

Loan Advances by Regional Rural Banks and Its Recovery in Ballia District of Eastern UP

KUMAR SAURABH

131, Dushyant Nagar, Bodla Sikandra Road Agra 282007 UP

Abstract

The RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. These banks are state-sponsored, regionally based and rural-oriented. The RRBs were established “with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs. The present study was confined to Ballia district. The list of blocks in Ballia district was taken from C.D.O office. The Ballia block was selected purposively since it was having highest number of branches of banks. The Kshetriya Gramin Bank was selected for the present study. Kshetriya Gramin Bank Ballia has been selected purposively. Since this bank is established in rural area and financing the farmers in a bigarous way. The list of the villages covered by bank branch under study was prepared with the help of banks officers. The Kshetriya Gramin Bank was financing in 10 villages, out of 10 villages, 5 villages were selected randomly, and thus villages were selected randomly. The present study was based on primary and secondary data which were taken from bank branch and block office etc. while the primary data were collected through pre-prepared Schedules and Questionnaires through personal interview method with the respondents. It is clear from the foregone discussions that the recovery position of crop loan is quite satisfactory. However, the efforts are still made to minimize the overdue. While in case of term loan, the recovery position is not satisfactory. Though, the Government is trying at his best part to improve the recovery position of term loan.

Key words: Multi-agency, Questionnaires, Kshetriya Gramin Bank, entrepreneurs

Introduction

The Government of India promoted Regional Rural Banks (RRBs) through the RRB's act of 1976 to bridge the gap in the flow of credit to the rural poor. Despite the various measures taken by the government and the Reserve Bank through social control and the nationalization of 14 major commercial banks, a large proportion of the rural poor remained outside the banking fold. A working group was appointed in 1975 under the Chairmanship of Mr. M. Narasimham, to explore the possibilities of evolving an alternative rural credit agency to benefit the rural poor. The group recommended formation of a new set of regionally oriented rural banks which would combine the local feel and familiarity of rural problems characteristic of cooperatives and the professionalism and large

resource base of commercial banks. The RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. These banks are state-sponsored, regionally based and rural-oriented. The RRBs were established “with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs

Currently, RRB's are going through a process of amalgamation and consolidation. 25 RRBs have been amalgamated in January 2013 into 10 RRBs. The counts 67 RRBs till the first week of June 2013. The

counts 56 as of March 2015, on 31 March 2016, there were 56 RRBs (post – merge) covering 525 districts with a network of 14,494 branches. All branches were originally conceived as low cost institutions having a rural ethos, local feel and pro poor focus. However, within a very short time, most banks were making losses. The original assumptions as the low cost nature of these institutions were belied. This may be again amalgamated in near future, with the third phase of amalgamation of RRBs bringing down the number of such entities to 38 from 56.

Methodology

First of all, the list of blocks in Ballia district was taken from C.D.O. office. Then, the block wise, number of banks branches operating has been find out. After doing so, the block having maximum bank branches was selected for the present study. Thus Ballia block was selected purposively (having the maximum number of branches of banks). After selection of blocks, the bank having more number of branches in Ballia block was selected. Two branches of Kshetriya Gramin Bank were operating in this block. Kshetriya Gramin Bank is also the lead bank of Ballia district. Therefore, the Kshetriya Gramin Bank was selected for the present study. Kshetriya Gramin Bank Ballia has been selected purposively. Since this bank is established in rural area and financing the farmers in a bigarous way. Out of 75 cases, 10 cases were reported as term loan while 18 cases were of such cases who have taken crop loan as well as term loan together, while 47 cases reported as only crop loan. Hence, total number of term and crop loan were selected 28 and 65, respectively

Results and Discussion:

Loan Advance and Recovery:

Agriculture previously was understood to be a way of life rather than a business but the introduction of new strategy, this concept is under going a change and farming has taken a shape of business. The requirement of credit has increased both for production as well as for investment. The commercial banks have come forward to finance agriculture after nationalization. Commercial banks provided loans for all agricultural and allied activities. They provide loan not only as production credit but as also investment credit. These loans have helped freeing a large number of rural people from the clutches of moneylenders, the percentage share of total agriculture credit as non-institutional credit was 92.4 in 1951 but in 1991 it came

only 32.7 percent. The commercial banks provided 53 percent credit of total institutional credit in year 2001-02. These banks are providing loans for production and investment purposes which helped in the growth and modernization of agriculture continuous the financing of a particular business by the commercial bank depends on continuous and regular recovery of the loans advanced. For financing, the banks have opened their branches in the rural areas. The table 1 shows the number of branches of Commercial Banks, RRBs and Cooperatives in different years.

Table 1: Expansion of banks in Ballia District during different Year

Year	Commercial Banks	RRBs	Cooperatives	Total
1994-95	30	65	15	110
1995-96	35	65	20	120
1996-97	35	65	20	120
1997-98	35	65	20	120
1998-99	40	81	24	145
1999-00	40	81	24	145
2000-01	40	81	24	145
2001-02	49	81	24	155
2002-03	49	87	24	160
2003-04	49	87	24	160

It shows from Table 1 that number of branches has increased. Thus it can be concluded from above discussion that the expansion of RRBs has been increased after 1994-1995.

Break up of banks branches as rural, urban and semi urban in Ballia District:

The table 2 shows that the total branches are 160, out of 160 branches 137 are in rural areas, and 23 are in urban areas. The table further reveals that out of 49 commercial banks branches, 39 branches were in rural areas, 10 branches were in urban areas. It is clear that in case of RRBs more number of branches were located in rural areas.

Table 2: Break up of banks branches as rural, urban and semi urban in Ballia District during 2003-2004.

Banks	Rural	Urban	Total
Commercial Banks	39	10	49
RRBs	79	8	87
Cooperative Banks	19	5	24
Total	137	23	160

Advances of Commercial bank in agriculture and non-agriculture sector:

The advances of RRBs are given in Table 3. It can be concluded from above discussion that the advances in agriculture sector have increased more as compared to non-agricultural sector during the period 1994 to 2004.

Table 3: Advances of RRBs in agriculture and non-agriculture sector (Rs. In Lacs)

Year	Agriculture Sector	Non-Agriculture Sector	Overall (Agri.+Non-Agri)
1994	93.21(72.57)	35.23(27.43)	128.44(100)
1995	132.82(77.09)	39.47(22.91)	172.29(100)
1996	161.57(75.35)	52.86(24.65)	214.43(100)
1997	194.73(81.23)	44.97(18.77)	239.70(100)
1998	226.49(84.48)	26.63(15.52)	253.12(100)
1999	250.36(91.01)	24.72(8.99)	275.08(100)
2000	288.72(92.78)	22.45(7.22)	311.17(100)
2001	326.56(94.94)	17.37(5.06)	343.93(100)
2002	349.72(96.12)	14.08(3.88)	363.80(100)
2003	380.65(96.02)	15.76(3.98)	396.41(100)
2004	420.73(96.95)	13.23(3.05)	433.96(100)
Total	2825.56(90.20)	306.77(9.8)	3132.33(100)

Note: Figure in parentheses indicate percentage

Break up of Agriculture advances as crop loan and term loan:

Table 5: Recovery Position and Overdue and Extent of Recovery as crop and term loan in Agriculture in different years (Rs. In Lacs)

Year	Recovery Position and Overdue in Agriculture			Extent and Recovery and term loan in agriculture			Overdue of bank loan in Agriculture		
	Installment Due	Recovery	Overdue	Crop Loan	Term Loan	Total	Crop Loan	Term Loan	Total
1995	63.21(100)	53.32(84.36)	9.89(15.64)	41.19(77.26)	12.13(22.74)	53.32(100)	2.61(26.43)	7.28(73.57)	9.89(100)
1996	90.83(100)	78.40(86.32)	12.43(13.68)	57.25(73.03)	21.15(26.97)	78.40(100)	3.45(27.74)	8.98(72.26)	12.43(100)
1997	100.36(100)	89.01(88.70)	11.35(11.30)	62.22(67.91)	26.79(32.09)	89.01(100)	2.65(23.55)	8.68(76.45)	11.35(100)
1998	120.39(100)	103.94(86.34)	16.45(13.66)	68.37(67.78)	35.57(34.78)	103.94(100)	3.70(22.54)	12.75(77.45)	16.45(100)
1999	190.89(100)	157.40(82.46)	33.49(17.54)	113.15(73.29)	41.25(26.71)	157.40(100)	7.87(23.50)	8.58(76.50)	16.45(100)
2000	220.36(100)	192.57(87.39)	27.79(12.61)	135.49(70.36)	57.08(29.64)	192.57(100)	6.32(22.76)	27.17(77.24)	33.49(100)
2001	212.67(100)	187.87(88.34)	24.80(11.66)	136.16(72.48)	51.71(27.52)	187.87(100)	6.31(25.45)	21.48(74.55)	27.79(100)
2002	280.78(100)	242.81(86.48)	37.97(13.52)	181.03(74.56)	61.78(25.44)	242.81(100)	9.39(24.75)	15.41(75.25)	24.80(100)
2003	312.36(100)	274.15(87.77)	38.21(12.23)	197.99(72.22)	76.16(27.78)	274.15(100)	9.80(25.65)	28.41(74.35)	38.21(100)
2004	389.78(100)	349.51(89.67)	40.27(10.33)	257.44(73.66)	92.07(26.34)	349.51(100)	10.77(26.75)	29.50(73.25)	40.27(100)
Overall	198.16(100)	172.89(87.24)	25.27(12.76)	125.03(72.44)	47.56(26.56)	172.89(100)	6.29(24.91)	18.98(75.09)	25.67(100)

Note: Figures in parentheses indicate percentage to Instalment Due.

The table shows 4, the break-up of advances as crop loan and term loan. The proportion of crop loan advances came more in all the years as compared to term loan. Thus, it can be concluded that banks advanced both types of loan viz. crop loan and term loan.

Table 4: Break up of Agriculture advances as crop loan and term loan (Rs. In Lacs)

Year	Crop Loan	Term Loan	Overall (Crop+Term)
1994	68.27(73.25)	24.94(26.75)	93.21(100)
1995	102.39(77.09)	30.43(22.91)	132.82(100)
1996	120.48(74.57)	41.09(25.43)	161.57(100)
1997	156.27(80.25)	37.46(19.75)	194.73(100)
1998	172.69(76.25)	53.80(23.75)	226.49(100)
1999	210.45(84.06)	16.04(15.94)	250.36(100)
2000	230.39(79.80)	19.97(20.20)	288.72(100)
2001	240.51(73.65)	48.21(26.35)	326.56(100)
2002	271.55(77.65)	55.01(22.35)	349.72(100)
2003	260.13(68.34)	89.59(31.66)	380.65(100)
2004	278.94(66.30)	101.71(33.70)	420.73(100)
Total	2112.07(74.73)	713.88(25.27)	2825.56(100)

Note: Figures in parentheses indicates percentage

Recovery Position in Agriculture:

The recovery position was given in the following table 5. It is clear that recovery percent is more than overdue percent in instalment due.

Table 6: Recovery and overdue in case of crop loan and term loan in different years
(Rs. In lacs)

Year	Recovery and Overdue in case of Crop Loan			Recovery and Overdue in case of Term Loan		
	Installment Due	Recovery	Overdue	Crop Loan	Term Loan	Total
1995	43.80(100)	41.19(94.04)	2.61(5.96)	19.59(100)	12.13(62.84)	7.28(37.16)
1996	60.70(100)	57.25(94.31)	3.45(5.69)	30.13(100)	21.15(70.19)	8.98(29.81)
1997	64.89(100)	62.22(95.88)	2.65(4.12)	35.47(100)	26.79(75.53)	8.68(24.47)
1998	72.07(100)	68.37(94.86)	3.70(5.14)	48.32(100)	35.57(73.61)	12.75(26.39)
1999	121.07(100)	113.15(93.50)	7.87(6.50)	49.83(100)	41.25(82.78)	8.58(17.22)
2000	141.81(100)	135.49(95.54)	6.32(4.46)	78.25(100)	57.08(72.95)	27.17(27.05)
2001	142.47(100)	136.16(95.57)	6.31(4.43)	73.19(100)	51.71(70.65)	21.48(29.35)
2002	190.42(100)	181.03(95.07)	9.39(4.93)	77.19(100)	61.78(80.03)	15.41(19.97)
2003	207.79(100)	197.99(95.28)	9.80(4.72)	104.57(100)	76.16(72.83)	28.41(27.17)
2004	268.21(100)	257.44(95.98)	10.77(4.02)	121.57(100)	92.07(75.73)	29.50(24.27)
Overall	131.31(100)	125.03(95.00)	6.29(5.00)	63.81(100)	47.56(73.71)	18.98(26.29)

Note: Figure in parentheses indicate percentage

Extent of Recovery as crop and term loan in agriculture:

As shown in Table 5 that the recovery as crop and term loan in agriculture do not show any trend i.e. zig zag from in all different years under study. The overdue position of bank loan in agriculture is given in the table 5. It can be concluded from the table that the overdue in case of term loan was more than that of crop loan. The analysis of overdue and recovery in case of crop loan was examined and shown by the table 6. It is clear from above discussion that the recovery position of the crop loan is quite satisfactory. Even then the efforts are to be made to minimise the overdue. The analysis of overdue and recovery in case of term loan was examined and shown by the table 6. It is clear from the table that the recovery position is not satisfactory in case of term loan. Therefore, the efforts are to be made to improve the recovery position of term loan.

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