Chapter – 6

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION
Mahatma Gandhi often said that the soul of India resides in the villages. Two out of three Indians still live here. When Gandhiji made the remark, rural India was very different from what it is today. We have certainly made good progress in the last decades. There is a new hope and a new sense of energy that is driving rural India. As aspirations grow and consumption rises, rural hinterland is becoming the epicenter of our growth story.

Rural development has always remained as focal point of economic development of the country since the beginning of the planning era. In respect to Indian scenario, it is a societal problem rather than economic problem. The objective of rural development is to promote economic activities by ensuring effective utilization of rural resources, and ensuring adequate human welfare in the rural life. Bank finance is an inevitable factor determining and facilitating the utilization rural resources and economic activities.

Nationalizing the major banks by the central government of India, clear instructions were given for opening new bank branches in rural areas with clear understanding on the healthy relations between banks and for the benefit of rural people.

The objective of the study is to evaluate the impact on rural development by commercial banks on deposits, advances, priority sector advances and agriculture credit contribution in India and in Andhra Pradesh, to identify the problems felt by bank managers, executives, relating to priority sector advances and government schemes lending and banking sector reforms and assess the level of support of bank managers and executives towards banking sector reforms and to formulate recommendations.

Keeping in view of the objectives, the following objectives and hypothesis are formulated in the study.

1. To discuss the role of commercial banks in the economic development of the country and in Andhra Pradesh as special reference to Krishna district.
2. To assess the awareness of IRDP (SGSY) and its recovery in Andhra Pradesh with special reference to Krishna district.

3. To elicit the views of beneficiaries on the employment creation, income generation aspects in Krishna district.

4. To identify the problem of banks in providing loans under IRDP (SGSY) scheme in Krishna district.

5. To study the credit and subsidy component and its recovery in Krishna district.

6. To offer findings, suggestions and conclusions of the study to improve the role of commercial banks under the program.

Hypothesis:

The present study is undertaken into the following hypothesis:

1. \( H_0 \): The beneficiaries of the IRDP (SGSY) are satisfied into the credit and subsidy component and have improved their living.

2. \( H_0 \): The banks faced many problems in providing loans under IRDP (SGSY) scheme.

The study was empirical and analytical. Data was collected both primary and secondary resources. For a collection of primary data, two types of questionnaire as an instrument is constructed. One type of questionnaire is to collect opinion of bank managers and bank executives at a branch level of scheduled commercial banks. A sample of 156 bank managers and executives were participated from Andhra bank, Bank of India, Central Bank of India, Indian bank, State bank of Hyderabad, State bank of India and Union bank of India from Chandarla padu, Ibrahimpatnam, Kanchikacharla, Kondrapadu, Nandigama, Paritala and Raghavapuram of Krishna district in Andhra Pradesh. 25 percent of bank employees were participated in a survey. Second type of questionnaire was constructed to collect the satisfaction levels of beneficiaries on service and advances provided by the commercial banks. In this primary survey, 363 respondent beneficiaries were participated from rural and semi urban of Krishna district.
Secondary data were collected from published and unpublished records of government departments, RBI publications and regional offices of scheduled commercial banks.

The tools of examination practical were participation count, Percentages, Averages, t-test, Chi-wuar test, F test, Correlation and regression module, Likert analysis.

**FINDINGS:**

The chief explanations of the findings are abridged into two levels, one from beneficiaries’ analysis and the second from bank executive analysis.

**Finding from beneficiaries analysis:**

A primary data was collected using the questionnaire as an instrument from rural and semi urban areas of Krishna district in Andhra Pradesh to know the socio economic status, name of the sector activity, income before the financial assistance and income after the financial assistance, whether any difficulty faced by the beneficiaries on clearing loans and service provided by the banks in advancing the credit for the beneficiaries. 363 respondent beneficiaries have responded to share their opinion on credit availed from banks.

1. It was observed that, a good majority of respondents were between the age group of 40 to 44 (213 beneficiaries) following that a good number of beneficiaries age was between 35 to 39. 58 beneficiaries were from the age group of 45 to 49. It was found that a great majority of beneficiaries were below 49 years.

2. Gender ratio among the beneficiaries were not equal, there was a significant difference between male beneficiaries and female beneficiaries. It was found that 230 were from male category and 133 were from female category.

3. It was understood that, people from rural were not highly qualified. From the survey data, there were 114 beneficiaries studied only high school and 209 studied up to 10th class, very few (40) studied 12th class standards.
4. A great majority of beneficiaries (348) were married, 12 were unmarried and three were widowers.

5. It was found that, beneficiaries were dependent on three activities, 1. Agriculture, 2. Small Business and Retail Trade (SBRT), and 3. Small Scale Industries. A great majority (285) of beneficiaries was dependent on agriculture, 47 were dependent on SBRT and 31 were depending on SSI.

6. Beneficiaries from 30 villages of Krishna District were shared the views. It was found that most of the beneficiaries (78) were from Elurupadu, 61 from Chandarlapadu. Remaining was from remaining 28 villages.

7. It was found that, Backward Class, Scheduled Tribe and Scheduled Cast beneficiaries were less in the count of 363 and other cast beneficiaries were 142.

8. It was found that, Rs. 20,000 per annum was the least income of the beneficiary and Rs.95000 per annum was the highest income of the beneficiary. Majority of the beneficiaries were falling in the category of Rs. 70,000 to Rs.79,999.

9. It was observed that, 2 to 6 people were in the family and great majority (174) of beneficiaries were having 4 people in the family and 94 beneficiaries were having 5 people in the family.

10. Among RCC, Tiled and Thatched type of houses, 262 beneficiaries were living in Tiled houses and 87 were living in Thatched. Very few (14) were living in RCC houses.

11. In a survey, it was found that, all 363 responded beneficiaries were availed the loan and zero beneficiaries were not availed the loan.

12. It was found that 127 beneficiaries availed loan from SBI, 84 from Andhra Bank, 53 from Central Bank of India and 42 from Indian Bank. It was found that, a sum total of 48, 97,000 with an average of 38,559 per beneficiary availed loan from SBI, 38,94,000 with an average 46,357 from Andhra Bank, 24,40,000 with an average of 46,038 per beneficiary was availed loan. It was also observed that 312 beneficiaries were availed loan between 10,000 to 59,999 and 40 beneficiaries availed from 60,000 to
1,09,999. 8 beneficiaries availed between 1,60,000 to 2,09,999 and only 3 were availed between 2,60,000 to 3,00,000

13. It was found that, average income after financial assistance to beneficiary in agriculture and allied activity was 64,504, small scale industry was 62,516 and 64,958.

14. A paired sample t-test was conducted to know that, is there any effect of financial assistance to the beneficiaries. It was found that there is a significance improvement from income after availing the financial assistance from the banks. However there was an improvement observed, but not up to the present status of standard of living. It was found that there is a need for improvement of income to improve living standards.

15. Majority of the beneficiaries could not find any difficulty on clearing the loan, 47 felt difficulties due to loss of crop, 32 from natural calamity, 4 from low income and 36 felt difficulties because of low quality seeds.

16. It was found that, the majority (311) of beneficiaries was satisfied by the credit provided by banks and only 52 were partially satisfied. No one of the beneficiary was dissatisfied

Scheduled Commercial Banks at the National Level

Concept of Commercial banks in India started in 1786. It served in pre and post independence of India. In post independence, it created a strong and competitive banking system. A number of reform measures were initiated in early 1990’s, during this period new banks ICICI, HDFC, IDBI and UTI private banks were set up.

As per RBI report in 2014, status of commercial bank offices from 2005 to 2013, the number of commercial banks down sized from 288 in 2005 to 155 in 2013 at an average of 188 banks operated during this period. Number of commercial banks branch offices started its operations from 70373 in 2005 to 109811 in 2013. Branch offices have grown almost 64% from the year 2005 to 2013. Number of commercial bank branches at rural area started with 30790 to 39439 during this period. 78% of rural branches have increased during this
period. It is observed that the bank branches at national level and rural level there is a equal proportion of growth of bank branches.

Statutory Liquid Ratio (SLR) and pumping money in to the economy of the nation has direct relation. As SLR increases, flow of money increases in to the market. It was found that SLR increasing from 2005 to 2013. SLR in 2005 was 7391.54 to 20061.10 in 2013. Percentage of increase during this period is approximately 36% which signifies that the flow of money in the market is phenomenally increased and there by beneficiaries has got an opportunity for availing credit from the banks on priority sector advances.

The analysis made in respect of deposits revealed that there was a significant improvement in the rate of growth of time, demand and total deposits of CBs during the period from 2005 to 2013.

**Views of Bank Executives**

To know the views of bank executives towards priority sector advances, banking sector reforms and to realize the problems in priority sector advances and government schemes lending, primary data were collected from 156 bankers with help of a structured questionnaire. One question was constructed to know the participation level of branch in PSA. Six statements were used to evaluate the percentage of distribution in priority sectors by the banks and six statements were used to measure the level of difficulty with respect to the priority sector advances. To evaluate the opinion on PSA’s by the banks, eight statements were constructed. Ten statements were used to evaluate the problems faced by the banks on PSA’s. To know the performance of branch in government scheme lending one question is constructed. To know the attitude of bank managers towards the banking sector reforms, eight statements were used.

1. Seven locations of selected bank executives from Krishna District were respondents shared the views on priority sector advances, banking sector reforms and problems faced by government schemes. It was found that good number of bankers were responded from Nandigama and Ibrahimpatnam.
2. It was found that, average age of respondent bankers was 42 years with minimum 25 years and maximum 56 years. A good number (84) of respondent bankers were between the age group of 40 to 49 years.

3. It was found that majority (114) of respondent bankers was males and the remaining were female respondent bankers.

4. All bankers were highly educated, 76 bankers have qualified graduation and 80 were qualified post graduation. It was found that, male graduates were 50, male post graduates were 64 and female graduates were 26, female post graduates were 16. A chi-square test for independence was tested between gender and education. It was found that, education and gender were not independent and there is an influence that educated males were more in number.

5. Respondent bankers were from 7 commercial banks operating in rural and semi urban of Krishna District. It was found that, 45 respondent bankers were from Andhra Bank, 39 were from SBI and 30 from Indian Bank. Remaining respondents were from remaining 4 banks ranging from 6 to 16 respondent bankers.

6. It was observed that, a great majority of respondent bankers were bank executives, 29 were branch managers and 19 were assistant managers.

7. It was found that more than 62 percent of the respondent branches provided priority sector advance of more than 40 percent of the net bank credit and 38 percent of respondent branches provided priority sector advance between 30 to 40 percent of the net bank credit.

8. With regard to agriculture and allied activity advances, it was found that more than 76 percent of the respondent branches provided agriculture advances at the rates higher than 20 percent of their total advances.

9. The SSI advances of respondent branches are found satisfactory; it was found that only 26 percent of respondent branches provided more than 10 percent of advances from the net credit.
10. In advances to small business and retail trade, it was noted that 38 percent of the respondent branches provided advances more than 10 percent of net credit. It was also found that banks are providing advances to Small Business and Retail Trade not more than 30 percent.

11. It was also found that 52 percent of the managers provided only less than 10 percent and 44 percent provided between 10 percent and 20 percent of the total advance as self-employment loans.

12. In education loan, it was found that 76 percent of respondent branches provided only less than 10 percent of total loans as education loans. It was found that 42 percent of respondent branches provided less than 10 percent of advances as loans and 58 percent of banks provided more than 10 percent of advances.

13. It was found that, 66 respondent branches were advancing less than 10% of housing loan from net credit and remaining 90 respondent bankers provided opinion that, their branches were providing more than 10% advances to housing loan.

14. An analysis was done to know the level of difficulty faced by the respondent banks on providing the advances of six priority sectors. It was found that the 64 percent respondent banks faced difficulty on providing priority sector advances above 50 percent of difficulty.

15. It was found that the percent of disbursement of credit to the beneficiaries is low, so level of difficulty was also less than 10 percent.

16. Similar was the case in small scale business and retail trade, only less than 10 percent difficulty faced by banks in this case.

17. It was found that 76 percent of respondent branches faced less than 10 percent difficulty by providing advances for self employment.

18. 68 percent of respondent branches faced less than 10 percent of difficulty on education advances.

19. A good percent of bankers shared opinion that 10 to 20 percent of level of difficulty faced by providing housing loan.
20. Opinion of respondent bank branches on credit priority sector should continue to be given special attention was collected on 5 point likert scale. It was that, 88 percent of respondent bankers have accepted to continue.

21. It was observed that, special consideration on priority sector is unnecessary was disagreed by 90 percent of respondents.

22. It was found that 75 percent of responded banks accepted that there is a gap between supply and demand.

23. It was found that 93 percent of respondents disagree that priority sector advances leads non-performing assets.

24. It was found that, 93 percent of respondents disagree that the priority sector advance affects health of banking system and hence level of credit priority shall be scaled down.

25. It was observed that, 97 percent of respondents agreed that, the agriculture rural development credit delivery shall be strengthened.

26. It was found that, 60 percent of respondent branch agreed that, the banks face difficulty on recovering priority sector advances.

27. It was found that, 86 respondent bankers agreed that the banks follow ethics on recovering loans from the beneficiaries.

28. It was found that there is a difficulty faced by banks on recovery of loans due to problems faced by the banks on priority sector advance. 79 bankers shared that they face less than 10 parentage of difficulty to identify the beneficiaries.

29. There is high effect on difficulty level of recovery loans due to Lack of Commitment of Borrowers. 79 bankers shared that they face less than 30 to 70 parentage of difficulty due lack of commitment from borrowers.

30. It was found that, 81 bankers have responded that they face problems due to misutilzation of loans.

31. A majority of bankers shared that there were no problems faced due to rigid norms of banks, but 39 bankers expressed that, they face 10 to 30 percent problems due to rigid norms of banks.
32. It was found that, a good majority (118) of bankers expressed that bank staff cooperate and give good service to the beneficiaries.

33. It was observed that banks face problems due to security against the loans because most of the beneficiaries were from low income group.

34. It was observed that, a majority (87) of bankers expressed the problems they were facing because of frequent Changes of Government policies.

35. It was observed that, 66 bankers have expressed that they face problems from deliberate default borrowers.

36. A good number (74) of bankers shared that they face problems due to poor recovery of loans from the beneficiaries.

37. It was found that, non-recovery of loans from the beneficiaries was due to crop failure and natural calamity. Almost 150 bankers have expressed that majority of problems were faced due to crop failures and natural calamity.

38. An analysis is carried to measure satisfaction on performance of branch in Government scheme lending. It was observed that a great majority (75) of respondent bankers have satisfied.

39. It was found that 138 bankers have agreed that, the banking sector improved the capability of the banking system to mobilize resources and effectiveness of its lending.

40. It was found that 138 bankers have agreed that, the Government of India showed too much business in implementing reforms in the banking sector.

41. It was observed that 76 bankers have agreed on banking sector reforms ensured adequate funds to the real sector of the economy.

42. It was found that 92 bankers expressed that banking sector reforms have created unnecessary competition in the banking sector.

43. A good number of bankers have expressed that, banking sector reforms strengthened the organization structure of banks.
44. A majority of bankers (94) have disagreed that, frequent changes in interest rates on deposits and loans have created problems in accounting and dissatisfaction in beneficiaries.

45. It was found that, 81 bankers have agreed that the banking sector reforms have greatly benefitted the beneficiaries of the banks.

46. It was observed that the bankers expressed their opinion on banking sector reforms have forced the bankers give undue importance to profitability. 56 bankers agreed but 42 bankers do not want to comment.

47. A multiple regression equation was constructed, banks difficulty to recovery loans was a dependent variable and 10 different problems faced by banks on recovery of loans. At 0.05 level of significance, it was found that lack of commitment of borrowers; rigid norms of banks, crop failure and natural calamity have high impact on recovery of loans.

**Conclusion**

Policy decisions may not be cent percent fruitful. Here also the effects of BSRs are not entirely painless. There are both achievements and pitfalls as a result of banking sector reforms. On the one side, the reform measures made certain positive changes. The profitability and financial health of Commercial banks considerably improved, capital base widened, assets quality enhanced, operating expenses and NPA level considerably declined. On the other side, there are certain improvements are required to motivate priority sector activities by providing financial assistance. The growth rate of deposits and advances and the share of rural deposits and advances are not considerably grown during the period of 2005 to 2013. However, the share of metropolitan deposit and advances to total increased.

The compound rate of growth in the amount of priority sector advance, agriculture and SSI advance is required considerable change in improvement. The compound rate of growth in the amount of advances to marginal, small and large farmers reduced. These show that a paradigm shift has taken place in bank advances, particularly in priority sector advance. Banks want to play safe and so
their priorities in lending are directed towards new vistas like housing, vehicles, consumer durables, construction etc. So the emerging needs of agriculture and industry are getting back seats.

In contrast to the national level results, the deposits and advances increased at higher compound rate in Andhra Pradesh during the period of 2005 to 2013. In a developing economy like India, social goals should go side by side with economic goals to alleviate poverty by providing credit facilities to priority sector, particularly to the weaker sections of the society. So the functional performance of SCBs needs to be revitalized and strengthened. Union Bank of India also started to open village knowledge centers and rural training centers in all districts in the country for the benefit of farmers.

More over the need of PSA was greatly accepted by the respondent managers of banks were agreed to retain PSA and were found satisfied in their priority sector advance. But their support to BSRs was found only marginal. They did not support the reform measures like reduced importance to directed lending, reduction of subsidies in PSA, entry of foreign banks, reduction of government control and disinvestment of PSBs. They want to continue the PSA as such. So even in this globalized banking scenario, PSA and agriculture credit would continue to play a crucial role in the growth and development of our economy. The imbalance in credit needs to be immediately corrected and the excessive importance provided to profit and market by SCBs should be reduced. At the same time, it is true that an organization cannot sustain without profit and financial stability. So the need of the hour is a good balance between economic and social performance of SCBs. Therefore, at present, the challenge of policy makers is to identify the future risks and reduce the negative impact of reform measures on the society by strengthening the banking sector with up-to-date technology driven measures.
Suggestions:

The researcher likes to propose the following recommendations in order to solve the problems deeply felt in the banking sector.

1. Rural development projects tend to suffer if the banking policy makers do not adopt a bolder approach to rural credit. The number of rural branches should be increased so as to give more credit to farmers. The SCBs should act as best friends of rural people.

2. The vast potentials of mobilizing deposits in rural areas should be effectively utilized by designing suitable action plans.

3. The choice between formal and informal credits is mainly determined by their accessibility in rural areas. The informal sector is characterized by simplicity and flexibility. So the formal institutions of SCBs must be made freely accessible to farmers and poorer sections of the society.

4. There is a tendency for formal credit institutions to flow more easily to agriculturally developed regions and to relatively larger farmers, leaving the backward regions and small farmers to the informal moneylenders. This should be corrected and steps should be taken to enhance credit facilities to small and marginal farmers.

5. Steps should be taken to ensure successful management of credit by providing right type and right amount of loans to right type of clients. This helps to enhance right type and right amount productivity and quality of lending, so that credit deployed ensures the expected level of production, employment and income, which will guarantee timely repayment of loans and recycling of loanable funds.

6. The pre credit and post credit appraisals should be strengthened to build the good relations between the beneficiaries and bankers.

7. The directives from the top to reduce NPAs and improve profitability by adopting newer prudential norms actually forced SCBs to cut short their risky lending. So they neglected the priority sector. The government should provide
adequate directives to banks for giving due weightage to priority sector advance.

8. Along with economic goals of profitability, importance should be given to social goals also for alleviating poverty and ensuring sustainable development in the society.

9. As India is an agricultural dependent country, and most of the rural and semi-urban main livelihood activity is agriculture, so to strengthen the production agriculture credit should be improved.

10. The allied segments of agriculture like pig farming, cattle farming, poultry farming, floriculture, aquaculture etc. should be promoted in rural areas by giving timely credit so that the economic conditions of rural people can be improved.

11. The reverse transmission of funds from rural to urban and metropolitan areas should be arrested and steps should be taken to deploy the rural deposits in the rural area itself.

12. Towards fulfilling the social objectives, SCBs should provide adequate financial support to government sponsored programs like IRDP (SGSY), PMRY etc. and ensure their constant monitoring for effective utilization of funds.

13. More credit should be provided to rural industrialization as it helps the effective utilization of rural resources, generate employment and improve the economic conditions of people.

14. Rural women entrepreneurship should be promoted by providing financial assistance to their activities as women empowerment helps to establish a better social order in the area.

15. SCBs should extend co-operation to Panchayath Raj Institutions for the integrated development of rural areas.

16. Bank customers meet should be convened periodically to discuss bank matters, problems of customers, schemes of loans etc. for providing adequate
information to customers that helps to establish cordial relationship and result timely repayment of loans.

17. Lack of security is a problem felt in banks, particularly in government schemes lending. The poor people cannot have adequate security to offer. So the government should guarantee such loans.

18. Misutilization of loans is common in government sponsored schemes and it can be arrested through a proper system of monitoring.

19. The problem of identification of beneficiaries can be tackled through a proper system of preliminary evaluation.

20. Default in loans is a major problem of banks, especially in government sponsored schemes. Proper awareness should be created for prompt repayment and incentives or interest subsidy should be provided for prompt repayment of loan amounts.

21. The political interference in sanctioning loans should be avoided.

22. Deliberate default is usually made by influential borrowers. So the managers should be careful in ensuring sufficient realizable security from them at the time of granting loans.

23. Most of the government scheme loans were taken for availing subsidies. This can be prevented by close monitoring of loans and subsidy should be provided only to the viable and living units.

The above suggestions, it is expected, would provide adequate background to the policy makers for correcting the adverse trends found in the banking sector and helps to ensure sufficient funds for rural development.

Scope for Further Research

To study the impact of Investment and Monetary Transformations on rural credit, only SCBs were taken into explanation in this study. There are RRBs, Co-operative banks and informal activities in the rural area for providing loans and advances to rural people. So the study can be stretched to these agencies and, thus, the topics for further study can be framed as under:
1. Role of Regional Rural Banks in rural credit.
2. Role of Co-operative banks in rural credit.
3. Role of Informal institutions in rural credit of Andhra Pradesh.
4. Rural customer satisfaction in bank finance- A study with special focus on Andhra Pradesh.
5. Agriculture credit in Andhra Pradesh - A comparative study of commercial banks and cooperative banks.
6. Role of commercial banks in rural industrialization of Andhra Pradesh.