CHAPTER – VIII
SUMMARY OF FINDINGS, SUGGESTIONS
AND CONCLUSIONS

In the post-planning period considerable stress has been laid by the Indian planners in developing the rural areas by giving substantial emphasis on promoting the socio-economic status of rural mass. The efforts of rural development had started with the Second Five Year plan which emphasized the implementation of various community development projects, in different sectors through panchayatiraj institutions. In the subsequent years many programmes and schemes have been designed and launched in the rural areas for the upliftment of cross-sections people of rural areas. In this process credit continues to play a crucial role in securing the objectives of plans & programmes initiated from time to time. Therefore, emphasis has also been put to make the rural credit delivery system efficient and vibrant.

The role of co-operatives in rural development has been well recognized. They have emerged in the post – independence period as an important device to transform the objectives of rural development programmes into reality. The intervention of co-operatives has been largely found in credit and marketing sectors. The rural development programmes have recognized the role of co-operatives both as institution for providing credit to the rural people and as marketing agent of their products. Co-operative credit institutions account for more than 50 percent share in the total institutional credit flow to agriculture and rural development. About 50 percent of the total loan is estimated to have gone to small and marginal farmers and other weaker sections of the rural society,¹ thus the contribution of co-operative credit institutions in agricultural and rural development has been commendable and praise-worthy.

The success of rural development programmes largely depend upon adequate credit flow to the rural areas. Co-operative banks have a prominent role in raising income and employment level of the rural people enabling them to improve their living standard. It is rightly explained that "The ethics of rural development lies in providing a sustainable status of income and employment to rural mass."\textsuperscript{2}

State Co-operative Banks are the apex level institutions in the co-operative credit movement and serve as balancing centre. They are in fact, the leaders of the credit co-operation in the States. State co-operative banks organize short-term as well as long term (where there is no long term co-operative credit structure) finance for different sections of rural people directly and/or indirectly to help in socio-economic transformation of the community. Thus, the co-operative banks have a significant role in establishing economic linkages for the rural development.

Rural development occupies a priority status in Arunachal Pradesh, which is pre-dominantly inhabited by tribal people. Number of rural development programmes have been initiated by the Government for upliftment of the socio-economic conditions of the tribal. However, finance has been a major bottleneck in the economic development of the State. Only a few banking institutions have been operating in the State. Due to geographical isolation, socio-economic features of the people and some other factors, institutional credit could not be channelised satisfactorily to the rural areas. The co-operative banks are expected to play a vital role in economic development of the States like Arunachal Pradesh. The Arunachal Pradesh State Co-operative Apex Bank Ltd (APSCAB), the only bank in co-operative sector in the State has been in existence for over two decades and operating in the forefront of the State’s efforts for economic betterment of the people. Extending its branch network to remote rural places and providing credit to

\textsuperscript{2} Sharma, Aruna, Rajagopal, (1995) Planning for Rural Development Administration, p-12
rural people, the bank has been trying to boost the rural economy of the State. This study has been carried out to examine the role and impact of APSCAB in the rural development of the State. Having analyzed the role of the bank it is now possible to summarise major findings and offer suggestions for better achievements. An attempt has been made to summarise the findings under the following heads.

RESOURCES POSITION OF APSCAB

I) Although the bank achieved a high growth rate (52.55%) in owned funds during the period under study, the share of this to total working resources has been very insignificant which stood at 3.03% in 1998-99. This indicate a high degree of financial risk in the resource mix of the APSCAB.

II) The member societies contributions to the share capital of the bank has been very discouraging. About 4/5th of the total share capital was contributed by the State Government. The main reason for insignificant contribution from the societies was that the number of societies was less and they kept the contribution of share capital to the minimum required level. In fact, the lion's share of the capital of member societies also contributed by the Government. As a result, the amount to be contributed to the apex bank's share capital by member societies automatically comes under the control of Government. This reveals the fact that the co-operative movement in the State is still highly dominated by the Government and not by the public.

III) Deposits have been a prominent source of resources of the APSCAB. It accounts for 88 percent of working resources of the bank. The bank showed a satisfactory performance in deposit mobilization throughout the study period registering an annual average increase of 52 percent. It is worth mentioning here that APSCAB occupied a significant place in
deposit mobilization among the other banks operating in the State. Although in absolute amount the APSCAB held the position next to the State Bank of India in deposit mobilization, the growth rate of deposits of APSCAB has been much higher (84.79%) than that of State Bank of India (14.12%) during the year 1989-90 to 1998-99.

It was observed that the majority share of the deposits was mobilized from individual customers which points to the good image of the bank among the public.

IV) Borrowings, which is a common source of resource base of a bank, was on the rapid rise in case of APSCAB during the study period. However, the share of borrowings to total resources of the bank still not high (8.71%) and this indicate the low degree of dependence on external resources. But the rapid increase in recent times in the amount of borrowings collected from Commercial Banks has become a cause of concern to the bank due to its costly terms which may affect adversely the profitability of the bank.

CREDIT DISPENSATION

I) The overall growth of credit dispensation of APSCAB has been satisfactory. The share of the bank in total institutional credit flow to the State during the study period was momentous which stood at highest (35.48 percent) among all the banks operating in the State during 1998-99 even outstripping State Bank of India which had been in the leading position till 1997-98.

II) Providing advances towards agricultural activities and thereby giving relief to poor farmers from the grips of rural money – lenders was the fundamental aim of co-operative credit programme. The APSCAB could not achieve this fundamental aim. Advances of the bank towards
agricultural sector was not at all significant and only nearly 10 percent of total advances during the study period was channelised to this sector. However, this state of affairs is largely due to low demand for crop loan because of prevalence of traditional way of farming and peoples tendency to shift their occupation to non-agricultural activities.

III) APSCAB showed a noticeable result in providing finance to non-agricultural activities. Major portion (82.71 percent) of banks advances was diverted to non-farm activities which include small business and service units, handicrafts, small transport operators, housing loan, carpet weaving units, and loans for consumer durable and vehicles.

IV) As against the insignificant position of co-operative banks in financing IRD Programmes on all India basis, APSCAB holds a significant position in the State in providing finance to rural poor under this programme. During the period of ten years (1989-90 to 1998-99), the bank had disbursed an amount of Rs. 450.01 lacs to 10,047 families achieving a financial target of 98.55 percent and a physical target of 79.09 percent. Amongst different activities, industry, service and business sector has absorbed a major portion of advances under this programme followed by horticulture sector. However, the bank could not show a satisfactory performance in recovery of these loans. The recovery percentage has came down to 9.84 percent in the year 1998-99 which undoubtedly affected recycling of bank funds.

V) APSCAB has also showed a creditable performance in dispensing credit to the housing sector in the State. During the study period the amount had rose from Rs.14.29 lacs to Rs. 247.11 lacs while other banks operating in the State together showed a very insignificant amount to this sector. Commercial banks are reluctant to finance housing schemes due to absence of tenancy law / transfer of property
act in the State. As the provision of mortgage of land is considered to be necessary for housing loan therefore, it becomes difficult to provide housing finance without a proper act related to land mortgage or transfer of property. At present housing loans are extended, on the basis of land allotment order issued by Government and ‘No Encumbrance’ certificate issued by the Deputy Commissioner of the district where the land is situated.

VI) All banks are required to extend a certain minimum portion of their lending as credit to the priority sector and sub-sectors thereof. APSCAB has also extended credit to these sectors satisfactorily and throughout the study period the amount of priority sector lending was above the stipulated norm of 40 percent of the total advances as directed by Reserve Bank of India. In the year 1999-99 the share of priority sector lending has significantly stood at 52.07 percent. In respect of advances to weaker sections the APSCAB’s contribution was much higher than the stipulated limit of 25 percent of total priority sectors advances. So far advances to SC / ST, are concerned, all the loans provided by APSCAB under priority sectors were disbursed to ST people only.

ROLE & IMPACT OF APSCAB’S LOANS

APSCAB’s loans have made a positive impact in creating employment opportunities for unemployed and underemployed rural mass during post-loan period. The employment days per year of the sample borrowers had significantly increased after taking loans from APSCAB while 30 borrowers who were reported to be unemployed before taking the loan were gainfully employed. An amazing increase in employment days were observed in regard to the beneficiaries of small business & retail trade (88.77 percent) followed by transport & other Service sector (88.57 percent).
The bank has played a vital role in changing the principal occupation of the borrowers by financing different activities. A tendency was observed among the borrowers to shift their principal occupations from the agricultural activities to non-agricultural activities during the post-loan period. As much as 37 percent of borrowers whose principal occupation was agriculture have changed their occupation to other activities. This is mainly due to higher return the beneficiaries received in short period than, other activities. Under such circumstances transport and other service sector has become the principal occupation for majority of the beneficiaries.

The role of APSCAB’s loans in increasing the income of the beneficiaries has also been noteworthy. During the post-loan period an increase of 28 percent in net average annual income of the sample borrowers was observed. The highest increase in the average income per beneficiaries was in transport & other service sector (48.17 percent) followed by horticulture (39.05 percent). However, the increase of income in respect of beneficiaries engaged in agricultural activities was very insignificant (0.05 percent).

The APSCAB’s loan has made an impressive impact in raising the living standard of the beneficiaries. The bank’s finance has enabled the beneficiaries to gather assets, raise income, improve housing conditions, and to raise social status. As a result percentage of people who were in low living standard category came down by 41.85 percent in the post loan period from about 50 percent of the pre-loan period.
REPAYMENT BEHAVIOUR OF BORROWERS

I) Successful operation of the bank credit depends on effective cycling of credit which is facilitated by timely repayment. The repayment behaviour of the sample borrowers of APSCAB has been disappointing. As many as 54 percent of borrowers have not paid even a single installment. The percentage of defaulters was very high among the borrowers who had taken loan for livestock & poultry (72.41 percent) and agriculture (66.07 percent). On the other hand, it was found that a majority of defaulters (nearly 67 percent) belonged to IRDP beneficiaries. This is mainly due to wrong identification of beneficiaries at the time of sanctioning the loans as well as poor economic conditions.

II) The tendency of default was higher among the borrowers who had taken loan upto a maximum of Rs. 20,000/-.

III) A negative relationship between the level of education and the percentage of defaulters was also observed. The percentage of default was very high (70 percent) among the illiterate borrowers or whose educational qualification was below primary level.

IV) Failure of the schemes and difficulty in transport & communications were the important reasons for the present repayment behavior. As the service area of the bank are in far off places, it is very difficult and also expensive to visit the bank branches. It is worth-mentioning that many borrowers mostly IRDP beneficiaries have the wrong notion that the amount they received from the bank was a grant given by the Government and need not be returned bank. As reported by some borrowers this notion has been brought to their mind by the block officials. Other reasons which are equally important for less re-payment were low earning from the schemes, diversion of loans and ignorance
of borrowers. It is noteworthy that, some borrowers did not repay the loan instalments willfully.

**FACTORS AFFECTING REPAYMENT SCHEDULE**

I) Some irregularities were observed in the selection of borrowers under various schemes mostly under IRDP schemes. Loans were also sanctioned to those borrowers who either did not fulfill the criteria of the schemes or not interested in the scheme. This was mainly due to dependence on the block officials for selecting beneficiaries under IRDP. In some other cases, political influence was found to be a strong factor for getting a loan from the bank.

II) Time required for processing and sanctioning the loan is an important aspect of operation. In most cases it took at least two months to get the loan sanctioned even more then that in some cases. This is due to the fact that the branch managers enjoy a very limited power of sanctioning a loan and they simply recommend and forward the application to the head office. Due to long distance to the head office and lack of proper communications facilities sometime it takes long time to clear the loan cases.

III) Adequacy of loan amount is a pre-requisite of rural development. A majority of borrowers (67.5 percent) reported that the amount of loan provided by the APSCAB to be inadequate. It has compelled the borrowers to borrow from other sources also.

IV) Lack of supervision and monitoring of the loan sanctioned are prominent drawbacks of the APSCAB for which the Bank fails to check diversion of loans and ensure timely recovery of loans.
UTILIZATION PATTERN AND DIVERSION OF LOANS

As examination of utilization of APSCAB’s loans by the sample borrowers revealed that, the loans taken by them were not utilised properly. This improper utilization has a great impact on the repayment behaviour. As much as 31.87 percent of total advances had been diverted to other then specified purposes while 28.06 percent for unspecified unproductive purposes.

I) Diversion to unproductive purposes was very high in case of loans taken against livestock & poultry raising (24.24 percent), followed by agriculture (23.02 percent) and small business & Retail trade (22.60 percent). The diverted amount of loans was spent mostly on consumption & domestic needs and ceremonies & festivals while a little for repayment of old debts.

II) It was observed that the diversion of loans was higher among the borrowers who are land less, less educated and borrowed less amount from the bank. Poor economic conditions of borrowers, lack of proper follow-up by the bank, wrong identification of borrowers ignorance among the borrowers regarding proper utilization of loans were the main factors influencing the mis-utilization and diversion of loans.

III) Paying frequent visits to bank offices affect the borrowers day to day activities and causes monetary loss as well as loss of time & energy. It is reported by the borrowers (except IRDP beneficiaries) that they visited the APSCAB branches quite a number of times to get the loan sanctioned. It was observed that 43 percent of sample borrowers paid visit to the bank officials more than eight times. In some cases borrowers have even visited the Head Office also to get the loan sanctioned. Need less to say it has caused acute difficulty for the borrowers of far-off places.
SUGGESTIONS

Although the APSCAB has been playing a significant role in uplifting the economic conditions of rural people, it is felt that the Bank has still a long way to go particularly to satisfy the aspirations of farmers and people living in far off places of the State. This is high time to revitalize some areas of the operational efficiency of the bank for achieving its objectives. The researcher feels, the following suggestions will enhance the efficiency of the bank and thus serve the rural people in a better way.

1) The contribution of member societies to the share capital of the APSCAB has to be increased to make it a peoples bank. For this the bank may raise the minimum required level of share capital contribution by the societies as well as emphasis has to be made for increasing the number of member societies.

2) To improve the deposit mobilization and income thereof, the bank may approach the State Government to route payment of State Government Salary, Pension, Scholarship etc through the bank.

3) The bank should conduct awareness programmes from time to time to make the rural people aware of different schemes of the bank. This will attract new customer as well as eliminate middlemen who collect money providing information regarding loan, deposit etc.

4) To attract new customers and thereby increase deposits, the bank has to renovate and modernize the offices so that it can provide prompt and efficient services to the customers.

5) In Arunachal Pradesh where villages are scattered in far – off places, it would not be possible for the APSCAB to establish more and more branches to make the bank offices easily accessible to the villagers.
Therefore, the bank may appoint field officers to tap the rural savings from remote unbanked areas.

6) The trends and directions of advances of APSCAB reflected that only about 10 percent of total advances was channelised towards agricultural sector. Major thrust towards non-agricultural credit, which accounted for about 90 percent of total, is a departure from the basic co-operative philosophy. It is therefore, desirable that the bank should orient in providing credit for viable agricultural activities.

7) Proper care should be taken while selecting the beneficiaries under different schemes. Before sanctioning a loan the bank should ensure that the applicant meet the criteria demanded by the schemes.

8) It was found in some cases that the block officials unduly pressurize the beneficiaries to apply for credit just to fillup the target of IRDP schemes where beneficiaries had no interest. This type of loan definitely become overdues. Therefore, to eliminate this kind of problem, the bank officials should personally meet the beneficiaries at least once before sanctioning the loan.

9) The amount of loan should suitably be increased. Inadequate loan does not fulfill the objective as the beneficiaries still have to depend upon other sources of credit.

10) The bank should take steps to link the credit with marketing so that rural people can sell their product easily and get proper price. This will also enable them to repay the loan amount in time.
11) Long term follow-up measures should be taken so that the bank may ensure that the beneficiaries who have been assisted under these programmes are benefited.

12) The bank should be prompt in sanctioning and disbursing loans. As the service areas of the APSCAB are in far off places, more visits cause loss of time & energy of the beneficiaries. For prompt service, branch managers of the bank should be given proper authority to sanction loan upto a certain limit.

13) The political influence on sanctioning loan should strictly be avoided.

14) Proper supervision and monitoring of the loans should be done at different stages frequently. This will improve the recovery position of the bank.

15) To improve the recovery position, the bank should open a separate cell of recovery and arrange proper training in recovery management for the staff attached to it. Recovery linked promotion plan should also be adopted to tone up the recovery function.

16) Many defaulters have not paid their loan installment for the difficulty they face in visiting the branches. To ease this problem, the bank should take steps with the help of rural development department or block officials conducting recovery campaign alongwith awareness campaign in remote areas.

17) Documentation procedure of the Bank should be made simple. After being duly forwarded by the branches, long time in taken in clearing the proposals due to complexity of procedure at Head Office level. Such
delays may be reduced by rational distribution of works among the staff.

18) To ensure the viability and feasibility of a scheme a pre – sanction technical examination is necessary. For this a technical cell in the bank should be set up.

19) A separate cell for MIS should be organized to have upto date information. The present system of MIS of the bank is not properly set up. More qualified and technical persons have to be appointed. This cell may be entrusted with the publicity works also. Not to say about other publication not even an Annual Report the bank has published so far. This is high time to set upon this task.

20) Professionalism among the officers and staff has to be brought for better efficiency. Along with the modernization of offices, staff have to be trained properly by organizing training for time to time. Experts from Reserve Bank of India, National Co-operative Union of India, Vaikunth Mehta National Institute of Co-operative Management, NIBM, Co-operative Training Institutes and from the Universities have to be called for providing theoretical as well as practical aspects of recent developments, in the field of cooperative banking. Middle level management staff may also be deputed for training in the Vaikunth Mehta National Institute & Co-operative Management, Pune.

As the State Government is primarily responsible for the operations of the co-operatives, the Government should undertake the following measures to make the APSCAB an effective organization of channeling flow of credit.

1) Housing finance has been an important area of operations of APSCAB. But due to absence of tenancy law / transfer of property Act in the
State, the bank has been facing difficulty in providing loan for housing. Therefore, immediate steps may be taken by the State Government to enact the required law for extending loan in this field.

2) The Government should take active part in recovery of the loans which were disbursed under Government sponsored schemes. Block officials should be entrusted with the responsibility to ensure recovery of loans under his jurisdiction with the help of the bank officials. It was reported that although the Government has ordered the officials to help the bank in recovery drive but in practice they do not co-operate with the bank.

3) Immediate steps should be initiated by the State Government to have co-ordination between the different Government departments and the APSCAB. Departments like agriculture, irrigation, co-operation, rural development etc. should have proper liaison and co-ordination with the bank to make the various rural development schemes successful.

4) State Government should take necessary steps to provide technical facilities required by the beneficiaries for carrying out their schemes successfully. Government should arrange pre-sanction training for prospective borrowers and post-sanction training for execution of the schemes.

5) There is a need to provide greater autonomy in operations of co-operative banks in order to improve their lending policies & procedures. Government should refrain from interfering in the management of the bank.

6) Government should establish an effective linkage between production and marketing through processing units, commodity boards, State corporations and other agencies.
CONCLUSION

It may be concluded that the APSCAB has been contributing significantly for the economic betterment of the rural areas of the State. However, the bank has much scope for accomplishment of its role to meet the greater expectations of rural society. Adoption of proper measures for strengthening the bank as well as co-ordination from Government and co-operation of public at large will make the bank a powerful institution for rural development in the State.