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INTER-ORGANIZATIONAL COORDINATION FOR DEVELOPMENTAL BANKING IN
BACKWARD REGIONS: A CASELET BASED ON THE ANALYSIS OF THE MINUTES
OF DCC AND DLRC MEETINGS IN A HILL DISTRICT

Anil K. Gupta (IIM, Ahmedabad)
Parashar (ATI, Nainital)
Mukul Sanwal (ATI, Nainital)

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Inter-organizational coordination for developmental banking in backward regions: A caselet based on the analysis of the minutes of DCC and DLRC meetings in a Hill district.

It is well known that problems of different ecological regions are quite eco specific and need special efforts conducive to local conditions and resources. However, in the absence of adequate support and systematic attention from higher levels various institutional mechanisms for analysing the problems of development and generating solutions at local levels can become fossilized.

Reinforcing Creativity at Local Level

What must not be missed in this case study are the numerous examples of creative suggestions for solving persistent problems. In absence of any system of cataloguing these alternatives and evaluating their merit, it is pity that many of these ideas are lost or are tried half heartedly. The result is neither the functioning of the system improves nor the morale of the officials who generate these ideas. This indirectly also reinforces the Top-Down approach of bringing about change in on going bureaucracies.

To illustrate some of these ideas are mentioned here :

- a) Norms of area of operation for banks in hill area need to be different from the plains ;
- b) Special recovery officer need to be appointed by the lead bank who may be given extra-judicial powers to issue decrees ;
- c) Since male migration is a well known phenomenon in hill areas ,crop loans to women should be given even if the title deeds of land do not exist in their names ;
- d) Repayment schedule should vary for different clients and regions for same enterprise;

- e) Special schemes need to be formulated by NABARD for funding traditional resource management structures such as GOOLS and Tanks ;
- f) Separate cadre of bank staff for hill areas need to be developed on the pattern of state government to avoid the problem of having unwilling staff from the plains ;
- g) Accountability should be fixed of the Block staff as far as recovery of the loans recommended by them are concerned ;
- h) The patwaris need to be paid a small percentage of the amount recovered as an incentive ;
- i) The fertilizer should be provided in the 5 or 10 Kg bags to overcome the problems of the headloads ;
- j) BDOs should be invited by rotation to the DLCC so that area specific problems can be resolved properly ;

Our contention is not that all these suggestions are new, workable or even desirable. What we have tried to argue is the need for encouraging experimentation on some of these ideas whether it is regarding smaller packs of fertilizer or granting percentage of recovery to patwaris is concerned. Some of these ideas are relevant not only for hill areas but even other areas. The issue is what role can be played by the representatives of NABARD in DCC and DLRM to chase some of these ideas and feed them to the appropriate levels.

Persistence of problems

This case study based on the extracts of the minutes for last several years in a hill district of UP illustrate this dilemma of persistence of same problems very precisely. The same problems continue to be repeated almost in the same words meeting after meeting and year after year. The constancy of the problems inspite of changing personnel and decision making styles deserves serious attention.

While some problems were indeed very important and their continued repetition indicated the indifference of the higher

authorities towards the resolution of the same or the absence of adequate problem solving machinery. There were other problems which certainly should have been solved long time ago. For instance, soon after the implementation of UP Public Money Recovery Act of 1972, the problem was faced of banks not paying the 10 per cent recovery charge to tehsil authorities in case of direct recoveries of loans. It was recognised that revenue officials and patwaris would have no incentive to pursue the clients if banks did not collect or remit the 10 per cent dues of the government towards the recovery charges. On the other hand, the revenue officials adjusted the amount recovered from defaulters first towards the recovery charges and only then the remaining amount was deposited with the bank. This problem was discussed at several levels in 1975 and 1976. Still a decade later the same problem continues to affect recoveries in another district.

Banks Becoming the Disbursing Agents

The problem of banks waiting for applications to be forwarded by the block authorities even for short-term loans like crop loan was also a symptom of the extent of dependency which had come about between banks and district administration.

Monitoring from the Top

There is no doubt that several of the problems raised by bank officers and/or district officials in this hill district are relevant for large number of other similar areas. And yet there

is no mechanism by which NABARD or Reserve Bank of India systematically monitor these problems and generate area specific solutions. The strategy for strengthening the inter organizational coordination did not exist. And thus the problems which were solvable remained intractable.

Who Pays the Cost of Not Learning ?

The cost of not developing a strategy was borne by the poor people in these areas. On the other hand, the morale and motivation of implementing officials also remained low in the absence of proper feedback and direction from above. The minutes of DCC and DLRM analysed for 8 and 4 years respectively indicate the need for strengthening these arrangements if banking in backward regions had to be made more productive and purposeful. The role of District Collector ,Lead Bank and the representative of NABARD and RBI in strengthening the process of learning at district and higher levels needs to be properly reconceptualised if adequate learning has to take place in an inter-organizational context .*

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For other cases based on the analysis of minutes of DCC meetings in other districts See Gupta Anil K,1979,Inter-Organizational Coordination at District Level ,IIPA New Delhi ,mimeo ,revised in 1986 at IIM A .

DISTRICT LEVEL REVIEW MEETINGS

April 26, 1984

- (i) In non-farm activities like carpentry, the Block Development Officers requested to organize the indent of wood so that same could be provided by Forest Department.
- (ii) Organization of collection of herbs for drug manufacturing in collaboration with drug plants.
- (iii) Technology of "survival irrigation" for cultivation of rainfed vegetables.

December 13, 1984

- (i) Percentage of recovery to be passed on to the Patwaris. Suggestion passed on to the Board of Revenue.
- (ii) Only 50% of the claim amount was reimbursed in case of cattle insurance. Fifty per cent of the amount was being retained by the company itself.

June 4, 1985

- (i) Norms of area of operation of commercial banks needed revision in Hill areas due to peculiarity of its geographical situation.
- (ii) Annual performance budgets (APB) of different banks should be collected so as to monitor the link between Annual Action Plans (AAP) and the APB.
- (iii) Problems faced in creating equitable mortgage for want of precise title deeds. The stamp duty in registered mortgage consumed almost fifty per cent of the subsidy. This came in the way of promotion of tourism in Hill areas. Suggestion was made that affidavit sworn before SDM should suffice for the purpose.
- (iv) Creation of more milk routes was demanded by the non-official member of the DLRM. At present, it was mentioned, that only one milk route (8 km) was in operation in the district.
- (v) NABARD representative regretted the practice of banks fixing uniform repayment schedules for all type of clients. Shorter repayment schedules for small borrowers considered particularly responsible for overdue.

Recommendations of special task forces:

A. Agriculture and allied activities

Livestock: Fodder scarcity, paucity of milk routes, poor breed of livestock, defunct milk cooperative societies; unhelpful cattle insurance scheme, lack of veterinary facilities etc were cited as some of the bottlenecks.

Suggestions among others included establishment of fodder bank, bailing machines, substitution of insurance scheme with a partially contributory revolving fund supplemented by risk fund provided by DRDA, hiring of retired veterinary doctors by NABARD etc.

AGRICULTURE

The problem of developing special belts for cultivating oilseeds and pulses, vegetable etc .

SSI and Tertiary Sector:

Techno-economic survey had not been done since 1972 in this district. Inadequacy of staff, depots of raw-material, marketing facilities etc., were some general problems.

Charcoal making from pine needles was identified as a potential non-farm activity for which adequate training facilities were found wanting.

IRDP

General problems were found here too such as, problem in obtaining no-dues certificate, poor recoveries, non-utilization of the infrastructural facilities by DRDA, non-contribution of insurance premia @ 1%, poor flow of applications from DRDA to branches etc.

General Recovery Problems

Several suggestions were considered to improve recoveries:

- (a) targets under various schemes to be dovetailed with the respective recovery performance;
- (b) incentives for block staff aiding in recovery;
- (c) waiving 10 per cent recovery charges when recovery was made by the bank directly;

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2 It may be noted here that this issue had also been discussed in mid seventies in several districts of U.P. The contention of Tehsil authorities was that when borrower were pressed for recovery by tehsil staff, the borrowers rushed to the bank. They requested for waiving the collection charges. Banks often taking a short sighted view of the situation accepted the payment without bothering to collect 10 per cent recovery charges. This had an obvious demoralising influence on the tehsil recovery staff who wondered whether they needed to make all that effort.

- (d) lead bank requested to appoint a recovery officer to look after the recovery work of all the banks in each district. He should be entrusted with the recovery powers/semi-judicial powers.

10th December, 1985

Agricultural Sector:

1. Even for crop loans banks were expecting bank authorities to forward their applications.
2. Even though the Division Crop Loan Committee had recommended uniform scale of finance for crop loan to be adopted by all the banks in November 1985. Approval from State Government is still awaited.
3. It was recommended that crop loans should be granted to the women even if the land title was in the name of their husbands who might be working outside. In this connection one of the bank officers mentioned that policy existed for the loans to be granted to tenants, share croppers etc., and thus loans to women borrowers should not pose problems.
4. Arrangements for the supply of good quality milch cattle from valley regions/plains were suggested. The transport subsidy may be provided to the supplier of cattle, rabbit breeders etc.

SSI and Tertiary Sectors:

General Suggestions regarding transport subsidy, setting up of fruit/flower processing plants, availability of dry timber as raw-material for saw mills and other industries, promotion of tourism etc., were reiterated.

IRDP

The NABARD was requested to work out the project cost of repairing/constructing irrigation channels (GOOLS) and tanks in Hill areas.

The suggestion for giving powers of issuing recovery certificate to the clients was reiterated.

May 27, 1986

Agriculture and Allied Activities:

Suggestions regarding setting up of fodder bailing plants, supply of subsidised cattle feed, improvement of breed, setting up of more milk routes etc., were reiterated.

In context of industry it was mentioned that the projects related to alternate source of energy were not being supported, the potato processing plant was needed, the central investment subsidy was inadequate etc.

RECOVERY

The Collector and Tahsildar were requested to set examples every month by recovering some of the serious overdue loans.

The recovery camps were not being organized by the block authorities, the recovery certificates were transferred with lot of delay from Collector's office to Tahsildar. Sufficient rebate was not being given to the borrowers who wanted to clear their dues within a stipulated period.

December 15, 1986

General Points:

The non-official member of DLRM regretted inordinate delay by insurance companies in the settlement of claims.

The fodder bank as well as bailing machines had still not been established.

The policy regarding granting crop loans to women members even if the land remained in the name of their husbands who were away, was not clear.

Agriculture and Allied Activities:

The suggestions regarding fodder, cattle improvement, loans to women, transport subsidy, etc., were reiterated.

SSI and Tertiary Sector:

The need for increasing central investment subsidy, setting up of timber depots, identification of entrepreneur willing to set up potato powder plants and liberal facilities for loans for promotion of tourism were emphasized again.

Likewise the suggestions regarding IRDP and RECOVERY systems were also repeated.

November 13, 1987

General:

A suggestion was made that separate cadre of bank staff to work in Hill areas needed to be set up on the pattern of such a cadre for other government departments. This might help prevent the problems of unwilling employees from far-flung plane areas feeling difficulties in discharging their duties.

Agriculture and Allied Activities:

It was suggested that scale of finance for crop loans needed upward revision. The milch cattle breeds should be improved. The land records were to be updated. The mobile facilities for distribution of chicks, feed, medical aid and collection of eggs was needed to promote poultry.

Separate villages were to be identified for promotion of pulses, oilseeds and vegetables.

SSI and Tertiary Sectors:

The techno-economic survey had not been done since 1972. The infrastructure for tourism was inadequate. The rabbit rearing scheme was not picking up. The marketing infrastructure was poor and banks were not financing for alternative sources of energy.

IRDP

The flow of applications from DRDA to the banks was not adequate. The project cost for irrigation channels/GOOLS had not yet been finalised by NABARD. DRDA was still not contributing the 1% premia towards insurance. The second dose had not been given to most of the beneficiaries.

RECOVERY

A suggestion was made that accountability of the block development staff needed to be defined if the recovery was less than 60 per cent. A suggestion was made that entries should be made in their service records in case of poor performance in recoveries. Other suggestions regarding authorisation of branch managers for issuing recovery certificate subject to post facto approval, waiver of 10 per cent recovery charges when the defaulter paid the money to the bank directly and lack of efforts by block authorities to organize recovery camps were repeated once again.

Summary of the Key Issues in DCC Meetings : 1980-1987

22.9.1980

The BDOs were not sending loan applications to banks who were not being involved in pre loan inspection also.

12.2.1983

A suggestion was made that five and ten kgs. fertilizer bag needed to be introduced to solve the problem of transportation on head load basis.

The staff strength in DRDA was inadequate.

The BDOs were requested to furnish the copies of the inspection reports to banks certifying the utilization of IRDP loans.

30.6.1983

The list of applications still not being received from BDOs.

The list of beneficiaries was not circulated among the bankers.

The BDOs should be invited by rotation to DLCC to sort out the accounting problems. Likewise the branch manager could be invited to the monthly meetings of district officials to pursue recovery problems.

The DLCC nominated the Economics officer to provide feedback regarding provision of infrastructural facilities, input and extension assistance in lending and recovery.

It was regretted that some of the livestock extension officers issued bogus livestock health certificates.

A suggestion was made that a post of additional development officer (ADO) in charge of banking be created in each block.

6.8.1984

It was regretted that only 37 crop loan applications were forwarded by the district agricultural officer. The farmers unwillingness to borrow was explained as a consequence of lack of subsidy.

It was regretted that subsidy adjustment to the extent of about 10 lakhs was spending since 1980.

13.3.1985

The problem of limited discretionary power and lack of field officers with the banks was articulated.

The bank branches were not sending information to the block level task forces despite RBI circular to that effect of December 1981.

It was suggested that nearest branch for an applicant will have to sanction the loans irrespective of the area of operations of the banks.

It was regretted that insurance companies refunded only 50% of the claim amount. On the other hand, banks suggested that if they receive full amount, they would adjust the 50% amount towards the loan and the remaining would be refunded to DRDA.

The recovery certificates for more than Rs.15 lakhs were pending since 1978.

30.9.1985

The BDDs asked the banks to recover the subsidy portion also in case of the loans which had been misutilized. However, the suggestion was turned down.

24.4.1986

It was suggested that branch wise days should be fixed for financing under IRDP. The need for organizing cattle fair was felt.

24.9.1986

The restriction on lending and lack of field staff were expressed as reasons of poor performance of the banks.

The cattle from the planes should be purchased and distributed in hill areas.

It was felt that since the FPO license was not easily available the household food processing units could not come up easily.

The insurance claims were not received properly. The insurance companies were requested to pay interest if the claims were not settled within a month.

23.3.1987

It was suggested that loan applications of women should be disposed of on priority basis so that 30% targets for them could be met urgently.

The post facto approval should be granted by DIC/Task Force for loans under SEEU.

Problem of less staff explained as responsible for poor performance.

13.11.1987

It was suggested that tanks should be constructed in rainfed regions and locally adopted fodder trees should be planted to overcome scarcity of green fodder during winter.

The vegetable belt should be established on the river side.

A hill cadre for bank staff should be found.

