CHAPTER – VI

CONCLUSION AND SUGGESTIONS

Inspite of the fact that the significant progress has been made by the Indian farmers during last three decades but still the Indian farmers are backward. The causes of backwardness are (i) inadequate facilities of credit to farmers at proper time and in proper way and (ii) natural calamities such as draught, floods etc. Now, it is very much clear through various studies that credit is essential needed for the development of agriculture which in turn increases standard of living of the farmers and the society as a whole, as the farmers form the 70 percent of the total population of the country. The credit is required for the purpose such as purchase of seeds, fertilizers, animals, improve the existing lands of the farmers by irrigation, drainage, planting, payment of labour costs, payment and land revenue and inset the domestic burden of social and religious obligations. Thus it is essential for the development of agriculture that adequate credit is made available to farmers at reasonable rates of interest and at proper timings.

Even after large expansion of institutional credit, credit from private sources continues to be
important in rural areas. Because it is easily available and comparatively more capable of meeting the immediate needs of the farmers but it is, however, exploiting in nature. Such credit is used for unproductive purposes and carries a very high rate of interest. The institutional credit, on the other hand, is cheap and is usually used for productive purposes. As such, expansion of institutional credit in a large scale is imperative. No doubt, there has been an enormous expansion of credit and Regional Rural banks have especially tried to meet the credit needs of the farmers at their door steps in the rural areas, yet, the need is to make the procedure of advancement of loans simple and the working of the institutional credit agencies efficiently so that farmers and the rural population is able to meet its credit needs in time and they are not forced to go to the exploiting grips of money lenders and other private credit agencies.

Inspite of the huge expansion and investment of the institutional credit agencies, they provide only about 10 to 11 percent of the total rural credit. There is still a big gap between the demand and the supply of the credit. Due to this gap, the rural people have to depend upon the help of the rural elite for their credit needs. The existing credit agencies do not provide adequate financial assistance to weaker section of the society and at the
same time they have not proved their suitability for the weaker section of the society, especially in the rural areas. As a result the RRBs were established in October, 1975, to abridge the gap of the credit requirement of rural population and an act relating to RRBs was implemented in February, 1976.

The main considerations in the setting up of RRBs were that (i) in spite of the impressive progress of the rural branches of commercial banks, there is no hope of their spreading to all unbanked pockets. (ii) commercial banks suffer from two deficiencies in relations to rural credit i.e., lack of rural background and high cost structure of operation. In many cases employees of commercial banks do not want to work in rural areas. Thus the intention of the government in promoting RRBs was to combine the better features of the different systems viz., Commercial Banks and Co-operatives providing rural credit in the country, avoiding at the same time the disabilities that are inherent in them. The role of RRBs in comparison to other financial institutions has been satisfactory and the banks are moving towards their goal.

The RRB’s in the Region are engaged in providing credit and other facilities for the purpose of development of agriculture trade, commerce, industry and
other productive activities in rural areas pertaining to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs for matters connected there with. The recent years another development in the loaning policy of the bank in the Region has been the growing emphasis on formation of integrated scheme for exploiting natural resources. In well defined areas, especially the scheme of minor irrigation and soil conservation. In addition the banks have also provide loans to finance the schemes of allied activities of agriculture such as storage, bullock carts horse/mule carts, he buffalo, carts, goat and sheep rearing poultry farming, dairy, fisheries etc.

With the recognition of policies and procedure the banks could expand their financial operations both in terms of amount disbursed and coverage of the rural people. The banks have also provide loans for various development schemes and activities involved in the implementation of special programme sponsored and supported by the government through NABARD and their respective sponsor bank like IRDP, SCP, SWRY etc.

It is clear from the previous discussion that the RRBs of Kanpur Region have very successfully expanded their operational super-structure and have given advances for different purposes and have also mobilised deposits.
But the increasing amount of over-dues presents a gloomy picture of the entire financial operations of these banks. These banks have served more the upper income group of the society, due to economic, political, social and administrative reasons, whereas they were setup specially for promoting development of the weaker sections of the society. Therefore in quantitative terms, i.e. expansion of their branches, total advances, total deposits mobilisation etc. the banks have shown a commendable progress. But in terms of quality or qualitative term, they present a dark and desperate picture, as they have neither the motivation nor the efficiency to serve the weaker sections of the society. On account of the target orientedness of the programmes of RRBs, most of the objectives concerning the removal of poverty, have not been able to receive proper priority or attention. The RRBs, however, have made a break through in the rural areas in the field of institutional financing and have been able to break the monopoly of the private financing institutions upto some extent.

Although after the establishment of RRBs in Uttar Pradesh and particularly in Kanpur Region simultaneously with their growth in India they have made good progress in all fields and have contributed greatly in
the development of rural areas in quantitative forms but they have to face several problems.

**PROBLEMS OF RRB’s:**

These banks are facing various problems in their performance. Some of the important problems are as under:

The most significant problem before RRBs is infrastructure facilities as they have to open their branches in those areas where facilities like, transport, post office and telegraph are not available. Along with that the absence of educational and medical facilities in those places, trained and able personnel having knowledge of regional languages are not available. Hence maintaining contact with villagers is quite difficult. Moreover the personnel deputed from cities are not fully aware of the regional problems, they are not able to do justice with the needy villagers and most of the workers do not want to go to rural areas from urban areas.

Competition with other banks is also one of the problems of RRBs as under the programme for the improvement of banking facilities in the rural areas, the commercial banks are also operating through their branches in those area. Consequently, as the operational
cost of RRBs is higher, the percentage of profit of these banks is continuously falling.

The problem of over dues is very serious. One study pointed out that out of the 196 RRBs functioning in the country the over dues of all these RRBs had been to the tune of Rs.41287.00 lakhs constituting 51 percent of the total demand. The statewise position of over dues indicates that the percentage of over dues was the highest in the state of Nagaland (i.e. 78 percent) followed by Tripura (71 percent), West Bengal (61 percent), Orissa (60 percent), Bihar (59 percent), Madhya Pradesh (51 percent) and the lowest was observed in the state of Punjab. Thus the RRBs are not better than the commercial banks in respect of over dues.

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

The most significant problem before the RRBs in the Region has been the wrong selection and subsequent
financing of beneficiaries is the starting point in the credit development process of the RRBs, as the RRBs are supposed to provide credit facility to the weaker section of the society. But there are many cases where the big landlords, having land in two villages furnish documents as small farmers showing a fraction of their land assets and avail the benefits of a small farmer.

Another important bottleneck in the progress of RRBs is the improper identification of beneficiaries and utilisation of given funds in right direction. Most of the beneficiaries of not know the producer of advancing the purpose for which the loan is taken and the need of repayment do not proper and convenient for the beneficiaries. They do not know the rate of interest to be charged. The amount sanctioned and amount paid actually differ and that is inadequate for the purpose for which the loan is taken. The Diary animals given by the banks are neither of good quality nor beneficial for the poor beneficiaries. These are the problem which hamper proper utilisation of the loan and in turn prompt repayment too.

Financing for government sponsored programmes continued to be the traditional business in RRBs. Bank loans were, therefore, considered as some sort of social service to the poor. He was being treated as a problem
rather than a business opportunity. This existing paradigm got a jolt when the pressure for viability was built up and NTG lending introduced.

RRBs had a taste of the business competition in the market from commercial (public sector as well as private) bank, co-operative banks and several non banking finance companies. There is urgent necessity to change their approach and develop a positive customer orientation to face the competition in the market. They have to gear up their machinery to offer a wide variety of financial services to their customers.

In our country, there is great disparity in norms and values of the society and the social and political structure particularly of the rural areas. This disparity gives rise to the class of semi-landlords and new capitalists who are mostly the newly born politicians and the people attached with them have become the dominant class of the rural population. As a result the sanctioning of loans by the banks is influenced by these political leaders and newly born rural neo-capitalists and the loans are very easily diverted towards the persons of their own choice who are in the upper income group, in most of the cases. The officials of the bank cooperate with them fully, for their personal gains, and as such the entire philosophy behind
the establishment of RRBs has worked in the reverse direction.

One of the crucial deficiencies in the RRBs was found to be inadequate importance given to marketing. Very little emphasis is laid on designing both the loan and the deposit products in the RRBs. Most of the loans as well as the deposit products of RRBs are identical to those offered by commercial banks or their sponsor banks. Thus many of these products may not match with the requirements of RRB's clientele.

If the borrower wants another loan he has to first repay the loan completely and then take a fresh loan.

In the whole process of interest rate revision the customer, who is the key stake holder is missing. RRBs appear to have no systematic process of obtaining his views and feedback on the interest rate. Most of the feedback is given by the managers on behalf of the customers. The survey findings were also quite revealing in regard to access of the customers to information about changed interest rate both for deposits and advances. It appeared that customer was always taken for granted. This reveals the poor marketing approach of the RRBs.

In the various RRBs matters relating interest rate are dealt with by different departments at head office of
RRBs, not having much of coordination. The issue of interest rate revision either on deposit or loans are of vital importance to the banks particularly from profitability point of view.

In majority of RRBs no exposure or training is given to any officers chairman & general manager on the technique of fixation of interest rate.

RRBs are handicapped of not having systematic MIS. As a result of this they are unable to maintain a proper data base on various aspects of their working. Similarly they are unable to develop an appropriate asset liability management system which is becoming very important for the banking sector day by day.

RRBs were conceived as banks with rural feel. This was the very basis of the recruitment policy in RRBs in recruiting rural people. However, this idea of having local people working for RRBs could not work well due to the changing of life styles and aspirations of RRBs staff. After a few years of service in the bank, most of them cease to identify themselves with the rural population and wish to integrated with urban middle class. This has led to a pressure on management for transfer to ‘better centres’. This being a ticklish issue, a long term rational
transfer policy is needed which will take care of the needs of staff as well as bank.

In the initial phase of establishing RRBs, recruitment was done on a massive scale owing to rapid branch expansion. These fresh recruits were posted to branches without proper training and orientation. This reflected adversely upon the business and image of RRBs. In view of the past experience, management of RRBs recognised the need for training of the staff as an integral part of HRD efforts. However, on systematic efforts were made to assess the training needs of the various categories of the staff in the organisation. Support of the sponsor bank in this regard was also not adequate, although some of the sponsor banks established training centres exclusively for the staff of their RRBs. Staff deputed by the sponsor banks in the RRBs could also not impart necessary on-the-job commercial banking expertise to staff of RRBs.

Deputation for the training in RRBs was generally considered as a reward by the management. Therefore the training actively has also become another 'hygienic' factor like perks which, if not provided leads to demotivation. Further, inability of the management to post the person after training in the relevant department also leads to reduction in the efficiency of the training.
Most of the training facilities were for the officers only. Over a half of the staff in clerical or subordinate categories have no training facilities. Training provided so far focused more on skill development rather than attitudinal/behaviour/orientation change among the staff.

In the present set up of organisational structure of RRBs the career progression opportunities are very limited. For instance, the post of senior clerk and field supervisor have been abolished. However, due to categorisation of branches promotional avenues to middle management cadres have been opened. Therefore, due to promotion of clerks to officers, there is severe shortage of clerical staff in several banks.

Recently on account of liberalisation in the economic policies RRBs has also been expected to stand on their own. Restructuring process of RRBs began with announcement of several relaxations and changes in government policies. RRBs have formulated long term business plans (Development Action Plans) with the focus on long-term sustainable viability. This brought in an element of accountability among the staff of RRBs. Since they were used to generally work without much accountability it became very difficult to reorient themselves towards this new work style.
This required change from bureaucratic to business oriented culture. During the various programmes organised by BIRD on profit planning and turnaround strategies it was realised that the financial indicators of performance are only the symptoms and some of more basic problems affecting the RRBs are on the fronts of mindset of the staff. Such a mindset in most of RRBs has led to several problems in these organisations like apathy towards clientele, lack of belongingness to the organisation, trade union militancy, avoidance of decision making, lack of accountability coupled with a false sense of job security, escapism and complacency. While there were and there are real policy constrains in the type of business which can be performed by RRBs, the contribution of such a mindset is equal if not more in the poor performance of RRBs.

Several studies as well as interactions with the staff of RRBs at various levels indicate that the majority of RRB staff are not motivated or in some cases demotivated to contribute to the development of their organisation. The process of motivation is a complex phenomenon and as such several factors including those not in the purview of organisation contribute to the motivation level of a staff. Many of staff members have not had the benefit of even one promotion after joining RRBs, while the others
who joined the commercial banks had reached Scale-II or Scale-III level (2 or 3 promotions). For instance in Bhagirath Gramin Bank, some of the branch managers have generated business which is more than the neighbouring urban branches of sponsor banks. While the urban branches of sponsor bank are headed by higher scale of officer, the RRB branches are headed by only Scale-I officer. Transfer policies have also contributed to the lack of motivation in the RRB staff. However, recent feedback from RRB officers indicates that the motivation level of the staff in most of the restructured RRBs has shown improvement.

Though the above problems are mainly related to the personnel of RRBs yet they have a direct impact on the deposit mobilisation and loaning policies of the RRBs. If these policies are to succeed the personals will have to be streamlined and rationalised so that they may prepare themselves for playing their due role in the deposit mobilization and the loaning policies
SUGGESTIONS:

Main Suggestions:-

The following steps should be taken to overcome the above mentioned problems which may be helpful to increase the efficiency of the RRB's and they may be able to serve the rural people effectively and efficiently.

These banks should provide adequate and timely credit with the maximum possible simple methods, at reasonable rates of interest. Consumption loan should also be made to check diversion of a large part of credit for productive purposes. Credit provided by the RRBs must be enough as to enable that rural artisans to be free from the clutches of Ruthless money-lenders. A proper credit plan and co-ordination of efforts are required from other credit agencies.

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

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

To streamline the lending operations of RRbs of the Region, following steps may be taken:

1. In the cases of all IRDP loans, a certificate to the effect that the beneficiary (with full address) identified, falls under the category of small and marginal farmer, agricultural labourer, rural artisans. They are eligible for subsidy from 25 to 33.3 percent under IRDP and it should be given by the concerned Block Development Officer. Apart from this, his
serial number in the IRDP register maintained at block office should be furnished clearly.

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

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

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

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

6. The bank can play a very important role in establishing cottage and small scale industries for which it is necessary that they should have contact with District Industries Centres.

7. The farmers must be motivated and educated to realize the fact repayment of loan is in their own interest as it will enable RRBs to provide more credit to them. It will help to check the willful default which is rampant today.

8. Attempts should be made to involve more and more people at the village level itself in identifying beneficiaries for advancing loan and in-follow-up actions in order to avoid pressure of local leaders who usually instigate farmers against the loan repayment.

9. For the recovery of loan steps should be taken by adopting special recovery operations substantially with the coordination, cooperation and assistance of the NABARD and respective sponsor banks. Several loan recovery camps may be organised at village or panchayat level, soon after the harvesting i.e. during the period when farmers may be expected to have money for repaying the loans.
RRBs also need to develop suitable mechanism for informing their clientele about the change in interest rate as well as other changes in the product feature as & when done by the bank.

There is a need for greater coordination among the various departments, while revising the interest rate. It is therefore recommended that an "Interest Rate Committee" be constituted at the head office of RRBs which should include in-charges of departments dealing with deposits, advances, audit/inspection, planning, technical monitoring and evaluation (TME) cell and 1-2 branch managers. The committee will be able to take into account a holistic view about interest rate on deposit & advances and related matters.

National level training organizations as also the training establishment of sponsor banks should design suitable training programmes urgently for the officers of the RRBs on techniques of interest rate fixation so as to cover at least 1-2 officers from the each RRBs of the country. BIRD has recently started a programme on 'Pricing of Bank Product' which may be adopted for further replication with suitable modifications, by the training establishment of the banks involved in providing training to RRBs. BIRD and other training institution should introduced 1-2 session on interest rate fixation and
related topics in the programmes for board members, chairman and other senior officers of RRBs.

As of now, all the branches of a bank have to offer or charge the same interest rate to depositors and borrowers i.e. the bank cannot take into account local factors and vary the interest rate on deposits as well as advances. It was felt by the authors that small banks like RRBs have to face competition from local banks like District Central Cooperative Banks, Primary Land Development Banks and Urban Cooperative Banks (besides the large commercial bank branches). To help the RRBs in this regard, some flexibility should be provided by RBI. The researcher is aware that the time may not be ripe for providing full flexibility to all the banks for offering different rates at different branches but as has been the case in past, RRBs and cooperative banks have been given certain advantages by RBI. Therefore, there is no harm in envisaging such a flexibility. It is in this context this recommendation has been made. While the interest rates on term deposits have been deregulated, the interest rate on saving and current deposit continue to be regulated. RBI should deregulate these also. This may help RRBs in mobilising low cost deposits.

Some of the suggestions related to the deregulation of interest rate, more freedom to banks on security norms
on loans and advances and capital adequacy norms. These are the issues which would require through analysis of pros and cons before taking a final view.

Before any major policy changes are introduced in RRBs, RBI should give adequate notice time. One of the recommendations of RRBs relates to enhancing the share capital of RRBs suitably to enable them lending to bigger borrowers. Presently exposure limit of 25 per cent of paid up share capital and reserves is too inadequate. This requires careful analysis before deciding anything.

RRBs are also facing the problem of cash management. Commercial banks in their area and for that purpose even their own sponsoring banks have been reported to not assisting RRBs in this regard. This might have led RRBs to suggest having their own currency chests to help them to manage cash. To maintain a currency chest, lot of infrastructure is required and this may ultimately turnout to be costlier proposition for RRBs. Perhaps, a tie up with the sponsor bank would be much more economical for them.

RRBs should be allowed to establish specialized branches. Before going to specialization. We need to be very clear whether specialized branches would be a viable proposition. Further, a point to consider is whether
advance portfolio of RRBs warrants opening of specialized branches. RRBs may like to study examine the performance of some of the specialized branches like SSI branches and hi-tech branches, opened by commercial banks, before giving final shape to their demand. We need to be very clear in our mind as to what kind of specialization we are working for and whether it would be an economical proposition in the long run. If these aspects are ensured, then the suggestion could be looked into in greater detail.

RRB's may consider introduction of "Floating Rte Deposits" where in the interest rate on deposit would be linked to a 'bench mark' or anchor interest rate. Floating rate deposits are unlike fixed interest rate deposits which are in vogue today. Fixed rate instruments are damaging to depositors if subsequent to making the deposit, the market interest rate deposits rise (depriving the depositor of the benefit of higher interest rate) and to the banker if rates subsequently fall. For tackling such interest rate volatility, floating rate deposits are considered appropriate especially for deposits of long maturity – generally 5 years. In case of RRB's, the appropriate bench mark could be rate for the relevant product of the most important competitor.
The banks should be allowed to offer ‘discounts’ or ‘refunds’ of ‘risk cost’ which is a component of interest to those borrowers who repay on time on the lines of practices in certain microfinance institutions in other countries like Bank Rakyat Indonesia. This is likely to provide cash incentive to the borrowers for early repayment. Thus, interest rate could be used as an effective tool for motivating borrowers for timely repayment.

Besides existing schemes of deposits RRB’s should introduce “TWO IN ONE” scheme to its depositors. According to this scheme depositors are given facility to withdraw a position of the deposit as and when they need it. Under this scheme money can be deposited at a higher rate of interest. However the portion which is in cash before the maturity date will attract a lower rate of interest applicable for the period till the date of incashment. This can attract the rural people as it will earn more amount of interest to them and will simultaneously maintain their liquidity of their funds.

There is a need for introduction of marketing approach in the bank which could start with identification of customer’s requirements and building them into the product attributes. During the course of study, it was found that the non-financial considerations (like convenience, quality of service, easy access, quick
disbursement of loan etc.) were more important for the customers which need appropriate highlighting while marketing the products. There is a need for introduction of new products and redesigning of existing products. Some of the suggestions in this regard are as under:

- **Loan against deposit**

1. Introduction of a new product of ‘Over Draft Limit’ against deposit which will have a cheque book facility. The interest rate on the overdraft amount could be 3-4% higher than the deposit (instead of 2% in case of demand loan). Thus the customers will have flexibility to withdraw and repay as per their convenience. There will be no restriction on withdrawals or any such condition that one has to repay the old outstanding first to avail any further withdrawals. For this, the customers will have to pay a nominal interest rate extra (1-2%). Since loan against deposit is a very popular product, this facility will make it much more customer friendly and at the same time a more viable proposition for the bank.

2. The above product would be in addition to the existing system of demand loan.
• **Crop loan**

1. Treat Primary Agricultural Co-operative Societies (PACS) as the closest competitors in this segment of business and not the commercial banks.

2. Introduce cash credit limit for the borrowers who show good repayment behaviour. This could be on the lines of 'Kisan Credit Card' being introduced by many commercial banks.

3. The above mentioned cash credit limit would be in addition to the existing system of crop loan.

• **Tractor Loan**

1. This segment is also equally sensitive to non-financial factors like location of branches, time taken for disbursement, etc. Hence the banks need to address these issues.

2. Product differentiation and charging different interest rate should be allowed within the same broad purpose of advance. For example a tractor loan with 30% margin money (approx. Rs. 75,000) and less security may be treated as one product and tractor loan with 15% margin and more security as another. Thus with the broad category of tractor
loan, two products can be designed which would bear different interest rate. Interest rate may be higher in case of second product. If such product differentiation is encouraged, this will facilitate innovation and designing of products for different segment of the market.

Other suggestions:-

RRBs need to develop a systematic management information system for facilitating decision making on various aspects of banking such as maintenance of data both product wise geographical area wise and also data related with loans and deposits. It will further help them in appropriate Assets Liabilities Management System which is becoming crucial issue for banking sector in India.

The RRBs should fix a span of years of posting in rural areas for every employee so that every employee is given an opportunity to serve both in rural & urban areas but the period of stay should be quite long say minimum five years. This will help employees to mix up with the local people and to mould their working according to the need of the place when they are posted. They will know the nature of need for loans of the local people.
In the recent past, a number of circulars have been issued by RBI on various subjects. Demands have been raised from various corners to rationalize various circulars and bring them out in a compact form. RBI has made some efforts in this direction and we have succeeded only to some extent. But I must say that changes are occurring so fast that it has become extremely difficult for us to compile all instructions on each subject in a short time. However, on this issue I am in full agreement that rationalization and consolidation of instructions should be done.

Some of the deposit of the government, semi-government and the other such institutions may be kept with the RRBs for some time and it should be invested in the states where there is less deposit with these banks which may be helpful to the rural people of that state.

Some officers of high rank should be selected for helping the Chairman in reducing the burden of his managerial work that may be helpful to him, and he may be able to devote his time for increasing the funds of the bank.

In its comprehensive review of the institutional credit set up, the committee to review the arrangements for institutional credit for Agriculture and Rural Development (CRAFICARD) which submitted its final
report in March 1981, has found the institution of RRBs (Regional Rural Banks) specially suitable for rural development work. The committee has, therefore recommended that RRBs should continue to confine their operations to the weaker sections and that preference should be given to RRBs in regard to licensing of branches in the rural areas.

The committee is also in favor of the transfer of the eligible business of the rural branches of commercial banks to RRBs, and the continuance of the concessional refinance from the Reserve Bank. The committee has recommended that the RRbs losses in the initial years should be made good by their share-holders and that the equally capitals of RRBs should be raised. Another recommendation is that the control, regulation and promotional responsibility relating to RRBs should be transferred from the Government of India to the Reserve Bank for Agriculture and Rural Development Bank (NABARD). ¹

The Government of India appointed in August, 1991 a committee on the financial system under the Chairmanship of Shri M. Narsimha, a former Governor of the RBI the Committee proposes that. While RRBs should

¹ Samiuddin, Cooperative Sector in India, S. Chand & Company Ltd., 1983, P.173.
be allowed to engage in all types of business of banking, their focus should continue to be to lend to the target groups to maintain at minimum the present level of their lending to these groups with a view to improving the viability of their operations. The committee proposes that the interest rate structure of the RRB should be in line with those of the commercial banks. The committee would leave the option open to the RRBs and their sponsor Banks as to whether the RRBs should retain identify so that their focus on lending to the target group is not diffused or where both the RRBs and the sponsor banks with to do so they could be merged with the sponsor banks and the sponsor banks in such cases should take them over as 100 percent subsidiaries by buying out the shares from other agencies at a token price and eventually merge them with the rural banking subsidiaries which we have proposed.

For those RRBs that retain this identify and whose viability would need to be improved, we propose that instead of investing in government banks, as part of their SLR requirements, they should place the amount stipulated under SLR as deposits with NABARD or some special federal type of agency that might be set up for this purpose.
This would also be consistent with the statutory requirements in this regard and NABARD or this agency could pay interest on such balances by investing or deploying these funds to the best advantage on their behalf and thus help to augment the income of the RRBS.\(^2\) However, the RRBs have made a break through in the rural areas in the field of institutional financing and have been able to break the monopoly of the private sector financing institutions.

No systematic efforts were made to access the training needs of the various categories of the staff in the organization even sponsor banks have not supported in this regard it is therefore suggested that exclusive training center for the staff of RRBs should be established in and training should be tailored in such a manner that staff involved in deposit mobilization and loaning policies get an appropriate thrust on the job. Existing staff as well as new recruits should be trained at such center of training.

Though the promotion avenues have opened up in the middle management cadre the post of field supervisor have been abolished this is not proper as it is the field staff who directly comes in touch with the depositors as well as borrowers their acquaintance with these people

reduces the rest particularly in money lending. This also helps in motivating perspective depositors to deposit their money in banks.

Every member of the staff should be made accountable for their jurisdiction of their work. For this reorientation programs should be conducted in such a manner that every employee should consider himself an important element in the functioning of RRB's. This policy would developed a feeling among the staff that they are the custodian of the bank therefore they should actively participate in deposit mobilization schemes as well as in loaning by the bank.

Motivation for better performance should be made by the RRB's management to all those who perform better than others. Monetary rewards should be give to excellent workers. Out of turn promotions may also be design to efficient staff. They should be encouraged by giving them posting at their choice center.

For any organization to turnaround and flourish. The most crucial is the human factor. Unless all sections of employees are committed and involved in the working of their organization, any number of policy changes and reforms are not going to help. There is no secret in the fact that the morale of the RRB's employees is at its
lowest ebb leading to serious HRD problems and poor industrial relations. The employees do not feel committed or involved. The sweeping changes also demand that the skills of the employees are constantly updated. Thus, there is a need for both commitment building thought proper orientation of attitudes and capacity building for improvement in knowledge and skills.

**Conclusion:-**

The establishment of RRBs has been a unique experiment in rural banking. They are expected to continue as an integral part of rural credit delivery system on ‘Stand Alone’ basis. The Government of India have made their intentions clear that it would favour the present structure of RRBs, albeit with relevant measures for their strengthening. The RBI has also given clear signals that the RRBs should no longer remain the protected (and in turn inefficient) institutions and they would be subjected to prudential norms and other policies as applicable to commercial banks. In the policy making circles in National Banks also, there is growing emphasis on empowerment of these institutions in operational matters as against the strict controls exercised so far. In the matters of supervision and support there is a growing
concern among the sponsor banks, for development rather than 'Big Brother' role. The state governments are also forthcoming with increasing support in the matter of business development and recovery of loans. However, within the RRBs there is growing realisation amongst the staff for self sustainability in view of perceived threats to the existence of their institution and in turn, their own survival. The RRBs as a group of institutions have acquired quite rich experience of over 20 years in rural banking. The value of this experience could be further utilised for improving the viability of these organisations. One of the ways in which this could be expedited is by bestowing greater empowerment to RRBs by all the policy making authorities and by percolation of the process of empowerment within the RRBs at all levels from Board down to the lowest official. Empowerment of Board is also necessary because in certain matters like investment, it has been made mandatory by some sponsor banks to seek their prior approval even where mere consultation would have sufficed. These situations result in avoidable reference to sponsor banks (and in some other cases to NABARD) leading not only to delays but also feelings of dependence on outside agencies. The process of empowerment would be further facilitated by allowing the officials of RRBs to take up higher
responsibilities as the level of general manager in due course and in the long run, at the level of the chairman of RRB. This could go a long way in motivating the staff of the RRBs.

In view of the indications of growth and turnaround in RRBs in the recent years, the future appears to be quite bright for majority of the RRBs. At this juncture RRBs have become quite alive to the issue of survival and viability and are trying to achieve it through enthusiastic measures. It will do a lot of good to RRBs if the structure of RRBs (stand alone model) is not distributed at least for some more time. The success of the RRBs experiment of our country could set a unique example of successful rural financial institutions in the developing world.