ANALYSIS OF PRIORITY SECTOR ADVANCES BY THE COMMERCIAL BANKS IN SIVAGANGAI DISTRICT

SUBMISSION OF FINAL REPORT
(UGC-MAJOR RESEARCH PROJECT)

UGC REFERENCE F .NO. 5- 385/2010 (HRP) dated 01.02.2011

By

Dr. S. RAJAMOHAN
Professor & Principal Investigator
Alagappa Institute of Management
Alagappa University
Karaikudi
Mr. D. DURAIRAJ
Project Fellow
Alagappa Institute of Management
Alagappa University
Karaikudi

OCTOBER 2013

Date:

From

Dr. S. Rajamohan
Professor & Principal investigator
Alagappa Institute of Management
Alagappa University
Karaikudi - 04

To

Under Secretary (FD -III)
University Grants Commission,
Bahadhur Shah Zafar Marg
New Delhi – 110 002

Through Proper Channel

Dear Sir/Madam,

Sub: AIM – ALU- UGC - MRP - Submission of Final Report - reg
Ref: UGC Reference F. No. 5- 385/2010 (HRP) dated 01.02.2011

I herewith submit three copies of the final report of Major Research Project entitled **"Analysis of Priority Sector Advances by the Commercial Banks in Sivagangai District"** work done during February 2011 to October 2013. This is for your kind perusal and further action.

Thanking you,

Yours sincerely

(S. RAJAMOHAN)

Annexure III

FINAL REPORT OF THE WORK DONE ON THE MAJOR RESEARCH PROJECT

1. Project report No. 1st /2nd /3rd / final	:	**Final Report**
2. UGC Reference No.	:	**F. No. 5- 385/2010 (HRP) dated 01.02.2011**
3. Period of Report	:	**February 2011 to October 2013**
4. Title of Research Project	:	**"Analysis of Priority sector Advances by the Commercial Banks in Sivagangai District"**
5. (a) Name of the Principal Investigator	:	**Dr. S. Rajamohan**
(b) Dept. and University/College where	:	**AIM, Alagappa University – Karaikudi**
6. Effective Date of Starting of the Project	:	**01.02.2011**

Grant approved and expenditure incurred during the period of the report:

a. Total amount approved : **Rs. 5, 37,300**

b. Total expenditure : **Rs.**

c. Report of the work done : **(Annexure I)**

i. Brief objective of the project : **(Annexure II)**

ii. Work done so far and results achieved and publications, if any, resulting from the work (Give details of the papers and names of the journals in which it has been published or accepted for publication **(Annexure III)**

v. If project has not been completed, please indicate the approximate time by which it is likely to be completed. A summary of the work done for the period (Annual basis) **may please be sent to the commission on a separate sheet……………….**

vi. If the project has been completed, please enclose a summary of the findings of the study. Two bound copies of the final report of work done may also be sent to the Commission.

[Annexure I]

vii. Any other information which would help in evaluation of work done on the project. At the completion of the project, the first report should indicate the output, such as (a) Manpower trained (b) Ph.D. awarded (c) Publication of results (d) other impact, if any

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SIGNATURE OF THE PRINCIPAL **REGISTRAR**

INVESTIGATOR

Annexure-IX

PROFORMA FOR SUPPLYING THE INFORMATION IN RESPECT OF THE STAFF APPOINTED UNDER THE SCHEME OF MAJOR RESEARCH PROJECT

UGC FILE NO **F. No. 5- 385/2010 (HRP)** YEAR OF COMMENCEMENT **01-02-2011**
TITLE OF THE PROJECT: "Analysis of Priority Sector Advances by the Commercial Banks in Sivagangai District"

<table>
<tr><td>1.</td><td>Name of the Principal Investigator:</td><td colspan="5">Prof./Dr. S. Rajamohan</td></tr>
<tr><td>2.</td><td>Name of the University/College</td><td colspan="5">Alagappa Institute of Management, Alagappa University, Karaikudi -04</td></tr>
<tr><td>3.</td><td>Name of the Research Personnel Appointed</td><td colspan="5">Mr. D. Durairaj</td></tr>
<tr><td rowspan="4">4.</td><td rowspan="4">Academic Qualification</td><td>S.No.</td><td>Qualification</td><td>Year</td><td>Marks</td><td>%age</td></tr>
<tr><td>1</td><td>MBA</td><td>2010</td><td>90/90</td><td>6.26</td></tr>
<tr><td>2</td><td>M Phil</td><td>2011</td><td>36/36</td><td>6.91</td></tr>
<tr><td>3</td><td>Ph.D.</td><td>Pursing</td><td>Pursing</td><td>Pursing</td></tr>
<tr><td>5.</td><td>Date of Joining</td><td colspan="5">20-05-2011</td></tr>
<tr><td>6.</td><td>Date of Birth of Research Personnel</td><td colspan="5">15-06-1987</td></tr>
<tr><td>7.</td><td>Amount of HRA, if drawn</td><td colspan="5">Nil</td></tr>
<tr><td>8.</td><td>Number of Candidate Applied for the Post</td><td colspan="5">6 (six)</td></tr>
</table>

CERTIFICATE

This is to certify that all the rules and regulations of UGC Major Research Project outlined in the guidelines have been followed. Any lapse on the part of the University liable to terminate of said UGC project.

Principal Investigator **Director & Head** **Registrar**

ANNEXURE II

PROFORMA FOR SUBMISSION OF INFORMATION AT THE TIME OF SENDING THE FINAL REPORT OF THE WORK DONE ON THE PROJECT

1.	Name of the Principal Investigator	:	**Dr. S. Rajamohan**
2.	Address of the Institution	:	**Alagappa Institute of Management, Alagappa University, Karaikudi-4.**
3.	UGC Approval No. and Date	:	**F. No. 5- 385/2010 (HRP) dated 01.02.2011**
4.	Date of Implementation	:	**1st February 2011**
5.	Tenure of the Project	:	**2 Years**
6.	Total Grant Allocated	:	**Rs. 5,37,300.00**
7.	Total Grant Received	:	**Rs. 4,92,600.00**
8.	Final Expenditure	:	**Rs.**
9.	Title of the Project	:	**Analysis of Priority Sector Advances by the Commercial Banks in Sivagangai District**
10.	**The specific objectives were to**	:	**Enclosed**
11.	Whether Objectives Were Achieved	:	**Yes**
12.	Achievements from the Project	:	**Enclosed**
13.	Summary of the Findings	:	**Enclosed**
14.	Whether any Ph.D. Enrolled/produced out of the Project	:	**No**
15.	No. of Publications out of the Project	:	**Six Papers Published**

PRINCIPAL INVESTIGATOR

FORWARDED
DIRECTOR & HEAD

REGISTRAR

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CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Credit is an important instrument requires for national development and it is utilized according to the national priorities. Till late sixties, commercial banks in India were mainly financing trade, commerce and industry. The flow of credit towards agriculture and weaker section of the community was quite low. In order to ensure equitable distribution of credit, the scheme of social control over banks was initiated in December, 1967. National Credit Council was set up in February, 1968 mainly to periodically assess the demand for banks credit from various sector of the economy and to determine the priorities for grant of loans and advances having regard to the availability of resources. As this scheme did not yield the desired results, the nationalization of 14 major scheduled commercial banks took place in July 1969. The main objectives of nationalization were to control the heights of the economy and to meet progressively and serve better, the need of developments of the economy in conformity with national policy and objectives. The nationalized banks were advised to open branches in rural and semi-urban areas and provide funds for all productive activities irrespective of the size and social status of the borrowers. Moreover, another six private sector banks were nationalized on 15th April, 1980.

Prior to bank nationalization, commercial banks were financing to trade, industry and commerce and completely neglected certain crucial sector of the economy like agriculture, small- scale industries, self employment ventures and so on which need priority treatment not only because of their tremendous potential for employment generation but also because of their significant contribution to the national income.

The concept priority sector has been reviewed from time to time to make necessary changes according to national planning priorities. In November, 1974, the public sector banks were advised that their priority sector lending should reach a level of not less than one third of their outstanding credit. Priority sector banks were also advised in November, 1978 to undertake similar responsibilities and lend atleast one third of their total advances to the priority sector. In March 1980, the banks decided to raise the proportion of their advances to priority sector to 40 percent.[1]

The prime minister announced their New 20 Point programme on 14th January, 1982. At the instance of the government of India, the Reserve Bank of India constituted Working group under the chairmanship of Shri A. Gosh to give recommendations for active participation of banks implementation of new 20 Point programme. The working group submitted its report on 22nd April, 1980. It had suggested the introduction of the concept of weaker sections in the main component of the priority sector but it did not suggest any changes in the overall target of 40 percent of the net bank credit.

With a view to increase the flow of credit to agriculture, the banks were advised to set up direct finance to agriculture, so as to reach a level of atleast 16 percent of their total outstanding credit by March, 1987, 17 percent by March, 1989 and 18 percent by March, 1990 with the overall target of 40 percent. Anyhow a few changes have been made from time to time in certain sub- target of priority sector. However, the overall stipulation of priority sector credit at 40 percent of net bank credit and the sub - target of 10 percent of net bank credit and for weaker section remain unchanged.

1.2 STATEMENT OF THE PROBLEM

Commercial banks have been identified as great instruments that channelize funds to the rural areas. Banks have been able to play both qualitative and quantitative roles in terms of stimulating the allocation of resources to high priority areas, encouraging new enterprise, bolstering business skill of the borrowers, promoting growth in backward areas, modernization of existing industries, rehabilitation of sick units, promoting the indigenous industries and so on.

Priority sector lending facilitates regional and sectoral development pattern through a wide network of rural bank branches. Rural banking is considered an important ingredient for canalizing the investment patterns in our country. A developed network of bank branches increases the mobility of fund financial access to local industries and geographical coverage.

Priority sector advances plays a very crucial role by providing the needed liquidity to the borrowers who do not have sufficient investible funds to exploit a conducive development environment. The credits obtained provide a command over other resources and thus removes the financial constraints of the borrowers. Through credit operations, financial savings are transformed into capital for further investment. The managers of the commercial bank sanction loans and advances by exercising their discretionary power. This bank creates awareness about the various schemes among the people. It constantly conducts research and development to do efficient services. This bank is not merely the agency of the Government to implement the social and economic policies but also running the business with profit motive. This bank adopts effective innovate services like core banking, re-engineering and reverse engineering schemes which shed light on the efficiency on the bank. To-day the segments of the priority sector consist of agriculture, small scale industries, small road and water transport operations, retail trades, small business, professional and self- employed persons, weaker section, education, housing, self-help groups and so on. These segments have their own significance. Hence, an attempt has been made to analyze the priority sector advances by the commercial banks in Sivagangai District.

1.3 OBJECTIVES OF THE STUDY

The study is undertaken with the following objectives.

1. To identify the modus operandi of priority sector lending by the commercial banks.
2. To analyze the progress of loans and advances lend by the commercial banks in various segments of the priority sector.
3. To assess the opinion of the borrowers on the advances of the commercial banks.
4. To examine the opinion of the bank employees on the priority sector lending.
5. To offer suggestions based on findings of the study.

1.4 SCOPE OF THE STUDY

This study is made to analyze the priority sector lending by the commercial banks. The commercial bank plays an important role in the district. This bank renders useful services to the customers. This study covers the theoretical information relating to priority sector, analyze of priority sector lending, opinion of the borrowers on the advances of the commercial bank and opinion of the bankers towards the services rendered on the priority sector lending.

1.5 HYPOTHESES OF THE STUDY

1. There is no significant difference between the educational qualification and the various loan schemes.

2. There is no significant difference among the responses of the respondents towards documents required for sanctioning loans.

3. There is no significant difference among the responses of the respondents about the subsidiaries offered by banks.

4. There is no significant different between the securities offered by the customers and the segments of priority sector.

5. There is no significant different between the number of beneficiaries benefited and the segment of priority sector.

6. There is no significant difference among the responses of the respondents about the complexities faced by the bankers.

1.6 METHODOLOGY

This study comprises of both primary and secondary data. The primary data are collected directly from the borrowers by using interview schedule to access the opinion relating to the priority sector loans and advances. For analyzing the opinion of the bankers towards the priority sector lending, another interview schedule was prepared.

The secondary data have been collected from books, periodicals, various committee reports, research works of published and unpublished M. Phil. and Ph. d theses on the subjects, newspapers, journals, Bank Pamphlets, RBI Bulletin, web site and so on.

1.7 CONSTRUCTION OF TOOLS

A pre- test was conducted by the researcher in order to identify the validity and reliability of the interview schedules. Draft interview schedule was issued to 30 borrowers as well as bankers under priority sector. The interview schedule was administered and discussions, both formal and informal, were held for right content of schedule. The response are given by the experts their views and suggestions helpful to reconstruction of schedules. The interview schedule was finalized after the pre- test.

1.8 VALIDITY AND RELIABILITY

The pre test was conducted before finalizing the questionnaire. It was issued to 30 borrowers and 30 bankers. It was administrated and discussed. Both formal and informal discussions were held for fine tuning the question pattern and content. Their views and suggestions were helpful in rearrange and restructuring the questionnaire. The Cornbach's Alpha test was administrated to the sample respondents to find out the reliability of the questionnaire. The questionnaire was finalized after the pre test. The reliability of interview schedule is given in Table 1.1.

TABLE 1.1
Reliability of Interview Schedule

Sl.No.	*Variables*	*No. of Respondents*	*No. of Items*	*Cornbach's Alpha value*
1.	Awareness about loan schemes	30	15	0.787
2.	Various loan services by banks	30	9	0.980
3.	Customers satisfaction	30	12	0.756
4.	Ceiling for loan amount	30	15	0.753
5.	Level of subsidiaries offered by banks	30	15	0.823
6.	Kinds of securities	30	15	0.769
7.	Number of beneficiaries benefited	30	15	0.960
8.	Nature of difficulties faced by bankers	30	7	0.920

Source: Primary Data. SPSS – cornbach's alpha test

Table 1.1 shows that the Cornbach's Alpha value indicates that the variance with the opinion of the respondents is significant at the 5 percent level. This implies the Cornbach's Alpha value is greater than the value of 0.75. Therefore, it can be concluded that both questionnaire were constructed five point scale and all likert's five point scale is highly significant and fit to conduct the research.

1.9 SAMPLING DESIGN

There are 125 branches in Sivagangai District. (Public and Private Sector Bank branches). The researcher has selected all branches of the banks under census method. There are 125 employees selected at simple random method in order to assess the opinion of the bankers regarding the priority sector loans and advances. The data are collected either from manager or officer cadre of the banks.

According to the section 13 of the banking companies (Acquisition and Transfer of undertaking) Act 1970, the commercial banks should not reveals any matter concerning their customers. This rule is followed by all banks. Due to this problem, it was not possible to get the list of the customers and their details from the banks. Hence researcher has collected data from 647 borrowers by using Rao calculator to identify the sample size at 99 percent confident level at margin of one percent, which means five borrowers from each branch, selected in order to assess their opinion towards the priority sector loans and advances.

1.10 DATA PROCESSING

After completing the data collection a thorough check was made. The whole interview schedule was processed for coding the data in a computer in the excel sheet. Then the cross table were prepared by using SPSS package. Moreover, after consulting the research experts, appropriate tools were framed to get good results.

1.11 MODE OF ANALYSIS

In order to analyze the opinion of the borrowers as well as bankers, the data were analyzed by using appropriate statistical tools like percentage analysis, Garrets ranking test, Kendall's co efficient of concordance test, Freidman test, Factor analysis, sign test, weighted average method and so on.

The percentage analysis is used throughout the report wherever required. The Garret ranking test is used to find out the factor influencing to open an account; types of loan offered by the particular banks to the account holders. The factors analysis is used to measure the borrowers attitude towards services of the bank, the sign test is applied to ascertain the required documents towards sanctioning loan and there are two structural equations modelling are framed for the bankers as well as the borrowers towards priority sector and overall services of the banks.

1.11.1 Priority Sector Advances by the Commercial Banks - Sem

The banks are established with the aim of rendering services to the customers rather than earning profit. The banks are offered plenty of services to the customers but till they are not satisfied. In order to access the opin ion of bankers towards services of the banks as well as the level of satisfaction of the borrowers. Hence the researcher has framed SEM model to identify the level of satisfaction and fulfil the both of their requirements by using model fit analysis or structural equation modelling.

The Structural Equation Model (SEM) is a general statistical modelling technique to establish relationship among the variables. A key feature of SEM is that the observed variables are understood to represent a small number of 'latent constructs' that cannot be directly measured, only inferred from the observed measured variables.

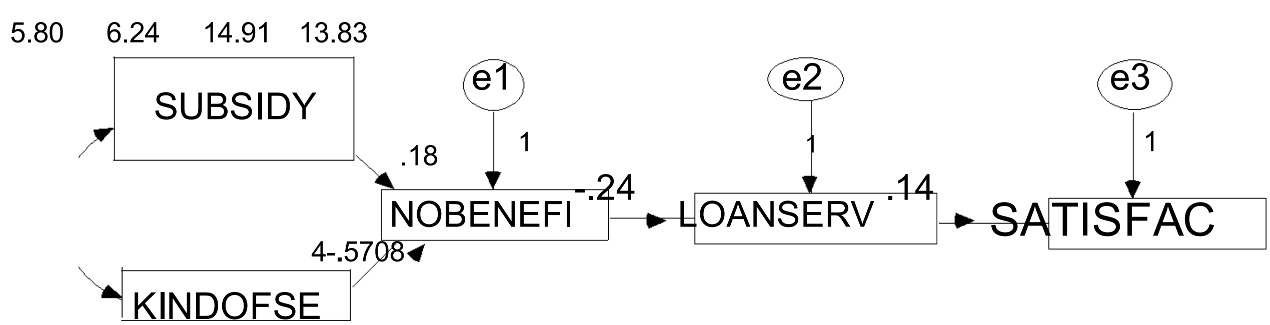
Even though no variables have been manipulated, variables and factors in SEM may be classified as independent variables and dependent variables. Such classification is made on the basis of a theoretical casual model, formal as well as informal. The casual model is presented in a diagram where the names of measured variables are within rectangles and the names of factors in ellipses. Rectangles and ellipses are connected with lines having an arrowhead on one (unidirectional causation) or two (no specification of direction of causality) ends.

The first measure of model fit is the Goodness- of- Fit Index (GFI). The GFI measures the relative amount of variance and covariance in the Simple Covariance Matrix that is jointly explained by the population covariance matrix. The GFI values range from 0 – 1, with values close to 1 being indicative of good fit.

A second type of Goodness-of-Fit index used in the analysis that can be classified as incremental indices of fit are based on a comparison of the hypothesized model against some standard. Comparative Fit Analysis (CFA) is useful in that it takes sample size into account. The CFI values range from 0 to 1, whereas .90 percentages was considered a good fit for GFI, a revised cut off of .95 has recently been advised for CFI.

The final set of fit statistics used in the analysis focuses on the Root Mean Square of Error Approximation (RMSEA). This fit statistics has only recently been recognized as one of the most informative criteria for use in covariance structure model. The RMSEA takes into account the error of approximation in the population with unknown but optimally chosen parameter values, fit the population covariance matrix if it is available. This discrepancy, as measured by the RMSEA, is expressed per degree of freedom, thus making the index sensitive to the number of estimated parameters in the model values less than .05 indicate good fit, values between .08 and 1.00 indicate mediocre fit, and those greater than 1.00 indicate poor fit. It is also possible to use confidence intervals to assess the precision of RMSEA estimates; AMOS (the statistical program that is used to run the SEMs) reports a 90 percent interval around the RMSEA value.

FIGURE 1.1
Measures the Opinion of the Borrowers and the Bankers - Sem



Source: Primary Data.

Outcome of the Structural Equation Model

The SEM is a model for analyzing the more number of dependent and independent variables. In connection with that Table 1.2 explains that the result about opinion of the bankers as well as the borrowers.

TABLE 1.2
Outcome of the Structural Equation Model

Variables	*Values*	*Significance*	*Result*
Chi square	2.233		The model is highly fit to the analysis for this study.
P – Value	0.816	>0.05 is model fit	
GFI	0.993	> 90% model shows the goodness of analysis	
AGFI	0.979		
CFA	1.000		
RMR	0.319	Error may be <0.10 is > 10 %	
RMSEA	0.001		

Source: Primary Data

Table 1.2 elucidates that the model of priority sector advances by the commercial banks, borrowers expectation and the banker expectation leads to the satisfaction of the customers are constructed as variables for the Structural Equation Model (SEM). The Chi-square value is more than the 0.05 percent (2.233 percent) at 5 percent level, which shows that the model which is constructed is fit; normally if the model has to be fit the P value should be greater 5 percent level. The Goodness of Fit Index (GFI) 0.993 percent indicates that the model is good for analysis.

The Confirmatory Factor Analysis (CFA) 1.000 indicates that the model is highly fit and shows goodness.

The Root Mean Square of Residual is (RMR) 0.319 and shows that error value is smaller which is less than 10 percent and Root Mean Square Error of Approximation

(RMSEA) is 0.001 indicates that it lies between the confidence interval of less than 0.06 to 0.08. Hence the analysis shows that the Expectations of bankers as well as borrowers lead to the satisfaction of customers as a variables have significant influence on priority sector loans and advances.

1.12 LIMITATION OF THE STUDY

The study was consisting of following limitations:

1. The researcher has met and collected data from only few borrowers and bankers.
2. Due to the banking regulation, the researcher is not able to select and collect data from all the segments of borrowers under priority sector at random.
3. The study does not cover the banks like co-operative banks such as Pandiyan Grama Bank, Primary Agricultural Co-operative Society (PACS), Foreign Banks and so on.

1.13 CHAPTER SCHEME

The report divides into seven chapters. The first chapter presents the design of the study. It consist of introduction of the study, statement of the problem, objective of the study, scope of the study, methodology of the study, sampling design, limitation of the study, data processing and so on

The second chapter elucidates the related review of the literature. This is presented under two heads namely, priority sector advances and non-priority sector advances.

The third chapter presents theoretical framework of the study which includes the significance of priority sector advances, segments of sector, purpose of priority sector lending, eligibility of the borrowers, target of commercial banks, details of amount issued by the bank branches under this sector and so on.

The growth of different segments of the priority sector advances are presented in the fourth chapter.

The opinion of the borrowers towards the loans and advances received from banks were analyzed in the fifth chapter. This chapter consists of the age, sex, marital status, educational qualification, monthly income of the respondents, and borrowers opinion towards satisfaction of bank services and so on.

The opinion of the bankers towards the priority sector lending to the customers are highlighted in the sixth chapter. This chapter consists of the sex, educational qualification, and experience of the respondents, documents required for sanctioning loans, subsidiary offered, and complexities faced by the respondents and so on.

The last and final chapter presents the findings and suggestions of the study.

REFERENCES

1. http:// www.google.co.in/ The Reserve Bank of India Report for "Master Circular on Priority Sector Lending", p.1.
2. www.rbi.org.in /report on "Lending to Priority Sector" Discussed at a meeting of the National Credit council, pp.1-2..

CHAPTER III

REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter attempts to give a comprehensive outlook of various research made in the previous studies. The details of such studies throw light on this research. The researcher has made an attempt to evaluate the performance of loans and advances sanctioned by the commercial banks at Sivagangai District of Tamilnadu. Hence, it is proposed to highlight the review of literature available on the performance of loans and advances by the banks. The research has been confirmed to research papers, articles, research studies and various web sources.

There are number of studies which have been undertaken previously relating to priority sector advances. Such studies are highly useful to identify the areas already investigated and formulate insight into the present study. The review of them may not be directly linked to priority sector advances by commercial banks but they discuss issues connected with the priority sector advances in different segment wise. Hence the researcher has included the reviews of literature in order to identify the gap in the research. The review of literature is divided into two heads such as:

2.2 Priority Sector Advances

2.3 Non- priority Sector Advances

Several studies on this subject in a restricted sense have been undertaken by particular bank/group of banks, individuals and organizations. Number of Committee appointed by the Government of India and RBI has also studied the banking problems of the country. Reviews of such available literature are presented below.

2.2 PRIORITY SECTOR ADVANCES

V. V. Bhatt[1] (1970) in his study concluded that the proposed scheme of approved dealers to assist the Lead Banks in providing finance and guidance to the farmers and small industrialists. In providing finance and guidance effectively, the banks would have to collect the required information, ensure recovery of loans and interest, assist in obtaining after sales service and keep a watch on the working of the assisted enterprise.

Through the analysis made by him, he suggested that it can be made easier by creating and supporting a set of approved dealers which are helpful to the farmers.

P. N. Josh[2] (1972) in his research requested the RBI to give clear and specific definition of the different components of priority sectors. Some of the bankers are not clear about the precise scope of agricultural lending of advances. Guidance from the RBI would help them to increase their involvement in farm credit on right lines and promote farming activities.

Vadilal Dagli[3] (1975) is opined that the aim of the banking policy should be to uplift the under privileged class of the society in rural India from subsistence existence to surplus existence. The concept of priority sector should include only to the rural poor of the country and by providing them necessary financial assistance to lift from the low level to the upper level.

P.C.D. Nambiar[4] (1977) has pointed out in his study that the role of commercial banks in the priority sector is not confined merely to the provision of finance. He evaluated the feasibility of the project and assisted the entrepreneurs to select the right type of project. He also emphasized the need for proper co -ordination between government agencies and commercial banks for better results in the development of priority sectors.

S.L. Shetty[5] (1978) in his paper coated that the achievement of commercial banks since nationalization has found that the banks, which have relatively low priority sector lending have been the ones with higher than the average credit deposit ratios. Another finding noticed among the banks regard to the priority sector, a few branches of banks achieved impressive ratios to the neglect of the rest of the areas. Again there is considerable concentration of priority sector advances in a few states.

L.D. Mello[6](1980) in his study found that the capacity and suitability of commercial banks to provide large amount of credit to the priority sectors. Since banks are high cost organizations, existing developmental agencies can be used by commercial banks to reduce the cost and to improve efficiency in the use of credit and banks should concentrate the priority sector schemes.

C.L. Khenmani and K.V. Balakrishnan[7] (1981) they were opined that if the borrower selected under IRDP (Integrated and Rural development programme) is made to approach the money lender for their very genuine consumption needs, and the objective of institutional finance. Consumption credit granted on the basis of specific needs of the target groups are not going to cause problems. The actual consumption loans will have to be related to their minimum needs and their capacity to repay.

V.B. Angadi[8] (1983) observed that the concentration of priority sector advances in general and agricultural advances in particular in a few states. The reasons for such concentration are number of bank offices, deposit mobilization, total cropped area, land under certain food and cash crops, extent of irrigated land in respective states, adoption of high yielding varieties, the availability of cooperative credit and the level of political awareness in these states.

Senior Executive Seminar on Priority Sector Financing[9] (1983) organized by NIBM (National Institute of Bank Management) advised the banks to remember the philosophy behind the policy towards priority sector and to develop faith in this philosophy. Priority sectors should be looked upon as the opportunities for developing the banks business.

B.K. Saker[10] (1983) has suggested that to launch a successful marketing drive for the target groups in the priority sector, the environment pertaining to each segment of the society has to be carefully scanned and vital information relevant to market decisions, such as ignorance, unwillingness, poverty, political interference and so on, have to be analyzed. The best achievement can be derived only if the customers real situations are assessed in a meaningful way.

K.V. Patel and N.B. Shete[11](1984) analyzed the priority sector lending by commercial banks in India from 1969 to 1980 and concluded that quantitatively a very impressive coverage is achieved during the period of twelve years. The total priority sector advances have gone up by more than fourteen times. But the credit absorption capacities of the weaker sections are constrained by a variety of factors, which may no t be under the direct control of the banking industry. Therefore, the coordinated efforts of executives and developmental agencies require special care and attention in this matter.

Raut[12] (1984) conducted a study on the scope and problems of financing tribal farmers and concluded that the problem of overdues was mainly due to the misutilization of loans by the tribal farmers. The tendency to misutilize the loan was due to the fact that the consumption priorities of tribal farmers were of more urgent nature than asset building priorities.

Anil Kale and Namdeo Mali[13] (1984) conducted a study in some of the drought-affected villages of Pune in Nagar Districts among the farmers and landless labourers. From the analysis, it is found that the poor people in rural areas were subject to various kinds of exploitations by the very developmental agencies, which were created by the society or else government for their upliftment.

D.P. Khankhoje and V.T. Godse[14] **(1985)** found that procedural flaws and gaps cause delays in the process of loaning activity in the priority sector. So the systems and procedures adopted by banks particularly with reference to documentation and accounting have to be simplified. But the simplification of systems and procedures should not weaken the follow-up, supervision and control.

U.C. Kulshrestha[15](1985) conducted a survey in the Western Region of Uttar Pradesh to review the progress and working of the Lead Banks and concluded that the banks which were assigned the lead role undoubtedly made considerable efforts in their lead districts in conducting of economic surveys, preparing credit plans, branch expansion, deposit mobilization and credit deployment to priority sectors. Thus the Lead Bank Scheme holds out the promise to attain socio-economic objects in the society and to develop the rural economy at the district level.

P.D. Ojha[16](1987) has rightly pointed out that over dues of bank loans by agriculture, SSI, DRI (District Rural Industries) and other priority sector borrowers affect the ability of the banking systems to recycle the credit. So the RBI urged the banks to make conscious efforts to increase the quality of loan portfolio through proper appraisal of proposal and the effective post disbursal monitoring.

B. Ramachandra Rao[17] (1987) strongly proposed for the redefinition of priority sector. Priority sector advances at low rates of interest should be given only to the weaker sections and not to the affluent under the label of priority sector. This would help the banks to improve monitoring and supervision of these advances, the impact of these advances on the weaker sections and their own profitability.

C. Rangaraju[18] (1988) in his study focused the developmental role of the RBI on deepening and widening the financial system. In view of the imperfections and rigidities present in the credit market, special measures have to be taken to ensure the flow of credit to the needy of priority sectors.

Muhammad Yunus[19] (1988) strongly commented that credit without strict discipline is nothing but charity. The charity in the name of credit would destroy the poor, instead of helping them. Thus credit institutions must make sure that every loan gets paid back in full and in due time. If that does not happen, one should not blame the people of the recipient country for failure; rather one should blame the designer of the credit institution that failed to do the job.

G. Jyothana[20] (1989) studied the impact of priority sector lending in and around the villages of Chandragiri Block and came out with the conclusion that bank's assistance has exerted a significant positive impact on priority sector with reference to income and employment levels. The impact of bank finance on employment level is very significant in agricultural sector and the small business firms and it is comparatively very less in SSI sector. Regarding the recovery performance, it is very poor in SSI sector as well as in agricultural sector. But performance is comparatively significant among the beneficiaries in small business and firms sector.

Mahendra D. Desai[21] (1989) strongly proposed the need for evaluation of financing schemes in priority sectors to assess the extent to which economic conditions of the beneficiaries had improved and surely poverty would be minimized.

B.B. Patel[22] (1989) suggested the setting up of training institutions for agriculturists and artisans for proper guidance. Marketing facilities should also be provided to small farmers and artisans. There should be follow-up and monitoring of weaker section advances by sponsoring agencies and financing institutions.

K.S. Ramola, K.S. Negi and S. Negi[23] (1989) they are strongly recommended that the importance of extension services that must be made available to the priority sectors for making proper use of bank finance. It is also desirable that banking facilities should be made available to the remotest and backward areas where bank branches do not exist.

V.K. Bhaskara Rao[24] (1989) opined that writing off the farm loans by Government would not serve the real purpose and would severely hinder the future bank lending in the country. It is suggested that neither the State Government should write -off the loans nor create an atmosphere for non - repayment of dues to the banks.

J. S. Pasricha and Sanjay Modi[25] (1989) conducted a study to assess the thrust on priority sector lending since the introduction of Lead Bank Scheme and came out with the conclusion that the overall share of priority sector advances has grown up satisfactory. But all the States are not laying uniform emphasis on the financing of priority sectors and the share of priority sector advances ranges from as low as 21.10 per cent in Maharashtra to 76.90 per cent for Manipur, indicating that industrially developed States are laying less emphasis on the development of priority sectors.

V. Rengarajan[26] (1990) opined that the banks should never forget that they are working for profits and only then they can continue their efforts on an ongoing basis even on priority sector advances.

P.D. Ojha[27] (1990) in his article coated Service Area Approach is an answer to improve the quality of lending in rural areas to priority sector schemes. The scheme gives importance to close disbursement supervision to ensure productive use of banking credit.

S.S. Kalra[28] (1990) stressed the need for follow-up and supervision of bank credit that helps to the recovery and recycling of funds for further lending. While ensuring the end use of credit, the recovery of the advances is most important. The tools and techniques of recovery should be adopted in an improved manner to combat the menace of overdue.

Jacob Kurien[29] (1990) found that delinquency and default occur due to inadequate market support and lack of proper follow-up. Ineligibility of credit is largely attributable to the low cost of borrowing and to it being targeted and rationed. So he concluded that it is essentially needed in wider perspective of circumstances and factors which influence the borrowers in their use of credit as well as their attitude towards formal cred it institutions.

E.V.K. Padmini[30] (1990) conducted a study in Thrissur branch of Punjab National Bank to examine the implementation of priority sector lending scheme. The study revealed that the priority sector lending of the bank was declining. All types of loans except DRI showed a fluctuating trend. The bank can advance more amount as loans to priority sectors by adopting more number of potential villages under SAP (Special Assistance Programme) and strategic management of funds.

G.L. Karkal, D.P. Khankhoje and N.B. Shete[31] (1990) emphasized the need for conducting evaluation of priority sector project by individual banks for ensuring efficiency and cost effectiveness. Such studies answer the questions like whether the project is implemented in the ways specified, whether the methods, process, procedures and the like are adopted appropriate to achieve the set goals and whether the personnel are sufficiently motivated, trained and adequate for the success of the scale of the project.

Manmohan Singh Gill[32] (1990) conducted a study in Amritsar for analyzing the problems of the borrowers while availing the assistance and the impact of the loans on their economic and social status. The study revealed that most of the respondents have bribed the formal leaders as well as the concerned officials and thus the leaders and officials are the real beneficiaries of the programme. He also found that the beneficiaries are able to improve their economic status, even though their social mobility has not been very much.

Brindra Jagirdar[33] (1991) urged the need for redefining the priority sector components into two groups. One group covering advances to weaker sections and also advances which may further technological up-gradation and resource augmentation, saving and improvement of agriculture, small industry and so on. Even though the borrowers do not belong to the weaker sections and the remaining advances under priority sector comes under the second group. Only the former group needs to be offered the benefit of concessionary finance and the others may be charged commercial rate of interest.

D. Rajasekhar and Vinod Vyasu[34] (1991) in their study coated that the RBI stressed the guideline for 40 per cent of loans to be provided to the priority sectors lend ing and also they suggested that with more profess ional functioning the banks can maintain a recovery rate of at least 90 per cent through better lending, with reference to quality of credit. The proportion of non-performing assets in a bank's portfolio can be reduced if the political interference in the functioning of the banks is reduced.

S.N. Bansal and V.K. Agarwal[35] (1991) requested the Government to strictly refrain from declaring any policy of waiving of loans just for the purpose of political expediency or use it as a vote catch ing device. The loan waiver scheme will only aggravate the problem of loan recovery causing serious problem for the banks as well as government.

A.P. Gaur[36] (1991) conducted a study on the disbursal of priority sector advances of scheduled commercial banks to scheduled castes and scheduled tribes for the year 1988 and found that the gap between the average amount disbursed to Schedule Caste

/Schedule Tribe (Sc/St) borrower and a priority sector borrower in general was reduced. At the aggregate level 20 per cent of the borrowers' accounts in the priority sector belonged to SC/ST account and 9.5 per cent of the total priority sector advances was disbursed to SC/STs. About 5 per cent of SC/ST population in the country borrowed under priority sector advances during 1988 and this showed a slight improvement over the 1987 position.

D.N. Ghosh[37] (1992) in his study stated that the reduced target of priority sector lending, as urged by the Committee on the Financial System, would send an unfortunate signal to the dispensers of credit that the basic objective for which priority was developed. Policy makers in the developing countries, from time to time have found that they have to reconcile with the conflicting objectives, but they cannot afford to let the crucial economic agents such as banks and financial institutions to choose the easy way out of such situations.

N.B. Shete[38] (1992) brings out some lessons for the Indian commercial banks based on the experience of agricultural loan recoveries of some developing countries. Intensive education campaigns for proper use of funds by borrowers in Sri Lanka, commodity oriented programmes in Philippines, provision of infrastructure, farm supportive prices and extreme penalty for willful defaulters in China are some of the examples which facilitate prompt recovery of agricultural loans.

S.P. Sharma[39] (1992) opined that though the problem of recovery of agriculture advance is a serious one, it is not impossible. The required measures are bold initiative, innovative approach, dedicated efforts and coordinated measures on the part of banks, Government, voluntary agencies and farming community.

D. Narayana[40] (1992) claimed that one of the major achievements of commercial banking in general and the directed credit programme in particular has been the extension of the outreach of banking sector to the small and marginal farmers and the weaker section of the society. The Narasimham Committee on the Financial

System has however suggested a restructuring of rural banking on the ground that priority sector lending has led to falling profitability of banks. So in his study he examines the performance of institutional credit programmes for rural development and the attempts to improve loan recoveries, especially th e group len d in g p ro gr am m e an d s u gges ts th at th e p ro b lem lay s w ith p o o r r is k management concepts.

S. Rajagopa1[41] (1994) looks at the future of priority sector lending in Indian banking and comments that concessional credit should be restricted only to the poorest of the poor and to the under privileged sections of the society. From those who can afford it, commercial rate of interest should be charged. The weaker sections including small and marginal farmers need to be protected against the impact of liberalization.

Philip Thomas and K.O. Jessy[42] (1994) in their study of priority sector advances of urban co-operative banks in Kerala have found that less than 35 per cent of the priority sector advances had been given for income generating activities. They also found that the overdue in the priority sector ranged from 19.7 to 25.3 per cent during the study period. The study also proved that the average lo an given to each item was far b elo w the ex tent of th e finan cial assistance visualized by the RBI to carry out a project effectively.

Thakur Singh Parmar and A.R. Pater[43] (1994) conducted a study in Gujarat district to assess the recovery of priority sector ad vances and found that in agriculture sector the recovery per cent to demand varied between 30 per cent and 59 per cent and in the SSI it is between 15 per cent and 43 per cent. For better recovery, the quality of lending must be improved and a suitable system for realization of dues should be a part of credit management.

A. Karthikeyan[44] (1994) suggested that priority sector advances could be made result oriented by adopting planned strategies on realistic service area, credit p lann in g, ado ptin g p ro ject app roach in imp lementin g th e p lans , availin g maximum refinance from NABARD and SIDBI, timely follow-up and instituting approach action for recovery and invoking DICGC guarantee wherever possible. The strategy was very much n eed s fo r the co -o rd ination b etween th e b anks and other agencies.

Special Article[45] (1995) state that what the Government and RBI are doing und er th e lab el o f p rio rity s ecto r lend in g is with an ey e o n th e po ll. Th e Narasimham Committee had recommended to bringing down of priority sector lending from 40 to 10 per cent. But the Government did not implement the recommendations. At the same time banks are given the opportunity to deposit their shortfall in achieving the priority sector target in NABARD, SIDBI, and so on, and thereby helping the banks to honour their priority sector commitments profitably.

M.M. Bhalerao and R.K. Pandey[46] (1995) conducted a study to review the progress of priority sector advances of commercial banks in India. They requested the commercial banks to take more effective measures in advancing credit to the neglected sub-sectors of the priority sector. They also pointed o ut the need for effective implementation of the innovative schemes such as SAA, DRI, consumption loans and housing loans for the benefit of the hitherto neglected sectors of the economy.

C. Rangarajan[47] (1996) pointed out that the main thrust of the Indian public policy towards rural credit has been to ensure that sufficient and timely credit is made available to the rural population. The strategy of developing rural financial services consists of expansion of institutional structure, directed lending and concessional or subsidized credit.

V. Rengaswamy and A. Subbiah[48] (1996) conducted a study in Kamaraj district to analyze the sector-wise allocation and achievement of priority sector lend ing and found that the perform ance d iffer s ign ificantly among various financial agencies in lending to agriculture and industrial sector. The performance of public sector commercial banks is good and that of private sector commercial banks is relatively poor in lending to agriculture sector. They also found that there is no significant difference between allocation and achievement per centages of all sectors of priority sector lending which indicates that the sector-wise share of allocation made by Lead Bank to various financial agencies in Kamaraj district is reasonable to achieve.

K. Kaladhar[49] (1997) suggested that priority sector should be changed to micro fin ance and targetin g is to be done in terms o f growth in number of accounts instead of the present stipulation of 40 per cent of the credit outstanding. With the realization that the poor are bankable and banking with the poor is profitable, there will be no hesitation on the part of the commercial banks to actively pursue micro financing. In other words the present priority sector may be given up in favour of targeting micro finance particularly in the rural and semi urban areas.

Renu Kohli[50] (1997) after examining the existing evidence on the costs and benefits of priority sector lending in India argued that the credit policy in this regard re-appraised and geared towards more specific objectives. These objectives could be defined locally on the basis of a bank industry exchange that could guide the banks as to which firms or industries are to be financed.

N.A. Majumdar[51] (1998) strongly advocated that since priority sector is critical to high and sustained growth of GDP, it should be the business of public sector banks to support these sectors irrespective of whether there are credit targets or not. While the ninth plan recognizes the critical role of this sector, the c redit policy needs to be re-oriented so as to reverse the neglect of this sector in the recent past.

K.M. Shajahan[52] (1998) in his study on the non-performing assets of banks, raised a pertinent controversy about the RBI statement that almost one half of all NPAs of public sector banks are accounted by the priority sector. He found that it was because of the net procedure adopted by the RBI that the proportion of the total NPAs accounted for priority sector appears to be so inflated.

P. Ganesan[53] (1998) in his study on public sector banks and priority sector advances, has found that the priority sector advances did not actually reach to the so-called neglected sections with in the priority sector. W ithout growth and development in these neglected sectors, a further reduction in advances would adversely affect these sectors. Therefore, he opined that there is an urgent need to redefine the concept of priority sector.

K. M . Sh ajahan [54] (1998) in h is s tudy on p rio rity secto r lend in g has observed that the banking sector reforms initiated as a part of the liberalization policies since the beginning of 1990's have almost brought the priority sector lending to a halt. Moreover, the position of the poorer States with regard to the priority sector bank credit seems to have worsened because of the manner in which priority sector targeting has been done. So he recommends linking of the priority sector target to bank deposits rather than to total bank credit.

B. Yen-am Raju[55] (1998) emphasized the importance of giving due credit to the farm sector. He says that creating new institutions will not be a panacea for the problems faced by the farmers. Commercial and co -operative banks should create an environment where the farmers can develop confidence. Credit must also be made available in time and at the lowest possible cost.

Department of Banking Supervision[56] (1999) studied the impact of priority sector advances on NPAs and found that the proportion of NPAs in priority sector to total NPAs were 48.27 per cent as on 31st March1996 which has gradually declin ed to 46.40 per cent as on 31st March 1998. The proportion though lesser than the NPAs in non-priority sectors, reveals that the incidence of NPAs in priority sector is much higher in view of the fact that the priority sector advances constitute only 30 to 32 per cent of the gross bank credit during the period. However, the gradual increase in the proportion of NPAs in non-priority sectors could indicate that NPAs are increasingly occurring on borrower accounts of industrial sector during the recent years.

Swami Agnvesh[57] (2001) delivering the keynote address at a symposium on "New Economic Policy and Problems faced by Agricultural Sector in Kerala" alleged that while the banks have given the farmers a raw dea l, it had written-off the loans availed by top industrialists to the tune of rupees one lakh crore as nonperforming assets. The poor farmers' house and properties are auctioned for recoverin g the loan amount by the ban ks even though it wou ld be a meager amount.

The World Bank[58] (2004) in its report, 'Sustaining India's Service Revolution' highlighted that government ownership of banks in India stifles competition and raises the cost of lending to the public. The World Bank has blamed RBI's stiff PSL norms for foreign and domestic banks for the weak financial health of commercial banks. The report has indicated that largest government ownership in the banking sector led to insufficient competition in the Indian banking system and hence, led to increase cost of intermediation, lowering capital allocation efficiency and under-lending to the private sector.

RBI[59] (2005) draft technical paper of internal working group identified the issues relating to necessity of PSL. The working group recommended the need for PSL prescriptions, the composition of priority sector which includes agriculture, SSI, small road and water transport operators, small business, professional and self -employed persons, education, housing and the like. The existing system of computation of priority sector obligations in relation to net banking credit (NBC) is based on the outstanding advances of banks. Linking the priority sector obligations to outstanding advances has its shortcomings as outstanding tend to decline as a result of better recovery, write-off and so on. Moreover, a portion of outstanding comprises in NPAs, which continue to get reflected in the achievement of banks in lending to priority sector. The disbursement during a given period is, therefore, a better indicator of banks' lending. In order to improve the flow of credit to the priority sector and to ensure that a certain proportion of funds out of the total bank credit flows to this sector, the computation of priority sector lending obligations of banks could be linked to the total disbursements made by banks during the previous year.

Sahu and Rajasekhar[60] (2005) in their research paper, analyzed the trends in credit flow to agriculture by scheduled commercial banks during 1980-81 to 1999-2000. They observed that the share of credit to agriculture in total bank credit for all the bank groups declined significantly, especially after banking sector reforms in spite of many efforts.

They analyzed that scheduled commercial banks were provide large quantum of funds to better-off farmers and to the activities earning high interest income only. They established the negative relationship between agriculture credit and investment in government security, credit subsidy and proportion of credit provided by the co - operative. They recognized that increasing lending rate reduced the credit disbursed to agriculture by scheduled commercial banks and affected the average quality of their loan portfolio so they suggested not to increase the interest rate to offset losses from defaults or to meet the lending cost, but to strengthen the quality of credit delivery system and ensure prompt repayment of loans for supporting the agriculture sector.

Mohan[61] (2006) in his research paper, examined the role of agricultural credit in supporting agricultural production in India and reviewed the performance of agricultural credit in India during the period 1950-51 to 2005-06. He found that there was rapid increase in total number of rural branches, resulting into the growth of rural credit. The share of commercial banks in total rural credit of the banking system increased rapidly during the study period. He found a wide disparity in disbursement of agricultural credit by commercial banks. Southern states had higher share of agricultural credit to net state domestic product, followed by the northern and central regions. He observed that the proportion of NPAs for commercial banks were higher for agriculture sector than that of non-priority sector. He revealed that although the overall flow of institutional credit increased over the years but there existed several gaps in the system like inadequate provision of credit to small and marginal farmers, paucity of medium and long-term lending, and limited deposit mobilization. He recommended reviewing the agriculture policy and adoption of package approach in different segments of agriculture and agro industry for developing the status of agriculture sector.

Rao[62] (2006) in his article, demonstrated the importance and progress of priority sector for economy during the period 1994-95 to 2005-06. He highlighted in his study that priority sector credit including farm credit of scheduled commercial banks declined during the said period indicating the preference of banks for bigger borrowers with higher credit limits instead of large number of small borrowers. He observed that the decline in indirect credit to agriculture and small scale industries sector but relatively better position in credit to other priority sectors during the study period. He referred the recommendations of the Narasimham Committee 1991 and 1998 to redefine the concept of priority sector and also referred the observations of RBI committee to stress much on direct agriculture lending, small scale industrial lending, lending to small road and water transport operators (owning more than five vehicles), retail trade and small business under priority sector. In his study, he highlighted various problems of rural credit and suggested to improve input delivery system, water management system, power supply, irrigation facilities, market information and general rural infrastructure, educational and medical facilities, reforming RRBs, state and central co-operatives and scheduled commercial banks for extending rural credit in rural areas.

S. Rajamohan and M. Shanthi[63] (2006) in their study noted that the commercial banks should provide loans to all priority sector segments like, agriculture and allied activities, small scale industry, services enterprises, small road transport operators and the like., need to balance to concentrate all segments. The study further concluded that the RBI fixed the target of 40 per cent of priority sector target to the all commercial banks to be achieved.

Jaynal Ud-din Ahmed[64] (September 2009) in his study observed that priority sector lending is mainly intended to ensure that the assistance from the banking system to those sectors of the economy which has not received adequate support of institutional finance. The attainment of the socio economic priorities of the government such as growth of agriculture, promotion of small entrepreneurs and development of backward area and the like, are the major responsibility of commercial banks. Since seventies, Reserve Bank of India and government of India have stipulated guidelines for priority sector lending by banks. The same was revised on April 30, 2007 and overall priority sector lending target was fixed at 40 per cent for domestic banks and 32 per cent for foreign banks. However, the banks are not able to reach the prescribed target of lendin g to priority sector. The small entrepreneurs and farmers are continued to be both credit and demand constraints. It can be observed that the demand for funds for priority sector namely, small entrepreneurs and agricultural sectors were enormous. He concluded that the various inventions need to help to priority sector lending by commercial banks in the area under consideration in the context of national scenario.

Uppal[65] (2009) in his research paper, evaluated the performance of public, private and foreign banks in India and analyzed the target achieved by them during 2006-07. He found that priority sector advances of public and private sector banks were higher than foreign banks. He observed that public sector banks were unable to achieve the target of priority sector, while private sector banks have achieved the target. Private sector banks could not achieve the target for weaker section. Foreign banks could achieve the targets for priority sector, small scale industries sector and export sector. He further, found that NPAs (Non performing Assets) of public sector banks was highest followed by private sector banks and foreign banks. Main reason for more NPAs in public and private sector banks was found to be more NPAs in agriculture sector. He examined various issues related to priority sector like, low profitability, more NPAs, Government interference, high transaction cost, and so on. He also suggested various strategies to overcome these issues.

S. Rajamohan and D. Durairaj[66] (2012) in this article mentioned that credit is an important tool for the successful proceeding for agricultural carrier. Our government/ banks have been providing lot of loans for the upliftment of agriculture and its allied sectors. It could be understood that the farmers have to make use of the available loans properly, and repay them in time. If the farmers do so the rural farmers will be successful. If rural farmers are successful then rural India will be strengthened.

S. Rajamohan and D. Durairaj[67] (2012) have mentioned that the priority sector lending has a great impact on bank management. This is the powerful tool to support the economy of the country and the nation as well. Despite of the banks should increase the area of lending performance, as it is the effective way to support the economy and to reduce the unemployment, and promote industry. The amount for lending should be increased so that the majority of the borrowers will be benefited.

S. Rajamohan and D. Durairaj[68] (2012) in this paper concluded that the SME (Small Medium Enterprises) sector is the boost of business world and the backbone of our economy, especially in a developing country like, India, this sector contributes eight per cent of the nation GDP, 45 per cent of the manufactured output and 40 per cent of the exports. The banks should improve the lending performance to SME sectors.

S. Rajamohan and D. Durairaj[69] (2012) in this article coated that employment generation has been seen as means of alleviating poverty, increasing the level of economic activities which translate into economic growth. The informal sector provides more employment opportunities to people, so the government as well as banks should lend credit to informal sector at liberalized interest rate under the priority sectors advances.

2.3 NON- PRIORITY SECTOR ADVANCES

M.A. Oommen[70] (1972) in his paper found that among the institutional sources of finance to SSI (Small Scale Industry) in Kerala, commercial banks provided the loan much better under priority sector. The financial assistance of commercial banks in Kerala stands at par with some advanced in other states.

M.C. Purohith[71] (1973) conducted a survey in Jaipur city to examine the potential of small artisans in relation to bank financing. The survey revealed that the average amount borrowed per artisan from bank was Rs.1,040 and from non institutional source was Rs.3,133. The maximum amount borrowed by an artisan from a commercial bank was Rs.2,000 and from non-institutional source was Rs.17,000. The small artisans therefore were denied sufficient funds from the commercial banks forcing them to borrow from non-institutional sources at higher rates of interest. Due to lack of adequate financial accommodation from the banking system, the artisans buy raw materials through other financiers at higher prices and sell the product to the same agency at a low price. With the financial assistance from the banks, this vicious circle can be broken up.

N.K. Thingalaya[72] (1974) conducted a study among the village artisans of Karnataka state he found that they are receiving an insignificant fund of their total credit requirements to complete their work. Thus artisans are living under the influence of moneylenders. State government as well as central government should focus and help to support for upliftment.

R.K. Hazari[73] (1976) made a research, that institutional financing does not mean replacing individual moneylenders with institutionalized moneylenders. Institutional financing should enable the agriculturists to move on to a level of new technology that will increase agricultural output and employment. This means productivity of both land and human beings. Data relating to finance must be able to provide a basis for assessing how much financing has really contributed to additional output and employment.

G. Patello[74] (1979) in his study noted that reminded the banks about their socio-economic responsibility in the upliftment of the poorest strata of the society. A substantial portion of the people lives in hopeless poverty and the first priority should b e to provide productive employment opportunities to the very poor whether they are in rural or urban areas. Banks should equip themselves fully to serve as instruments of development for the poorer section of people.

Singh and Balraj[75] (1979) conducted a study on commercial banks lending performance at Hussar district in Haryana state and he concluded that villagers are relieved from the utilization of moneylenders by the operation of a nationalized bank. At the same time they also reported other problems such as uneasy, untimely and non - availability of loans, expensive and cumbersome procedures, excessive and useless formalities, unsuitable procedure of loan repayment and the absence of easy accessibility of banking facilities.

A.R. Patel[76] (1984) conducted a survey on public sector banks to assess their performance under DRI scheme. The study revealed that the banks had positively responded to the increasing needs of SC/ST borrowers in respect of DRI loans and had been able to increase their share of SC/ST borrowers, both in terms of number of borrower accounts and the amount outstanding. At the same time, banks are finding it extremely difficult to finance all those eligible identified beneficiaries who approach them in view of the limited loanable funds available under the scheme. Thus, demand and supply forces in respect of this scheme have created problems at the branch level as well as the beneficiary level. While large numbers of deserving eligible beneficiaries have so far remained out of the fold of this scheme, a good number of influential and well to do persons have taken advantage of this scheme.

K.V. Patel and N.B. Shete[77] (1984) analyzed the behaviour of weaker section accounts particularly with reference to their repayment behaviour by examining 1,554 accounts operated by seven branches of three commercial banks located in five backward districts in the states of Rajasthan, Madhya Pradesh and Karnataka. The study brings out the very positive aspects of borrowers' willingness to repay and the bankers' promptness in making efforts for recovery. The analysis helps in clearing some of the misgivings in weaker sections financing and in improving the image of development banking.

Satya Sundaram[78] (1984) discussed in the research that there is no point in setting up more and more credit agencies to help the rural poor. The presence of numerous agencies is creating confusion in the filed of rural credit. The need and required is the proper co-ordination among the various agencies in implementing the schemes that will be useful to the rural poor.

Balishter and Roshan Singh[79] (1984) found in their study of IRDP financed by SBI in Bichpuri Block of Agra district that the recovery of loans and advanced by the bank under IRDP was satisfactory in all categories of families and this nullified the common impression that advancing of loans to weaker sections would lead to accumulation of bad debts.

S.B. Dangat, S.R. Radkar and M.P. Dhongadc[80] (1986) conducted a micro level study into the borrowings and utilization of medium and long term loans in Ahmednagar district and they reported that the medium and long term loans were diverted for conduct of marriages, for consumption and for construction of residential buildings in all the size group of holdings in both developing and underdeveloped regions. Proper appraisal of loan proposals, follow-up and supervision after the disbursement of loans were suggested for effective financing of agriculture.

R.N. Malhotra[81] (1986) requested the banks to commit themselves to rural financing on long-term basis and to engage themselves in financing to small farmers, landless labourers and village artisans for viable projects and programmes and also to monitor the credit utilization. Only strong and viable credit institutions can effectively serve the cause of rural development.

Economic Research Department of the SBI, Central Office, Bombay[82] (1987) conducted a survey to observe the impact of bank credit on weaker sections in Kerala. The study revealed that bank loans enabled the borrowers to become self-employed businessmen or artisans whereas previously they were mere wage earners. The utilization of bank loans generally raised the income and employment of the borrowers and thereby improved the quality of life.

N. Kurian[83] (1987) conducted a concurrent evaluation of IRDP and found that commercial banks account for 69 per cent of the loans, 23 per cent is accounted by RRBs and the balance 8 per cent is provided by the co-operatives. The repayment of loans by IRDP beneficiaries is no worse than that of other debtors who generally are better off economically.

H.C. Malhotra and D.K. Kulshrestha[84] (1987) made an assessment of the advances by commercial banks to the weaker sections of the society and they concluded that giving advances to them will be of no use, unless it is ensured that the recipients use these advances for productive purposes. Uncoordinated lending and lack of effective supervision have encouraged diversion of credit to non productive purposes. So the area of lending by the commercial banks, RRBs and the co-operative banks in the country should be fixed and the existing competition among them may be minimized.

S.K. Verma[85] (1988) stressed the importance of supervised credit. Supervision of credit is the demand of the time and is to be done by experts of rural credit with professional competence and liberal attitude. Supervised credit ensures that credit brings adequate income not only to repay the loan but also to raise the economic standard of the rural poor.

E. Muniraj[86] (1988) found that perfunctory pre-sanction appraisal and inadequate or lack of supervision and follow-up, lack of inter-personal relationship between banker and borrowers are the major causes for the mis-utilization or diversion of loans. If these factors are taken care of, the over dues can be minimized to the extent of 60 to 70 per cent. He also suggested that the positive attitude, helping tendency and proper understanding of the rural people by the bank personnel would go a long way to improve the recovery performance.

Asha[87] (1988) she was exhorted in her research, the commercial banks to boldly face the challenge of balancing commercial considerations with social responsibilities. Development of infrastructure facilities, minimization of political interference and minimizing over dues and reducing NPAs are required for their success.

U.K. Sharma[88] (1989) he rightly pointed out that provision of credit without ensuring productivity would increase rural indebtedness and impoverish the borrowers in the long run. Banks themselves have to become more professional in dealing with credit proposals and ensure that timely and adequate credit is made available for all economic activities, which are really viable, and result in increased production and income levels, which facilitate recovery on time.

K.K. Ammannaya[89] (1989) this study pointed out that if the problem of poverty is to be really tackled, the poorest among the poor should be identified without any bias or favoritism and they should be educated about their rights to get the benefits under different programmes. They should also be properly educated on the proper utilization of the facilities provided to them in overcoming poverty.

Yercaud R. Devaprakash[90] (1990) asserted that Service Area Approach (SAA) would bless the rural delivery system with greater emphasis on quality aspects. The success of the scheme lies not only with the banks but also with different development departments involving in the state as well central government.

P.N. Upadhayay[91] (1990) conducted study of evaluation of IRDP in Eastern Uttar Pradesh and he found that the main reason for malpractices at every level in the implementation of various schemes was because of subsidy therein. Therefore he requested the States to repay the last one or two installments of the prompt beneficiaries instead of giving them subsidies, for defaulters, the repayment schedule may be extended suitably.

Debasish Banerjee[92] (1990) believed that the SAA, if successfully implemented would bring about a radical transformation in the credit planning process at the grass root level and would link bank credit with productivity. This transformation will enhance per capita GNP (Gross National Product), revitalize the rural economy and accelerate the overall economic development of the nation.

D.K. Ghosh[93] (1991) conducted a study in Nadia district in West Bengal to assess the awareness level of beneficiaries towards IRDP schemes and to evolve suitable strategy for enhancing their awareness level. From t he responses of the

beneficiaries, it was revealed that majority of the beneficiaries did not clearly know about the IRDP schemes, but most of them feel that, it was only a subsidy giving function of the Government to the poor people. On the basis of the findings of the study, it is concluded that poor performance of IRDP programme is due to low level of awareness on the part of the beneficiaries and the apathetic attitudes generated there from. It is suggested that Phanchayat Bodies and Voluntary Organization can act as effective instruments in making rural poor aware of the different provisions of the poverty alleviation programmes and the allied schemes.

D. Narayana[94] (1992) has raised a pertinent controversy on the Narasimham Committee Report. The story of the Indian banking development is one of gigan tic tran s fo rm atio n and th is tran s fo rm atio n h as th ro wn up s erio u s organizational and institutional problems for the banking sector, rather than attempting to solve these organizational and institutional problems and to restore the health of the system .

K.S. Krishnaswamy[95] (1992) strongly criticized the recommendations of the Committee on the financial system. He pointed out that the Committee's report considered only the interest of big industrialist and its recommendations are essentially concerned with getting Government out, reducing regulations and improving profitability.

V.R. Gundannavar[96] (1992) called for the active involvement of banks in social lending which requires changes in the attitude of banki ng personnel, efficient management of resources, improvement in work technology and ethics and proper deployment of manpower. If this is done, a striking balance between social banking and commercial banking can be achieved easily.

Mohammed Iqbal Ali and P . Krishnamachary[97] (1992) conducted a study in Warangal district of Andra Pradesh, they highlights in their study the performance of certain s elected co mm ercial b an ks with s p ecial regard to th e im p lem en tatio n o f developmental schemes for weaker sections fo r a period of five years from 1987 to 1991. The financial institutional network for financing weaker sections in this less developed area is found to be satisfactory as the flow of credit from these institutions helped to the economic conditions of the weaker sections. So they concluded that institutional credit plays a very important role in upliftment of the weaker sections.

N.S. Toor[98] (1993) in his study elucidate that called for a new approach by banks towards SSI units. Banks have to bear in mind that the SSI units have problems, which are mostly beyond their control and only a positive help ing attitude can bear fru itfu l. But p ro vis ion fo r co ntin gen cies, po st s an ction fo llow -up , s trict adheren ce to maintenance of books and records by financial units a re the areas where the banker cannot afford any compromising attitude.

P. V. P rabhu[99] (1994) found th at the reco gn ized cred it as the most critical input in p romoting ru ral economic development fo r ru ral peop le. Considerin g the magn itude of th e problem involved in retailing adequate credit to the country's high proportion of rural population, the availability of an efficient rural credit infrastructure is a prerequisite for development.

B. Ramachandra Rao[100] (1994) requested the branch level officials to have right aptitude, skill and orientation to solve the problems faced by SSI sector with regard to bank finance. Branch managers should be made aware of the importance of small scale industry sector from the point of view of creation of additional employment opportunities. A healthy growth of the sector will facilitate smooth loan recovery in the SSI borrower accounts.

S.C. Anand[101] (1994) stron gly criticized the DR I scheme find ing the example of Bangladesh Gramin Bank, where credit is provided to the poorest of poor at the prevailing market rate of interest and has a recovery rate of over 95 per cent. Pakistan has also reformed its credit mechanism for the poor by abolishing subsidies. So he requested the Indian banks to learn from the experiences of our neighbors where cred it without subsid ies has combined development with profitability of the banking system.

P.K. Sharma and S.K. Sharma[102] (1994) in their study of availability and utilization of commercial bank credit in Agra district with special reference to weaker sections have found that availability of commercial bank credit to the requirement is not sufficient, but still the principal source and the utilization percentage of production credit are higher for small farmers' category. There is also diversion of credit for other purposes.

P. Madhusudana Rao and G. Ramesh Babe[103] (1994) conducted a survey in Andra Pradesh to study the problems of artisans relating to bank finance. The study revealed that since the beneficiaries are ignorant and illiterate, middlemen take the advantage and therefore it is suggested that the banks must strictly ensure that full amount reaches to the borrower. From the point of view of impact of bank loans, it is found that the bank loans had a considerable impact in improving the economic position of the artisans.

V. Dhond[104] (1994) in this study explains the importance of small scale industry in the economy stating that the multinationals who are going to set-up industries in the country will depend on the small-scale industry for supply of parts, components, intermediaries and the like. Thus a very challenging future awaits the small-scale sector in the days to come. So he requested the commercial banks to take urgent steps for increasing the flow of bank credit to this sector.

A.R. Patel[105] (1996) seeks the help of the State Governments to implement an d mo n ito r the perfo rm an ces o f d ifferen t s ch emes in o rd er to in creas e productivity of rural resources. The State should assist the banks to recover dues from willful defaulters through effective action. Commitment on the part of the state its elf will go a lon g way to in creas e th e flo w o f cred it and also th e productivity of rural resources.

B.K. Gopalalkrishnan[106] (1997) proposed in his research that recovery camps need not be restricted to a particular period, but can be spread over the entire year. His study reveals that the recovery camp has created a healthy competition among the villagers to show their high repayment. It has also developed a prompt repayment culture among the illiterate, innocent and indispensable people of rural India.

Committee o f Commercial Banks[107] (1998) the committee suggested that the measures for improving credit delivery system as well as s implification of procedures and methods of working with a view t o enable rural borrowers to access adequate and timely credit from the commercial banks. The Committee recommended tangible incentives to farmers who are prompt in repayment. The Committee also opines that more powers of sanction should be delegated to branch managers to ensure quick disposals.

D.P. Sarda[108] (1998) requested the banks to take advantage of legislation enacted by the State Government for speedy recovery of bank overdue in respect of advances given under government sponsored programmes. The matters relating to recovery of advances should be discussed in the State Level Bankers' Meeting and necessary help for recovery should be obtained from the State Government authorities.

V. Venkatachalam[109] (1999) highlights in his study the role of SHGs and emphasizes the concept of linkage of SHGs with the banks. Linkage enables the rural poor to have access to formal bankin g cred it for impro vin g their economic condit ions and the repayment of loans will also be very prompt.

P.R . Ku lkarn i[1 1 0] (1999) rightly po in ted out that SS I s ecto r d eserves lib eral in s titu tion al cred it du e to its un iqu e con tribu tio n in term s o f creation o f employment, foreign exchange earnings, reduction in regional disparities unemployment and so on. But in reality such supply of institut ional credit is too meager and often delayed. Hence the banks have to overcome these difficulties and make bank lending organizationally effective. This would strengthen the bank borrower relationship and SSI units will prosper.

Suresh Meh ta[1 1 1] (2000) noticed that though the b anks are flush with surplus funds, they do not find it profitable and safe in lending to the SSI sector because they are already saddled with high NPAs in this sector. To reduce the NPAs level, banks have to strengthen their appraisal system and credit monitoring mechanism; and SSI units have to develop capabilities to manage borrowed funds m o re p ru d en tly an d m o re tran s p aren t ly in b u s in es s o p erat io n s . Th es e arrangements will help both the banks and entrepreneurs to remain happy and prosperous.

Ahmed[112] (2005) in a diagnosis observed that commercial banks together have gradually increased the quantum of advances to small industries but the proportion in which total bank credit in priority sector has expanded, the relative share of small sector has not grown in the same ratio during the reform regime. The weak infrastructure facilities may have prevented the greater flow of credit. The industrial campaign, awareness programmes and industrial training to the prospective entrepreneurs from th e appropriate authority may be the remedy in this respect.

Bhati[113] (2006) examined the lending climate for banks in emerging economies like India. The study found that due to the government policies, banks in India undertake many additional risks when they lend. This study focused on one specific aspect of lending relationship between branch manager and loan officer of bank branches in India and recommended social risk evaluation is therefore more appropriate for risk evaluation and reduction by banks in India.

Rikta[114] (2006) in this study recommended a policy note on institutional lending and financing policy for small sector in Bangladesh examined the effectiveness of financial, fiscal, and related policies for financing the small sector. The study su ggested that the financial institutions need to have the financial capacity to accept the lending risks along with access to appropriate funding which fulfill the clients' requirements and so on. Assessment on the causes and consequences of NPAs of commercial banks,

Narasaiah and Naik[115] (2007) observed that although great strives have been made in the last decade to ensure finance for micro enterprises; rare initiative has been taken to help SSIs. As a result, SSIs have been constrained to seek loans for new ventures from commercial banks.

Mohi-ud-Din Sangmi and Tabassum Nair[116] (2010) in their research study, analyzed through the CAMEL Approach, that both the Punjab National Bank and Jammu and Kashmir Bank have adopted prudent policies of financial management and both banks have shown significant performance as far as asset quality is concerned.

2.4 CONCLUSION

All the study based on the priority sector and non priority sector advances by various banks, institutional credit, agriculture credit, small sca le industries, artisan and various priority segments analysis were made, but no study directly explain the priority sector advances by commercial banks. As a result, lending to the borrowers in priority sectors have increased substantially. Increased flow of credit to the different sectors assisted the developmental activities and thereby expanded the income as well as the standard of living of the people. Hence the study has made.

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CHAPTER III

THEORETICAL FRAMEWORK: PRIORITY SECTOR LENDING

3.1 INTRODUCTION

Agriculture plays an important role in the economic development of India. It is the source of livelihood of more than 70 per cent of the population in India. To meet the requirement of the growing population and rapid developing economy, agriculture has to grow fast and get modernized. This requires the use of high pay off inputs, adoption of high yielding varieties, fertilizers, plant protection chemicals, modernized equipment and machineries which need huge investment. The rural agricultural sector of the Indian economy is labour abundant, poor amount of land and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate credit to the farmers at reasonable interest.

The farmers are purely depending on the agricultural and allied activities. They require money to carry out the farming activities. They spend money during cultivation period and earn money during harvest seasons. In earlier days, for finance, the farmers purely relied on the local money lenders, indigeneous bankers, creditors, commission agents and so on. and thereafter cooperative banks were introduced and the farmers enjoyed out of them. In 1969, the banks were nationalized and the banks were extended their services to the rural population, in order to uplift the farming communities. The banks also introduced lot of financial assistance programmes like priority and non priority sector loans and advances. The RBI also directs all bankers to provide credit to agriculture liberally for purpose of upliftment of their living standard.

In this chapter, the researcher highlights the significance of priority sector, the loans and advances providing to agriculture and allied activities, segments of priority sector, concepts of priority sector, RBI guideline for priority sector, and eligibility of borrowers and so on.

3.2 SIGNIFICANCE OF PRIORITY SECTOR ADVANCES

The government of India was introduced the concept of priority sector for the purpose of upliftment of the agricultural and allied activities and rural people living standard as well as the growth of economic of our country. The following are the significance as of priority sector advances.

a) Enhancing new enterprises and business skills of borrowers

b) Promoting industries in backward areas

c) Modernizing the existing industries and promoting indigenous industries

d) Facilitating regional and sector wise development pattern through a wide network of rural bank branches. Rural banking is considered and important ingredient for channelizing the investment patterns in our country.

e) Providing the much needed liquidity to the borrower who does not have sufficient invisible funds to exploit a conducive development environment

f) Transfer of financial savings

g) Providing full employment to poor farmers and weaker sections

h) Enhancing much outcome of agriculture products

3.3 PURPOSE OF PRIORITY SECTOR LENDING

The banks are lending to the priority sector for the following prime purposes

i) Improve the economic condition of the country

ii) Facilitate the community by the direct and indirect finance to agricultural people

iii) Upliftment of living standard of rural and agricultural people.

iv) To set up of more small industry in the rural area.

v) Generation employment in the rural people.

vi) Reduction of mandatory credit to a large number of sector and sections, including marginal farmers, cottage industries, small trade and services and low income housing incentives.

vii) Improve credit flow to small scale industries and food crop agriculture as well as temporary credit

viii) Assure credit to new industries and new professions by the non- poor section.

ix) Improve the life quality of weaker section

3.4 GUIDELINES FOR AVAILING LOAN UNDER PRIORITY SECTOR

Based on the recommendations made by the working groups and high powered committees appointed by the Government of India and the RBI, a set of comprehensive guidelines followed for advances to all categories of borrowers in the priority sector were evolved. Banks should follow the common guidelines prescribed by the RBI for all categories of advances under the priority sectors.

3.4.1 Mode of Applications Processing: Completion of Application Forms

In areas covered by special schemes, the concerned project authorities like District Rural Development Agency (DRDA), District Industrial Centre (DIC) and other agency, should arrange for completion of application forms received from customers and the bank staff also should help the customers for this application filled.

3.4.2 Issue of Acknowledgement of Loan Applications

Banks should give acknowledgement for loan applications received from customers. Towards this purpose, while getting application forms, it may be ensured that these forms have perforated portion for acknowledgement to be completed and issued by the receiving branch. Each branch may affix on the main application form as well as the corresponding portion for acknowledgement, a running serial number. While using the existing stock of application forms till, an acknowledgement (separately prepared) should be given for each application and also care being taken to ensure that the serial number given on the acknowledgement is also recorded on the main application.

3.4.3 Disposal of Applications

All loan applications credit limit should be disposed of within eight to nine weeks.

3.4.4 Rejection of Proposals

Branch Managers may reject applications (except in respect of SC/ST) provided the cases of rejection are verified subsequently by the divisional or regional managers. In the case of proposals from SC/ST, rejection should be at a level higher than that of branch manager.

3.4.5 Register of Rejected Applications

A register should be maintained at branch wherein the date of receipt sanction, rejection and disbursement with reasons should be recorded. The register should be made available to all inspecting agencies.

3.4.6 Mode of Disbursement of Loan

As far as possible, disbursement of loan amounts sanctioned should be made directly to the suppliers of inputs such as seeds, fertilisers, raw material implements, trucks, machinery, and so on, with a view to providing farmers wider choice as also eliminating undesirable practices, banks may disburse all loans for agricultural purposes in the form of cash which would facilitate dealer choice to borrowers and foster an environment of trust. The banks may continue the practice of obtaining receipts from borrowers.

3.4.7 Repayment Schedule

Repayment programme should be fixed taking into account the sustenance requirements, surplus generating capacity, the break-even point, the life of the asset, and the like. In respect of composite loan upto Rs.50000 to artisans, village and cottage industries, repayment schedule may be fixed for term loan component only. In case of default on account of natural calamities like floods, drought and the like, crop loans may be converted into medium- term loans of three to five years and extension or re-payment may be allowed in the case of term loans. In the case of other borrowers affected by natural calamities, banks may convert drawings in excess of the value of security into a term loan repayable over a reasonable period of time and provide further working capital and extend, rephrase the instalments due under term loans.

3.4. 8 RBI Guidelines on Interest Rates on Advances

The rates of interest on various categories of priority sector advances would be as per the RBI directives issued from time to time. The banks should adhere the interest rate on loans, advances, cash credits, overdrafts or other financial accommodation granter, provided, renewed by them in accordance with the directives on interest rates on advances issued by RBI from time to time. The interest at the specified rates should be charged at monthly basis and rounded off to the nearest rupee. Banks should club term loans and working capital advances together for the purpose of determining the size of the loan and the applicable rate of interest.

3.4.9 Benchmark Prime Lending Rate (BPLR) and Spreads

i. In the year 1994, the RBI has deregulated the interest rates on advances above Rs. 2 lakh and the rates of interest on such advances are determined by the banks themselves subject to BPLR and Spread guidelines. For credit limits up to Rs. 2 lakh, banks should charge interest not exceeding their BPLR. Keeping in view the international practice and to provide operations flexibility to commercial banks in deciding their lending rates, banks can offer loans at below BPLR to exporters or other creditworthy borrowers, including public enterprises, on the basis of a transparent and objective policy approved by their respective Boards. Banks will continue to declare the maximum spread of interest rates over BPLR.

ii. Given the prevailing credit market in India and the need to continue with concessional for small borrowers, the practice of treating BPLR as the ceiling for loans up to Rs. 2 lakh will continue.

iii. Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of loans for purchase of consumer durables, loan s to individuals against shares and debentures / bonds, other non -priority sector personal loans, and so on.

iv. BPLR will be made uniformly applicable at all branches of a bank.

3.4.10 Determinants of Benchmark Prime Lending Rate (BPLR)

In order to enhance transparency in banks' pricing of their loans products as also to ensure that the BPLR truly reflects the actual costs, banks should be guided by the following considerations while determining their BPLR: (i) Banks should take into account their actual cost of funds, operating expenses and a minimum margin to cover regulatory requirement of provisioning / capital charge and profit margin, while arriving at the benchmark of prime lending rate (PLR). Banks should announce a BPLR with the approval of their Boards. (ii) The BPLR would have the ceiling rate for credit limit up to Rs.2 lakh. (iii) All other lending rates can be determined with reference to the BPLR arrived at and by taking into account term premium and / or risk premium.

In the interest of customer protection and to have greater degree of transparency in regard to actual interest rates charged to borrowers, banks should continue to provide information on maximum and minimum interest rates charged together with the BPLR.

3.4.11 Freedom to Fix Lending Rates

Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of the following loans:

i. Loans for purchase of consumer durables;
ii. Loans to individuals against shares and debentures/bonds;
iii. Other non-priority sector personal loans including credit card dues;
iv. Advances/overdrafts against domestic/deposits with the bank, provided that the deposits stands/stand either in the name of the borrower himself/borrowers themselves, or in the names of the borrower jointly with another person;
v. Finance granted to intermediary agencies including housing finance intermediary agencies for on-lending to ultimate beneficiaries and agencies providing input support;
vi. Discounting of Bills;

vii. Loans/ Advances/ Cash Credit /Overdraft against commodities subject to Selective Credit Control;

viii. To a co-operative bank or to any other banking institution;

ix. To its own employees;

x. Loans covered by refinance schemes of term lending institutions.

3.4.12 Floating Rate of Interest on Loans

Banks have the freedom to offer all categories of loans on fixed or floating rates, subject to conformity to their Asset-Liability Management (ALM) guidelines. In order to ensure transparency, banks should use only external or market-based rupee benchmark interest rates for pricing of their floating rate loan product. The methodology of computing the floating rates should be objective, transparent and mutually acceptable to counter parties. Banks should not offer floating rate loans linked to their own internal benchmarks or any other derived rate based on the underlying.

This methodology should be adopted for all new loans. In the case of existing loans of longer/fixed tenure, banks should reset the floating rates according to the method at the time of review or renewal of loan accounts, after obtaining the consent of the concerned borrowers.

3.4.13 Enabling Clause in Loan Agreement

Banks should invariably incorporate the provisions in the loan agreements in the case of all advances, including term loans, thereby enabling banks to charge the applicable interest rate in conformity with the directives issued by RBI time to time. Since banks are bound by the Reserve Bank's directives on interest rates on loans and advances, which are issued under Sections 21 and 35A of the Banking Regulation Act, 1949, banks are obliged to give effect to any revision of interest rates whether upwards or downwards, on all the existing advances from the date that the directives / revised interest rate come into force, unless the directives specifically provide otherwise.

3.4.14 Withdrawals Against Uncleared Effects

Where withdrawals are allowed against cheques sent for clearance that is unclear effects which are in the nature of unsecured advances, banks should charge interest on such withdrawals as per the directive on interest rates on advances. As a measure of customer service, the facility afforded to depositors for immediate credits in respect of cheques sent for collection.

3.4.15 Loans Under Consortium Arrangement

Banks need not charge a uniform rate of interest even under a consortium arrangement. Each member bank should charge rate of interest on the portion of the credit limits extended by it to the borrower, subject to its BPLR.

3.4.16 Zero Per cent Interest Finance Schemes for Consumer Durables

Banks should refrain from offering zero and low per cent interest rates on consumer durable advances to borrowers through adjustment of discount available from manufacturers' dealers of consumer goods, since such loan schemes lack transparency in operations and distort pricing mechanism of loan products. These products do not also give a clear picture to the customers regarding the applicable interest rates. Banks should not promote such schemes by releasing advertisement in different newspapers and media indicating that they are promoting consumers under such schemes. They should refrain from linking their names in any manner with any incentive-based advertisement where clarity regarding interest rate is absent.

3.4.17 Inspection Charges

No inspection charges should be levied on advances upto Rs.5000, for advances of above Rs.5000 and upto Rs.25000 inspection charges may be levied at the flat rate of Rs.250 per inspection per borrowers. These charges should however not exceed Rs. 10 per cent borrow. For loans above Rs.25,000 reasonable inspection charges may be levied; care should, however, be taken to see that the inspection charges on advances to the weaker sections in the priority sector are lower than the rates framed for such inspection in other cases.

The insurance of vehicle or machinery or other equipment/ assets is compulsory under the provisions of any law or where such a requirement is stipulated in the refinance scheme of any refinancing agency or as part of a Government sponsored programmes such as, IRDP (since replaced by SGSY), insurance should not be waived even if the relative credit facility does not exceed Rs.10000 or Rs.25000, as the case may be.

3.4.18 Other Charges

Banks should not levy any other service charges except by way of reimbursement of reasonable out of pocket expenses.

3.4.29 Photographs of Borrowers

While there is no objection to taking photographs of the borrowers, for purposes of identification, banks themselves should make arrangements for the photographs and also bear the cost of photographs of borrowers falling in the category of Weaker Sections. It should be ensured that the procedure does not involve any delay in loan disbursement.

3.4.20 Discretionary Powers

All Branch Managers of banks should be visited with discretionary powers to sanction proposals from weaker sections without reference to any higher authority. If there are difficulties in extending such discretionary powers to all the Branch Managers, such powers should exist at least at the district level and arrangements be ensured that credit proposals on weaker sections we cleared promptly[1].

3.5 SEGMENTS OF PRIORITY SECTOR

In India 70 per cent of people are based on the agricultural activities, they need finance for cultivation activities. Most of the times banks hesitate to provide loan to them due to the poor repayment capacity of the borrowers. Hence the banks prefer the business houses. The government of India made number of committee to care the uncared sector. Such a sector is called priority sector. The priority sector comprise 14 segments and also the RBI has fixed the target of 40 per cent of total NBC (Net Banking Credit) to priority sector by the commercial banks and foreign banks have been fixed at 32 per cent[2].

The RBI describes that following category of segments are coming under the priority sector

i) Agriculture finance (Direct/ indirect)
ii) Small Scale industry (Direct/ indirect)
iii) Small Business/ Service Enterprises
iv) Micro credit
v) Education loan
vi) Housing loan
vii) Small Road and Water transport operator
viii) Retail trader
ix) Self- employed or Professional
x) State sponsored organizations for SC/ ST/ Weaker Section
xi) Consumption loan
xii) Software industry
xiii) Food and agro product industry
xiv) Venture capital

3.6 AGRICULTURE AND ALLIED AGRICULTURAL ACTIVITIES

The concept of priority sector was introduced with the objective of imbalances between the sectors. The priority sector contains majorly agriculture and allied activities. The scheduled commercial banks are lending credit to the agriculture activities in the mode of direct finance and indirect finance. At present 18 per cent of net bank credit is deployed in agriculture and allied sector. This norm would include both direct and indirect agriculture advances but in no case indirect advance shall exceed 1/4th of 18 per cent such as 4.5 per cent of net bank credit[3].

The banking system in India would provide finance to agriculture and allied activities in the form of direct finance and indirect mode. In the direct finance loans are issued directly but not to the nominal members and not through any agency like primary agricultural credit societies and primary land development banks and so on. Credit should be extended only after obtaining no dues certificate from the existing credit agencies. The banks should follow the scales of finance and obtain security as per guidelines issued by the RBI.

Finance is granted by the scheduled bank under the scheme of financing agriculture business would be considered direct finance to farmers for agriculture purposes. These may be reported under agriculture and allied activities in the annual priority sector lending statement. The scheduled banks may lend to non -banking financial companies (NBFCs) for on-lending to agriculture and such loans may be reckoned for the purpose of priority sector lending as indirect finance to agriculture. Advances granted by the banks upto Rs.20 lakh per dealer for dealing in drip irrigation, sprinkler irrigation systems and agricultural machinery may be classified under 'Indirect Finance to Agriculture as part of the priority sector lending' and reported under this head in the annual statement sent to the RBI.

3.6.1 Direct Finance for Agriculture

The direct agricultural finance includes:

1. Finance to individual farmers or joint liability groups, it means groups of individual farmers for agriculture and allied activities and also it consists of dairy, fishery, piggery, poultry, bee-keeping and so on.
2. The short term loans for raising crops loans. It includes traditional and non - traditional plantations and horticulture. Advances up to Rs.10 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, irrespective of whether the farmers were given crop loans for raising the produce or not.
3. Working capital and term loans for financing production and investment requirements for agriculture and allied activities.

4. Loans to small and marginal farmers for purchase of land for agricultural cultivation.
5. Loans to distressed farmers indebted to non-institutional lenders, against appropriate collateral or group security.
6. Loans granted for pre-harvest and post-harvest activities such as spraying, weeding harvesting, grading, sorting, processing and transporting undertaken by individuals in rural areas.
7. Loans granted for agricultural and allied activities, irrespective of whether the borrowing entity is engaged in export or otherwise. The export credit granted by banks for agricultural and allied activities may, however, be reported separately under heading "Export credit to agricultural sector".
8. Finance to others such as corporate, partnership firms and institutions for agriculture and allied activities. It contained the dairy, fishery, piggery, poultry, bee-keeping, and the like.
9. Finance up to an aggregate amount of Rs. one crore per borrower for the purposes raising crops and advances up to Rs.10 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, irrespective of the purpose.
10. One-third of loans in excess of Rs. one crore in aggregate per borrower for agriculture and allied activities.

3.6.2 Indirect Finance for Agriculture

Finance is provided to agriculture and allied Activities in indirect manner for the purpose of development of dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture (up to cocoon stage). The following are indirect finance to the agricultural and allied activities.

1. Loans to food and agro-based processing units with investments in plant and machinery upto Rs.10 crore, undertaken by those other than loans granted for pre-harvest and post-harvest activities such as spraying, weed harvesting, grading,

sorting, processing and transport undertaken by individuals, SHGs and cooperatives in rural areas.

2. Credit for purchase and distribution of fertilizers, pesticides, seeds and the like.
3. Loans upto Rs. 40 lakh granted for purchase and distribution of inputs for the allied activities such as cattle feed, poultry feed and so on.
4. Finance for setting up of agriclinic and Agribusiness centers in rural areas.
5. Finance for hire purchase schemes for distribution of agricultural machinery and implements.
6. **Loans to farmers through Primary Agricultural Credit Societies (PACS), Farmers"**

   Service Societies (FSS) and Large-sized Adivasi Multi Purpose Societies (LAMPS).
7. Loans to cooperative societies of farmers for disposing of the produce of members.
8. Financing the farmers indirectly through the co-operative system(otherwise than by subscription to bonds and debenture issues)
9. Loans for construction and running storage facilities (warehouse, market yards, godowns etc.), including cold storage units designed to store agriculture produce/products, irrespective of their location. If the storage unit is registered as SSI unit/micro or small enterprise, the loans granted to such units may be classified under advances to Micro and Small Enterprises sector.
10. Advances to Custom Service Units managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well- boring equipment, threshers, combines and the like, and undertake work for farmers on contract basis.
11. Finance extended to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery, irrespective of their location.
12. Loans to Artisan (commission agents in rural/semi-urban areas functioning in markets/mandies) for extending credit to farmers, for supply of inputs as also for buying the output from the individual farmers.

13. Credit outstanding under loans for general purposes under General Credit Cards (GCC).
14. Loans to Non-Banking Financial Companies (NBFCs) Non Governmental Organizations (NGOs) /Micro Financial Institutes (MFIs) for on lending to individual farmers.
15. Loans granted to RRBs for on-lending to agriculture and allied activities.
16. Overdrafts, up to Rs.25, 000 (per account), granted against "no-frills" accounts in rural and semi-urban areas.

3.6.3 Advance Disbursement to Agricultural Sector and Allied Activities

Farmers play an important role in the economic development of India. To meet the requirement of the growing population and rapid developing economy, agriculture has to grow fast and get modernized. This requires the use of high pay off inputs, adoption of high yielding varieties, fertilizers, plant protection, chemicals, modernized equipments and machineries which need huge investment. The rural agricultural sector of the Indian economy is labour abundant, land poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate credit to the farmers at reasonable interest. Table 3.1 explains the disbursement of credit to the agricultural and allied activities.

TABLE 3 .1
Advance Disbursement to Agriculture and Allied Activities

(Amount in Crores)

Year	*Amount*	*Growth Rate*
2002-03	60761	--
2003-04	73518	20.99
2004-05	90541	23.15
2005-06	122370	35.15
2006-07	155220	26.85
2007-08	230398	48.44
2008-09	275343	19.50
2009-10	338656	22.99
2010-11	433323	27.95
2011-12	446779	3.10

Source: Report on Trends and Progress of Banking in India, RBI, Various Issues.

Table 3.1 describe that the commercial banks offered credit to the agriculture and allied activities which has increased from Rs.60761 crore in 2002-03 to Rs.446779 crore in 2011-12. It shows that there was a gradual and continuous increase during the year study period of study. During the year 2007-08 there was increase of 48.44 per cent, followed by 35.15 per cent in the year of 2005-06.

3.7 SMALL SCALE AND ANCILLARY INDUSTRIES

Small Scale and Ancillary Industry are two legs of Industrialization process of a country. It plays a vital role for the growth of Indian economy by contributing 45 per cent of industrial output, 40 per cent of exports, employment opportunities for 60 million people, generating 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets. SSI Contribution towards Gross Domestic Product in 2012 was 17 per cent which is expected to increase to 22 per cent by

2013. SSIs are the fountain head of several innovations in manufacturing and service sectors, by promoting SSIs, into rural areas becoming India would be developed. The Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries[4].

3.7.1 Micro (Manufacturing) Enterprises

Enterprises engaged in the manufacture and production, processing or preservation of goods and whose original cost of investment in plant and machinery does not exceed Rs.25 Lakh, irrespective of the location of the unit.

3.7.2 Small (Manufacturing) Enterprises

An enterprise engaged in the manufacture/production, processing or preservation of goods and whose original cost of investment in plant and machinery is more than Rs. 25 Lakh but does not exceed Rs. 5 crore, irrespective of the location of the unit.

Micro, Small scale and Ancillary industries are classified into two forms like SSI activities and new renewable and energy sources.

3.7.3 SSI Activities Includes

The priority sector the credit was distributed to the following units under SSI sector financed by the commercial banks.

i) Flaying and tanning

ii) Leather goods

iii) Pottery

iv) Hand pounding of paddy and cereals

v) Rice Mills, including flour mills and bakeries

vi) Oil crushing

vii) Palm gur

viii) Cane gur and khandsari

ix) Canning of fruits and vegetables

x) Manufacturing and processing of agricultural and Marine products and forest produce including beverage industries

xi) Other village industries such as carpentry and black-smithy, bee-keeping and honey and honey products

xii) Handicraft Industries

xiii) General Engineering

xiv) Chemical Engineering and Chemical Industries

xv) Construction Material

xvi) Coir

xvii) Spinners Societies

xviii) Cotton Textiles and other textiles

xix) Printing, book binding and lithography

xx) Saw mills, wood work and furniture and fixtures, and

xxi) Miscellaneous industries such as manufacture of sports goods, buttons, card - boards and other paper products, cutting and polishing of real and artificial gems and stones, manufacture and use of equipment/systems for development of new and renewable sources of energy.

3.7.4 New and Renewable Sources of Energy

In this category also engaged the activities of manufacture process with the help of equipment and systems for development of new and renewable sources of energy as under the scheme.

i) Flat plate solar collectors

ii) Concentrating and pipe type solar collectors

iii) Solar cookers

iv) Solar water heaters and systems

v) Air/Gas/Fluid Heating Systems

vi) Solar refrigeration, cold storages and air-conditioning systems

vii) Solar crop driers and systems

viii) Solar stills and desalination systems

ix) Solar pumps based on solar thermal and solar photo voltaic conversion

x) Solar power generating systems

xi) Solar photo voltaic modules and panels, for water pumping and other applications

xii) Wind mills and any specially designed devices which run on wind mills

xiii) Any special devices including electric generators and pumps running on wind energy

xiv) Bio-gas plants and bio-gas engines

xv) Electrically operated vehicles including battery operated or fuel-cell powered vehicles

xvi) Agricultural and municipal waste conversion devices producing energy

xvii) Equipment for utilising ocean waves and thermal energy

xviii) Machinery and plant used in the manufacturing of any of the above sub -items.

3.7.8 Advance Disbursement to SSI Sector

The present scenario small scale industry is offering major employment opportunities and job provider to educated youth. But due to the financial sickness of SSI send out their employees, in this regard day to day increasing unemployment among youth. Thereafter the government has taken steps to provide financial support to SSI. Hence, the banks were needed to be achieved 40 per cent of target under priority sector. In this regard the commercial banks were offered certain percentage of credit to small scale industry, Table 3. 2 explain the credit disbursement to the SSI unit by the commercial banks.

TABLE 3.2
Advance Disbursement to SSI Sector

(Amount in Crore)

Year	*Amount*	*Growth Rate*
2002-03	57199	-
2003-04	60394	5.58
2004-05	65855	9.04
2005-06	76114	15.57
2006-07	82434	8.30
2007-08	104703	27.01
2008-09	154746	47.70
2009-10	256128	65.51
2010-11	364001	42.11
2011-12	484473	33.09

Source: Report on Trends and Progress of Banking in India, RBI, Various Issues.

It is seen from Table 3.2 reveals that the amount of credit disbursement of the banks increased continuously from Rs.57199 crore in 2002-03 to Rs.484473 crore in

2011-12. It has increased more than eight times during the study period. During the year 2009-10 the credit disbursement was to high compare with previous years. It shows an the amount disbursement has gradually increased from every year.

3.8 SMALL SCALE SERVICE AND BUSINESS ENTERPRISES (SSSBEs)

Unemployment as one of the macroeconomic problems could be reduced through the formal credit for services sector participation provided it is well supported and managed. The services sector industry and small business enterprises in it may not be able to achieve much as we have presently due to inaccessibility to credit, but with the on-going policy of the Federal Government through the RBI on micro-financing the macroeconomic objective of reduced unemployment, if not full employment would become a reality in India. Therefore that the Government of India and all relevant stakeholders continue in their mission towards reducing unemployment while they give their whole support, in making sure that the small business and services enterprises continues to enjoy access to credit from institutions finance its activities and accomplish its goal of unemployment reduction and support standard of life.

3.8.1 Micro (Service) Enterprises

Enterprises engaged in rendering the services and whose original cost of investment in equipment (excluding land and building and furniture fittings and other items not directly related to the service rendered) does not exceed Rs.10 Lakh, irrespective of the location of the unit.

3.8.2 Small (Service) Enterprises

Enterprises engaged in providing of services and whose original cost of investment in equipment (excluding land and building and furniture, fittings and such items) is more than Rs.10 Lakh but do not exceed Rs.2 crore, irrespective of the location of the unit.

3.8.3 Direct Finance in the Micro and Small Services Enterprises

The following activities are considering direct finance under this scheme:

1. Manufacturing Enterprises
2. Small (manufacturing) Enterprises
3. Enterprises engaged in the manufacture/production, processing or preservation of goods and whose investment in plant and machinery does not exceed Rs. 5 crore.
4. Micro (manufacturing) Enterprises
5. Enterprises engaged in the manufacture processing or preservation of goods whose investment in plant and machinery does not exceed Rs. 25 lakh, irrespective of the location of the unit.
6. Service Enterprises.
7. Small (Service) Enterprises:
8. Enterprises engaged in providing services and whose investment in equipment does not exceed Rs. 2 crore.
9. Micro (service) Enterprises
10. Enterprises engaged in providing of services and whose investment in equipment does not exceed Rs. 10 lakh.
11. The small and micro (service) enterprises shall include small road and water transport operators, small business, professional and self-employed persons, and other service enterprises.
12. Khadi and Village Industries Sector (KVI).
13. All advances granted to units in the KVI sector, irrespective of their size of operations, location and amount of original, investment in plant and machinery, and such advances would be eligible for consideration under the sub -target (60 per cent) of the micro and small enterprises segment within the priority sector.

3.8.4 Indirect Finance in the Micro and Small Enterprises

1. Indirect finance to the micro and small (manufacturing as well as services) enterprises sector include credit to persons involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.

2. Advances to cooperatives of producers in the decentralized sector namely, artisans village and cottage industries.

3. Loans granted by banks to NBFCs for on-lending to micro and small enterprises (manufacturing as well as service).

3.8.5 Advance to SSSBEs Sector by Commercial Banks

The SSSBEs are vital for economic growth and development for developing countries like India, it plays a key role in creating new jobs. The services sector enterprises help to enhance the employment opportunities and it supports to the standard of living. But they need financing for set up and expand their operations, develop new products, and invest in new staff or production facilities. Many of the small businesses and services enterprises start with their own money or otherwise support from family and friends for financial help. They find it much harder to obtain financing from banks, capital markets or other suppliers of credit. Table 3.3 portraits the advances to SSSBEs sector by the commercial banks.

TABLE 3.3
Advances to SSSBEs Sector by the Commercial Banks (Amount in Crore)

Year	*Amount*	*Growth Rate*
2002-03	172324	--
2003-04	235168	36.46
2004-05	247210	5.12
2005-06	290186	17.38
2006-07	549940	89.51
2007-08	691483	25.73
2008-09	871900	26.09
2009-10	1054390	20.93
2010-11	1173630	11.30
2011-12	1368438	16.59

Source: Report on Trends and Progress of Banking in India, RBI, Various Issues.

Table 3.3 revels that the total volume of credit of the disbursement has increased from Rs.172324 crore in 2002-03 to Rs.1368438 crore in 2011-12. While the growth per centage gradually declined from 89.51 per cent to 16.59 per cent during the study period. In the year 2006-07. There was the maximum growth of 89.51 per cent over the previous year.

3.9 LOANS AND ADVANCES TO MICRO CREDIT

Microfinance, a provision of small loans (mostly without collateral) to poor people and accepting tiny savings deposits, has existed in different forms for a long period of time across the world. Micro credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards.

Micro Credit Institutions are those, which provide these facilities. The word micro credit does not have an exact definition. For regulatory purposes, non-banking financial institutions enjoy exemption from the RBI Regulations if such institutions provide loans upto Rs.50000/-, and in case of loan for a dwelling unit, upto Rs.125000

The concept of micro credit is known more by its approach than by monetary limits to the amount of loans. The target segment is the poorest, but Mohammed Yunus tried the concept of joint-liability or peer-pressure. Most micro credit loans are dispensed through village or community-level self-help groups (SHGs) who agree to create a pressure on the individual borrower to perform as per contract[5].

3.9.1 Advances to Micro Credit

The commercial banks in India were offered micro credit to the self help groups under priority sector for elevating or increasing their economic saving capable and support to their basic emergency requirements like house expenses, buy cattle, short term expenses and so on. Table 3.4 explains the micro credit performance of the commercial bank.

TABLE 3.4
Advances to Micro Credit

(Amount in Crore)

Year	*Amount*	*Growth Rate*
2002-03	5623	--
2003-04	6523	16.00
2004-05	7568	16.02
2005-06	8976	18.60
2006-07	7106	20.84
2007-08	9151	28.77
2008-09	8663	5.33
2009-10	8187	5.50
2010-11	10236	25.02
2011-12	12389	21.03

Source: Report on Trends and Progress of Banking in India, RBI, Various Issues.

Table 3.4 exhibits that there is a continuous increase in the amount of disbursement during the study period by the banks. This growth rate percentage varied between 16.00 per cent to 21.03 per cent with some fluctuations during the study period. During the year 2007-08 there was the maximum growth of 28.77 per cent over the previous year.

3.10 EDUCATIONAL LOANS

One of the most important objectives of government policy since the nationalization of fourteen commercial banks to extend and expand credit not only to agriculture and allied sectors which are of crucial importance in terms of their contribution to national income and employment, but also to those sectors which have been severely neglected in terms of access to institutional credit.

The sectors that were initially identified for this purpose were agriculture, small industry and self- employment. These sectors were to be accorded priority status in credit allocation by the banks. The commercial banks were advised to grant at least 40 per cent of their total advances to the priority sector comprising of agriculture, small scale industries, small road and transport operators, retail trade, small business, professional and self employed persons, and education and so on. Under the priority sector advances, Education loans include loans and advances granted to only individuals for educational purposes upto Rs.10 lakh for studies in India and Rs.20 lakh for studies abroad, and do not include those granted to institutions.

3.10.1 Eligibility Criteria for Availing Education Loan under this Scheme
Course eligibility: A. Studies in India and Abroad

a) School education including plus two stages.
b) Graduation courses: BA, B.Com., B. Sc and the like
c) Post-Graduation courses: Masters degrees, M. Phil, and Ph.D.
d) Professional courses: Engineering, Medical, Agriculture, Veterinary, Law, Dental, Management, Computer and the like.
e) Computer certificate courses of reputed institutes accredited to Department of Electronics or institutes affiliated to university. Courses like ICWA, CA, CFA and other institute.
f) Courses conducted by IIM, 1IT, IISc, XLRI, NIFT and so on.
g) Courses offered in India by reputed foreign universities. Evening courses of approved Institutes.
h) Other courses leading to diploma/ degree and so on. conducted by colleges/ universities approved by UGC/ Govt. AICTE/AIBMS/ICMR and the like.
i) Courses offered by National Institutes and other reputed private institutions. Banks may have the system of appraising other institution courses depending on future prospects/ recognition by user institutions.
j) Graduation: For job oriented professional/ technical courses offered by reputed universities.
k) Post-graduation: MCA, MBA, MS, and other courses.

l) Courses conducted by CIMA-London, CPA in USA and other countries.

A- 1. Student Eligibility

a) Should be an Indian National

b) Secured admission to professional, technical courses through Entrance Test/ Selection process.

c) Secured admission to foreign university, institutions.

d) Should have scored minimum 60 per cent (50per cent for SC/STs) in the qualifying examination for admission to graduation courses.

A-2 Expenses Considered for Loan

1. Fee payable to college, school, hostel.
2. Examination, Library, Laboratory fee.
3. Purchase of books, equipments, instruments, and uniforms.
4. Caution deposit, building fund, refundable deposit supported by Institution bills, receipts.
5. Travel expenses, passage money for studies abroad.
6. Purchase of computers - essential for completion of the course.
7. Any other expense required to complete the course - like study tours, project work, thesis work and so on.

B. Margin

1. Upto Rs.2 lacs
2. Nil Above Rs.2 lacs : Studies in India: 15 per cent Studies Abroad: 25 per cent
3. Scholarship or assistantship to be included in margin.
4. Margin may be brought in on year- to- year basis as and when disbursements are made on a pro- rata basis.

C. Security

Upto Rs.2 lakhs there is no security, and above Rs.2 lakhs there must be submit collateral security equal to 100 per cent of the loan amount or guarantee of third person known to bank for 100 per cent of the loan amount. The document should be executed by the student and the parent or guardian.

The security can be in the form of land, build ing, Govt. Securities, Public Sector Bonds, Units of Unit Trust of India, National Saving Certificate, Life Insurance certificate policy, gold, shares, debentures, bank deposit in the name of student, parent, guardian or any other third party with suitable margin. In case the loan is given for purchase of computer the same is to be hypothecated to the Bank. Banks who wish to support highly meritorious deserving students without security may delegate such powers to a fairly higher level authority.

D. Rate of Interest

Upto Rs.2 lakh there is Prime Lending Rate (PLR) and above Rs.2 lakh, there should be on the basis of PLR plus one per cent. The interest to be debited quarterly and half yearly on simple interest basis during the repayment of holiday, and the p enal interest of two per cent the charged for above Rs.2 lakhs for the overdue amount and overdue period.

E. Sanction/Disbursement

1. The loan to be sanctioned as per delegation of powers preferably by the branch nearest to the place of domicile.
2. No application for educational loan received should be rejected without the concurrence of the next higher authority.
3. The loan to be disbursed in stages as per the requirement of the Institutions, vendors of books, equipments, instruments to the extent possible.

F. Repayment

The course period of one year or six months after getting job, the loan to be repaid in five to seven years after commencement of repayment, if the student is not able to complete the course within the scheduled time extension of time for completion of course may be permitted for a maximum period of two years. If the student is not able to complete the course for reasons beyond his control, sanctioning authority may at his discretion consider such extensions as may be deemed necessary to complete the course such as.

1. The accrued interest during the repayment holiday period to be added to the principal and repayment in Equated Monthly Instalments (EMI) fixed.
2. One to two per cent of interest concession may be provided for loanes if the interest is serviced during the study period when repayment holiday is specified for interest/ repayment under the scheme.

G. Other Conditions

No due certificate need not be insisted upon as a pre-condition for considering educational loan, the banks may obtain a declaration/ an affidavit confirming that no loans are availed from other banks.

Loan applications have to be disposed of within a period of 15 days to 1 month, but not exceeding the time norms stipulated for disposing of loan applications under priority sector lending. In order to bring flexibility in terms like eligibility, margin, security norms, banks may consider relaxation in the norms on a case to case basis delegating the powers to a fairly higher level authority[6].

3.10. 2 Advances to Education Loan

The good education only creates a better world. so government has decided that ordered banks to lend more financial support to the poor and who are in the below poverty line educated students, in this regard the banks were offered education loans up to Rs.7.50 lakh student for studies in India and Rs.15 lakh for studies abroad, respectively. Table 3.5 shows that performance of banks to the educational loan.

TABLE 3.5

Total Credit Disbursement by SCBs to Education Loan (Amount in Crore)

Year	*Amount*	*Percentage*
2002-03	29867	--
2003-04	43714	46.36
2004-05	66738	52.66
2005-06	111846	67.58
2006-07	143897	28.65
2007-08	203535	41.44
2008-09	277094	36.14
2009-10	363597	31.21
2010-11	429962	18.25
2011-12	484155	12.60

Source: Address by Dr. K. C. Chakrabarty, Deputy Governor, RBI at the Yes Bank–GIZ–UNEP Sustainability Series event on Environment and Social Risk Management, on April 23, 2013 at Mumbai.

Table 3.5 elucidates that the total advances disbursement of the commercial banks show a gradual and continuous increase in all the years of the study period. The total advances of Rs.29867 crore to Rs.484155 crore during the period of 2002- 03 to 2011-12 respectively. The analysis shows that highest (67.58 per cent) were disbursed in the year 2006-07. The total amount has shown constant increase during the period of study. It shows that the banks were rendered high supports to education sector.

3.11 HOUSING LOANS

The every human being needs three basic amenities like food, cloth and shelter. Without house the human cannot complete their life in the society. The government of India takes effort to grand houses for houseless people under various housing schemes. As per the government recommendation the banks were also granted financial support for construction, additions, alterations, repairs, and so on, the basis of direct and indirect housing loans. The direct housing loans to individuals by the banks' lending upto Rs.10 lakh for construction of houses in urban and metropolitan areas under priority sector. the banks with the approval of their boards may also extend direct housing loans upto Rs.10 lakh in the rural and semi urban areas and cost be considered as part of priority sector advances.

Loans granted by the banks upto Rs.one lakh in rural and semi urban areas and Rs.two lakh in urban areas for repairs, additions and alterations and the like to individual borrowers as under priority sector advances. Assistance granted to any governmental agency for the purpose of construction of houses exclusively for the benefit of SC/STs, where the loan component does not exceed Rs. 5.00 lakh per unit and all advances for slum clearance and rehabilitation of slum dwellers would be classified as priority sector advances as well as weaker section advances.

Besides the governmental agencies, assistance given to non-governmental agencies approved by National Housing Board (NHB) for the purpose of refinance also eligible for all the categories of borrowers as applicable to governmental agencies as priority sector advances.[3]

3.11.1 Direct Finance

(i) Loans upto Rs.5lakh in rural/semi urban areas and upto Rs.10 lakh in urban/metropolitan areas for construction of houses by individuals, excluding loans granted by banks to their own employees.

(ii) Loans for repairs to the damaged houses of individuals up to Rs.1 lakh in rural and semi urban areas and up to Rs.2 lakhs in urban areas.

(iii) Loans up to Rs.5 lakh to individuals who wish to acquire or construct new dwelling units and up to Rs.50, 000 for up gradation or major repairs to the existing units in rural areas under special Rural Housing Scheme of National Housing Bank (NHB).

3.11.2 Indirect Finance

(i) Assistance given to any governmental agency for construction of houses, or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of Rs.5 lakh of loan amount per housing unit.

(ii) Assistance given to a non-governmental agency approved by the National Housing Bank for the purpose of refinance for reconstruction of houses or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of loan amount of Rs.5 lakh per housing unit.

(iii) All investment in bonds issued by National Housing Board (NHB) and Housing Development Corporation (HDC) for financing of housing, irrespective of the loan size per dwelling unit.

3.11.3 Special Rural Housing Scheme of National Housing Bank

The schemes envisage housing credit to individuals for building modest new houses or improve/add to their existing dwelling units in rural areas. The purpose of extending housing credit, rural area comprises any village/town, whose population does not exceed of 50000.

3.11.4 Rural Housing Credit- Cum- Subsidy Scheme

The Government of India has launched this scheme to cater to the housing needs of rural households having annual income upto Rs.32000. However, families below poverty line should be given the first preference.

Target areas would be rural areas being located at least 20 km away from Metros and large towns and 5 km away from small/medium towns. The maximum amount of loan shall be restricted to Rs.40000 net of subsidy amount of Rs.10000 per household to be shared between Centre and State Government in the ratio of 75:25 per cent.

3.11.5 Mode of Disbursement of Housing Loan

(i) In respect of construction of houses disbursement should be in stages, after conducting inspections. Bills of the contractor should be duly verified and countersigned by the borrower.

(ii) In respect of ready built houses, entire loan amount may be paid at the time of registration before the register along with the margin money.

3.11.6 Repayment Period

The maximum repayment period permitted is 15 years. It was included repayment holidays at the option of the beneficiary. The repayment schedule should match with income and repaying capacity of the borrower and it should not exceed 30 per cent of borrower's income[7].

3.11.7 Advances Disbursement to Housing Loan

The central and state governments are together have taken various initiatives to fulfil the housing requirements for houseless people in India through the National Housing Board and Housing Development Corporation, and also the government ordered to the commercial banks to offer housing loan to the houseless people to build new houses as well as renovation of existing houses. Table 3.6 shows the commercial bank financial contribution to the housing segments.

TABLE 3.6
Advances Disbursement to Housing Loan

(Amount in Crore

Year	*Amount*	*Growth Rate*
2002-03	22346	--
2003-04	36587	63.72
2004-05	51981	42.07
2005-06	133908	157.60
2006-07	185181	38.28
2007-08	230994	24.73
2008-09	255653	10.67
2009-10	276957	8.34
2010-11	296895	7.19
2011-12	357269	20.33

Table 3.6 reveals that the growth percentage has fluctuated heavily during the study period. The total disbursement of loan shows a gradual and continuous increase in all the years of the study period. During the year 2005-06 there was the maximum growth rate of 157.6 per cent over the previous year. During the study period there was an increase of ten times of credit disbursement of Rs.22346 crore in 2002-03 to Rs.357269 crore in 2011-12.

3.12 SMALL ROAD AND WATER TRANSPORT OPERATORS

The commercial banks support and extend their services to the small road and water transport operator under the priority sector. Advances granted to Small Road and Water Transport Operators (SRWTO) owning a fleet of vehicles not exceeding ten vehicles is coming under the priority sector.

3.12.1 Eligibility of the Borrowers

1. An individual or an association desirous of owning transport vehicle, for carrying passengers or goods on hire.
2. The borrower holds the necessary driving license or engage driver possessing valid license to operate the type of vehicle for which credit is sought.
3. The borrowers should have been granted a permit by an appropriate authority to ply vehicles for passengers or goods traffic for hire.
4. The borrowers should be well experienced and have the aptitude in the profession.
5. Transport operators owning one or more trucks/buses are also eligible.

3.12.2 Purpose of Loan

The borrowers can purchase the new vehicles or old vehicles produced by standard manufacturing company.

3.12.3 Margin

There is margin fixed by banks towards purchase of new vehicles upto 10 per cent, in case purchase old vehicles there must be 25 per cent of margin on the depreciated value calculated at 20 per cent per annuam on the prevalent cost price of new vehicle or market value, whichever is lower.

3.12.5 Rate of Interest: (Subject to Change from Time to Time)

The rate of interest is charged as per banks guidelines issued from time to time as applicable to transport operators according to the amount of loans.

3.12.6 Collateral Security

The borrowers need to submit collateral security while getting loan from financial institutions under this scheme. As per the banking regulations upto Rs.10 Lakh, there is no need to submit collateral security, they can get loan by the way of guarantee or mortgage of immovable property if the loan is covered under Credit Guarantee Scheme. If above Rs.10 lakh there must be need to submit collateral security equivalent to amount of advance by the way of equitable mortgage of immovable properties, Pledge of vehicles documents, Pledge of other bankable security like shares, debentures, bonds of adequate value and third party guarantees.

3.12.7 Repayment Schedule

(i) For New Vehicles

For new vehicles, there is a the maximum period of 60 months by monthly instalments, starting from the date when the vehicle (purchased with the amount of the loan) is put on the road for commercial use or after completion of two months from the date of advance.

(ii) For Old Vehicles

If in case of purchase an old (second hand) vehicle, the repayment will start one month after the disbursement of the loan and loan will be repaid with interest upto 30 to 48 months.

3.12.8 Documentation Charges

There is no documentation charges levied if the loan amount less than Rs. two lakhs, and for above Rs. two lakh the documentation charges of Rs.200 per lakh or part thereof subject to a maximum of Rs.25000 is levied.[8]

3.12.9 Advance Disbursement to Small Road and Water Transport Operators

Bank credit extended to hire purchase, leasing finance companies for onward lending to SRWTO should be classified as priority sector advance. Portfolio purchases from NBFCs made after 1998 would also qualify for inclusion under priority sector lending, provided the portfolio purchases relate to SRWTOs satisfying priority sector norms.

TABLE 3.7
Credit Disbursement to Small Road Water Transport Operators (Amount in Crore)

Year	*Amount*	*Percentage*
2002-03	4892	--
2003-04	5376	9.89
2004-05	7395	37.55
2005-06	8396	13.53
2006-07	17341	106.53
2007-08	26416	53.48
2008-09	37447	41.75
2009-10	39302	4.95
2010-11	45410	15.54
2011-12	54430	19.86

Source: Report on Trends and Progress of Banking in India, RBI, Various issues

Table 4.2 reveals that the total amount spent by the commercial banks which stood at Rs.4892 crore in 2002-03 had steadily increased to Rs.54430 crore in 2011-12, which result in eleven times increase during the period. There is some fluctuations of percentage between the years. During the year 2006-07 there was the maximum of 106.53 per cent growth rate over the previous year.

3.13 RETAIL TRADERS

The retail industry is divided into organized and unorganized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, who are registered for sales tax, income tax, and the like. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, shops that is local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, and so on. Currently Organized sector occupies a small percentage of the retail sector with 96 per cent of the total business being carried out by traditional unorganized trade outlets. Retailing is a booming sector of the Indian Economy primarily owing to the opening of foreign direct investment (FDI) in retail sector and coming up of hypermarkets and retail chains. Organized retailing is pitted to grow at a rate of 35 per cent while the unorganized retailing only at the rate of 6 per cent. It is expected that organized retailing would have 10-15 per cent of the industry share by 2012. Thus faced by a stiff competition, the small traditional trade outlets need to enhance competitiveness of the unorganized retail sector of India, so that they can not only deal with the challenges faced by the coming up of multinationals and hypermarkets.

The commercial banks support to the private retail traders for their development. The banks extended their credit to the retails traders with dealing in essential commodities fair price shops be reckoned as priority sector advances and also other private retail traders with credit limits not exceeding Rs.10 lakh may also be considered as priority sector advances.

The retail trade signifies the trading activity being undertaken by the borrower and is not necessarily related to the level of his operations. A trade having only a small retail outlet or dealing in a particular item on wholesale basis would be considered as a retail trader as long as credit limits sanctioned to him do not exceed Rs.10 lakh. The retail traders of mineral oils also come under the category of small business and the retail traders in fertilisers would form part of indirect finance. The facility may be granted for purchase of merchandise or against bills or book debts arising out of sales operations of traders[9].

3.13.1 Loans and Advances to the Retail Trades

The retail trades are offered plenty of entrepreneurial job opportunity to the people. In this regard the government support and rendering help to promote the retail trades in India. In connection with that the commercial banks extend their financial support to the retail trade. Table 3.8 explains that the credit granted by the banks to the retail sectors.

TABLE 3.8

Loans and Advances to the Retail Trades

(Amount in Crore)

Year	*Amount*	*Percentage*
2002-03	20459	--
2003-04	22578	10.35
2004-05	24867	10.13
2005-06	33814	35.97
2006-07	83535	147.04
2007-08	106612	27.62
2008-09	122297	14.71
2009-10	144377	18.05
2010-11	165267	14.46
2011-12	235923	42.75

Source: Report on Trends and Progress of Banking in India, RBI, Various Issues

Table 3.8 portrait that the disbursement of credit by the commercial banks from the 2002 to 2012. It was increased from Rs.20459 crore in 2002-03 to 235923 crore in 2011-12 during the study period. Among the total credit disbursement, in the year 2006 – 07 was registered as the highest growth rate of 147.04 per cent. The amount of disbursement has gradually increased every year.

3.14 PROFESSIONALS AND SELF-EMPLOYED PERSONS

Unemployment as one of the macroeconomic problems could be reduced through the formal bank credit for the professional and self employed participation provided it is well supported and managed. The professional and self employed persons it may not be able to achieve much as we have presently due to inaccessibility to credit, but with the on-going policy of the Federal Government through the RBI on micro -financing the macroeconomic objective of reduced unemployment, if not full employment would become a reality in India. The microfinance policy has empowered the many microfinance/ banking institutions to provide credit to the self employed. Therefore that the Government of India and all relevant stakeholders continue in their mission towards reducing unemployment while they give their whole support for accessing to loans to its activities and accomplish its goal of unemployment reduction.

The professionals and self-employed persons are those whose borrowings (limits) do not exceed Rs.10 lakh of which not more than Rs.2.00 lakh should be for working capital requirements. Activities involving the use of skill and labour of the individual or their family members alone would be covered under this category. The loans amount includes for the purpose of purchasing equipment, repairing or renovating existing equipment, acquiring and repairing business premises or for purchasing tools or for working capital requirements.

3.14.1 Eligibility for Availing this Loan

The following persons are eligible to avail loan under the priority sector schemes such persons are.

1. Medical practitioners including Dentists,

2. Chartered Accountants,
3. Cost Accountants,
4. Practising Company Secretaries who are not in the regular employment of any employer,
5. Lawyers or Solicitors,
6. Engineers,
7. Architects,
8. Surveyors,
9. Construction Contractors,
10. Management Consultants,
11. A person trained in any other art or craft who holds either a degree or diploma from any institution established, aided, or recognised by Government,
12. A person who is considered by the bank as technically qualified or skilled in the field in which he is employed.
13. Accredited journalists and cameramen who are freelancers and who are not employed by a particular newspaper or magazine.
14. An individual who runs a 'Health Centre' and who is not a doctor but has received some formal training about the use of various instruments of physical exercises.
15. An individual who wants to set up beauty parlours and who holds qualifications in the particular profession and undertakes the activity as the sole means of living/earning his/her livelihood.
16. Firms and joint ventures of professionals and self-employed persons (mentioned above), shall also be eligible.

3.14.2 Self-employed Persons

The following categories of persons are classified under advances to Self-employed persons they are, Xerox operators, Small tea-stall Owners, Carpenters, Plumbers, Launderers, Vegetales (Fruit, Egg, Fish) vendors, Hand-craft pullers, Handloom Weavers, Milk Procurers, Bamboo Workers, Quilt makers, Lace artisans, Hand-block printers, New Garment makers , Old and used garment sellers and the like[10].

3.14.3 Advances Disbursement to Professionals and Self-employed

The government takes initiative to reduce the unemployment in India. It can be reduced by the development of professionals and self employed persons by means of credit offered by financial intuitions. Unemployment is one of the macroeconomic problems could be reduced through the formal credit for self employed participation provided it is well supported and managed.

The professional and self employed persons in it may not be able to achieve much as we have presently due to inaccessibility to credit. Therefore the Government continue its mission towards reducing unemployment.

TABLE 3.9
Advances to Professionals and Self-employed Persons

(Amount in Crore)

Year	*Amount*	*Percentage*
2002-03	6894	--
2003-04	8235	19.45
2004-05	9656	17.25
2005-06	15283	58.27
2006-07	23782	55.61
2007-08	29756	25.18
2008-09	45375	52.48
2009-10	47736	5.20
2010-11	56267	17.87
2011-12	60271	7.11

Source: Report on Trends and Progress of Banking in India, RBI, Various Issues.

Table 3.9 shows that the total amount of advances of the bank which is stood at Rs.6894 crore in 2002-03 had steadily increased to Rs.60271 crore in 2011-12 which shows an increasing trend over the period of study. The trend shows that the increase over the period of study had been more than nine times during the study period. The highest percentage of credit of 58.27 per cent was distributed in the year 2005-06.

3.15 WEAKER SECTIONS

The ministry of housing and urban poverty alleviation (HUPA) has categorized the urban poor households earning upto Re.1 lakh per annum as economically weaker section (EWS) and those having a household income between Rs.1 to 2 lakh as lower income group (LIG) for availing benefits under the schemes being implemented by the government. In order to ensure that more under-privileged sections in the priority sector are given proper attention in the matter of allocation of credit, it should be ensured that the advances to weaker sections reach a level of 25 per cent of priority sector advances or 10 per cent of net bank credit. The weaker sections under priority sector shall include the following:

(a) Small and marginal farmers with land holding of 5 acres and less and landless labours, tenant farmers and share croppers

(b) Artisans, village and cottage industries where individual credit limits do not exceed Rs.50,000/-,

(c) Beneficiaries of Swarnjayanthi Gram Swarojgar Yojana (SGSY),

(d) Scheduled Castes and Scheduled Tribes,

(e) Beneficiaries of Differential Rate of Interest (DRI) Scheme,

(f) Beneficiaries under Swarna Jayanti Shahari Rojgar Yojana (SJSRY),

(g) Beneficiaries under the Scheme for Liberation and Rehabilitation of Scavangers (SLRS),

(h) Advances to Self Help Groups.[11]

3.15.1 Advance Disbursement to the Weaker Sections

The government of India as well as the commercial banks were extended their support to development of weaker section in India. The table 3.10 explains the credit disbursement of banks to weaker sections.

TABLE 3.10
Advance Disbursement to the Weaker Sections

(Amount in Crore)

Year	*Amount*	*Percentage*
2002-03	33527	--
2003-04	43084	28.50
2004-05	65405	51.80
2005-06	97740	49.43
2006-07	132163	35.21
2007-08	171070	29.43
2008-09	202376	18.30
2009-10	237879	17.54
2010-11	276413	16.19
2011-12	285780	3.38

Source: Report on RBI Sectoral Deployment

Table 3.10 portrait that the total amount of advances of the bank which is stood at Rs.33527 crore in 2002-03 had steadily increased to Rs.285780 crore in 2011-12 which shows an increasing trends over the period of study. The trend shows that the increase over the period of study had been more than eight times during the study period. The highest percentage of credit of 51.80 per cent was distributed in the year 2004-05.

3.16 CONSUMPTION LOANS

The consumption loans granted for the purpose of fulfill the basic needs in the respect of times. It includes for general consumption, medical expenses, marriage ceremonies, funerals, births, religious ceremonies and so on. It is not exceeding Rs. 1,000/- per individual. Pure consumption loans are granted by the banks under the 'Consumption Credit Scheme' on the following terms and conditions

3.16.1 Eligibility of Borrowers

An individual who is already a borrower of the bank under either of the category loans except housing loan.

3.16.2 Other Terms and Conditions

I. The advance under the scheme shall be treated as an integral part of the earlier advance and would be granted at the same rate at which original advance is granted. The repayment of consumption credit would also be linked with the original advance.

II. The maximum period of repayment under the scheme should be restricted to 3 years[12].

3.16.3 Advances to Consumers Consumption Loan

Banks have various types of loan schemes. Such loan schemes are offered by them for the benefits of the customers. The banks are lending loan for the reliable customers. In connection with the commercial banks were offered consumption loan to the customers for fulfil the immediate requirements. Table 3.11 shows credit offered to consumption loan.

TABLE 3.11
Advances to Consumers Consumption Loan

(Amount in Crore)

Year	*Amount*	*Percentage*
2002-03	7015	--
2003-04	7219	2.90
2004-05	8274	14.61
2005-06	8976	8.48
2006-07	7106	20.83
2007-08	9151	28.77
2008-09	8663	5.33
2009-10	8187	5.49
2010-11	8294	1.30
2011-12	10156	22.44

Source: Report on Trends and Progress of Banking in India, RBI, Various Issues.

Table 3.11 elucidates that credit disbursement of loans by the banks has increased from Rs.7015 crore in 2002-03 to Rs.10156 crore in 2011-12 and thus shows wide fluctuations and the highest per centage of credit was found to be 28.77 per cent in the year 2007-08. The growth rate of this ratio varied between 1.30 per cent to 28.77 per cent in the year 2007-08. The growth rate varied between 1.30 per cent to 28.77 per cent. It shows that there is fluctuation between amount disbursement.

3.17 SOFTWARE INDUSTRY

The banks are rendering credit support to the software industry development in India. As per the banking regulations, the customers are offered credit upto one crore should be included under priority sector.

3.18 FOOD PROCESSING SECTOR

The trend and growth of processing machinery and equipment industry will be influenced by the growth in the food processing industry and the recent trends show that this is going to be strong. Government of India expects investments of $21.9 billion by 2015 in food processing infrastructure. This category in which the equipment and machinery are more required may differ given the demand by the consumers of the processed food but certainly with the government becoming strict in recent times regarding health and hygiene practices, food processors are updating themselves with the latest in the market. The growth in the main sub-categories in the processing industry could be described under fruit and vegetable processing (20%), milk and dairy (15%), vegetable oil and oil seed processing, grains (wheat, rice, corn, lintels), meat and poultry (10%), alcoholic beverage, non-alcoholic beverages and ready-to-eat. And the industry is growing at an average of 16 per cent, even passing 30 per cent for fruit and juice segment.

The Public Sector Banks are plugging hard for food credit in a bid to push up credit-deposit ratio and boost the average yield on assets. Banking sources said it was not just the public sector banks that were seeking higher allocations of food credit, but private sector banks were also in the fray.

The following industries are food and agro based processing sector would be eligible for classification as priority sector for lending by banks:

i. Fruit and vegetable processing industry
ii. Food grain milling industry
iii. Dairy products
iv. Processing of poultry and eggs, meat products
v. Fish processing
vi. Bread oilseeds, meals (edible), breakfast foods, biscuits, confectionery (including cocoa processing and chocolate), malt extract, protein isolate, high protein food, weaning food and extruded/other ready to eat food products

vii. Aerated water/ soft drinks and other processed foods
viii. Special packaging for food processing industries
ix. Technical assistance and advice to food processing industry

With regard to the size of the units within this sector, it is clarified that food and agro- based processing units of small and medium size with investment in plant and machinery up to Rs.5 crore would be included under priority sector lending[13].

3.18.1 Advances to Food Processing Industry

The commercial banks were offered some certain percentage of credit from the total net banking credit to food processing industry for its developments. As per the banking regulation act, the banks offered financial support to the food industry. Table 3.12 shows financial support rendered by the banks

TABLE 3.12
Advances to Food and Agro-based Processing Sector

(Amount in Crore)

Year	*Amount*	*Percentage*
2002-03	53978	--
2003-04	49479	8.33
2004-05	35961	27.32
2005-06	41121	14.34
2006-07	40691	1.04
2007-08	46927	15.32
2008-09	44399	5.38
2009-10	46211	4.08
2010-11	48562	5.08
2011-12	64111	32.01

Source: Report on Trends & Progress of Banking in India, RBI, Various Issues.

As per Table 3.12 that the amount of credit disbursement varied in the rage of Rs.53978 crore in 2002-03 to Rs.64111 crore in 2011-12 which is subject to wide fluctuations during the study period. The growth rate was found to be 32.01 per cent in 2011-12. The growth rate percentage varied between 8.33 per cent to 32.01 per cent during the study period. It shows that as per the analysis made that it shows the amount spent by the banks was increased gradually.

3.19 VENTURE CAPITAL

Investment in Venture Capital would be eligible for inclusion in priority sector, subject to the condition that the venture capital funds or companies are registered with SEBI. However, fresh investments that may be made by banks on or after July 1, 2005 shall not be eligible for classification under priority sector lending and the investments.

3.20 RBI GUIDELINES TO PRIORITY SECTOR ADVANCES

The RBI has recently constituted a committee to suggest revised norms with regard to priority-sector lending and related issues. Through the committee members given suggestions to radically change the system prevalent to present scenario of entire process of priority lending had been happened and the rural population was being exploited, leading to these banks being saddled with a large number of non -performing assets (NPAs). The Commercial banks priority sector lending for forty years has had limited success. It is time for a complete overhaul.

The RBI has recently constituted a committee under the chairmanship of M V Nair, Chairman and Managing Director of Union Bank of India, to re-examine the existing guidelines and suggest revised norms with regard to priority -sector lending and related issues. Therefore, the suggestions were to radically change the system prevalent today with the objective to encourage a dedicated and committed band of banking institutions that would be continued to do work in the area of uplifting the rural village economy and improve lot of the most vulnerable sections of our society.

This committee suggests that the attitude of the commercial banks towards priority sector lending and the following steps are suggested to achieve this objective.

6. Every bank should train a band of senior and middle-level employees in the art of lending to the priority sector, both agriculture and small-scale industry and they should continue to be encouraged to upgrade their skills in the latest developments in this area of lending.

7. Instead of making available priority sector lending facilities in all branches, every bank should set up specialized branches in all potential centres and extend priority sector lending through these branches alone where trained manpower should be deployed to facilitate proper sanction and monitoring of these loans and advances.

8. The RBI should dispense with the present system of target oriented lending to the priority sector and banks should be given total freedom to lend to all deserving and productive enterprises according to their own norms of lending without spoon feeding the banks in this regard.

9. The present system of allocating 40 per cent of lendable resources to the priority sector by every bank should not be insisted upon and all penal provisions for not achieving this level of lending to the priority sector should be withdrawn with a view to give a free hand to the banks to develop a portfolio of their choice in the interest of improving the asset quality of every bank.

10. Instead of a penalty based system which exists at present to penalize the banks who do not reach the stipulated targets, the RBI should come out with an incentive based system to encourage lending to the priority sector, as an incentivized system would receive better receptivity at all levels, and this would provide the necessary thrust to priority sector lending by banks. And the incentives could be broadly on the following lines.

a) The incentives proposed could be on a staggered basis and inbuilt incentives can be provided for reaching a level of 20 per cent, 30 per cent and 40 per cent of their lendable resources and incentives can be considered as under branch licensing and the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements can be linked to these per centages.

b) The staff working in those specialized branches lending to the priority sector can be provided with appropriate incentives based on the level of lending to the priority sector at each of these branches.

c) A certain per centage of profit can be exempted from income tax for those banks reaching these levels of lending to the priority sector.

d) Any other incentive could be thought of to provide impetus for lending to the priority sector.

6. All subsidies provided to banks for lending to certain priority sectors should be withdrawn, and in its place, appropriate fiscal incentives should be provided so as to minimize paper work and misuse of the subsidy system.

7. In order to encourage the staff of commercial banks to improve lending to the priority sector, the bank managements, particularly in the public sector, should also change their attitude and follow the basic principle fo llowed by banks all over the world that "error of judgment is not negligence". All loans granted by the branch managers should be viewed from this angle and appropriate protection provided to the operating staff when loans go bad due to reasons beyond their control. This will give the required comfort to staff at all levels and radically change their attitude towards priority-sector lending and help the banks to do a better job in this area of banking.

8. The farmer community in our country requires a lot of counseling and the bank officers engaged in this activity should be trained in this art of providing advice and counsel whenever needed and consider the requests of the borrowers with a humane touch.

The second step required in this direction is to develop and nurture a few specialized institutions exclusively for lending to the priority sector and the following suggestions,

1. The NABARD (National Bank for Agriculture and Rural Development) should be charged with the responsibility of financing the total agricultural operations in the country. To achieve this goal, all the Regional Rural Banks (RRBs) presently operating in our county should be handed over to NABARD and all the branches of RRBs should be the lending arms of NABARD for this purpose. The RRBs should be completely under the ownership and control of NABARD, whose entire direct-lending operations to agriculture and allied occupations should be, routed though the branches of RRBs, which should be funded by NABARD to the extent necessary.

2. The NABARD should be repositioned as the exclusive agency for agricultural finance in the country and it should set up new RRBs in districts which are not covered by RRBs at present, so that within a period of the next five years, the entire country is brought under the jurisdiction of the NABARD for lending to agriculture and all allied activities.

3. The capital to risk weighted assets ratio of the NABARD as on 2011 was as high as 21.76 per cent, which indicates that the NABARD is more than adequately capitalized at present to take over this responsibility of funding the old as well as the new RRBs and the Central government should consider future requirements of capital to meet the increasing responsibilities granted on it.

4. The second institution that requires complete reorientation is the Small Industries Development Bank of India (SIDBI), which should play a more aggressive and pivotal role for developing the small scale industries in India. This institution should be the nodal agency for directly financing the micro, small and medium enterprises (MSMEs) in India, with the added responsibility of continuing with the refinancing activities.

5. SIDBI should set up a nationwide branch network, with the stated objective of financing the entire requirements of small scale industries including their working

capital requirements, so that the small entrepreneurs need not depend on multiple banks for their financial requirements as it happen present scenario.

6. SIDBI should initially set up its own full-fledged branches in all district headquarters all over India within the next three years and introduce direct financing of all viable MSMEs and other microfinance institutions as well.

7. While the public sector banks are starving for capital, SIDBI has been sitting on a pile of capital with CRAR at 30.08 per cent as on 31 March 2010. This only shows that this institution has a long way to go to achieve its objectives and a complete overhaul of its functioning is required to provide the necessary impetus to the development of small scale industries in India.

8. With over 20 years of existence, small industries development board of India (SIDBI) has been able to build a loan portfolio of just over Rs 35, 000 crore, a major portion of which has gone to refinance the banks and other financial institutions. The financial requirements of small scale industries in our country are quite large and hence a visionary approach is required by this institution to create an impact in the development of micro small medium enterprises (MSMEs), which can be a game-changer for the economy of our country.

9. The present system of credit guarantees provided by the Credit Guarantee Corporation of India should be dispensed with and all commercial banks should be delinked from this guarantee institution as they no longer need such a guarantee. And this part of the institution should be handed over to SIDBI, which can enlarge the role of this organization to provide guarantees to venture capitalists that provide seed capital to projects of those small scale entrepreneurs approved by SIDBI.

10. The Commercial banks would continue with lending to the eligible and desirable borrowers in all sectors including the priority sector as hitherto and benefit from the incentives offered in respect of lending to socially desirable sectors, but

without any compulsion of having to lend a certain percentage of their lendable resources to any specified sector as prevalent today.

By enlarging the role of two specialized institutions NABARD and SIDBI in the area of agriculture and small scale industry respectively, the whole economy of our country would get the required momentum in meeting the financial needs of this priority sector and provide the much needed thrust to improve the lot of the underprivileged sections of our society. This would also help in improving the village economy further and provide employment opportunities in the villages and smaller towns of our country. The present pitfalls observed in the system of lending by the commercial banks to the priority sector would be eliminated.

The commercial banks, on the other hand, will be able to play a much bigger role in developing our economy, which is expected to be the third -biggest economy in the world shortly. In the context of GDP that is growing in the range of 7.5 per cent into 9 per cent during this decade, the banks in our country would be required to gird up their loins to finance the growing needs of the economy. The Indian banking industry is underutilized, as the loan-to-GDP ratio at present is reported to be 53 per cent in India whereas it is 56 per cent in Brazil and 120 per cent in China. Further, with the introduction of Basel III norms, Indian banks will require substantial additional capital, which they will have to raise from the capital market.

The strengthening of the balance sheets of banks by improved profitability and lower non-performing assets (NPAs) will result in better valuations in the bourses which will only help the banks to easily raise the required capital and meet the needs of the growing economy without fully depending on taxpayers' money coming from the government's coffers[14].

3.21 CONCLUSION

The RBI constrained guidelines relating to loans and advances under priority sector segments. It is very useful for banks and to the government for framing new and innovate policy to the rural poor like priority sector, MNRGES, Swarna Jayanti Shahari

Rojgar Yojana, and so on. The priority sector advances is powerful tool to support the economy of poor people and the nation. Despite of the banks should increase the area of lending performance, as it is the effective way to support the economy and eradicate the poverty, and promote industry. And the amount for lending should be increased so that the maximum community can be supported to individual in setting their business as well as priority sector activities.

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CHAPTER IV

BORROWERS OPINION TOWARDS THE PRIORITY SECTOR ADVANCES

4.1 INTRODUCTION

The banking industry with good banking practices can accelerate the pace of economic development of a country. In the earlier days, the bankers were acting like moneylenders and the poor people were totally neglected from their financial services and at the same time the services rendered by banks were not adequate and prompt. At last all these activities came to an end in 1969 in the form of nationalization of banks. Thereafter, the banks realized the importance of the people and their support to the successful banking. Hence, the banks were rendered their services effectively and promptly as much as possible to its customers. In any business the success depend upon the relationship between the concern and its customers. In banking, the business relationship between banks and its customers is a vital one because it is not a one- time transitory relationship, but relatively a permanent one and it must be enduring forever. The banks provide information about the various products and services to the customers.

In any business, the best and prompt services will be possible only when they know the customers needs and expectations. In the banking industry to know customers needs and expectations so many committees were formed to assess the customers needs, quality of the services provided, range of services and products offered and customers' grievance handling mechanism and so on. Customers are the life blood of banking. They come from different places and with various cultural backgrounds. Hence, there is a need to analyse the customers opinion towards the various products and services offered by the banks. This chapter presents the socio-economic profile of the respondents, accounts maintenance and loans availed, factors motivating the people for becoming customers of the bank and so on.

4.2 GENDER-WISE CLASSIFICATION OF THE RESPONDENTS

The banking activities are common for both the male and female. Hence, the variable called gender of the respondents is included in this study and it helps to access customers' level of involvement in the banking activities. Table 4.1 exhibits gender-wise classification of the sample respondents.

TABLE 4.1
Gender-wise Classification of the Respondents

Sl.No.	*Gender*	*No. of Respondents*	*Percentage to Total*
1.	Male	390	62.40
2.	Female	235	37.60
	Total	625	100.00

Source: Primary Data.

Table 4.1 shows that the majority (62.40%) of the respondents are male category and remaining 37.6 per cent are females.

It is inferred from the table that most of the respondents are males. Because, male group of customers is mostly engaged in employment, business and the like. Thereby, they have the opportunity to get into contact with various social groups.

4.2 AGE-WISE CLASSIFICATION OF THE RESPONDENTS

The age plays major role in banking activity, because based on the age, the banks offer the services. For availing the banking products and services, an individual should complete the age of 18 years. Moreover the people who are old and middle aged will have an interest to save money. The youngsters are not like that and they like to enjoy their life by way of spending money rather than savings. The researcher has classified their age like upto 25 years, 25 – 35 years, 35 – 45 years, and so on. Table 4.2 explains the age-wise segmentation of the respondents.

TABLE 4.2
Age-wise Classification of the Respondents

Sl.No.	*Age*	*No. of Respondents*	*Percentage to Total*
1.	Upto 25 years	82	13.10
2.	25-35 years	168	26.90
3.	35-45 years	269	43.00
4.	45-55 years	64	10.20
5.	Above 55 years	42	6.70
	Total	625	100.00

Source: Primary Data.

About the 13.1 per cent of the respondents belong to the age group of upto 25 years, 26.9 per cent of them are in 25 – 35 years, 43.0 per cent of them are being in the age group of 35 - 45years, 10.2 per cent of them belong to 45 – 55 years and 6.7 per cent of them are above 55 years of age.

It is however noted from the table that majority of the customers belong to the age group of 25 - 35 years and 35 -45 years. Because these group of people crossed the younger life and enter into the family life. They have responsibility to lookafter the family, children's education, medical expenses and the like. Hence, such age group of people are having more banking access than the other age group.

4.4 ACADEMIC QUALIFICATION OF THE RESPONDENTS

Educational qualifications of the customers have close relationship with the banks. The level of literacy helps to understand the various products and services offered by the banks. Hence, the researcher has taken into account of the educational qualification such as illiterate, upto 12^{th}, graduate, technical education and post graduate. All these information has been presented in the Table 4.3

TABLE 4.3
Academic Qualification of the Respondents

Sl.No.	*Qualification*	*No. of Respondents*	*Percentage to Total*
1.	**Illiterate**	98	15.70
2.	Upto 12th	199	31.80
3.	Degree	137	21.90
4.	Technical	101	16.20
5.	Post-graduate	90	14.40
	Total	625	100.00

Source: Primary Data.

Out of the 625 respondents about 31.80 per cent of the respondents studied upto 12th standard, 21.90 per cent of the respondents have studied degree. Among this qualification criterion the least 14.49 per cent of them are post graduate. It is found that about 15.70 per cent of them are illiterate.

4.5 OCCUPATION OF THE RESPONDENTS

The occupation of respondents is most important one for access the formal banking services. The Reserve Bank of India prescribed guidelines for different occupation for accessing formal credit from the banks. The researcher has categorized the respondents based on the occupation and is shown Table 4.4.

TABLE 4.4
Occupation of the Respondents

Sl.No.	*Occupation*	*No. of Respondents*	*Percentage to Total*
1.	Agriculturists	188	30.10
2.	Entrepreneurs	82	13.10
3.	SHGs Members	100	16.00
4.	Students	104	16.60
5.	Professionals	126	20.20
6.	Others	25	4.00

Source: Primary Data.

It could be seen from Table 4.4 that 30.10 per cent of the respondents are agriculturists, 13.10 per cent of them are entrepreneurs, 16.00 per cent of them are SHGs, 16.60 per cent of them are students and 20.00 per cent of them are Professionls.

4.6 MARITAL STATUS OF THE RESPONDENTS

The marital status plays a vital role for the economic development of the people. The married persons normally like to earn more money to their dependents than unmarried. The marital status of the respondents are classified into married, unmarried, widow and widower. Table 4.5 depicts the marital status of respondents.

TABLE 4.5
Marital Status of the Respondents

Sl.No.	*Marital Status*	*No. of Respondents*	*Percentage to Total*
1.	Married	385	61.60
2.	Unmarried	183	29.30
3.	Widow	46	7.40
4.	Widower	11	1.80
	Total	625	100.00

Source: Primary Data.

Out of 625 respondents 61.60 per cent of them are married, 29.30 per cent of them are unmarried, 7.40 per cent of them are widows and 1.80 per cent of them are widower.

It is concluded that a majority of them are married because they require money for personal use as well as business purpose.

4.7 TYPES OF FAMILY

The type of family is one of the most important indicators to access the economic status and wealth of the family. The expenditure depends on the types of family. The type of family is given in Table 4.6.

TABLE 4.6
Types of Family

Sl.No.	*Type of Family*	*No. of Respondents*	*Percentage to Total*
1.	Nuclear	417	66.70
2.	Joint	208	33.30
	Total	625	100.00

Source: Primary Data.

As per the survey made, about 66.70 per cent of the respondents are in nuclear family and remaining 33.30 per cent of them are in joint family.

Majority of the respondents who belong to nuclear family have availed loan rather than the joint family. Because they could took decision independently for all activities.

4.8 FAMILY SIZE OF THE RESPONDENTS

The economic status of every family depends on the size of the family of the respondents. The size of the family are divided into four groups namely, upto 3members, 4–5 members, 6–7 members, and above 7 members. Table 4.7 shows the family size of the respondents.

TABLE 4.7
Family Size of the Respondents

Sl.No.	*Members*	*No. of Respondents*	*Percentage to Total*
1.	Upto 3 Members	271	43.40
2.	4-5 Members	212	33.90
3.	6-7 Members	127	20.30
4.	Above 7 Members	15	2.40
	Total	625	100.00

Source: Primary Data.

About 43.40 per cent of the respondents have their family strength upto 3 members, 33.90 per cent of them have 4 to 5 members. 20.3 per cent of them have 6 to 7 members and 2.40 per cent of them have above 7 members.

It is inferred that these respondents strictly follow the government policy to reduce the population.

4.9 MONTHLY INCOME OF THE RESPONDENTS

Income is the prime source for all living beings, without income nobody can live in the world. The developments of the country depends on the income of the people. Therefore income is an important parameter to access the economic growth of the country. An individual savings and expenses determine the country 's GDP. Table 4.8 elucidates the income of the respondents

TABLE 4.8

Monthly Income of the Respondents

Sl.No.	*Monthly Earnings*	*No. of Respondents*	*Percentage to Total*
1.	Below Rs.5000 pm	92	14.70
2.	Rs.5000-10000 pm	168	26.90
3.	Rs.10000-15000 pm	155	24.80
4.	Rs.15000-20000 pm	115	18.40
5.	Above Rs.20000 pm	95	15.20
	Total	625	100.00

Source: Primary Data.

About 14.70 per cent of the respondents' monthly incomes are below Rs.5000, 26.90 per cent of them earned Rs.5000 to Rs.10000, 24.80 per cent of them have monthly income of Rs.10000 to 15000, 18.4 per cent of them received Rs.15000 to Rs.20000 and 15.20 per cent of them earned above Rs.20000 as monthly income.

4.10 TYPES OF ACCOUNTS MAINTAINED

Customer is a valuable instrument for all business success and our father of nation Mahathma Gandhi rightly said about customer values and ethics. Each and every business success depends on the customers approach and satisfaction. So banks are offering various kinds of services to the customers like Deposits, Saving bank account, Current account, Fixed deposit and so on. Table 4.9 portraits the kinds of accounts maintained by the respondents in banks.

TABLE 4.9
Types of Accounts Maintained

Sl.No.	*Type of Accounts*	*No. of Respondents*	*Percentage to Total N = 625*
1.	Savings Bank A/C	625	100.00
2.	Current A/C	40	6.40
3.	Fixed Deposit A/c	220	35.20
4.	Recurring Deposit A/C	60	9.60

Source: Primary Data.

Table 4.9 shows that all the beneficiaries have savings banks account because it is compulsory to have savings banks account while they borrow money. In addition 6.40 per cent of them have current account, 35.20 per cent of them have fixed deposit and 9.60 per cent of respondents have recurring deposits.

It is inferred that fixed deposits account and recurring deposit account are maintained in additional to the savings bank account whereas current account are maintained only by the businessmen.

4.11 LOANS AVAILED THROUGH THE BANKING SECTOR

As per the Reserve bank of India regulations, the Indian banking systems are categorized into four namely public sector bank, private sector bank, co operative bank and foreign bank. The researcher has undertaken the study only in the public and private sector banks located in the study area. It is represented in the Table 4.10.

TABLE 4.10
Loans Availed through the Banking Sector

Sl.No.	*Monthly Earnings*	*No. of Respondents*	*Percentage to Total*
1.	Public sector bank	347	55.50
2.	Private sector bank	278	44.50
	Total	625	100.00

Source: Primary Data.

It could be seen from Table 4.10 that 55.50 per cent of the respondents have received loan from the public sector banks and remaining 44.50 per cent of them have received loan from the private sector banks.

It is however concluded that the public sector bank is located more in number than the private sector bank in this district.

4.12 FACTORS MOTIVATE FOR BECOMING CUSTOMERS OF THE BANK

There are number of factors which may motivate the customers in different ways such as convenience, friendly approaches, effective services, easy loan facilities, less interest rate, advertisement and no service charge. Table 4.11 describes the factors motivating the customer towards the banks.

TABLE 4.11
Factors Motivate for Becoming Customers of the Bank

Reasons	*Rank*							*Total*
	1	*2*	*3*	*4*	*5*	*6*	*7*	
Convenience/ Nearest	134	116	57	138	68	46	66	625
Friendly approaches	64	96	114	67	88	120	76	625
Effective services	87	78	92	127	67	114	60	625
Easy loan facility	105	104	88	50	96	99	87	625
Less interest rate	56	100	121	89	82	36	141	625
Advertisement	101	51	107	80	132	60	94	625
No service charge	78	80	50	74	92	150	101	625
Total	625	625	625	625	625	625	625	

Source: Primary Data.

Table 4.11 highlights the factors that motivate for becoming customers of the banks. The researcher has identified seven factors and asked them to rank. Based on the ranks the respondents awarded in the interview schedule and the researcher has find out the responses placed in each rank. To identify which factors is the most vital one, the researcher has used garret ranking.

4.13 FACTORS MOTIVATE FOR BECOMING CUSTOMERS OF THE BANKS - CALCULATED VALUE AND TABLE VALUE

Table 4.12 shows the garret value equal to calculated value. Firstly the Garret ranks are calculated by using appropriate garret ranking formula. Then based on the Garret ranks, the Garret table value is ascertained. Percent position = 100 (Rij- 0.5)/Nj

Rij- Rank given for 1^{st} item by j^{th} sample respondents
Nj – Total rank given by the j^{th} sample respondents

TABLE 4.12
Factors Motivate for Becoming Customers of the Banks - Calculated Value and Table Value

Sl. No.	*Calculation*	*Calculated Value*	*Garrets Table Value*
1	100 (1- 0.5)/7 = 50/7	7.14	79
2	100 (2- 0.5)/7 = 150/7	21.24	66
3	100 (3- 0.5)/7 = 250/7	35.71	57
4	100 (4- 0.5)/7 = 350/7	50	50
5	100 (5- 0.5)/7 = 450/7	64.29	43
6	100 (6- 0.5)/7 = 550/7	78.57	34
7	100 (7- 0.5)/7 = 650/7	92.86	21

Source: Primary Data.

Table 4.12 shows that the computed value and table value for the factors motivate for becoming customers of the bank. The calculated value is ranged between 7.14 and 92.86 and the table values are between 21 and 79.

4.13.1 Factors Motivate for Becoming Customers of the Bank - Garret Scores

People are becoming customers of the bank due to various reasons. This study is in connection with the customers who availed loans from the bank. Though th ey are borrowers, they have various reasons for becoming customers of the bank. Table 4.13 portraits the factors motivate for becoming customers of the bank.

TABLE 4.13
Factors Motivate for Becoming Customers of the Bank -Garret Scores

Factor	*Rank*							*Garret Score*	*Garret Rank*
	1	*2*	*3*	*4*	*5*	*6*	*7*		
Convenience/ Nearest	10586	7656	3249	6900	2924	1564	1386	34265	1
Friendly approaches	5056	6336	6498	3350	3784	4080	1596	30700	5
Effective services	6873	5148	5244	6350	2881	3876	1260	31632	3
Easy loan facility	8295	6864	4788	2500	4128	3366	1827	31768	2
Less interest rate	4424	6600	6897	4450	3526	1224	2961	30082	6
Advertisement	7979	3366	6099	4000	5676	2040	1974	31134	4
No services charge	6162	5280	2850	3700	3956	5100	2121	29169	7

Source: Primary data

Table 4.13 portrays the garrets scores. The highest score is awarded to the factors "convenience/ nearest" is ranked as factor first, followed by the "easy loan facility". The least score is awarded to "no services charges".

Hence it is inferred that "convenience/nearest" is the major factor that motivate the customers of the bank because the customers of this area are giving the first priority to the convenience and proximity of the bank to their residence.

4.14 PURPOSE OF LOAN AVAILED

Every individual requires money to fulfil their needs and wants. In this regard the customers availed loans for some specific purpose and to execute their needs. As per the guidelines of the RBI, banks offer loans to the priority sector as well as non priority sectors. The priority sector includes agriculture development, start a small business, education loan, housing loan, SHGs credit and so on. Table 4.14 shows the purpose of loan availed.

TABLE 4.14
Purpose of Loan Availed

Sl.No.	*Purpose*	*No. of Respondents*	*Percentage to Total*
1.	Agricultural	75	12.00
2.	Start a small business	80	12.80
3.	SHGs/NGOs	300	48.00
4.	Education loan	90	14.40
5.	Housing	123	19.60
6.	Others	22	3.50
	Total	625	100.00

Source: Primary Data.

Table 4.14 explains that about 12.00 per cent of respondents received agricultural loan, 12.80 per cent of them utilized loan to start a new business enterprises, 48.0 per cent of them obtain SHGs loan from the banks, 14.40 per cent of them received education loan, 19.60 per cent of them received housing loan and very few of them got loan other related loans.

4.15 REASONS FOR LOAN AVAILED UNDER THE SCHEME

Every government takes initiative and introduces various social welfare schemes for the purpose of elevating the society. In the same way the RBI has introduced and merged 15 major segments under the priority sector in order to give loan to the rural poor to fulfil their requirements. Table 4.15 explains the reasons for loan availed under the schemes.

TABLE 4.15
Reasons for Loan Availed under the Scheme

Sl.No.	*Factor*	*1*	*2*	*3*	*4*	*5*	*Total*
1.	Low rate of interest	125	114	136	135	115	625
2.	Convenient instalment	147	134	125	96	123	625
3.	Subsidiaries availability	100	105	174	104	142	625
4.	Fulfil the requirements	92	165	91	143	134	625
5.	Improve the status	161	107	99	147	111	625
	Total	625	625	625	625	625	

Sources: Primary Data.

Table 4.15 explains the reasons for loan availed by the borrowersunder the schemes. The researcher has identified five factors and asked them to rank. Based on the ranks the respondents awarded in the interview schedule, the researcher has found out the responses placed in each rank. To identify which factors is the most vital one, the researcher has used garret ranking.

4.15.1 Reasons for Loan Availed under the Scheme – Garret Value

Table 4.16 explains reasons for loan availed under the scheme. Firstly the Garret ranks are calculated by using appropriate garret ranking formula. Then based on the garret ranks, the garret table value is ascertained.

TABLE 4.16
Reasons for Loan Availed - Garret Value

Sl. No.	*Calculation*	*Calculated Value*	*Garrets Table Value*
1	100 (1- 0.5)/5 = 50/5	10	75
2	100 (2- 0.5)/5 = 150/5	30	60
3	100 (3- 0.5)/5 = 250/5	50	50
4	100 (4- 0.5)/5 = 350/5	70	40
5	100 (5- 0.5)/5 = 450/5	90	24

Source: Primary Data.

Table 4.16 shows that the calculated value and Garret table value. The calculated value are ranged between 10 and 90 and Garret table value are registered between 24 and 75.

4.15.2 Reasons for Loan Availed under the Scheme

Customers avail the loans due to various reasons. The customers choose the banks based on their requirements. Similarly the banks choose the right customers before lending money Table 4.17 elucidates the Garret scores and the reasons which influence to avail the loans.

TABLE 4.17
Reasons for Loan Availed under the Scheme

Sl. No.	*Reasons*	*Rank*					*Garret Score*	*Garret Rank*
		1	*2*	*3*	*4*	*5*		
1.	Low rate of interest	9375	6840	6800	5400	2760	31175	3
2.	Convenient instalments	11025	8040	6250	3840	2952	32107	1
3.	Subsidies availability	7500	6300	8700	4160	3408	30068	5
4.	Fulfil the requirements	6900	9900	4550	5720	3216	30286	4
5.	Improve the status	12075	6420	4950	5880	2664	31989	2

Source: Primary Data.

Table 4.17 portrays the garret scores. The score is awarded by the respondents to the factor. "Convenient instalment" is ranked as first, followed by the "improved status". The least score is awarded to "subsidies availability".

Hence it is inferred that "convenience instalment" is the major reason of borrowers for availing loan.

4.16 TYPE OF LOAN OBTAINED FROM BANK

The banks offer various loans under the priority and non priority sector schemes. Under this scheme the beneficiaries are obtaining loan in various activities. The RBI list out major 15 activities under priority sector and the researcher grouped all 15 activities into two umbrellas such as agriculture and allied activities and other activities. It is shown in the Table 4.18.

TABLE 4.18
Type of Loan Obtained from Bank

Sl.No.	*Categories*	*No. of Respondents*	*Percentage to Total*
1.	Agriculture activities	234	37.40
2.	Other allied activities	391	62.60
	Total	625	100.00

Source: Primary Data.

As per the survey made, 62.60 per cent of the respondents obtained loan for agriculture and allied activities while 37.40 per cent of them are for other activities.

It is concluded that majority the respondents obtained loan for other allied activities rather than the agriculture activities such as, housing, educational expenses, SHGs loan and the like.

4.17 LOANS OBTAINED FOR AGRICULTURE AND ALLIED ACTIVITIES

Agriculture sector is the most predominant sector. In this regard farmers are approaching bankers for finance and most of the time, bankers hesitate to lend money to them due to improper repayment of loans. Banks prepare to lend loan to the manufacturing sector, based on their repaying capable, thereafter farmers productivity are decreasing. The RBI plans to protect the farmers by introducing the concept of priority sector. Hence banks lend money to all segments of the priority sector. Table 4.19 shows that the borrowers obtain loan from banks to agricultural and allied activities in Sivagangai District

TABLE 4 .19

Loans Obtained for Agriculture and Allied Activities

Sl.No.	*Status*	*No. of Respondents*	*Percentage to Total N = 625*
1.	Crop loan	223	35.68
2.	Agriculture equipments	304	48.64
3.	Digging well	212	33.92
4.	Purchasing of pumpsets	186	29.76
5.	Dairy farming	342	54.72
6.	Poultry farming	31	4.96
7.	Coir factory	12	1.92
8.	Buy tractors	113	18.08
9.	Aquaculture	12	1.92
10.	Pesticides and fertilizer	186	29.76

Source: Primary Data.

Out of 625 respondents, 304 respondents availed agricultural and allied loan, 35.68 per cent of them availed crop loan, 54.72 per cent of them availed dairy farming loan, 33.92 per cent of them used this loan for digging of well, 29.66 per cent of them used this loan for purchasing of pump sets, pesticides and fertilizers and least per cent of them used this loan for poultry farming, coir factory, aquaculture and so on.

4. 18 OBTAIN LOAN FOR OTHER ACTIVITIES

The priority sector comprises agriculture and allied activities and other activities. The other activities includes that the small scale industry, educational loan, housing loan and so on, The customers obtain loan for other activities rather than agriculture and allied activities from banks. Table 4.20 shows the number of borrowers borrowed loan for other activities.

TABLE 4.20
Obtain Loan for Other Activities

Sl.No.	*Status*	*No. of Respondents*	*Percentage to Total N = 625*
1.	SSI	34	5.44
2.	Retail trade	290	46.40
3.	Education loan	412	65.92
4.	SHGs	576	92.16
5.	Housing loan	110	17.60
6.	Jewel loan	469	75.04
7.	Mortgage loan	43	6.88
8.	Some other loans	117	18.72

Source: Primary Data.

Table 4.20 shows that a large majority of the respondents (92.16 per cent) of them availed loan for SHGs members, 75.4 per cent of them obtained jewel loan, 65.92 per cent of them availed housing loan, and 46.40 per cent of them availed retailed trade loan and small per cent for SSI, housing loan mortgage and the like.

4.19 EDUCATIONAL QUALIFICATION AND VARIOUS LOAN SCHEMES

The term awareness refers to the knowledge about the particular products and things. It is important one for the successful life of the business, without awareness nothing can be chosen in the world. Therefore the awareness is an important tool for identifying the best route of life. The borrowers can get awareness through educational qualification or through the experience. There are number of schemes and these schemes are influenced by educational qualification. In order to know their relationship the multiple regression has been used.

Multiple regression analysis is a non parametric tools and it involves one dependent variable and two more independent variables. The equation for a line of best fit is derived in such a way as to minimize the sums of the squared deviation from the line. Although there are multiple predictors, there is only one Y value called multiple R. The multiple R will range from zero to one. The null hypothesis is that there is no significant difference between the educational qualification and the various loan schemes.

TABLE 4 .21
Educational Qualification and Various Loan Schemes

1.	Dependent variable	Educational qualification
2.	Independent variables	Agriculture and allied activities (X1) Micro Credit (X2) Housing loan (X3) Self – employed persons (X4) SC/ST Weaker section (X5) Consumption loan (X6) Venture capital (X7)
3.	Method	Enter method
4.	Multiple R	0.417
5.	R square value	0.174
6.	Adjusted R square value	0.153
7.	F value	8.539
8.	P value	<0.001*

Table 4 .21 depicts that there are seven independent variables and one dependent variable rotated as multiple regression analysis. The educational qualification has been contributed towards awareness about the priority segments. The Multiple R value falls between zero to one.

The result shows that the multiple correlation coefficient R = 0.470 measures the degree of relationship between the actual values and the predicted values of the use of educational qualification towards awareness. The predicted values are obtained as the linear combination of Agriculture and allied activities X_1, Micro Credit X_2, Housing loan X_3, self employed persons X4, Sc/St weaker section X5, consumption loan X6, and Venture capital X7 the coefficient value of 0.174 indicates that the relationship between use of educational qualification and other independent variables are quite strong and positive.

The value of coefficient of determination R square = 0.174 indicates that five per cent of the variation in use of qualification is explained or accounted by the estimated sample regression equation that uses of aware about the schemes.

4.20 EDUCATIONAL QUALIFICATION AND VARIOUS LOAN SCHEMES – MULTIPLE REGRESSION VALUES

Table 4.22 explains the independent variables which influence the dependent variable of educational qualification towards the awareness about the priority sector advances.

TABLE 4.22
Education Qualifications and Various Loan Schemes

Variables	*Un-standardized Co efficient (ß)*	*Standard Error (ß)*	*Standardized Co- efficient (ß)*	*T Value*	*P Value*
(Constant)	0.296	0.424		0.699	0.485
X1	0.401	0.072	0.252	5.584	0.000**
X2	0.235	0.068	0.173	3.432	0.001**
X3	0.205	0.078	0.115	2.640	0.009**
X4	0.199	0.083	0.112	2.388	0.017**
X5	0.146	0.059	0.110	2.464	0.014**
X6	0.275	0.133	0.085	2.068	0.039**
X7	0.152	0.054	0.144	2.836	0.005**

Note: ** denotes @ 1% level of significant
Source: Primary Data.

Table 4. 22 elucidates that the 'Educational qualification are taken as the dependent variable and Priority sector segments like Agriculture and allied activities X 1, Micro Credit X2, Housing loan X3, self employed persons X4, Sc/St weaker section X5, Consumption loan X6 and Venture capital X7 are taken as independent variables.

From the ANOVA table, F value 8.539 is found to be significant at one per cent level. Hence the null hypothesis is rejected and the values that are estimated are not a mere theoretical construct.

The constant A = .296 means that the use of education qualification has an important role when using the estimated regression line equation for prediction.

The t value of independent variables shows that the effectiveness of qualification is statistically significant at one per cent level. The independent variables such as agriculture and allied activities, Micro Credit, Housing loan, self employed persons, Sc/St weaker section, consumption loan, and Venture capital have significant influence on use qualification. Hence the null hypothesis gets rejected at one per cent significance level.

4. 21 FACTORS MOTIVATE THE BORROWERS FOR GETTING LOAN

In the globalized era, the bankers have heavy competition. Among them, they motivate the customers in different ways such as effective services, friendly approaches, friends/ relatives, advertisement, offers and area banks to lend money. Table 4 .23 shows the factors motivate the borrowers for getting loan.

TABLE 4 .23
Factors Motivated the Borrowers for Getting Loan

Sl.No.	*Factor*	*1*	*2*	*3*	*4*	*5*	*6*	*Total*
1.	Effective services	101	96	88	114	99	127	625
2.	Friendly approaches	62	121	101	151	101	89	625
3.	Friends / Relatives	136	50	125	56	107	151	625
4.	Advertisement	82	121	108	105	74	135	625
5.	Offers	145	110	52	98	166	54	625
6.	Others	99	127	151	101	78	69	625
	Total	625	625	625	625	625	625	

Source: Primary Data .

Table 4.23 highlights the factors motivate the borrowers for getting loan. The researcher has identified six factors and asked them to rank. Based on the ranks the respondents awarded in the interview schedule, the researcher has found out the responses placed in each rank. To identify which factors is the most vital one, the researcher has used garret ranking.

4.21.1 Factors Motivated the Borrowers for Getting Loan

Table 4.25 shows the Garret scores. The garret ranks are calculated by using Garret ranking formula, based on the Garret value, the garret table value is ascertained.

TABLE 4 .24
Factors Motivated the Borrowers for Getting Loan – Garret Value

Sl. No.	*Calculation*	*Calculated Value*	*Garrets Table Value*
1	100 (1- 0.5)/6 = 50/6	8.34	77
2	100 (2- 0.5)/6 = 150/6	25	63
3	100 (3- 0.5)/6 = 250/6	41.67	55
4	100 (4- 0.5)/6 = 350/6	58.34	46
5	100 (5- 0.5)/6 = 450/6	75	37
6.	100 (6- 0.5)/6 = 550/6	91.67	23

Source: Primary Data.

Table 4.24 elucidates the factors motivate the borrowers for getting loan. The maximum computed value for Garret ranking is 91.67 and the minimum is 8.34. Similarly, the Garret table values are varied between 23 and 77.

4.22.2 Factors Motivated the Borrowers for Getting Loan

There are a number of factors that motivate the borrowers for borrowing loan. Some may directly influence them and others influenced indirectly. Table 4.25 shows the Garret Scores for ascertaining the factors motivate them for borrowing loan.

TABLE 4.25
Factors Motivated the Borrowers for Getting Loan

Factor	*1*	*2*	*3*	*4*	*5*	*6*	*Garret Score*	*Garret Rank*
Effective services	7777	6048	4840	5244	3663	2921	30493	6
Friendly approaches	4774	7623	5555	6946	3737	2047	30682	3
Friends / Relatives	10472	3150	6875	2576	3959	3473	30505	4
Advertisement	6314	7623	5940	4830	2738	3105	30550	5
Offers	11165	6930	2860	4508	6142	1242	32847	2
Area bank	7623	8001	8305	4646	2886	1587	33048	1

Source: Primary Data .

Table 4.25 portrays the Garrets scores. The highest score is awarded by the borrowers to the factors "Area banks" as factor first, followed by the "offers". The least score is awarded to "effective services".

Hence it is inferred that as per the regulations of banks, the population is divided into area wise. The area bank is the dominant factor that motivated the borrowers for getting loan from the bank.

4.22 AMOUNT OF LOAN RECEIVED

The respondents are availing the loan under the different heads. Bankers sanction the loans based on the repaying capability of borrowers. They consider their character, capacity and capital of the borrower. Table 4.26 elucidate the loan amount received by the borrowers

TABLE 4.26
Amount of Loan Received

Sl.No.	*Amount*	*No. of Respondents*	*Percentage to Total*
1.	Upto Rs.30000	87	13.90
2.	Rs.30000-60000	110	17.60
3.	Rs.60000-90000	185	29.60
4.	Rs.90000-120000	42	6.70
5.	Rs.120000-150000	99	15.80
6.	More than Rs.150000	102	16.30
	Total	625	100.00

Source: Primary Data.

Table 4.26 exhibits that 13.90 per cent of them got below Rs.30000 as loan, 17.60 per cent of them received loan of Rs.30000 to Rs.60000, 29.60 per cent of them got Rs.60000 to Rs.90000, 6.70 per cent of them got Rs.90000 to Rs.120000, 15.8 per cent of them received Rs.120000 to Rs.150000 and 16.30 per cent of them got more than Rs.150000.

Through the analysis it is inferred that all group of people are included in this study.

4. 23 RATE OF INTEREST IMPOSED ON LOAN

Interest is charged against the loans and advances. Generally, the rate of interest on loan in private financial agencies is higher than that of the nationalized commercial banks. All commercial banks have to abide the rules of the RBI. They should strictly adhere the principles of their own banks. The bankers charge interest based on the segment of priority schemes. Table 4.27 shows rate of interest imposed on loan.

TABLE 4.27
Rate of Interest Imposed on Loan

Sl.No.	*Percentage of Interest*	*No. of Respondents*	*Percentage to Total*
1.	1 per cent	205	32.80
2.	2 per cent	226	36.20
3.	3 per cent	194	31.00
	Total	625	100.00

Source: Primary Data.

Out of 625 respondents, 32.80 per cent of them are charged at one per cent of interest rate, 36.20 per cent of them are charged at two per cent interest and the rest of them are charged at three per cent interest.

It is concluded that most of the borrowers paid the interest upto two per cent; the bankers offer the subsidies under central subsidies schemes (CSS) to the borrowers.

4. 24 OPINION OF THE RESPONDENTS ABOUT THE INTEREST RATE

The RBI is determining the interest rate from time to time, based on the inflation rate. The RBI issues guidelines to the banks for imposing interest on loan to the borrowers. Table 4.28 elucidates the opinion of the respondents about interest rate.

TABLE 4.28
Opinion of the Respondents about the Interest Rate

Sl.No.	*Percentage of Interest*	*No. of Respondents*	*Percentage to Total*
1.	Reasonable	392	62.70
2.	Not Reasonable	233	37.30
	Total	625	100.00

Source: Primary Data.

Table 4.28 shows that out of 625 respondents, 62.70 per cent of the respondents viewed that interest on loans are reasonable and 37.30 per cent of them said that they charged interest rate is not reasonable.

It is concluded that the majority of the respondents (62.7%) opined that the interest rate is reasonable.

4 .25 TYPES OF LOAN SERVICES

The banks are rendering wonderful services to their customers and they design the loan schemes to meet the different financial needs of society. The banks aim to provide loan to fulfil the individual financial needs like purchase of consumer durables, vehicles or any other genuine credit requirements. The students obtain loan for pursuing higher education. The agriculturists, professionals, salaried class, executives, traders, pensioners, defence personnel, industrialists can meet their financial needs through various loan services. Table 4.29 elucidates the opinion of the borrowers about the various loan services.

TABLE 4.29
Types of Loan Services

Loan Services	*H.S.*	*S.*	*N.O.*	*D.S.*	*H.D.S.*	*Total*	*Average*	*Rank*
Information about loan	6	262	338	8	11	2119	3.39	**6**
Collateral security	15	70	536	3	1	1970	3.15	**8**
Rate of Interest	478	144	1	1	1	2972	4.75	**1**
Details of Instalment	275	98	100	112	40	2331	3.72	**5**
Subsidies	371	161	7	49	37	2655	4.24	**2**
Various offers	170	230	2	55	168	2054	3.28	**7**
Reminder for repayment	56	258	120	77	114	1940	3.10	**9**
Clear the Quires	326	203	4	7	85	2553	4.08	**4**
Services charge	202	227	102	38	56	2583	4.13	**3**

Source: Primary Data.

Table 4.29 explains that out of nine factors, the ‘rate of interest on loan’ got first rank with the weightage of 4.75. This may because of due to announcement made by the government to waive interest on the loan, followed by ‘loan subsidies’ being the second place with the weightage of 4.24. Finally the variable ‘collateral security’ got the least score of 3.15 so that it is in the last rank.

Through the analysis of intensity value methods, it is found that the borrowers expect the interest and subsidies from the government and the people are not willing to provide collateral securities against loans the provided by the bank.

4. 26 SANCTION THE LOANS ACCORDING TO THE BUDGET ESTIMATION

The banking regulation act issue guidelines to the bankers. Based on regulations, they offer various kinds of loan to their customers. The bankers sanctioned only 75 per cent of total amount of budget estimation to customers and remaining 25 per cent of the amount is met by the customers themselves. Table 4 .30 views the borrowers opinion.

TABLE 4.30
Sanction the Loans According to the Budget Estimation

Sl.No.	*Amount Sanctioned*	*No. of Respondents*	*Percentage to Total*
1.	Sanctioned	78	12.50
2.	Not sanctioned	547	87.50
	Total	625	100.00

Source: Primary Data.

As per the survey made, out of 625 respondents, 12.5 per cent of the respondents said that banks sanctioned the full amount as per the budget estimation, remaining 8 7.5 per cent of them said bankers not sanctioned according to the budget estimation.

It is concluded that large majority of the respondents had not received full amount as per the budget estimation. Few percentage of them get full amount, because they require less amount.

4. 27 LOAN AMOUNT RECEIVED

As per the banking rule, the bankers do not issue full amount which is sanctioned by them. They issue loans based on instalment. When the borrowers fulfil the bankers expectations after, they issue subsequent instalments. Table 4.31 explains the status of amount received by the borrowers.

TABLE 4.31
Loan Amount Received

Sl.No.	*Amount Received*	*No. of Respondents*	*Percentage to Total*
1.	Fully	171	27.40
2.	Partially	454	72.60
	Total	625	100.00

Source: Primary Data.

Table 4.31 portrays that only 27.40 per cent of respondents alone received full amount, whereas 72.60 per cent of them do not receive full amount.

It is inferred that according to the Banking Regulation Act 1934, the bankers provide the loan amount in the ratio of 75:25, that is 75 per cent of the amount was contributed by the banks and remaining are met by the borrowers.

4. 28 PURPOSE OF LOAN AMOUNT UTILIZED

On the basis of borrowers requisition, the bankers provide loan to the specific purpose like agriculture activities, housing loan, SHGs loan and the like. The borrowers are not using loan amount for the specific purpose. They utilize it for some other purposes. Table 4 .32 shows the purpose of loan amount utilized.

TABLE 4.32
Purpose of Loan Amount Utilized

Sl.No.	*Purpose*	*No. of Respondents*	*Percentage to Total*
1.	Same purpose	245	39.20
2.	Other purpose	380	60.80
	Total	625	100.00

Source: Primary Data.

Table 4.33 explains that 39.0 per cent of the respondents have used the loan for the same purpose and the rest of them used it for some other purposes.

Through the analysis, it is found that most of the borrowers do not avail the loan which is mentioned in the loan agreement.

4.29 MODE OF DIVERSION OF LOAN

The banks offer various segments of loan amount to their customers. They have to use the loan for which they receive. But some of the customers diversify the loan amount. The bankers also do not consider this fact that they are very particular about the repayment of the loan. Table 4.33 depicts the mode of diversion of loan.

TABLE 4.33
Mode of Diversion of Loan

Sl.No.	*Purpose*	*No. of Respondents*	*Percentage to Total N = 380*
1.	Family consumption	170	44.74
2.	Purchase of households	162	42.63
3.	Marriage/Festivals	110	28.95
4.	Medical treatment	60	15.79
5.	Other purposes	42	11.05
	Total	625	100.00

Source: Primary Data.

Out of 625 respondents, 380 of them have diversified the loan amount. About 44.74 per cent of the respondents use if for family consumption, 42.63 per cent of them utilize it for the purchase of households, 28.95 per cent of them utilize it for marriage and festivals purpose, 15.79 per cent of them use it for medical treatment and remaining 11.05 per cent of them utilize for other purpose.

It is inferred that the most of the respondents use the loan for family consumption and purchase of household purposes.

4 .30 REPAYMENT STATUS OF THE LOAN

For the successful banking practices customers should co -operate with the banks. They should repay the loan properly. They should feel that it is their money. If they repay and others will also be benefited. Table 4.34 shows the repayment status of the loan.

TABLE 4.34
Repayment Status of the Loan

Sl.No.	*Regularity*	*No. of Respondents*	*Percentage to Total*
1.	Regularly	276	44.20
2.	Do not repay regularly	349	55.80
	Total	625	100.00

Source: Primary Data.

About 44.20 per cent of the respondents repay the loan amount regularly and the remaining 55.80 per cent of them do not repay regularly.

Through the analysis it is inferred that majority of the respondents do not repay the loan amount regularly because they expect from the government for waiving of loan amount or interest or both.

4.31 DURATION OF PAYING INTEREST

Interest is the lifeblood of the banking business. For each and every loan the interest is being charged. The rate of interest is differed from loan to loan. The duration for paying interest is also differed from loan to loan. Interest is the main revenue for the banks. Table 4.35 takes to illustrate the interest paying duration.

TABLE 4.35
Duration of Paying Interest

Sl.No.	*Status*	*No. of Respondents*	*Percentage to Total*
1.	Upto 1 year	459	73.40
2.	1 to 3 years	96	15.40
3.	3 to 5 years	54	8.60
4.	Exceeding 5 years	16	2.60
	Total	625	100.00

Source: Primary Data.

It could be seen from the Table 4.35 that 73.40 per cent of the respondents are taking time to pay the interest rate upto one year, 15.40 per cent of them are paying interest between 1 and 3 years, 8.60 per cent said that they paid the interest between 3 years and 5 years and only 2.60 per cent of them are paying interest even beyond 5 years.

Through the analysis it is limelight that majority (73.40%) of the respondents are paying interest amount upto one year. It shows that they receive loan for short duration.

4. 32 SATISFACTION OF SERVICES OF THE BANKS

In any business customer retention is an imperative one. It only determines the success of the business. In the banking industry also, customer retention is an important one. Because, in banking industry, there is stiff competition between private and public sector banks. Hence, each sector offering their own schemes and services for retaining their customers. Table 4.36 explicates the satisfaction of the respondents towards the banking services.

TABLE 4.36
Satisfaction of Services of the Banks

Sl.No.	*Status*	*No. of Respondents*	*Percentage to Total*
1.	Satisfied	415	66.40
2.	Dissatisfied	210	33.60
	Total	625	100.00

Source: Primary Data.

Table 4.36 indicates that 66.40 per cent of the respondents are satisfied with the services provided by the commercial banks and 33.60 per cent of them are not satisfied.

It is understood from the table that majority of respondents are satisfied with services offered by the banks.

4.33 CUSTOMERS OPINION TOWARDS SERVICES OF THE BANKS

The banking industry is a service oriented unit. It provides all kind of services to the customers, which gives satisfaction to them.

There are eleven measures identified by the researcher and asks the respondents to tick their opinion in the respective column. The researcher has used a multi variant technique by name factor analysis in order to classify the related variables. In this study, the principal component factor analysis method with varimax rotation is used to identify the significance of different variables of the opinion of the borrowers towards the availability of service in the banks. The results are shown in Table 4.37.

4.33.1 Customers Opinion towards Services of the Banks – Factor Analysis

The factor analysis is used to group the factors based on its relevant similarities. In order to access the borrowers opinion towards the services of the banks, the researcher has applied principal component analysis method to group the facto rs. Principal component method of data reduction, in this method, the proportion of variance of a particular item that is due to common factor is communality.

4.33.2 Kaiser – Meyer – Olkin (Kmo) and Bartlett's Test

There are eleven benefits identified by the researcher and are given in Table 4.37. The customer satisfaction have its own impacts. These are correlated with one another. In order to group the related variables, the researcher has decided to use factor analysis. Moreover for grouping the variables, the normality has to be ascertained. Hence for ascertaining the normality, the KMO test has been used.

The Kaiser – Meyer – Olkin (KMO) measures of sampling adequacy is an index used to examine the appropriateness of factor analysis. The value between 0.5 and 1.0 indicates that the factor analysis is appropriate. The values between 0.5 imply that factor analysis may not be appropriate. If the KMO values lie between 0.70 to 0.80 then it is meritorious for factoring

Bartlett's sphericity is a test statistic used to examine the shape of a normal distribution and also to verify the smoothness of the curve. Table 4.37 portraits two tests they are Kaiser – Meyer – Olkin measures of sampling adequacy and Bartlett's test of sphericity. It gives the statistic of KMO Bartlett's sampling adequacy and chi-square analysis of association, degrees of freedom and probability.

TABLE 4.37
Opinion towards the Services of the Banks - KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.754
Bartlett's Test of Sphericity	Approx. Chi-Square	1.630E3
	df	66
	Sig.	.000

Table 4.37 shows that the KMO is 0.754 which indicates that the degrees of common variance among the variables is quite high, therefore factor analysis can be conducted.

TABLE 4.38
Customers Opinion towards the Services Offered by the Bank

Rotated Component Matrix					
Factors	*Particulars*	*Component*			
		Factors	*Eigen Values*	*% of Variance*	*Cumulative %*
I	Rate of interest on loan	**.793**	1.293	9.664	51.724
	Time for loan selection is reasonable	**.593**			
	Convenience/ nearest	**.583**			
II	Charges levied by banks for services	.580	1.340	8.930	59.078
	Customers are treat the politely by bankers	**.545**			
	Bank remains customers oriented	**.525**			
	New services offered by banks	**.512**			
III	Working hours is suitable	**.491**	1.168	7.787	72.865
	There is accessibility to the bank	**.391**			
	Customers meet improving quality of services	**.303**			
	Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Source: Primary Data.

Table 4.38 elucidates that the matrix of common factor analysis, the number factor extracted from the respondents is three. In each factor of the ratio are grouped and closely related groups are identified. The last column in the table shows cumulative percentage. The following are the related variables were identified and given common name to each groups.

Factor I

The variables like rate of interest on loan, (.793), Time for sanctioning the loan (.593), Convenience/ nearest (.583) has the highest significant positive loading and the factor one is characterized as "good quality of services".

Factor II

The second factor includes that the variables namely Charges levied by banks for different services (.580), employees of the bank treat the customers politely (.545), bankers are remain customer oriented (.525), banks offered new services (.512) which have been analyzed, has the highest significant positive loading and the factor two characterized as "Effective services".

Factor III

The third factor consists of the variables like working hours is suitable (.491), there is accessibility to the bank (.391) customers meet improving quality of banks (.303) has the highest significant positive loading. Factor three is characterized as "Improvement of Banking Services".

It is concluded that there were eleven factors identified by the researcher for collecting opinion about the measurement of borrowers' attitude towards service of the banks. Each factors is correlated with a common factors, through the factor analysis all these factors of borrowers are brought under three heads namely, good quality of services, effective services, and improvement of banking services.

4.34 DIFFICULTIES FACED BY THE BORROWERS

According to the RBI policy the banks have to adhere and follow the rules and regulations. The same formalities is reflected in the banking activities such as availing and repaying loan, rate of interest and the like. It also influences the customers in many ways. The customers are not able to accept formal banking services from bank. The customers not able to submit all required documents without fail. Hence they move and approach the money lenders, pawn brokers and other private players. Table 4.39 states the difficulties faced by the borrowers.

TABLE 4.39
Difficulties Faced by the Borrowers

Sl.No.	*Difficulty*	*No. of Respondents*	*Percentage to Total*
1.	Difficult	448	71.68
2.	Not difficult	177	28.32
	Total	625	100.00

Source: Primary Data.

Out of 625 respondents, 448 of the respondents said that they have met difficulties while getting loan, only 28.32 per cent of them expressed that they do not face difficulty for getting loan from banks.

Through this analysis, it is inferred that majority (71.68%) of the respondents have faced the problems while getting loan amount.

4. 35 NATURE OF DIFFICULTIES

The borrowers face many problems while getting loans from the bankers. Such problems may arise either from employees or through legal formalities or through others. Table 4.40 elucidates the problems faced by customers while getting loans from banks.

TABLE 4 .40
Nature of Difficulties

Sl.No.	*Nature of Difficulties*	*No. of Respondents*	*Percentage to Total N = 448*
1.	Partiality	80	17.86
2.	Legal formalities	234	52.23
3.	Delay due to technological problem	361	80.58
4.	Delaying attitude of authority	92	20.53
5.	Problem to produce documents	201	44.87

Source: Primary Data.

Out of 625 respondents, 361 respondents opined that they are facing the problems due to the technological delay, through the legal formalities 234 customers face the problems, 201 respondents pushing into the trouble by way of producing some essential documents, 92 face the problems in connection with the delaying attitude of the banking officials and 80 respondents revealed that partially is their problem.

4.36 OPINION OF BORROWERS TOWARDS PRIORITY SECTOR ADVANCES - SEM MODEL

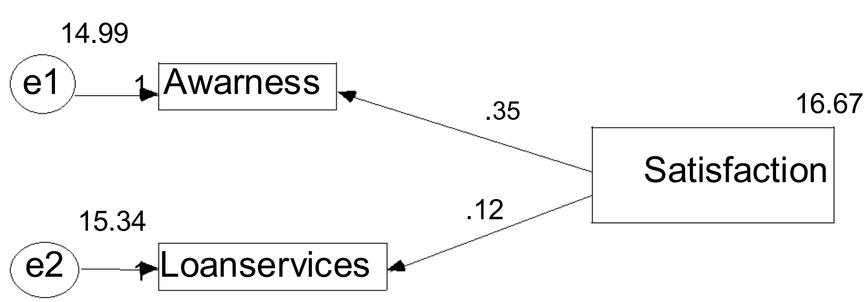
For assessing overall opinion of the borrowers, the researcher has chosen three criteria namely awareness, loan services and satisfaction. Banks have more loans which are not known to the borrowers, if they know the services, many may borrow loans and in turn the banks get more revenue in the form of interest on loan. Ultimately the borrowers are satisfied by the banks. In order to test the borrowers opinion, the SEM model has been used.

The first measure of model fit is the Goodness- of- Fit Index (GFI). The GFI measures the relative amount of variance and covariance in the Sample covariance matrix that is jointly explained by the population covariance matrix. The GFI values range from 0 – 1, with values close to 1 being indicative of good fit.

A second type of Goodness-of-Fit index used in the analysis can be classified as incremental indexes of fit are based on a comparison of the hypothesized model against some standard. Comparative Fit Analysis (CFA) is useful in that it takes sample size into account. The CFI values range from 0 to 1, whereas .90 percentages was considered a good fit for GFI, a revised cut off of .95 has recently been advised for CFI.

The final set of fit statistics used in the analysis focuses on the Root Mean Square of Error Approximation (RMSEA). This fit statistics has only recently been recognized as one of the most informative criteria for use in covariance structure modelling. The RMSEA takes into account the error of approximation in the population with unknown but optimally chosen parameter values, fit the population covariance matrix if it was available. This discrepancy, as measured by the RMSEA, is expressed per degree of freedom, thus making the index sensitive to the number of estimated parameters in the model values less than .05 indicate good fit, values between .08 and .1 indicate mediocre fit, and those greater than .1 indicate poor fit. It is also possible to use confidence intervals to assess the precision of RMSEA estimates; AMOS (the statistical program that is used to run the SEMs) reports a 90 per cent interval around the RMSEA value.

Figure 4.1
Opinion of Borrowers towards Priority Sector Advances - SEM



Source: Primary Data.

TABLE 4.41
Opinion of Borrowers towards Priority Sector Advances - SEM

Variables	*Values*	*Significance*	*Result*
Chi square	3.657		The model is highly fit to the analysis for this study.
P – Value	0.161	>0.05 is model fit	
GFI	0.996	> 90% model shows the goodness of analysis	
AGFI	0.989		
CFA	0.983		
RMR	0.604	Error may be <0.10 is > 10 %	
RMSEA	0.036		

Source: Primary Data.

From the above model, priority sector advances by the commercial banks, Borrowers expectation, Bankers expectation and Satisfaction are constructed as variables for the Structural Equation Model (SEM). The Chi-square value 3.657 is not significant at 5 per cent level, which shows that the model which is constructed fit; normally if the model has to be fit the P value should be greater 5 per cent level. The Goodness of Fit Index (GFI) 0.996 per cent indicates that the model is good for analysis.

The Confirmatory Factor Analysis (CFA) 0.983 indicates that the model is highly fit and shows goodness.

The Root Mean Square of Residual (RMR) 0.604 shows that error value is smaller which less than 10 per cent and Root Mean Square Error of Approximation (RMSEA) 0.036 indicates that it lies between the confidence interval of less than 0.06 to 0.08. Hence the analysis shows that the Expectations of bankers as well as borrowers and Satisfaction level variables have significant influence on priority sector advances.

4. 37 SUMMARY

This study has brought to light some specific problems which are general in nature, faced by the borrowers in Sivagangai District. An important problem of the borrowers is that they do not get the proper and required loan from the financial institutions. Often they are untimely and inadequate, since the borrowers are not able to meet their agricultural expenses; they depend very much on the money lenders, who charge exorbitant rate of interest. Moreover borrowers have to wait for month and months to get the necessary credit. The borrowers are also unaware of the facilities offered by the government and banks. The banks render various services to their customers. They work for the upliftment of living standards of poor people.

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CHAPTER V

OPINION OF BANKERS TOWARDS THE PRIORITY SECTOR ADVANCES

5.1 Introduction

5.2 Sex of the Respondents

5.3 Age of the Respondents

5.4 Grade of the Respondents

5.5 Educational Qualification of Respondents

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5 .1 NTRODUCTION

Agriculture occupies a dominant position in the Indian economy. In India, 70 per cent of the working population is engaged in agriculture and allied activities, which contributing nearly 40 per cent to the total income of our country. In the earlier days, money lenders played a major role in rural areas in the lending process. People suffered a lot due to money lenders' cruel practice of lending. The government has realised the importance of systematic banking in India. The central bank was constituted followed by nationalization of private sector banks after independence. Because of these efforts the nation started to grow in all segments. The rural population is not an exception to this. They are gifted with these banks to take care of their monetary needs and also escaped from higher interest rates of money lenders.

Banking is service oriented industry which constitutes a hybrid type of offering that consists of both tangible and intangible products and services. It requires a high level of professionals to create innovation in this field. Customer services are the hall mark of this industry. It is the services to the people and rendered by the bank. Being a service – oriented industry, it is the primary duty of the banks to create, maintain and satisfy the customer by providing the needed services. Therefore the banking institution should be made more responsive to the needs of the public. In the current context, customer satisfaction has become much more important. Moreover the banks are in the process of enhancing their level of customer services.

This chapter covers the bankers, opinion towards priority sector advances which include sex, age, qualification, and experience of the respondents, various loans and advances offered, various documents to be submitted for the borrowing loans and so on.

5.2 SEX OF THE RESPONDENTS

Normally human beings are classified based on gender namely male and female. Initially males alone were employed in banks rather than females, but later on due to the necessity and the willingness of the women, they are also employed in banks. Table 5.1 gives the gender of the staff members.

TABLE 5.1
Sex of the Respondents

Sl.No.	*Sex*	*No. of Respondents*	*Percentage to Total*
1.	Male	78	62.40
2.	Female	47	37.60
	Total	125	100.00

Source: Primary Data.

According to Table 5.1 majority of the respondents (62. 40%) are males and only 37.60 per cent of them are female respondents

It is inferred that even in the current situation the females are minority in numbers.

5.3 AGE OF THE RESPONDENTS

Age is an important factor for taking decision as well. Age gives knowledge and experience to the people, which help persons to take strong and concrete decision. Age provides practical wisdom for facing any problems. The employees of banks are in different ages. The age group of the sample staff members are categorized into five groups namely, 18 to 25 years, 25 to 35 years, 35 to 45 years, 45 to 55 and above 55 years.

TABLE 5.2
Age of the Respondents

Sl.No.	*Age*	*No. of Respondents*	*Percentage to Total*
1.	18- 25 years	23	18.40
2.	25-35 years	33	26.40
3.	35- 45 years	52	41.60
4.	45- 55 years	7	5.60
5.	Above 55 years	10	8.00
	Total	125	100.00

Source: Primary Data.

About the 18.40 per cent of the respondents belong to the age group of 18- 25 years, 26.40 per cent of them in the age of 25 – 35 years, 41. 60 per cent of them are in the age of 35 – 45 years and the rest are meagre in percentage.

As per the analysis, it could be seen that majority of the respondents are below 45 years of age.

5.4 GRADE OF THE RESPONDENTS

In the earlier days banks have recruitment board separately for the nationalized banks and the SBI and its groups such as Banking Services Recruitment Board and SBI Recruitment Board. The private banks fill their vacancies by conducting their own style of recruitment but at present the banks conduct common test namely Indian bankers association (IBA) entrance exam. Thereafter the banks select the personal based on the scores in IBA entrance exam and oral interview for all clerical, officers and managers. The bank provides training to the selected persons before placing them. Table 5.3 indicates the cadres of the sample respondents.

TABLE 5.3
Grade of the Respondents

Sl.No.	*Grade*	*No. of Respondents*	*Percentage to Total*
1.	Clerical cadre	14	11.20
2.	Officer cadre	51	40.80
3.	Managers cadre	60	48.00
	Total	125	100.00

Source: Primary Data.

It could be seen from Table 5.3 that about 11.20 per cent of the respondents belong to clerical cadre, 40.80 per cent of them in officer cadre and the remaining (48.00%) are in managers cadre.

It is decided by the researcher that the data are to be collected only from the officers or managers of the bank, but some of the banks the managers ask the researcher to collect data from the clerks, anyhow data are collected majority from the officers and managers.

5.5 EDUCATIONAL QUALIFICATION OF RESPONDENTS

Educational qualification is one of the important criteria to get job. Initially, matric education is sufficient to become a clerk in banks but at present they must have degree and also they should cleared common entrance examination conducted by the IBA. Table 5.4 explains the educational qualification of the respondents.

TABLE 5.4
Qualification of Respondents

Sl.No.	*Qualification*	*No. of Respondents*	*Percentage to Total*
1.	Degree	64	51.20
2.	Post Graduate	26	20.80
3.	Technical	14	11.20
4.	Others	21	16.80
	Total	125	100.00

Source: Primary Data.

Out of the 125 respondents 51.20 per cent of the respondents are graduates, 20.8 per cent of them have completed post graduate, only 11.20 per cent of them are having technical qualification, and 16. 80 per cent of them having other qualification.

It is inferred that majority of the respondents are graduates and post graduates.

5.6 SECTOR-WISE WORKING STATUS OF THE RESPONDENTS

The Indian banking systems were structured like commercial banks, Regional Rural banks, Cooperatives Banks and Foreign Banks. In this modern banking system they are offering plenty of services to their customers and attract new customers as well as retain the existing customers. The commercial banks include private sector banks as well as public sector banks. Table 5.5 shows the working status of the respondents

TABLE 5.5
Sector-wise Working Status of the Respondents

Sl.No.	*Worked in*	*No. of Respondents*	*Percentage to Total*
1.	Public sector bank	69	55.20
2.	Private sector bank	56	44.80
	Total	625	100.00

Source: Primary Data.

Table 5.5 elucidates that 55.20 per cent of the respondents are working in the public sector banks and the remaining are working in the private sector banks.

It is concluded that majority of the respondents belong the public sector banks rather than private sector banks.

5.7 WORKING EXPERIENCE OF THE RESPONDENTS

Experience gives more knowledge in the particular field. Through the knowledge they can make a good policy and decision. The experienced staff members only support the new policies and banking reforms. Hence the experience a is major determination for bringing new policy and regulation in banking sector. Table 5 .6 shows the number of year of services in the present cadre. The experience is divided into four groups namely, below 10 years, 10 to 15 years, 15 to 20 years and more than 20 years.

TABLE 5.6
Working Experience of the Respondents

Sl.No.	*Experience*	*No. of Respondents*	*Percentage to Total*
1.	Below 10 years	13	10.40
2.	10 - 15 years	46	36.80
3.	15- 20 years	44	35.20
4.	More than 20 years	22	17.60
	Total	625	100.00

Source: Primary Data.

About 10.40 per cent of the respondents have experience of below 10 years, 36.8 per cent of them have 10 – 15 years, 35.20 per cent of them are having 15 – 20 years, and 17.60 per cent of them are having more than 20 years.

According to the analysis it inferred that majority of them are having the work experience between 10 – 15 years and 15 – 20 years.

5.8 MODERN FACILITIES AVAILABLE IN THE BRANCHES

The current banking systems have been doing wonderful services to their customers. The banks are taking effort to give quality and modern services to the customers. The innovative services are new services which have been introduced as a result of liberalization, privatization and globalization. The customers of the banks recognize the new services and utilize them properly and promptly. But some banks are not having such kind of modern facilities. There are five modern and innovative services identified by the researcher and asked the respondents to express their opinion. It is shows in Table 5 .7.

TABLE 5.7
Modern Facilities Available in the Branches of the Bank

Sl.No.	*Facilities*	*No. of Respondents*	*Percentage to Total =125*
1.	Core banking	20	16.00
2.	Net banking	60	48.00
3.	Mobile banking	10	8.00
4.	Plastic card	25	20.00
5.	Smart card	40	32.00
6.	All the above	89	71.20

Source: Primary Data.

It could be seen from Table 5.7 that majority of the banks (71.2%) have been modernized in this district. Remaining very few branches do not have some of modern facilities due to the banks located in the interior rural village.

5.9 TYPES OF LOAN OFFERED BY THE BANKS

The banks invite deposits and lend money to the customers. The bulk of its income is derived from loans and advances, because the bank has been established for both rendering services and earning profit. It offers various credit schemes to the public. But all the credit schemes are not utilized by the public due to the unaware of the schemes and at the same time bankers do not take proper effort to create awareness among the public and they are also not willing to offer loan to some sectors due to improper repayment. In this regard the RBI takes initiative to introduced priority sector schemes. The priority sector comprises 14 major sectors like agriculture, small scale industry, housing loan, education loan and so on, of which six major schemes alone are taken into account. Each scheme has its own significance. The researcher has used Garret Ranking in order to identify their preferences over the utilisation of loan.

TABLE 5.8
Loan Offered by the Banks

Sl.No.	*Kinds of Loan*	*1*	*2*	*3*	*4*	*5*	*6*	*Total*
1.	Agricultural	29	09	18	22	34	13	125
2.	Small scale industry	11	13	16	21	42	22	125
3.	Small business	21	20	32	11	21	20	125
4.	Micro credit	18	21	20	26	9	31	125
5.	Education loan	15	37	19	24	9	21	125
6.	Housing loan	31	25	20	21	10	18	125
	Total	125	125	125	125	125	125	

Source: Primary Data .

Table 5.8 shows that the bankers opinion towards various types of loans and advances offered by the banks. The researcher has identified six kinds of loan under priority sector and asked the respondents to rank them. Based on the ranks awarded , the researcher has calculated the number of respondents placed in each rank. Moreover, to identify which is the most vital preference of the banker, the researcher has used Garret's ranking

5.10 LOAN OFFERED BY THE BANKS - GARRET SCORES

Table 5.8 shows the Garret scores. The Garret scores are calculated by using Garret ranking formula. Based on the garret ranks, the garret table value is ascertained.

Percent position = 100 (Rij- 0.5)/Nj

Rij- Rank given for 1st item by jth sample respondents

Nj – Total rank given by the jth sample respondents

TABLE 5.9
Loan Offered by the Banks – Garret Ranking

Sl. No	*Calculation*	*Calculated Value*	*Garrets Table Value*
1	100 (1- 0.5)/6 = 50/6	8.34	77
2	100 (2- 0.5)/6 = 150/6	25	63
3	100 (3- 0.5)/6 = 250/6	41.67	55
4	100 (4- 0.5)/6 = 350/6	58.34	46
5	100 (5- 0.5)/6 = 450/6	75	37
6	100 (6- 0.5)/6 = 550/6	91.67	23

Source: Primary Data.

Table 5.9 explicates the Garret scores for the loan offered by the banks. The calculated value registered between 8.34 and 91.67. The table value ranges between 23 and 77.

5.10.1 Types of Loan Offered by the Banks – Garret Rank

The commercial banks offer loans to fulfil the requirements of the customers. The bank manager uses various criteria to assess the repaying capacity of the borrowers before lending money. Table 5.10 explains the preference of the banker for lending money. Table 5.10 explains the types of loan offered by the banks.

TABLE 5.10
Types of Loan Offered by the Banks – Garret Rank

Types of Loan	*1*	*2*	*3*	*4*	*5*	*6*	*Garret Score*	*Garret Rank*
Agricultural	2233	567	990	1012	1258	299	6359	3
Small scale industry	847	819	880	966	1554	506	5572	6
Small business	1617	1260	1760	506	777	460	6380	4
Micro credit	1386	1323	1100	1196	333	713	6051	5
Education loan	1155	2331	1045	1104	333	483	6451	2
Housing loan	2387	1925	1100	966	370	414	7162	1

Source: Primary Data.

Table 5.10 portrays that the highest score is awarded to "Housing loan" is ranked the first, followed by the "Education and Agricultural loan". The least score is awarded to "Small Scale Industry".

Hence it is inferred that "Housing loan" is the maximum loan which is offered by the banks in this study area. This district is agriculturally and industrially backward, very limited customers had obtained loan for farming activities. But the customers are willing to receive loans from the bank to buy new land and build new houses. Because house is one the basic needs for the human beings.

5.11 WAYS TO APPROACH THE BANKS

The borrowers approach the bankers in different ways like directly, based on the advertisement, through the bank employees and the like for getting the loans and services from banks. Table 5.11 elucidates ways to approach the banks.

TABLE 5.11
Ways to Approach the Banks

Sl.No.	*Ways of Approaches*	*No. of Respondents*	*Percentage to Total N = 125*
1.	Directly meet the bankers	83	66.40
2.	Based on Advertisement	40	32.00
3.	Through bank employees	50	40.00
4.	Through friends	70	56.00
5.	Through authorized agents	55	44.00

Source: Primary Data.

Table 5.11 elucidates that 66.40 per cent of the bankers opined that the borrowers approached directly, 32.00 per cent of them said that they approached based on the advertisement. 40.00 per cent of them stated that they approached the bank with the help of friends and relatives, 56.00 per cent of them approached with the help of bank employees and 55 per cent of them opined that they approached with the support of authorized agents like NGOs.

It is inferred that most of the respondents opined that the borrowers approached directly with banks for getting loans.

5. 12 DOCUMENTS REQUIRED FOR SANCTIONING LOAN

The Banking Regulation Act 1934 (BRA) prescribed rules and regulation to be followed by the banks while offering loans and advances. The banks should strictly adhere the rules and regulations, while offering the loans. The banks require the documents like budget estimation, security, and additional collateral security and so on other than application form. Table 5.12 shows the documents needed for sanctioning loan.

TABLE 5.12
Documents Required for Sanctioning Loan

Sl.No.	*Needed Documents*	*Definitely Need*	*Need*	*No Need*	*Total*
1.	Filed Application forms	125 (100)	--	--	125 (100.00)
2.	Acknowledgement card	23 (18.40)	16 (12.80)	86 (68.80)	125 (100.00)
3.	Budget Estimation	97 (77.60)	18 (14.40)	10 (8.00)	125 (100.00)
4.	Certificate from VAO	17 (13.60)	29 (23.20)	79 (63.20)	125 (100.00)
5.	Security	69 (55.20)	33 (2.40)	23 (18.40)	125 (100.00)
6.	Additional Collateral security	36 (28.80)	65 (52.00)	24 (19.20)	125 (100.00)
7.	Additional certificate	38 (30.40)	72 (57.60)	15 (12.00)	125 (100.00)
8.	Guarantors	60 (48.00)	55 (44.00)	10 (8.00)	125 (100.00)
9.	Source of repayment	80 (64.00)	35 (28.00)	10 (8.0o)	125 (100.00)

Source: Primary data (Figures in brackets indicates percentage to total)

Table 5.12 elucidates the documents required for sanctioning loan. In this regard the researcher has categorised the required documents into three namely definitely needed, needed and no need.

5.12.1 Documents Required for Sanctioning Loan- Sign Test

Bankers require documents for sanctioning loans. They ask documents based on the amount of loans, types of loan, duration of loans and so on. The researcher has used three point scales to collect opinion about the documents required. The responses of the bankers vary significantly, in order to know it, the sign test has been used. It is one of the non-parametric tools for analysing the data. This can be used either for nominal or ordinal data.

It requires less restrictive assumptions concerning the level of data measurement. To understand the responses of respondents a '+' sign are recorded for the documents definitely required for sanctioning loan and '-'is recorded for the documents required for sanctioning loan. Using this procedure the responses of all sample respondents are recorded in terms of '+' or '-'signs. The response of no opinion is ignored while applying the sign test.

The following formula is used to test the level of significance[2].

$$Z = \frac{\text{Number of '+' signs} - \mu}{\partial}$$

$$= 0.\ 50n$$

$$= \sqrt{0.25n}$$

There are nine documents mentioned in Table 5.12 and these documents have its own importance. Some documents are definitely needed while granting loan. In order to ascertain whether there is any significant difference in the response of the respondents for each documents framed for this study, the sign test has been applied. The null hypothesis is that there is no significant difference among the responses of the respondents.

TABLE 5.13
Documents Required for Sanctioning Loan

Sl.No.	*Documents*	*No. of '+'*	*No. of '-'*	*N*	*Z*	*Result*
1	Filed Application forms	125	---	--	--	--
2	Acknowledgement card	23	16	39	1.1	Sig
3	Budget Estimation	97	18	115	7.5	Not Sig
4	Certificate from VAO	17	29	46	-1.8	Sig
5	Security	69	33	102	3.6	Not Sig
6	Additional Collateral security	36	65	101	-2.9	Sig
7	Additional certificate	38	72	110	-3.2	Sig
8	Guarantor	60	55	115	0.4	Sig
9	Source of repayment	80	35	115	4.2	Not Sig

Source: Primary Data.

As per the sign test, the calculated value should be between – 1. 96 to + 1.96. The researcher has given nine documents, out of which application form become compulsory for all kinds of activities and for the rest five responses are having significant relationship and three responses are not having significant relationship. Since theses three factors, the calculated value is not within the accepted region, so the null hypothesis is rejected and the rest of the five calculated value is within the accepted region, so the null hypothesis accepted.

5.13 CEILING FOR THE LOAN SANCTIONED

The RBI has fixed certain ceiling for the loans. The ceiling amounts vary based on the types of loan. As per the regulation, the fourteen major segments are identified and offered under the priority sector schemes. The priority sector segment consists of agricultural and allied activities, small scale industry, educational loan, housing loan, venture capital, SHGs loan and so on. Hence the weighted average has been used to know which sector gets the maximum significance and the weighted score has been assigned from one to five based on the weight of ceiling amount. Table 5.14 shows the ceiling of the loan sanctioned.

TABLE 5.14
Ceiling of the Loan Sanctioned

Segment of Priority Sector	*Rs.10000 to Rs.50000*	*Rs.50000 to Rs.1 Lakh*	*Rs.1 Lakh to 5 Lakhs*	*Rs.5 Lakhs to 10 Lakhs*	*More than 10 Lakhs*	*Total*	*Average*	*Rank*
Agriculture and allied	44	35	31	13	2	269	2.15	**10**
Small scale industry	10	27	46	33	9	379	3.03	**6**
Small Business	8	26	42	39	10	392	3.13	**3**
Micro Credit	2	23	38	60	2	412	3.29	**1**
Education loan	10	26	56	15	18	380	3.04	**5**
Housing Loan	11	18	49	21	26	408	3.24	**2**
Small Transport	11	53	39	17	5	327	2.61	**8**
Retail Trade	17	20	77	6	5	337	2.69	**7**
Self-Employed	6	76	34	7	2	268	2.14	**11**
SC/ST	90	25	10	0	0	170	1.36	**12**
Consumer Loan	94	31	0	0	0	156	1.24	**13**
Software Industry	0	0	4	8	0	44	0.35	**14**
Food and agro	40	35	31	11	8	287	2.29	**9**
Venture capital	13	6	4	0	0	37	0.29	**15**
Woman SHG	6	24	47	44	4	391	3.12	**4**

Source: Primary Data.

Table 5 .14 explains the ceiling of the loan sanctioned under priority sector. There are fifteen segments and the banks offered loan to all the segments with different ceiling amount. Based on that the "Micro credit" is being a predominant segment for getting highest amount of loan from bankers, followed by the "Housing loan" is getting second position. The least score is awarded to the "Venture capital".

It is concluded that the most of the banks offered loan to the selected segments only, because of minimizing the level of Non - Performing Assets (NPAs) in their branches.

5.14 LEVEL OF SUBSIDY OFFERED BY THE BANKS

The Government of India and the RBI gives certain percentage of subsidy to the loan account holders for the purpose of motivating the particular sector and reduce burden of repayment of the holders under the schemes of Central Subsidiary Schemes of loan (CSS). Table 5 .14 elucidates the level of subsidy offered by the banks

Based on the subsidies offered by the banks and which segments received high amount of subsidies under the priority schemes, the researcher has applied Friedman test. This is a non – parametric test. This test can be used to find out the mean ranking, as per the mean rank which one is in the top position under the fifteen segments of priority sector subsidiaries. The ranks were assigned based on the total scores by using SPSS packages.

The null hypothesis is that there is no significant difference among the responses of the respondents about the subsidies of various sachems.

TABLE 5.15
Level of Subsidiary Offered by the Banks

Friedman's Test			
	Mean Rank	*Chi-square*	*P Value*
Agriculture and allied activities	12.96	683.447	<0.001**
SSI	6.02		
SB/SE	4.15		
Micro Credit	7.94		
Education loan	7.41		
Housing loan	9.54		
Small transport	7.98		
Retail trader	6.36		
Self employed	7.93		
Sc/St	9.32		
Consumer loan	6.61		
Software industry	4.40		
Food industry	9.08		
Venture capital	6.46		
Women SHGs	10.82		

Note: ** denotes that the significance @ 1 percent level. Source: Primary Data.

Table 5.15, shows that P value is less than 0.01, the null hypothesis is rejected at one per cent level of significance. Hence it is concluded that there is significant difference between mean ranks towards the subsidies offered by the banks under this schemes. Based on the mean rank, it is found that agriculture and allied activities received better subsidy under the Central Subsidy Schemes, followed by the self help groups, housing loan is getting second and third ranks respectively.

5.15 KINDS OF SECURITIES AND THE SEGMENT OF PRIORITY SECTOR LENDING

Banking sector provides a lot of services to their customers. The bank services are steadily increasing to meet the growing needs of the community. To -day banks have become a part and partial of our life. The commercial banks lend money to the needers. They prefer to lend money to the industrialist to avoid non performing asset. The RBI forces all the banks to lend liberally to the priority sectors. They demand securities form the customers of priority sectors. The securities offered by the customers and the segments of priority sector have some relationships. In order to test, the multiple regressions have been used.

Multiple regression analysis is a parametric tool that involves one dependent variable and two more independent variables. The equation for a line of best fit is derived in such a way as to minimize the sums of the squared deviation from the line. Although there are multiple predictors, there is only one Y value is called multiple R. The multiple R will ranges from zero to one. There is no significant difference between the securities offered by the customers and the segments of priority sector. Table 5.16 explains the kinds of securities and the segments of priority sector lending.

TABLE 5.16

Kinds of Securities and the Segment of Priority Sector Lending - Multiple Regression

1	Dependent variable	Kinds of Securitises
2	Independent variables	Agriculture and allied activities (X1) Housing loan (X2) Self – employed persons (X3) Micro credit (X4)
3	Method	Enter method
4	Multiple R	0.512
5	R square value	0.294
6	Adjusted R square value	0.199
7	F value	3.094
8	P value	<0.001*

Source: Primary Data.

Table 516 elucidates that there are four independent variables and one dependent variable rotated in multiple regression analysis. The kinds of securities have been asked from customer towards sanctioning loan under priority sector.

The value of coefficient of determination R square = 0.294 indicates that 5 per cent of the variation in kinds of securities is explained or accounted by the estimated sample regression equation that uses of securities asked by banks under the scheme.

From the ANOVA table F value 3.094 is found to be significant at one per cent level. Hence the null hypothesis is rejected and the values that are estimated are not a mere theoretical construct.

5.16 KINDS OF SECURITIES AND THE SEGMENT OF PRIORITY SECTOR LENDING – MULTIPLE REGRESSION

Table 5.17 explains that the independent variables which are influenced the dependent variables of kinds of securities towards the sanctioning loan under the priority sector.

TABLE 5 .17
Kinds of Securities Asked by the Banks – Multiple Regression

Variables	*Un-standardized Co efficient (ß)*	*Standard Error (ß)*	*Standardized Co- efficient (ß)*	*T Value*	*P Value*
(Constant)	0.887	.950		.934	.352
X1	0.070	.028	-.227	2.504	0.014**
X2	0.151	.062	.269	2.436	0.017**
X3	0.385	.132	.276	2.911	0.004**
X4	0.142	.079	-.171	1.792	0.076**

Source: Primary Data. Note: ** denotes @ 1% level of significant

Table 5.17 elucidates that the ‘kinds of securities required were taken as the dependent variable and the fifteen priority sector segments are independent variables, among the fifteen the following segments are influencing in the dependent variable, like Agriculture and allied activities X1, Housing loan X2, self employed persons X3, micro credit X4, are taken as influencing variables.

The result shows that the multiple correlation coefficient R = 0.512 measures the degree of relationship between the actual values and the predicted values of the kinds of securities required for sanctioning loan. The predicted values are obtained as the linear combination of Agriculture and allied activities X1, Housing loan X2, self employed persons X3 and micro credit X4, the coefficient value of 0.887 indicates that the relationship between use of kinds of securities and other independent variables are quite strong and positive.

The constant A = .887 means that the kinds of securities has an important role when using the estimated regression line equation for prediction.

The t value of independent variables shows that the kinds of securities for sanctioning loan are statistically significant at one per cent level. The independent variables such as agriculture and allied activities, Housing loan , self employed persons, micro credit have significant influence on kinds of securities. Hence the null hypothesis is rejected at one per cent significance level.

5. 17 NUMBER OF BENEFICIARIES BENEFITED UNDER THE SCHEMES

The government of India takes initiative and introduce various development schemes to the upliftment of the people who are in the below poverty line. The implementation of new schemes is being evaluated through the number of beneficiaries benefited. In order to identify the number of beneficiaries benefited under the schemes and also which segments get the more number of beneficiaries, the Kendall's co- efficient of concordance test has been used.

This is a non–parametric test. This test can be used for measuring the ranking which is in the top position. It can be applied for when there are more than two ranking to be measured. The ranks are given to statement based on the total scores. Hence, the test has been applied to know the number of beneficiaries benefited under the schemes. The number of beneficiaries benefited under the priority sector can be measured by using SPSS packages.

There is no significant difference between the segments of priority sector and the number of beneficiaries benefited.

TABLE 5.18
Number of Beneficiaries Benefited under the Schemes

Kendall's W Test					
Factors	*Mean Rank*	*Chi-Square*	*Kendall's W*	*P value*	*Result*
Agriculture and allied activities	11.00	0.6460	0.370	<.001**	Sig
SSI	8.37				
SB/SE	4.90				
Micro Credit	8.63				
Education loan	8.24				
Housing loan	8.88				
Small transport	9.07				
Retail trader	9.36				
self employed	8.55				
Sc/St	3.70				
Consumer loan	8.80				
Software industry	4.77				
Food industry	7.72				
Venture capital	3.54				
Women SHGs	11.48				

Note: ** denotes that the significance @ 1 per cent level **Source:** Primary Data.

Table 5.18 elucidates the number of beneficiaries benefited under the schemes of services rendered by the commercial banks. Here Kendall's W test is used to measure the segment-wise numbers of beneficiaries benefited. Since P value is less than 0.01 the null hypothesis rejected at one per cent level of significance. Hence it is concluded that there is significance difference between each segment and beneficiaries benefited under priority sector. Based on the mean rank, the first and highest number of beneficiaries benefited is "women self help group" followed by the agriculture and allied activities got second rank among the priority sector loans. The least beneficiaries benefited is the "venture capital". Based on the mean rank women self help groups is more benefited under this schemes.

5.18 MODE OF RECOVERY OF LOAN

Recovery of loan is a major problem to the bankers. When the borrowers are failed to repay the loan amount properly, the banks will be taken action against the borrowers to recover the loan in various modes. There are different methods of recovering the loans such as proper intimation, through the bank employees, recovery camp and Jubthi. Table 5.19 shows the opinion of the bankers towards the mode of recovery of the loan.

TABLE 5.19
Mode of Recovery of Loan

Sl.No.	*Mode of Recovery*	*No. of Respondents*	*Percentage to Total N = 125*
1.	Proper intimation	80	64.80
2.	Through bank officers	72	57.60
3.	Recovery camp	76	60.80
4.	Jubthi	18	14.40

Source: Primary Data.

About 64.80 per cent of the respondents said that they recovered loan by sending proper intimation to the borrowers, 57.60 per cent of them viewed that they collected the loan amount through the bank officials, 60.80 per cent of them reported that it was collected through the recovery camp and 14.40 per cent of them opined that it was recovered through jubthi.

From this, it is inferred that the popular mode of recovery of loans are sending proper intimation, collected through bank officials and conducting recovery camp.

5.19 COMPLEXITIES FACED BY THE BANKERS

Problem is always involved with all activities; it may be differ from nature of business. In banking business, the bankers are facing various complexities for d ay to day transactions namely offering loan, recovery of loan, increasing subsidy and like. Table 5.20 lists the complexities faced by the bankers.

TABLE 5.20
Opinion of the Bankers towards the Complexities Faced

Sl. No.	*Complexities*	*Yes*	*No*	*No opinion*	*Total*
1.	Risk	9	82	34	125
2.	Recovery of loan	78	23	24	125
3.	Political influence	76	12	37	125
4.	Increase in subsidy	18	97	10	125
5.	Bad debts	27	59	39	125
6.	Non – performing Assets	20	86	19	125
7.	Illiteracy of the borrowers	40	75	10	125

Source: Primary Data.

Table 5.20 portraits that the banks face complexities while offering the loan amount, whether it is a public sector bank or private sector bank such complexities are, political interference, recovery of loan, increasing bad debts, increasing the level of nonperforming assets and so on. In order to find out the level of complexities faced by the bankers while lending, the researcher has constructed three point scale to measure the level of complexities (such as yes, no, no opinion). The responses are differed normally from respondents to respondents. In order to know the significance of the respondents the sign test has been applied. The null hypothesis is that there is no significant difference among the responses of the respondents about the complexities.

TABLE 5.21
Complexities Faced by the Bankers –Sign Test

Sl.No.	*Complexities*	*No. of '+'*	*No. of '-'*	*N*	*Z*	*Result*
1	Risk	9	82	91	-7.6	Not Sig
2	Recovery of loan	78	23	101	5.47	Not Sig
3	Political influence	76	12	88	6.82	Not Sig
4	Increasing subsidiary	18	97	115	-7.36	Not Sig
5	Bad debts	27	59	86	-3.45	Not Sig
6	Non – performing Assets	20	86	106	-6.42	Not Sig
7	Illiteracy of the borrowers	40	75	115	3.26	Not Sig

Source: Primary Data.

Table 5.21 elucidates that the responses of the respondents towards complexities faced while lending loan to the borrowers. The researcher has identified seven major complexities faced by the respondents and through sign test it is found that all kinds of complexities of responses are not having significant relationship. Hence all the bankers meet the problems while lending loan. Since the calculated value is not within the accepted region, so the null hypothesis is rejected.

Hence there is a complexity faced by the bankers while offering loan to the customers.

5.20 DIFFICULTY FOR LENDING LOAN

The bankers face various difficulties while lending money. The bankers have to give due care to access the characteristics of the borrowers. Table 5.22 elucidates the difficulties for lending loans.

TABLE 5.22
Difficulty for Lending Loan

Sl.No.	*Difficulty*	*No. of Respondents*	*Percentage to Total*
1.	Difficulty	92	73.60
2.	No difficulty	33	26.40
	Total	125	100.00

Source: Primary Data.

As per Table 5.22 that majority (73.60%) of the respondents said that they met out various problems while lending loan and the remaining 26.40 per cent of them did not meet any difficulties.

5.21 NATURE OF PROBLEM FACED BY THE BANKERS

The bankers face various problems while granting loans to the customers. Such problems arise either from bankers side or customers side. The bankers should adhere the norms of the RBI and the customers couldn’t fulfil the bankers expectations. The weighted average has been used to know which the prime and foremost problem of the bankers. The weightage has been assigned from 1 to 5, in which score 1 has assigned to strongly disagree, 2 for disagree, 3 for no opinion, 4 for agree and 5 for strongly agree. Table 5.23 explicates the nature of problem faced by the bankers.

TABLE 5.23
Nature of Problems

Particulars	*S.D.*	*D.A*	*N.O.*	*A*	*S.A.*	*Total*	*Average*	*Rank*
Legal formalities	7	24	36	200	220	487	**3.89**	1
Lack of borrowers awareness	16	30	30	180	195	451	3.60	3
Lack of securities	21	20	15	116	300	472	**3.77**	2
Incomplete application	9	30	12	208	135	394	3.15	5
Lack of needed documents	15	44	24	256	80	419	3.35	4
Fail to support the bankers	14	104	75	96	50	339	**2.71**	7
Unable to repay due to loss	40	38	45	88	145	356	2.84	6

Source: Primary Data.

Table 5.23 explains that there are various problems faced by the bankers while lending loans and the researcher has identified seven problems. Among which "Legal formalities" is being a dominant (Average 3.89) problem, followed by the "Lack of securities" (Average 3.77). The least score is awarded to "Fail to support the bankers" (Average 2.71). It is however inferred that majority of the bankers face the problem of legal formalities.

5.22 SUPERVISION OF THE BENEFICIARIES TOWARDS THE UTILIZATION OF LOANS

It is one of the prime duty of banks for monitoring the loan amount utilized by the borrowers, but most of the time, banks fail to monitor the borrowers, because of shortage of staff members, over confidence about the borrowers, poor interest of the bank works and so on.

TABLE 5 .24
Supervision of the Beneficiaries towards the Utilization of Loans

Sl.No.	*Supervise*	*No. of Respondents*	*Percentage to Total*
1.	Supervise	57	45.60
2.	Not supervise	68	54.40
	Total	125	100.00

Source: Primary Data.

Table 5.24 exhibits that out of 125 respondents, 45.60 per cent of them said they supervise the beneficiaries over the utilization of loan and 54.40 per cent opined that they did not supervise them over the utilization of loans.

It is concluded that the private sector banks are monitoring the borrowers activities rather than the public sector banks. The public sector banks supervise only few categories of loan such as Housing loan, Education loan, SHGs loan and so on, because they like to offer loan to the needy customers.

5.23 ACHIEVEMENT OF THE TARGETS BY THE BANKS

The Reserve Bank of India has fixed target to lend money to the priority sector. The public sector banks, private sector banks are strictly adhering the RBI regulation. Table 5.25 explains the achievement of the targets by the banks.

TABLE 5.25
Achievement of the Targets by the Banks

Sl.No.	*Target Achieved*	*No. of Respondents*	*Percentage to Total*
1.	Achieved	66	52.80
2.	Not yet	59	47.20
	Total	125	100.00

Source: Primary Data.

As per the survey made, 52.8 per cent of the respondents said that the banks achieved the target fixed by the RBI and the rest of them do not achieved.

It is inferred that majority of the banks in Sivagangai District achieved the target though it is a difficult task. The banks can lend loan only after assessing the character, capacity and capital besides securities of the borrowers.

5.24 BANKERS OPINION TOWARDS PRIORITY SECTOR - SEM MODEL

Banks provide various services to the customers. The bankers' bank RBI has instructed the banks to follow number of provisions. It has introduced the concept called priority sector. It fixes target to follow all the banks. It instructed to give subsidy to the deserving segments who are coming under priority sector. The ceiling, subsidy and beneficiaries are closely related. When the ceiling amount and subsidy increases, the number of beneficiaries may also be raised. In order to find out the relationship of these three the Structural Equation Model has been used.

The SEM is a general statistical technique. This is used to analyse the relationship between the variables which have been constructed in the questionnaire. The feature of SEM is to assess the relationship among more number of independent and dependent variables.

The objective of the SEM is to test the Goodness of fit based on the Goodness of fit Index (GFI). The GFI measures the relative amount of variance and covariance in the simple covariance matrix that is jointly explained by the population covariance matrix. The GFI values range from 0 – 1, with values close to 1 being indicative of good fit.

A second type of Goodness-of-Fit index used in the analysis can be classified as incremental indexes of fit that are based on a comparison of the hypothesized model against some standard. Comparative Fit Analysis (CFA) is useful in that it takes sample size into account. The CFI values range from 0 to 1, whereas .90 percentages was considered a good fit for GFI, a revised cut off of .95 has recently been advised for CFI.

The final set of fit statistics used in the analysis focuses on the Root Mean Square of Error Approximation (RMSEA). This fit statistics has only recently been recognized as one of the most informative criteria for use in covariance structure modelling. The RMSEA takes into account the error of approximation in the population with unknown but optimally chosen parameter values, fit the population covariance matrix if it was available. This discrepancy, as measured by the RMSEA, is expressed per degree of freedom, thus making the index sensitive to the number of estimated parameters in the model values less than .05 indicate good fit, values between .890 and 1.00 indicate average fit and those greater than 1.00 indicate poor fit. It is also possible to use confidence intervals to assess the precision of RMSEA estimates; AMOS (the statistical program that is used to run the SEMs) reports a 90 per cent interval around the RMSEA value.

FIGURE 5.1
Bankers Opinion towards Priority Sector – Sem Model

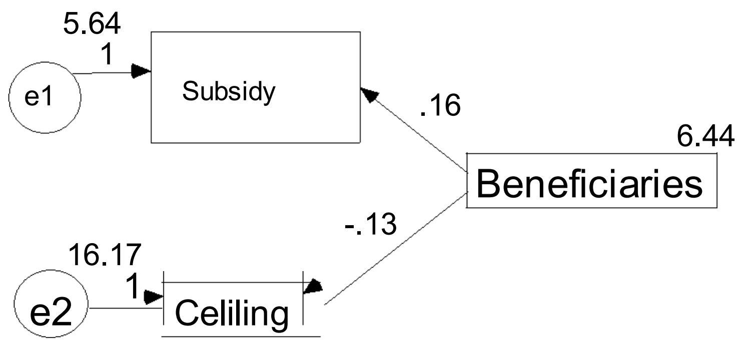

TABLE 5 .26
Bankers Opinion towards Priority Sector – Sem Model

Variables	*Values*	*Significance*	*Result*
Chi square	0.019		
P – Value	0.890	>0.05 is model fit	
GFI	1.000	> 90% model shows the goodness of analysis	The model is highly fit to the analysis for this study.
AGFI	0.999		
CFA	1.000		
RMR	0.048	Error may be <0.10 is > 10 %	
RMSEA	0.906		

Source: Primary Data.

Table 5.26 shows the bankers' opinion towards the number of beneficiaries, subsidy and ceiling amount are constructed as variables for the SEM. The Chi-square value 0.019 is not significant at 5 per cent level, which shows that the model which is constructed is fit; normally if the model has to be fit the P value should be greater 5 per cent level. The Goodness of Fit Index (GFI) 1.000 per cent indicates that the model is good for analysis.

The Confirmatory Factor Analysis (CFA) 1.000 indicates that the model is highly fit and shows goodness. The Root Mean Square of Residual (RMR) 0.048 shows that error value is smaller which is less than 10 per cent and Root Mean Square Error of Approximation (RMSEA) 0.906 indicates that it lies between the confidence interval of less than 0.06 to 0.08.

Hence the analysis shows that when the banks increase the level of ceiling amount and subsidy, the number of beneficiaries benefited under the scheme will be increased.

5.25 SUMMARY

In Indian context banks provide good services to its customers rather than making profit. The commercial banks lend loans to all the components of priority sector namely, education, housing, SHGs, Agriculture, SSI manufacturing and so on. In order to assess the priority sector lending by the commercial banks in Sivagangai District, the present research has been made and it is concluded that in this district, every bank offers priority sector loans and advances. But, at the same time banks do not concentrate on all segments of priority sector equally. In the study area, majority of the banks offer higher amount of loan to some specific sector like educational, housing, service sector of SSI (like, petty shops, hotel, and beauty parlour, two wheeler workshop) and so on. Hence, the banks should concentrate on equal distribution of loans to all the segments of priority sector.

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CHAPTER VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

6.1 INTRODUCTION

The banking industry is powerful tool for generating income to the nation as well. The banking sector protects every nation from the financial crisis, not only the nations, every individual who are financially backward included. The commercial banks are rendering services to the customers rather than profit, the purpose of elevating the rural people and financially backward, the banks are offering different products in banks namely deposits, loans and advances, ATM, net banking and other services to the people. The study is aimed at measuring the analysis of the loans and advances offered by the commercial banks in Sivagangai District. In this chapter, an attempt has been made to recapitulate the findings of the study, based on the findings suggestions are given.

6.2 SUMMRY OF FINDINGS

The findings are presented in two forms namely summary form and list form. The theoretical information relating to priority sector is presented in the summary form because it is theoretical in nature. The perceptions of the borrowers as well as opinion of the bankers regarding the loans and advances of the priority sector are presented in the list form because it is analytical nature.

6.2.1 Theoretical Framework: Priority Sector Lending By Commercial Banks

In the earlier days bankers provide loan to certain sectors such as agriculture, small scale industry, housing loan and the like but they are not able to repay the loan amount in proper time, due to failure of crops and sickness of industries which results in increasing the non-performing assets. It affects heavily in all financial activities of the banks. Earlier bankers are not ready to provide loan to the particular segments especially the agriculture sector. Hence the RBI has introduced the concept namely priority sector and bring all major segments under the priority sector for the purpose of imbalanced between the segments.

According to the RBI guideline the priority sector comprises fifteen segments, the banks have given equal weightage to all segments of priority sector. The RBI has fixed the percentage of target to the banks, like 40 per cent to the private and public sector banks and 32 per cent for the foreign banks.

6.2.2 Opinion of the Borrowers

1. The commercial banks are operating more number of credit schemes under the priority sector and majority of the male borrowers approach the bankers rather than the female borrowers for loans.
2. Out of 625 respondents, 13.1 per cent of the respondents falls in the age groups of below 25 years, about 43 per cent of the respondents belong to 35 to 45 years and the rest of them are others.
3. The educational qualification is categorized into five groups namely, illiterate, upto 12th standard, graduates technical and post graduate. About 31.8 per cent studied upto 12th, 21 per cent of the respondents are graduates and the rest are others.
4. Majority of the respondents (61.6%) are married and the remaining are unmarried, widow and widower.
5. It is notable that majority the respondents who belong to nuclear family have availed loans and advances rather than the joint family.
6. Most of the respondents families have upto three members.
7. This study includes all categories of income of the people, who availed loan under this scheme. Among these respondents, 51 per cent of the respondents belong to the monthly income group of Rs.5000-Rs.10000 and Rs.10000-Rs.15000 and the rest belong to other ranges.
8. All the respondents (100%) have savings bank account because borrowers should have saving banks account for borrowing loans. In addition to that about 35.2 per cent of the respondents have fixed deposit account and 9.6 per cent and 6.4 per cent of them have recurring deposit account and current account respectively.

9. 55 per cent of the respondents borrowed loans from public sector bank and the rest of them from the private sector banks in this district.
10. Through the garret ranking, it is found that "convenience/nearest" is the major factor that motivates to become customer of the banks.
11. In Sivagangai District all the commercial banks offered loans to all the segments of the priority sector like agriculture activities, SHGs, education, housing loan and others. A sizeable portion of self help group members (48%) borrowed loans followed by housing loan (19.6%) and education loan (14.4%)
12. It is found through garret ranking that "convenience instalment" is the major reason for the borrowers for availing loan under the schemes.
13. It is notable that majority the respondents (62.6%) borrowed loan for other allied activities rather than the agricultural activities.
14. It is found that dairy farming (54.72%), purchase of agricultural equipment (48.64%) and digging of well (33.92%) are the major agriculture and allied activities for which the respondents borrowed loan.
15. Regarding the loans obtained for other activities, it is identified that loan for SHGs (92.16%), jewel loan (75.04%), education loan (65.92%) and retail trade (46.4%) are the major purpose.
16. Through the multiple regression analysis, it is found that the qualification of the borrowers is statistically significant at one per cent level. The independent variables such as agriculture and allied activities, Micro Credit, Housing loan , self employed persons, Sc/St weaker section, consumption loan, and Venture capital have significant influence on educational qualification. The null hypothesis is rejected at one per cent significance level.
17. Through the garret ranking it is found that the area of the bank is the dominant factor that motivates the borrowers for getting loan from the bank.

18. The borrowers received loans ranging from Rs.30,000 to above Rs1,50,000. They said that the bankers charged rate of interest from one per cent to three per cent. About 62.5 per cent of them said that the rate of interest is reasonable.

19. Through the weighted average it is found that the borrowers expect low the interest and subsidies from the government which stand first and the second rank respectively.

20. A large majority of (87.5%) the respondents are not sanctioned the full amount as per the budget estimation.

21. About 72.6 per cent of the respondents reported that they have not received full amount according to the budget.

22. It is found that the bankers offer loan amount in the ratio of 75: 25 that is 75 per cent of the amount is contributed by banks and the remaining amount are to be managed.

23. About 60.8 per cent of the borrowers said that they have not utilize loan for purpose for which it is sanctioned. They utilized it for some other purposes like education of children's, marriage, festival, medical treatment, and other purpose.

24. About 55 per cent of the respondents said that they did not repay the loan amount regularly because they expect offers from the government like waiving of loan and interest, subsides for the loan amount and so on.

25. Two third of the respondents are satisfied with the services of the bank, because bankers fulfil the borrowers expectations.

26. There are ten factors identified by the researcher with a view to group the related variables. Hence the KMO test is adhered and decided to use factor analysis due to KMO value is more than 75. Through the factor analysis it is found that all these factors of the borrowers and each factors correlated with a common factors are brought into three heads namely, good quality of services, effective services and improvement of banking services.

27. It is found that 78 per cent of the respondents have faced the problems while getting loan from the banks it is identified that delay due to technological problem (80.58%%), legal formalities (52.23%) and problem to produce documents (44.83%) are the major problems faced by the respondents.

28. Awareness, loan services and satisfaction of the borrowers are clearly correlated. In order to test it, Structural Equation Model (SEM) has been used. It is found through the model that this model is quite fit. Hence the banker should consider all the three factors.

6.2.3 Opinion of the Bankers

1. About 62.4 per cent of the respondents are males and remaining are females.
2. Nearly two third of the respondents belong to the age group of 25-35 and 35-45.
3. As per the survey made, 48.5 per cent of the respondents are manager, 40.8 per cent of them are officer and the rest are clerk.
4. Majority of the employees are graduates (51.2%) and post graduate (20.8%).
5. About 55.2 per cent of the respondents are in the public sector banks and 44.8 per cent are in private sector banks
6. It is found that majority of respondents have the work experience of 10 – 15 years and 15 – 20 years.
7. It is found that the banks in Sivagangai District have modern facilities. As per the survey 71.2 per cent of the banks have all modern facilities but the rest do not have all facilities but have only few modern facilities.
8. Through the garret ranking it is found out that the highest score is awarded to housing loan followed by education loan.
9. It is identified that the borrowers approach the bank in five ways, namely directly (66.4%), through advertisement (32.7%), support of bank employees (40%), through the friends and relatives (56.0%) and authorised agents (44.0%).

10. Bankers require supporting documents to sanction loan. It is found that the responses of the respondents do not vary significantly for five statements namely acknowledgement card, certificate from VAO, additional collateral securities, additional cost and guarantor and for the rest of the statement, the responses varied significantly.

11. Regarding the ceiling of the loan sanctioned under priority sector, the weighted average has been used. It is found out that 'Micro Credit' is ranked first with the average score of 3.29, followed by 'Housing loan' with weighted average score of 3.24. the least score is awarded to 'Venture Capital'.

12. The Friedman test has been used to test the level of subsidy offered by the bank. It is found out that the agriculture and allied activities received better subsidy, followed by the SHGs and Housing loans for the second and third position.

13. Through the multiple regression, it is found out that the kind of securities and the segments of priority sector like agriculture and allied activities, housing loan, self employed person and micro credit have significantly influenced.

14. Through the Kendall's W Test, it is found that the segment of priority sector and number of beneficiaries benefited under schemes have some signif icant relationship because the p value is less than 0.01

15. There are four ways in which the banks recover the loans, out of these sending the proper intimation (64.80%), recovery camp (60.80%) and through bank officers (57.60%) are major mode.

16. There are seven complexities identified by the researcher, the sign test has been used in order to find out the significant difference among the responses of the respondents. The null hypothesis is rejected for all the statements, hence all the bankers face the problem while lending money.

17. Three fourths of the respondents said that they have met out various problems while lending loan.

18. Through weighted average, it is found out that legal formalities are a dominant problem, followed by the lack of securities. The least rank is given to fail to support the bankers.

19. About 45.6 per cent of the respondents said that they supervised the beneficiaries over the utilisation of the loan and 54.4 per cent of them viewed that the beneficiaries are not supervised.

20. About are half of the respondents viewed that the bank achieved the target and the rest of them do not achieved.

21. The SEM model is used to assess the relationship between the three concepts namely subsidy, ceiling and number of beneficiaries. It is found that the m odel is quite fit and the three concepts have close association.

6.3 SUGGESTIONS

1. The banks should reduce the legal formalities for sanctioning the loans
2. They should provide loan without any delay to the borrowers of priority sector.
3. The bank should not hesitate to provide loans to all the segments of the priority sector.
4. The bank should create awareness about the loans and advances of this sector.
5. The commercial banks in this district, distribute the loan amount of certain segments like housing, education, SHGs. The banks should concentrate equal distribution for all segments of this sector.
6. Every bank should appoint a special staff to deal customers especially loans and advances of priority sector.
7. The bankers should be friendly and loyal to the all segments of priority sectors loan holders.
8. The banks need to hike the loans and advances as per the budget estimation of borrower for specific purpose.

9. The bank needs to effectively supervise and monitor the borrowers activities for the utilization of amount.

10. The bankers should create awareness to the borrowers about the ceiling amount of each and every segment of priority sector advances.

6.4 CONCLUSION

The Indian banking industry are classified into nationalised banks, private banks and specialised banking institutions. They offer wider range of facilities and services. The range varies from the simple rural banking to the sophisticated international banking. It mobilises savings in the form of deposits and channalizes them into productive secto rs of the economy in the form of credit. It is a service oriented industry which has always been a vital component of all economic progress. It can not sell services to the customers but they can provides services in the buyer's market. There arte 125 banks in the different names operating in the study area of Sivagangai District. The banks operate both in the rural and urban areas. They provide all services to all the areas except few banks located in rural areas where there is a problem of e-banking services. Earlier, the banks lend money only to the specified customers but the RBI compel the banks to lend money to the people who are unnoticed. Such advances are called priority sector advances. Banks normally do not like to lend money to this sector due to the problem of overdues and NPA. This overdues and NPAs are the biggest problems among the banks which can be solved if the bankers create awareness among the borrowers and make them to realise that it is their money.

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APPPENDIX-A
OPINION OF THE BORROWERS TOWARDS PRIORITY SECTOR ADVANCES

(Please fill up your opinion by putting (√) marks)

1. Name or A/C Number (Optional):____________________

2. Sex

a.	Male	☐	b.	Female	☐

3Age

a)	Below 25 Years	☐	b)	25 – 35 Years	☐
c)	35 - 45 Years	☐	d)	Above 45 Years	☐

4. Educational Qualification

a)	Illiterate	☐	b)	Upto 12th Standard	☐
c)	Degree	☐	d)	Technical	☐
e)	Post-graduate	☐			

5. Occupation

a)	Agriculturists	☐	b)	Entrepreneur	☐
c)	SHGs member	☐	d)	Student	☐
e)	Professional	☐	f)	Others	☐

6. Marital Status

a)	Married	☐	b)	Unmarried	☐
c)	Widow	☐	d)	Widower	☐

7. Type of Family

a)	Nuclear	☐	b)	Joint	☐

8. Size of the Family

a)	Upto 3 Members	☐	b)	4 – 5 Members	☐
c)	6 - 7 Members	☐	d)	Above 7 Members	☐

9. Monthly Income (per month)

a) Below Rs.5,000 ☐ b) Rs.5,000 – Rs.10,000 ☐

c) Rs.10,000 – Rs.15,000 ☐ d) Rs.15,000 – Rs.20,000 ☐

e) Above Rs.20,000 ☐

10. Which type of A/C is maintained in the banks?

a) SB A/C ☐ b) CA A/C ☐

c) Fixed Deposit ☐ d) Recurring Deposit ☐

11. From which banking sector do you get loan?

a) Public Sector Banks ☐ b)Private Sector Banks ☐

c) Co-operative Sector ☐

12. State the factors that motivated you to become a customer of this bank? (Please Rank it)

a) Convenience/Nearest ☐

b) No Service Charge ☐

c) Easy Loan Facility ☐

d) Effective Service ☐

e) Friendly Approaches ☐

f) Less interest rate ☐

g) Advertisement ☐

13. Purpose of loan availed from the bank

a) Agriculture Development ☐ b) Start a Business ☐

c) SHGs/NGOs ☐ d) Educational Loan ☐

e) Housing ☐ f) Others ☐

14. What are the reasons for availing loan under this scheme? (Please Rank it)

a) Low Rate of Interest

b) Convenience installment

c) Subsidies availability

d) Fulfill the requirements

e) Improve the status

15. Which type of loan that you obtain from bank?

a) Agriculture Activities b)Allied Activities

c) Other Activities

16. If agriculture activities please specify

a) Crop loan

b) Agriculture equipments

c) Digging of well

d) Purchasing of pump sets

e) Others

17. If allied activities please specify

a) Dairy farming

b) Poultry farming

c) Coir factory

d) For buying tractors

e) Sericulture

f) Floriculture

g) Aquaculture

h) Others

18. If other activities please specify
    a) SSI ☐
    b) Retail trade ☐
    c) Educational loan ☐
    d) SHGs ☐
    e) Housing loan ☐
    f) Others ☐

Tick the following statements:

Note: F.A. = Fully Aware, M.A. = Mostly Aware, P.A.= Partly Aware
H.A = Heard but not Aware, N.H.A = Not Heard at All

19. Please specify the extent to which you are aware of these loan schemes provide by bank

SL. NO.	STATEMENTS	*F.A.*	*M.A.*	*P.A.*	*H.A.*	*N.H.A.*
1.	Agriculture finance (Direct/Indirect)					
2.	Small Scale Industry (Direct/Indirect)					
3.	Small Business/Service Enterprise					
4.	Micro-credit					
5.	Educational Loan					
6.	Housing Loan					
7.	Small Transport Operator					
8.	Retail Trader					
9.	Self-employed or Professional					
10.	S.C./S.T. and Weaker Section					
11.	Consumer Loan					
12.	Software Industry					
13.	Food and Agro Product Industry					
14.	Venture Capital					
15.	Woman/SHGs					

20. State the factors that motivate you to get loan from the bank(Please Rank it)
    a) Advertisement ☐
    b) Friends/Relatives ☐
    c) Effective Service ☐
    d) Friendly Approach ☐
    e) Offers ☐
    f) Others ☐

21. How much amount of load did you receive from the bank?
    a) UPto Rs.30,000 ☐ b) Rs.30,000 – Rs.60,000 ☐
    c) Rs.60,000 – Rs.90,000 ☐ d) Rs.90,000 – Rs.1,20,000 ☐
    e) Rs.1,20,000 –Rs.1,50,000 ☐ f) More than Rs.1,50,000 ☐

22. Specify the interest rate payable on loan
    a) 10% ☐ b) 15% ☐
    c) 20% ☐ d) More than 24% ☐

23. What is your opinion regarding the rate of interest charged by the bank?
    a) Reasonable ☐ b)Not Reasonable ☐

Tick the following statements:

Note: H.S. = Highly Satisfied, S. = Satisfied, N.O.= No Opinion
D.S. = Dissatisfied, H.D.S. = Highly Dissatisfied.

24Please specify your opinion about the various loans service

SL. NO.	STATEMENTS	H.S	S.	N.O.	D.S.	H.D.S.
1.	Bankers Information regarding the various loans	☐	☐	☐	☐	☐
2.	Give the details collateral securities	☐	☐	☐	☐	☐
3.	Existing rate of interest in various loans	☐	☐	☐	☐	☐
4.	Give details about installment	☐	☐	☐	☐	☐
5.	Existing amount of subsidiary	☐	☐	☐	☐	☐
6.	Various offers provided by the bank	☐	☐	☐	☐	☐
7.	Reminder notification for repayment	☐	☐	☐	☐	☐
8.	Bankers role in clear the queries	☐	☐	☐	☐	☐
9.	Existing service charge	☐	☐	☐	☐	☐

25. Whether the bank sanction the full amount according to you budget estimation?

a. Yes ☐ b. No ☐

26. Have you received the loan amount fully or partially?

a. Fully ☐ b. Partially ☐

27. Did you utilize the loan for the purpose for which it was provided?

a. Yes ☐ b. No ☐

28. If no, mode of diversion
    a) Family Consumption
    b) Purchase of Households
    c) Marriage/Festivals
    d) Medical Treatment
    e) Other Purpose

29. Are you repaying the loan regularly?
    a. Yes b. No

30. How long you have been paying interest?
    a) Upto 1 Year b) 1 to 3 Years
    c) 3 to 5 Years d) Exceeding 5 Years

31. Are you satisfied with services of the bank?
    a. Yes b. No

32. Measurement of customers' satisfaction towards the services of the bank
    Note: H.S. = Highly Satisfied, S. = Satisfied, N.O.= No Opinion
    D.S. = Dissatisfied, H.D.S. = Highly Dissatisfied.

SL. NO.	*STATEMENTS*	*H.S*	*S.*	*N.O.*	*D.S.*	*H.D.S.*
1.	Friendly approaches by bankers					
2.	Time taken for sanctioning the loan is reasonable					
3.	Rate of interest on loan is reasonable					
4.	Convenience/nearest					
5.	Working hour is suitable					
6.	There is accessibility to the bank					
7.	New Services offered by the bank and support to helpless people					
8.	Bank remains customer oriented					
.9.	Customer meet improving the quality of services are reasonable					
10.	Charges levied by banks for different services are reasonable					
11.	Employees of the bank treat the customer politely					

33. Do you find any difficulty in getting loan?

    a. Yes ☐ b. No ☐

34. If yes, what are the practical difficulties you met in getting the loan?

    a) Partially ☐
    b) Legal formalities ☐
    c) Delay due to technological problem ☐
    d) Delay in attitude of the sanctioning authority ☐
    e) Problem to produce security/documents ☐

35. Please specify your suggestions for the improvement of the services of the bank

***** Thank you *******

APPENDIX-B
OPINION OF THE BANKERS TOWARDS PRIORITY SECTOR ADVANCES

(Please fill up your opinion by putting (√) marks)

1. Name/Employee ID No.(Optional):___________________

2. Sex

   a) Male ☐ b) Female ☐

3 Age

   a) 18 - 25 Years ☐ b) 25 – 35 Years ☐

   c) 35 - 45 Years ☐ d) 45 - 55 Years ☐

   e) Above 55 Years ☐

4 Grade

   a) Clerical Cadre ☐ b) Officer Cadre ☐

5. Marital Status

   a) Married ☐ b) Unmarried ☐

   c) Widow ☐ d) Widower ☐

6. Educational Qualification

   a) Degree ☐ b) Post-graduate ☐

   c) Technical ☐ d) Others ☐

7. Whether you are employed in?

   a) Public Sector Banks ☐ b)Private Sector Banks ☐

   c) Co-operative Sector ☐

8. How long have you been working as employee in the bank?

   a) Below 10 Years ☐ b) 10 – 15 Years ☐

   c) 15 – 20 Years ☐ d) More than 20 Years ☐

9. What are the modern facilities available in your branch?

a) Core banking system ☐ b) Net banking ☐

c) Mobile banking ☐ d) Plastic cards ☐

e) Smart cards ☐

10. Which type of loans do you offer as maximum in your branch? (Please Rank it)

a) Agriculture ☐

b) Small Scale Industries ☐

c) Small business/service enterprises ☐

d) Micro-credit ☐

e) Educational loan ☐

f) Housing loan ☐

11. If borrowers need loan, how can they approach you?

a) Directly ☐ b) Based on advertisement by bank ☐

c) Through ban employee ☐ d) Through friends/relatives ☐

e) Through authorized agents ☐

12. Please specify the number of borrowers who borrow money from your bank?

a) Less than 1,000 ☐ b) 1,000 to 3,000 ☐

c) 3,000 to 5,000 ☐ d) More than 5,000 ☐

13. What are the documents would you ask from borrowers for sanctioning of loan?
(D.N. = Definitely Need, N = Need, N.N. = No Need

		D.N.	N.	N.N.
1)	Filed application forms			
2)	Acknowledge card			
3)	Proposal/Budget estimation			
4)	Certificate from VAO/Field Officer			
5)	Security			
6)	Additional Collateral Security			
7)	Additional Certificate/Documents			
8)	Guarantor			
9)	Source of Repayment			

14. The ceiling for loan amount issued under the schemes to the beneficiaries

Statements	1000 50000	50000- 1 Lakh	1Lakh to 5 Lakh	5 Lak to 10 Lakh	More than 10 Lakhs
Agriculture finance (Direct/Indirect)					
Small Scale Industry (Direct/Indirect)					
Small Business/Service Enterprises					
Micro-credit					
Educational Loan					
Housing Loan					
Small Transport Operator					
Retail Trader					
Self-employed or Professional					
SC/ST/Weaker Section					
Consumer Loan					
Food and Agro Product Industry					
Venture Capital					
Women/SHGs					

15. The percentage (Level of Amount) of subsidy offered under the schemes to the beneficiaries (The amount vary from each scheme)

STATEMENTS	10%	25%	50%	75%	100%
• Agriculture finance (Direct/Indirect)					
• Small Scale Industry (Direct/Indirect)					
• Small Business/Service Enterprises					
• Micro-credit					
• Educational Loan					
• Housing Loan					
• Small Transport Operator					
• Retail Trader					
• Self-employed or Professional					
• SC/ST/Weaker Section					
• Consumer Loan					
• Food and Agro Product Industry					
• Venture Capital					
• Women/SHGs					

16. Which kind of security will you to ask to sanction loan (Upto 2 lakh, No security, above 2 lakhs, 100% equal security, Guarantee by – Third party, Collateral security, Gove Papers – LIC bonds etc.)

STATEMENTS	N.S.	E.S.	T.P.	C.S.	G.P.
• Agriculture finance (Direct/Indirect)					
• Small Scale Industry (Direct/Indirect)					
• Small Business/Service Enterprises					
• Micro-credit					
• Educational Loan					
• Housing Loan					
• Small Transport Operator					
• Retail Trader					
• Self-employed or Professional					
• SC/ST/Weaker Section					
• Consumer Loan					
• Food and Agro Product Industry					
• Venture Capital					
• Women/SHGs					

17. Number of beneficiaries benefited under this scheme is your branch

STATEMENTS	BELOW 500	500 TO1000	1000 TO 2000	2000 TO 5000	MORE THAN 5000
a) Agriculture finance (Direct/Indirect)					
b) Small Scale Industry (Direct/Indirect)					
c) Small Business/Service Enterprises					
d) Micro-credit					
e) Educational Loan					
f) Housing Loan					
g) Small Transport Operator					
h) Retail Trader					
i) Self-employed or Professional					
j) SC/ST/Weaker Section					
k) Consumer Loan					
l) Software industry					
M) Food and Agro Product Industry					
n) Venture Capital					
o) Women/SHGs					

18. What are the methods you followed in recovery of loan?

a) Proper intimation/notice collegian ☐ b) Through bank officer ☐

c) Recovery Camp ☐ d) Jubthi ☐

19. Complexities faced by the bankers while granting loan (H. = High, M = Moderate L. = Low

		L.	M.	H
1)	Risk			
2)	Recovery of loan			
3)	Political influence			
4)	Increasing subsidiary by Government			
5)	Bad debts			
6)	Non-performing assets			
7)	Illiteracy of the borrowers			

20. Do you find any difficulty for lending money?

    a. Yes ☐ b. No ☐

21. If yes, what are the natures of difficulty?

STATEMENTS	S.D.A.	D.A.	N.O.	A.	S.A.
a) Legal formalities					
b) Lack of borrowers awareness					
c) Lack of securities					
d) Incomplete application					
e) Lack of needed documents					
f) Fail to support the bankers					
g) Unable to repay due to loss					

22. Did you supervise the beneficiaries regarding the utilization of funds as per the loan scheme?

    a. Yes ☐ b. No ☐

23. Are your branch achieved targets as per RBI regulation?

    a. Yes ☐ b. No ☐

24. Please specify your suggestions for the improvement of the services

***** Thank you *******

APPENDIX–C
STRENGTHENING RURAL INDIA BY FORMAL CREDIT

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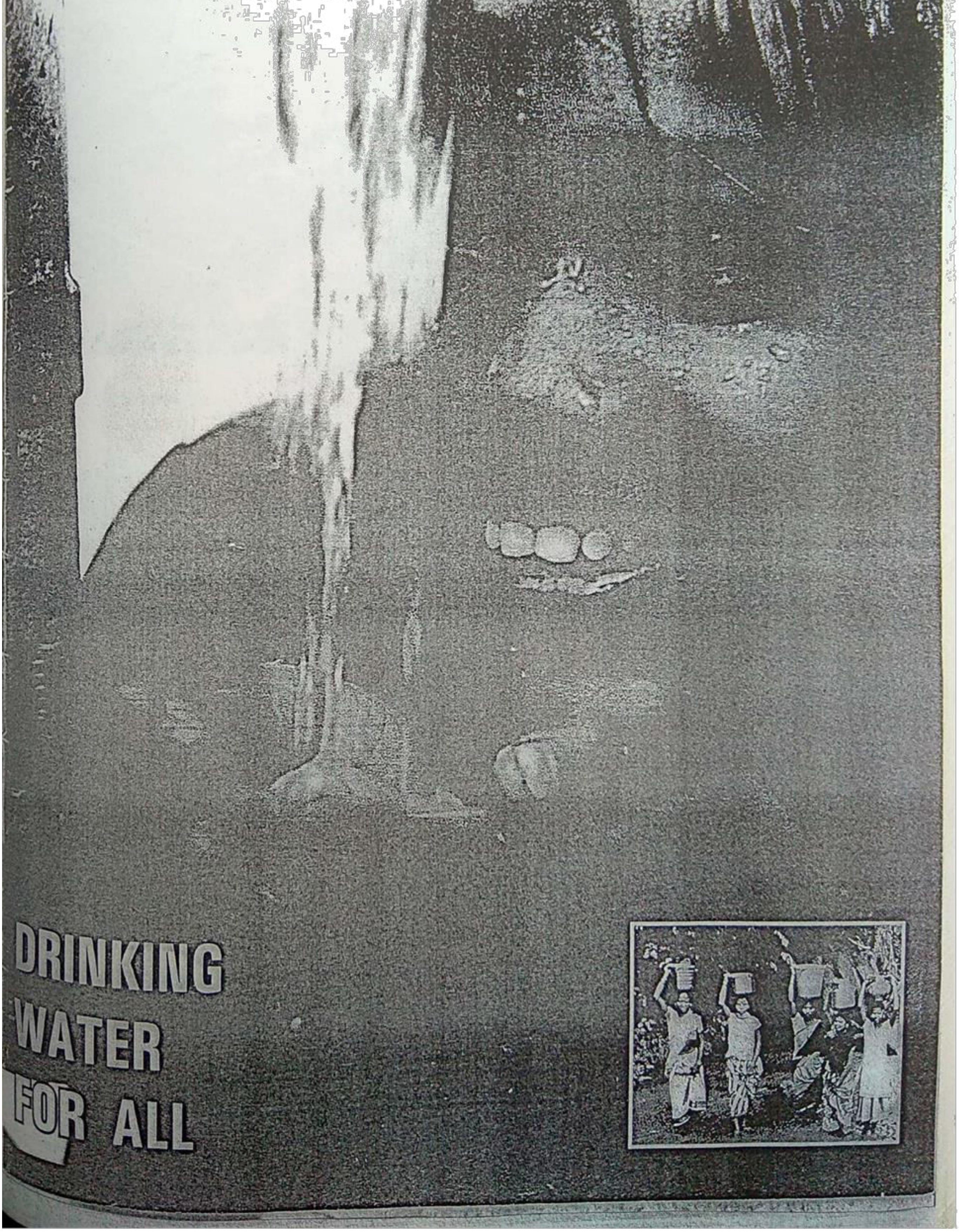

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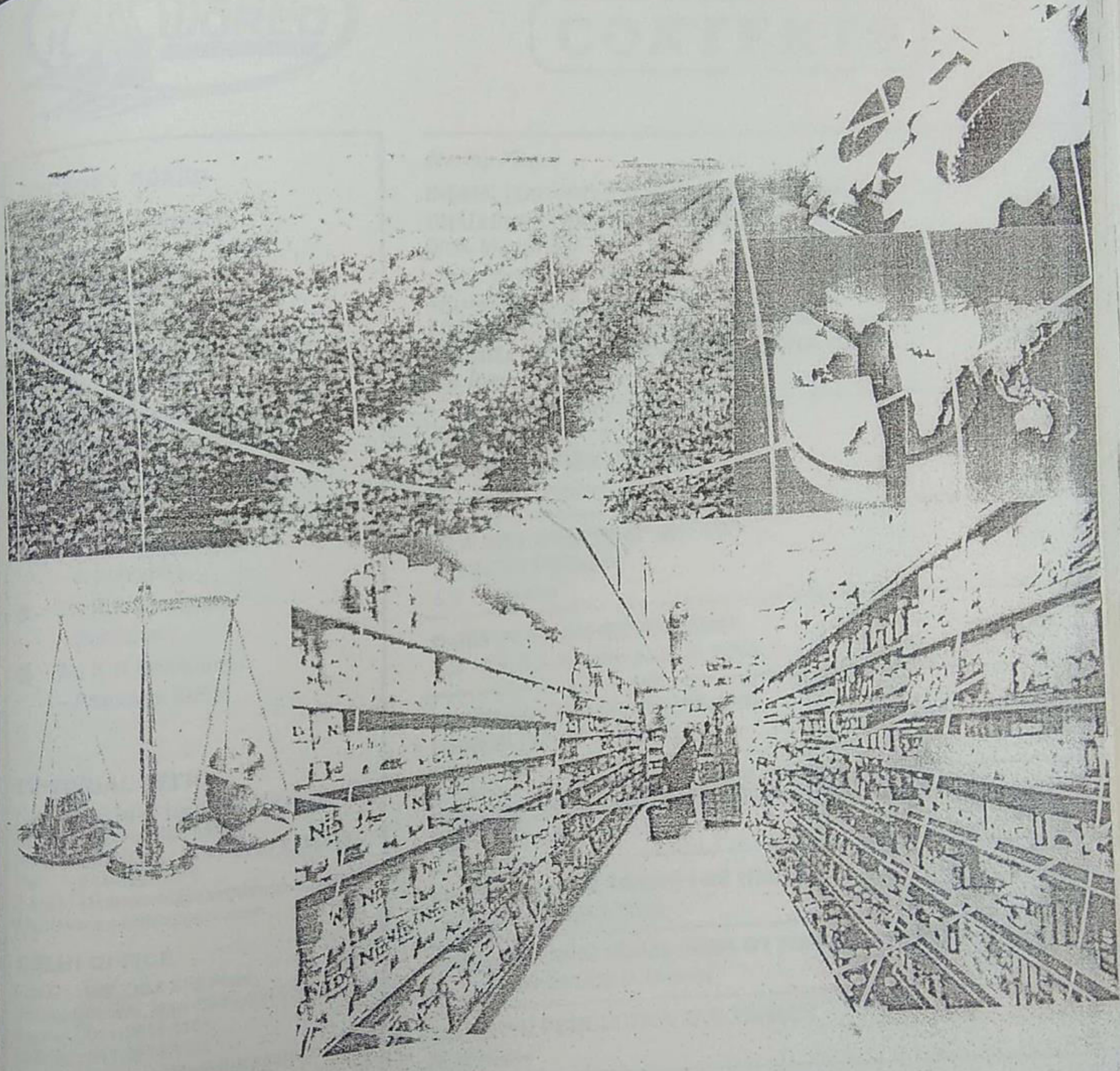

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STRENGTHENING RURAL INDIA BY FORMAL CREDIT

Dr. S. Rajamohan D. Durairaj

INTRODUCTION

India is a land of villages. They depend purely on the agricultural and allied activities. They require money to carry out the farming activities. They spend money during cultivation period and earn money during harvest seasons. In the earlier days, for finance, the farmers purely relied on the local money lenders, indigenous bankers, creditors, commission agents, etc. and thereafter cooperative banks were introduced and farmers enjoyed out of them. **In 1969 the banks were nationalised and the banks extended their services to the rural population, in order to uplift the farming communities.** The banks also introduce lot of financial assistance programmes like PMRY loan, IRDP loan, Crop loan and the like. **But there is no improvement at all in the farming communities** and they are also in debt. There is a traditional concept called India lives in her villages. If we want to strengthen our India; first we should strengthen our rural community, and then only India will be developed.

With this background, this paper is prepared to suggest the ways to promote credit facilities to rural community and add strength to the rural India.

PROBLEMS FACED BY INDIAN AGRICULTURALIST

Lack of access to credit is one of the most pressing issues that hinder rural India's progress. Farmers suicide within the agricultural sector does not occur as a shocking matter as these poor citizens are deprived of monetary assistance when they are most in need. Survival is at stake here. The farmers cry for help and have been ignored as the damaging effects from the absence of credit loans tickles down the population.

Apart from the healthcare of a farmer, the lack of access to credit is also to be looked into as almost 80 per cent of the farmers own less than a hectare of land.

The availability of credit allows farmers to be protected from the inflated costs faced in agriculture. Due to the critical shortage of agricultural output, India has to resort to banning grain exports and instead, drive up its import bills from wheat coming into the country. There has been so much attention focused on the industrial and services sector. The agricultural side has been largely neglected. The lack of credit loans coupled with improper government intervention had resulted in the livelihood of the farmers to going downhill.

As commercial banks are not present in remote locations of India, where agriculture is supposed to boom, it becomes an important limitation as the rural population has a strong dependence on it. Co-operative banks which have been set up previously were also doomed to fail as a result of bad loans and a lack of funds. These **commercial banks have their own set of worries, as defaults and crop failures are common in the sector. As such, they prefer lending out to areas where each farmer owns a much larger proportion of land having better irrigation systems.** However, that does not solve the problem as the smaller farmers' (which forms a majority) issues remain unaddressed.

There should be better banking systems established that is accessible and affordable to every person. It is obvious that the benefits of economic growth have not been equally shared among all as the access to credit is not granted to all. Economic opportunities ought to be created for the marginalized groups to help in poverty reduction and inequality problems. Further attempts made by the government to expand credit loans have ironically resulted in more cases of poverty than ever. The lack of access to formal credit thus places many constraints on agricultural output and also the standard of living of the rural population thereby obstructing their path to further economic and social development.

NEED OF FORMAL CREDIT

Credit is an important one for cultivation and it is needed from cultivation to harvest. In between, the farmers require finance for various purposes such as purchasing the fertilizers, pesticides, manures and other allied things. For such kind of activities, in those days, the farmers were depending on the local money lenders, through which they were in trouble and some of them committed suicide due to the higher interest rate and unable to repay the amount. The government has taken steps to increase the agricultural credit. Its objectives have been to replace moneylenders, to relieve the farmers from indebtedness, and to achieve higher levels of agricultural credit, investment, and output. **India's success in replacing moneylenders has been outstanding. Between 1951 and 1971 their share of rural credit appears to have dropped from more than 80 per cent to 36 per cent. Still, institutional credit is far from reaching all farmers. Only about a quarter of cultivators borrow, and not more than 2 per cent take out long-term loans.**

REPLACEMENT SEED RATE

Farmers need credit for buying all agriculture inputs such as seeds, fertilizers, pesticides etc. the price of these agricultural inputs are normally moving upward trend. This is the big problem to the farmers.

Table 1 explains the price of seeds during the 11 years. Of the five seeds wheat and maize seeds are increasing in the years of the study whereas the seeds price of paddy, cotton, and jowar are varying in all the years except one year, there years and two years respectively.

FERTILISER SET TO TURN ON RUPEE SLIDE

Table-1 Replacement seed rate (in percentage)

Verities	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Paddy	19.22	19.31	19.16	16.27	21.33	22.41	25.87	30.05	36.50	40.25	49.50
Wheat	13.04	13.00	13.00	16.48	17.64	21.76	25.23	26.84	30.65	35.25	40.50
Cotton	21.21	21.86	19.84	20.73	21.78	19.84	15.3	12.07	20.35	25.02	35.90
Maize	20.98	21.35	24.41	31.5	35.39	43.78	44.24	48.48	53.60	58.65	64.09
Jowar	18.36	18.78	26.71	19.28	19.03	19.37	19.87	26.16	30.03	34.07	40.65

Source : Ministry of Agriculture, Business Line, November 21,2011

Regarding fertilizer, the prices are in the downward trend for DAP and MOP and upward trend for Urea and NPK.

Table-2 Fertilizer Sales(In lakh tonnes)

Fertilizer	April - oct 2010	April - oct 2011	Change %
Urea	150.36	161.99	7.73
DAP	76.58	39.49	-22.36
MOP	23.22	9.75	-58
NPK	56.84	61.72	8.58

Source: Business Line, November 23, 2011

DAP : di-ammonium phosphate
MOP : muriate of potash
NPK : nitrogen, phosphrous, potash

CREDIT SCENARIO IN INDIA

Most of the small farmers have little access to credit, and long-term credit goes mostly to large farmers. Overall, farm debt has probably not increased sharply in real terms, as formal credit has primarily substituted for credit from other sources. Moreover, **with the rapid growth of commercial banks in the 1970s, the system mobilized more deposits than it lent in rural areas in 1981.** Of course, enhanced deposit services are a useful service of the rural population.

After the emergence of Liberalization Privatization Globalization (LPG) there was a rapid expansion of commercial banks in rural areas and it had a considerable positive effect on rural farming, employment and output. The availability of better banking facilities appears to have overcome one of the obstacles for locating farm activities in rural areas. **Increased rural finance has less effect on output and employment in agriculture. The effect on crop output has not been great, despite the fact that credit to agriculture has greatly increased the** use of fertilizer and private investment in machines and livestock. There has been more impact on inputs than on output, so the additional capital investment has been more important in substituting for agricultural labour than in increasing crop output. But overall, rural credit and expansion of the rural financial system have had a positive effect on rural areas.

FORMAL CREDITS

Bankers are normally providing formal credits two sectors namely,

- Priority sectors
- Non – priority sectors

Priority sectors

The Reserve Bank of India classified in the following categories as priority sector namely, advances agricultural and allied activities and to an individual.

The following activities undertaken by the members of the primary co-operative banks will comprise activities allied to agriculture:

- Development of Dairy and Animal Husbandry.
- Development of Fisheries.
- Development of Poultry, Piggery etc.
- Purchase of Bullock Carts, Camel Carts, Pack Animals etc.
- Distribution of inputs for allied activities such as poultry feed, cattle feed, etc.
- Small Scale Industrial Units, Equipment/System for development of new and renewable source of energy, etc.
- Small Scale and Ancillary Industries

1.Flaying and tanning

2.Leather goods

3.Pottery

4. Hand pounding of paddy and cereals

5.Rice Mills, including flour mills and bakeries

- New and renewable sources of energy

1. Flat plate solar collectors
2. Concentrating and pipe type solar collectors
3. Solar cookers

- Cottage industries, Khadi & Village Industries, Artisans are those units
- Tiny industries are those units whose investment in plant & machinery is upto Rs. 25 lakh irrespective of location of the unit.
- Small Scale Service & Business (Industry Related) Enterprises (SSSBEs).
- Food and agro based processing and forestry
- Loans and advances by primary (urban) co-operative banks
- Loans and advances by scheduled primary (urban) co-operative banks
- Leasing & Hire Purchase Finance by Scheduled PCBs
- Advances to Small Road and Water Transport Operators
- Retail Traders
- Small Business Enterprises

Non – priority sectors

Following categorises are non- priority sectors Industry (Small, Medium and Large)

1. Mining and quarrying (including coal)
2. Food processing
3. Beverage and tobacco
4. Textiles
5. Leather and leather products
6. Wood and wood products
7. Paper and paper production
8. Petroleum and coal products and nuclear fuels

9. Chemicals and chemicals products
10. Rubber, plastic and their products

IMPACT OF BANKS ON AGRICULTURE

The agricultural credit that has been pursued for three decades and has clearly benefited current borrowers and farm households formerly indebted to moneylenders. It has also encouraged fertilizer use and investment in agriculture. It has been less successful in generating viable institutions and has failed to generate agricultural employment. The policy's costs to India in government have been high as portfolio losses associated with poor repayment ultimately have to be borne by the government or one of its institutions under optimistic assumptions. The benefits of the agricultural income are at the best not more than 13 percent higher than the cost to the government of the extra agricultural credit. If assumptions about the cost of supplying the credit and about repayment rates are less optimistic, the social costs and the costs to the government of providing the credit would have exceeded the benefits in agricultural income. The expansion of commercial banks to rural areas paid off in farm growth, employment, and rural wages.

Conclusion

Credit is an important tool for the successful proceedings of agricultural carrier. Our government /banks have been providing lot of loans for the upliftment of agriculture and its allied sectors. It could be understood that the farmers have to make use of the available loans properly, and repay them in time. If the farmers do so the rural farmers will be successful. If rural farmers are successful then rural India will be strengthened.

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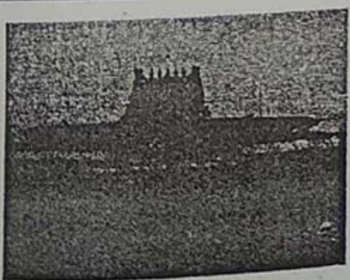
Back Cover



SRINGERI TEMPLE, KARNATAKA

SRINGERI located in **Chikkamagalur** District of **Karnataka,** is the site of the first matha established by **Adi Shankaracharya,** Hindu theologian and exponent of the Advaita Vedanta philosophy. It is located on the banks of the river **Tunga.**

The **Sharada Temple,** dedicated to the Goddess of Learning and Wisdom, has grown from a simple shrine dating to the time of Adi Shankaracharya. In the fourteenth century, Vidyaranya is said to have replaced the old sandalwood image with a stone and gold image. The temple structure itself was in wood till the early 20th century. After an unexpected fire that damaged the structure, the current structure was built in the traditional south Indian style of temple architecture.

The **Vidyashankara Temple** was built in memory of the pontiff Vidyashankara, around 1357-58 C.E.. It was built by Vidyaranya, patron-saint of Harihara and Bukka, the brothers who founded the Vijayanagara empire. The niches in the temple have a number of sculptures from Hindu, Buddhist and Jain mythologies. Inscriptions in the temple record contributions made by several Vijayanagara emperors but the temple was probably built on an earlier Hoysala site as it combines Hoysala and Vijayanagara architectural features. The temple architecture is also an exhibition of the astronomical expertise of medieval south Indian temple builders. The main temple hall features 12 pillars designated for the 12 signs of the zodiac. Windows and doors along the temple walls are arranged such that equinoxes sunrise views reach the deity. The northern and southern gates enable the sunrise view from the hall during solstices.

- Sathyendra Pai

APPENDIX–D
ELEVATING PRIORITY SECTOR THROUGH BANK CREDIT

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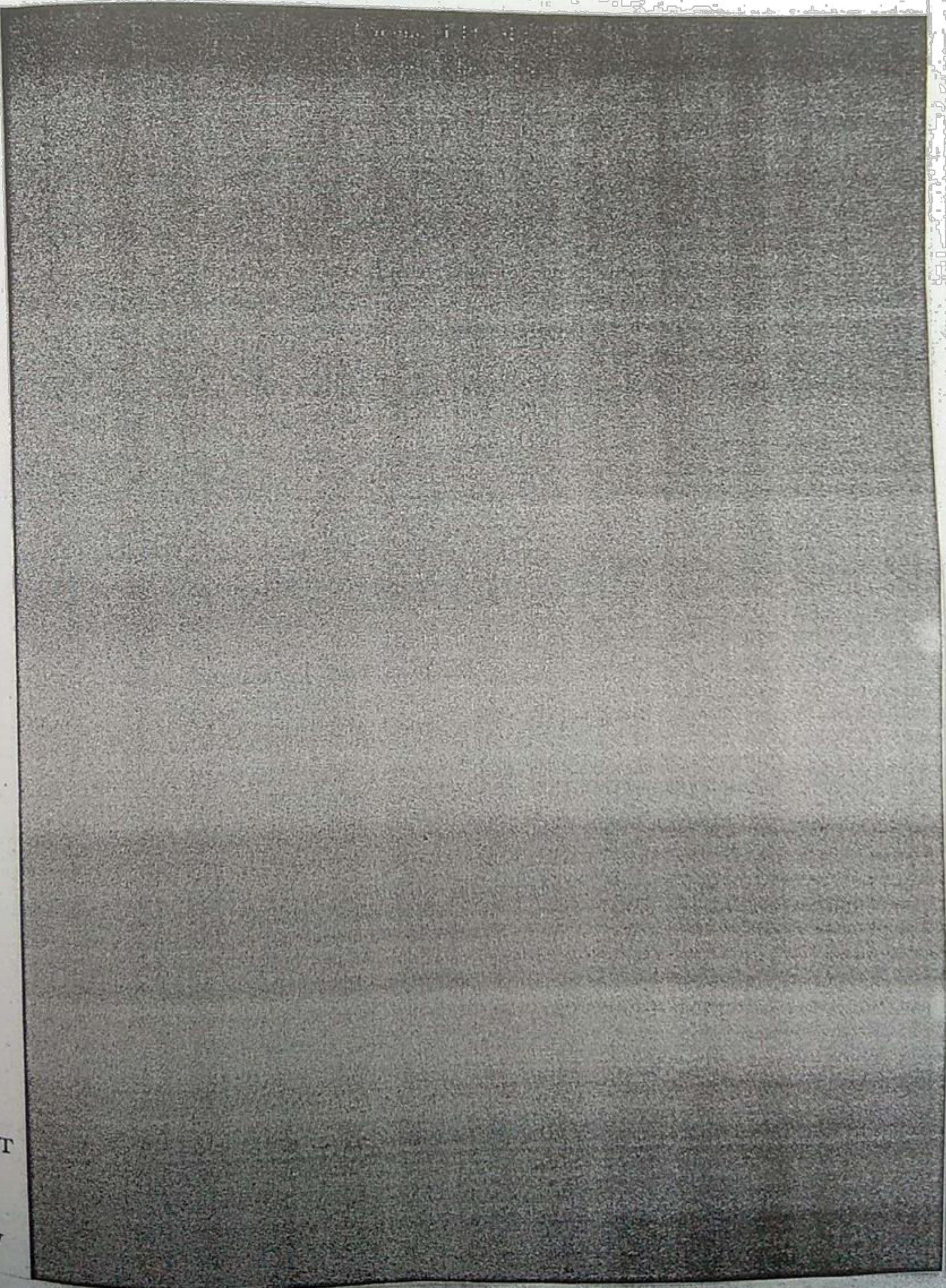

THESIS ABSTRACT

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CONTENTS

ELEVATING PRIORITY SECTOR THROUGH BANK CREDIT

S. Rajamohan[14] D. Durairaj[15]

ABSTRACT

Agriculture plays an important role in the economic development of India. They depend purely on the agricultural and allied activities. They require money to carry out the farming activities. They spend money during cultivation period and earn money during harvest seasons. In earlier days, for finance the farmers purely relied on the local money lenders, indigenous bankers, creditors, commission agents, etc. and thereafter cooperative banks were introduced and farmers enjoyed out of them. In 1969 the banks were nationalized and the banks were extended their services to the rural population in order to uplift the farming communities.

The banks also introduced lot of financial assistance programmes like PMRY loan, Crop loan, fertilizer loan, crop insurance and the like. The RBI also directs all bankers to provide credit to agriculture liberally for purpose of upliftment of their living standard. With this background, this paper has prepared to provide the ways to promote credit facilities to agriculture community and add strength to the priority sector.

KEYWORDS

Credit, Priority Sector, and Economic Growth etc.

INTRODUCTION

Agriculture plays an important role in the economic development of India. Agriculture is the source of livelihood of more than 70 per cent of the population in India. To meet the requirement of the growing population and rapid developing economy, agriculture has to grow fast and get modernized. This requires the use of high pay off inputs, adoption of high yielding varieties, fertilizers, plant protection chemicals, modernized equipment and machineries which need huge investment. The rural agricultural sector of the Indian economy is labour abundant, land poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate credit to the farmers at reasonable interest.

The small farmers are the most hapless object of the private money lenders who are free to recover their loans by high handed and attachment of the crop of the poor farmers as well as their personal belongings, land and living residences. Available resource base and the capacity to generate sufficient levels of financial resource within the rural sector particularly in agricultural sector are, however limited at present. Institutional financing viewed from this angle as a principal resource of external finance to support in a planned manner. Institutional credit enables the farmer to procure the necessary money of production and creates contributing to climate for enhanced output. Since institutional credit exerts a push effect and has a catalytic role in development process, provision of adequate, timely and liberal credit to the farmer has become an integral part of the agricultural development policy in India.

As a result, agricultural credit service in the country is provided through three main channels, namely, commercial banks, regional rural banks and co-operative banks. Through this source agriculturist can avail credit and mark use into agro business. So in this term credit is help as a ladder to agriculture sector.

In this paper highlights the credit is help to agriculture sector, connotation of priority sector, impression of priority lending, Resolution of priority sector, priority sector segments, effect of lending on bank management.

CONNOTATION OF PRIORITY SECTOR LENDING

Through the priority sector advance a plenty of connotation we can say, therefore here mentioned some of the significance of priority sector lending:

- Priority sector lending support the economy of the country.
- It improves the particular area and promotes employment.
- It assists the government in reducing unemployment.
- Helps to improve the living standards of the nation.
- Provide the financial assistance to weaker section.
- Promote education by providing financial add to institute.
- It improves and promote agriculture sector which is the back bone of the economy.
- It creates a balance between assets and liabilities.
- The overall impact on the bank management is very pleasant.

[14]Professor, Alagappa Institute of Management, Alagappa University, Tamilnadu, India, dr_srajamohan@yahoo.co.in
[15]Research Scholar, Alagappa Institute of Management, Alagappa University, Tamilnadu, India, dddraj15@gmail.com

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CREDIT IS LADDER TO AGRICULTURE SECTOR

Credit is an important one for cultivation and it is needed from cultivation to harvest. In between, the farmers require finance for various purposes such as purchasing the fertilizers, pesticides, manures and other allied things. For such kind of activities, in those days, the farmers were depending on the local money lenders, through which they were in trouble and some of them committed suicide due to the higher interest rate and unable to repay the amount.

Followed by our Indian government has taken steps to increase the agricultural credit. Its objectives have been to replace moneylenders, to relieve the farmers from indebtedness, and to achieve higher levels of agricultural credit, investment, and output. India's success in replacing moneylenders has been outstanding. Between 1951 and 1971 their share of rural credit appears to have dropped from more than 80 per cent to 36 per cent. Still, institutional credit is far from reaching all farmers. Only about a quarter of cultivators borrow, and not more than 2 per cent take out long-term loans.

SYNOPSIS OF PRIORITY SECTOR

At a meeting of the national credit council held in July 1968, it was emphasized that commercial banks should increase their involvement in the financing of priority sectors like agriculture and allied activities. The description of the priority sector was later in 1972 on the basis of this report submitted by the informal study group on statistics relating to advance to the priority sectors constituted by the reserve bank in May 1971. On the basis of this report, the reserve bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this connection of priority sector.

Although initially there was no specific target fixed in respect of priority sector lending, in November 1974 the banks were advised to raise the share of these sector in their aggregate advances to the level of 33 1/2 per cent by March 1979. At a meeting of the union finance minister with the chief executive officers of public sector banks held in March 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sector to 40 per cent by March 1985.

Subsequently on the basis of the recommendation of the working group on the modalities of implementation of priority sector lending and the twenty points economic programmed by banks, all commercial banks were advised to achieve the target of priority sector lending at 40 per cent of aggregate bank advances by 1985. Sub targets were also specified for lending to agriculture and the weaker sections within the priority sector.

Since then, there have been several changes in the scope of priority sector lending and the target and sub targets applicable to various bank groups. On the basis of the recommendations of the internal working group, set up in reserve bank to examine, review and recommend changes, if any, in the existing policy on priority sector lending including the segments constituting the priority sector, target and sub- targets, etc., and the comments/suggestions received thereon from banks, financial institutions, public and the Indian banks association (IBA), it has been decided to include only those sectors that impact large segments of population and the weaker sections, and which are employment- intensive, as part of the priority sector.

PURPOSE OF PRIORITY SECTOR LENDING

The banks are issue the lending on priority sector in the following purpose:

- Improve the economic condition of the country.
- Facilitate the community by the direct and indirect finance to agriculture people.
- Upliftment of living standard of rural and agricultural people.
- The setup the more small industry in the rural area.
- Generation employment in the rural people.
- Reduction of mandatory credit to a large number of sector and sections, including marginal farmers, cottage industries, small trade and services and low income housing incentives.
- Improve credit flow to small scale industries and food crop agriculture as well as temporary credit.
- Assure credit to new industries and new professions by the non- poor section.
- Improve the life quality of weaker section.

SEGMENTS ON PRIORITY SECTOR LENDING

Priority Sectors

The Reserve Bank of India classified in the following categories is priority sector namely, Agricultural and allied activities:

- Development of Dairy and Animal Husbandry.
- Development of Fisheries.
- Development of Poultry, Piggery.
- Development and maintenance of Stud farms, Beekeeping, Sericulture, etc. However, breeding of race horses cannot be classified under this head.
- Purchase of Bullock Carts, Camel Carts, Pack Animals etc.
- Distribution of inputs for allied activities such as poultry feed, cattle feed, etc.

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- Small Scale Industrial Units, Equipment/System for development of new and renewable source of energy, etc.
- Small Scale and Ancillary Industries such as:
    - Flaying and tanning.
    - Leather goods.
    - Pottery.
    - Hand pounding of paddy and cereals.
    - Rice Mills, including flour mills and bakeries.
    - Canning of fruits and vegetables.
    - Manufacturing and processing of agricultural & marine products, and forest produce including beverage industries.
    - Other village industries such as carpentry and black-smithy, bee-keeping and honey and honey products.
- New and renewable sources of energy:
    - Flat plate solar collectors.
    - Concentrating and pipe type solar collectors.
    - Solar cookers.
- Cottage industries, Khadi & Village Industries.
- Tiny industries with an investment in plant & machinery up to Rs. 25 lakh irrespective of location of the unit.
- Small Scale Service & Business (Industry Related) Enterprises (SSSBEs).
- Food and agro based processing and forestry.
- Loans and advances by primary (urban) co-operative banks.
- Loans and advances by scheduled primary (urban) co-operative banks.
- Leasing & Hire Purchase Finance by Scheduled PCBs.
- Advances to Small Road and Water Transport Operators.
- Retail Traders.
- Small Business Enterprises.
- Agents selling goods on commission basis.
- Booking, clearing and forwarding agents.
- Estate agents.
- Press cum publishing houses, etc.

BANK CREDIT TO PRIORITY SECTOR

In India, table below shows the total amount spend by commercial banks to agriculture and allied activities in the years from 2002 to 2011, in this amount utilized by farmers in various agriculture activities such as buy a seeds, fertilizers, pesticides, cultivation equipment's etc.

Table-1: The Banks Credit To Priority Sector (Amount in Crore)

Sl. No	Years	Amount	Percentage	Sl. No	Years	Amount	Percentage
1	2002	404354	-	6	2007	406404	- 2.78
2	2003	399494	1.20	7	2008	411816	-1.33
3	2004	402222	- 0.68	8	2009	421316	-2.30
4	2005	396394	1.44	9	2010	438129	-3.99
5	2006	395386	0.25	10	2011	438340	-0.04

Source: RBI bulletin.

Table1 renders credit issued by the scheduled commercial banks in India during one decade. All the years' credit issuing capacity was increased year by year in banks, except 2005 and 2006. In those years alone decreased credit facility, remaining all the years going ladder from 2002 to 2011. Afore said all segments of priority sectors, the bankers are issuing the credit, in order to make use of it all advances by rural people.

OUTCOME PRIORITY SECTOR PRODUCTS IN INDIA

Farmers need credit for buying all agricultural inputs such as seeds, fertilizers etc. in order to all commercial banks are issued advance to an individual for agriculture cultivation. Through the credit utilized by the farmers, following outcomes of agriculture product, is shown in Table2.

The table also enlightens that, the outcome of some items of agriculture production past 10 years. In which a selected agricultural commodities are taking into consideration.

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Table- 2: Few Items of Priority Sector Product - Outcome from 2002 to 2011 (Million Tons)

S. No	Agriculture Production	2002-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
1	Food grain	174.8	-213.2	198.4	208.6	217.3	230.8	234.5	218.2	229.7
2	Rice	71.8	88.5	83.1	91.8	93.4	96.7	99.2	89.1	90.0
3	Wheat	65.8	72.2	68.6	69.4	75.8	78.6	80.7	80.7	81.7
4	cereals	163.6	198.3	185.2	195.2	203.1	216.0	219.9	203.6	215.9
5	pulses	11.1	14.9	13.1	13.4	14.2	14.8	14.6	14.6	16.0
6	Kharif Food grain	87.2	117.0	103.3	109.9	110.6	121.0	118.1	103.8	NA
7	Rabi food grains	87.5	96.2	95.1	98.7	106.7	109.8	116.3	114.4	NA
8	Oilseeds	14.8	25.2	24.4	28.0	24.3	29.8	27.7	24.9	28.2
9	Sugarcane	287.4	233.9	237.1	281.2	355.5	348.2	285.0	277.8	321.0

Source: Survey of Indian Industry 2011.

IMPACT OF BANKS ON AGRICULTURE LENDING

The agricultural credit that has been pursued for three decades and has clearly benefit current borrowers and farm households formerly indebted to moneylenders. It has also encouraged fertilizer use and investment in agriculture. It has been less successful in generating viable institutions and has failed to generate agricultural employment. The policy's costs to India's government have been high as portfolio losses associated with poor repayment ultimately have to be borne by the government or one of its institutions under optimistic assumptions.

The benefits of the agricultural income are at the best not more than 13 per cent higher than the cost to the government of the extra agricultural credit. If assumptions about the cost of supplying the credit and about repayment rates are less optimistic, the social costs and the costs to the government of providing the credit would have exceeded the benefits in agricultural income. The expansion of commercial banks to rural areas paid off in farm growth, employment, and rural wages.

CONCLUSIONS

This paper concluded that the banks are done by wondering job. Priority sector lending has a great impact on bank management. This is the powerful tool to support the economy of the country and the nation as well. Despite of the banks should increase the area of lending performance, as it is the effective way to support the economy and to reduce the unemployment, and promote industry. And the amount for lending should be increase so that the maximum community can be supported to individual in setting their business as well as priority sector activities.

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Editor-In-Chief
Pezzottaite Journals,
64/2, Trikuta Nagar, K. K. Gupta Lane, Jammu Tawi,
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APPENDIX–E
EMPOWERING SMEs THROUGH PRIORITY SECTOR ADVANCES

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EMPOWERING SMEs THROUGH PRIORITY SECTOR ADVANCES

[1]S. RAJAMOHAN &[2] D.DURAIRAJ

[1]Professor, Alagappa Institute of Management, Alagappa University, Karaikudi, TamilNadu, India

[2]Ph.D Research scholar, Alagappa Institute of Management, Alagappa University, Karaikudi, TamilNadu, India

ABSTRACT

Small and Medium Enterprises are two legs of Industrialization process of a country. In the earlier days this concept was called as a small and medium enterprises, but after 2006 this concept was redefined, from that time onwards called as a Micro Small and Medium Enterprise (MSME), It plays a vital role for the growth of Indian economy by contributing 45 percent of industrial output, 40 percent of exports, employment opportunities for 60 million people, generating 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets. SME's Contribution towards Gross Domestic Product in 2011 was 17 percent which is expected to increase to 22 percent by 2012. SMEs are the fountain head of several innovations in manufacturing and service sectors, by promoting SMEs, into rural areas becoming India will be developed. The Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile and Garments, Retail, IT, Agro and Service sector.

Although its commendable contribution to the Nation's economy, SME Sector does not get the required support from the concerned Government departments, Banks, Financial Institutions and Corporate, which is a handicap in becoming more competitive in the National and International Markets. SMEs faces a number of problems such as absence of adequate and timely banking finance, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization and expansions, non availability of skilled labour at affordable cost, follow up with various government agencies to resolve problems and so on. With this backdrop the present paper has been made an attempt to focus the empowering the exiting SMEs.

KEY WORDS: Small and Medium Enterprises, Credit, Priority Sector Advances

INTRODUCTION

SMEs play a catalytic role in the development process of most economies. The importance of the SME sector is well-recognized the world over using to its significant contribution in achieving various socio-economic objectives, such as employment generation, contribution to national output and exports, fostering new entrepreneurship and providing volume to the industrial base of the economy. It constitutes a very important segment in the priority sector of our economy. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of SMEs. It has emerged as a dynamic and vibrant sector of the economy. SMEs in India have been given a distinct identity and the Government of India has accorded high priority to this sector on account of the vital role it plays in balanced and sustainable economic growth. It is considered a growth engine of our economy and plays a crucial role in the process of economic development by value addition, employment generation, fostering entrepreneurship and entrepreneurial skills, equitable distribution of national income, regional dispersal of industries and priority depth to the industrial base, mobilization of capital and contributing to the country's exports.

This paper enlightens the overview of SMEs, SMEs contribution for export, Financing for SMEs, Challenges and opportunities, and suggestions.

OVERVIEW OF SMEs

Today SMEs account for nearly 35 percent of the gross value of output in the manufacturing sector and over 40 percent of the total exports from the country. In terms of value added this sector accounts for about 40 percent of the value added in the manufacturing sector. The sectors contribute more employment opportunities next to agriculture. It is a fruitful sector for investment. This sector is one of the success stories of the modern India. Its success is written large over the face of the country and is equally visible all around.

This is a sector that has emerged victorious in the face of rising competition from large sectors inside and from multi-nationals abroad. Currently SMEs accounts for 95 per cent of industrial units, 46 percent of the industrial production and 43 per cent of the country's total exports. The contribution of this unorganized industrial sector is next to the agriculture. SMEs are too biggest employment provider with approximately six corers of the population depending on them for their livelihood. The survivals of SMEs are vital importance to the people. Table 1 shows that level of finance for SME sector.

Table 1: Finance for SMEs Sector

CLASSIFICATION OF MSME SECTORS		
SECTOR	**MFG/SERVICE**	**INVESTMENT IN**
		P & M / Equipments
Micro level-I	Mfg.	Upto Rs.5 lacs
	Service	Upto Rs.2 lacs
Micro level-ii	Mfg.	Rs.5 lacs to Rs.25 lacs
	Service	Rs.2 lacs to Rs.10 lacs
Small	Mfg.	Rs.25 lacs to Rs.5 crore
	Service	Rs.10 lacs to Rs.2 crore
Medium	Mfg.	Rs.5 crore to Rs10 crore
	Service	Rs.2 crore to Rs.5 crore

Source: RBI bulletin

The Government of India recently unveiled a policy package aimed at stepping up credit flows to the SME sector, which is under priority sector. The policy package clearly defines medium enterprises, proposes a one-time settlement scheme for Non-performing Assets of Banks and a corporate debt restructuring mechanism for the SME sector.

A small scale industry consists of small industrial units having investment on fixed capital not exceeding Rs.1 crore, while recognizing the need for larger investment in some of the more important segments of the small scale industry; the government has enhanced this to Rs.5crores for specified industries.

Besides that the Government of India has reserved 836 items exclusively for small scale production and 409 items for exclusive purchase from small scale industries.

In order to promote the small scale sector, so this sector brought under the priority sector for the purpose of utilizing the bank credit to this sector.

EXPORT CONTRIBUTION

SMEs constitute an important segment in Indian industrial production and it contributes to 33 percent of total exports. During the period 2003-06, India's total merchandise exports in US dollar terms witnessed a Compound Annual Growth Rate growth of 25 percent, while in the same period of SMEs exports grew at a CAGR of 24 percent. The remarkable contribution of SMEs in generating employment in the country has been instrumental in addressing issues pertaining to poverty and inequality of income. As per the Third All India Census on Small Scale Industries-2001-02, highly populated states such as Madhya Pradesh, Uttar Pradesh, West Bengal, Maharashtra, Karnataka and Jharkhand together contributed to around 55.4 percent of the total exporting units in India. In terms of distribution of value of exports from the SMEs sector states like Punjab, Haryana, UttarPradesh, Tamil Nadu and Maharashtra together contributed 64.75 percent of total exports besides direct exports, it is estimated that SMEs are contribute around 15 percent to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use of finished exportable goods. It would surprise many to know that non traditional products account for more than 95 percent of the SMEs exports. The exports from SMEs have been looking excellent growth rates in this decade. It has been mostly worked by the performance of garment, leather, and gems and jewelry units from this sector. The lucrative product groups where the SMEs dominate in exports are sports goods, readymade garments, woolen garments, plastic products, processed food and so on.

MAJOR ISSUES AND CHALLENGES TO SMEs SECTOR

Though Indian SMEs are a diverse and heterogeneous group, they face some common problems, which are briefly indicated below:

1. Lack of availability of adequate and timely credit
2. High cost of credit
3. Collateral requirements
4. Limited access to equity capital
5. Problems in supply to government departments and agencies
6. Procurement of raw materials at a competitive cost
7. Problems of storage, designing, packaging and product display;
8. Lack of access to global markets
9. Inadequate infrastructure facilities, including power, water, roads, etc.
10. Low technology levels and lack of access to modern technology
11. Lack of skilled manpower for manufacturing, services, marketing, and like.
12. Multiplicity of labour laws and complicated procedures associated with compliance of such
13. Laws
14. Absence of a suitable mechanism which enables the quick revival of viable sick enterprises and allows unviable entities to close down speedily; and
15. Issues relating to taxation, both direct and indirect, and procedures thereof.

OTHER HANDICAPS OF SMEs

a) The problems faced by SMEs access to bank credit, access to capital, technology, skill, market, and so on are quite unique to the nature of the sector. These concern several institutions and departments of the Government. There is need for an SME perspective in the functioning of such institutions and departments some of the major bottlenecks impeding the growth of the SME sector.

b) Access to adequate and timely credit at a reasonable cost is the most critical problems faced by this sector. The major reason for this has been the high risk perception among the banks about this sector and the high transaction costs for loan appraisal. While the quantum of advances from the public sector banks (PSBs) to the MSEs has increased over the years in absolute terms, from Rs. 57,199 crore in March 2000 to Rs. 4, 84,473 crore in March 2011.

c) Access to equity capital is a genuine problem. At present, there is almost negligible flow of equity capital into this sector, the fact that overall capital inflows have witnessed significant increase in the recent years. Absence of equity capital may pose a serious challenge to development of knowledge-based industries, particularly those that are sought to be promoted by the first-generation entrepreneurs with the requisite expertise and knowledge.

d) In the present global environment, the SMEs have to be competitive to survive and thrive. To ensure competitiveness of the SMEs, it is essential that the availability of infrastructure, technology and skilled manpower are in tune with the global trends. SMEs are either located in industrial estates set up many decades ago or are functioning within urban areas or have come up in an un-organized manner in rural areas. The state of infrastructure, including power, water, roads, and like in such areas is poor and unreliable.

e) India continues to be a growing market cheap imported goods have a direct impaction the SMEs and their survival. Given the globalization, governments across the world are providing supportive measures to the SMEs through targeted benefits and facilities.

f) Worldwide, SMEs are credited with high level of innovation and creativity, which also leads to higher level of failures. Keeping in this view, most of the countries have put in place mechanisms to handle insolvencies and bankruptcies. The present mechanism available in India for MSMEs is archaic. It does not focus on revival. Hence, business failure in India is viewed as a shame, which adversely impacts individual creativity and development in the country. An enabling policy environment, which helps viable enterprises facing temporary disruptions to continue while allowing others to close down speedily, with an appropriately structured social security, is essential for the promotion of MSMEs in India.

g) The government has provided an overarching legislation in the form of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 for the MSME sector; there are a large number of regulatory issues which impact on the development of entrepreneurship generally and the efficiency of MSMEs in particularly.

FINANCING THE SMEs

In Feb 2008, the Ministry of Micro, Small and Medium Enterprises (MSME), continued with its de-reservation policy by removing 79 items from the list of 114 items reserved specifically for SSI (small scale industries) manufacturing. Only 35 items remain in the reserved category from the total of 836 selected in 1994 denoting the declining monopoly of the SSI segment on the reserved products. The government has set up various schemes in place such as the priority sector Credit Linked Capital Subsidy Scheme, MSME Cluster Development Scheme and ISO 9000 Reimbursement Scheme to help SMEs for procuring timely funds. Also the government has put in place the Credit Guarantee Scheme to encourage banks to lend upto Rs 50000 without collateral. There has also been a recent budget announcement of setting up of a

Risk Capital Fund. Though SMEs are being touted as the priority sector within the economy, they continue to face problems pertaining to credit. When it comes to banks, they have a very traditional way of lending to this segment against collateral and SMEs end up being under financed. The biggest challenge before the SMEs today is to have access to non-debt based and non-traditional financial products such as external commercial borrowings, private equity, factoring and the like.

CREDIT TO SMEs SECTOR BY COMMERCIAL BANKS IN INDIA

SMEs plays a important role in the economic in the way of generating the employment opportunity, generating fund mobilization and so on, in order to encourage the SMEs commercial banks are providing credit to SMEs sector, the table 2 explains the credit performance of commercial banks in India for decade of over the years.

Table 2: Credit to SMEs Sector by Commercial Banks in India (Amount in Crore)

Years	Amount	SME credit as percent NBC (%)	Growth to total percentage (%)
2002-03	57199	12.5	-
2003-04	60394	11.1	2.05
2004-05	65855	10.4	2.09
2005-06	76114	9.5	2.15
2006-07	82434	8.1	2.08
2007-08	104703	8	2.27
2008-09	116908	18.2	2.11
2009-10	256128	19.9	3.19
2010-11	364001	41.4	2.42
2011-12	484473	33.7	2.33

Source: RBI bulletin, Trends and reports, Business line newspaper.

The table 2 elucidates that year wise credit performance of commercial banks to the SMEs sector, over the previous year’s in the year 2009- 10 the credit at maximum 3. 19 percent provided by banks. Followed by the 2.42 percent in the year 2010 -11, low performance of credit provided by the banks in the year 2003-04, following the years are increased significant level, the same trends continue this sector will be growth in high level.

FINANCIAL ASSISTANCE TO SMEs

1. All the scheduled commercial banks should achieve a 20 percent growth in credit year-by-year to micro and small enterprises and strictly adhere to the allocation of 60 percent there of to micro enterprises to ensure enhanced credit flow. From 1st April 2010, shortfall of any bank against the already accepted target of 60 percent to micro enterprises may be put into an appropriately named corpus with the Small Industries Development Bank of India (SIDBI). This would facilitate additional credit flow of over Rs.3 lakh crore to micro enterprises from the scheduled commercial banks over a period of 5 years.
2. A target of 15 percent annual growth in number of micro enterprise accounts may be stipulated for all scheduled commercial banks till financial inclusion has been substantially achieved. Reserve Bank of India (RBI) may issue necessary instructions in this regard. This would help in covering an additional 30 lakh micro enterprises under institutional credit in a period of 5 years.
3. The stimulus package announced by the government RBI, IBA may be extended upto 31st March 2011 including special refinance facility of Rs.7000 crore provided to SIDBI.

4. The ability of MSMEs to access alternative sources of capital like angel funds risk capital needs to be enhanced considerably. For this purpose, removing fiscal regulatory impediments to use such funds by the MSMEs should be considered on priority.
5. Securities and Exchange Board of India (SEBI) may expedite the process of setting up of SME Exchanges in consultation with all the stakeholders.
6. Banks should approve project loans for MSEs to avoid delay in tying up of funds by the SMEs. The RBI may consider making this mandatory for the banks.
7. Banks may be encouraged to use scoring model so as to have speedy disposal of loan applications of micro and small enterprises. In order to simplify the process of credit dispensation to micro enterprises, a uniform loan application form for loans up to Rs.25 lakh should be devised by the IBA that should be applicable to all the banks. The Financial Services may bring out a model form within 3 months.
8. Taking into account the recent experience during the economic slow down, banks may extend liberal moratorium on their term loans and working capital to MSEs entrepreneurs by including interest during first 6-12 months of operation as part of the long term funding of the projects. While loans up to Rs.50,000 are covered under micro finance, banks are generally not inclined to provide loans below Rs.5 lakh due to a high risk perception and transaction costs. Banks may lend to pool of micro entrepreneurs who have been financed by Micro Finance Institutions and are now ready for borrowing at higher levels in the missing middle segment of Rs .50, 000 to Rs. 5 lakh by covering them under the Credit Guarantee Scheme.

SUGGESTIONS FOR EFFECTIVE GROWTH OF SMEs

Finance is as crucial one to an enterprise as is blood to the human body. The requirements of finance are inevitable for SMEs and setting up new enterprises as well and almost every where in the world. However, a fund for SMEs has been made available more liberally to the entrepreneurs in the western world then in the developing countries. Development financial institutions were meant to support to large scale enterprises, but slowly they have started equally themselves with the commercial Banks in terms of stringency and rate of interest.

In India, the government has taken several measures to expand availability of credit to SMEs through commercial Banks for working capital and through term lending institutions (SIDBI, SFC etc), the problems of SMEs are far from over. SMEs traditionally have face difficulty in obtaining formal credit or equity. This is because of the maturity of commercial bank loans extended to SMEs are often limited to a period for too short to pay off any sizeable investment. Banks in many developing countries have traditionally lent over helpingly to the government, which offered less risk and higher returns.

1. The government should ensure strict adherence to the stipulated targets by the commercial banks for the micro enterprises (like. 20 percent year-by-year growth for micro and small enterprises lending with 60 percent apportionment for micro sector).
2. A separate fund may be created with SIDBI, using the short falls, if any, against the MSE credit targets set for the commercial banks. This fund named ‘Special Fund for Micro Enterprises’ should be utilized exclusively for lending to the micro enterprises.
3. A Public Procurement Policy for MSMEs as envisaged in the Micro, Small and Medium Enterprises Development Act, 2006 may be introduced at the earliest. The policy may set a goal for government departments and PSUs to reach, over a stipulated period, a target of at least 20 percent of their annual volume of purchases from micro and small enterprises (MSEs), and mandate them to report their achievements in this regard in the annual reports.

4. The government should earmark additional public spending to the tune of Rs.5, 000-5,500 crore over the next 3-5 years to specifically target deficiencies in the existing infrastructure and institutional set up. These funds may be used to: (a) support the establishment of Rehabilitation Funds in the States for the revival of potentially viable sick units; (b) assist MSMEs in the acquisition and adaptation of modern clean technologies as well as creation of Technology Banks and product- specific Technology Development Centres (c) promote establishment of business incubatorsin educational institutions of repute; (d) renovate existing industrial estates and develop new infrastructure for MSME sector, with sustainable urban governance mechanisms; (e) re-engineer, strengthen and revitalize District Industries Centre's to enable them to play a more active role in advocacy and capacity building for MSMEs and as appropriate, in their rehabilitation; (f) strengthen National Small Industries Corporation equity base for enhanced market support to MSMEs; and (g) up-scale the existing programmes of entrepreneurship and skill development targeted at MSMEs.
5. Line entry may be incorporated in the Annual Plan 2010-11 of the Ministry of MSME.
6. The ongoing exercise to introduce a new Direct Tax Code (DTC) and Goods and Services Tax (GST) should specifically seek to achieve these policy objectives through appropriate provisions forgraded corporate tax structure, tax pass through for angel and venture capital fundsand incentives for R and D.

CONCLUSIONS

SME sector is the boost of business world and the backbone of our economy, especially in a developing country like India. This sector contributes 8 per cent of the nation GDP, 45 percent of the manufactured output and 40 percent of exports. The MSMEs provide employment opportunities to 60 million persons through 26 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. The MSMEs are important for the national objectives of growth with equity and inclusion. In order to develop this sector properly there is a need for government agencies, regulators and financing agencies to come forward help to this sector. Commercial Banks should come out of the traditional asset based lending mind set, while devising cash flow or collateral-based lending models, and simplified assessment, appraisal models must be introduced. SMEs need transaction, banking and trade finance services in addition to lending and for this banks need to offer sophisticated advances to the SMEs in a simplified manner. SMEs look of convenience and simplicity in their banking requirements and these should be delivered through the effective use of technology by the banks. Banks should view priority sector lending to the SMEs as a profitable avenue rather than an avenue for forced lending.

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APPENDIX–F
FORMAL CREDIT FOR INFORMAL SECTOR – REDUCING

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Formal Credit for Informal Sector - Reducing Unemployment

Dr. S. Rajamohan
Professor, Alagappa Institute of Management, Alagappa University, Karaikudi

and

Mr. D. Durairaj
Ph.D Research scholar, Alagappa Institute of Management, Alagappa University, Karaikudi

ABSTRACT

Unemployment as one of the macroeconomic problems could be reduced through the formal credit for informal sector participation provided it is well supported and managed. The informal sector in itself may not be able to achieve much as we have presently due to inaccessibility to credit, but with the on-going policy of the Federal Government through the Reserve Bank of India on micro-financing the macroeconomic objective of reduced unemployment, if not full employment will become a reality in India. The microfinance policy has empowered the many microfinance/ banking institutions to provide credit to the informal sector. Therefore the Government of India and all relevant stakeholders continue in their mission towards reducing unemployment while they give their whole support, in making sure that the informal sector continues to enjoy access to formal credit to finance its activities and accomplish its goal of unemployment reduction.

Key words: Credit, Unemployment, Informal sector

INTRODUCTION

Unemployment is one of the developmental problems that face every developing economy in the 21st century. International statistics portray that industrial and service workers living in developing regions account for about two-thirds of the unemployed.

The Indian economy since the attainment of political independence in 1960 has undergone fundamental structural changes. The domestic structural shifts have however not resulted in any significant and sustainable economic growth and development. Various sources show that the Indian economy grow relatively in the greater parts of the 1970s, with respect to the oil boom of the 1970s, the outrageous profits from the oil boom encouraged wasteful expenditures in the public sector dislocation of the employment factor and also distorted the revenue bases for policy planning. This among many other crises resulted in the introduction of the structural adjustment programme (SAP) in 1986 and the current economic reforms. The core objective of the economic structural reform is a total restructuring of the Indian economy in the face of population explosion.

However, these economic and financial structural reforms put in place have not yielded significant results. In the light of this, this paper seeks to examine how a major macroeconomic variable, unemployment could be reduced through the informal sector which is a recent global issue targeted at empowering people towards being self productive and independent. This explain the concepts of informal sector, unemployment in India, segments of informal economy, reasons for unemployment, unemployment rate in India, informal sector employment in India and so on, while we improve our formal credit for informal sector can be activated in order reduce unemployment in India, which will invariably result in reduce poverty, improve standard of living, improve productivity, and an overall improvement in economic performance among other benefits.

INFORMAL SECTOR

Informal sector in India is broadly characterized as consisting of units engaged in the production of goods and services with the primary objectives of generating employment and incomes to the persons concern. These units typically operate at low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations, where they exist, are based mostly on casual employment, relationship or personal or social relations rather than contractual arrangements with formal guarantees. Thus, production units in informal sector are not constituted as separate legal entities independently of the household or house hold members that own them and for which no complete sets of accounts are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners. The owners of their production units have to raise the finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. For statistical purpose, the informal sector is regarded as a group of production units, which form part of the household sector as household enterprises or equivalently, unincorporated enterprises owned by households in India.

SEGMENTS OF INFORMAL SECTOR ECONOMY

- Wage work for informal enterprises
- Domestic work without a regular contract
- Casual day labour without a fixed employer
- Unregistered or undeclared work for formal or informal firms
- Temporary and part-time work for formal firms

ACTIVITIES OF INFORMAL SECTOR

- **Agriculture:** landless labourers, small farmers, traditional artisans, animal husbandry
- **Industry:** workers in brick-kilns, construction, beedi-making, incense stick
- **Services:** workers in local transport, shops, domestic servants, community services like street cleaning, street vendors, garbage collectors
- **Small Workshops:** shoe makers, garment makers and embroiderers
- **At Home:** garment workers artisans or craft producers
- On Rivers, Ponds, Lakes, and Oceans: fishermen, shippers

FORMAL CREDIT FOR INFORMAL SECTOR

The informal sector plays a significant role in the economy in terms of employment opportunities and poverty alleviation. This sector generates income-earning opportunities for a large number of people. In India, a large section of the total workforce is still in the informal sector, which contributes a sizeable portion of the country's net domestic product.

The informal sector in India refers to productive institutional units characterized by a low level of organization with no access to formal credit, little or no division between labour and capital, labour relations based on casual employment and/or social relationship, as opposed to formal contracts, labour-intensive technology, and low-skill labour. These units to a large extent belong to the household sector and cannot be associated with other organizations.

According to economists, the labour absorption capacity of the informal sector is much more than its formal counterpart. Thus, with passage of time and further liberalization and globalization of the economy, the informal sector is expected to absorb more labour than the formal sector.

PRESENT SCENARIO

It is surprising to note that despite a decade and a half of economic reforms and rapid progress in the banking sector, India's informal sector, particularly the rural segment, still has very limited access to formal finance. As per a World Bank survey on accessibility of finance in the rural sector, 70 per cent of the rural poor do not have a bank account and 87 per cent have no access to credit from a formal source.

SOURCES OF INFORMAL FINANCE

The informal financial sources generally include funds available from the family or moneylenders who operate outside the legal and policy framework of banks. Apart from this, the chit fund is another form of credit source operated by groups of people for mutual benefit; but this approach has its own limitations. The loans are granted mostly without collateral and lengthy documentation formalities as the lender depends mainly on the personal knowledge of, and contact with, the borrower. However, over the years, a few NGOs have engaged themselves in activities related to community mobilization for savings and credit-related operations targeted at some groups in the rural sector.

It has been observed that with a few exceptions, most micro-finance institutions (MFIs) in India are small, region-specific and with a limited collective outreach except a few, and most MFIs also offer a limited range of financial services beyond credit. This needs a serious policy attention in the light of the fact that in many places, especially in Indonesia and Bangladesh, MFIs operate on a larger space.

NEW CHANNELS OF FINANCE FOR INFORMAL SECTOR

Considering the problems faced by the rural people in getting adequate finance at a reasonable rate in a transparent manner there are two options. Banks in India need to,

(i) Develop more customized as well as flexible loan products specifically catering to the needs of this sector, and,

(ii) Develop new delivery channels for lending to the informal sector directly and indirectly. Banks can appoint some business correspondent agencies, such as NBFCs (non-banking finance companies), reputed NGOs, MFIs and cooperatives, for this.

These intermediaries can identify and disburse of small loans in the rural areas for farming or personal purposes. As these business correspondents are basically from the local areas, they can be expected to be more aware about the activities and have other relevant information of their borrowers than any bank officer. By this can be addressed the uncertainties about the quality of borrowers and of the assets. This will help banks in risk mitigation, as a bank's risk will be exposed to the business correspondents only. With proper selection of these business correspondents this risk can also be reduced significantly.

Without opening a full-fledged branch in the rural areas, banks can increase their business through this approach, which reduces the cost of operations. Simultaneously, considering the risk factors of lending to this sector, banks can charge comparatively higher interest rates and earn higher returns. Thus, bank finance to this informal sector through the above route is a win-win situation for both banks as well as the rural economy. Apart from steady flow of finance to Rural India, banks can increase their margins by higher return on assets and lower cost of operations.

ROPING IN MONEY LENDERS

Considering the huge demand for funds in the informal sector, the business correspondents, in view of their existing spread, may not be sufficient to fill the gap of fund requirement in this sector. Banks cannot replace the moneylenders, who are present at every nook and corner of the rural sector. Though apparently the interest rates charged by them are comparatively high, taking into account the risk factors, such as poor quality of security, lack of proper records, incidence of high degree of crop failure, it can be said that from an economic point of view the moneylender still plays a vital role. They are aware not only of the quantum of finance required by the rural people but also the timing. Thus, considering their importance in the informal sector, moneylenders must be co-opted as a business correspondent to the banks.

The interest rate to be charged and the scope of finance are to be decided by the banks. This mechanism brings some degree of transparency to the operations of moneylenders and simultaneously larger flow of funds to be channeled to the informal sector at a reasonable rate. If the moneylenders can be brought into the formal financial system, this is likely to avoid a social tension as well.

NEEDED A NEW MECHANISM FOR DELIVERY

The lack of adequate finance in the informal sector is one of the important problems in a growing and developing economy like India.

The success of graduating from a developing to a developed economy, to some extent, depends upon the degree of integration between informal and formal sectors. Considering this and taking into account the immense contribution of the informal sector to the country's growth process, there is an urgent need for policy-makers, financial institutions and banks to take the initiative to ensure that the informal sector gets adequate finance at reasonable rates.
Developing a new financing mechanism by bringing in the informal agents/intermediaries into the finance mainstream will help the informal sector and thereby the overall economy of India.

REASONS FOR UNEMPLOYMENT

The problem of unemployment has becoming a colossal. Various problems have caused this problem. There are individual factors like age, vocational unfitness and physical disabilities which restrict the people. External factors include technological and economic factors. There is enormous increase in the population. Every year India adds to her population afresh. About 5 million people become eligible for securing jobs. Business field is subject to ups and downs of trade cycle and globalization. Economic depression or sick industries are often close down compelling their employees to become unemployed.

Technological advancement contributes to economic development .But unplanned and uncontrolled growth of technology is causing havoc on job opportunities. The computerization and automation has led to technological unemployment. Strikes and lockouts have become inseparable aspect of the industrial world today. Due to these industries often face economic loses and production comes down. Since workers do not get any salary or wages during the strike period they suffer from economic hardships. They become permanently or temporarily unemployed.

Today young people are not ready to take jobs which are considered to be socially degrading or lowly. Our educational system has its own irreparable defects and its contribution to the unemployment is an open truth. Our education does not prepare the minds of young generation to become self-employed on the contrary it makes them dependent on government vacancies which are hard to come.

UNEMPLOYMENT RATE IN INDIA

The unemployment rate in India was in various reported portrays at 9.4 percent in 2009/10 fiscal year. From 1983 until 2000, India's Unemployment Rate averaged 7.20 percent reaching an historical high of 8.30 percent in December of 1983 and a record low of 5.99 percent in December of 1994. The labour force is defined as the number of people employed plus the number unemployed but seeking work. The non-labour force includes those who are not looking for work, those who are institutionalized and those serving in the military. Below the chats shows the unemployment rate in india

The chart portrays percentage in unemployment rate in India. From the early days it was low percentage of unemployment rate in India, after 2000 its big challenges of unemployment. Through the chart we can understand in the year's 2008 to 2010 highest employment rate in India.

INFORMAL EMPLOYMENT

Employees are considered in informal employment when

- o Their employment relationship, in law or practice, is not subject to:
- n National labour legislation, Income taxation, Social protection or
- n Entitlement to certain employment benefits such as, paid annual leave, sick leave, and so on

ESTIMATES OF EMPLOYMENT IN INDIA

Table 1 Estimates of Employment in India

Industrial Category	No. of persons (in millions)	
	Formal Sector	Informal Sector

Agriculture	1.39	238.87
Non-Agriculture	26.68	131.5
Mining & Quarrying	1.01	1.25
Manufacturing	6.71	37.07
Electricity, Gas And Water	1	0.04
Construction	1.17	16.36
Trade, Hotels And Restaurants	0.49	40.37
Transport, Storage & Comm.	3.15	11.48
Financial Services	1.65	3.29
Community Services	11.49	21.64
All Sectors	28.07	(93%) 370.37

Source: India Ministry of Labour

The table 1 gives details of estimated employment in India, based on the formal and informal sector. From the informal sector provide maximum level of the employment opportunities (238.87 millions) of the population, compare to other sectors. In order to we improve informal sector by all the way, it provide (95 percent) plenty of job opportunities.

Table 2 **Labour Force Characteristic**

Urban	Share (in percentage)		
	Male	Female	Total
1. Employed	51.8	13.9	33.7
2. Unemployed	2.4	0.8	1.6
3. Labour Force (1+2)	54.2	14.7	35.3
4. Not counted in the labour force	32.8	71.7	51.4
5. Working age population (3+4)	87	86.4	86.7
6. Non-working age population	13	13.6	13.3
7. Population (5+6)	100	100	100

Rural	Share (in percentage)		
	Male	Female	Total
1. Employed	53.1	29.9	41.9

2. Unemployed	0.9	0.3	0.6
3. Labour Force (1+2)	54	30.2	42.5
4. Not counted in the labour force	30.3	53.9	41.7
5. Working age population (3+4)	84.3	84.1	84.2
6. Non-working age population	15.7	15.9	15.8
7. Population (5+6)	100	100	100

Source: India Ministry of Labour

The table 2 explains labour force in india, it categorized according to area wise and based on gender. From the table majority of the male categories 51.8 percentage is employed and 2.4 percentage unemployed compare to higher than the female categories14.7 percentage.

CONCLUSION

Employment generation has been seen as a means of alleviating poverty, increasing the level of economic activities which translate into economic growth. The situation of unemployment in India increasing high, however Our State right from the beginning of Five year plans has introduced several employment generating schemes and programmes over the years but in the absence of proper implementation and monitoring have failed to achieve the required targets. Recently UPA Government has come up with National Rural Employment Guarantee Schemes (NREGS) program which aims to provide minimum days (100 days) of employment to people living in the villages. This is a laudable programme if implemented sincerely because it provides employment to people during natural calamities like drought, floods etc. The remedial measures for reducing unemployment may lay greater emphasis on creation of opportunities for self-employment, augmentation of productivity and income levels of the working poor, shift in emphasis from creation of relief type of employment to the building up of durable productive assets in the rural areas and instead of attempting to revert somewhat to protectionist policies the pace of privatization may be accelerated. We therefore examine how unemployment can be reduced, by expanding the activities of the informal sector. Although the informal sector has its challenges, which revolves round the inaccessibility of credit to finance its activities, through the formal credit for the informal sector surely we can reduce the unemployment.

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APPENDIX–G
ELEVATING PRIORITY SECTOR THROUGH BANK CREDIT

International Paper Presentation
on
ECONOMIC GROWTH: ISSUES AND CHALLENGES

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Contents

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Dr. S. Rajamohan
Alagappa Institute of Management
Alagappa University
Karaikudi – 630 004
Tamil Nadu.

D. Durairaj
Research Scholar
Alagappa Institute of Management
Alagappa University, Karaikudi - 630 004
Tamil Nadu.

ABSTRACT

Agriculture plays an important role in the economic development of India. They depend purely on the agricultural and allied activities. They require money to carry out the farming activities. They spend money during cultivation period and earn money during harvest seasons. In earlier days, for finance, the farmers purely relied on the local money lenders, indigenous bankers, creditors, commission agents etc. and thereafter cooperative banks were introduced and farmers enjoyed out of them. In 1969 the banks were nationalised and the banks were extended their services to the rural population, in order to uplift the farming communities. The banks also introduced lot of financial assistance programmes like PMRY loan, Crop loan, fertilizer loan, crop insurance and the like. The RBI also directs all bankers to provide credit to agriculture liberally for purpose of upliftment of their living standard.

With this background, this paper has prepared to provide the ways to promote credit facilities to agriculture community and add strength to the priority sector.

Keywords: Credit, Priority sector, economic growth.

INTRODUCTION

Agriculture plays an important role in the economic development of India. Agriculture is the source of livelihood of more than 70 per cent of the population in India. To meet the requirement of the growing population and rapid developing economy, agriculture has to grow fast and get modernized. This requires the use of high pay off inputs, adoption of high yielding varieties, fertilizers, plant protection chemicals, modernized equipment and machineries which need huge investment. The rural agricultural sector of the Indian economy is labour abundant, land poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate credit to the farmers at reasonable interest.

The small farmers are the most hapless object of the private money lenders who are free to recover their loans by high handed and attachment of the crop of the poor farmers as well as their personal belongings, land and living residences. Available resource base and the capacity to generate sufficient levels of financial resource within the rural sector particularly in agricultural sector are, however limited at present. Institutional financing viewed from this angle as a principal resource of external finance to support in a planned manner. Institutional credit enables the farmer to procure the necessary money of production and creates contributing to climate for enhanced output. Since institutional credit exerts a push effect and has a catalytic role in development process, provision of adequate, timely and liberal credit to the farmer has become an integral part of the agricultural development policy in India. As a result, agricultural credit service in the country is provided through three main channels, namely, commercial banks, regional rural banks and co-operative banks. Through this source agriculturist can avail credit and mark use into agro business. So in this term credit is help as a ladder to agriculture sector.

In this paper highlights the credit is help to agriculture sector, connotation of priority sector, impression of priority lending, Resolution of priority sector, priority sector segments, effect of lending on bank management.

CONNOTATION OF PRIORITY SECTOR LENDING

Through the priority sector advance a plenty of connotation we can say, therefore here mentioned some of the significance of priority sector lending.

- Priority sector lending support the economy of the country
- It improves the particular area and promotes employment
- It assists the government in reducing unemployment
- Helps to improve the living standards of the nation
- Provide the financial assistance to weaker section
- Promote education by providing financial add to institute
- It improves and promote agriculture sector which is the back bone of the economy
- It creates a balance between assets and liabilities
- The overall impact on the bank management is very pleasant

CREDIT IS LADDER TO AGRICULTURE SECTOR

Credit is an important one for cultivation and it is needed from cultivation to harvest. In between, the farmers require finance for various purposes such as purchasing the fertilizers, pesticides, manures and other allied things. For such kind of activities, in those days, the farmers were depending on the local money lenders, through which they were in trouble and some of them committed suicide due to the higher interest rate and unable to repay the amount. Followed by our Indian government has taken steps to increase the agricultural credit. Its objectives have been to replace moneylenders, to relieve the farmers from indebtedness, and to achieve higher levels of agricultural credit, investment, and output. India's success in replacing moneylenders has been outstanding. Between 1951 and 1971 their share of rural credit appears to have dropped from more than 80 per cent to 36 per cent. Still, institutional credit is far from reaching all farmers. Only about a quarter of cultivators borrow, and not more than 2 per cent take out long-term loans.

SYNOPSIS OF PRIORITY SECTOR

At a meeting of the national credit council held in July 1968, it was emphasized that commercial banks should increase their involvement in the financing of priority sectors like agriculture and allied activities. The description of the priority sector was later in 1972 on the basis of this report submitted by the informal study group on statistics relating to advance to the priority sectors constituted by the reserve bank in May 1971. On the basis of this report, the reserve bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this connection of priority sector.

Although initially there was no specific target fixed in respect of priority sector lending, in November 1974 the banks were advised to raise the share of these sector in their aggregate advances to the level of 33 1/2 per cent by March 1979. At a meeting of the union finance minister with the chief executive officers of public sector banks held in March 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sector to 40 per cent by March 1985. Subsequently on the basis of the recommendation of the working group on the modalities of implementation of priority sector lending and the twenty points economic programmed by banks, all commercial banks were advised to achieve the target of priority sector lending at 40 per cent of aggregate bank advances by 1985. Sub targets were also specified for lending to agriculture and the weaker sections within the priority sector.

Since then, there have been several changes in the scope of priority sector lending and the target and sub targets applicable to various bank groups. On the basis of the recommendations of the internal working group, set up in reserve bank to examine, review and recommend changes, if any, in the existing policy on priority sector lending including the segments constituting the priority sector, target and sub-targets, etc., and the comments/suggestions received thereon from banks, financial institutions, public and the Indian banks association (IBA), it has been decided to include only those sectors that impact large segments of population and the weaker sections, and which are employment-intensive, as part of the priority sector.

PURPOSE OF PRIORITY SECTOR LENDING

The banks are issue the lending on priority sector in the following purpose.

- Improve the economic condition of the country.
- Facilitate the community by the direct and indirect finance to agriculture people.
- Upliftment of living standard of rural and agricultural people
- The setup the more small industry in the rural area
- Generation employment in the rural people
- Reduction of mandatory credit to a large number of sectors and sections, including marginal farmers, cottage industries, small traders and services and low income housing incentives.
- Improve credit flow to small scale industries and food crop agriculture as well as temporary credit.
- Assure credit to new industries and new professions by the non- poor section.
- Improve the life quality of weaker section.

SEGMENTS ON PRIORITY SECTOR LENDING

Priority Sectors

The Reserve Bank of India classified in the following categories is priority sector namely, Agricultural and allied activities.

- Development of Dairy and Animal Husbandry.
- Development of Fisheries.
- Development of Poultry, Piggery etc.
- Development and maintenance of Stud farms, Beekeeping, Sericulture, etc. However, breeding of race horses cannot be classified under this head.
- Purchase of Bullock Carts, Camel Carts, Pack Animals etc.
- Distribution of inputs for allied activities such as poultry feed, cattle feed, etc.
- Small Scale Industrial Units, Equipment/System for development of new and renewable source of energy, etc.
- Small Scale and Ancillary Industries
  - Flaying and tanning
  - Leather goods
  - Pottery
  - Hand pounding of paddy and cereals
  - Rice Mills, including flour mills and bakeries
  - Canning of fruits and vegetables
  - Manufacturing and processing of agricultural and Marine products and forest produce including beverage industries
  - Other village industries such as carpentry and black-smithy, bee-keeping and honey and honey products

- New and renewable sources of energy
  1. Flat plate solar collectors
  2. Concentrating and pipe type solar collectors
  3. Solar cookers
- Cottage industries, Khadi & Village Industries, Artisans are those units
- Tiny industries are those units whose investment in plant & machinery is upto ` 25 lakh irrespective of location of the unit.
- Small Scale Service & Business (Industry Related) Enterprises (SSSBEs).
- Food and agro based processing and forestry
- Loans and advances by primary (urban) co-operative banks
- Loans and advances by scheduled primary (urban) co-operative banks
- Leasing & Hire Purchase Finance by Scheduled PCBs
- Advances to Small Road and Water Transport Operators
- Retail Traders
- Small Business Enterprises
- Agents selling goods on commission basis
- Booking, clearing and forwarding agents
- Estate agents
- Press cum publishing houses, etc.

BANK CREDIT TO PRIORITY SECTOR

In India below given the total amount spend by commercial banks to agriculture and allied activities in the years from 2002 to 2011, in this amount utilized by farmers in various agriculture activities such as buy a seeds, fertilizers, pesticides, cultivation equipment's, etc.

Table 1: The Banks Credit to Priority Sector

(Amount in crore)

Sl. No	Years	Amount	Percentage
1	2002	404354	-
2	2003	399494	1.20
3	2004	402222	- 0.68
4	2005	396394	1.44
5	2006	395386	0.25
6	2007	406404	- 2.78
7	2008	411816	-1.33
8	2009	421316	-2.30
9	2010	438129	-3.99
10	2011	438340	-0.04

Source: RBI bulletin

Table 1. Renders credit issued by the scheduled commercial banks in India during one decade. All the years' credit issuing capacity was increased year by year in banks, except 2005 and 2006. In those years alone decreased credit facility, remaining all the years going ladder from 2002 to 2011.

Afore said all segments of priority sectors, the bankers are issuing the credit, in order to make use of it all advances by rural people.

OUTCOME PRIORITY SECTOR PRODUCTS IN INDIA

Farmers need credit for buying all agricultural inputs such as seeds, fertilizers etc. in order to all commercial banks are issued advance to an individual for agriculture cultivation. Through the credit utilized by the farmers following out comes of agriculture product, it shows below.

Table 2: Few Items of Priority Sector Product - Outcome from 2002 To 2011

(Mln. tns)

S. No.	Agriculture Production	2002-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
1	Food grain	174.8	213.2	198.4	208.6	217.3	230.8	234.5	218.2	229.7
2	Rice	71.8	88.5	83.1	91.8	93.4	96.7	99.2	89.1	90.0
3	Wheat	65.8	72.2	68.6	69.4	75.8	78.6	80.7	80.7	81.7
4	cereals	163.6	198.3	185.2	195.2	203.1	216.0	219.9	203.6	215.9
5	pulses	11.1	14.9	13.1	13.4	14.2	14.8	14.6	14.6	16.0
6	Kharif Food grain	87.2	117.0	103.3	109.9	110.6	121.0	118.1	103.8	NA
7	Rabi food grains	87.5	96.2	95.1	98.7	106.7	109.8	116.3	114.4	NA
8	Oilseeds	14.8	25.2	24.4	28.0	24.3	29.8	27.7	24.9	28.2
9	Sugarcane	287.4	233.9	237.1	281.2	355.5	348.2	285.0	277.8	321.0

Source: Survey of Indian Industry 2011

The above table enlightens that, the outcome of some items of agriculture production past 10 years. In which a selected agricultural commodities are taking into consideration.

IMPACT OF BANKS ON AGRICULTURE LENDING

The agricultural credit that has been pursued for three decades and has clearly benefit current borrowers and farm households formerly indebted to moneylenders. It has also encouraged fertilizer use and investment in agriculture. It has been less successful in generating viable institutions and has failed to generate agricultural employment. The policy's costs to India's government have been high as portfolio losses associated with poor repayment ultimately have to be borne by the government or one of its institutions under optimistic assumptions. The benefits of the agricultural income are at the best not more than 13 per cent higher than the cost to the government of the extra agricultural credit. If assumptions about the cost of supplying the credit and about repayment rates are less optimistic, the social costs and the costs to the government of providing the credit would have exceeded the benefits in agricultural income. The expansion of commercial banks to rural areas paid off in farm growth, employment, and rural wages.

CONCLUSION

This paper concluded that the banks are done by wondering job. Priority sector lending has a great impact on bank management. This is the powerful tool to support the economy of the country and the nation as well. Despite of the banks should increase the area of lending performance, as it is the effective way to support the economy and to reduce the unemployment, and promote industry. And the amount for lending should be increase so that the maximum community can be supported to individual in setting their business as well as priority sector activities.

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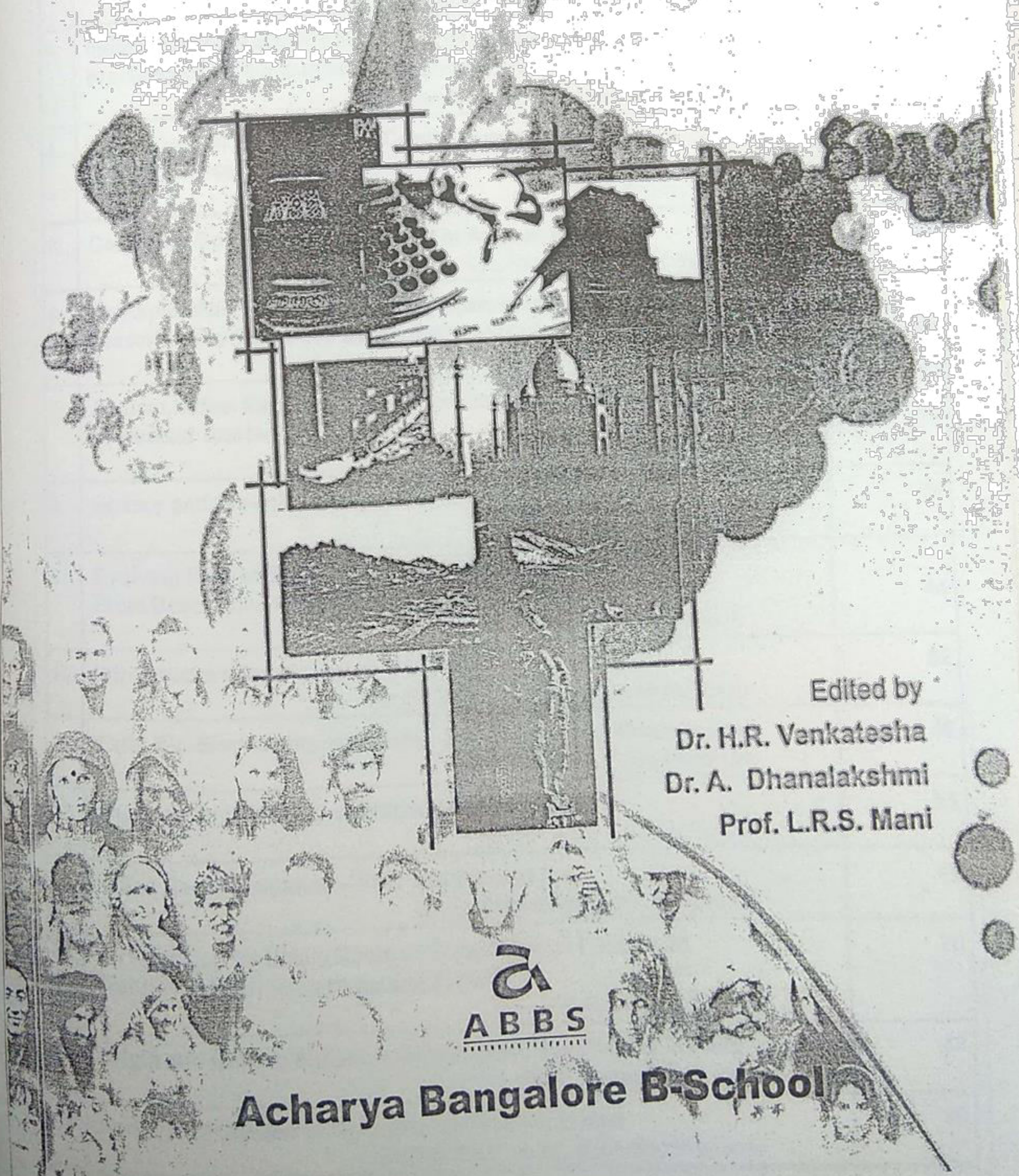
APPENDIX–H
INDIAN BANKING SYSTEM PAST AND PRESENT ERA

HISTORY OF INDIAN Business



Edited by

Dr. H.R. Venkatesha
Dr. A. Dhanalakshmi
Prof. L.R.S. Mani

ABBS

Acharya Bangalore B-School

Indian Banking System – Past and Present Era

Dr. S. Rajamohan [1]
Mr. D. Durairaj [2]

Introduction

During the ancient period banking functions were carried out by the corresponding institutions dealing with loans and advances. Britishers brought into India the modern concept of banking by the start of Bank of England in 1694. In 1708, the Bank of England was given the monopoly for the issue of currency notes by an Act. In nineteenth century various banks started operations, which primarily were accepting deposits, lending money, transferring money from one place to another and bill discounting.

Banking in India has a very old origin. It started in the Vedic period where literature provides details about the lending loans to others on interest. The interest rates ranged from two to five percent per month. The payment of debt was made pious obligation on the heir of the dead person.

The banking in India began with the rise of power of the British. To raise the resources for the attaining the power the East India Company on 2nd June 1806 promoted the Bank of Calcutta. In the meanwhile two other banks namely, Bank of Bombay and Bank of Madras were started on 15th April 1840 and 1st July, 1843 respectively. In 1862 the right to issue the notes was taken away from the presidency banks. The government also withdrew the nominee directors from these banks. The bank of Bombay collapsed in 1867 and was put under the voluntary liquidation in 1868 and was finally wound up in 1872. The bank was however able to meet the liability of public in full. A new bank called new Bank of Bombay was started in 1867.

On 27th January 1921 all the three presidency banks were merged together to form the Imperial Bank by passing the Imperial Bank of India Act, 1920. The bank did not have the right to issue the notes but had the permission to manage the clearing house and hold Government balances. In 1934, Reserve Bank of India started which was made the Central Bank and had power to issue the notes and was also the banker to the Government. The Imperial Bank was given right to act as the agent of the Reserve Bank of India and represent the bank where it had no branches. In 1955 by passing the State Bank of India Act, the Imperial Bank was taken over and assets were vested in a new bank, the State Bank of India. This paper describes significance of the commercial banks, Indian banking system in the past and modern banking in the present era.

Indian Banking System in the Past

- Relationship between the bankers and customers were very poor
- Customers were not aware of the banking facilities
- Transaction time was very long, even the customer spent one day with the bankers
- Ineffective banking activities were occurred in the branches
- Everything was in handwritten form
- Limited branches
- Quantum of loans were minimum

[1] Professor, Alagappa Institute of Management, Alagappa University, Karaikudi
[2] Ph.D Research scholar, Alagappa Institute of Management, Alagappa University, Karaikudi

- Lack of Information and Communication Technology
- Bankers were not able to invest their money in the proper form
- Difficulty in maintaining rural bank branches due to poor transaction
- Bankers were unable to meet the demands of their customers, so failed to retain their customers
- There were only few teller counters even in the big branches
- Customers could withdraw money only during the banking hours
- Customers carried their money to purchase products
- There were no customers facilitators in banks
- Customers were advised to maintain the minimum balance earlier
- Farmers were ignored and
- Bankers functioned on the basis of orientation rather than customer orientation.

Banking System in the Present Era

Today Indian banks are rendering various modern services to the customers and retaining their customers with the good relationships by providing various value added services, it has been presented in brief in the following paragraphs.

E-banking

With advancement in information and communication technology, banking services are also made available through computer. Now, in most of the branches we see computers being used to record banking transactions. Information about the balance in our deposit account can be known through computers. In most of the banks the human or manual teller counter is being replaced by the Automated Teller Machine (ATM). Banking activities are carried on through computers and other electronic means of communication is called 'electronic banking' or 'e-banking'.

Automated Teller Machine

Banks have installed their own Automated Teller Machine (ATM) throughout the country at convenient locations. By using this, machine to withdraw money from their account any time, check balance, get a mini statement about our account information, and so on.

Debit Card

Banks are providing Debit Cards to their customers having saving or current account in the banks. The customers can use this card for purchasing goods and services at different places in lieu of cash. The amount paid through debit card is automatically debited (deducted) from the customers' account.

Credit Card

Credit cards are issued by the bank to persons who have an account in the bank. Just like debit cards, credit cards are used to make payments for purchase, so that the individual need not carry cash. Banks allow certain credit period to the credit cardholder to repay the loan. Interest is charged if a cardholder is not able to pay back the credit extended to him within a stipulated period. The interest rate is generally quite high.

Smart card

A smart card is a plastic card with an embedded microchip that can be loaded with data, used for telephone calling, electronic cash payments, and other applications, and then periodically refreshed for additional use. The following are the significance of the smart card.

- Dial a connection on a mobile telephone and be charged on a per-call basis.

- Establish our identity when logging on to an internet access provider or to an online bank.
- Pay for parking at parking meters or to get on subways, trains, or buses.
- Give hospitals or doctors personal data without filling out a form.
- Make small purchases at electronic stores on electronic mode.
- The Web (a kind of cybercash).
- Buy gasoline at a gasoline station.

Compaq and Hewlett-Packard are reportedly working on keyboards that include smart card slots that can be read like bank credit cards. The hardware for making the cards and the devices that can read them is currently made principally by Bull, Gem plus, and Schlumberger.

Kisan Credit Card Scheme

Kisan Credit Card Scheme (KCC) aims at providing adequate and timely support from the banking system to the farmers for their short-term credit needs for cultivation of crops. This helps farmer for purchase of agro inputs during the cropping season. Credit card scheme proposed to introduce flexibility to the system and improve cost efficiency. The following are the importance of this card.

- Simplifies disbursement procedures.
- Removes rigidity regarding cash and kind.
- No need to apply for a loan for every crop.
- Assured availability of credit at any time enabling reduced interest burden for the farmer.
- Helps buy seeds, fertilizers at farmers convenience and choice.
- Helps farmers to buy on cash-avail discount from dealers.
- Credit facility upto 3 years and seasonal appraisal is not required.
- Maximum credit limit based on agricultural income.
- Any number of withdrawals subject to credit limit are permitted.
- Repayment only after harvest.
- Rate of interest as applicable to agriculture advance.
- Security, margin and documentation norms as applicable to agricultural advance.

Net Banking

With the extensive use of computer and internet, banks started transacting through Internet facilities. The customer having an account in the bank can log into the bank's website and access his bank account. He can make payments for bills; give instructions for money transfers, fixed deposits and collection of bill, and other services.

Mobile Banking

In case of phone banking, a customer of the bank can get information of his account; make banking transactions like, fixed deposits, money transfers, demand draft, collection and payment of bills, etc. by using telephone. As more and more people are now using mobile phones, phone banking is possible through mobile phones. In mobile phone a customer can receive and send messages (SMS) from and to the bank in addition to all the functions possible through phone banking.

Business Facilitator

The individuals as an insurance could act as Business Facilitators. Individuals can not act as Business Correspondents. This was later extended to retired officials, Government servants like postmasters, school teachers and headmasters, who were considered by RBI as eligible to act as BF. Banks may make use of this relaxation and use individuals as BF.

- Banks may appoint ex-servicemen/ retired bank staff as their BFs.
- Banks should ensure that the banking awareness created by BFs get converted to business potential by providing suitable banking services like mobile outlets.
- Banks may facilitate easy roll-out of this mobile banking model through simplification and rationalization of back-end processes and front-end procedures so that banking operations are made more customer-friendly.

Business Correspondents (BCs)

- In addition to the institutions presently allowed by RBI to function as BCs, individuals like locally settled retired Government servants like postmasters, school teachers, ex-servicemen and ex-bank staff, whose relationship with the banking system through a pension account has already been established may be permitted to act as BCs.
- Further, Micro Finance – Non Banking Financial Companies may be allowed to act as limited BCs of banks for only providing savings and remittance services.
- Technology has to be an integral part in sustaining outreach efforts through the BC model. Ultimately banks should endeavour to have a BC touch point in each of the six lakh villages in the country.
- In order to sustain and encourage the arrangements, banks may formulate suitable incentive mechanism for BCs linked to the number of accounts opened/ transactions put through by them. Banks may consider placing BCs even in areas having their own branches.
- To begin with, the BC model designed by RBI could be implemented widely. In due course, when the BCs reach a higher level of turnover, they should bear commensurate financial responsibilities.

No- frills bank account

'No Frills' account is a basic banking account. Such account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low but service available to such account is limited.

The RBI in 2005-06 called upon Indian banks to design a 'no frills account' – a no precondition, low 'minimum balance maintenance' account with simplified KYC (Know Your Customer) norms. To understand the ramifications and the sheer magnitude of possibilities, think of the image of a daily wage earner owning a deposit account in a bank. The idea is to have a level playing field in its absolute meaning. Low income groups having no access to formal banking systems can well be brought under the umbrella of credit and savings key factors which form the basis of the idea of financial inclusion. 'No frills' savings accounts appear capable, at least on paper, to cater to the small and also irregular income flows of the poor.

The 'No-frills' savings bank account introduced by the RBI and implemented by the commercial banks had all the potential to revolutionize India's rural agricultural economy, as well as usher in the banking habit amongst a large number of the less privileged population. However, the product was lost among a myriad of financial offerings and most banks have shown little verve and vitality in marketing it.

Core banking system

A core banking system will often provide the following services:

- Interest calculations .
- Processing of cash deposits and withdrawals.
- Processing of incoming and outgoing remittances, cheques, etc.
- Customer management.

- Customer account management.
- Importance of the bank's products (product management) including such things as minimum balances, interest rates, number of withdrawals, etc.
- Interest rate information.
- Customers standing instructions.
- Maintaining records of all financial transactions and etc.

Conclusion

In the past lot of problems were faced by the customers to avail the banking facilities, because the branches were located at long distance, customers and bankers relationship were very poor, limited number of branches, delay in process and so on. But in modern banking system everything is systematic due to modernization. Therefore, it is possible for the bankers to provide excellent value added services like core banking system, net banking, mobile banking system, business correspondence, business facilitates, and like. In order to extend the banking activities to adopt financial inclusion that is bringing every individual who had attained 18 years under the banking umbrella through the 'No- frills' bank account. Indian banks are offering excellent services now-a-days. If it continuous in future surely can be achieved the mission of financial inclusion in the country.

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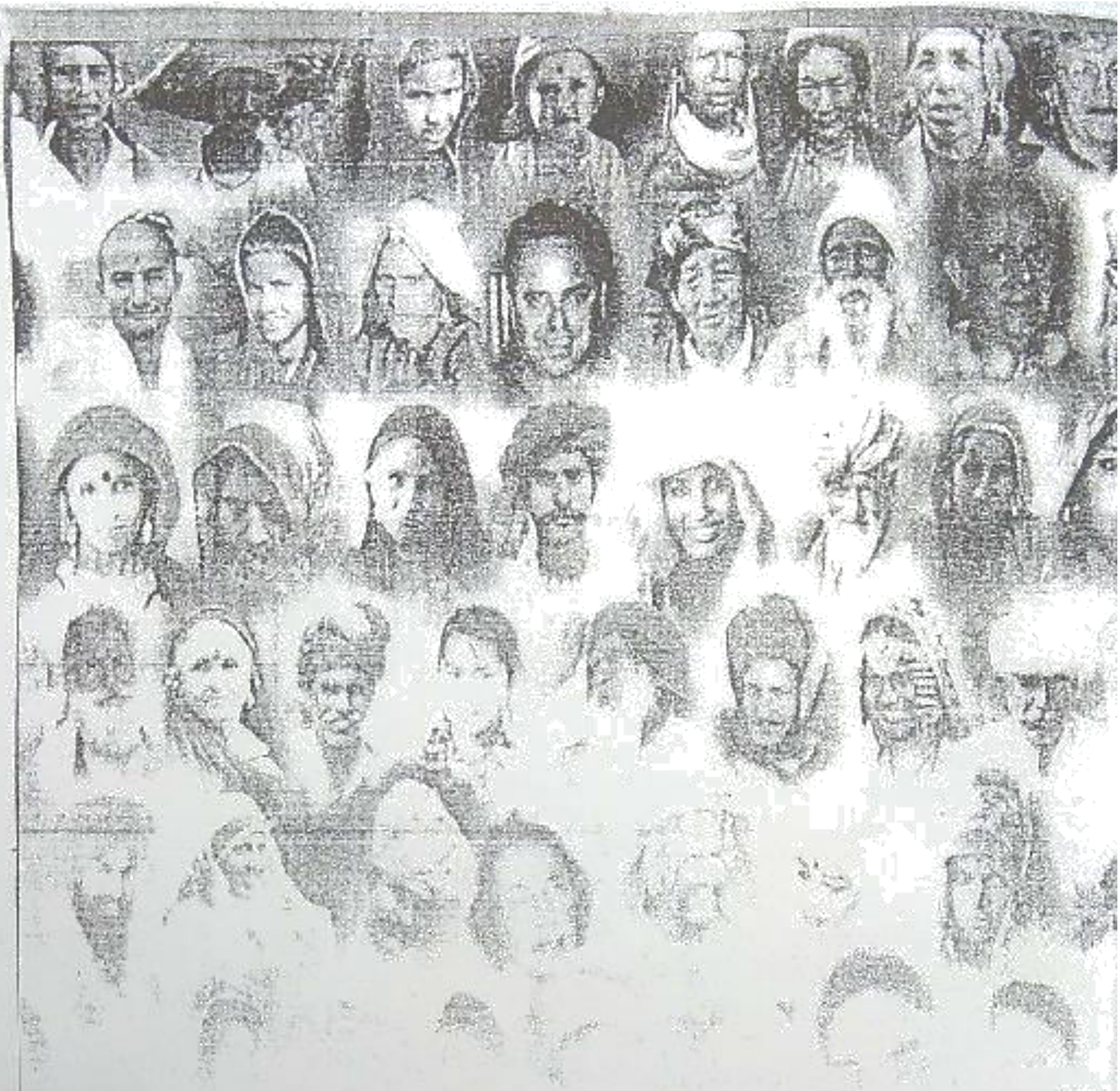

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Acharya Bangalore B-School
Andrahalli Main Road, Off Magadi Road,
Bangalore – 560 091. INDIA
Ph.: +91 80 23245515 - 18, Fax: +91 80 28360519
www.acharyabbs.ac.in