Chapter – 5

A CRITICAL APPRISAL OF PERFORMANCE
5.1 Working of Uttar Pradesh Sahkari Gram Vikas Bank:

**Internal Control System:**

The basic objective of internal control is to ensure that the operations of the Bank are carried out as per the policies and instructions of the Bank so as to achieve the corporate goals. The internal control is generally achieved through checks, cross checks, audit, and inspection and control returns/statements. Head Office and Regional Offices are controlling, supervising and monitoring the operations of the branches with a view to optimising net results. The tools used for the purpose were internal returns, visits, audit and inspection. The internal control mechanisms with HO, Regional Offices and Branches are discussed below:

**Head Office:**

The internal control system in Head Office with respect to financial management consists of maintenance of accounts, audit, inspection and MIS returns.

**Books of Account:**

It is found that the Accounts Department is generally prompt in preparing the vouchers, books of account and checking the accuracy of the accounts. The vouchers and books of accounts are prepared and checked by the officials according to the normal accounting prudence.

**Audit:**

The Bank does not have the concurrent audit system. The accounts of the Bank are audited by the Directorate of Audit. The Directorate of audit completed its audit up to 2003-04. However, the Bank had not submitted the compliance reports for the same.
Inspection:

The Bank has a target to inspect all its Regional Office once a year.

Returns:

Total number of internal returns sent by the branches to Head Office was 37 of which 2 each were weekly and annual and the remaining were monthly returns. The Bank was monitoring the loan disbursement returns, weekly funds requirement statements and final accounts. There is no system in the Head Office to monitor the receipt of returns and their proper scrutiny. Regional Offices receive returns from the branches and send them to the Head Office as it is. Only in case of a few returns like Demand, Collection and Balance statement position is consolidated at Regional Offices.

Reconciliation of Accounts:

The Bank is reconciling its Head Office current accounts monthly. The Bank is reconciling the branch accounts once in a year only at the end of the year. As per the recent inspection report there were unreconciled entries in the branch accounts to the tune of Rs. 94 lakhs for more than a year representing the drafts not received by the branches from HO.

Regional Offices:

Regional Offices were assigned the task of inspecting the branches, monitoring the recovery and loan targets and ensuring the submission of returns to Head Office.

Inspections:

The branches are required to be inspected by the Regional Offices once in a year. An inspection plan was prepared by each regional office in
the beginning of the year for inspection of the branches. However, it was observed that the Regional Offices were not paying proper attention to inspection since lots of arrears were found in the inspections.

**Visits:**

Regional Managers visit the branches in their region as and when required and review the position of loan disbursement and recovery vis-a-vis targets. Branch visit notes were not prepared by the Regional Managers. Regional Managers, neither during their inspection, nor during their visits were checking the funds maintained at the branches and its management, maintenance of books of account, submission of returns and its accuracy, reconciliation of Bank accounts and Head Office A/c etc. Effectiveness of visits could not be planned and monitored by Head Office.

**Branches:**

The branches played a vital role in realising the corporate goals and objectives of the Bank. The thrust areas of operation of the branches centered around disbursement of loans and recovering the Bank dues. The operations were recorded in various books of accounts maintained by the branches as discussed below:

**Maintenance of Accounts:**

**Cash Book**-

- Cash receipts and Payments are recorded in the Cash Book as and when a cash transaction occurs.
- At the end of the day the cash book is closed and the closing balance is drawn.
- The balance is checked by the Branch Manager, and the Cash book is signed by the Cashier.
Journal-

- All transfer transactions, which do not involve cash are recorded in the Journal.

- Journal is posted once in a month.

Cheque Issue Register-

- The cheques issued for loans are recorded in the Cheque Issue Register.

General Ledger-

- All the transactions in the cash book are recorded in the General Ledger.

- All transactions in the Journal are recorded in the General Ledger.

- The totals of the cheques issued under loans are totaled and recorded in the General Ledger under the Bank Loan Account.

- The General ledger heads are totaled once in a month.

Loan Ledgers-

- In case of fresh loans new loan folios are opened. The details of the borrower, purpose, date of release of amounts and dates, repayment schedule etc. are recorded in the loan ledger for each individual loan account.

- Loan disbursements are recorded into the loan ledgers into their respective individual loan accounts.

- Interest demand is calculated and posted in the demand column of the register for interest in the first year.

- The demand of principal and interest as per the repayment schedule are recorded in the loan ledger after the first installment of the loan amount falls due.

- When the instalments are delayed for payment additional interest over and above the normal interest up to the due date (which was already included in the repayment schedule) and also penal
interest are applied to the account.

- When the total loan is repaid the account is closed.

**Demand Collection Balance Register (DCB):**

- All the loan demands are recorded purpose-wise in the DCB Register in April and October every year.

- The current demand and overdue demand in respect of both principal and interest are calculated purpose-wise every half-year.

**Fund Management:**

- The amount held in the General Account is transferred to Head Office through Demand Draft or Bankers Cheque as and when there is money in excess of prescribed limit.

- The amount held in the Recovery Account is transferred to Head Office through DD or Bankers Cheque periodically.

- The funds received from Head Office from time to time against demand are credited in the Bank Loan A/C and the money is used for lending operations.

- The excess cash in the branch is credited to either Recovery A/c or General account depending upon the purpose of receipt.

- Reconciliation of the Bank Loan Account and Bank General Account and Bank Recovery A/c is carried out periodically.

The work flow at branches had been structured to be performed on daily, weekly, monthly, and quarterly, half yearly and annual basis. The observations in respect of each activity in terms of periodicity, emerging issues and recommendations are given below.
Daily:

Almost all the branches visited were writing Cash Book and drawing the balances at the end of closing the cash book on daily basis. It was observed in about 50% of the visited branches that the branch manager or any second person did not check cash at the end of each day. Further, it was observed that in certain branches cash was not deposited into the current account on daily basis. In a few branches large amounts of cash balance was found retained. And the practice followed was to credit the cash into current account once in 3 days. On enquiry it was found that the entire function of crediting cash into Bank accounts was left to the Cashier and the Branch Manager was just unaware of what was happening. Cheque issue register and Loan ledgers were found to be recorded on daily basis. However, in almost all the branches Journal was not written daily. Some branches were writing Journal once in a week and many branches were writing Journal once in a month. Cheque issue register was balanced on daily basis only in one of the visited branches whereas all other branches balanced the cheque issue register once in a month. The cheques received with respect to subsidy and also funds received from HO through DD and Cheques were deposited into the current account almost regularly in all the branches but it was found that there was no cheque collection register and branches generally were found to be not monitoring the cheque collection.

Weekly:

Weekly functions related to internal control at the branches are indicated below:

• Writing of General Ledger.
• Estimation of pending loan applications where Non Encumbrance Certificate (NEC) is obtained etc. details to know the estimated volume of lending during the next week.

• Finding out the funds position in Cash, Current Accounts (Loan Account, Recovery Account and General Account).

• Preparation of Funds requirement statement (MIS statement) and making request for funds for loaning operations.

• Transfer of funds to Head Office from loan account and General Account.

Monthly:

Head office had prescribed a number of monthly statements (33). The statements in respect of Effective Mortgages are normally sent promptly. And other statements are not considered of much value except of course, the reports on total disbursements and recovery which were routinely sent to Head Office.

Inspection:

Head Office undertakes the inspection of Regional Offices and the inspection of branches is assigned to Regional Managers.

5.2 Financial Resources of Uttar Pradesh Sahkari Gram Vikas Bank:

Resources are considered to be the prime movers of any economic activity. UPSGVB, like other economic units, entirely depends on the availability of such resources for its successful functioning; the Apex Bank raises its funds - henceforth to be termed as working capital - from different sources.

The main sources of funds for the Bank are – Debentures: ordinary,
special and rural; Share Capital is raised from members; Borrowings and the Reimbursement of Subsides are made from the State and the Central Government.

Here, the researcher has devoted towards the study of the various sources of funds for the Bank and how far it has enabled the Bank in building of a strong capital base.

Issue of Debentures has been the main sources of funds for UPSGVB. Debenture is a 'Bond' conveying and acknowledging the debt and also containing the provision of promise for payment of interest at a stipulated rate and return of the principal amount. The period of Debentures varies from 7 to 15 years. As UPSGVB generally provide long term loans, thus its requirement of funds is for long duration, the debenture serves as a covenant instrument of raising funds; because it guarantees that the funds will remain with the Bank for a specified period. Generally, there are three types of debenture issued by the Bank - the Regular Debentures the Rural Debentures and the Special Development Debentures. These Debentures are mostly purchased by financial institutions like NABARD the State and the Central Government, the Commercial Banks, Co-operative Institutions and others specialised financial institutions. Presently the Bank is only issuing Special Development Debenture, and the NABARD has the Lion's Share of, more than 90%. During the last five years, the resources generated by the Bank by issuing Debenture was around the mark of four hundred crore yearly, which rose to a high of around 608.55 crore in the year 2009-10. Below is the detail of funds managed by the Bank through the issue of Debentures during 2005-06 to 2009-10.
Table. No. 5.1
Sources of Borrowings of UPSGVB
(Figures in Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debenture Floated (Rs.)</th>
<th>NABARD</th>
<th>%</th>
<th>U.P. Govt.</th>
<th>%</th>
<th>Central Govt.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>423.86</td>
<td>390.80</td>
<td>92.20</td>
<td>16.53</td>
<td>3.89</td>
<td>16.53</td>
<td>3.89</td>
</tr>
<tr>
<td>2006-07</td>
<td>408.16</td>
<td>380.12</td>
<td>93.13</td>
<td>14.02</td>
<td>3.49</td>
<td>14.02</td>
<td>3.43</td>
</tr>
<tr>
<td>2007-08</td>
<td>432.98</td>
<td>400.00</td>
<td>92.38</td>
<td>16.49</td>
<td>3.81</td>
<td>16.49</td>
<td>3.81</td>
</tr>
<tr>
<td>2008-09</td>
<td>395.23</td>
<td>369.91</td>
<td>93.59</td>
<td>12.66</td>
<td>3.20</td>
<td>12.66</td>
<td>3.20</td>
</tr>
<tr>
<td>2009-10</td>
<td>608.55</td>
<td>599.92</td>
<td>98.58</td>
<td>4.31</td>
<td>0.71</td>
<td>4.31</td>
<td>0.71</td>
</tr>
</tbody>
</table>

Source: Table compiled from the Annual Report and the Balance Sheet of the Bank.

The paid-up capital and reserves constitute the 'Owned Funds' or 'Capital Funds' of the Bank. The Bank in order to maintain a steady flow of funds should have adequate capital and resources. It is generally accepted that reserves provided a cushion against unforeseen contingencies. The Bank generally provides long term loans to the agriculturist and other Institutions, which are only possible if the Bank maintains a strong capital base. The Owned Funds not only build up the resource foundation for the Bank but also reinforce the resource position with shockproof reserves to meet out the contingencies.

Issuing of Shares helps the Bank to raise Owned Capital. The Bank generally issues shares with nominal value of Rs.10, Rs. 20, and Rs. 100 at par. Since inception, there has been a steady increase in the Share Capital of the Bank; which gives a clear idea about the growth in the number of members of the Bank, over the years. The Share Capital of the Bank was 0.15 crore in 1960-61 and during the last fifty year it has increased to Rs. 262.91 crore in 2004-05 and to Rs. 269.99 Crore in 2008-09. The position of share capital during the last five years is given below:
Table. No. 5.2

Position of Paid Up Share Capital of the Bank during 2004-05 to 2008-09
(Figures in Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>262.91</td>
</tr>
<tr>
<td>2005-06</td>
<td>264.41</td>
</tr>
<tr>
<td>2006-07</td>
<td>266.44</td>
</tr>
<tr>
<td>2007-08</td>
<td>267.29</td>
</tr>
<tr>
<td>2008-09</td>
<td>269.99</td>
</tr>
</tbody>
</table>

Source: Table compiled from the Balance Sheet of the Bank

The Statutory Reserve Fund is a prominent item that constitutes Reserve Fund of the Bank. As shown below in the Table. No. 5.3, the total reserves of the Bank recorded a steady increase during the last five years. The provision for Statutory Reserves is generally created out of the Net Profits of the Bank, and the increasing trend of Statutory Reserves gives a clear indication of increasing net profits of the Bank.

The Apex Bank is conscious of its efforts to build up a strong Reserve for Bad Debts since inception. The Bank set aside a certain percent of its net profit to this reserve every year. The Table. No. 5.3, gives a clear indication of the sizeable increase in the reserves during the last five years.

The Bank has also created various 'other funds' such as Agriculture Stabilization Fund, Building Fund, Donation Fund, Advertisement Fund, Library Fund, Risk Fund, Investment Depreciation Fund, National Security Fund, Employees Welfare Fund (both Banks and Employees), Expenditure Equalisation Fund, Rural Reform Fund, Research and Development Fund,
Equity Redemption Fund, Co-operative Development Fund and Kargil Relief Fund. The Bank had not given much emphasis to increase the amount of these funds in the last few years, which is reflected in the Table No. 5.3. As a result, the Bank could not utilize these funds for the benefit of the farmers of the State; who have been suffering due to regular onslaught of floods and occasional bouts of droughts.

Yet, another method of raising financial resource adapted by the Bank is through the Fixed Deposit Scheme.

The Bank has recently started this scheme and the fund mobilised through the scheme continued to swell steadily. During the last five years, there had been a rapid rise in funds through the Fixed Deposits of the Bank, which is indicated in the Table. No. 5.3.

The Bank has huge amount of Advance Receipts which it collects through nominal fees, admission fees, administrative fees, legal fees, etc charged from the beneficiaries. The Table No. 5.3 below gives the total figure of funds mobilised through such receipts.

The Sundry Deposits, collected through Dealers Security and other deposits from Head Office and the Branches also assist in strengthening the financial resources of the Bank. The Bank also receives subsidy from State Government from time to time, under ARDR 1990 which has helped the Bank in gradually improving its financial position.
Table No. 5.3

Statement Reflects The Position of Various Funds and Other Resources of the Apex Bank

(Figures in Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Statutory Reserve Fund</th>
<th>Bad Debts Reserves</th>
<th>Other Funds</th>
<th>Fund Deposits</th>
<th>Advance Receipt</th>
<th>Sundry Deposit</th>
<th>ARDR 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>69.62</td>
<td>10.13</td>
<td>88.68</td>
<td>3.68</td>
<td>11.27</td>
<td>61.44</td>
<td>5</td>
</tr>
<tr>
<td>2005-06</td>
<td>76.33</td>
<td>10.14</td>
<td>90.35</td>
<td>3.85</td>
<td>12.09</td>
<td>58.44</td>
<td>5</td>
</tr>
<tr>
<td>2006-07</td>
<td>81.11</td>
<td>10.14</td>
<td>90.30</td>
<td>15.48</td>
<td>12.54</td>
<td>53.68</td>
<td>5</td>
</tr>
<tr>
<td>2007-08</td>
<td>86.47</td>
<td>10.14</td>
<td>90.30</td>
<td>23.58</td>
<td>14.45</td>
<td>56.81</td>
<td>5</td>
</tr>
<tr>
<td>2008-09</td>
<td>92.77</td>
<td>10.14</td>
<td>90.28</td>
<td>38.51</td>
<td>23.11</td>
<td>77.84</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Table compiled from the Balance Sheet of the Bank.

5.3 Resource Mobilisation:

The encouragement of thrift and mobilisation of rural savings has been one of the foremost aims of the Co-operative movement. This not only helps the rural masses to generate a habit of thrift but also assists the Bank to mobilise the rural savings and build up their strength by increasing their internal resources. It was generally in this content that the All India Rural Credit Survey Committee (1954) recommended that ‘in order to augment their resources the Land Development Banks should issue Special types of Debentures called Rural Debentures’.

Inspite of the continuous efforts made by the Bank to help the poorest amongst the poor, and create additional self-employment opportunities for the rural masses; by various credit programmes and schemes launched by the Bank from time to time, they had remained as a non-resource based Institution right from the beginning. Until 1971, the
Bank was not expected to raise their own resources from members and public. Moreover, the regulated low lending rates were uneconomical and therefore the Bank had no incentive to mobilise deposits from the market. There were certain legal constraints in the matter of issuing loans for certain purposes either in the Co-operative Societies Act on the By Laws of the Bank. The RBI scheme which was introduced in the year 1971 permitted the Banks to accept deposits only from non borrowing members of the public, repayable between periods of 1 to 2 years. As the loans issued by the Bank were normally for 5 to 15 years, there was a miss-match between the maturity pattern of deposits accepted by the Bank and the loan issued by them. There were a number of other factors, also which prohibited the Bank from mobilisation deposits. As the interest rates, both for lending and borrowings, were regulated by RBI till 1994, it was illogical to raise deposits at a higher rate and then lend them at a lower rate. Although there has been a revision in the Act for the same and Banks are now allowed to fix their own rates, both for deposits accepted and credit disbursed, still the Apex Bank is unable to make a good parity between the two.

There is a great potential for raising rural deposits, which is born out by the fact that sizeable deposits have been mobilised by the various agencies in the rural areas. After, the nationalisation of the Banks, the network of Commercial Bank branches has expanded enormously and they have mobilized the rural savings on a large scale. In addition to the Commercial Banks, a number of Banking and other financial institution such as Private Sector Banks, the State and Central Co-operative Banks, RRB's, Agricultural Credit Societies, Manufacturing Companies etc. have been mopping up rural savings on a substantial scale. Rural savings are
also being mobilised through postal saving accounts and Government sponsored schemes such as National Saving Certificate, Indira Vikas Patra and Kisan Vikas Patra, etc.

The Bank had so far covered only 15% of the farm holding in the State, a very large section of the borrowings members have taken loans mainly for the purpose of minor irrigation and farm mechanisation which would have enhanced their income substantially through investment made out of successive borrowings from the Bank. Therefore, there is a great potential for raising deposits even from borrowing members. Taking advantage of the rising rural income particularly in areas where irrigated crops such as sugarcane, cotton, oil seeds and pulses, horticulture crops and other hi-tech commercial crop are grown. The Bank can mobilise even on a conservative estimate at least Rs. 200 crores within a short period, which would help the Bank not only in overcoming the problem of funds accumulation for lending, but assist the borrowers as they could avail the opportunity of getting cheap loans and would give enough boost to the confidence of the Bank on a whole, to compete with Commercial and Co-operative Banks.

On the recommendations of a study Group under the Chairmanships of Dr. M.C.Bhandari, NABARD in August 1997 issued revised guidelines for Deposit Mobilisation by the ARDB's - As per the new guidelines the Banks were allowed to mobilize deposits in the form of Recurring Deposits, Fixed Deposits, Cash Certificates and other short term instruments with the option of periodical payments of interest or on compounding basis, depending upon the choice of the depositors.

In the early 70’s Banks issued Rural Debentures but the same was not carried for long time and Bank had to suspend the scheme, because
not much could be mobilised out of rural mass through these Debenture and Bank has to depend heavily on external sources for its financial needs. During the course of research work it was observed that the main reason for low popularity of rural debentures issued by the Bank in the past was the lack of proper planning, publicity and organisational arrangements made on the part of the Bank.

As per the instructions issued by RBI, the Bank has started accepting deposits from rural masses under fixed deposit scheme. Yet, the Bank has not mobilised much of rural savings under this scheme as reflected in the Balance Sheets of the Bank. Still it has accumulated approximately 40 crore under this scheme at the end of 2008-09. Overall the resource mobilisation of the Bank had been very poor as nothing other than the Rural Debentures and Fixed Deposits Scheme were used by the Bank under study to channelize the rural saving. Due to which the cost of funds generated by the Bank seems to be very high, which is adversely affecting its credit plans and is unable to achieve its objectives as desired.

Here the researcher would like to stress on the need for the Bank to recognize at least from now on the significance of the programme for mobilisation of rural savings through sale of rural debentures and collection of fixed deposits from the rural areas on the lines mentioned above.

In particular, the research had attached considerable importance towards the fact that the Bank must make necessary organisational arrangements and efforts as required, to make the Bank Multi-Product offering institution, rather than a single product seller. To improve its members contact and build on Clientele- Bank relationship, the Bank had
to add other credit products and perhaps some other financial services for its members.

5.4 Appraisal of Programmes and Policies:

Here, the researcher has made an attempt to analyses as to how for the programmes and policies of the Bank under study, has helped in eradication of rural unemployment and in addition to this how far are the schemes helpful in generating additional self employment within the State. Efforts are also made to examine the existing procedure for ascertaining whether loans already granted by the Bank have been utilized for the purposes for which they were obtained and to review the progress made by the Bank in implementing the production - oriented system of lending as advised from time to time by NABARD and the Center and State Government.

One of the important recommendations of All India Rural Credit Survey Committee, related to the shift in the emphasis in the loaning policies of the Bank, in favour of loan for productive purpose instead than for the repayment of old debts and redemption of mortgages and the land of the farmers. This suggestion had considerable significance since it involved a change in the basic objective of the organisation, which was mainly to help cultivators in getting back their lands from the clutches of private moneylenders. Experts have emphasised, on the need for the Bank to provide loans for productive purposes in view of the considerable potential for agricultural programmes, such as Minor Irrigation, Farm Mechanization, Non Farm Sector Development, Dairy Development, Poultry Farm Establishment, Plantation and Horticulture crops etc. It was also pointed out that a loan given to a cultivator would go a long way enabling him to adopt better ways of creating self employment for
himself as well as create additional jobs for many others around him.

The problem of surplus population exists in the State and one of the objectives of the Bank is to support this surplus population through different development programmes. Employment generation through productive schemes of the Bank and Government sponsored programmes has been one of the prime objective of the planning strategy of the State, specific programme were launched in the past to create stable employment opportunities for different categories of rural masses namely educated, semi-educated or artisans and illiterate job seekers. The Central and the State Government have organised various training programmes and provided subsidy based loans to enable the rural masses to improve their standard of living.

The problem of unemployment and growing under employment is acute in the State, although various gainful employment opportunities have been formulated, but there has been net addition to the labour force which have continued to add to the back log of unemployed. This has two sets of implications, first the content and manner of implementation of development programmes should be such as to make the maximum impact on employment. Secondly, there should be additional programmes for making an effective use of the available manpower resources.

In many parts of the State, there is a heavy pressure of population on land. The agricultural economy is unable to provide continuous work to the rural masses throughout the year. The slack agriculture season frequently extend from three to six months. The Bank helps to generate gainful employment for those who are unemployed or remain unemployed in major part of the year due to various natural disasters.
A permanent solution for this can only be achieved through a developed system of scientific, diversified and assured agricultural and allied activities. The building up of a wide range of small and processing units in rural areas, rural electrification, growth of new skills and making industrial development may also facilitate in creating gainful employment for large number of unemployed in the State.

It has been realized that, by putting available manpower resources to productive uses, agricultural and economic development can be accelerated. As regards 'Productivity' it has been realized that substantial section of the rural population can be utilized through special rural work programmes, and in this context both the Central and the State Governments have started various programmes. The pressure on land is so high that large manpower resource remains unutilised. The Bank and the Government together are working to formulate such programmes and policies which would help in utilising the surplus manpower in agricultural activities productively.

The researcher has observed during the study that the Bank is making a continuous effort for eradication of rural unemployment and poverty, in spite of all odds in its way. The Bank has been successful in reducing the migration of rural masses towards urban centers in search of employment to a great extent. The study of loan disbursement under various portfolios clearly reveals the success story of the Bank. The progress charts given below under Table No. 5.4 and 5.5 clearly depicts as to how the loan profile of the Bank had performed under various lending schemes of the Bank and those sponsored by the Center and the State.
**Table No. 5.4**

**Progress of Loan Disbursed Under Various Schemes of UPSGVB**

(Figures in Lakh)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Scheme</th>
<th>Beneficiaries</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
</tr>
<tr>
<td>1</td>
<td>Minor Irrigation</td>
<td>36159</td>
<td>9889.25</td>
<td>25.65</td>
<td>38992</td>
<td>10145.71</td>
<td>25.17</td>
<td>36771</td>
</tr>
<tr>
<td>2</td>
<td>Farm Mechanisation</td>
<td>3184</td>
<td>3791.90</td>
<td>9.83</td>
<td>3307</td>
<td>4308.45</td>
<td>10.69</td>
<td>3406</td>
</tr>
<tr>
<td>3</td>
<td>Diversified Portfolio</td>
<td>42902</td>
<td>13681.15</td>
<td>35.48</td>
<td>42602</td>
<td>14454.18</td>
<td>35.86</td>
<td>44128</td>
</tr>
<tr>
<td></td>
<td>a. Dairy Cart</td>
<td>2907</td>
<td>575.29</td>
<td>1.49</td>
<td>2806</td>
<td>525.05</td>
<td>1.30</td>
<td>2894</td>
</tr>
<tr>
<td>4</td>
<td>c. Animal Husbandry</td>
<td>8299</td>
<td>3355.60</td>
<td>8.51</td>
<td>6600</td>
<td>2091.41</td>
<td>5.19</td>
<td>6843</td>
</tr>
<tr>
<td></td>
<td>d. Poultry Farm</td>
<td>4210</td>
<td>1967.99</td>
<td>5.08</td>
<td>3872</td>
<td>1944.53</td>
<td>4.58</td>
<td>3674</td>
</tr>
<tr>
<td></td>
<td>e. Fisheries</td>
<td>518</td>
<td>405.16</td>
<td>1.05</td>
<td>409</td>
<td>393.35</td>
<td>0.88</td>
<td>436</td>
</tr>
<tr>
<td></td>
<td>f. Horticulture</td>
<td>8704</td>
<td>5919.43</td>
<td>15.35</td>
<td>9407</td>
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<td>15.05</td>
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<td></td>
<td>g. Bio-Gas</td>
<td>808</td>
<td>126.36</td>
<td>0.34</td>
<td>781</td>
<td>132.01</td>
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<td>788</td>
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<td>h. DRTs</td>
<td>155</td>
<td>467.22</td>
<td>1.29</td>
<td>168</td>
<td>508.82</td>
<td>1.26</td>
<td>186</td>
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<td></td>
<td>i. Kish Vanski</td>
<td>324</td>
<td>67.35</td>
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<td>306</td>
<td>51.23</td>
<td>0.13</td>
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<td>5</td>
<td>Non Farm Sector</td>
<td>47113</td>
<td>11175.71</td>
<td>28.90</td>
<td>46992</td>
<td>10907.46</td>
<td>26.81</td>
<td>47089</td>
</tr>
<tr>
<td></td>
<td>a. Self Help Groups</td>
<td>72</td>
<td>21.84</td>
<td>0.09</td>
<td>89</td>
<td>39.67</td>
<td>0.10</td>
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<tr>
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<td>Kisan Credit Card</td>
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<td>115</td>
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<tr>
<td>7</td>
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<td>1.06</td>
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</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>132430</td>
<td>28550.85</td>
<td>100.00</td>
<td>132097</td>
<td>40308.15</td>
<td>100.00</td>
<td>132430</td>
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</table>

Source: Annual Reports of Uttar Pradesh Sahkari Gram Vikas Bank Ltd.
## Table No. 5.5

### Progress of Loan Disbursed Under Various Government Sponsored Schemes

**Figures in Lakh**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Schemes</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>Since Inception UH 31.03.2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Beneficiaries</td>
<td>Amount</td>
<td>%</td>
<td>Beneficiaries</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>FBS</td>
<td>25264</td>
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<td>54.54</td>
<td>27122</td>
<td>4099</td>
<td>63.82</td>
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<tr>
<td>2</td>
<td>GJRHS</td>
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<td>122.5</td>
<td>1.85</td>
<td>99</td>
<td>103.2</td>
<td>1.58</td>
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<td>3</td>
<td>SGSY</td>
<td>364</td>
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<td>0.64</td>
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<td>4</td>
<td>PMEGP</td>
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<td>0</td>
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<tr>
<td>5</td>
<td>SMDP</td>
<td>444</td>
<td>120.98</td>
<td>1.83</td>
<td>208</td>
<td>64.27</td>
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<td>6</td>
<td>SCP</td>
<td>260</td>
<td>580.90</td>
<td>8.78</td>
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<td>7</td>
<td>MNKRY</td>
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<td>8</td>
<td>SCC</td>
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<td>2141.97</td>
<td>32.37</td>
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<td>9</td>
<td>ACABC'S</td>
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<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>38565</td>
<td>6617.60</td>
<td>100.00</td>
<td>35159</td>
<td>6525.28</td>
<td>100.00</td>
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</table>

Source: Annual Reports of State Level Bankers Committee
The UPSGVB and NABARD are attaching great importance for promoting *Mirror Irrigation activities* in the State, to increase irrigated area and help the farmers in raising their yields. The share of mirror irrigation scheme till 31st March 2010, since its inception was recorded at 33.67% of the total loan disbursed by the Bank. Though during the last decade, it was found that the amount disbursed by the Bank under this scheme had fallen from 51.74% in 1997-98 to 23.95% in 2009-10. This declining trend has been reported mainly due to the inconsistent efforts and defective lending policies of the Bank. With the application of NPA's norms in the Bank, a check has been initiated on false lending to a great extent. The growth graph given below signifies the negative growth during 2007-08 and 2008-09 in the number of beneficiaries raising funds under this scheme as the Bank has taken strong measures to correct the misutilisation of funds by the beneficiaries under this scheme. During the visits to branches and enquiring from the bank officials, it was brought to notice that quite often; the equipments bought by the beneficiaries out of the borrowings from the Bank are immediately sold off at Dealer level for some consideration which ruins the motive of the Bank on a whole.

![Minor Irrigations Graph](image-url)
In an agriculture dominated state like U.P., where more than half the population seeks its livelihood out of agricultural and allied activities, the role of modern *Farm Mechanized Equipments* has become very essential. The UPSGVB has been granting loans both under the Government subsidy schemes and other schemes offered by the Bank. There has been a slow but steady growth under this scheme, as shown below:
The scheme not only helps to provide self employment opportunity for the beneficiary who raises the loan, but also creates an employment opportunity for many others who assist in proper utilisation of these equipments. In 2005-06 the total loan disbursed was Rs. 3790.90 lakh catering to 3184 beneficiaries which has increased to Rs. 5940.00 lakh, covering 3860 beneficiaries in 2009-10. The growth of loan disbursed has been over two thousand lakhs in last five years, which clearly shows the shift in the demand for loan towards this activity.

Proper mode of transportation also plays an important supporting role in getting the best yield out of agricultural output. *Dunlop Cart* has been a very significant feature as a mode of rural transportation. The Bank has rightly taken up this scheme and about 4.17% of the total loan disbursed till 2009-10 has been for this purpose. The Dunlop Cart serves as a cheap mode of conveyance and carriage in rural areas. The average additional employment generated in respect of marginal farmers and land less labours was around 6.25 hours and 7.15 hours per day respectively.

The reason for more employment generation for landless was that they had to devote more time for collection of fodder and also in playing
their carts for longer hours than marginal farmers who had to look after their farms also. Recently, there had been a downfall in the credit disbursed under this scheme as shown in the graph below but this is not alarming, as the Bank has introduced a new scheme recently for Tractors and other SRTO's which is replacing this conventional mode of transport with modern and time saving modes of transportation.
Under the *Scheme of SRTO's and Tractor Loan* under Farm Mechanisation scheme of the Bank, we find that the Bank has made a remarkable contribution. The Table No. 5.4 shows that the loan disbursed in 2005-2006 was Rs. 497.22 Lakh which had increased to Rs. 662.88 lakh in 2009-10, with a positive growth throughout the last five years. The graph below shows the positive growth trend during the last few years. One unit of loan under this scheme helps to provide employment to at least three more in rural areas. This proves the point that the Bank is able to meet its objective of creating enough rural employment in the State.
**Dairy Development programme** has been much benefited by the Banks scheme for providing loan for this purpose. It has not only helped to raise the income level of the beneficiaries, but has generated additional employment opportunities for large number of rural unemployed. The Table No.5.4 shows that 19.66% of the total loan disbursed by the Bank had been under this scheme till 31st March, 2010. This figure holds the second position amongst all the activities for which the Bank had been lending.

The graph below shows a positive growth both in loan and increasing the number of beneficiaries over the years.
The activity is of great importance for increasing rural employment, as it not only provides employment to the beneficiaries who raise the loan but supports at least two more persons / family members who could find employment for themselves. It was also observed that with the help of Dairy Development Scheme, it has also supported the Bio Gas scheme in rural areas in the State.

The Bank is providing funds for **Bio Gas Scheme**, the loan disbursed by the Bank under this scheme had not been a significant one. Only 0.25% of the total loan disbursed is given under this scheme. During the last two decades, the scheme has lost its ways and the Bank has also reduced its funding for this purpose. It was observed that the scheme could not do well mainly due to lack of proper technical know how amongst the beneficiaries.

Till 31st March 2010 the Bank could only provide funds to 8276 beneficiaries since the inception of the scheme in 1983. Most of the loans disbursed under this scheme were misused by the beneficiaries which has made the scheme a complete failure.
Another scheme which holds enough potential is Animal Husbandry scheme, although the scheme is not much popular in the State, but is slowly gaining its pace. The loan disbursed by the Bank under this scheme has increased from Rs. 2355.60 lakh to Rs. 4353.71 lakh from 2005-06 to 2009-10. The Scheme is much confined to the Western region of the State. The scheme is beneficial for employment generation as a single unit of loan provides employment to minimum of four to seven others, who would be engaged on assisting for the same activity. The graph below depicts that there have been a slight inclination of the beneficiaries towards this activity as there is a positive growth seen both in the amount of loan disbursed and the number of beneficiaries under this scheme.
Poultry Farm Scheme has helped in providing gainful employment for a large number of rural masses. The loan disbursed by the Bank under this scheme has increased slowly over the years. The number of beneficiaries has risen from 283 in 1994 when the scheme was launched to 10,722 in 2009-10; the scheme has enough potential to provide additional employment to at least seven to eight other job seekers by raising one unit of loan. The growth graph given below shows negativity during last couple of years which is primarily due to various commonly creeping diseases in birds such as Bird Flue.
The beneficiaries were not aware of the measures to overcome such diseases and had to suffer huge losses. This has resulted in decline in the clientele during the last few years. But, the scheme has a very rich future prospect of providing employment to large number of rural masses due to increasing demand of poultry product within the country and abroad.

The **Fisheries Scheme** has been introduced by the Bank two decades before, providing assistance to fisherman families to adopt modern agricultural techniques. In addition to traditional workers, many landless labour families have been introduced in fisheries culture. One unit of loan raised provides employment opportunity to at least six to eight other persons involved in the same activity. During the last two decades the total loan disbursed under this scheme has risen from Rs. 183.74 lakhs in 1990 to Rs. 3347.73 lakhs in 2009-10. The growth graph below shows that there has been a negative growth during 2006-07, to 2008-09, mainly due to lack of efforts made by the Bank in proper implementation of the scheme and misappropriation of funds by the beneficiaries due to the Government policy of One Time Settlement scheme and lack of co-ordination between the nodal
agency and the Bank. The rising demand for fishery product in foreign
market creates enough opportunity for development of this scheme in the
near future. Presently it holds only 0.29% of the total loans disbursed by the
Bank for various activities.

Significant efforts have been made by the Bank in its support for
dervelopment of wasteland and making it rich enough for cultivation. Bank is
financing for the development of Horticulture, Sericulture and Floriculture
activities in the State. It was observed that a large name of educated rural youth have shown interest in raising loan for schemes like Sericulture and Floriculture. The growth under this scheme had been healthy during the last few years. Out of the total loan disbursed by the Bank 7.74% of the fund disbursed is for these activities, which shows the increasing trend towards this scheme. The State Government is running various short term courses to train the rural masses for the same which also makes it feasible for them to raise the loan from the Bank without much trouble. During the visit to villages and talking to the farmers they have praised the Bank for its overwhelming support under this scheme. The graph below shows the positive growth and increasing number of beneficiaries over the years. The loan disbursed by the Bank under this category ranks fifth amongst all lending afforded by Bank.

![Graph showing growth in Horticulture activities]

**Horticulture**

- X axis = 1:1
- Y axis = 1:2000

- Beneficiaries (Nos)
- Amount (Rs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Beneficiaries</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>920</td>
<td>520</td>
</tr>
<tr>
<td>2006-07</td>
<td>950</td>
<td>520</td>
</tr>
<tr>
<td>2007-08</td>
<td>950</td>
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<td>2008-09</td>
<td>1232</td>
<td>788</td>
</tr>
<tr>
<td>2009-10</td>
<td>1474</td>
<td>1020</td>
</tr>
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</table>

167
The lending under these schemes got a major setback due to poor recoveries. As the gestation period is too long, often beneficiaries are tempted to misutilize the funds.

The Bank have been providing the financial support to small and marginal farmers for plantation of trees like bamboo, neem, seesam, bar, acacia, eucalyptus, tamarind and other trees under the scheme of *Krishi Vanaki*. Not much had been financed under this scheme as the targets of the branches are easily achieved by funding for other popular schemes like minor irrigation, farm mechanisation, etc. Thus such scheme remains unnoticed. Since inception of the scheme, till 31st March, 2010 only Rs. 920.17 lakh had been financed to 4071 beneficiaries which is just 0.08% of the total loan disbursed by the Bank. The growth of the scheme has been poor as depicted below.
Not much of employment is generated by the scheme as these schemes are more suitable for wasteland development.

The object of the Bank was not only to support those who were engaged in farming activities but to support rural masses on the whole. A High Priority has been given for emancipation of the poor with the clear-cut objective of reducing unemployment, creating self-employment opportunities keeping a check over the migration of rural population. The Bank has realized that in villages there are many such people who are very good artisans, craftsmen etc. and they needed enough financial support for
developing these skills and earn their livelihood, which would also help in keeping the traditional art alive. Realising this the Bank has introduced \textit{Non Farm Sector Scheme} in the State. The scheme not only supports the individuals who take loan but also supports many others who are engaged in the activity to support the beneficiary.

This scheme has helped in generating enough employment opportunities for the rural educated unemployed and rural youth. It has also checked the increasing migration of rural masses to urban centers for seeking employment during off-seasons. The scheme has well supported those who do not want to engage themselves in farm activities. NABARD is providing refinancing facility for this since 1989-90. Since the inception of this scheme in 1993-94, till 2009-10, the loan distributed has grown from Rs. 98 lakhs to Rs. 104292.70 lakhs. The scheme ranks fourth in the overall loan profile of the Bank and covers 8.94\% of the total loan disbursed by the Bank.

There had been a see-saw in the growth pattern of the scheme over the years. The graph below shows the same, but there is no indications that the Bank has shown any slackness in providing loan under this scheme nor the beneficiaries have shown reluctance in availing the loan opportunities for the same.
The Bank has started supporting *Self Help Group* (SHG's) since 2003-04, nothing significant had been financed by the Bank under this scheme. As it was observed that the Bank had not made any separate packages to support these groups separately. Thus the cost of loan for the SHG's remains the same as for individual loans under various categories, which is quite high if compared with the rate at which the lending is done by the commercial banks or the RRB’s under the same scheme. This is one of the reasons why the Bank under study has been working on a back foot under this scheme. Although the growth during the last four years have been positive but the number of Groups supported by the Bank remained quit low. Since its inception till 31st March 2010 only 1598 beneficiaries under different groups have been funded with a support of Rs. 561.75 lakhs only.
The scheme holds enough potential and the Bank has to make necessary arrangements to improve its support for such SHG's in future.

The *Kisan Credit Card* scheme was started by the Bank in 2006-07 and in last four years the out flow of credit under this scheme has progressed steadily. There has been a positive growth both in the amount of funds disbursed and the number of beneficiaries over the years. The Bank is also providing funds to the farmers under Government sponsored Swarozgar *Credit Card scheme*, which has affected the growth of this scheme. The scheme is helpful in preventing the small land holder from falling into the trap of indigenous bankers prevailing in rural areas. Credit card scheme is a source of short term finance, in addition to the long term loan already raised by the beneficiary; it provided a great support to the small land holders. The total credit disbursed by the Bank under this scheme since inception is Rs. 1846.34 lakh supporting 3440 beneficiaries all over the State.
Institutional Financing was started by the Bank in the year 1994-95, not much had been financed by the Bank under this scheme since its inception. Only Rs. 1804.91 lakh has been financed by the Bank till 2009-10; which is just 0.20% of the total lending done by the Bank under various schemes. The main reason for such a small contribution by the Bank under this scheme is due to the tight security norms of NABARD.
In addition to the various development scheme of Bank, the Government has also launched various programme and policies to support the rural mass. These Government sponsored schemes have led to a promising path of creating new wealth opportunity and generate additional employment potential amongst the rural poor. It was observed during the study that the Bank has rightly introduced various Government Schemes in support of rural masses, which clearly indicate that the Bank is fully focused on eradication of the unemployment problem prevailing in rural areas of the State.

Both the Center and the State have introduced various programmes in this connection. UPSGVB have implemented a few of them. Amongst them one is Free Boring Scheme (F.B.S.) under this scheme, the Government provides free bore wells to small and marginal farmers, so that they could improve their farm output, and to make their investments complete, the Government provide subsidy for the purchase of pumpsets. The Bank has been providing funds under this scheme since 1987, and till 31st March, 2010, the total amount funded by the Bank was Rs. 107798.40 lakhs supporting 587457 beneficiaries. The growth under this scheme generally
remained positive depicting the increasing faith of the beneficiaries on the Bank over the years.

This scheme ranks first amongst all the Government sponsored schemes launched by the Bank. About 78.37% of the total funding is done by the Bank under this scheme.

The other scheme which the Bank has rightly implemented under Government sponsored programme is *Golden Jubilee Rural Housing Scheme* (GJRHS), the Bank has been providing funds under this scheme since 2002-03. Till 31st March 2010 the Bank had provided funds worth Rs. 2946.84 lakhs to 1365 beneficiaries, which is around 2.14% of the total lending done by the Bank under Government sponsored schemes. This scheme has not only helped the rural masses to build up a proper dwelling house for themselves, but has also supported many landless labours, by providing them with employment opportunity during all seasons within the village itself. There has been a positive growth under this scheme during 2007-08 to 2009-10 which shows the overwhelming response of rural masses towards this scheme.
Yet, another Government Sponsored scheme implemented by the Bank under Self Employment Generation Programme of Government of India is *Swarnajayanti Gram Swarozgar Yojana* (SGSY). The Bank had disbursed enough funds under this scheme to those who have been identified under below Poverty Line level and those who have formed Self Help Groups to support themselves. The total amount disbursed under this scheme till 31st March, 2010 was Rs.981.31 lakhs assisting 2433 beneficiaries all over the State.
The growth of beneficiaries and the loan profile under this scheme has been positive during 2007-2008 to 2009-10, which shows that the same is properly implemented and is providing necessary support for the rural mass to overcome the problem of unemployment and rural poverty.

Another scheme under Self-Employment Programme of Government of India adopted by the Bank is Prime Minister's Employment Generation Programme (PMEGP). The scheme has been recently introduced by the Bank under its loan profile in 2009-10 and had supported 13 beneficiaries only with a fund of Rs.48.09 lakh. Such a poor response under Government sponsored scheme indicates that the Bank has not made proper arrangements to market its schemes properly and while discussing with the branch managers about various, Government sponsored schemes and their status at the branch, many of them showed their unawareness towards such schemes.
Yet another Government sponsored scheme implemented by the Bank which effectively helping in catering to the problem of seasonal unemployment and making milk co-operative movement a great success in the State is *Sagan Mini Dairy Pariyojana* (SMIDP). The Bank had been providing funds under this scheme at subsidized interest rate since 1990-91. The Dairy development had attained prominence due to implementation of this scheme. Although the growth of lending had been negative during the last few years as shown below but it is not a matter of great concern because while talking to the villagers it was found that they have either raised loans under the SMIDP scheme or from the regular Dairy scheme of the Bank. It was observed that the Bank has also reduced interest rate to compete with the Government sponsored scheme.
As already discussed under the Dairy scheme that one unit of loan provides employment to additional two to three members which have been very helpful in creating additional employment opportunity for the rural masses. The total loan disbursed by the Bank till March 2010, under this scheme was worth Rs. 1489.87 lakh supporting 4379 beneficiaries.

Under poverty Elevation program, a Special Component Plan (SCP), has been initiated by the Bank, providing assistance to members of schedule cast / schedule tribe’s families living Below Poverty Line. The Bank has benefited 3802 members with funds worth Rs. 9598.29 lakh till March 2010.
The Mukhya Mantri Gramodyog Rojgar Yojana (MMGRY) has been implemented by the Bank to provide employment opportunities to rural artisans at their door step. This scheme was introduced in 2006-07 by the Bank and since then till March 2010, 123 members have been benefited with a sum of Rs. 172 lakhs only. The Bank has not taken the required initiative to promote this scheme. It was observed that the filed officers of the Bank are not working in co-ordination with Government officials, which is adversely affecting the proper implementation of such useful Government sponsored subsidy linked scheme. The graph below represents the growth of the scheme in last three years of its implementation in the Bank.
The scheme of **Swarojgar Credit Card (SCC)** was implemented by the Bank, under the supervision of NABARD; the scheme is providing hassle free short term funds for rural masses. The scheme is quite similar to KCC scheme of the Bank as the security norms and interest rate are flexible, thus the amount of funds disbursed under this scheme is higher than that allowed under KCC scheme. This scheme supports rural masses with easy composite loan of Rs. 25,000 per borrower. Thus short term needs could easily be met without much difficulty.
The total fund disbursed under this scheme since inception till 2009-10 is Rs. 14478.87 lakh to 64891 members. There had been a swing in the growth over the year mainly because of the unorganized policies of the Bank.

A special scheme with the help of NABARD has been launched by the Government of India with an objective to facilitate the farmers by enhancing them with new technologies of farming. The Bank has introduced this...
scheme in 2007-08 as *Agric-Clinics and Agric-business Center Scheme* (ACABC’S). Since the introduction of this scheme, the Bank is able to provide funds to farmers for learning new techniques of farming which would help them in improving the agricultural techniques in future ahead.

![Graph showing growth of loan and beneficaries](image)

In 2007-08 the Bank provided funds to 5 beneficiaries worth Rs. 10.5 lakh which has increased to 31 beneficiaries with a sum of Rs. 41.25 lakhs by the end of 31st March, 2010.

The experience gauged during the research work was that the Bank is trying its level best in all spheres to utilise the available resources in the best possible way and is trying to implement several of its own schemes for providing rural financing and also taking proper steps for the
implementation of Government sponsored programs at grass root level. It was observed that the schemes are effectively managed by the Bank at village level and are providing enough of employment opportunities in development of the rural economy.

The Bank has done a commendable work during the last fifty years in Generating Additional Self Employment opportunities for the rural masses by lending under various loan schemes introduced by the Bank or by proper implementation of Government sponsored programs and policies.

Although the Bank has been a non resource based institution since its inception and has generated most of its funds by issue of Debenture and grants from the government. Still the Bank has managed a handsome growth in all spheres which is worth appreciating. The Bank has made the rural masses realize that they can reap the benefit from the hidden wealth near their homes, below and above, the mother Earth and make the best use of the several credit schemes to their advantage. A faith has been inculcated by the Bank’s effort amongst the rural masses that by their own skills, ingenuity and use of natural resources; poverty, unemployment and backwardness could be eliminated.

5.5 Achievement of Overall Objectives:

There are number of factors which led to the making of tremendous business progress & winning of prestigious awards, continuously for number of years by the Uttar Pradesh Sahkari Gram Vikas Bank Ltd. Briefly, the quality lending, excellent recovery, consistent profits, simplification of
loaning procedures for the benefit of the borrowers etc. are some of the important aspects enabling the long term cooperative credit structure in Uttar Pradesh, to achieve these prestigious awards.

The Long Term Cooperative Structure in Uttar Pradesh is a **Unitary Structure** consisting of UPSGVB at Apex level meeting the Long Term credit requirements of the farmers in the State. Since its establishment in the year 1959 the Bank has been working as one of the major agency in ushering of Green Revolution in the State. Its continuous efforts towards creating additional employment opportunities in rural sector had brought the White and Blue Revolution in the State. In fact the steady increase in the membership is a strong indicator of the confidence imposed by the rural masses with the Bank. Branches are opened at the Tehsil and Block level with the objective to serve the farmers easily and nearest to their door-steps. The number of branches increased from 30 in 1959 to 323 by 2010. This had ultimately resulted in the increase of membership at the base level, which were 604 in 1959 and has increased to 4532892 members by 2010.

**Financial Aspect:**

Without a sound financial base no institution can make a progress. UPSGVB primarily generates its resources mainly by issuing of Debentures. With a view to strengthen the financial position of the Cooperative Institutions and thus to strengthen the economy of the Nation as a whole, the system introduced for execution of Memorandum of Understanding (MoU) between the State Government /Bank, with NABARD was promptly
adopted by the Bank which had a very positive effect on the financial position of the Bank. The Share Capital of the Bank which was Rs.15 lakh in the year of inception has risen to Rs.26999.90 lakh by 2008-09. The Owned Funds of the Bank have increased steadily over the years and in the year 2008-09 it was Rs. 38399.27 lakh, which has helped in maintaining the financial stability within the Bank. There has been a continuous growth in the working capital of the Bank, which indicates the financial soundness of the Bank. The working capital which was Rs.252858.14 lakh in 2000-01 has risen to Rs.379413.71 lakh by 2009-10.8

Viability:

In order to meet its objectives successfully the viability of a financial Institution is of paramount importance. The Bank is mainly dependent on the support of NABARD refinance for its financial resources. The free flow of funds from NABARD for ensuring free of flow credit to the ultimate borrowers has a key role to play in ensuring the viability of the Bank. UPSGVB as a leader of Long Term Cooperative Credit Structure in Uttar Pradesh enjoys a sound financial position as discussed above. This has been possible due to the reason that this Bank quickly adopted the policies of NABARD for availing uninterrupted refinance support from NABARD. For example, the Bank took lead in managing the signing of mandate by the UP Government in favor of NABARD, which ultimately resulted in an uninterrupted refinance support from NABARD for further transmission to the ultimate borrowers thereby leading to development of the State on one hand and strengthening the
financial position of the Bank on the other hand. This all has resulted in the increase of profits of the Bank from Rs 1841.83 lakh in the year 2000-01 to 2824.65 lakh in 2009-10. This was possible due to the vigorous efforts made by the Bank in ensuring the quality of lending and recovery of loans, which had improved the profitability of the Bank.

Advancement of Loans:

The Bank which initially started with a small working capital and disbursed Rs.3 lakhs in 1960-61 has increased its lending to Rs. 632927.31 lakhs by 2000-01 and further reached a new high of 1303666.69 by 2009-10. This was the result of timely compliance and implementations of the instructions of NABARD, and consequently timely availing uninterrupted NABARD refinance support for further advancement of loans, for various developmental activities in the State. Besides the factors like availing of free flow of credit from NABARD as already mentioned, there are various other internal and external factors also to which the success of the Bank is attributed and they are briefly as under:-

Internal Factors:

Recovery-

The success of any Institution and its future advancement is mainly dependent on the better recovery of the loans. In the sphere of recovery of loans, the Bank has always been particular and its recovery results have generally been excellent. It is pertinent to mention here that due to various natural calamities causing large-scale damage to the crops has
affected the recoveries to a great extent. Since 2000-01 there has been a negative trend in the Banks recovery rate mainly due to biased lending done by the Bank in past and misappropriation of funds by the borrowers. The recovery rate of the Bank was steady throughout, as it was observed that it remained around 70% mark since its inception and reached a new high of 86.20% in 2000-01, which was recorded the highest ever achieved by the Bank. But it came down to a low of 31.79% in 2006-07. There has been a slight improvement in the recoveries during last few years mainly because the Bank has taken various corrosive measures to recover its funds and the One Time Settlement scheme has also helped in overcoming the problem of bad recoveries to a great extent. During 2007-08, 2008-09 and 2009-10 the recoveries have shown some improvement and it was recorded at 70.72%, 55.47% and 62.21% respectively. Now the Bank has realized the adversities of poor lending, thus they are taking corrective measures to overcome them.

**Business Planning and Monitoring**

In the sphere of advancement and recovery of loans the targets are fixed in a planned way, purpose-wise, keeping in view the potential for each purpose. These targets are conveyed to the branches generally at the start of the year with specific instructions to achieve the same in a phased manner. While conveying these targets, the Regional Officers posted at Regional level are also advised to ensure the achievement of targets by the branches in the phased manner.

Monitoring of the progress in this regard is also made by the Head office in review meetings, being held with the Managers and Regional Officers on regular basis. During such meetings, the purpose-wise
progress made by the branches is also reviewed.

**T.M.E. Cell-**

The Bank has established a TME Cell consisting of officers taken from the technical departments of the State Government, who formulate and ensure the implementation of different Special Development Schemes, in coordination with the concerned nodal departments of the State Government.\(^{13}\)

**Development Action Plan/MoU-**

The Bank had prepared DAPs on the imitative of NABARD, followed by signing of MOU's. The Regional Managers are advised to ensure the holdings of Block/Tehsil Level Monitoring and Review Committee Meetings constituted for the purpose in the State to facilitate the achievements vis-à-vis projections of MoU, timely.\(^{14}\)

**External Factors:**

The success of the Bank in the fulfillment of its objectives can predominantly be attributed to the appreciable role being played by NABARD, which in fact treats the Bank as its extended arm. All the required technical help in the formulation of the scheme is extended by NABARD. To facilitate the formulation and the implementation of the scheme, the potential linked credit plan is prepared by NABARD and discussed in the State Credit Plan Seminar which is convened by it every year with the participation of all the concerned departments of the State Government. This helps the Bank in identifying the potential pockets for various activities.

The ultimate aim of the Bank is to achieve a self-reliant viable
Long-term Cooperative Credit structure for prosperity of rural masses in Uttar Pradesh by meeting its credit needs in an integrated and effective manner.

Initiatives Taken By the Bank during Last Few Years:

Deposit Mobilization-
With the objective of reducing its dependence on NABARD, the Bank has started collecting fixed deposits from individuals for not less than a year as per revised guidelines of NABARD / RBI. The Deposit Mobilization Scheme was started during the year 2002-03 and the Bank had a deposit of Rs.2384.90 lakh at the end of 2009-10. The Bank endeavors to transform itself into a full-fledged Bank but the support of State Government is vital.

Opening of New Branches-
To expand its service centers, the Bank has opened 5 new branches during the last four years, of which two have been opened in 2006-07 and three in 2008-09. Two more branches have also been approved by NABARD.

Computerization-
The Bank has started computerization of its operations. It has got installed one centrally located server along with 16 totally networked Pentium computers. It has also signed an agreement with a software developing agency for the development of customised software and data-communication between the Head Office and branches. Primary Training in Basic Computer Fundamentals has been provided to 217 employees so far.
Human Resource Development-

a. The Bank has chalked out Human Resource Development Programme training for its officials at various levels. 732 employees were trained during 2008-2009.

b. Staffing pattern of the Bank has been restructured to provide for its essential requirements of manpower with high morale, motivation and qualifications. 192 posts have been reduced, saving Rs. 136 lakh p.a. for the Bank. Still the lack of professional has been a major issue for Banks slow progress.

Special One Time Settlement Scheme-

Special One Time Settlement Scheme was launched w.e.f. 1.2.2000. The scheme aims at giving an opportunity to the borrowers of UPSGVB, who have not been able to repay their dues for a period of more than 6 years, to clear their dues by way of one time settlement at mutually agreed terms. Under this scheme, the loanee members who could not repay loan for the last 6 years due to genuine problems would get the relief and the Bank would realize their blocked funds as well. Also, the old loanee members whose lands were purchased by the Bank after they defaulted in repayments of their loans would get an opportunity to buy back their lands from the Bank, after paying their total outstanding amount.

Strengthening of Pre-Sanction Appraisal of Loans-

With the objective to curb miss-utilisation of loans, the Registrar, Cooperative Societies has constituted Pre-sanction Appraisal Committees at District Level, consisting of Deputy Registrar, Cooperative Societies and the Regional Manager, UPSGVB. These committees meet every Monday and the
loan cases screened by them are sanctioned by branches with prior approval of HO as per policies of the Bank. Earlier the loan cases of Rs. 1.00 lakh and above were screened by the Committees before their final sanction by the Managing Committees of the UPSGVB.

**Direct Payment to the Farmers**-

Previously after the sanction of the loans by UPSGVB, the disbursement was made to the third party / supplier of goods on the authority of the borrower. This was identified as one of the major reasons for harassment of farmers. To check this, the Bank has since decided to make disbursement of loans upto Rs. 1.00 lakh under Farm Sector and Rs. 2.00 lakh under Non Farm Sector directly to the borrowers through an account payee cheque/DD so as to enable them to negotiate with the suppliers / firms and purchase the goods etc. of their own choice at competitive price and value.

**Reduction in Interest Rate**-

To benefit the farmers in the State, the rate of interest on loans from Rs. 25001/- to Rs. 2.00 lakh was reduced from 13% to 11% from 1st July, 2008. For encouraging commercial dairy in the State in line keeping with the policy of the State Government for "2nd Push to Agriculture", the Bank has reduced the rate of interest on dairy loans above Rs. 2.00 lakh by 2% i.e. from 12% to 10% w.e.f 1.7.2008. The proposal to reduce the maximum rate of interest on all types of loans to 11% and for loans upto Rs. 1,00,000 to 9% is under consideration of the Bank.
Simplification of Procedures-

To benefit the farmers, the procedure for availing loan from UPSGVB has been simplified as follows:

1. The borrower is not required to submit No-Dues’ Certificate from the Village Cooperative Society;
2. The borrower is required to produce the copy of khasra /Khatauni only.
3. The borrower is not required to produce surplus area certificate.
4. The borrower is required to submit only one non encumbrance certificate instead of two as per the previous practice.
5. Manager of the UPSGVB has also been authorized to attest the photograph of the borrowers in addition to Sarpanch / Block head/ of the Village.
6. The Bank has also started taking security of immovable property other than agricultural land in case of Non Farm Sector loans; and
7. The valuation of land which is taken as security for loan has been increased from Rs. 1.44 lakh to Rs. 2.00 lakh per acre of irrigated land.

Awards:

1992-1993: This year the Bank was awarded the Uttar Pradesh Chief Minister’s Trophy for the Best Recovery performance.

1994-1995: The Venkataratnam Memorial Award was awarded to the Bank.
1998-99: The Bank was awarded by Ministry of Agriculture, Government of India for its commendable overall performance in the State.

1999-2000: This was for the first time when the Bank won the ARDBs Award. In this year Bank backed two National Awards in the same year for the first time. The Central Government Trophy and the Venkataratnam Memorial Award for commendable performance in rural financing.

Union Ministry of Agricultural Trophy - This Trophy was presented by the Prime Minister of India for achieving the forth position at the National Performance level in rural credit.
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