bank loans should be given taccavi loans or any other assistance by the state government.

Thus in order to streamline the recovery process the researcher suggests the following important steps to be taken up on war footing by AGB officials which would definitely improve the functioning of the banks as the banks would become enable to provide financial assistance to the new beneficiaries in line.

(a) The organisation structure, both at the controlling office and the field level, should be strengthened.

(b) The approach to lending must be made schematic and balanced, keeping in view the various other inputs required to facilitate the optimum use of funds let out.

(c) Pre-lending appraisal system, post lending supervision techniques and monitoring of credit should be toned up through improved system and training.

(d) Recovery drives should be organised to coincide with harvests.

(e) Recovery calls should be created for a cluster of branches for continuous and effective supervision.
(f) NABARD has asked banks to carry out a case by case analysis of overdue accounts, which would help RRBs to know the causes of default and action desired.

(g) RRBs should involve maximum guarantee of DICGC for their advances.

Agriculturist should be trained:

In tackling the problems of borrowers, educating the borrowers, educating the borrowers in the discipline, which must be the basic requirement of any institutional credit, is absolutely necessary. It is suggested that in order to enable agriculturist to plan their household economy properly they should be trained in elementary rural economics, this is the work which the extension service should undertake by holding short courses so that agriculturist get elementary lessons in rural and agricultural economics and are kept informed of all the facilities by way of loans etc., which are being made available to them for rural reconstruction. This work of educating the vast number of agriculturist in household, rural and agricultural economics should be undertaken jointly by the Government Panchayat Samiti, School and Colleges and Banks.

Co-ordination between commercial banks and co-operatives.

In the new situation, co-operative banks and commercial banks are both operating in the agriculture sector, both can perform their work to
achieve one and the same aim and there should not any type of conflict. They should have to operate as complementary to each other, each sector supplementing activities of the other sector. This is possible because co-operative bank has extensive organisational structure and local knowledge and feel of the local and agricultural problems and have also experience in the field of rural finance, but they suffer from certain defects such as weak financial base, inadequate coverage, less qualified staff, predominance of big land holders on the management, political pressure and so on.

The purpose of such co-ordination should be create a widespread and progressive financial institutional base at village level so that direct contact is established between institutional credit agencies and potential rural borrowers and maximum local savings are mobilised to provide timely and cheap credit to the needy borrowers. Such co-ordinations could be possible between the two, on geographical basis and functional basis, commercial banks have failed to penetrate and make any worthwhile impact. There should also have to be co-operation on the functional front to avoid overlapping and duplication in banking and financing business, co-ordination can also be aimed in the field of evolving suitable policies, for providing credit facilities and in suitable banking procedures.

**Deposit Mobilisation in Rural Areas:**
Banking means the accepting for the purpose of lending or investment of deposits of money from public repayable on demand or otherwise and withdraws by cheque / draft order or otherwise. Thus deposits are like blood to the life of banks. Their other activities are chiefly dependent upon the deposits. Mobilisation of deposits forms an integral part of the development process. Bank deposits have a functional relationship with economic growth of the country. More bank deposits means more bank credit and more bank credit facilities, production efforts, which in turn stimulate economic growth.

Presently, banks major responsibilities are to mobilise the rural and urban savings from the small pockets of the people and divert these into the production outlets. Commercial banks deposits have been still urban oriented. In rural areas a large portion of savings is in the form of real assets. Rural people save in the form of land, gold and silver. They think that savings in these forms are more profitable than savings in the bank deposits. Vast numbers of savers are illiterate, ignorant and prejudiced against new ideas and values. It required much concentrated efforts to make them aware of modern institutions. Their savings habits should be changed. Deposit Mobilisation policy should be directed towards increasing the values of deposits and to tap larger savings form rural and semi-urban areas. Deposits should grow both quantitatively and qualitatively. The qualitative growth is
the result of the increased percentage of the rural bank deposits in the total bank deposits.

Aligarh Gramin Bank, Aligarh should provide adequate and timely credit with the maximum possible simple methods, at reasonable rates of interest, consumption loan should also be made to check diversion of a large part of credit for productive purposes. Credit provided by the RRBs must be enough as to enable the rural artisans to be free from the clutches of ruthless moneylenders. A Proper credit plan and co-ordination of efforts are required from other credit agencies.

Advance of loan is generally made on credit worthiness of the borrowers. It should be made according to the purpose and follow up actions must be taken in order to enable the borrowers to repay the loans. And the farmers should be given facility of repaying loan in instalments. Schemes for providing subsidies to rural artisans may also be formulated to upgrade production. An expert committee should be set up to go into details of the problems faced by the farmers and to make recommendations for their solution. An easily accessible body may also be set up at local level to provide technical guidance, supervision and direction to farmers in matters like use of tools, production, techniques and marketing mechanism.

Theses efforts may remove to a large extent may of the problems of the farmers and may lead to their prosperity. Yet there may be lack of
intensiveness and motivation in the absence of a reasonable body which may ensure regular supply of inputs, finances and marketing facilities for the produce of farmers. It will provide the benefits of large scale operations on the one hand and check wastage or credit on the other. It will also help the RRBs and the financial institutions in making advances and in taking follow up actions.

To streamline the lending operations of AGB of the district, following steps may be taken.

i. In view of the economic backwardness and vast tracts of land under the district, each district in the state / region should have one RRB, the “local limits within which the Regional Rural Banks shall operate” should not exceed one district. It is, therefore, necessary to incorporate separate RRBs by bifurcating the two district RRBs and trifurcating the three district RRBs.

The Reserve Bank of India should make such a policy that in the rural areas where the RRBs branches are operating, other commercial banks should not be allowed to open their branches because the rural banks only play a good role in the development of rural areas.

ii. The policy of the branches should be intensive financing in the areas of operation covering the maximum number of eligible borrowers. This will
enable the branches to create an impact of their lending operations and contribute significantly in bridging the credit gaps in the areas.

iii. By adopting area approach as against scattered lendings, the branches can cover maximum eligible borrowers. The branches should not go beyond their area of operations and should confine lending activities only to villages allotted or adopted by them.

iv. For identification of the eligible borrowers, the Manager / Field Supervisor should visit the place of the borrowers to assess the technical feasibility and economic viability of the proposal. In the identification of the borrower he is expected to act honestly.

v. In the case of all IRDP loans, a certificate to the effect that the beneficiary (with full address) identified falls under the category of small and marginal farmer, agricultural labourer and rural artisans. They are eligible for subsidy from 25% to 33% under IDRP, and the concerned Block Development Officer should give it. Apart from this, his serial number in the IDRP register maintained at block office should be furnished clearly.

vi. The farmers must be motivated and educated to realise the fact that repayment of loan is in their own interest as it will enable RRBs (AGB) to provide more credit to them. It will help to check the wilful default, which is rampant today.
vii. Attempts should be made to involve more and more people at the village level itself in identifying beneficiaries for advancing loans and in follow-up actions in order to avoid pressure of local leaders who usually investigate farmers against the loan repayment.

viii. For the recovery of loans, steps should be taken by adopting special recovery operations substantially with the co-ordination, co-operation and assistance of the NABARD, and respective sponsor banks. Several loan recovery camps may be organised at village or panchayat level, soon after the harvesting i.e. during the period when farmers may be expected to have money for repaying the loans.

ix. The process of recruitment and selection as in past should be reverted. In case of officer, the present practice should continue.

Clerical staff should be recruited from the same district(s) or a district in contiguity thereof to maintain the local character of RRB.

Training period should be of not less than four to six week’s duration. Emphasis should be laid on making the employees aware of their responsibilities in areas of rural development.

The programme should be made more enlightened and interesting. The course content must include rural orientation, moral values, highlighting the principles such as “service is God”, “work more sincerely without expecting fruit of action”, “Efficiency in Karma is true Yoga” etc. The methodology of
training should not be only lecture-oriented. It must include group discussions, seminars and audio-visual aids. Resource personal should be not only experts but also preceptors with perfect delivery-skills and oratory power.

A few posts of heads of departments such as Personnel Manager and Incharge Technical Monitoring and evaluation demand special qualifications, skills and experience. It is, therefore, essential to recruit officer ton such posts with special qualifications, such as diploma in Personnel Management (in case of Personnel Manager) and graduate in agricultural science. Appointees on such posts must be allowed a separate identity.

x. The question of salaries at par with those of commercial banks pertains to the RRBs in the whole country. All India RRBs Employees Union, of which almost all the employees of RRBs in the state region and members has already taken up the matter with Government of India.

The problem of residential facility is connected with job specification of RRB staff and they should not have any problem to share the difficulties of proper residential facilities and other amenities of life. What RRB can do is the depute an officer from H.O. for a day or two in a month at every branch Head Quarter to sort out the difficulties of employees by using his good office.
RRBs are required to lie their branch office in manner, which may be consonance with rural set up. The functionaries at the rural branches should be provided with suitable office furniture, gaddis, cushions etc. to give the office assemblance of rurally.

Officers of RRBs should cultivate habits of courtesy to their subordinates. Unlike governmental bureaucracy, they must not be status oriented, rather they should be work oriented and be equally courteous to their staff as well as to the customers.

xi. In respect of the better counter service, RRB is expected to give a local feel, a feeling of belongingness to the borrowers. This could be done by courteous behaviour and service-with-a-smile-attitude of bank staff. RRB staff has yet to develop such attitude.

Inviting catchwords and slogans such as “We Welcome You”, “You are Our Valuable Customer”, “RRB is Born For You and Live for You” and should be displayed at every branch office.

Proper sitting arrangements for customers should be made at the branch office. Customer complaint box should be placed at each branch with a ‘notice’ above it, “Please Put Your Complaints in the Box here under”. Aligarh Gramin Bank, Aligarh has received complaints through the schemes of customers-complaint box at the branches as well as head office, which are dispose off appropriately.
xii. It is necessary to place the branch staff at a place, which should be in no case be more than 20 Km from the employees native place.

xiii. The tendency of running in loss continuously is not suitable for these banks, therefore, they should reduce their losses in any case and try to earn profits. For this, the researcher suggests the following guidelines for the RRB (i.e. Aligarh Gramin Bank, Aigarh) officials:

(a) Losses are function of excessive expenditure in comparison to income. A major portion of expenditure of RRBs, pertains to salary bills for redemption of RRBs from NABARD and sponsor bank should reimburse on 50 – 50 basis, the total expenditure on salary head of the head office of each RRB, till the time the RRBs over passed the crises.

(b) RRBs should be allowed loose rope to extend 20% of advances on commercial basis on interest rate matchable with those of commercial banks.

(c) RRBs should be allowed to diversify and enlarged their activities, such as Draft facility on inter RRB basis in the region and other relevant jobs.

(d) The funding of branches should be properly managed, as they don’t feel tired in this respect.

In spite of a set back manifested in recurring losses, RRBs are expected to play a vital role in the new strategy in the rural credit designed to serve every village in the country, together with other commercial banks, “under
the proposed dispensation each bank branch in the country will have a designated service area” in the neighbourhood of the branch.

“As district level organisation they can be trusted to take banking closer to the rural households and ensure effective supervision over the end-use of credit.” There should be no doubt that RRBs (Aligarh Gramin Bank, Aligarh) have a promising future as an effective instrument in the economic growth and upliftment of the never-cared-for and downtrodden section of India society particularly in rural areas. Let us wish God speed to RRB movement in India in general and in Aligarh District in Particular.

**Conclusion**

After taking direct interviews of the borrowers and discussion with the bank employees, with each to this conclusion that RRBs has certainly played very strong and positive role in financing agricultural development in the economy. We have no hesitation in saying and proving that RRBs is pioneer in financing to agricultural development.

In case of Aligarh we have examined that Aligarh Gramin Bank, Aligarh has played a very positive role in financing agricultural sector. Inspite of the positive role which is played by Aligarh Gramin Bank, Aligarh we can say that the working of the bank should improve and timely & adequate quantity of loan should be granted to the needy farmers, so that it may be utilised fully to achieve the target. On the other hand the recovery procedure of the
loan should be more effective and easy. The insurance schemes of the crops should also be implement effectively. The procedure of lending to the real beneficiaries should be easy and lengthy procedure should be avoided to help the farmers for achieving the real goal. Working of the computer should be effective. Bank should have some computer engineers to ensure the smooth functioning of computer system. If all the banks have computer system lending borrowing and repayment position available at fingertips at every time of need. If there is a problem of electricity then there must be electric generator in every bank. We hope that after adopting the above measures RRBs which is very helpful to the farmers will be more helpful and fruitful for the betterment of the producers of agricultural sector and production and demand of the good in agricultural sector increased and we will be able to achieve our target of economic development and welfare of the people.