Chapter - 7

CONCLUSION & SUGGESTIONS
7. Conclusions:

The object of the present research work has been to study the Role of UPSGVB in Generating Additional Self Employment in the State. After analyzing the performance of the Bank in recent past, it can be concluded that the Bank under study has been successful in achieving its prime objectives to a great extent. Not only has the Bank has extended its support in providing long term credits for rural masses, but has come up as one of the major agencies in ushering of, the Green Revolution in the State and its continuous efforts towards bringing White & Blue Revolution is creating enough of employment opportunities in rural areas. The steady increase in membership is a strong indicator of the confidence imposed by the beneficiaries in the Bank. In order to serve the farmers and rural masses more efficiently and near their door steps, new branches are being opened year after year. In fact service to the beneficiary has been a stronger guiding factor for the institution, rather than profitability for which it is striving continuously.

If we Review the Indian Economy the GDP growth in the post reforms period has improved from an average of about 5.7 percent in the 1980s to an average of about 7.1 percent in Tenth Plan period, making India one of the sixth fastest growing economies in the world. The economy has grown by more than 9% during last three years, and has shown a decade of 7%+ growth. This has reduced poverty by 10%, but with 60% of India’s 1.1 billion populations living off agriculture and with droughts and floods increasing, poverty alleviation is still a major challenge.
The **structural transformation** that has been adopted by the national government in recent times **has reduced growth constraints and contributed greatly to the overall growth and prosperity of the country. However there are still major issues around Federal vs. State bureaucracy, corruption and tariffs that require addressing.**

The evidence demonstrates that **the economy is clearly on its way to sustained growth but what is critical in the coming years is a combination of inflation control, increased consumer spending, adequate liquidity and emphasis on development of industry & educational infrastructure. In the long run, the emphasis will have to be on decreasing the amount of dependence on the services sector and taking concrete measures to develop agriculture in the country. This can be only possible with sound governmental reforms, increased R&D spending and adequate import of technology and training. The future for the economy looks bright heading into the fourth year of the Eleventh Five Year Plan.**

**Agriculture provides gainful employment** to a significantly large section of Indian society and provides raw material for a large number of industries in the country. Agriculture is the largest contributor in the country’s Net Domestic Product, thus holding a key position both in view of employment generation and contribution to the National Income.

The direct contribution of the agriculture sector to national economy is reflected by its share in total GDP; its foreign exchange earnings and its role in supplying savings and labour to other sectors. It employed about 58 percent of the country’s work force and accounted for 10.95 percent of India exports in 2007-08. The composition of Gross
Domestic Product at constant price reveals that the share of agriculture has declined as growth in industrial and services sectors far outpaced agricultural sector. The share of industrial sector has increased from 21.6 percent in 1970-71 to 29.38 percent in 2007-08 and that of services sector has increased significantly from 32 percent to 52.4 percent during the same period. Despite a steady decline of its share in the GDP, agriculture is still an important sector and plays a significant role in the overall socio-economic development of the country. Thus it fosters rapid, sustained and broad-based growth in agriculture which remains the key priority for the government. Despite declining share, majority of workforce continue to depend on agricultural sector for employment. Thus there is a disguised employment creeping in the sector. This disguised employment leads to lower labour and resources productivity in the sector, relative to other sectors of the economy; which leads to higher rates of poverty in rural areas.

Agriculture in India is constitutionally the responsibility of the States rather than the Central Government. The Central Government’s role is in formulating policy and providing financial resources for agriculture to the States, with the States responsibility to implement the same.

India has been a Welfare State ever since has Independence and the primary objective of all Governmental endeavours has been the welfare of its millions. Planning has been one of the pillars of the Indian policy since Independence and the country’s strength is derived from the achievement of proper planning. Rural Development implies both the economic betterment of people as, well as, greater social
transformation. In order to provide the rural people with better prospectus for economic development, their participation in rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged. During the Tenth Plan Period, several anti-poverty and self employment programmes have been restructured to enhance the efficiency of the programmes for providing increased benefits to the rural poor.

The Indian peasant is born in debt, lives in debt and bequeaths debt; this statement still remains true for the great majority of working households in the countryside. The burden of indebtedness in Rural India is great and falls mainly on the households of rural working people. The exploitation of this group in the credit market is one of the most pervasive and persistent feature of Rural life in the country. Various regulatory measures have been enabling the Banking system to play an important role in the economic development of the rural areas. The most prominent measures are Rural Bank branch expansion and priority sector lending and the formulation of specific development programmes, to facilitate credit flow to the rural sectors. The Bank under study has been on of such institution which has played a significant role in overcoming the problem of rural financing to a great extent.

Even though India occupies the first or second position in the world in several crops in term of area and production; yet the productivity of some crops is not only low but also remained stagnant over the years. The yield gap needs to be bridged through an integrated package of technology and agricultural policies to reap the untapped production potential, particularly in rain-shed and other low productivity areas.
Other problems attributing towards backwardness in villages are Zamindari System, the legacy of the British Rule, the Bonded labour system, though abolished by Government under the Prime Minister ship of Mrs. Indira Gandhi, yet the system is known to persist here and there in selected areas. Problem of Structural Unemployment, Under Employment, Open Unemployment, Disguised Unemployment, Frictional Unemployment, Seasonal Unemployment, Low Literacy Level, Lack of Knowledge and Increasing Population Pressure on Land, are increasing the suffering for rural masses. UPSGVB had introduced various schemes to overcome the problem of growing unemployment in the rural sector, in the State. By initiating cheap loans to the farmers, so that they could generate enough employment opportunity for themselves and also open additional employment opportunities for number landless job seekers in the villages.

Although, after Independence the country adopted planned development and laid stress on agricultural development at top priority yet the measures have not laid up to rural potential. No doubt, villages are in a state of neglect and underdevelopment, with impoverished people, as result of past legacies and defects in our planning process and investment pattern. What if every village in the country is provided with basic amenities, with only a small population of the village engaged in agriculture and the remaining in other gainful occupations? When this happens India will turn into a mighty country. The day will see the reverse migration of people from the urban slums back to villages. Rural development is the subject to come to the forefront after the economic reforms and rural Banking will serve the backbone of this development.
Uttar Pradesh is a 'land locked state' and is the fifth largest state in the country in terms of area and the first in terms of population. The Northern boundary of the State is bound by the International boundary of China & Nepal, Himachal Pradesh in the North-West, Haryana in the west, Rajasthan in the South-West, Madhya Pradesh in the South-West and Bihar on the east. The State has abundant natural resources. The perennial rivers provide huge water resources. Besides this, there are sufficient underground water resources and the fertile land scope known as the 'Indo-Gangetic Doab'. The State is highly agricultural- agriculture and its allied activities contribute about 60 percent of the State's income and provide employment to about 75 percent of the labour force. Geographically, the State has three distinct regions:

(a) Extra peninsular region which comprises the great Himalayan region in the north (transferred to Uttrakhand).
(b) The Indo Gangetic Plain, and
(c) The Peninsular Region

The climate of the State is Tropical Monsoon, but variations exist because of difference in altitudes. The average temperature varies in the plains from 3°C to 4°C in winters to 43°C to 45°C in summers. Rainy season ranges from June to September. The rainfall in the plains is heaviest in the east and decreases towards the north-west. The eastern districts are the most vulnerable to floods while the Western districts are mainly prone to poor drainage. The forest constitutes about 12.8 percent of the total geographical area of the State.

Being the most populous State in the country, the State has the highest potential of labour force to work with. But as the main source of
earning for majority is agriculture and due to seasonal nature of agricultural activities the work force remains unemployed during a major part of the year. During the research work it was observed that the Occupational Pattern of the rural masses in the state is quite defective, due to which they could not reap a satisfactory yield out of the agricultural activities. Lacks of funds, Lack of technical know-how, Illiteracy are the major factors pushing the rural development process backwards.

The overall distribution of workers by broad categories indicates that agriculture still plays the main role in the State's economy. The employment growth during 2008-09 was highest in agricultural labours of 8.23 percent followed by mining and quarrying with 6.76 percent and trade & commerce of 6.42 percent. It was expected that with rapid industrialization and economic development there would be a shift of work force from the primary to the secondary and tertiary sector during the last decade, but the goal could not be achieved and still the substantial magnitude of workers are engaged in agricultural sector. Any discussion on the labour force would, remain incomplete without reference to the problem of unemployment. The rate of unemployment as depicted in Table No. 2.3 of Chapter II of the research work; signifies that there has been an increasing trend in unemployment situation in the State in spite of regular efforts of the Central and the State Governments. It is felt that the problem of underemployment, primarily in the agricultural sector is because of growing pressure of population on land or the inability to expand the land a under cultivation, at the same rate as the population or the labour force tends to rise. Thus, the problem of providing gainful employment to the unemployed remains unsolved.
On the basis of the 'high variable' economic levels, the State is divided into four economic regions which are geographically contiguous. The different economic zones have different economic characteristics, which provide favourable situations for the Agricultural Economy of the State. The Western and Central Region of the State have the highest value for agriculture output per person, while the Eastern region has the lowest. The State Government has established special economic packages in economic backward region (i.e. Eastern and Southern), to give an impetus to the development of these areas. The detailed analysis of the demographic, cropping pattern and other economic activities of Uttar Pradesh has been analysed in the research work.

Rural Development implies economic betterment of the people and ensuring better quality of life in the villages; which has been among the Central concerns of development planning since its inception. Since the dawn of independence, concerted efforts have been made to ameliorate the living standard of rural masses. Both the Central and the State Government have been working together for promoting infrastructure for improving productivity and social development in rural areas, to reach out by a frontal attack on rural poverty, unemployment through programmes of assets building, income generation and wage-employment.

As a measure to strengthen the grass root level democracy, the Government is constantly endeavouring to empower Panchayat Raj Institutions in terms of functions, power and finance. *Gram Sabha, NGO's, Self Help Groups* have been accorded adequate role to make participatory democracy meaningful and effective. The Bank in State Government also
proposes to set up *investment in rural infrastructure during* the Eleventh Five Year Plan. A good road network in rural areas, cost effective irrigation system, rural electrification, improved health delivery system, quality education, safe drinking water and sanitation to all rural house holds has been at top priority.

Government has implemented various *schemes for Total Rural Development*, such as 'Rajiv Gandhi Grameen Vidyutikaran Yojana' for all villages of the State to be electrified by 2012. The 'Sarva Shiksha Abhiyan' for universal enrolment of students in the 6-14 age groups. The 'National Rural Employment Guarantee Scheme" which is presently implemented in 39 districts of the State and the remaining 31 districts are covered under 'Sampoorna Grameen Rojgar Yojana' which focuses on providing wage employment to the needy. In order to enable poor household to come out of the poverty trap, avenues of Self Employment are opened under "Swarnajayanti Grameen Swarojgar Yojana'. The State Government has adopted a *'Cafeteria Approach'* in implementing various Self Employment schemes in the State. The 'Rojgar Chattri Yojana' run by Rural Development Department is an example of such approach. To conclude, it has been observed that despite the Commitment shown by the Central & State Government there are still various anomalies which need to be reviewed. I would also like to add that "*All efforts to achieve rapid and inclusive development will only bear fruit if we can ensure good governance both in the implementation of public programmes and in government's interaction with ordinary citizens. Corruption is now seen to be endemic in all spheres of life and this problem needs to be urgently redressed. Better design of projects, implementation mechanism and procedures can reduce the scope for corruption. Much more need to be*
done both by the Center and the States to lesson the discretionary power of government, ensure greater transparency and accountability and create awareness amongst citizens'.

Towards the close of the nineteenth Century when indebtedness was growing among cultivators and the co-operative credit system had not yet come into existence in the country, the government set up its own machinery for meeting the long-term credit needs of cultivators from State funds under the Land Improvement Loans Act. However, the facilities offered under this Act were not availed by cultivators to any appreciable extent due to their lack of knowledge and dilatory ways in which applications for loans were handled by the revenue departments through which such loans were administered. With the introduction of the Co-operative movement in 1904 it was felt that it would be in a position to provide sufficient credit to meet the needs of cultivators. But as the co-operative movement spread it became obvious that the resources mobilized by the societies could mostly be used for short term (ST) loans. They were not in position to extend loans for farmers so that they may liquidate past debts, redeem their land and other assets from usurious moneylenders. It was felt that the long term (LT) loans for these purposes would have to be dealt by a separate set of institutions. This realisation had to the establishment of co-operative land mortgage Bank in the early 1920's. UPSGVB is a pioneer co-operative financial agency which was established on March 12, 1959 by the name of Uttar Pradesh State Co-operative Land Mortgage Bank with 30 branches across the State. During the last fifty years the Bank has transferred its name thrice and now finally rechristened in its present-nomenclature of UPSGVB since 1994. At present the Bank is operating through 323 branches and 17
Regional Offices in the State. The Bank has a Board of Directors to direct and control its operations, within a term of 5 years. The Chief Executive Officer is appointed / deputed by the State Government. At HO down below the MD, there is CGM or GM, one of them acts as the Principal of Training Center and the other looks after different departments such as General Administration, Finance, Planning, Inspection and Audit etc. The Bank has 17 Regional Offices headed by the Regional Managers, but the job of Regional Officers is just supervisory in nature. They merely form a bridge between the Branches and the Head Office. They visit branches just for sample verification so that the proper utilisation of loans disbursement is done at branch level and they submit their report to the Head Office. The role of ROs need to be revised as it was observed during the research work that the branches are operating independently under the control of the Branch managers and no proper cheek has been imposed over their working from HO or RO, which is adversely affecting the loan targets of the Bank, as it was noticed that huge amount of lending is focused towards a few schemes while others remain unrecognized.

The Branches operate generally at Tehsil level covering 1 to 4 Development Blocks. The role assigned to them is deposit mobilization, disbursement of loans, creation of mortgages and recovery of Bank dues.

The Bank arranges resources for the lending through flotation of Debentures from time to time. NABARD, the State Government and other financial institutions invest in the debentures floated by the Bank. The Management of Bank is concerned with the accomplishment of organizational objectives by utilizing physical and financial resources;
through the efforts of human resources, which is elaborated in Chapter 3 of the research work.

The researcher has observed that the manpower planning and its deployment need a redressal. Large numbers of posts are found vacant and no efforts are made by the Bank to fill them. This had resulted, an extra burden on the available work force which is affecting the efficiency of the staff and the lending programme of the Bank. It was also observed that from top hierarchy to bottom, the procedure of recruitment is not proper. The CEO is not a professional Banker, which seems to be affecting the professionalism in the working of the Bank. No proper assessment of staff at various categories and grades since 1999-00 by the Bank is affecting the proper channelization of business activities to a great extent. It was also observed that the approved staff strength position in various categories / levels for the entire Bank have not been on any scientific study but on the basis of individual perceptions of a few in the top management; and all this is approved by the Board and also the State Government. There seems an irregularity in deployment of staff, in some regions both in RO and branches, very high number of staff is found in few regions while other regions faces acute shortage of staff. A large number of recruitments in a single year, in one cadre, had led to complications in upward movement of employees. Added to the above, there is a system of direct recruitment at all levels from Assistant Accountant to Assistant General Manager, which led to lack of promotional avenues and a sense of de-motivation among the employees. The Bank Management had not been pragmatic and judicious in its promotion policy. All this has a direct impact on the working of the Bank. It was observed that the lack of professionalism, at
top level of management had not enabled the Bank to work on professional lines and prosper. Wrong assessment of staff requirement at different levels, irregularity in deployment of staff, a large number of recruitments in a single year, faulty promotion policy, etc. has reduced the enthusiasm amongst the employees; as a result a sense of demotivation is creeping. There is a serious requirement to counter this problem because it has a direct binding on achievement of overall objectives of the Bank.

It was also visualized that the employees have been very much concerned about the transfers and postings in the Bank. While interacting with a few, they expressed their grievance, on *enough political influence in transfer of employees*. As a result, there had been large concentration of the staff at some places and in other is no requisite manpower to manage the branches and the business development.

It was also observed that a number of training programmes had been arranged for Assistant Accountants / Accountants, but training of Managers on Rural Branch Management aspects had remained neglected. There is *no training programme beyond the level of Managers and therefore the middle and top management* of the Bank are not sensitized to issues related to Human Resource Development, fund, Assets and liability management, investments and industrial relations etc.

The role of UPSGVB in fostering the overall development of villages in the State is worth appreciating. The Bank is marching forward, leaving others behind, both by increasing its number of beneficiaries, as well as increasing its profitability over the years. The branches are opened all around the State covering all 70 districts. The researcher has observed
that the beneficiaries were not satisfied by the Banks procedure of financing, they expressed that the Bank does not give full amount of project cost, due to which the funds could not be properly utilized in business which often results in failure of project, making beneficiaries incapable to repay their loan, which increases the bad loan amount of the Bank, adversely affecting the growth of the Bank.

Study reveals that the Bank has played an important role in overcoming the problem of disparity in income distribution amongst the rural masses. The Bank has provided smart loans to SC, ST and OBC families under Government sponsored schemes, where it's lending has increased from 50.87 per cent in 2005-06 to 59.28 per cent in the year 2007-08. This gives clear evidence, that the Bank has rightly taken all steps to eradicate rural poverty and create enough employment for rural masses. The Bank has adopted a Cluster Approach for rural financing, in the villages so that the integrated and comprehensive development of the village may take place. Efforts are made to provide loans under various schemes run by the Bank, but reckless lending is always avoided.

The study reveals that Branches are more inclined in granting credit under various Government sponsored schemes, thus various other portfolios / avenues of generating self employment for rural masses remain unutilised. Earlier the Bank was not fixing any targets for its branches, but since 1998 the procedure was reviewed and specific targets are fixed for each branch on the basis of their previous performance. In short, UPSGVB is trying its level best to safeguard the poor farmers from the clutches of Indigenous Bankers and promote Self Employment opportunities by extending rural financing. But, there is much left
undone, which the Bank has to explore. The **Bank has a very unique simple & centralized procedure of fund management.** Funds are remitted to branches for lending purposes, they receive recoveries from beneficiaries and remit that to Head Office and the Head Office invests surplus funds, besides monitoring accretion of funds, at the branches and also floats debentures based on the mortgages collected by the branches. The Chief General Manager (Finance) is head of the Finance Department at the Head Office; his decisions are generally ratified by the Managing Director. Other than these two officials in the Bank, none has any financial powers in fund management. This system helps in taking quick financial decisions to gain optimum benefit from various investment opportunities. All the powers are centralized; there is no problem in finalization of responsibility & accountability. Since 1998 the Advances Department was fixing the loan targets based on the disbursements achieved by the branches during the previous years. However from 2001-02 the Bank started the practice of branches fixing their own targets in tone with potentials available in various activities under the over all policy of Head Office. Further the loan targets are also segregated quarter-wise and month wise, which has been discussed in Chapter 3.

The **Cash Management of the Bank seems to be weak.** The Bank is not preparing any cash flow statement at present. During the branch visits it was observed that the Branch Managers have entrusted the cashiers or accountants for cash management. Cashiers take decisions as to how much and when the cash is to be deposited into the current account of the Bank. As a result, branches have heavy amount of cash which remain idle. Due to this many branches face lot of problem in getting Demand Drafts for transfer of cash to Head Office. Many branches were not
recording the entries in the General Ledger Chronologically. Even reconciliation statement had been one of the most neglected areas in the branches; which is adversely affecting the fund management and deposits mobilization system of the Bank. It was observed that many branches were indicating nil balance in funds requisition statements, in respect of their loan account balances, as they reasoned that by the time Head Office sends funds it takes a week's time and they fear that if they indicate correct balance in the account, the Head Office may not send funds. Due to all these defects in the cash management at branch level huge amount of funds remain unutilised / idle and the Bank keeps on raising re-financial support from NABARD or the State Government which adds to the cost of borrowings, in turn which increases the cost of lending. This adversity need to be rectified as it imposes redundant increase in the cost funds, not required.

It was observed that the Bank had been prompt in repaying NABARD and was found to be extremely cautious. It had never defaulted to NABARD in its borrowing operations, which should be attributed to good recovery rate of the Bank in its loan profile. Researcher also found that due to delay in obtaining Bank guarantee from the State Government, the Banks profitability is adversely affected. Often the Bank had to avail either overdraft facilities against the existing investments at higher rate of interest or premature closure of the deposits. Which puts an additional burden on the cost of rising of funds and when these funds are lent at a marginal rate of interest it affects the profit margin of the Bank and future credit plans. The Researcher has no doubt in stating that there was no proper supervision and control over cash management at any level. The reconciliation of current account which is the basis of all
flow of funds had been the most neglected area of the branches. The fund requisition statement (weekly) is prepared by the branches and sent to Head Office in an adhoc manner. There is no system to monitor the idle funds. Even no uniform practice is adopted at the branches so far in operating current accounts separately for loaning, recovery and administrative purposes. Due to these irregularities, the Head Office is not in a position to know the exact funds position to monitor the most sensitive portfolio of funds management with precision, care and professional approach, it deserves.

It has been observed that loan portfolio of the Bank caters mostly all the schemes which are launched for rural upliftment either by the Central or the State Government, but the loan profile of the Bank remained heavily inclined towards the Government Sponsored schemes only, due to which various other notable sectors with bright prospects were over looked. The figures reveal that the schemes like Free Boring scheme under Minor Irrigation, the Saghan Dairy Scheme under Dairy Development, the GJRHS scheme, the SGSY scheme, the PMEGP scheme, the SCP scheme, the MMGRRY scheme, etc. have been well implemented by the Bank and not only the Bank had improved rural credit under these schemes but its role has been much better as compared to other Banks. The figures show that the Bank has very well implemented the schemes and there has shown a remarkable growth of employment opportunities for all in rural areas. The Bank has not only increased its loan disbursement plan, but also put a check over rural migration to a great extent.
The Bank under study has been one of the major agencies in ushering Green Revolution in the State and it is through its schemes it is able to steadily increase its beneficiaries in the State. The Bank is making continuous efforts under the close supervision of NABARD in launching new programmes and policies for marginal farmers and rural unemployed, so that they could raise their standard of living and could find means ways of self employment.

The Minor Irrigation scheme has the Lion’ share of the total loan disbursed by the Bank, mainly due to demands of the Government Sponsored free Boring scheme, under which the beneficiaries are provided with Government subsidy for the purchase of pump sets. To Bank provide fors for purchase of pump sets, deep tube cells, bore cells, shallow tube wells, Dug wells, Drip Irrigation, Rahats, Sprinklers sets and their repairs and renewals. Minor Irrigation projects are set up in White Areas (which have abundant of ground water resources), and the scheme has helped in increasing the irrigation potential within the State to a large extent.

Another scheme which has helped in getting the agricultural activities more professional and commercialized is Farm Mechanisation scheme. It is one of the prime movers of Indian agriculture needs and further boosts the modernization of Indian agriculture. The loan is provided for purchase of Tractors, Power Tillers, Thresher and other equipment and their repairs. The implementation of such schemes has continuously helped in overcoming the problem of rural unemployment as one unit of loan provides employment to many more. It has been
observed that such schemes are finding its acceptance amongst the educated rural youth.

The State has diversified agro climatic condition suitable for commercial cultivation of sub sector of Horticulture, Sericulture, and Floriculture activities. The Bank has realized the need for financing in this sector and thus extended its support by adding this sector under its loan portfolio. The loan is provided for establishment and development of orchards, Ornamental crops, Plantation crops etc. The products are highly perishable in nature, thus the loan is disbursed keeping this factor in view. Generally, medium and long term loans are provided in case of new orchards and plantation schemes, while short term loans one provided for other activities. It has been observed that loan is presently provided for comparatively shorter periods. A close technical scrutiny and economic viability appraisal is a must to improve the scheme in future.

**Rural infrastructural development scheme is at top priority in the Central Governments Five Year Plan.** Government is taking proper initiatives and efforts are made for providing adequate resources through Rural Infrastructure Development Fund. Although the Bank has added this scheme in loan portfolios, but has *not shown much eagerness in financing for such schemes yet*, mainly because of lack of co-ordination between the State and the Central Government and lack of inter relationship between the State Government and NABARD.

The place of project implementation needs to be stepped up in order to avoid cost escalation and time over run. Better co-ordination should be generated amongst various departments, so that the scheme could be properly implemented, and enough financial support to the
farmers and villagers be provided to harness minimum benefit out of RID projects.

Another scheme under the Banks loan portfolio is Dairy farming and animal husbandry scheme which have been an important source of subsidiary income to small/marginal farmers and agricultural labourers. The researcher has observed that during the last decade this scheme has been very popular and had provided enough impetus in generating additional self employment to large number of rural masses. The Dairy development had attained prominence due to implementation of Saghan Mini Dairy scheme by the State Government. It was observed that Animal Husbandry scheme has also shown a great improvement in the last few years. The funds are provided for purchase of crossbreed cattle, indigenous cattle, Buffaloes, sheep, Goats, pigs etc. It was found that this scheme was more popular in Western & Central region of the State and the Bank has extended its support by providing regular funds under this scheme. Although the State Government is vigorously implementing the new National & State Breeding Policy since 2001, yet due to lack of proper knowledge and poor co-ordination between the Centre & the State the scheme could not be implemented properly. Development of alternative sources of energy in the form of setting up of Bio Gas units was very popular in the 80's and early 90's. This helps farmers in saving on fertilizer, preventing, and cutting of forest trees for use of fuel thereby restricting deforestation. The Central Government in association with the State Government and other agencies (the UPSGVB) has been trying their level best to assist more number of small and marginal farmers by providing them with funds for setting up of Bio gas units. The scheme seems to prove fatal because mostly the plants were setup which were
not up to specification and thus could not last long. The State Government has announced incentive for purchase of kit to modify diesel engine into dual fuel engine. But the Bank has not yet extended its financial support for the same.

Non farm sector scheme has helped to provide additional Self Employment avenues for large number of labourers, artisans, and educated/skilled persons of the State. Under this scheme, loan is disbursed for Handicrafts, paper products, manufacture of sports goods, stationery items, Handloom and power loom etc. Besides the traditional activities under Non Farm Sector, there are various emergent activities which need immediate reference to develop such activities by providing timely and adequate credit. This sector has a very high potential and the same is recognised by the Bank. Thus there has been a regular increase in the flow of funds for such scheme. Dunlop Cart had been the most common mode of transport used by villages for transporting their farm produces from farm gate to markets. The activity not only provides cheaper source of transport but has a good capacity for Self Employment generation in rural areas. The silent feature of this scheme is that it provides funds also to landless agricultural labours, which have made this scheme very popular among the rural masses. In recent times, this scheme has to face major set back due to the modernization and more use of tractors and other small road transport vehicles by the villagers as the Bank has extended its financial support for them as well. Still for routine farm activities, the Bank is providing finance for the purchase of Dunlop Cart with a view to provide self employment to borrowers. Bank has recently taken up the institutional financing in its loan portfolio. It is providing funds for marketing support to rural produce, artificial
insemination prophylactic vaccination, first aid, castration, feed and fodder, seed distribution and technology dissemination services at farmers' door step. Not much has been financed by the Bank under this scheme. In fact during the last five years, nothing has been financed. This shows the casual approach of the Bank in extending its support to provide fund for this scheme. Necessary steps must be taken to restart once again in providing financial assistance in this Sector. No strong measures/initiative has been taken by NABARD to increase financing for such institutions.

In order to enable poor households to come out of poverty trap on a sustainable basis, it is essential that avenues of self employment are opened up for them. "Swarnajayanti Grameen Swarojgar Yojana" is designed to achieve this goal by providing assistance to Self Help Groups. The Self Help Groups have been constituted under SGSY, NABARD funded schemes etc. The Bank has recently started funding under the scheme of Self Help Groups; focusing the activities on cluster approach. The list of families to be arrested is identified by the Gram Sabha, under the BPL Census; and the funds are provided to the Group on a whole, and not to the individuals. The advantage which the beneficiaries have is that there is no margin money, necessary irrespective of loan amount. Thus the savings of the group are not blocked for meeting the margin money. The UPSGVB has been providing credit under the SHG-Bank linkage Programme introduced by NABARD. Yet the Bank has not provided much financial assistance under this scheme; mainly due to lack of the State Government and NABARD support / initiatives.
Yet, another scheme in the bag of UPSGVB loan profile is Poultry Farm Development scheme. It has been observed that the State has a great potential for growth of the poultry sector. The Eastern part of the State is more pronounced than the other parts of the State. The Bank has been continuously financing under this scheme to marginal farmers and Self Help Groups in particular.

The researcher has observed that in order to give boost to the poultry sector, the poultry units of less than 10,000 birds have been accorded the status of "Agriculture" and units of more than 10,000 birds have been accorded the status of 'Industry'. It was also observed that due to low level of priority given by Government of Uttar Pradesh for development of poultry sector, there have been poor growths of the sector. During the last five years the UPSGVB has also reduced its credit programme mainly due to poor recovery rate.

Fish production in the State is registering an increasing trend but there are ample opportunities to cover other additional areas also for enhancement of existing fish production. The Bank under study has funded handsomely under fisheries scheme. It has helped to provide regular Self Employment to Rural peasants throughout the year and has helped considerably in overcoming the problem of rural migration. During the research it was observed that loan portfolio of the Bank has not been much stable mainly because of lack of proper knowledge amongst the rural masses, about how to start this activity and less enthusiasm shown by State Fisheries Department in bringing the loan proposals to the Bank. Emphasis is proposed to be placed on development of appropriate marketing system, promotion of fresh prawn culture, use of water logged
areas near canals for pisciculture and promotion of private sector for setting up hatcheries and provide extension support to fisherman. It is expected that the State would be in a position to usher in 'Blue Revolution' by the end of Eleventh Plan.

Since 2005-06, the Bank has started funding farmers on behalf of Kisan Credit Card. The Bank issues this card to farmers against the mortgage. Ideally Rs.5600/- to Rs.22750/- per hectare is credited depending on the type of crop in kharif season and it varies from Rs.4850/- to Rs.53200/- per hectare for Rabi crops. Majority of the farmers utilize the loan for purchase of agriculture inputs, while some of them use it in running small businesses and meeting contingency expenses. It was observed that \textit{about 90\% of the farmers were successfully operating the Kisan Credit Card} and they were regularly repaying the loan with interest at the end of year. The farmers were of the view that this credit card helped them a lot in farming operations. Further, KCC holders are also provided insurance cover upto Rs.50000/- under the RKBY, at a nominal premium of Rs.9.40 per year, which adds to its credit.

The working of the Bank is carried out as per the policies and instructions of the Head Office so as to \textit{achieve the corporate goal}. It is achieved through checks, cross checks, audit and inspection and control returns/statements. During the Research it was observed that the branches \textit{were not adapting to proper procedure of balancing the cheque issued Register on a daily basis}, due to which they could not know the clear business position. Not crediting the cash daily into the current account creates problems of safety and delay in transfer of funds.
to Head office. Further, it provides *a fertile ground for malpractice*. Even the writing of Journals on daily basis was missing in few branches visited during the research work. It was also observed that the General Ledgers were written once in a month in most of the branches visited, due to which the branches were restoring to estimations of balances in the current accounts when required. The *quality of inspection needs improvement*. As it was observed that the regional managers emphasise only on the verification of the loan proposals during the course of inspection and the other key areas are not monitored. This has been one of the reasons for the Bank not being able to cope with the growing competition in credit structure.

Issue of Debentures is the main source of funds for the Bank. The other sources of funds are Share Capital, Loans from NABARD, Reimbursement of Subsidies from the Government and other grants from the Central and State Government. These Debentures are mostly purchased by financial institutions like NABARD, the Central and the State Government, Commercial Banks etc. The major share of finance is by flotation of debentures through the refinance support of NABARD. The working capital requirement of the Bank is met through the nominal membership fees, admission fees, administrative fees, legal fees etc charged by the Bank. It has been observed that the Bank has a very high potential for rural credit, but could not work upto its potential mainly due to lack of funds. *The resources of the Bank are not independent*, but are more of the nature of borrowed funds. Thus it can not expand its activities as per requirement. Recently the Bank has started developing its resource mobilisation schemes so as to decrease its dependency on NABARD and Other Agencies. Various *Expert Committees have*
recommended that the Bank should be given the status of professional Bankers so as to expand its operations in the forthcoming future.

In spite of the progress achieved by the Bank, *it had remained as non resource based institutions right from their inception*. Until 1971 the ARDBs were not expected to raise their own resources from members and public. Moreover the regulated low lending rates were uneconomical and therefore the ARDBs 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 Cooperative Societies Act or the Bye Laws of the Bank. The RBI scheme which was introduced in the year 1971 permitted the ARDBs to accept deposits only from non-borrowing members of the public, repayable between periods of 1-2 years. As the loans issued by the ARDBs were normally for 5 to 15 years, there was a mismatch between the maturity pattern of deposits accepted by the ARDBs and the loan issued by them. There were a number of other factors also which prohibited the ARDBs from mobilisation of deposits. As the interest rates both for lending and borrowing were regulated by RBI till 1994, it was illogical to raise deposits at a higher rate and then lend them at a lower rate.

There is *a great potential for raising rural deposits* which is borne out by the fact that sizeable deposits have been mobilised by various agencies in the rural areas. After the nationalisation of Banks, the network of commercial Bank branches has expanded enormously and they have mobilised rural savings on a large scale.

Therefore it was the recommendations of a Study Group under the Chairmanship of Dr. M.C. Bhandari, NABARD in August, 1997 which issued
revised guidelines for Deposit Mobilisation by ARDBs. As per the revised guidelines the ARDBs are permitted to accept deposits from individuals and institutions without the earlier restrictions of accepting deposits from borrowing members. **The Banks are also allowed to mobilise deposits in the form of Recurring Deposits, Cash Certificates, Fixed Deposits and other instruments** with the option for periodical payment of interest or on compounding basis, depending upon the choice of the depositors.

In spite of the recommendations of the Study Group under the Chairmanship of Dr. M.C. Bhandari, the **UPSGVB could not implement the various schemes as suggested, because of the casual attitude of the senior Bank officials and the State Government.** This is adversely affecting the resource mobilisation plans of the Bank. The Bank gets financial support from NABARD at 7.5% to 8% and grants loans to members at interest rate of 11% to 13% p.a. The Bank has to bear other miscellaneous charges such as commission on demand drafts, interest on overdrafts, discounting charges of bills and hundies, etc. Due to which **the Bank could not develop its own resources and has to depend on the financial support of NABARD, the Central and State Government.** This has a direct impact on the credit plans of the Bank. It was observed that **the Bank is losing its clientage** over the years because of the tremendous competition it has to face from RRBs, the Commercial Banks and other financing agencies which are working in rural areas. As they are able to provide loans at cheaper rate than that offered by UPSGVB because the could easily mobilises huge funds themselves under various deposit mobilisation schemes offered by them, which has its own restriction in the Bank under study, this needs a revision. Another reason for reduction in the clientage over the years has been the **tight security norms for**
lending on the basis of 100% land mortgage basis, which is relaxed in other financial institutions as they provide funds hypothecating secondary security, if the client is not in a position to mortgage land.

Employment generation through productive schemes has been one of the objectives of the planning strategy of the State. **Specific programs were launched by the Bank in the past to create stable employment opportunities** for different categories of rural masses namely educated semi-educated and illiterate job seekers. The Central and the State government organize various training programs and give subsidy based loans to enable the rural masses to improve their standard of living. The schemes aimed at achieving full employment for the unemployed and raising income level of the weaker section of the rural masses. **The Bank helps to generate gainful employment** to raise the income level of the beneficiaries who happened to be below poverty line or remain unemployed in major part of the year. The growth of population, the pace at which non-agricultural activities are developing within and outside the rural economy and greater resort by owners of land to personal cultivators, have tended to increase the strains of poverty for cultivators with marginal holdings and for large number of landless agricultural workers. There are many areas which have still surplus population in the State.

The experience gained during the research work was that the Bank is trying its level best in all spheres to utilise the available local resources by effective implementation of its schemes at grass root level. It has also been analysed as to how effectively the schemes are managed at village level and what effect it has made on the rural economy. The rural masses
have started realising 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 various credit schemes of the Bank which assist them in rural financing. A faith has been inculcated among the rural masses that by their own skills, ingenuity, and use of natural resources, poverty and backwardness could be eliminated. **These development schemes have led to a promising path of creating new wealth opportunities and generation of employment potential amongst the rural poor.**

The Bank has been providing loan to both individuals and group of individuals and interest is charged on the quantum of loan to each member in the group. Few shortcomings which came to knowledge during the study were that the Non Farm Sector which holds a promising future is not able to do well due to shortage of land with beneficiaries for collateral security for raising loan. **The land mortgaging criteria for different loan schemes must be revised** so that the beneficiaries could make proper utilisation of their land and raise loan according to their requirements and not just to avail the government subsidies. The registration fee for mortgage of land upto a loan of Rs.50000/- is free and thereafter the farmers have to bear a stamp duty. This was one reason which made the borrowers to restrict their borrowings below the said amount. This limit needs a revision. Like other commercial Banks the UPSGVB may also devise a suitable method of accepting cash in form of deposits as securities and its subsequent renewals or adjustment towards loan depending upon the subsequent operations of the loan accounts. **To be precise, the Bank may devise some ways and means to come out of total security, based on land valuation, so as to increase its clientele base.**
Suggestions:

On the basis of the above study, the following suggestions are put forth. These suggestions are however tentative, but they may be very helpful in improving the working of the Bank under study. These suggestions would also help in proper implementation of various schemes of the Bank which would help in generating additional employment in the State.

In order to ensure that the Bank may acquire adequate borrowing power and provide cushions for its high overdue position, the Bank will have to strengthen its owned funds base where paid-up capital is major component. It may be mentioned here that various Committees like the Rural Credit Survey and the Vyas Committee have emphasised the necessity of adequate share capital base.

There seems to be a huge gap in credit availability in rural areas. The Bank needs to revitalise at the earliest, as delays would be detrimental to the interest of the rural population. The Central and State Governments will have to provide the required funds since the Bank under study do not possess them.

NABARD should provide guarantee free re finance with built in flexibility of relaxed norms for underdeveloped areas and educated unemployed in the State and with trigger mechanism at NABARD's command to recover the refinance with the least botheration and delay.

In order to reduce the problem of increasing NPA's, the Bank needs to implement its norms on the guidelines of NABARD by introducing One
Time Settlement Scheme strictly at all branches, so that the bad and doubtful loan accounts could be timely settled.

The State Government may explore the possibility of appointing a professional CEO of the Bank, for a period of not less than three years. The State Government may ensure that as far as possible he/she shall remain in position up to the prescribed tenure. A review of the performance may be done on an annual basis, but minimum three years term may be given to assess the overall performance.

The branch plan and allocation for credit disbursement under different portfolios should receive greater thrust for credit deployment according to the available potential in the process of diversification.

Since the management has a crucial role to play in the development of co-operative institutions, such as the UPSGVB, the state should endeavour that the management of affairs of the Bank continues to rest in an elected board in keeping with the true principles of co-operation and democratic management.

Business of the Bank has been affected due to branches being located at remote areas and lack in proper ambience to attract customers. Thus it is an important aspect to be considered by the top management as top priority, as it will help in increasing the deposit mobilisation of Bank and help the Bank to be self dependent in near future.

The attitude and efficiency of the Bank-staff and attention paid to the customers are important factors in mobilising deposits in rural centers. Unfortunately, the Bank's customers-service is not so prompt and
efficient which may steal a march over the competing commercial banks, Regional rural banks and other scheduled banks. Perhaps, this is one reason why the apex Bank has not succeeded in mobilising the expected amount of deposit. ‘Good banking’ as is rightly said ‘depends more on good bankers rather than good statutes’.

The growth and success of any Banking institution are always measured by the degree to which it attracts and holds its customers, in the circumstances, it is incumbent on the bank’s staff to be well versed in the operational aspects and treat their customers, with utmost courtesy. Adequate training programme necessary to equip the Bank-staff with modern banking operations may be undertaken by the management.

In order to judge customers’ reaction to the services rendered by the Bank, the Management and the Employees’ Association may jointly organize annual customer-week and conduct surveys through questionnaires on random basis and undertake remedial measures. The significant issue is Why not to adopt an attitude of ‘You are our valued customer, we are eager to serve you better’, instead of the self-contended attitude of ‘Our customers are always satisfied’.

Before selecting a site for a new branch, the Apex Bank should undertake a survey to know the saving habits of the rural people and assess the credit requirement of the locality. The branches should be transformed to an agricultural development center for providing guidance and help to the farmers. It should also be the center of business activities in the villages.

Awareness campaigns need to be organized frequently, as it was observed during the visits to villages that farmers showed their
unawareness towards various schemes offered by the Bank, mainly due to high illiteracy level and lack of knowledge about the new improved technology for farming not reaching them. The Bank may setup a separate cell seeking help of experts in field of agricultural activity and the State Government, to organize such awareness campaigns through which it could provide adequate assistance to the rural masses.

New branches need to be opened in far off remote areas of the State, as it was observed during the work that due to lack of staff and tight recruitment policy, the Bank could not extend its new branches opening programme as effectively as it should be.

The Bank may extend its support by financing for the development of cottage industries in rural areas because it could provide employment to large number of rural masses under one roof.

Loans may also be given for higher education in the field of agricultural techniques so that the beneficiary could make use of professional knowledge in future for the development of Agricultural activities.

'The rural deposits have to be 'cultivated' with all the care and patience as the typical Indian farmer cultivates on his farm. Creation of deposits is a long drawn process and it is influenced to a great extent by the role played by the Bank in rural economy'. The Bank has recently started accepting deposits under Fixed Deposits scheme. Although the response of the farmers has not been worth appreciating but there is still a hope of improvement. The Bank may start the work of tapping rural savings through the Field Officers of the Bank, who are already acquainted with the rural masses in their own jurisdiction. The work of
deposit mobilisation of the Field Officer will be an addition to their normal duties. As an incentive, the Officers may be given a fixed commission of his daily deposit collection.

The reduction in support of BDO's and other Development Departments of the State Government as per the policy of the Bank during the last few decades has reduced the credit program of the Bank to a great extent. *Increase in co-operation will go a long way in increasing the business of the Bank.* This way the Bank can overpower the deficiency of staff at branch level. Since the support of BDO's and other Development Departments are available almost free of any charge. Dependence on subsidy linked schemes through Government sponsoring Agencies may be reduced and *priority be given to High Value advances* in both farm and non farm sector to earn more income.

Instead of preparing annual performance budgets, *the Bank should prepare long-term perspective budget.* In the absence of such a budget it may not be possible for the Bank to indicate broad objectives and project the pattern of growth for the years ahead. The Bank may consider preparing comprehensive co-operative credit planning just in line with the other nationalized banks in the State.

Scarcity of resources, relative to credit requirement, may necessitate determination of priorities. While the emphasis of the Apex Bank in the years ahead will be agriculture, it will *have to be very selective in entertaining applications for non-agricultural purpose.*

Farmers in the interior areas are generally not aware of credit facilities advanced by the Bank. In other words, there is a big contact gap
between the farmers and the Bank. The Bank may reduce this contact gap through field publicity, which can be jointly undertaken with the co-operative department of the State Government.

Purposes for which the Bank finance are generally available and terms and conditions under which such finances must be availed by the farmers should be made known to the farmers through the help of leaflets and pamphlets written in Hindi and distributed among the villagers.

Past experience has shown that alarming overdues has stood in the way of fresh flow of credit. To avoid future impasse on account of overdues, the Bank may entrust its Field Officers to find out the willful and unintentional defaulters. The Bank should recommend stern measures for the willful defaulters, while for the other category, the Bank may conduct necessary survey to identify their problems and take such corrective measures including extension of time for repayment.

Another measure which may be considered helpful in checking the amount of overdues is to link the scale of finance of crop loan to the unit of area, as well, as to the number of consumer-members in the cultivator family. This measure may result in surpluses, which will act as an impetus to the small and marginal farmers to repay the loans in time.

Lack of interest of the farmers, as well as, lack of initiative of the office-bearers of the UPSGVB in submitting credit limit statement for all crops at a time is another reason for insufficient flow of agricultural credit. It is said that the few credit limit statements received by the Bank at present are primarily due to insistence of the Field Officers. The Bank may initiate moves through the Branch Managers and the Field Officers
to impress on the members of the societies on the urgency and necessity of submitting credit limit statements by January every year. If the farmers are made aware of the credit facilities of the Bank, and if there is co-ordinate move of all the State Agencies and the financing Bank, there is no reason why credit flow will not receive the expected momentum.

To achieve the desired result on the above measure, the Bank will have to strengthen its field-staff with such incumbents, who are willing to work hard and work sincerely. Field Officers should be encouraged to purchase motor cycles with advance provided for the purpose.

Formalities of loan application should be simplified. It is learnt that the farmers are required to put up as many as 22 signatures in completing the formalities of loan forms. It is too much to expect an illiterate farmer to endure such long formalities. To start with, the Secretary of the Society should maintain up-to-date land revenue record register of members, with necessary attestation of the Sub-Deputy Collector of the area. It is understood that there is a standing instruction on the Regional Offices of the UPSGVB to keep the Land Register up-to-date. But hardly any one has taken this trouble so far. Once this is done, the Branch should not take more than a week in processing and forwarding the credit limit applications to the Head Office.

It is desirable that the documentation procedure of the Bank be made simple. After being duly forwarded by the Branches, considerable delay is caused in clearing proposals, because of complexity of procedure and multiplicity of documentation.

Examples are not rare when constituents complain of delay in processing loan applications at the Head Office. Such avoidable delays
cause discontentment among the concerned parties which sometime resulted in their approaching commercial banks in sheer disgust. **Such delays may be substantially curtailed by rational distribution of workload among the staff.** The practice of preparing long notes for the perusal of the Executive Officer also results in delay. This practice may be substituted by verbal briefing by the concerned Officers and the Bank's General Advance Section.

*A legal and technical cell is a long-felt need of the Bank.* It is understood that the Bank frequently needs legal advice which it obtains with make shift arrangement. The Bank with an additional annual expenditure of five to eight lakhs may appoint a full-time legal adviser, part-time Cost Advisor and an Assistant to man this Cell.

**The Bank may evolve a time-bound programme of agricultural development in order to help the farmers in the flood-affected or drought facing districts of the State.** As a first step the programme may be initially taken up in an area covering 5 to 10 villages of a District. The Government participation in the development programmes should be ensured.

With recovery machinery fully geared up, **the Bank should not hesitate to borrow funds from the Reserve Bank,** since credit limit accommodation from the Reserve Bank will provide an opportunity to the Bank to offer loans to the farmers at a concessional rate of interest.

The Apex Bank should **try to avail of the ARDC Refinance facilities wherever possible.** To do this, the Bank may sponsor purposeful schemes like Dairy, Poultry, Fishery and Minor Irrigation Programmes.
A sort of workable compatibility is to be maintained between loans disbursed and recoveries made so as to repay the refinancing agencies in time since the Bank depends largely on the borrowings from outside for its resources and also to minimize the premature withdrawals of deposits and overdraft facilities from UPSCBs etc.

The Bank may adapt to policy of charging floating rate of interest on the loan portfolio irrespective of date of loan agreements made at higher/lower rate of interest. A clause in the loan documents enabling the Bank to charge interest rates in force from time to time may bring additional income.

A corporate disbursement plan had been suggested indicating key potential areas for Banks loans and advances portfolio such as minor irrigation, farm mechanisation, watershed management, and emerging non farm sector activities in a few potential districts along with traditional activities.

Long/Medium term loans for farm activities may be supported with production lending for one year cycle, in tune with current cropping pattern and intensity on the model of composite loan under N.F.S. The problem of refinance to meet the additional resources may be discussed and finalized in consultation with NABARD. The idea is to follow 'Single Window Approach' in credit delivery system in the Bank which is already successfully followed in other States.

Bank may lookout for various other ways by which it could extend its support towards rural financing; it may introduce other schemes on the same lines as followed by other banks which are involved in rural financing in the State.
The Bank had implemented various Government sponsored programmes, but there are many more which could be implemented. 

**Bank need to focus on timely implementation of many such schemes which are not under the purview of the Banks loan profile yet**, so that it can provide maximum employment opportunities for rural masses.

**Revival programme need to be initiated** for those schemes which are under the loan profile of the Bank, but are not popular or have lost their popularity due to some reason. Measures must be taken understand the causes of their failure and necessary steps may be initiated to make the schemes more attractive for the farmers.

**Proper monitoring of loans**, already disbursed need to be done at branch level and a report on the present status of loanee and the viability of the project must be assessed at regular interval.

There is no system to monitor the idle funds. The level of idle funds is very high in the form of cash and balances in current accounts and also in transit due to transfer of funds from branches to H.O and from H.O to branches. **The Idle fund management needs to be rectified** because it affects the Banks fund management and adds to the pressure on resource mobilisation of the Bank.

The steep rise in fresh disbursements had been largely due to increase in unit cost than increase in number of borrowing accounts. **Separate portfolio- wise record needs to be maintained** to judge the viability of each scheme.

Government of Uttar Pradesh may **provide block guarantee or timely annual guarantee** to enable the Bank to draw refinance from
NABARD in time. This could help the Bank avoid high cost borrowing under overdraft facilities.

Senior Manager (Law)/ Law Manager should be given the responsibility of verifying the land records of borrowers rather being scrutinised by non professional branch staff, for often it is found that loans are disbursed off fake property papers.

During the interview with senior officials and other employees of the Bank a matter of deep concern was brought to notice that there was as sense of demotivation, despair and agony creeping amongst the employees at various levels. The following may be attended urgently.

(i) Direct recruitments at all levels may be discontinued.
(ii) Recruitments be made at two or three levels- Asstt. Accountants, Clerks and Managers to infuse fresh blood into the institutions at regular level.
(iii) A separate Inspection and audit department at H.O level is required.
(iv) All the promotions may be effected through seniority cum merit base.
(v) The transfer policy of the bank lacks credibility and transparency, it should be more rational.
(vi) Human Resource Planning, recruitment, selection, career opportunities through proper selection, promotion and various assignment may be effective and result oriented by careful use of 'reward and punishments'.

The Bank may devise some ways and means to come out of total security based on land valuation so as to increase its clientele base.
The Bank needs to give greater thrust for **financing transport vehicles** in rural areas for timely carrying agricultural produces, inputs, as well as, passengers.

The Bank has been financing mostly in all schemes which are running for rural development. But there are many of them which have been closed or are worth closing as nothing has been financed under such schemes for long. A **revival program** is a must for such schemes.

A *membership drive may be strengthened* through better customer service by providing adequate finance and timely assistance.

The branch officials need overall **professional orientation** to meet the challenges from RRB’s and the Commercial Banks. It is less costly to retain a customer than to find a new one. Quality of service is all that matters.

The Bank may adopt policies for **removing regional disparities**, **potential exploitation** etc. by target fixing and monitoring specifically each regions and maintain data on purpose-wise and region-wise loans outstanding, so as to monitor regional and sectoral imbalance.

Although the Bank under study has evolved mechanisms for funding subsistence needs of the agricultural producers, the Bank should **device alternative mechanisms for meeting other social and lifecycle credit needs** of rural masses. The focus of lending should be on increasing production. The Bank should be allowed to provide short and medium term finance exclusive of long term financing.

Audits are more or less regular as far as the Bank is concerned. There are delays in conduct of audits and are conducted internally only.
Doubts are raised on the accounting practices, audit standards and other financial aspects. The **audit system needs revision** a proper audit system need to be developed with regular internal and external audit by experts.

The Bank needs to **open other sources for resource mobilisation**. The dependency on single agency NABARD (95%), for lendable resources had induced a feeling of comfort and complacency in UPSGVB. This has substantially eroded its capacity to cope with an increasing competitive environment. The fact that the NABARD loans are secured through State Government guarantee also results in NABARD paying inadequate attention to the quality of its portfolio.

**The Bank should be given full fledged Banking status** to accept public deposits, raise resource from the market, provide all financial services to their customers and diversify their portfolios. There was a general willingness amongst the top officials to accept regulation under the BR Act 1949.

**Publicity is considered to be an important annexure of the modern banking institutions.** It is through this Cell the Bank may inform the investing and general public of its various schemes. Unfortunately, the Apex Bank has not shown its inclination of setting up such a Cell. The Bank can take some practical idea in this field from the Maharashtra and Gujarat State Sahkari Banks. These two institutions, besides giving wide publicity of their activities, performances and achievements, have to their credit a number of valuable booklets and pamphlets. Speaking of the Apex Bank, except the Silver Jubilee Souvenir, the Bank has no publication worth the name. It is time that the Bank makes amends and immediately
set upon this task with someone from the Bank Officials with a flair for the pen.

The Apex Bank, as the apex body of the co-operative credit structure, has a great responsibility of building up the image of the movement. In the words of Dr. Saxena, Director, International Co-operative Alliance, London, the apex bodies have the responsibility of establishing and promoting complementary relationship between the ideological and business wings of the movement— the former providing the ideological base to the business wings and the latter strengthening the financial position of the ideological wings.

In promoting such a relationship the Bank will, in times of need, definitely look to the State Government as its partner. The State Government has the pious duty to treat the Bank as a business unit, even if it means overlooking party interests. The Bank is a vehicle for achieving economic and social betterment of its members. The Government should not consider it as a vehicle for pushing through its party programmes.

Any kind of imposition from above is neither helpful nor congenial to healthy banking norms. Failure to appreciate this principle may create a situation which almost paralyzed the functioning of the Bank recently. As the eminent co-operator Horace Plunkett so appropriately observed—

"The less politics there is in business, and the more business in politics, the better for both."

The Vaidyanathan committee recognized that the working of the LTCCS is hampering due to single product offered by it. The committee suggested improving its member contact and building on client Bank
relationship, therefore other credit products and perhaps some other financial services will also have to be offered by the LTCCS to its member.

The Bank being the apex body in the State for long term lending and runs on the unitary structure may adopt federal structure as the federal structure has performed better than the unitary one. The federal structure encourages member participation and keeps governance and management costs low. On the other hand, the unitary structure is saddled with high cost staff because of a uniform wage structure. The unitary structure is also prone to political interference. The federal structure also allows flexibility in designing policies to suit local conditions, which may get sacrificed in the unitary structure in the name of uniformity and ease of implementation.

The true revival of the Bank is only possible when it becomes dynamic, self governed and self-reliant organizations, based on mutual thrift and credit. To this end, it is also imperative that the scope for the government's interference in the internal affairs of the Bank be eliminated.

There are suggestions from various quarters on the need to simplify loan documents. The Vaidyanath committee is of the opinion that there is substance in the argument and the state government shall constitute a team of legal experts for studying the entire loan documentation process and come out with a simple and comprehensive system of loan documentation. The Committee has noted that the Gehan system prevalent in certain states like Kerala, works very well and it is highly desirable that it be replicated by all the state governments. The implementation of this system requires amendments to the governing
law. The Committee also studied the problem faced by the structure in the execution of mortgage at the time of granting loans. The creditors generally prefer English Mortgage which requires registration and the borrower is made to bear the stamp duty and registration charges. An alternative system of equitable mortgage, by depositing title deeds, does exist. Since many towns are not notified for creation of equitable mortgage, this system has not taken off in a big way. Hence, the committee feels that more towns may be notified under the Transfer of Property Act for the creation of equitable mortgage.

Even though there are inbuilt advantages in the present recovery mechanism of the UPSGVB, the fact remains that they are not used effectively. It was observed that one of the main reasons for the poor recovery is that coercive steps are not taken for recovery under the provisions of law due to political interference / verbal instructions. Moreover, because of the peculiar social situation in rural areas, when the property is brought for auction there are no takers, which ultimately hinders the recovery process. Even though there are provisions in the Act the Bank can purchase the mortgaged property that is generally not done. For the effectiveness of the system, it is necessary that the provisions empowering the Bank to recover loans be retained and implemented in letter and spirit.

Concerns have been expressed by some experts that the inefficiency and the slackness of the Sale Officer appointed by the state government has resulted in delaying the recovery process and that instead of appointing a government nominee, an Officer from the Bank itself may be appointed as Sale Officer.
The Capoor Committee recommended that the National Bank for Agriculture and Rural Development (NABARD) be designated the Nodal Implementing and Pass-Through Agency for the success of programs and policies of the Bank. It will also coordinate and monitor the progress of the implementation of the revitalization package. The Government of India should formally vest NABARD with authority to give appropriate guidance and instructions for proper implementation of the programme, including mid course corrections, wherever necessary.

The foregoing suggestions on one hand will help in improving the overall performance of the Bank, and on the other, it will help in generating additional self employment in the State. I hope that, the suggestions will help in improving the working of the Bank and would make the Bank more efficient and smooth in future. As stated above, the suggestions will help the beneficiaries to overcome the various hindrances they have to encounter in the process of raising loans and would help in promoting a flexible and congenial relation for all round development of rural masses in the State.