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Importance of Controlled Credit

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Importance of Controlled Credit

'Credit facilities' are the most questioned point, especially regarding the region's growth and development. Although the responsibility for the development lies primarily in the hands of administrative authorities who at their discretion release funds to various departments in the different sectors namely education, construction, finance, agriculture, trade, festivals, and especially on handling local authorities for the security and safety of the region. 'Institutional-Hierarchy' with the flow of authority through the discretionary powers from officials in apex-administrative bodies to the lowest city-representative bodies function in tandem with the laid down procedures and policy to bring about ease in the life of dwellers through proper functioning. Issues in contests are delays and abeyances that have resulted in grievances, which are usually serious. It may cost life and if we go to an extent, it may also result in laissez faire all around and such a condition leads to emergencies too if not controlled.

Cash has been now withdrawn from most organizations both private as well as government organizations with the introduction of the feature of 'account'. 'Account' is a necessity of today and is almost

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the second identity of a person. Now the question is unlike '100 years ago to help a person we have to search him out physically in the vicinity and then only the concerned authority could do anything for him. But nowadays the trend has reversed, we can with the help of biometrics and identification documents which include Aadhar cards, passports, driving licenses, and other identification proofs like ration cards, etc. The methodology is straightforward and understandable for the checker and the person in question whose identity must be checked. Today there exist ways to ascertain the same quite easily and quickly. 'Lending' has become easy nowadays and it is just a nod from the authority and you have what you want. But the purpose of lending especially in a democracy like India is not only to lend money but also to serve the purpose of development.

When you lend money, out of 100 instances there would be distress in 60 cases and 10 would be complete failure means in these cases borrower won't be in a position to pay off his debts. Now, if we are seeing growth as the target from this lending then there should be the presence of a sufficient level of offset to counter out such cases and it is there in terms of guarantee fees or subsidy.

'Institutional hierarchy' comes into the picture here. It is to be realized that financial institutions are present at the lowest level and are involved in lending and it seems they are also the ones who are in direct contact with the borrower and it is them who are regarded as the prime authority when it comes to making a lending decision. *Here, there is a dilemma as it is not these institutions that are considered to be single-handedly responsible for the credit decisions but it is the policy makers sitting at the state and center level engaged in various departments under whose guidance credit decisions are made.* Policy-makers at the top are the decision-making body that undertakes 'How and to whom' the credit should be made with the addendum of guidelines to be followed up for making healthy and fruitful credit decisions. In an actual sense, credit should not go in one word but should be bi-furcated on purpose and should be directly monitored by the concerned department and financing body which usually are banks.

We should be clear that banks or in general financing institutions are at the lowest level in terms of administrative bodies involved when it comes to finance. They only decide to whom the credit facilities are to be made. Rest all the things are made by the governing higher authorities. Not much transparency exists when it comes to higher institutions involved. One major reason is the 'High Power Distance' so it is unapproachable to middle-class men. But for the politically active higher elite class who have people sitting in such higher positions, the decision-making body is these people who are quite approachable and also enjoy perks and pleasure from them. Still, the lending facilities are quite far away from the common man. It is tough for most middle-class men to go to such institutions to grab the credit facility, the reason being it is more paper-based and also time-consuming and the applying person or borrower is not aware of what he needs, papers and documents, the reason that facility doesn't happen in one go. Direct State-sponsored credit facilities have even the person to whom credit is to be made chosen by the State.

The issue with such credit facilities is that after giving the credit facilities, seldom are paid back correctly. It gets into default and it becomes a headache for the financing institution especially since the quantum of loan involved is too high and the means of recovery are almost negligible. Moreover, such credit facilities require higher authorities' nod so it is very difficult to use administrative authorities to recover a loan and it is the financing institution that suffers. All the concerns are raised on the financial institutions who have released the credit and without proper administrative power or approach they fail to recover the loan. The basic attitude of the public towards the government schemes being sponsored through financial institutions is that the credit is done by government money which need not be compensated as it is done by the government for them. Little did they know that this money raised had destroyed the bank's image as well as its balance sheet and reputation.

The Controlled Credit

Can banks function as the state's financial representative carrying out the development process in tandem with their basic aim of 'profit-making'? The answer to such a question is definitely yes. It will require the state to support the banks in case of distressed credit in the ambitious development projects when they fail. 'No profit-No gain', when the financial institution will work on this principle with the support of the state with all the state-sponsored proposals being appraised by the state representatives rather than the banks which is already being done but partially. Especially when it comes to MSME or SME enterprises where the credit requirements are from medium to large it is of utmost importance to give them the support they require as it is they who are the future of the nation by being the growth-developer of the nation by providing employment to youth and raising goods and services to its people.

We first have to identify the target sectors (namely education, construction, finance, agriculture, trade, festivals, and especially on handling local authorities for the security and safety of the region) and then take up the upcoming projects in them by proper support with the state in terms of both finances as well as necessary permit.

In earlier times there used to be numerous financial institutions working in these sectors primarily in a few of them which used to be their area of expertise. Many of these with the prompt intervention from the government of India were nationalized considering their importance to the development of the nation as the financial body serving at the bottom in tandem with various state bodies in different sectors of the industry. Expertise in a particular sector with the primary objective being development and the secondary objective being earnings the financial stability with development should be achieved. 'Mergers' were done in the past of these financial institutions to unify the process of governance as well as to streamline the public sector lending at the earliest.

In my opinion, credit is in itself, although being a part of larger banking, is huge and has lots and lots of branches which in itself is a big task at one time to be looked over by a single financial institution. From accounts to debit cards to credit cards to credit facilities it is so vast that no single financial institution can handle all alone the plethora of various types of credit facilities. So, to have newer financial institutions it was a prerequisite to possess expertise in a few fields that are legally enforceable. After the merger of the financial institutions the profits and governance might have been consolidated and made easy but the major goal of development stands defeated as the smaller financial institutions were carrying out profitable business in one of these sectors which was unique to the financial entity and at times, they used to operate mutually exclusive to each other.

What Mergers has done? It has led financial institutions to concentrate only on those sectors where they were yielding profits with the trained expert staff at their disposal. The merged entity has removed those credits that involved risk and also expertise as earlier the concerned bank was forced to explore these sectors to instill growth as well as profits.

We cannot stop the proliferation of financial entities till there is a requirement for money by the people. Suppose we stop the financial institutions from working on the people's requirements in a particular sector. In that case, the resulting need for money will give rise to more personal local lenders or private financial entities and at times also to unscrupulous lenders who will lead to various kinds of social evils in society.

The solution to all the above-highlighted cases is that a giant structure will not work comfortably as a small localized structure to know and carry out sufficient credit facilities as per the needs of the people of the area needs to be addressed. Also, competition among the lenders will help them compare and move ahead in various sectors, and a smaller size of employee base with the required expertise will be created in all of them in emergency cases nation will have multiple sources to address financial emergencies as the case may come.

The present structure where officials above are hired on experience and knowledge will remain robust as with more financial institutions there will always be a pipeline for all the positions existing with the financial institution.

What does the nation need and what are the means to achieve it?

The nation needs growth, development, learned, basic amenities including education, health service, food, housing, and entertainment, together with this on the requirement at the macro-scale it requires arms and army, infrastructure, hospitals, warehouses, store-houses, quality as well as quantity, employment, agriculture, stored foods, etc. The financial institutions working in tandem with highlighted state bodies on every parameter under micro as well as macro-economic conditions can fulfill these. As per the Indian landscape, nature has made us rich in every natural thing. All we need is to be guided by proper handling of these resources in intelligent as well as economically viable projects to lead the nation to growth.

What else apart from credit facilities can be looked upon as a savior for the nation?

Medical Science, when we refer to it we consider all the diseases with their cure, medicines, hospitals, medical colleges, and pharmaceutical companies involved in drugs as well as production of medicines. Already government is trying its level best to cater to the needs of its people in this very utmost vital field but still much needs to be done. Still, per person availability of beds is less, and also infant mortality rate as well as maternal mortality rate is high although from the last decade nation has made very good progress. The average age of death of males and females has gone up but still lots need to be done. Health visitors as well as specific designated appointed persons to look after the people through proper training and health check-ups taught for on-the-field functioning. 'Medicine' and 'surgery' are the two vast domains where the youth can be taught just the technique and the delivery of the said procedures. It will enable the twin purpose of increasing the number of authorized persons who can cure and also will thus lead to the achievement of a very prominent social objective.

How can we improve the banking scenario in the country?

'Banking' in the words of bankers is monetary facilities to the borrower through accounts. Earlier done manually then afterward with the introduction of technology computers took it over and nowadays digitalization has taken wide strides in reducing time spent from months to years sometimes to just seconds. 'Monitoring' and 'Manual' banking are the two things that remain together with due diligence. Considering it to be the main thing left for the bankers it encompasses huge requirements both on the front end as well as on the backend for men. This sector gives away the maximum number of jobs and work especially in government jobs in bulk numbers with minimum skill-level requirements. It has the potential to take in large numbers of people at relatively easy levels and the corresponding work assigned is too relatively easy. So overall the industry is in itself a plethora of opportunities for the people of the nation.

More than the money, it provides a relatively easier way to stabilize the economy at the middle-class level by providing money management and employment as its reins lie in the hands of the State, an indigenous state-controlled industry running in times barring few none of the multi-nationals and companies running in India are indigenous and all belong to foreign countries. Moreover, all these companies are taking our cheaper talent and resources to give products that are fifteen to twenty times costlier than the raw materials and resources.

In the end I would like to say that the credit facilities are not only dependent on the financial institutions as being pictured in the Indian scenario. Actually, it is a support structure which is due primarily because of administrative bodies and the state authorities and the banks- lowest financial entity in this chain, is just a mere distributor and nothing more than that. 'Banks' as highlighted up acts as an economic as well as a social channel of growth of a society and destroying it would only disturb the stability as well as the continuity of a state's growth objectives.