Chapter-V

Summary and Conclusion

In the preceding chapters it was endeavoured just to study the different rural development programmes in practice in India in general and in Jorhat district in particular and the process of the evolution of rural banking in India and the role of rural bank branches in the management of rural development programmes.

The aim of this chapter is to bring out the summary of the findings and to draw conclusions emerged out of the findings.

The main objectives of the study reviewed elaborately in the preceding chapters were:

- To study the planned progress of the rural development programmes with adequate bank finance,
- To go for a critical study and analysis of the role played by rural bank branches in the management of rural development programmes in the district of Jorhat.
- To examine critically the performance of rural bank branches in terms of their role as a cheaper effective source on the one hand and their impact on the economic conditions of the rural poor on the other.

The secondary objectives of th
• To evaluate the nature of people’s involvement and participation in the process of implementation of rural development programmes for their growth and socio-economic prosperity getting rid of poverty and poverty related frustration, and

• To study the problems faced by the rural bank branches in financing rural development programmes.

The present study concentrates on the district of Jorhat where 827,901 rural people live in 853 villages (2001 census).

So far as our ‘research methodology’ is concerned we recoursed to collection of primary data and secondary data. The primary data were collected through personal contact, interview schedule (Questionnaire) and with the help of personal observation and the secondary data were collected from various sources like official documents of Lead District Manager, official documents of District Development Manager, NABARD, District Agriculture Office, District Rural Development Agency, State Institute for Rural Development, Statistical Handbooks of Assam for different years, RBI Bulletin (Monthly) various issues, books and journals.

The primary data were collected from the managers of 15 rural bank branches and 500 beneficiaries of those branches. The entire data collection was completed between 01-01-2009 to 30-06-2009.

Among the sample bank branches there were three streams of banks; viz, Commercial Banks, Regional Rural Banks and State Cooperative Banks. 500 beneficiaries were randomly selected from the list of the beneficiaries of different Government sponsored rural development schemes with respect to each of the selected
Rural Development Programmes in Practice in India with Reference to Jorhat District:

The Second chapter of the research work is meant for discussion on the rural development strategy adopted during the plan period and the rural development programmes in practice in India with reference to Jorhat district. Ever since independence of India in 1947 especially after the inception of the planning process in India, poverty alleviation by way of rural development has always been accorded a high priority in the Five Year Plans since 1951 and it has been one of the major objectives of planning. But during the long journey of planning for rural development strategy has shifted from growth oriented to welfare oriented and then to empowerment oriented. Keeping in view the basic goal of planning (as mentioned in the drafts) to bring about a rapid increase in the standard of living of the people through measures which also promote equality and social justice, a large number of rural development programmes have been initiated during the last sixty years for achieving balanced development in the country. Different governments have modified, supplemented and complemented the rural development policies and programmes. But the desired result is yet to be achieved. The experiences of the last 58 years (since launching of the Community Development Programme in 1952) make us to feel that in any programme for raising production, income and employment in rural areas cheap,
adequate and timely availability of credit is urgently required. Therefore banks have been accorded a very important role in the development process of the rural economy.

**Evolution of Rural Banking in India:**

In the third chapter with the title ‘Evolution of Rural Banking in India: A critical Study on Rural Bank Branches’ discussion on the phase wise development of the rural banking in India, and the present status of rural bank branches in the district of Jorhat has been done. Rural banking system in India developed in three phases. In the First Phase up to the nationalization of Imperial Bank of India to form State Bank of India in 1955 and nationalization of other 14 commercial banks. In this phase Co-operative agencies were the primary vehicle for providing credit to the rural poor. But credit supplied to the rural sector was totally inadequate.

In the Second Phase Commercial banks had to enter rural credit arena and banking moved from class banking to mass banking. This led to the opening of new branches in the hitherto unbanked areas and an increase in rural lending. Rural banking gained greater impetus under the Lead Bank Scheme. The number of rural branches of nationalized Commercial banks rose from 1443 in 1969 to 35329 in June, 1994. Of course since then the total number of rural branches started declining to arrive at 30590 in 2007. In the same way deposits and advances of the rural branches during this period were continuously increasing. Priority sector advances of the rural branches of nationalized Commercial banks also increased significantly during this period. During the post nationalization period rural credit supplied by Commercial
banks have been expanding much but as a percentage to total credit the increasing trend is quite disappointing as it is still less than 15 percent.

The Third Phase is characterized by the emergence of Regional Rural Banks. In spite of the massive branch expansion of Commercial banks during post nationalization period it was felt the need for specialized financial institutions to cater to the needs of the poor in rural areas. Therefore, Regional Rural Banks were established in 1975. Till 1999 the number of RRBs and their branches were on increase to reach 196 and 14475 respectively. As most of the RRBs were to run in losses the step for amalgamation of RRBs were initiated in 2005 and the number of RRB decreased to 104 by 2006 and to only 82 by 2009. Of course deposit and advances of the RRBs continued to increase tremendously (vide Chapter iii). In short, it may be said that RBI policy of social coercion through licensing and targets was a success in forcing banks to open branches in hitherto unbanked locations and financing the rural poor for their economic upliftment. Rural bank branches in Jorhat district are also expanding in number of branches, amount of deposit and amount of advance during the last few years.

Summarising the discussion it may be concluded that in a bid to bring the poor farmers in rural areas out of their dependence on local money lenders in India as well as in Jorhat district, rural bank branches have been doing much through supply of finance to the rural poor for raising production, productivity, income, employment and standard of living.
An Appraisal of the Role of Rural Bank Branch as Manager of Rural Development Programmes:

Chapter iv is the principal part (chapter) of the thesis. Collected data were used to analyse the proposed objectives of the study.

Regarding implementation of the ongoing rural development schemes/programmes it was found that

- Participation of rural bank branches in the implementation of Swarna Jayanti Sworozgar Yojana was not very encouraging. The total amount of loan disbursed under this scheme by the rural bank branches had increased from Rs. 55.38 lakhs in 2005-06 to Rs. 448.33 lakhs in 2008-09. But during 2009-10 it has again decreased to Rs. 320.96 lakhs showing a negative growth rate of 28.4 percent.

- Up to 2003-04 big targets for financing were given to the rural bank branches under KVIC Margin Money Assistance Scheme, but the banks always lagged far behind the targets. From 2004-05 the annual targets were reduced drastically and since then performance of rural bank branches as regards the target achievement has improved.

- Under Prime Minister’s Rozgar Yojana also rural bank branches had been supplying credit to rural youths. Total bank credit under this scheme in the district increased from Rs. 170.16 lakhs in 2001-02 to Rs. 372.18 lakhs in 2004-05 and then it started declining and in 2007-08 bank credit of only Rs. 181.19 lakhs was advanced to the rural youths.
- Banks’ role in the implementation of the Prime Minister’s Employment Generation Programme, a new programme launched only in 2008-09, seems not encouraging. Among the three streams of bank branch, branches of Commercial banks have sanctioned the highest number of proposals (21) and amount (Rs. 60.25 lakhs).

- The Kisan Credit Card (KCC) Scheme for providing timely short term crop loan to the rural farmers is an important ongoing scheme in the district. Year wise data on advance under KCC scheme during the period since 2001 reveal that total advance under KCC by the rural bank branches has been increasing steadily from Rs. 64.82 lakhs in 2001 to Rs. 1493.17 lakh in 2008-09. But it again declined to Rs. 450.66 lakhs in 2009-10. Thus the rate of increase was not uniform over the years. Credit flow under this scheme witnessed encouraging growth till 2004-05. Poor recovery under KCC discouraged banks to issue fresh KCC.

- Bank finance for farm mechanization under Assam Agricultural Competitiveness Project (AACP) was not at all satisfactory. Though under AACP a target has been set to install 600 STWs and 1200 LLPs per year during the project period, in the last few years banks have not disbursed any loan under minor irrigation except single loan during 2004-05 under OFNM. Banks were facing difficulties in financing minor irrigation schemes primarily due to poor response of farmers in taking up minor irrigation schemes through bank finance. In the same way credit supplied for purchasing tractors and power tillers by the rural bank branches was not up to the expectation.
Though fishery is one of the important sectors which can play a vital role in the development of rural economy of Assam as well as of Jorhat district a meager amount of credit was supplied to the fish farmers. During three years 2006-07, 2007-08 and 2008-09 only 53 loan proposals were sanctioned and the total amount sanctioned was Rs. 247.44 lakhs.

The credit supply for the construction and renovation of rural godowns under Credit Linked Capital Investment Subsidy Scheme (CISS) started in Jorhat district only after 2004-05 and 2 proposals for construction of cold storage have been sanctioned.

The performance of rural bank branches in financing Centrally Sponsored Venture Capital Scheme (for dairy development), in the district was quite encouraging. Bank credit under this scheme showed a bumper growth in 2006-07 and 2007-08 registering growth rates 213.9 percent and 70 percent respectively. However, since 2007-08 it has been exhibiting a negative growth.

Bank credit to women beneficiaries under SGSY and PMRY scheme was on increase. During 2000-01 only 46 women groups were financed under SGSY scheme. The total numbers of women groups financed under this scheme up to 2006-07 were 1792 and the total amount of finance was Rs. 1262.93 lakhs. Under PMRY scheme also 82 and 62 proposals for women beneficiaries were sanctioned during 2005-06 and 2006-07 respectively.

Up till March 2009 a total of 56,422 No-frill accounts were opened in the rural bank branches of the district. Branches of Assam Gramin Vikash Bank have issued 638 General Credit Card with the total amount of Rs. 118.75 lakhs to
the poor in rural areas and Commercial Bank Branches had sanctioned amount Rs. 7.75 lakhs.

- The SHG Bank Linkage Programme had shown a positive reflection from 2000-01 onwards. There were about 10508 SHGs (including 1700 under SGSY subsidy linked scheme) having bank linkage in the district out of which 4305 SHGs have been credit linked.

Thus the rural bank branches in Jorhat district have been increasingly financing the rural poor under different Government sponsored programmes and thereby, helping the planned progress of the Rural Development Programmes of the Government.

**Role of Rural Bank Branches in the Process of Management of Rural Development Programmes:**

Regarding the role played by rural bank branches in managing rural development programmes in Jorhat districts, the findings were that

- For proper management of deposit, advance and other banking operations in general and rural development programmes in particular a well equipped bank’s indoor is necessary. But rural bank branches were suffering from the problem of under staffing. In a rural branch in average there were one manager, one field officer, two clerks and one sub staff. The Rural Development officer was in charge of farm finance section of the branch. But he was engaged in bank’s day to day works also.
Since 1989 the banks have been following Service Area Approach in financing Government sponsored rural development programmes. The service area of every bank branch was within 10.67 Km. on an average.

None of the managers of rural bank branches prepared his credit plan based on his self detailed survey of available resources and skills in respective study area. Their credit plans were either prepared by themselves on the basis of targets given to them or plans were given readymade by the respective controlling office. Of course presently while preparing branch credit plan help is taken from block wise and activity wise potential estimated by NABARD.

Very often selections of beneficiaries were not made strictly following specific criteria of the bank. 66.67 percent bank managers acknowledged the influence of village leader and local politicians in the selection of beneficiaries. Quality appraisal by the banks was proper for 60 percent beneficiaries; i.e. for 40 percent beneficiaries there was lapse in the selection procedure.

20 percent bank branches had no post credit monitoring system. 26.67 percent bank branches did not monitor but kept contact with the defaulters. Total household approach for credit monitoring was followed by 10 out of 15 branches (66.67 percent).

Recovery of the loan under Government sponsored rural development schemes was not at all encouraging except loan to SHGs under SGSY scheme. Percentage of overdue to total amount of loan disbursed was the highest in case of short term crop loan against KCC (97 percent) and least in case of SGSY
(29 percent). Poor recovery and high overdue has discouraged rural bank branches in financing the poor under different rural development programmes.

• In all (100 percent) the branches there was arrangement for rescheduling of loans in time of severe natural calamities in the area.

• 86.67 percent of the respondent bankers were very unsatisfied with the role played by sponsoring agencies. Sponsoring agencies were always concerned with the fulfillment of the target not with the increase in productivity and income of the rural poor. Sponsoring agencies did not release subsidy in time. Officials from the sponsoring agencies never involved themselves actively in the recovery drive.

The analysis of the findings on the role of rural bank branches based on interview with the managers of the sample rural bank branches with the help of questionnaire being filled up by them, reveal that rural bank branches have been playing a positive role in the management of rural development programmes.

Rural Bank Branches as a Cheaper and Effective Source of Credit and Their Impacts on the Socio-economic Conditions of the Rural Poor:

• Among the four category of beneficiaries non-farm sector borrowers enjoyed the highest share (45.15 percent) and landless labourers the least share (8.67 percent) in the total amount of loan.

• In Jorhat district 17.66 percent of the total credit requirements of the rural poor beneficiaries for carrying on their proposed projects were not met by the rural bank branches. In other words there was a credit gap to the extent of 17.66
percent. percentage credit gap was the highest (51.09 percent) in case of landless labourers. In the same way among different schemes it was the highest in case of KCC (30.56 percent). Again, percentage credit gap among the borrowers of Assam Co-operative Apex Bank was higher (23.73 percent) than those of Commercial bank branches and AGVB branches.

- The beneficiary borrowers had to spend a noticeable share (2.75 percent on an average) of the amount of loan as cost of borrowing incurred on paying gratification fee (1.87 percent), and transportation cost and opportunity cost of labour (0.90 percent). The landless labourers had to bear relatively a higher percentage (4.87 percent) of amount of loan availed as cost of borrowing.

- On an average 15.77 days were taken by the banks for granting loans to the borrowers which was slightly above the stipulated time (15 days) for sanctioning a priority sector loan.

**Impact of Bank Credit on the Socio-economic Condition of the Borrowers**:

- There was 17.12 percent rise in net income of the sample beneficiaries in general due to loan based activities but no increase in income of the landless labourers. Medium farmers enjoyed the highest rate (26.38 percent) of increase in income due to loan based activities.

- In general the average additional employment in mandays has increased by 32.3 percent among the beneficiary borrowers in the post loan period, but the employment position of the landless labourers showed no change.
• The impact of bank credit on the total asset holding position of the beneficiary borrowers indicated that on an average asset holding position of the beneficiaries rose by 13.45 percent in the post loan period. Highest increase (17.8 percent) in asset holding was noticed among the marginal borrowers.

• The probe into the impact of bank credit on the standard of living showed that there was a general improvement in the living standard of the borrowers after utilisation of the bank credit. 68.6 percent of the borrowers experienced improvement in the standard of living.

People’s Involvement and Participation in the Process of Implementation of Rural Development Programmes:

Regarding people’s involvement and participation in the process of implementation of rural development programmes it was observed that

• 70.7 percent of the loan obtained was utilised for the agreed purpose; i.e. the extent of misutilisation was 29.3 percent. Among the different categories of borrowers misutilisation was the highest (33.46 percent) among non-farm sector borrowers and least among small & medium farmers (27 percent) The study also revealed that misutilisation was the highest among the borrowers of Assam Cooperative Apex Bank(40.09 percent) . Borrowers of AGVB branches misutilized the least amount (25.98 percent). Scheme wise data relating to misutilisation indicated that in case of short term loan under KCC scheme misutilisation was the highest (85.9 percent).

• 41.08 percent borrowers were completely unaware of the probable market for the product he was going to produce with bank credit.
• 43.2 percent of the borrowers were irregular (including defaulters) in repayment of the loan. The percentage of borrowers irregular in repayment was the highest (76.19 percent) among the landless labourer borrowers followed by marginal farmers (66.33 percent). The percentages were 52.94 and 30.67 percent for small and medium farmers and non farm sector borrowers respectively. Scheme wise data indicated that percentage of borrowers irregular in repayment was 100 percent in case of borrowers under SC/ST/OBC development schemes but in case of farm mechanization no borrower was found to be irregular in repayment.

• According to reasons given by defaulter borrowers for not repaying the loan regularly, spending the borrowed amount on social functions or on family consumption was placed first (90.14 percent of the defaulters) followed by inadequacy of credit and low returns from the loan based activities (67.96 percent). Expectation of further loan waive (51.05 percent), lack of monitoring and supervision on the part of the bank officials (32.75 percent), high repayment installments (27.89 percent) and long distance to the banks (17.25 percent) were some reasons given by the defaulter borrowers for irregular repayment.

• Another important finding of the study is that 40.6 percent of the beneficiaries borrowed from other sources besides borrowing from the bank.17.8 percent of the total beneficiaries went to village money lenders for loan,15.2 percent borrowed from friends and 7.2 percent from their relatives The percentage of beneficiaries who had to borrow from two or more sources constituted 7.2 percent of the total borrowers.
Problems Faced by Rural Bank Branches in Managing Rural Development Programmes:

The study reveals that

- Misutilisation of credit leading to non-repayment of the loan posed a serious threat to the bankers. It is observed during the study that the beneficiary borrowers very often could not manage their cash inflow properly, in whatever amount it might be. Many borrowers who derived income daily or weekly or sporadically could not accumulate it for the payment of loan repayment installments due to diversified day to day expenditures. Bank branches also had not sufficient man power to contact the borrowers very frequently in proper time.

- Chronic overdue problem hindered the rural bank branches in further recycle of the funds.

- The rural development programmes in reality have become mass loaning programmes in far flung villages. The bankers have neither the required aptitude and ethos nor the required adequacy of staff both in number and quality for managing these programmes. 60 percent branches suffered from inadequacy of staff. Due to shortage of staff a separate cell for dealing with rural development programmes could not be formed. In the absence of such a separate cell timely supply of credit to the rural poor becomes difficult.
In 60 percent branches, field officers / rural development officers were utilized by branch managers for clerical works which no doubt hampered the growth of development activities in the rural areas.

Poor productivity and non generation of sustained income for repayment of loan by the beneficiary borrowers was another problem faced by rural bankers...

Lack of involvement of the personnel from sponsoring agencies, untimely adjustment of subsidies caused great inconvenience to bankers in managing rural development programmes.

Improper identification of beneficiaries by sponsoring agencies was another problem faced by rural bankers. As there was joint identification of beneficiaries by banks and other Government departments, the identification of beneficiaries became very often faulty and farmers who were not eligible for subsidy were also financed. Again Government departments were directly participating along with the banks in managing rural development programmes resulting in divided responsibility and diluted accountability.

Undue political interference was another serious problem faced by rural bankers in financing rural development. There was extreme politicization in terms of write off of loans. Write offs inspire the rural borrowers to abstain from repaying loan. Because after getting loan relief for once due to Government’s loan write off policy, expectation for further loan write off got cropped in minds of the rural borrowers.
• There were as many instances as 9.2 percent of the total beneficiaries which were interested in subsidy amount only and not in taking up any activities

Observations Relating to the Objectives of the Present Study:

We have taken just care to consider effectively the objectives we have adopted in this research study. We intend to add here that

• No stone has been left unturned in the public sector for development of rural areas of the country. All the three streams of rural banks have been extending credit to the rural development programmes in the country.

• Rural bank branches have been playing a positive role in the management of rural development programmes. Still there is much to achieve as required by the objectives of rural lending

• Performance of the rural bank branches in general and branches in the district of Jorhat in particular have played an important role as a cheaper and effective alternative source of finance for rural development.

• The researcher observes that people / beneficiaries of bank credit do not get themselves involved purposefully. They come forward to take the advantage of credit but they are found to be a bit lethargic in offloading their debt burden as such rural indebtedness and rural poverty have remained almost unchanged.

Hypothesis : A Critical Observation:

• As far as the first hypothesis of this study “The rural bank branches have played a very positive role in the management of rural development
programmes” is concerned, the study has established that rural bank branches have played a positive role but leaving much to achieve, in the management of the rural development programmes as planned by the Government from time to time. Though the annual credit plan for the rural bank branches were not prepared based on their own detailed survey of the available resources, at present the system is that while preparing the annual credit plan, help is taken from the potential linked credit plan prepared by NABARD. NABARD prepares the potential linked credit plan considering the existing physical potential, availability of infrastructure, marketing support, absorption capacity and other strength and weaknesses of the rural credit delivery system of the concerned area. For 60 percent of the beneficiaries, quality appraisal of banks was considered to be proper. 53 percent bank branches have reported to have post credit monitoring system. 26.67 percent sample bankers kept contact with the defaulters. Though the rural bank branches in general have been suffering from overdue problem, yet in some rural development schemes like SGSY, recovery percentage is quite encouraging. Therefore, the first hypothesis can be accepted.

- Regarding the second hypothesis, Rural bank branches have extensively benefited the rural poor in Jorhat district in terms of their achievements in becoming a cheaper and effective source of credit on the one hand and their impact on economic conditions of the rural poor on the other, it can be accepted on the basis of the findings of the study. Though the borrowers of rural bank branches also had to incur 2.78 percent of their borrowed amount as
cost of borrowing and it would be a noticeable amount if added to the amount of interest chargeable, still it was much lower than the exorbitant rate charged by rural money lenders at 10 to 20 percent per month in the district. A probe into the change in income, employment and standard of living of the beneficiaries in the post loan period establishes that there was a general improvement in the income (by 17.12 percent rise in net income), employment in man days (by 32.3 percent rise), asset holding position (by 13.45 percent) and in standard of living.

- The findings of this study have nullified the third hypothesis that People's involvement and participation is effective in the process of implementation and management of rural development programmes. Most of the rural people in India are indolent, ignorant and they lack awareness and as such desired people’s involvement and participation are yet to achieve. It can be concluded that in the district of Jorhat also people’s involvement and participation in the implementation of the rural development programmes is not satisfactory, as data revealed that on an average 29.34 percent borrowed money was not used for agreed purposes, 41.08 percent borrowers were completely unaware of the probable market for their proposed project, 59.2 percent borrowers was defaulter in repaying loan.

**SWOT Analysis:**

SWOT implies S for strength, W for weakness, O for opportunity and T for threat.
**Strength** : While analyzing the strength aspect of the problem the researcher has studied, it can be said that the very objective of extending credit by rural bank branches towards implementation of the rural development programmes of the Government is highly constructive as rural economy has to develop and grow faster. Besides, the practice of rural banking for socio-economic transformation of rural India has itself been a very strong weapon. This practice no doubt would keep the momentum of growth of rural banking as it has been over the years since 1969, sheltered and supported by Government policy for rendering socio-economic justice to country’s entire population including the down trodden rural poor masses.

**Weakness** : Weakness, the researcher feels in the political interference. Political Government, to whatever political philosophy it belongs, tries to look down upon the very spirit of eradication of rural poverty. Moreover credit deposit ratio has also been looked down upon in many cases. In addition, beneficiaries’ intention to offload their debt is seen to be negative to a considerable extent. The low volume of business, the lower yields on the advances and the growing establishment costs have posed a threat to the rural bank branches. The researcher also observes that high rate of Non-Performing assets is another weakness in rural bank branches.

**Opportunity** : Public sector banks have got tremendous support from the society of depositors. Therefore now these banks collect large amount of deposit. Again it is the fundamental function of the banks to mobilize deposits from the society including Government authorities, public bodies, institutions and individuals. These credit schemes provide them the opportunity to invest the mobilized deposits in selected
fields. Besides the banks are being backed and supported by the Government, striving for the socio economic upliftment of the poor masses.

**Threat**: The present study reveals that rural bank branches are facing the very critical problem of non repayment of loans. The problem of NPAs (Non Performing Assets) has been growing up as a threat to them. Besides, private banking is increasingly expanding in India. They will try their level best to exploit the opportunity of rural credit through easy micro credit for implementing the country’s rural development programmes. Again at present as the level of education of the rural people is rising and therefore rural affluent people also are starting to look for efficient, quicker and low cost services. As the financial system diversifies and other types of financial intermediaries have become active in rural areas, rural savers will turn towards mutual funds or they may be willing to deploy a part of the surplus income into equities and debentures and also other fixed income securities. The bulk of deposits of the rural bank branches are currently long term deposits. If these comedown, there would be a distinct shortening of the average maturity structure of bank deposits with an increase in asset liabilities mismatches. Then the spreads that the banks now enjoy will progressively shrink making it more difficult for them to survive. As more and more intermediaries and private banking institutions enter rural areas with greater level of technology, traditional banking business will come under pressure. It implies a threat in respect of public sector banks’ rural credit practice. At this juncture of inter-sector competition, it becomes very much important to overcome the threat aspect through strengthening the ‘strength’ aspect to keep pace with growth momentum.
Finally the researcher would like to conclude by adding that India lives in villages, if villages perish India too may perish. Even now after sixty years of planning (1951 to 2010) mass rural poverty has been a chronic problem before our planners. The gap between the rich and the poor has remained even now very spectacular. It signifies a ‘static in progress’ scenario in India’s economic development. The Governments of independent India have been doing much for the economic upliftment of the rural masses. Rural bank branches also have been injecting sufficient credit to the rural sector through financing rural development programmes. However, all initiatives in developing and modernizing our rural areas will depend upon the quality of management that exists. The researcher thinks that financing rural development programmes by banks requires qualities of management which are far more sophisticated and complex than advancing credit to other sectors. Rural bank branches have been playing a positive role in managing rural development programmes. Still ‘miles to go’ before reaching the desired goal. Our beneficiary rural poor respondents are less intelligent to realize the reality of poverty and programmes/schemes followed for the reduction of poverty. But they feel bank credit policy of the Government has definitely benefited them. Therefore the researcher intends to put forward certain recommendations which would be useful for policy makers and bankers for raising socio economic standard of the borrowers residing in rural areas as well as for self existence of the rural bank branches.
Recommendations:

- In order to be able to act as a lever for rural development through managing properly the rural development programmes rural bankers must keep it in mind that what the rural people need is supervised credit, that is to say, credit given for specific identified purpose and repaid out of incremental income generated by its use. Therefore the cadre of rural branch managers have a crucial role to play in helping the poor in bettering their ability to earn by providing supervised credit, he must work with devotion and a sense of commitment coupled with missionary zeal. He should be able to motivate his staff whose full involvement in the task is necessary. Besides the rural bank branches should be adequately staffed and job roles of field staff should be elaborately specified.

- To say there is no alternative to updating village profile every year and surveying rural households under the service area by the bank branches for proper and realistic assessment of farmers’ credit needs. Field level village survey will help the bank to identify the eligible farmer for providing credit under schemes like KCC. Self Help Groups also can be promoted in each village. Once this village profile is updated and survey is conducted in consultation with NGOs particularly in each tribal, flood prone backward areas successfully what is required is the farm commitment of the concerned bank branch to intimately associate with the SHGs right from the formation and then link the SHGs with bank. In the same way data collected from village and
household survey can be analyzed to explore the feasibility of creating cold storage facility and possibility of constructing godown in a group of five or ten villages and formulate a scheme for this purpose in consultation with D. D. M, NABARD.

- Service Area Credit Plans should be based on effective environmental scanning and the genuine credit needs under different schemes of Government sponsored programmes. But a uniform stereotyped pattern is visible in designing credit plans which were merely target oriented than potential oriented. It is the possibility of exploitation of the potentials in the area which must be used to determine the targets.

- To improve the quality of lending the designing of lending schemes, appraisal techniques, procedures for disbursement of loans, monitoring of the credit use and recovery follow up should be based on applied research and frequent exchange of information within and amongst the banks in each region and across the region. It is strongly suggested that the bank should have separate Research & Development Cell at the zonal and central office levels.

- The controlling offices of the bank should take the responsibility to ensure that appraisal of loan proposals, disbursement of loans and post disbursement monitoring of loans is done by each branch strictly in accordance with the prescribed norms and guidelines and that too in time.

- In order to improve the recovery performance of the banks, support of district administration and Government agencies is essential. It is very urgent to ensure that Government agencies forward only those proposals which are genuine,
production oriented, need based and in accordance with the norms. The Reserve Bank of India and the Government should jointly define the responsibility of each sponsoring agencies. Recovery of advances should be made the joint responsibility of the sponsoring agency and the lending bank.

- The success of any development effort in rural sector depends upon the degree of villagers’ active participation and the skills with which they manage and implement the programmes. Therefore the rural poor must be equipped with proper management education to initiate non-traditional economic activities and to manage their borrowed funds. They must be taught the basis of credit management in a small way, how credit should be used for productive purposes and how incremental income should be apportioned for loan repayment, capital formation and consumption purposes etc.

- As the rural poor do not have adequate knowledge about the financial assistance provided by banks, the bank managers and other officials of the service area may visit service area villages once in every four months along with the members of local bodies and convene meeting to increase involvement of rural poor and to provide information relating to various schemes, credit limits and the procedures involved.

- With the ever increasing borrowers of meager means the disbursement of loans on joint or several liabilities to group seems less expensive with better recovery. Therefore emphasis should be given on financing the poor through group like self help group, joint liability group etc.
• Government should not vitiate the recovery climate by announcing debt reliefs or loans waive what has been done in the recent years. The politicians must realize that rural indebtedness is easy to deal with by writing off interest on loans or even waiving loans for that matter; but such an exercise merely improves the banks’ books without doing an iota towards improving the earning capacity of the farmer. On the other hand government and its agencies should make positive efforts to make recovery climate conductive to timely repayment of loan.

• Loan Melas, during which banks were forced to disburse credit in the presence of political dignitaries without assessing credit worthiness of the borrowers or the viability of the loaned project add to the mounting overdues of the rural bank branches and there by create erosion in the viability of banks. In the same way intervention of local politicians in sanctioning and disbursement of loan also adversely affect the recovery condition. Therefore rural bank branches must be freed from populist oriented political interference.

• Finally the researcher likes to urge the banks to introduce more bankable schemes for the rural poor and open financial literacy and credit counseling centres, as advised by the Reserve Bank of India recently.91

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91 The Assam Tribune, May 21, 2011, p11