



A study and analysis on the lending pattern and its prospects of Regional Rural Bank with special reference to Langpi Dehangi Rural Bank (Head office) Diphu Karbi Anglong Assam

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Abstract

It always arouse interest in observers and community as well whether its general common peoples or a business organization or a non trading organization or investors, shareholders, government etc, the various major and minors activity of bank towards different segments of society specially in its lending pattern and its liquidity, solvency and profitability position for making positive decision.

In this journal an attempt has been made in this direction by selecting the only Regional Rural Bank in the entire Karbi Anglong and Dima Hasao District of Assam, the Langpi Dehangi Rural Bank (Head Office) Diphu Karbi Anglong by touching different contours of its major lending activities and outputs. Karbi Anglong, the largest District of Assam, where the economy of the majority of the ethnic peoples residing in the district is relatively very low and having no knowledge of banking services specially its various short term and medium term lending's and other schemes by banks has influenced and made me to contribute some positive information towards the majority of the ethnic and backward people. Here I do not claim any originality of my own, but every effort has been made to represent the subject matter in a very lucid manner. The study is descriptive in nature and both primary and secondary data has been collected through direct visit and personal interview.

Keywords: RRBs, lending pattern, ethnic, positive decision

Introduction

Langpi Dehangi Rural Bank sponsors by State Bank Of India was established on the 27th of January under section 3(1) of the Regional Rural Bank Act, 1976. The head office is situated at Diphu, the District Head Quarter of Karbi Anglong. The banks area of operation comprises of two Hills District of Karbi Anglong and Dima Hasao in the State of Assam. The history of banking started date back to the thirteenth century when the first bill of exchange was used as money in medieval trade. Banking in India started between the 18th and the beginning of the 19th centuries when European agency houses erected a structure of European controlled banks with limited liability. Thus the Reserve Bank of India was established through the Reserve Bank of India Act, 1934 and started functioning from 1st April 1935 with the main objective of securing monetary stability and controlling credit.

In 1949, the Banking Regulation Act, 1949 was passed which empowers the RBI to regulate over various commercial banks, private, public and regional rural bank. Thus under section 3(1) of the Regional Rural Bank Act,1976, the Langpi Dehangi Rural Bank was established on 27th January 1982 with the main objective of providing banking services by accepting deposits from public which are repayable on demand and also to provides various short and medium term finance to the region. The RRBs were originally allowed to lend only to target group comprising of small and marginal farmers, landless farmers, rural artisans and other weaker section of the society. Subsequently they were allowed to lend upto 60% of their incremental lending during a year to non target group. After a review it was decided that from the

financial year beginning 1st April 1997, the advances of RRBs to priority sectors borrowers were to constitutes 40 % of their outstanding advances, as in case of commercial banks within the overall target of 40% the advances granted to weaker section of the society were to constitutes 25% of the priority sectors advances (i.e. 10% of the total outstanding advances).

Objectives of the study

The main objectives of the study covers:

- To know about the various lending schemes
- To know about the various deposits schemes
- Comparisons between retail and priority sectors lending in terms of growth
- Financial ratio in terms of profitability of the bank

Review of literature

Banking in India has come a long way from the time when bank used to be merely accept deposits and provides loans. Maximization of profits with minimum risk without fulfilling their social responsibility towards the society and the nation's economy as a whole was the main aim of bankers. But with the nationalization of banks in 1969, the attitude of bankers got totally changed. They have come down from "Class Banking" to "Mass Banking" giving importance to the weaker sections of the society Reddy A. Amarender (March 2006) examines the total productivity of RRBs of low banking density regions with significantly high productivity growth. While Pati A.P. (June 2010) explain the prominent role of RRBs provided the rural economy could provide necessary inputs to the overall economy. Sharma, A (2014) tries to

analyse the financial performance of RRBs during 2006-07 to 2010-11 where the study focuses on analytical research design of key performance indicator concludes the performance of RRBs has improved a lot. Opening of rural banks in rural areas becomes a new horizons and as a result it has meet the credit requirement of the weaker sections and small entrepreneurs in the field of agriculture, small scale industries, cottage and village industries, handicrafts and other rural artisans. It is therefore transparent that the economy of our nation cannot progress without the progress and involvement of rural populace in one form or another. This study thus is focusing on streamlining and displaying the basic lending patterns, borrowings and other schemes of the said bank.

Research Methodology

The study is done on the head office of the bank Diphu itself comprising of all the branches including branches in Dima Hasao. Purposive sampling technique is used for selecting sample from the population based on the consideration that major lending of the banks goes into Personal loan (Non Corporate), Housing finance, Vehicle loan, General Credit Card (GCC) which are classified as retail sectors and agriculture and allied agri-term loan, crop loan, small scale industries (SSI), Cottage industries and rural artisans under priority sectors.

Thus the sample size is 4 retail sectors and 4 priority sectors. The sources of data includes both primary and secondary data collected from the Head office, annual report, and RBIs circular. The study covers three completed financial years from 2009-2010 to 2011-2012. Due to time and resources constraints, the study covers only 8 sectors including 4 from retail sectors and 4 from priority sectors.

Lending Schemes (Retails sectors)

Housing finance

This scheme is to provides finance to individuals, salaried employee. Loan upto 25 lakhs to individuals for purchase or construction of dwelling unit per family, (excluding loans granted by banks to their own employees) and loans given for repairs to damaged dwelling unit per family upto Rs. 1 lakh in rural and semi urban areas and upto Rs.2 lakh in urban areas.

Vehicle Loan Scheme

This loan is available to any individuals, permanent govt employee, self employed person, entrepreneurs, farmers who wish to obtain finance for two-wheeler, (scooters and motor bikes) three and four wheeler (autorickshaw, cars and utility vehicles).

Personal Loan

Personal Term Loan (PTL) is available to any individuals,

salaried person, govt employee, or whoever is eligible for personal expenses to a certain limit based on the income of the personal.

Micro and Small Enterprise Scheme

Direct finance to micro and small enterprise shall includes all loans given to micro and small manufacturing enterprises engaged in production, processing or preservation of goods and services. This scheme shall includes small road and water transport operator, small business, professionl and self employed persons, retail trade,consumer co-operative stores and advances to private retail traders not exceeding rs.20 lakhs.

Lending Scheme (Priority Sectors)

Agriculture and allied activities

Direct finance to agriculture includes short term, medium and long term loan upto Rs. 10 lakh given for agriculture and allied activities which includes dairy, fishery, piggery, poultry, etc. directly to individual farmers, Self Help Group (SHGs) or Joint Liability Group (JLGs) while indirect finance to agriculture includes loan for food and agro-based processing units with investment in plant and machinery upto Rs. 10 lakh which may primarily benefits small and marginal farmers. Credits for purchase and distributions of fertilizers, pesticides and seeds, hire-purchase finance for acquiring agricultural machinery and equipments. Loans upto Rs.40 lakhs granted for purchase and distribution of inputs for the allied activities such as cattle feed, poultry feed etc.

Khadi and Village Industries Sector (KVI)

Indirect finance to KVI sector irrespective of their size of operations, location and amount of original investment in plant and machinery. Advances to co-operatives of producers and persons involved in assisting the decentralized sector like rural artisans, village and cottage industries.

Micro Credit

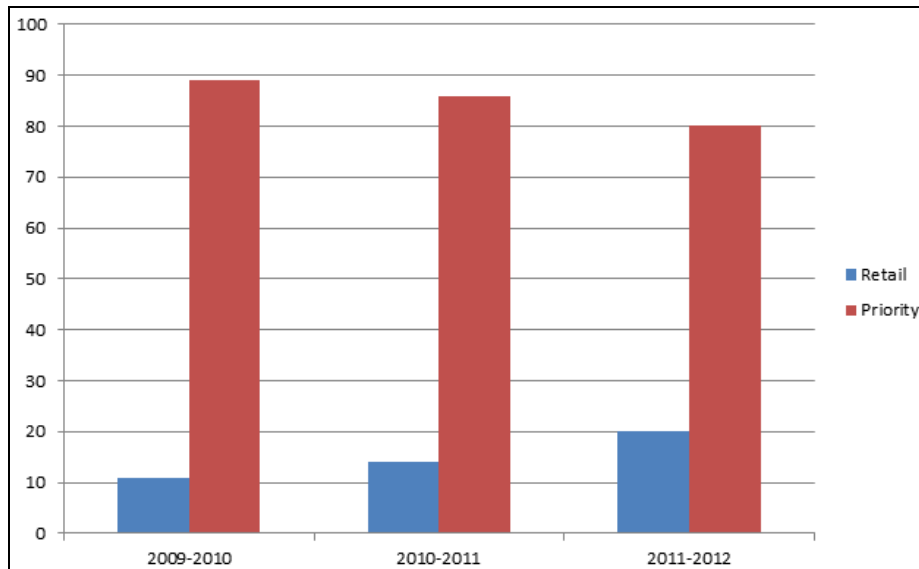
An advance not exceeding Rs.50000 per borrower is provided by the bank either directly or indirectly through SHGs/JLGs mechanism.

Loan to weaker sections

This loan is available to those distressed persons (other than farmer) to repay their debt to non-institutional lenders against appropriate collateral or group security. Also advances sanctioned to state sponsored organization for scheduled caste and scheduled tribe for supply of inputs to or / or marketing of outputs of beneficiaries of these organization. Weaker section includes small and marginal farmers with land holding 5 acres, landless labourers, tenant farmers and share croppers.

Table 1: Comparison in term of growth in retail and priority sector lending

Sectors	2009-2010		2010-2011		2011-2012	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Retail	341700	11	213860	14	147593	20
Priority	1422937	89	1347939	86	1194611	80
	1764637	100	1561799	100	1342204	100



Source: data collected from Head Office

Fig 1

Interpretation

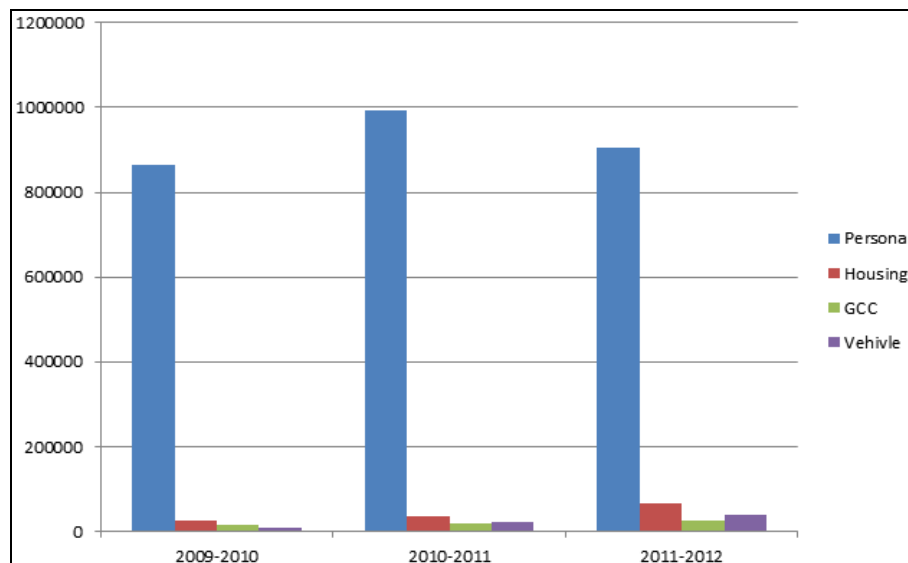
There is a steady growth in retail sector lending from 11 % in 2009-2010 to 12 % in 2010-2011. The growth rate in 2011-12 has increased to 20 % almost double the of the preceding year. This is due to low rate of interest in retail sectors lending. On the other hand total lending in priority sector is decreasing at an quantum rate. From 89 % in 2009-10 to 80 % in the fiscal year 2011-12. The reason for this is low earning in agricultural and allied activities, micro and small enterprise etc. Hence

overall assessment of the above scenario reflects that there is a steady growth rate in retail sector while steady decline in priority sectors. But however it should be noted that lending in priority sectors is much more than in retail sectors. It indicates that the bank is focusing more on agriculture and allied activities, small scale industries (SSIs) cottage and rural industries, rural artisans, self help groups etc.

Sectors wise lending pattern in retail sectors (Rs. In lakhs)

Table 2

Sectors	2009-2010	2010-2011	2011-2012
Personal loan	865017	993183	904476
Housing loan	24260	35005	65524
GCC	16382	20171	24171
Vehicle	9494	21524	39857



Source: Annual report of Bank

Fig 2

Pattern of Lending in retail sector showing increase or decrease

Interpretation

In retail sectors highest lending is made towards Personal Term Loan (PTL) as most of the salaried person of the govt. opt for this loan because of its easy process and lower rate of interest compared to other commercial bank. In case of housing and GCC loan, the growth is steady as majority of the people are either engaged in farming or indulged in rural artisans,etc. However the growth rate in terms of vehicle is increasing from Rs.9494 lakh in 2009-10 to Rs. 39857 lakh in the fiscal year 2011-12. Due to steady economic and infrastructural development in the income of people and transportation and communication, the need of vehicle has lead to increase in lending in terms of vehicle like scooters, motor bikes, cars, and other utility vehicles.

Sector wise lending of priority sectors (Rs in lakh)

Table 3

Sectors	2009-2010	2010-2011	2011-2012
Agriculture & Allied Agri term loan	5145	7279	3080
Crop Loan KCC/ACC	71522	91418	103150
SSI/Cottage & rural Artisans	1100	1490	8307
Self help Group(SHG)/SGSY	80122	76877	79074

Sources: Annual report of the bank

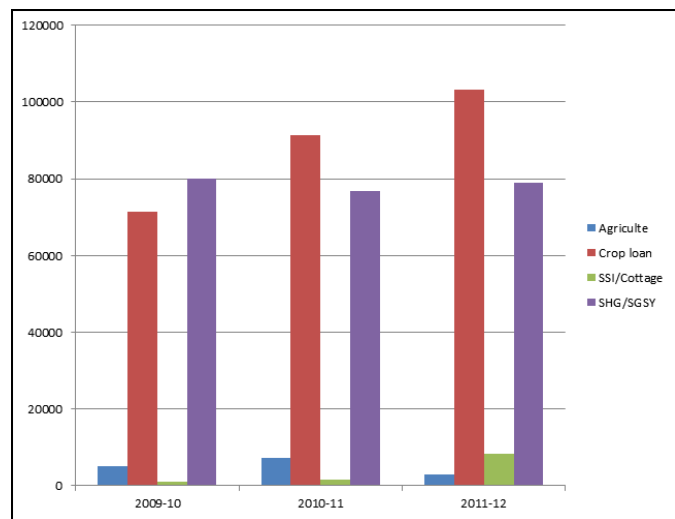


Fig 3: Pattern of lending in priority sector showing increase and decrease

Interpretation

Agricultural and allied activities like dairy, piggery, poultry, fishery etc is more in rural areas. From 5145 lakh in 2009-10 it has increased to 7279 lakh in 2010-11, but comes down to 3080 lakh in 2011-12. It is due to competition from other banks and availability of finance from other sources. Whereas lending in crop loans is highest, from 71522 lakh in 2009-10 it has increased to 103150 lakh in 2011-12. The growth rate in small scale industries, cottage industries and rural artisan is relatively low, this is due to lack of updated machinery, skilled workers, and lack of awareness of industries even

though resources are available. Lending in self help group is second in priority sectors as such group contributes a huge revenues as they repay their loan in time with the periodical interest thereon.

Overall assessment of both the sectors shows that lending is almost equal but only the amount of lending vary in each item of both the sector. For example lending is more in personal term loan in case of retail whereas crop loan tops in case of priority sector.

Findings

- The bank is focusing more on priority sectors than the retail sectors
- Low rate of interest on advances and higher rate of interest on deposits are motivating factors for the bank to increase its profitability
- Lack of skilled manpower, poor infrastructure are the main reasons behind low lending in small scale industries, cottage industries etc
- The bank is facing tough competition from other new private and public sectors banks in the field of retail lending and the major impact can be seen in personal term loan and vehicle loan
- The credit deposit ratio (CDR) of the bank is good as it stood to 59 % as on 31st march 2012 as against 56 % in the preceding year.

Recommendation

- The bank can improves its lending to both priority and retail sectors by giving importance to all the allied items of each sector. Not only providing credit but the bank should engaged in promoting consultation and advisory services to the beneficiaries.
- Quality lending should be made coupled with collateral securities through prudent selection of borrowers in both the sectors to reduce risk of bad loans
- Proper maintaining of books and periodical checks and control on loan and advances will lead to reduction of bad and sticky loans and hence would reduce the growth of NPA.
- Last but not the least, as most of the people are living below poverty line (BPL) and are unaware of the banking facilities, the bank should encourage people and provide assistance regarding the basic services regarding deposits schemes, loans and the interest rate involved. Thus customer satisfaction is important

Conclusion

Both retail and priority sectors lending is increasing in the recent times. priority sectors are given more preference than retail. Due to lack of skilled manpower, poor quality of products, lack of latest scientific machinery etc lead to steady growth of lending in retail sectors. Overall assessment indicates that the bank can improve its lending by tapping and identifying its potential customers without losing its own ground. A healthy balance in both these portfolio will lead to improvement in lending and a sharp downfall in overall Non Performing Assets (NPA) and thereby increase in its profitability.

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