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| <b>CHAPTER</b><br><b>7</b> | <b>CONCLUSIONS<br/>AND<br/>SUGGESTIONS</b> |
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### 7.1 FINDINGS OF THE STUDY

(1) The MGB has contributed substantially to the economic development of the people in its command area.

(2) The objectives of setting up of the MGB are well achieved. The bank has made concerted efforts to provide credit to small and marginal farmers, landless agricultural labourers, small entrepreneurs, rural artisans and petty businessmen. It has helped them to reduce their dependence on the rural money-lenders. The bank has assisted in pushing up their income levels and thereby ameliorating their socio-economic conditions.

(3) The capital of the MGB consisting of share capital, deposits and loans from other financial institutions has been continuously increasing. The annual average rate of growth of capital of the MGB has been 43.68 per cent.

(4) The bank has succeeded in inculcating the habits of thrift and savings, and thereby mobilise large quantum of deposits.

(5) The bank has raised sufficient funds from borrowings and refinance from the sponsor bank, NABARD and IDBI. These funds increased at an annual average rate of 55.3 per cent.

(6) Loans outstanding of the bank too increased at a rapid rate, the annual average rate of growth being 468.43 per cent. The average number of borrowal accounts per branch are 988, average advances per branch are Rs. 56.93 lakh and average amount of advances per employee are Rs.7.91 lakh during 1993.

(7) The achievements of the bank in lending to the government-sponsored schemes, participation in the district credit plan and service area plan has been always grater than the targets assigned to it.

(8) Income and expenditure of the bank have shown annual average rate of growth of 119.95 per cent and 168.20 per cent respectively. The bank earned profit for 11 out of 17 years under study.

(9) Recovery position of the bank is not satisfactory due to target-oriented credit deployment to the priority

sectors as per directives of the government. The bank has made persistent efforts to improve recovery through organising camps, trainings and competitions.

## 7.2 Weaknesses of the MGB

(1) There is general feeling among the people that the MGB is "poor man's bank", so rich people, traders and businessmen have remained away from the bank. This is mainly due to, the publicity of the RRBs as "Small man's bank".

(2) Recovery of loans advanced by the MGB is not satisfactory. The bank has failed to effect good recovery by adopting enough follow-up measures. The number of wilful defaulters and long-standing debts have been on increase. Hurried and hasty dispersal of credit according to the government directives for target-hunting has led to poor recovery. In an attempt to get appreciation for being the first in implementing the government-sponsored programmes, the bank has advanced credit without studying the credit-worthiness of the borrowers.

(3) Urban orientation of the staff of the MGB has failed to establish proper rapport with the rural population. Most of the staff of the MGB is living in urban/semi-urban areas and attends the bank only during the working hours. Thus, there is communication gap between the bank's staff and the rural clientele.

### 7.3 SUGGESTIONS FOR IMPROVEMENT

(1) In order to expand the business of the MGB, it should educate the rural people regarding various deposit and loan programmes. The bank should expand its activities, so as to cover the non-priority sector in increasing proportion.

(2) Though the bank is established to meet the social objectives, it cannot entirely divorce itself from the principle of economic viability. It should exercise proper control over its costs and try to improve its income, so as to earn some minimum profit at least. As the cost on salaries and allowances of the staff is increasing, computerisation can be introduced to check the hike in working cost.

(3) At the time of making advances, credit standings of the borrowers should be properly assessed, which can reduce atleast to certain extent the cost of recovery.

(4) Recovery system should be improved. Persuasion by bank personnel for recovery and educating the people for prompt repayment is needed. Summary powers be given to the RRBs to strengthen the recovery system.

(5) At least some of the staff of the MGB should live in the villages and mix up with the village people, so that

they get close acquaintance with the villagers and the rural environment. Such constant rapport would help to know the creditworthiness of the people, their problems and difficulties in repayment of loans etc. For this purpose the bank may provide accommodation to at least the manager of the branch at the place.

(6) As the RRBs are serving the rural clientele, there is need to stream-line the pattern of working hours and weekly holidays of the bank according to the convenience and suitability of the rural population. The local traditions and practices should be given due weightage in determining the working hours. One of the reasons why money-lenders have been popular for years is the flexibility of their working hours. Since the RRBs are going to displace the money-lenders and become perfect substitutes for them, it is necessary for them to have such flexibility.

(7) In order to avoid unhealthy competition between the RRBs and commercial banks and co-operatives, it is necessary to transfer the business of the rural branches of all commercial banks to the RRBs and establish proper link between the RRBs and the co-operatives, or the area of operation of RRBs and the co-operatives may be demarcated, which will make the concerned institution accountable for the assigned task.

(8) The RRBs will have to evolve their own procedures and practices and build a new culture of their own. They should not follow blindly the practices and procedures adopted by the branches of their sponsor banks. The RRBs should evolve an independent style of functioning which should depend more on the local environment.

(9) Deposit mobilisation is an important banking variable that determines the growth of financial institutions. To mobilise adequate amount of deposits, the MGB should make efforts to motivate the rich and well-to-do farmers to keep their deposits with its branches. Due to illiteracy and ignorance of the rural population, there is general feeling that, the MGB is a "small man's bank", meant only for advancing loans to the weaker sections. Therefore, there is need to educate rural masses particularly regarding the role and functioning of the bank. The co-operation of youth clubs, mahila mandals and other voluntary organisations may be sought in this regard. The weekly off day of the villagers should be utilised by the branches of the MGB to canvass for deposits. Literature regarding different saving schemes and significance of thrift and savings in the regional language be distributed. Incentives and awards may be given to the employees and others who fetch more deposits for the bank.

(10) From the study it appears that, the MGB depends on the government sources for identification of the target population for financing under IRDP, Anthyodaya, etc. Such dependence should be given up and the MGB should evolve its own ways and means to identify target population. The system of conducting credit camps leads to hurried identification of target population and dispersal of credit by according spot sanctions is likely to cause more harm than good.

(11) A separate cell for the landless agricultural labourers, displaced persons, people of scheduled castes and scheduled tribes should be created by the bank. The cell should devise schemes and programmes for the upliftment of people belonging to these groups and implement them effectively.

(12) The system of training to the personnel of the bank should be made more meaningful. It is necessary to introduce rural bias in the training imparted to the staff. Every employee of the MGB must receive a training with rural orientation. Graduates in rural economics, rural banking and rural background should be given preference in the recruitment of the staff.

(13) Mere provision of credit will not solve the problem of unemployment and under-employment. People in rural areas need vocational guidance, training and supervision. The MGB should provide proper guidance to those who seek financial assistance under such schemes. Training programmes in collaboration with District Industries center, Small Industries Training Institute, etc. be provided to the unemployed youths getting loans for self-employment.