

**THE CHALLENGE OF RURAL
DEVELOPMENT TO BANKS
AND INDUSTRIES**

S. R. PRABHU



FORUM OF FREE ENTERPRISE

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In October 1978, the Prime Minister and the Union Finance Minister had a dialogue with chief executives of banks. The Prime Minister was reported to have pointed out that money with the banks was public money and had to be used for the good of the public. He wanted the banks to thrive by making people thrive. The Finance Minister suggested to bankers to programme their lending activities so that they were able to play the role of a catalyst in accelerating the process of development, particularly in rural areas. These are not new ideas nor new policies spelt out to the banks. They are the very basis on which banks were nationalised in 1969. The then Prime Minister had at that time declared that, to millions of small farmers, artisans and other self-employed persons, a bank should be a source of credit, which is the very basis of any effort to improve their economic lot. Unless the economic lot of vast majority of the rural poor is improved, there can be no stable economic growth.

After nationalisation, banks were asked to go to undeveloped rural centres and initiate growth rather than follow growth by opening branches in urban areas only. Banks have no doubt opened more branches in the past 10 years in

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rural and semi-urban areas. The percentage of rural branches to total branches of the nationalised banks is 37.6% and that of semi-urban branches 26.3%. A remarkable expansion of branches in rural areas has been achieved by banks. However, banks' lending in rural areas falls much short of their credit-deposit ratio for the banking industry. Thus banks have diverted rural deposits to urban centres. Further, there is an impression, which is by and large correct, that the major portion of the lending in rural areas has gone to better-placed farmers. The small farmer, the marginal farmer, the landless labourer and the village artisan, who constitute the bulk of the rural population, have not been much benefited. Tractor loans, power tiller loans, pumpset and gohar gas loans which constitute a good part of banks' lending to agriculture could be availed of only by the bigger farmers.

Banks have claimed that they have adopted many villages for rural development. What they have done is to grant only a few loans here and there and collect some deposits. Could this be called as rural development? At the most, this activity makes them substitute moneylenders, and that too a poor substitute as banks have not helped them with inputs or in marketing. Nor did they provide consumption loans as the moneylender did.

Rural development is not a new concept. Before and after Independence, some attempts have been made by the government and voluntary agencies with emphasis on one or more aspects of village life. The experiments of Tagore and Gandhiji were prominent attempts at rural development before Independence by voluntary efforts. The experiment by Malcolm Darling, an I.C.S. Officer in Punjab, was an official experiment to build up decent human living in villages. After Independence, the Community Development Programme, the National Extension Scheme, the Marginal Farmer and Agricultural Labourers Agency and a host of other organisations made official attempts at rural development. Each of these schemes was launched with a lot of hope and expectations, but they could not

make much impact except in some places, depending upon the involvement of the officer-in-charge and local leadership.

The main reason for the failure of these schemes was the element of subsidy and the bureaucratic machinery set up for implementing them. No attempt was made to develop a sense of self-reliance and self-help and educate the people to involve themselves in their own uplift. Schemes drawn up in the Capital, sitting in air-conditioned rooms, were tried to be implemented all over, forgetting that each village is different from the other, having its own problems, which have to be solved by the local people, with whatever guidance and help is available from outside.

After Independence, Gandhiji's ideas of rural reconstruction with emphasis on man, his capacity to develop and to meet his own development based on self-help, self-reliance and human dignity, was easily forgotten by people who swore by Gandhiji. His call to dissolve the ruling Congress Party and convert it into a Loka Seva Sangha with a band of dedicated workers to work for the poor so that the tears in all the eyes were wiped out was not heeded.

No other leader of our country knew the villages and the villagers as well as Gandhiji did. He lived in a village, toured a number of villages, lived like a villager and worked for the villagers. He had his own plans, programmes and dreams of an ideal village. At one place Gandhiji said, "My ideal village will contain intelligent human beings. They will not live in dirt and darkness as animals. Men and women will be free and able to hold their own against any one in the world. No one will be idle, no one will wallow in luxury". This has only remained a dream so far.

Our industrial progress all these 30 years is urban-oriented and has been at the cost of village industries. The green revolution has benefited the bigger farmer and has made more people landless and under-employed and unemployed. Many of our villages, even after 30 years of Independence, do not have drinking water, good roads and medical services, in spite of an increase in the number of engineers and doctors, whom we now export. More people

are now living below the poverty line, while the more vocal, the better informed and the organised claim a bigger share of the national cake.

Gandhiji's idea of rural development touched all aspects of rural life with emphasis on human resource development with self-help and self-reliance. He stood for better sanitation, better health, education -- not the type we are familiar with and which makes us feel ashamed to soil our hand and the dress -- and employment. He advocated a simple life and self-sufficiency of the villages. His was an integrated approach. Some 4 years back, a Western economist, Mr. Kenneth Boulding, reminded India as follows: "India has made a great mistake in not taking Gandhi more seriously. I am not starry-eyed about his economic thoughts. But his ideas of village level development and rural uplift are still very much relevant today. With little reinterpretation and modification, they can yield a plan for the development of rural India." Of late, realisation appears to have dawned on our politicians and administrators that they have to look to Gandhiji and his idea of Integrated Rural Development.

The warning that Gandhiji gave, viz., "If villages perish, India will perish", has to be heeded by everyone who has a stake in this country. Banks, businessmen and industrialists who are better placed should take up this challenge of rural development in their own enlightened self-interest.

Last year, the Central Government announced certain tax concessions to industry and business in the corporate sector, if they took up programmes of rural development. The money spent by them to provide drinking water, sponsor village industries, provide medical services, spread education, especially vocational and non-formal education, to make the villagers better skilled and better employed, etc., would be deducted as permissible expenses, to arrive at the business income for the purpose of tax. Even before these tax concessions, some enlightened business houses like Tatas and Mafatlals had made successful experiments and it was hoped by the Government that more business and industrial houses would engage themselves

in rural development and avail of these concessions. Last year, a few businessmen and industrialists of Gujarat had come forward to adopt 450 villages. This year, when they met the Prime Minister, he expressed his disappointment over their performance.

Rural development is a great challenge and if enterprising businessmen, industrialists and bankers together meet this challenge and improve the rural areas with benefits going to the rural poor and if their economic and social life is improved, the beneficiaries of this change will be businessmen, industrialists and bankers themselves. A vast new market will open up to them and they will thrive. Thus banks and industries must see how to thrive by making rural people thrive.

The failure of the Government, banks in the past and industries in recent months need not deter the banks and industrialists. While some industries have succeeded there are success stories from the banks and government experience also. Success has depended upon the motivated individual who did create an impact. Here I will narrate some of my experiences in a big nationalised bank for which I worked. In 1970, the bank arranged a couple of seminars on "Banks and Community Service" for rural managers, in which some social scientists and social workers were requested to participate. We placed a theme before the managers that it is not enough if they lend or accept deposits in rural areas. We told them that they must try to provide the felt needs of the people there. If there is a need for a doctor, a chemist shop, a repair centre or any other retail shop, they must try to enthruse local people to provide that. They could, involving the local people, try to get water, electricity, better roads and hospitals by moving the government departments. These seminars did provide some motivation for a handful of our managers.

Then we came out with the community grant, rural circulation library, rural medical camps, children's clubs and self-employment exhibitions and seminars in villages by our Social Action Section to motivate people and our staff. This had its own effect. The result was that some

branches did create an impact in their areas in villages. Our emphasis was on self-help and local involvement.

Here are some examples of the impact created. In a village near Arsikere, in Karnataka, the impact was graphically described by the village Chairman. He said that bank lending had helped them to increase their production with timely assistance through crop loans. The cattle wealth in the village increased from 20 to over 200 buffaloes. With the increase in cattle wealth, they got more manure and better crops. The villagers who used to sleep till 8 A.M. were obliged to get up early, before 6 A.M., to milk the buffaloes and to take the milk to the nearest town. Their income rose and they began saving.

In another village with tribals, their women folk were helped to make broomsticks or maintain buffaloes or goats. Frequent visits by bank people and better savings by women brought drinking by menfolk under control. A few villages got a doctor, a new row of shops and more money flowed because of increased milk or eggs, or repair centres. In one village, the mini-bus financed by the bank was known as the "Bank Bus". Some villages got circulating libraries, medical camps and water supply, because of managers' initiative and a loan to supplement local contribution.

In some villages, a few enthusiastic staff started adult education classes and coaching classes for students or a recreation club. All this depended upon the motivation with which bank employees worked. But sometimes, when the particular staff member or manager left, these activities came to a stop. Specially in the last 18 months, there has not been much of such activities.

However these instances, the experience of some business houses and the success of some government officials and voluntary organisations should give us hope that the challenge of rural development could be met with by dedicated people. Ultimately, the success of these programmes depends upon motivated, dedicated workers with a little bit of training. Drawing on the experience of these successful efforts, training could be arranged.

Banks have now a network of village branches. Banks have a youthful staff, most of whom joined the bank after nationalisation. They should be given a rural orientation and motivation. If banks prefer rural boys or those who have worked in rural areas, banks can do much better.

Banks are dispensers of credit and if they are involved and committed to the new philosophy of lending, they could build up better support among villagers and various Government and voluntary agencies. They could also involve their industrial and business clients, from cities who are interested in developing rural areas. With the leadership of the banks, industrialists and businessmen could involve themselves in rural development by availing of the tax concessions. We must take care to see that this does not end in some charity and donations here and there. These have done more harm than good. The aim of the banks and industries should be to build up human resources available and to make them better informed and more skilled so that they can stand on their own and improve their economic, social and cultural life. Self-help and self-reliance should be the guiding factors for all development. What banks alone cannot achieve, they can do so involving their industrial and business clients and getting the Government agencies involved in a business-like and efficient manner. The best business acumen and the managerial talent available in industry and banks must be involved in this challenging work. Let them work in coordination and cooperation of other bodies and the rural population.

Here are my suggestions to banks and industries as to how they could go about. The contacts established by banks by opening rural branches should be the starting point for industrialists and businessmen who should join their bankers and involve them in playing their part as catalysts for rural development.

1) Bank employees, especially the youthful ones, should be motivated and trained to involve themselves as extension workers, educators and health workers to educate the rural people in better sanitation, better health and in banking. Bank employees who are better

paid and who work only for $36\frac{1}{2}$ hours per week can no longer be mere book-keepers, but must be extension workers, educators and social workers. Necessary training and tools like audiovisual equipment, posters, film slides, tapes and leaflets could be provided to them. They should be encouraged to be talking books for the illiterate and carry on non-formal education.

2) Bank employees could be persuaded to spare only 4 hours a week for this work. They should not grudge this when organised workers work for 40-48 hours a week.

3) Banks must simplify their book-keeping procedures and various statements so that their employees could spare some time in their working hours for extension work and meeting borrowers to see that the money lent is properly utilised and repaid. A manager alone cannot do mass banking. There must be team and cooperative efforts to spread banking habits.

4) Officers, including top officers in the administrative offices and in Inspection, may be deputed to work in a village for rural development once in 3 or 4 years just as there is national service in defence in other countries. Before going, they must have an orientation course. This experience will change their rigid, legal and unimaginative attitude which has served as a damper to the people working in the field.

5) Industries too could depute their top people or upcoming young executives along with their bankers. Technocrats could be deputed and their skills placed at the service of the rural people for sometime, once in 3 or 4 years.

6) If there is rural orientation at the top and top executives get themselves involved, it would be a morale booster to people working in the field.

7) Banks must recruit more staff from rural areas or those who have worked in rural areas and during the training of every bank employee a rural bias must be given. Their city-oriented incentives must be scrapped and incentives should be more towards rural areas.

8) Banks and governments should put up low cost housing in rural areas, providing modern facilities to all their employees at a nominal rent and no further city house allowance or compensatory allowance be given for people working in cities. Putting up such houses for bankers, doctors, teachers, and others employed in rural development would help building activities and job creation. Local people should also be prompted to put up low cost houses.

9) Higher medical benefits could be given to people working in rural areas if they are required to be hospitalised in the nearest town.

10) The overtime now being paid to bank employees should be stopped and, in case of need, they must be required to work 2 or 3 hours more when work is in arrears. We could also think of training a few deserving students to complete the work under a earn-while-you-learn scheme. Whatever simplification of book-keeping and procedures is done should enable normally for the work to be completed. If necessary, additional hands should be recruited. With a large force of unemployed in the country it is shameful that better paid bank workers try to get more through overtime.

11) Banks must set aside some amount, availing tax concessions under rural development, to provide drinking water, medical facilities, transport, better schools or community halls with the cooperation and involvement of local people.

12) Industries can also think of such allotment and work along with banks. For example, villages where there are no doctors and where there is scope for private practice banks and industries must invite unemployed doctors giving them some incentives and loans to set up the clinics. One incentive could be a stipend for a few months till the practice picks up and a small fund for giving free medicine to a few deserving poor patients.

13) Industries must pool their resources in men and money and work for rural development. Their associations

and chamber must set up a cell and a research organisation for improving rural technology. They should collect information about good work done in villages and circulate the information. They could arrange seminars and workshops for rural development not in cities, but in rural areas. In course of time, small community halls could be built by businessmen and industries for the use of local people and for them to meet once in a way. They too could spend some days in a month or a year in rural areas.

14) Banks and industries could sponsor youth clubs, children's clubs and women's clubs for the development of rural areas and their involvement in the development work.

15) Banks and industries could act as a liaison between the local people and various government departments involved in rural development and through their good office the red tape in the government department can be cut. Banks must cut down their own redtape and their staff should try to develop personal touch with the villagers and work as their friend, philosopher and guide.

16) Banks could promote self-employment by motivating and training local youth for this. In this task, the help of industries and businessmen for training on the job and act as a guide, would be welcome. Entrepreneur guidance cells involving industries, businessmen, chartered accountants, lawyers and service clubs — a movement to promote self-employment — should be sponsored.

17) Banks and industries could promote non-formal education like Audio-visual education, build up libraries and try to improve the skills and change the attitudes of local people. They could promote thrift and better living, cutting down conspicuous expenditure on social gatherings and other functions. Banks and industries must set an example.

18) Local involvement of teachers, doctors, social workers and voluntary organisations must be secured for this task of developing the areas.

To carry on these activities, banks require dedicated people to work. While youthful bank employees could be motivated to some extent, it may not be possible to depend entirely on them. As an alternative, banks will have to sponsor a Rural Development Corps, from educated rural youth and youth having N.S.S. experience and willing to work in rural areas under the guidance of the manager of a rural branch. They are not to work in offices but as extension workers. Theirs is not a job but as opportunity to get work experience and involve themselves in rural development. It is believed that the work experience would help them to be better employees if they got a job in banks, cooperatives, or any organisation involved in rural development. Banks may give weightage for such experience while recruiting hands and they may also ask those people whom they have selected and kept in the waiting list to work in this Rural Development Corps. These people under the guidance of the bank manager should carry out a simple survey of households, and explain to them the banking schemes and Government schemes of interest to them. They could carry on non-formal education and work for youth clubs, children's clubs, etc. A short training has to be provided to them and guidelines are to be drawn. One of the banks, Canara Bank, has already experimented this project with some students in villages under their vacation training programme.

A remuneration of Rs. 200 per month plus a cycle loan repayable in about 10 months, for which the bank will pay an allowance of Rs. 50 to be adjusted towards the loan, could be arranged. So the young man would get a cycle, apart from experience. Later on, banks could recruit staff only from among this Corps.

The finance for this can come from banks and industries availing tax concessions. The banks could maintain 10,000 people if only they cut down their overtime bill. It would cost them only Rs. 3 crores whereas the overtime they pay is much more than this.

Later on banks and industries could pick up those who have done well and those who could take rural develop-

ment as a career and train them and build up a cadre for rural development, as the late Gopal Krishna Gokhale built the Servants of India Society, which must be well paid and attract the best brains.

The need of the hour is good and dedicated workers. We have to cultivate such workers and all our incentives, whether in banks or industries, must be for such workers who can meet the challenge and create opportunities for banks and industries to thrive by making rural people thrive.

*The views expressed in this booklet are not necessarily
the views of the Forum of Free Enterprise.*

"Free Enterprise was born with man and shall
survive as long as man survives."

— A. D. SHROFF
(1899-1965)

Founder-President,
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