

**ROLE OF COMMERCIAL BANKS' LENDING TO PRIORITY
SECTORS WITH SPECIAL REFERENCE TO ALLAHABAD DISTRICT**

Submitted in Partial Fulfilment of the Requirement for the Award of the Degree of

DOCTOR OF PHILOSOPHY

IN

MANAGEMENT

BY

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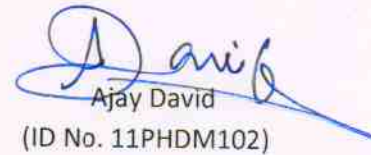
DECLARATION

I, Ajay David, declare that the work presented in this thesis entitled '*Role of Commercial Banks Lending to Priority Sectors with Special Reference to Allahabad District*' submitted to the Department of Business Studies of Joseph School of Business Studies and Commerce in the Faculty of Management, Humanities and Social Sciences at the **Sam Higginbottom University of Agriculture, Technology and Sciences, Allahabad, Uttar Pradesh** for the award of the Doctor of Philosophy degree in **Management** is an original work. I have not submitted the same work for the award of any degree or any other University/Institution.

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CERTIFICATE OF ORIGINAL WORK

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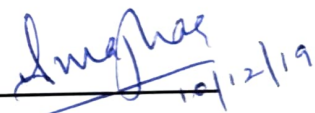
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ABSTRACT

Banks play an important role in every modern economy by providing necessary credit to different sectors. In recent years they have been assigned the responsibility of financing what are called the priority sectors. The word priority sector is used for those segments of the Indian economy whose development is considered essential for the economic growth of the country and attainment of 'social justice', but which had received only indifferent attention from the private sector banks. In the process of development, certain sectors lag behind, but the development of these sectors is essential for accelerating growth. These sectors lag behind because they lack financial resources. In India, agriculture, small scale industries and exports are identified as the priority sectors. Priority sector lending implies priority in the allocation of funds at concessional rate of interest, margins etc., to units of the priority sector identified as such. The priority sector lending includes lending to agriculture (direct and indirect), small scale industries, transport operators, self-employed persons, rural artisans and the weaker sections.

In the light of the above, the present study seeks to evaluate the roles of commercial banks' lending to priority sectors. The objectives of the study includes; 1. To study the modus operandi and the progress of Commercial Banks in Priority Sector Lending. 2. To identify the problems faced by Commercial Banks in lending and recovery of loans in Priority Sector areas. 3. To study how Priority Sector Lending by Commercial Banks has helped the economically weaker sections of the society. And lastly, 4. To suggest ways for improving the quality of lending to this sector. The exploratory and quantitative research designs were engaged for this study and primary data was collected from 500 bank customers and 30 bank officials through an organised questionnaire and also from secondary sources. The Cronbach's Alpha was used to test the reliability of the data gathered from respondents. The findings of the study revealed that the amount of loans given to the priority sector in the district of Allahabad continues to

show an increasing trend. Moreover, in spite of the variety of developmental programmes going on in the district, the flow of bank credit is not found to be satisfactory due to several factors such as old fashioned land records, scarcity of labour resulting into high cost of labour, etc. It was further recommended that there is the need to redefine the priority sectors and also resetting priority sector lending targets. There is also the need to provide risk cover to agriculture and making it more attractive to private investors.

Keywords: Priority sectors, Commercial banks, Priority lending, Credit schemes, Economic development.

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I will give thanks to you, Lord, with all my heart; I will tell of all your wonderful deeds Psalm - 09 : 1

Behind every successful venture, there are some hands. I pay my regards to all those people who directly or indirectly encouraged me and because of their immense help I could complete my thesis successfully.

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DEDICATION

I would like to dedicate my thesis to my parents- Mr. Jerome Baptist David(father) and Mrs. Maya David(mother),as whatever I am today is all because of them. They helped me and guided me in every stages of my life and in all ups and downs they were beside me, and as it is written in the Bible – ‘Listen, my son to your father’s instructions and do not forsake your mother’s teaching. They are a garland to grace your head and a chain to adorn your neck.(**Proverbs 1 : 8-9**)

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LIST OF ABBREVIATIONS

SSI	–	Small Scale Industry
DRI	-	Directorate of Revenue Intelligence
PSBs	-	Public Sector Banks
SCBs	-	Scheduled Commercial Banks
RRBs	-	Regional Rural Banks
RBI	–	Reserve Bank of India
PSL	–	Priority Sector Lending
NPAs	–	Non Performing Assets
MSE	–	Micro & Small Enterprises
OPS	–	Other Priority Sectors
NBFCs	-	Non-Banking Financial Companies
InvITs	-	Infrastructure Investment Trusts
GST	-	Goods and Service Tax
MFI	-	Micro Finance Institutions.
RoA	-	Return on Assets
RoE	-	Return on Equities
CRAR	-	Capital to Risk-Weighted Assets Ratio

SHGs	-	Self Help Groups
JLGs	-	Joint Liability Groups
MSMEs	-	Micro, Small and Medium Enterprises
KVI	-	Khadi and Village Industries Sector
AES	-	Agro-Ecological Situations
BoB	-	Bank of Baroda
SBI	-	State bank of India
ALLAH	-	Allahabad Bank
PNB	-	Punjab National Bank
UCO	-	Uco bank
UNION	-	Union bank of India
UNITED	-	United bank of India
BoI	-	Bank of India
CANARA	-	Canara Bank
DENA	-	Dena Bank
VIJAYA	-	Vijaya Bank
SBP	-	State Bank of Patiala
IoB	-	Indian Overseas Bank
ANDHRA	-	Andhara Bank
BoM	-	Bank of Maharashtra
CORPO	-	Corporation Bank
INDIAN	-	Indian bank
OBC	-	Oriental Bank Comm.
P&SIND	-	Punjab &Sind Bank
SYND	-	Syndicate Bank

SBBJ	-	State Bank Bikaner& Jaipur
ICICI	-	ICICI Bank
J&K	-	Jammu &Kash Bank
FEDERAL	-	Federal Bank
HDFC	-	HDFC Bank

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

India is the second most populous country in the world and two-thirds of its population live in the villages and are totally dependent on Agriculture and its allied fields like Poultry, Fishery, Dairy, Bee-keeping, etc. and most of them lack access to reliable and affordable finance (Kapoor, 2004). Even though, the national income is continuously increasing in recent year, its effect is been diluted due to rapid increase in population. A large segment of the population continues to be under nourished, poor and illiterate. After independence, it was felt that for the economic development of the country, the development of rural, and other neglected sectors are very essential and a chunk of the nation's financial resources should be used in such a way so as to provide a platform for the upliftment of these neglected sectors (Kaur, 2012).

1.1 BACKGROUND OF THE STUDY

The Reserve Bank of India constituted an Internal Working group to review the existing policy on Priority Sectors including the segments constituting the Priority Sector and to recommend changes, if any, after getting suggestions from banks, financial institutions, Indian Banks' Association (IBAs) and the general public, it was decided to include only those sectors under priority sector that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture and the tiny and small enterprises (Desai, 2010).

The 'All India Rural Credit Survey Committee' (1954) found that sufficient funds were not moving towards the rural sector of the economy and recommended that the country sponsored commercial banking system especially in rural areas (Desai, 2010).

Looking at the scenario, reaching the poor (whose credit requirement is very small, frequent and uncertain) was found to be very difficult. The policies and procedures of banks for providing credit, especially to the weaker and underprivileged section was very rigid, which resulted in large number of rural and urban population staying away from the formal banking system. The commercial banks too found that the expansion of branch network was not increasing volume of business to meet high transaction cost. At the same time, it was not possible for the banks to allow major portion of the population mostly poor and underprivileged to remain outside the banking system (Kapoor, 2004).

To ensure flow of credit to the neglected sectors like agriculture and small scale industries, the concept of priority sector lending was evolved in the late sixties and this was the major cause of nationalization of top 14 Commercial Banks in July 1969 and six in 1980. The Commercial Banks were advised by the Apex Bank to provide at least 40 per cent of their total advances to Priority Sectors. Thus, the Commercial Banks were entrusted with the task of reducing regional economic disparities, eradicating unemployment and helping the poor and the neglected sectors to overcome their economic backwardness by making funds available to them on easy terms. Nationalized and Commercial Banks, thus, became the backbone of the growth of Indian Industrialization and Agricultural Sector specially originated through the weaker section of the society and now their role have changed from class banking to mass banking (Cameron, 2014).

Extension of credit to small borrowers in the hitherto neglected sector of the economy has been one of the key tasks assigned to the public sector banks in the post-nationalization period. At a meeting of the National Credit Council which was held in July, 1968, involvement of commercial banks in the following areas of priority sectors viz. Agriculture and small scale industries was emphasised upon. The informal study group on statistics constituted by the Reserve Bank of India in may, 1971 with regard to advance regard to

advances to the priority sectors prepared a report on the basis of which description of the priority sectors was later formalized in 1972. The report led the Reserve Bank of India(RBI) to prescribe a modified return for reporting priority sector advances and issue certain guidelines in this connection indicating the scope of the components which were to be included under the various categories of Priority Sector. With no specific targets fixed initially in respect of Priority Sector Lending , in November 1974 the banks were advised to raise the share of these sectors. in their aggregate advances to the level of 33.33 per cent by March 1979 (Kaur, 2012).

A sound banking system is a sine qua non for accelerating the process of economic development of a country. Banks and economic development are intertwined and inseparable to each other. In the words of the former Prime Minister Morarji Desai, “the role of commercial banks in economic development of a country needs no emphasis. Banking, when properly organized, aids and facilitates the growth of trade and hence the national economy (Desai, 2010).

In the pre-nationalisation era, the commercial banks were in the hands of a few big business houses. These houses did not have any concern for the society and profit was their main objective. Nationalisation of fourteen commercial banks in 1969 paved the way for *mass banking* from *class banking*. This led to economic upliftment of hitherto neglected sectors such as cottage and small – scale industries, marginal farmers, women and children and traditional and village enterprises, popularly known as the priority sectors (Cameron, 2014).

1.1.1 PRIORITY SECTORS

The concept of priority sector came to be evolved in the late sixties to focus attention on the credit needs of certain neglected sectors of the economy, particularly in the rural areas to ensure adequate credit facilities to them. The priority sector covers agriculture, small - scale industry, setting up of industrial estates, road and water transport operators, retail trade, small

business, professionals and self-employed persons, education, housing and consumption loans.

The financial priorities are aimed at accelerated growth of the economy with social justice. It also aimed at creating employment opportunities to the millions of people in rural and urban areas. Each sector is interlinked. While agriculture and small sector produced goods, transport linked them with markets, retail small business offered innumerable outlets, education improves the skills, housing provided shelters and exports brought in competitiveness and quality to products.

The term 'priority sector' does not belong to economics where we find reference to primary, secondary and tertiary sectors of the economy. It also does not belong to commerce where one comes across terms like Private, Public and Joint Sectors depending upon the ownership of the business entity in question. The term does not find its mention even in the old texts of banking encyclopaedias.

The first occasion when the term 'priority sector' was used appears to be in 1967 when Shri. Morarji Desai the then deputy Prime Minister and finance minister said in Lok Sabha that there has been public concerns that several priority sectors such as agriculture, small scale industries and exports were not receiving their due share of bank credit. The National Credit Council was set up to assess the demand of bank credit for various sectors of the economy and to determine priorities for the grant of loans or for investment having regard to the availability of resources and the requirement of priority sectors. During 1967-68 as a supportive measure, RBI considered the increase in bank's advances to such priority sectors namely agriculture, small scale industries and exports eligible for refinance from them at a concessive rate apart from considering increments in such advances as liquid assets of banks for the purpose of computation of bank's liquidity ratio. To give organised thrust to priority sector lending by commercial banks. As a results, 14 major banks of the country were

Nationalised in July 1969 (Chavadi, 2010). In March 1980, the Gov't of India decided that the horizon of priority sector lending by Commercial banks should be further enlarged from 33 per cent to 40 per cent by 1985 and banks should actively promote the implementation of 20 point programme for improving the lot of weaker section.

1.1.2 CATEGORIES OF PRIORITY SECTORS

The broad categories of priority sector for all scheduled commercial banks are as under (Uppal, 2000):

1.1.2.1 Agriculture (Direct and Indirect Finance)

Direct Finance is available for taking up agriculture and allied activities by way of short medium and long term loans to individual farmers, self help groups (SHG's) or joint liability groups (JLGs) even to Corporate partnership firms and institutions. Indirect finance to agriculture includes loans given up to Rs. 20 lakh for agriculture and allied activities.

Indirect finance to agriculture includes loans given for agriculture and allied activities.

1.1.2.2 Small scale industries (Direct and Indirect Finance)

Direct finance to small scale industries (SSIs) includes all loans given to SSI units which are engaged in manufacture, processing or preservation of goods and whose investment are in plant and machinery (original cost) excluding land and building. It comprises of small business, retailers, self employed persons and professionals, small road and water transport operators and other enterprises.

1.1.2.3 Micro credit

Micro Credit constitutes allocation of credit and other financial services and products upto the monetary limit of Rs. 50000 per borrower to the poor in rural, semi urban and urban areas either directly or through a group of mechanism for helping them so that their living standards may improve.

1.1.2.4 Education loans

Education loans include loans and advances granted to individuals for educational purpose, upto Rs. 10 lakh for studies in India and Rs. 20 lakh for studies abroad and do not include those granted scholarship by the institutions.

1.1.2.5 Housing loans

Loans upto Rs. 15 lakh to individuals for construction of houses , (excluding loans granted by banks to their own employees) and loans given for repair and maintenance for the damaged houses of individuals and loans of Rs. 1 lakh and Rs. 2 lakh given for repairs to the damaged houses of individuals in rural and semi-urban areas and urban areas respectively.

1.1.2.6 Social Infrastructure

For building Social infrastructure for activities like drinking water facilities, sanitation facilities, health care facilities and schools in Tier II to Tier VI Centres, Social Infrastructure Bank loans upto a limit of Rs. 5 crore per borrower.

1.1.2.7 Renewable Energy

Renewable energy loans from Bank to borrowers upto a limit of Rs. 15 crore for purposes like micro- hydel plants, wind mills, solar based power generators, bio mass based power generators and for non conventional energy electrification. The loan limit for individual households per borrower will be Rs. 10 lakh.

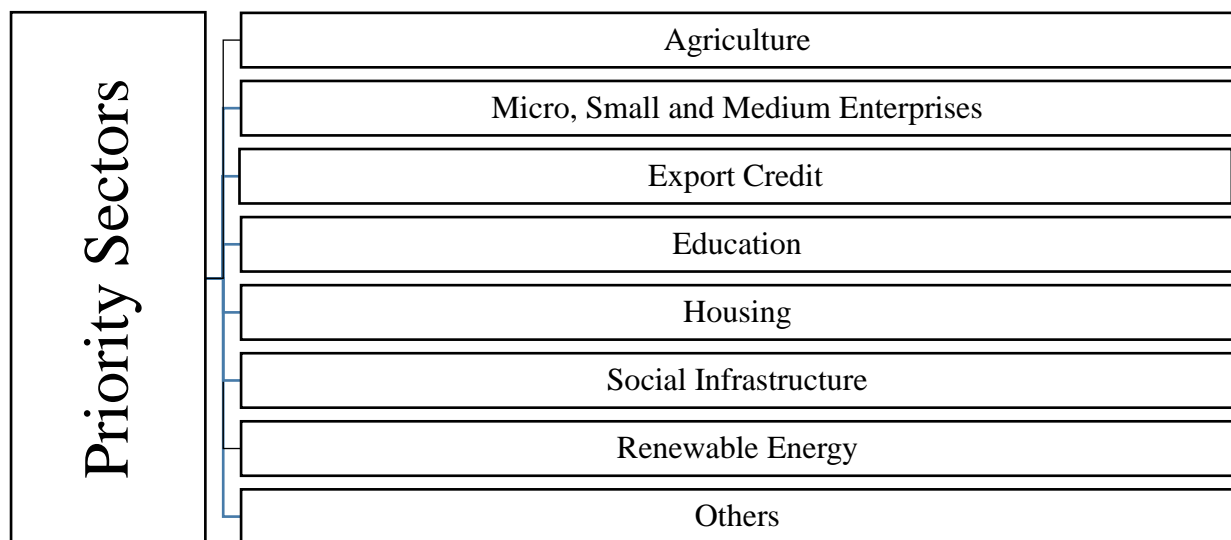
1.1.2.8 Others

- Loans not exceeding Rs. 50,000/- per borrower provided by banks directly to individuals and their SHG/JLG, with a condition that the individual borrower's household annual income in rural areas does not exceed 100,000/- and for semi urban and urban areas it does not exceed Rs. 1, 60,000/-.

- Loans to distressed persons [other than farmers already included under III (1.1) A (v)] not exceeding 100,000/- per borrower to prepay their debt to non-institutional lenders.
- Overdrafts extended by banks up to 5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) ₹accounts provided the borrowers household annual income does not exceed ₹100,000/- for rural areas and ₹1, 60,000/- for non-rural areas.
- Loans sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organisations.

Among the various sectors which qualify for Priority Sectors include;

Fig 1.1 Categories of Priority sectors



Source:RBI, 2018.

1.1.3 MASTER DIRECTION-PRIORITY SECTOR LENDING-TARGETS AND CLASSIFICATION

The Reserve Bank of India from time to time, issue a number of guidelines/instructions/directives to banks on Priority Sector Lending. The Master Direction incorporates the updated guidelines/ instructions/ circulars on the subject (RBI, 2018).

1.1.3.1 Revised Categories Under Priority Sector

The categories under priority sector are as follows:

- (i) Agriculture
- (ii) Micro, Small and Medium Enterprises
- (iii) Export Credit
- (iv) Education
- (v) Housing
- (vi) Social Infrastructure
- (vii) Renewable Energy
- (viii) Others

1.1.3.2 Targets /Sub-targets for Priority sector

The targets and sub-targets for all scheduled commercial banks operating in India which are set under priority sector are furnished below:

Categories	Domestic scheduled commercial banks and foreign banks with 20 branches and above	Foreign banks with less than 20 branches
Total Priority Sector	40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.	40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
Agriculture		Not applicable

	18 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. Within the 18 per cent target for agriculture, a target of 8 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal Farmers.	
Micro Enterprises	7.5 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher	Not applicable
Advances to Weaker Sections	10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher	Not applicable

Besides, domestic banks are enjoined to make certain that the complete lending to non corporate farmers maintain the system wide average of the last three years achievement. All efforts should be maintained to reach the level of 13.5 percent direct lending to the beneficiaries who earlier constituted the direct agriculture sector. Under Priority Sector the average figure for computing achievement will be notified every year. For FY 2018-19, the applicable system wide average figure is 11.99 percent.

1.1.3.3 Weaker Sections

Under the said category following borrowers are considered for the Priority sector loans.

No	Category
1	Small and Marginal Farmers
2	Artisans, village and cottage industries where individual credit limits do not exceed 1 ₹lakh
3	Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self-employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
4	Scheduled Castes and Scheduled Tribes
5	Beneficiaries of Differential Rate of Interest (DRI) scheme

6	Self Help Groups
7	Distressed farmers indebted to non-institutional lenders
8	Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders
9	Individual women beneficiaries up to 1 lakh per borrower
10	Persons with disabilities
11	Overdrafts up to ₹5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts, provided the borrowers' household annual income does not exceed ₹100,000/- for rural areas and ₹1,60,000/- for non-rural areas
12	Minority communities as may be notified by Government of India from time to time.

1.1.4 PRIORITY SECTOR LENDING (PSL)

Despite all these innovative measures it was increasingly complained that men in highly productive activities were not cared for by the commercial banks on the ground that the credit flow to these sectors is unviable and that the men receiving loans end up as defaulters. Loaning to these sectors was considered unprofitable eroding the liquidity of the banks. This thinking of the private banking had to be reshaped in the light of the growing demand for credit from the most significant sectors of the economy. To overcome this situation and to promote these vulnerable sectors, the commercial banks were directed by the government of India to give priority to this segment of the society in their lending operations. The Commercial banks, in the light of this development, evolved the scheme of Priority Sector Lending (Gadgil, 2004).

The priority sector includes agriculture and allied activities and activities related to small scale industries, small business, village and cottage industries, small road and water transport operators, other small borrowers besides professional and self-employed persons. The contribution of these sectors to net domestic product, employment, regional development, and exports is significant. However, the men engaged in the economic activities of these sectors

are poor, downtrodden without any capacity to finance their activities, Their low income and purchasing power do not permit them to undertake viable productive activities which can contribute to their own development and to the development of Indian society;. Thus, a paradoxical situation of key and critical sectors suffering without a helping hand from the commercial banks emerged in the Indian polity. The scheme of PSL tended to remove this anomaly (Ghosh, 2007).

Krishnaswamy (2010) outlined the concept of the PSL in the following words "The concept of priority sector lending is mainly intended to ensure that assistance from the banking sector flows increasingly to those sectors of the economy which in the past although have accounted for considerable proportion of the national product and not received enough support of institutional finance in the past". It is the concept which was at the backdrop of the nationalisation of the top 14 commercial banks in 1969 and another six commercial banks in 1980. Regarding PSI, the RBI issued directions to Commercial banks after constituting a working group under the chairmanship of Ghosh, Deputy Governor, RBI to review and redefine the role of the banks in the implementation of PSI with reference to the 20 point programme announced by the then Prime Minister Smt. Indira Gandhi in January 1982. Priority Sector Advances (PSA) should constitute 40 per cent of total aggregate bank credit and this should be achieved by March 1985. All banks have been advised to aim at ensuring a minimum of 40 per cent of additional credit every year to priority sector. Subsequent to these directions, the commercial banks involved in priority sector lending enthusiastically. For instance, the total PSL grew by 186.1 3 times from Rs.504 crores in 1969 to Rs.93, 807 crores in March, 1997. The proportion of PSL to total lending increased from 14 per cent in 1969 to 34.8 per cent in 1997. Although the progress made by the banks in the matter of priority sector lending is remarkable in the wake of nationalisation and other directives, there has been slowing down in this sphere in recent times especially since 1990. For one thing the

bank officials were not imbued with the new objectives of banking, more specifically, towards social and development banking(Pai, 2008).

The introduction of financial sector reforms in the early nineties involving commercial banks has affected and altered the flow of directed credit to the priority sector. The rationale of financial sector reforms is that the directed credit programme like PSL, has given rise to more of consumption loan than of generating productive resources in the rural areas banks for the reason that there was decline in productivity and efficiency in the banking industry. Narasimham Committee is of the opinion that directed investment and credit programmes coupled with branch expansion have ruined the productivity and efficiency of the banking industry. The adverse outcome of the directed credit programmes is the non-availability of adequate credit to the priority and other needy segments and this forces many entrepreneurs to seek loan outside the banking arena with high rate of interest (Narasimham, 2001).

1.1.5 EVOLUTION OF PRIORITY SECTOR LENDING

Chronological developments witnessed since the genesis of priority sector lending may be grouped in four phases which are tabulated below:

Year	Activity
Grounding Phase	
1967	Coining of the term 'Priority sector'
1969	Emphasis on priority sector lending on Nationalization of 14 major banks
1972	Concessionality in interest rate for priority sector lending introduced through DRI scheme
Specification Phase	
1974	Priority sector lending to reach 1/3 rd of the outstanding bank credit by March 1979 in banks
1977	Export credit excluded from priority sector (except SSI)
1978	Priority sector lending to reach 1/3 rd of the outstanding credit by March 1980 in Indian Private sector banks
1979	<ul style="list-style-type: none"> • Six more banks nationalised and stress on priority sector lending increased

	<ul style="list-style-type: none"> • Proportion of priority sector credit to be raised to 40% of outstanding bank credit by March 1985 • Concept of 'weaker section' introduced with sub target of 10% of net credit within priority sector lending.
15 th April, 1980	<ul style="list-style-type: none"> • Six more banks were nationalised
Streamlining Phase	
1982	Broadening of the concept of priority sector by including loan and housing loan and redefining retail trade, small business, etc.
1983	Direct agriculture credit to be raised to minimum of 16% by March 1987 and to further raised to minimum of 18% by March 1990.
Reinforcement Phase	
1989	<ul style="list-style-type: none"> • Foreign banks also advised to undertake priority sector lending • 10% of total credit by March 1989 to be raised to 12% by March 1990 and further 15% by March 1992
1990	Interest rate linked with 'size of loan' doing away with concessionality of other counts except DRI and export loans
1993	Foreign banks to undertake priority sector lending up to 325 of their credit including their export credit

Source: Santhanam, 2006.

1.1.6 THE BANKING SECTOR IN INDIA

Prof. Syers, defined banks as "institutions whose debt—usually referred to as 'bank deposits'—are commonly accepted in final settlement of other people's debts". According to Banking Regulation Act of 1949, "Banking means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise". From the above definitions we can analyse that the primary functions of banks are accepting of deposits, lending of these deposits,

allowing deposits to withdraw through cheque whenever they demand. The business of commercial banks is to make profit for its shareholders basically by keeping deposits and making loans and advances for a short period of one or two year made to industry and trade in the form of overdrafts or discounting bills of exchange. . From the above discussion, we can say that the following are the functions of commercial banks (Das, 2007).

The banking sector in India is largely dominated by the public sector banks (PSBs) that account for nearly 70 percent of the banking assets. In particular, the commercial banks account for majority of the total assets of India's financial landscape which in turn is largely dominated by the scheduled commercial banks (SCBs). The fast rate of growth of deposits can be seen from the fact that during the period 2009 to 2010 total bank deposits increased by 48.6 percent. Besides , the total advances and investments grew during the said period at an outstanding rate of 16.5 percent 18.6 percent respectively. Latest available statistics reveal that the new private sector banks have registered the highest growth rate at 20.8 percent in the branch network during 2009-10 while SCBs as a whole marked 7 percent expansion in their total branch network during the same period. All the commercial banks in order to maintain their regulatory capital have adopted the base II framework. During the year 2010, the capital base of all Scheduled commercial banks SCBs was increased by 16.9 percent over the previous year. The private and foreign banks have found a footing in the Indian financial system, since the financial reforms began in the 1990s which is evident by the ROA being higher than the bench mark (one percent) in 12 public sector and 14 private sector banks.. These banks also started setting new standard for the entire banking sector in terms of capital adequacy, return on capital and profit per employee, etc. The World Economic Forum in its Financial Development Index (2008) credits the gradual reforms and prudential regulations for the reasonable stability of the Indian banking system (Basu, 2005).

1.1.7 EMERGENCE OF COMMERCIAL BANKS

It was during this period that the commercial banks emerged as saviours of the society from the onslaughts of money lenders, particularly, in rural areas. A bank is an institution for keeping, lending and changing of money. Banking authorities opine that the banker's business is to take the debts of other people to offer his own in exchange and thereby create money. A bank's primary function is to utilize the temporarily idle money of common public for giving advances to others. Therefore a bank becomes an institution which accepts deposits from the public and in turn advances loans by creating credit (Kusamakara, 2010). It is different from other financial institutions like co-operatives as they cannot create credit, though they may be accepting deposits and making advances, Commercial banks perform the following functions:

- a. accepting deposits.
- b. advancing loans.
- c. creating credit.
- d. financing foreign trade.
- e. rendering agency services and.
- f. providing other miscellaneous services to customers.

The evolution of banking in India is as old as authoritative history. Historians opine that banking in the oldest form existed even in the Vedic period. But banking in the modern sense developed only after the advent of British rule in India, Indian banking received a major impetus after independence especially in 1955 when the Imperial Bank of India was nationalised and its undertakings were taken over by the SBI. The Banking Regulation Act of 1949 provided a charter for the functioning of the commercial banks.

Historicity most of the commercial banks in India were in the hands of the private entrepreneurs and these were used for the development of big industrial and commercial ventures and social orientation of banking may conspicuous by its absence. More specifically, the commercial banks in India were directing their advances to big industrial houses, relatives of the Directors and there were inter banking transfer of loans among various Directors of the commercial banks. Consequently, the nationally significant priority sector, consisting of agriculture, small scale industries, road and water transport operators, retail and small business, weaker sections and Scheduled castes/Scheduled tribes were not receiving their due share.

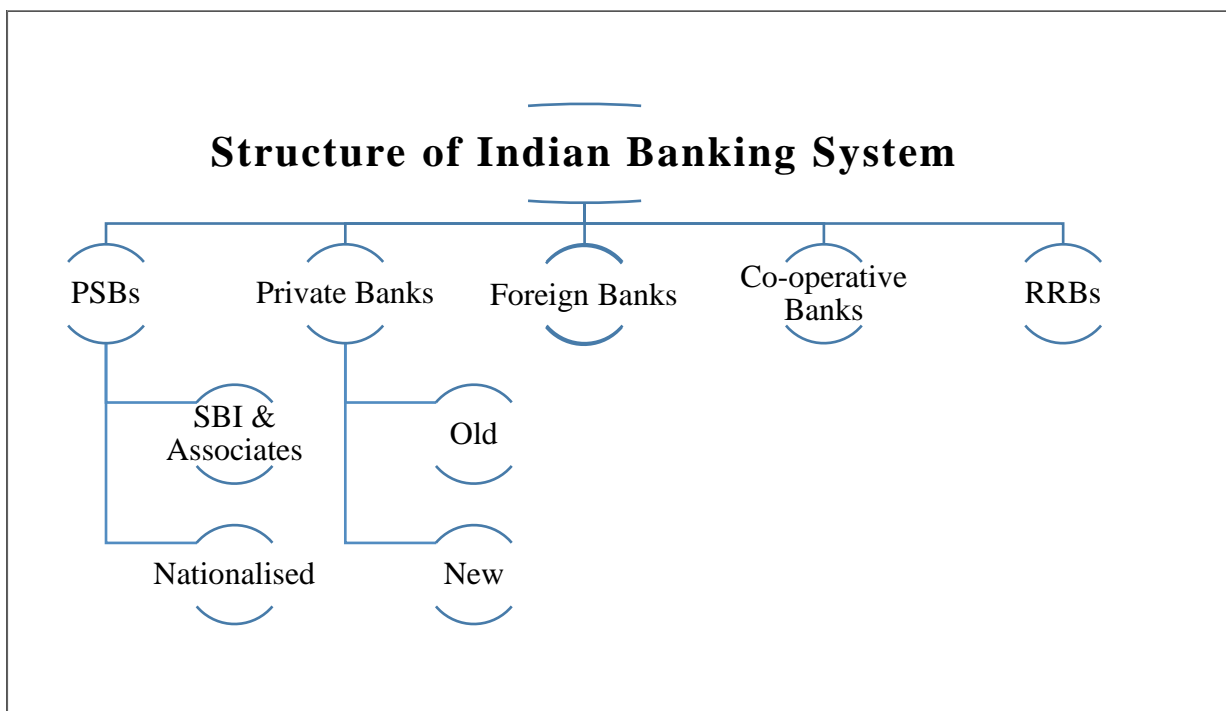
According to Kusamakara (2010) though the Banking Regulation Act, 1949 had provided enough powers to the RBI to control and direct the activities of the banking industry in the economy, it failed to weed out the vulnerable units, promote the growth of a strong and efficient system, entuse banks to go to those areas where they were needed most and prevent the concentration of offices in a few flourishing urban centres. This was mainly due to the fact that from the early stages of its origin and development, banking industry in India confined its activities to big cities and towns which promised greater scope for mobilising deposits and extending credit and far earning profit. Although the social control of banks had directed the banks to serve the societal credit needs, especially, of the weaker section and downtrodden, the system did not change to the desired extent. The Indian commercial banks continued to give their advances to medium and large scale industries. The sectors demanding priority attention such as agriculture, small scale industries and exports had not received the due attention that they deserved.

1.1.8 STRUCTURE OF INDIAN COMMERCIAL BANKS

The main function of the good financial system is to mobilize savings, to vast geographical and functional reach and institutional diversity. During 1965 to 1990 gross savings in the

form of financial assets of the household sector rose from 5.5 per cent to 12.2 per cent of net domestic product. Since 1969 when major banks were nationalized, the number of commercial bank branches increased from about 8,300 to well over 65,000 by 2005 (Chatterjee, 2006).

Fig 1.2 Structure of Indian Banking System



Source: Chatterjee, 2006.

The scheduled commercial banks and the unscheduled banks comprise the commercial banking structure in India. Scheduled Commercial Banks include those banks which are given in the second schedule of Reserve Bank of India(RBI) *Act 1934*. RBI includes only those banks in this schedule, which satisfy the criteria laid down vide section 42 (6) (a) of the and foreign banks. The broad classification of Indian Banks can be done into nationalized banks There are 27 public sector banks including 196 Regional Rural Banks.(RRBs)

1.1.8.1 Scheduled banks

Scheduled banks are one which is registered in the Second schedule under Section 42 [6] of the Reserve Bank of India Act, 1934. The following conditions should be fulfilled by a bank for inclusion in the schedule:

- [a] The bank concerned must be carrying on a business of banking in India.
- [b] The bank must have a paid-up capital and reserves of an aggregate value of not less than Rs .5 lakhs.
- [c] It must satisfy the RBI that its affairs are not being conducted in a manner detrimental to the interest of the depositor.

The scheduled banks have the following obligations: Kaur 2010

- [i] To maintain an account with the Reserve Bank of India and to keep cash reserve as prescribed by the Reserve Bank.
- [ii] To submit a weekly return about its financial affairs to the Reserve Bank.
- [iii] To keep accounts ready for periodical inspection by the Reserve Bank and
- [iv] To comply with directions given by the Reserve Bank from time to time.

Presently, the RBI has authorised a threshold capital of Rs. 100 crore a minimum capital of Rs. 100 crore for starting a new commercial bank. The scheduled commercial banks have variety of privileges like refinance facility, currency chest facility and they can obtain finance from the Reserve Bank of India while in temporary finance difficulty. The Scheduled banks may be categorised as Indian Scheduled Banks and foreign Scheduled Banks. The Indian Scheduled Banks are those, which have their registered offices in India and are registered in the second schedule of the Reserve Bank of India. Correspondingly foreign scheduled banks are

those commercial banks which are registered in the second schedule with their registered office outside India (Kaur 2010)

1.1.8.2 Unscheduled Banks

A non-scheduled bank is one which is not included in the Second schedule of the RBI Act, 1934. Such banks are mainly engaged in money -lending, discounting and collecting bills and do several agency services. They have no refinance and rediscounting facilities from the Reserve Bank of India (Joshi 2003).

1.1.9 GROWTH OF PUBLIC AND PRIVATE SECTOR BANKS

1.1.9.1 Public Sector Banks

According to Kumar (2009) Public sector banks came into existence due to the impact of nationalisation. The growth of public sector in banking took place in four stages:

[i] Nationalisation started in 1948, one year after Independence, when the Central Bank of the country, the Reserve Bank of India (RBI), was brought under Government ownership.

[ii] Nationalisation of Imperial Bank of India in 1955 and its seven associate banks in 1959-60.

[iii] Nationalisation of the fourteen major commercial banks in 1969.

[iv] Nationalisation of six more commercial banks in 1980. The pioneering attempt of introducing public sector banking in India was made on 1st July, 1955 by the Government of India when it nationalised the Imperial Bank of India and converted it into the State Bank of India (SBI). Later on, during 1959 -60, seven of the subsidiaries of SBI were also nationalised to form the SBI group.

Thereafter on 19th June, 1969 fourteen with the aim to develop the economy in accordance with national priorities 14 major Indian scheduled banks were nationalised by the Government. Finally, on 15th April 1980, the Government nationalised six more scheduled banks each with deposits of Rs.200 crore or above. Thus, from 1980 onwards Government

came to own twenty- eight banks including the SBI and seven subsidiaries. Subsequent to the merger of the New Bank of India with the Punjab National Bank in September 1993, the total number of public sector banks came down to twenty seven (Kumar 2008).

With Nationalisation the ownership pattern altered in favour of the Public Sector providing extensive powers to the Government to impact the banking policy and orientation. At the time of Nationalisation, the socio economic objectives were clearly laid out for the banks to contribute towards the economic and social development of the country to the maximum possible limit Prior to nationalisation and even after independence, the banking sector remained in private hands. Large industries who had their control in the management of the banks were utilising major portion of financial resources of the banking system for their personal development and as a result, little priority was accorded to priority sectors. The main purpose of nationalisation of commercial banks was to make them as an instrument of economic and social change (Kumar 2009).

1.1.9.2 Private Sector Banks

Private sector banks are those which are owned by group of shareholders who elect their directors for managing the bank. The word 'The' and 'Limited' will suffix their names. They came into existence to supplement the performance of Public sector banks and serve the needs of the economy better. Since public sector banks are

Government owned, they lacked initiative to make profits and improve their financial health. Nationalisation of commercial banks killed the competitive environment, which is essential for making profits (Mahesh et al, 2008).

Once again, competition was injected into the banking business with the recommendations of the Narasimham Committee I in 1991, which advocated free entry of private banks. At present, both private as well as public sector banks have to operate in an increasingly competitive environment. public sector banks face competition from the private sector banks.

Despite having the advantage of a substantial presence and penetration in the rural areas, the public sector banks are under tremendous pressure to maintain their margins and to survive the competition. Amongst many challenges before the Public Sector Banks especially the customer centred approach of the Private Sector Banks is to retain the customers and expand the customer base. To retain the existing customers and to attract new customers, both the public and private sector banks are adopting various measures (Ram, 2005).

1.1.10 RECOVERY OF PRIORITY SECTOR LOANS BY COMMERCIAL BANKS

The two primary functions of commercial banks are to accept deposits from the public and lend money to the borrowers. The deposits are to be repaid on the due dates or on demand depending on the nature of deposits. Likewise, the money lent should be repaid on the due dates or on demand depending on the nature of advances. In the pre-nationalisation period, that too before 1969, recovery of loans was not much a problem for the bankers. This was because the traditional bankers were conservative in their approach and they knew their customers personally. However, recovery of loans during the post-nationalisation period has not been smooth for the commercial bankers especially due to priority sector lending. This is because priority sector loans are granted to borrowers of small means who are not usually in a position to offer adequate security to the bankers. The success of any Government sponsored scheme should be measured not by 100 per cent disbursement but by 100 per cent recovery. The motto of 100 per cent recovery is meant for bankers, Government servants and the borrowers as well. In case of priority sector lending too, 100 per cent recovery is a must. It should not be misconstrued as a pressurizing act to demand 100 per cent recovery for even priority sector advances. Priority is for giving the loans and not for exempting them from recovery (Agarwal, 2006).

1.1.10.1 Importance of recovery of loans

The importance of recovery of loans need not be over-emphasised. There is a general saying that in a bank, any person can grant advances but only a wise person can recover the loans.

Following are some of the reasons for the importance accorded to recovery of loans:

- [i] Non-recovery of loans erode profitability of lending banks.
- [ii] The funds, which have been provided as loan, cannot be recycled and to that extent, the more deserving customers will be deprived of bank credit.
- [iii] A bank saddled with huge overdue loans portfolio will suffer in its image and may lose public confidence.
- [iv] A loan, which has been considered as bad, when recovered increases the profitability of the bank.
- [v] Overdue advances results in a lot of correspondence and paper work. A good recovery percentage will avoid this wastage of time and energy.
- [vi] A good recovery percentage qualifies the branch for a better inspection rating.

1.1.10.2 Steps in Recovery of loans

Recovery of loans, that too at the right time, plays a vital role in credit management as it strengthens the resource position through recycling of funds and exercises favourable impacts on the cost of funds and profitability. Recovery of the loans granted has, therefore, to be managed effectively so as to ensure continuous flow of credit, without which banks liquidity would be in jeopardy as also production cycles, income generation, employment opportunities etc. would be adversely affected. There are three steps, the bankers used to follow in order to recover the loans advanced (Agarwal, 2006):

- [i] **Persuasion:** Persuasion is the first step in the process of recovery. The recalcitrant borrowers are persuaded by the bankers to repay the loan amount. This is done by means of sending proper notices to the borrowers. If the borrowers ignore notices, registered notices

are sent to the borrowers. Still, if there is no reply from the borrowers, the next step is to contact the borrowers personally or over phone. After this, the banker contacts the borrowers informally with the elite of the place of the defaulting borrowers to create psychological pressures. Next, the banker tries to convince the borrower to obtain a new loan as against full repayment of the existing loan, which is overdue over a period of time.

[ii] Negotiation: The lending banker adopts the next step if persuasion fails to evoke the desired result. Both the lending banker and borrower have to make certain sacrifices in their mutual interest. The banker may have to accept revision in the repayment schedule, interest concessions and margin reduction and waivers. All these can be negotiated across the table.

[iii] Litigation: The last resort for the lending banker to effect recovery is to initiate legal actions by filing civil suits in the court of law. Such a step is taken particularly with incorrigible borrowers with whom all the other techniques of recovery are exhausted. When it is confirmed that recovery is impossible, suit may be filed after consulting the bank's appropriate authority and the legal adviser because each case needs a separate treatment.

1.1.11 NON-BANKING FINANCIAL COMPANIES

NBFCs have been complementing banks as financial intermediaries by leveraging on their and nimble operations and tailor-made products for niche areas. The need to strengthen their regulation and supervision has come to the fore in view of their rapid expansion in recent years. The Reserve Bank has been striving to harmonise regulatory requirements of various classes of NBFCs while putting in place specific policy measures for particular classes of NBFCs such as core investment companies and legacy NBFCs as needed.

1.1.11.1 Government Owned NBFCs

In 2017-18, the Reserve Bank aligned the regulatory requirements of government owned NBFCs with those of privately owned NBFCs. Government-owned NBFCs will have to adhere to all regulations on income recognition, provisioning norms, corporate governance,

and conduct of business regulations, deposit directions and reserve funds by March 31, 2019. Asset classification norms have to be complied by March 31, 2020 and capital adequacy, leverage, exposure norms and statutory provisions are to be phased in progressively by March 31, 2022.

1.1.11.2 Core Investment Companies

Core investment companies registered as NBFCs primarily invest in group companies and do not carry out any other NBFC activity. They are required to invest up to 90 per cent of their net assets in equity shares, preference shares, bonds, debentures, debt or loans of group companies, while equity investments in group companies must constitute at least 60 per cent of net assets. In order to promote infrastructure development through investment in Infrastructure Investment Trusts (InvITs), core investment companies registered with the Reserve Bank as NBFCs were allowed to act as sponsors to InvIT issuances and to reckon holdings of InvIT units as part of the sub-limit of 60 per cent for equity investments in group companies. Exposures of core investment companies to InvITs are limited to their holdings as sponsors.

1.1.11.3 Regulatory Framework for NBFCs

As per the revised regulatory framework issued in November 2014, all the legacy NBFCs which were earlier allowed to carry on operations with a capital of ₹2.5 million were required to bring in a minimum capital of ₹10million by March 31, 2016 and ₹20 million by March 31, 2017. The Reserve Bank has initiated supervisory action, including cancellation of the certificate of registration (CoR) of NBFCs that have not achieved the minimum prescribed funds (NOF) by March 31, 2017.

1.1.11.4 Diversification of Activities of SPDs

The Reserve Bank enabled SPDs to provide comprehensive services to their foreign portfolio investment (FPI) clients. With effect from July 27, 2018 they have been permitted to offer

foreign exchange products to their FPI clients. These activities would form part of SPD's non-core activities and they are directed to adhere to extant prudential and other regulations.

1.1.11.5 Securitisation Transactions of NBFCs

To promote the NBFC's assign their eligible assets relaxation has been given with respect to the minimum holding period (MHP) for securitisation of loans by NBFC's with original maturity above five years effective November 29, 2018 for a period of six months, subject to certain conditions.

1.1.12 CREDIT DELIVERY

Recognising that credit markets are prone to asymmetric information and rationing, the Reserve Bank undertook several policy initiatives in 2017-18 to expand access to bank credit to sectors vulnerable to exclusion/pricing out. The focus was on MSMEs, and on galvanising priority sector lending to ensure credit flows for productive purposes.

1.1.12.1 Formalisation of MSME Sector

Guidelines were issued in February 2018 to facilitate the transition of MSMEs into the formal financial system by alleviating cash flow problems in the transition. The exposure of banks and NBFCs to GST-registered MSMEs continued to be classified as standard assets (180 days past due criterion) subject to certain conditions, including, *inter alia*, the aggregate exposure to the borrower not exceeding ₹250 million as on January 31, 2018 and the borrower's account being classified as standard as on August 31, 2017. In June 2018, this relaxation was extended to all MSMEs with aggregate credit facilities up to the specified limit, including those not registered under the GST. In respect of dues payable by GST-registered

MSMEs from January 1, 2019 onwards, the 180 days past due criterion would be aligned to the extant 90 days past due NPA norm in a phased manner. The accounts of MSMEs that are

not GST-registered as on December 31, 2018 would be governed by the 90 days NPA norm from January 1, 2019.

1.1.12.2 Co-origination of Priority Sector Loans by Banks and NBFCs

SCBs (excluding Regional Rural Banks (RRBs) and SFBs) were allowed to co-originate loans with NBFCs-ND-SI for the creation of eligible priority sector assets in order to provide a competitive environment for credit delivery to the priority sector. The arrangement entails joint contribution of credit by both lenders at the facility level and sharing of risks and rewards within an appropriate alignment of respective business objectives.

1.1.12.3 Priority Sector Lending Guidelines and Affordable Housing

Housing loan limits for eligibility for priority sector lending (PSL) were increased from 2.8 million to 3.5 million in metropolitan centres (with population of one million and above), and from 2 million to 2.5 million in other centres, in order to bring convergence between PSL guidelines for housing loans and the affordable housing scheme under the Pradhan Mantri AwasYojana (PMAY). The overall cost of the dwelling unit in metropolitan centres and at other centres should not exceed ₹4.5 million and ₹3 million, respectively.

1.1.12.4 Priority Sector Lending by Urban Cooperative Banks

On May 10, 2018 guidelines were issued to harmonise priority sector lending (PSL) rules of UCBs with those of SCBs. Accordingly, medium-sized enterprises, social infrastructure and renewable energy will form part of the priority sector. The distinction between direct and indirect agriculture has been removed. Also, bank loans to food and agro-processing units will constitute PSL to agriculture. The achievement of priority sector targets will be included as a criterion for classifying a UCB as financially sound and well managed (FSWM).

1.1.13 SCHEMES UNDER PRIORITY SECTOR LENDING

Among the various schemes under the priority sector lending include the following:

1.1.13.1 Lead Bank Scheme

The lead bank scheme (LBS) aims at co-ordinating the activities of banks and government agencies in enhancing the flow of bank finance to the priority sector and in the overall development of the rural sector. The Reserve Bank's committee of executive directors, constituted to study the efficacy of the system, has made several important recommendations in this regard. After taking into account the feedback from various stakeholders, the Reserve Bank issued guidelines aimed at improvement of the scheme in April 2018. Policy issues and routine issues may be delegated to the State Level Bankers' Committee and specific committee respectively. Lead banks were advised to make available necessary infrastructure for lead district managers (LDMs) for their effective functioning.

1.1.13.2 One District one Product Scheme

The scheme of the UP Government envisages promotion of indigenous and specialized products and crafts in UP like the rice, wheat, kala namak stack craft, chickenhari and zari-zardozi works or clothes and exquisite horn-bone work that use the remain of the dead rather than live ones a nature friendly replacement for ivory. Many of these products GI tagged i.e. they have a specific geographical origin and possess qualities or a reputation that are due to that region. Many of these were also old community traditions that are being revived through modernization and pollicisation. Other district-specific industries are more commonplace, but their products are still unique to those regions. Asafoetida, Desi ghee, Fancy glassware, Bed sheets, Jaggery, Leather Goods – the districts that specialize in these crafts are in UP, and you might already own or use a UP product without knowing it. Even these small and medium industries need modernization, machinery and productivity enhancement.

1.1.13.3 Dairy Entrepreneurship Development Scheme

A scheme titled “Venture Capital Scheme for Dairy and Poultry” was launched by the Department of Animal Husbandry, Dairying & Fisheries (DAHD&F) GOI in the year 2005-

06. The scheme envisaged extension of assistance for setting up small dairy farms etc., to bring changes in the dairy sector. During a mid-term evaluation of the scheme, certain recommendations were made to accelerate the pace of implementation of the scheme. The DAHD&F changed its name to Dairy Entrepreneurship Development Scheme (DEDS) besides other key changes it made to the scheme, in view of the recommendations of the evaluation study and representations received from the farmers, State Government, banks and others. The revised scheme has become operational w.e.f. 1st September, 2010.

1.1.13.4 CM Village industries employment schemes

The said scheme has been embarked upon to prevent migration of educated youth from rural to urban areas and to solve the rapidly increasing problem of unemployment. To provide financial assistance to the rural individual entrepreneurs to the tune of Rs. 10-00 lakhs by the Banks, under this scheme over and above rate of interest of @ 4%, which is subject to 10% will be borne as the Interest Subsidy for general candidates and for reserved categories (SC/ST, OBC, Women, ex-serviceman, PH/VH) rate of interest will be fully exempted and borne by the government of U.P. as interest subsidy. The commercial banks and Regional Rural Banks under which service area approach the villages or rural areas fall will provide bank loan as per rules. In Districts the scheme will be implemented under the direct control of the District Magistrate, by the Khadi & Village board.

1.1.13.5 Student loans

Loans have been popular in India. The growth of self-financed Institutions in providing higher education in the field of engineering, medical and management with higher fee than their government-aided counterparts because of less or no funding by the government, has given rise to the trend of educational loans in India. Under section 80 E of the Income Tax Act, the assessee gets the deduction for the interest paid on such loan for self, his spouse or children's higher education without any limit, for a maximum period of 8 years beginning from the year in which

payment of interest on the loan begins or till the interest is paid in full, whichever is earlier. It came into effect in 1995 and initially started by SBI Bank and after that many commercial banks started offering educational loans to students. At present, the model education loan scheme allows loan up to Rs 10 lakh for students in India and up to Rs 20 lakh for the students studying abroad. For a loan up to Rs 4 lakh, co-obligation of parents is required and for loans above Rs 4 lakh and up to Rs 7.5 lakh, co-obligation of parents along with collateral security in the form of third party guarantee is required. For loans above Rs 7.5 lakh, co-obligation of parents along with tangible collateral security of suitable value, and the assignment of future income of the student for instalment payments is necessary. The interest rate for loans up to Rs 4 lakh is BPLR (Benchmark Prime Lending Rate) and for all loans above Rs 4 lakh, interest rate of one per cent more than BPLR is charged by the banks (Kewal, 2013).

1.1.13.6 Differential Rates of Interest Scheme (DRI)

The scheme of Differential Rates of Interest Scheme was launched in India in 1972 for public sector banks to give bank credit to the weaker section at concessional rate of interest at 4% p.a. as per the new guidelines issued by RBI, banks have to give 1% of their total advances to the weaker section of society and further to set aside 40% of their advances meant under DRI scheme to be given to the scheduled castes and scheduled tribes. The requirement for assistance under this scheme is now Rs.6400 annual family income in rural areas and Rs.7200 per annum per family in urban areas. The private sector banks can also be a part of this scheme on a voluntary basis. Under the DRI scheme, RBI directs the banks to finance :

- Scheduled castes and scheduled tribes and other engaged on the modest scale in agriculture and allied activities.

- The physically-handicapped people on the modest scale by offering loans for cottage and rural industries and vocations like sewing garments, making reasonably cheap edibles, running way side tea stalls, basket-making etc.
- People engaged in elementary processing of forest products.
- Village artisans in the decentralized sector.

1.2 STATEMENT OF THE PROBLEM

Credit is a very scarce resource particularly in a country like India. This is very much true in case of priority sector loans where the Government plays a very important role in the provision of credit to the economically weaker sections of the society, which have all along been neglected by the security oriented banking system. In a prudential economy, both lending and recovery are like breathing out and breathing in - the one is not possible without the other. In other words, without recovery the banking cycle is not complete. Recovery of priority sector loans is the persistent problem faced by the commercial bankers. While inadequate and improper allocation of credit endangers the basic socio-economic philosophy of the country, mounting over dues of credit endangers the very foundation on which the banking system rests. The problem of over dues is phenomenal in respect of priority sectors. This has not only curtailed the recycling of funds, but also imposed on the banks', statutory provisioning against sub-standard, doubtful and bad debts. The timely recovery of funds lent, is a must for continuous recycling of funds. Piling of over dues results in poor recycling of funds, which in turn depicts poor recovery management by the commercial banks. Non-repayment of loans by borrowers, on the one hand, lead to blocking up of funds in the hands of few, and ultimately the benefits of credit cannot be passed on to a large section of people who are in dire need of credit. Mounting of over dues, on the other hand, weakens the corporate strength of the commercial banks. Therefore, a judicious deployment of credit and

timely repayment of credit are very important for healthy and effective functioning of any banking system.

There is also the issue of middlemen acting as agents for the acquisition and distribution of credit to priority sectors. Most often than not the intended individuals especially farmers do not receive the entire quantum of funds lent to them by the banks but will have to eventually pay all that was lent to them. This is because these middlemen take part of these money as service charges or fees. This has become a serious concern and needs urgent redress.

The present study becomes essential now to find out the measures adopted by the commercial banks for recovering the priority sector loans and also how these middlemen can be eliminated.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

1. To study the modus operandi and the progress of Commercial Banks in Priority Sector Lending.
2. To identify the problems faced by Commercial Banks in lending and recovery of loans in Priority Sector areas.
3. To study how Priority Sector Lending by Commercial Banks has helped the economically weaker sections of the society.
4. To suggest ways for improving the quality of lending to this sector.

1.4 SCOPE OF THE STUDY

The study was limited to the priority sector systems functioning in the Allahabad district in Uttar Pradesh. It was restricted to the Allahabad district due to limited time and the fact that the researcher resided in the district and so had access to other resources. It has concentrated only on the different facets of PSL and their relationship to the economic development of

Allahabad. It is a micro level study and its findings were applicable only to this limited area. The study was based on time series secondary data collected from the banks and other Government agencies. Despite the presence of a Lead Bank in the Allahabad district, the priority sector data were not available on a continuous basis. The data could, therefore, be collected only in bits and pieces.

1.5 JUSTIFICATION OF THE STUDY

The poverty alleviation remains to be most national agenda during all five year plans of the country, the study will aim at how commercial banks are contributing for the upliftment of the rural masses. The growth of priority sector lending over the years will be studied, and further the study will also lay stress on which sector(s) of the PSL requires more attention, and a solution can be offered to overcome that shortcoming. The study will help the Reserve Bank of India in formulating the policies pertaining to lending in priority sector areas at micro level.

1.6 SIGNIFICANCE OF THE STUDY

India is a developing economy and cheap and adequate credit is a boon for the economic development of the country. By providing credit to farmers, micro and small scale industries and other weaker sections, economic progress can be achieved. By diverting resources in the direction of national objective and priorities, the banking industry can influence economic growth. As Priority Sectors comprises of agriculture, small scale industries, and other economically weaker sections, an easy sailing for them will enhance their economic growth thereby consolidating the Indian economy. Further, for the overall development of an economy, the development of priority sector is important because without its development, the country will achieve imbalanced growth. The study aims at highlighting the above facts and also suggests measures to improve them.

1.7 RESEARCH GAP

Quite an appreciable number of works have been carried out on Priority Sector Lending as far as other jurisdictions in India are concerned. In Allahabad as a district in the Uttar Pradesh state there seem to be no in-depth studies or little fragmented studies carried out. This research is therefore been set into motion to study extensively the priority sector lending by commercial banks in the Allahabad district.

1.8 PERIOD OF STUDY

The study covers a period of six years from 2012 to 2018.

1.9 CHAPTER SCHEME

Chapter One

Chapter I deals with the introduction, background of the study, objectives, justification of the study, significance of the Study, hypotheses, and period of study and the chapterization scheme of the study.

Chapter Two

Chapter II gives details about the research studies previously conducted in priority sector lending by commercial banks.

Chapter Three

Chapter III focused on the methodology of the study. This chapter describes the research methodology used for collecting data for the study. The description throws light on the population, sample and sampling procedure, research design, study area, research instruments for collecting data, administration of research instrument and limitations of the research.

Chapter Four

Chapter IV also dealt with data analysis and interpretation. This chapter presents a detailed outcome of the study with the help of statistical tables.

Chapter Five

The fifth and final part, chapter V gives us a summary, conclusion, findings of the research and some recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

The model of Priority Sector Lending originated with the nationalization of banks and social control over the banks by the government of India. The concept has gone through numerous modifications over the years. Different targets and sub-targets have always taken the place of existing ones. It stemmed into increasing the flow of credit to different Priority Sectors and thereby raising the incomes as well as the standard of living of the beneficiaries. In India, a number of research studies have been taken on to probe different aspects of Priority Sector Lending including regional and class disparities, supply of credit, the schemes adopted and the measures taken, and the problems faced by both the banks and the beneficiaries. However, an attempt has been made to review the relevant studies considered to be important for the purpose of this study.

2.1 EMPIRICAL LITERATURE REVIEWS

Ramesh Golait (2007), This paper lay emphasis on the issues of Agricultural credit in India. This paper revealed in this study that credit supply system in agriculture sector in India continues to be inadequate. It has been found out that the banks are still hesitant and cautious on several grounds. to provide credit to small and marginal farmers. This has raised a voice for concerted efforts to augment the flow of credit to agriculture along with trying new innovations in product design and methods of delivery, with use of technology and related processes. Providing credit through processors, NGO's input dealers, etc. they are vertically integrated with the farmers, including contract farming for providing them critical inputs or processing their produce, could increase the credit flow to agriculture significantly.

Pradeep Kumar Dev (2007), says that Private banks grow at faster rate in priority sector lending A comparison between 17 private sector banks and 27 public sector banks

(PSBs) operating in the country shows that private sector banks continue to outperform the state-run banks in priority sector advances growth. The total advances of the 17 private sector banks have increased by 36.3% - from Rs 2,94,382 crore in 2005-06 to Rs 4,01,205 crore in 2006-07. Their total priority sector advances have increased by 40.9% from Rs 89,152 crore to Rs 1,25,593 crore during the study period, thus increasing the priority sector advances to total advances ratio from 30.28% to 31.30%. On the other hand, PSBs have achieved a growth of 30.2% in total advances, which stood at Rs 14,29,042 crore during 2006-07. The priority sector advances have increased by 25.3% to Rs 4,85,233 crore in 2006-07 from Rs 3,87,312 crore in 2005-06. But the priority sector advances to total advances ratio decreased from 35.28% to 33.96%.

Panda (2008), Providing rural finance can be a challenge for private banks, due to information asymmetries and the high cost of due diligence, low population density of the target clientele, and contract enforcement difficulties. However, the rural population presents a huge untapped market for banks in most developing countries. A recent rural finance innovation in India, the credit franchise or credit access point (CAP) initiative by ICICI Bank, offers many insights and lessons for other banks, policy makers, and academics exploring rural finance options. This paper describes the CAP model, discusses a randomized impact evaluation which aimed to test the model's risk incentives, and analyses the experiment's findings. The paper additionally compares this innovation to models in other countries, and offers suggestions for future bank academic collaboration.

Meenakshi R. (2009), After independence it was felt that in order to achieve overall development of the country it is essential to develop the large rural sector, for which it is necessary to channelize required financial resources. In 1954 the 'All India Rural Credit Survey Committee' found that sufficient credit has not been directed towards the rural sector of the economy. Thus the committee recommended for the development of state sponsored

commercial banking system with branches spread in the rural areas. As a result of this a drive to nationalize commercial banks was launched. Thus one of the main objectives of nationalization of commercial banks was to provide credit to, what was considered as, priority sector.

Uppal R. K., (2009), An enunciation of the need to channelize the flow of credit to certain sectors of the economy, known as the priority sectors, in the largest interest of the country, was started with the Reserve Bank's credit policy for the year 1967 - 1968. The government took measures and initiated the process of social control over banks in 1967 - 1968 system to the needs of economic planning and it is playing a more active role for securing better adaption of the banking system in india and aiding sectors like agriculture and small scale industries (SSIs). This study is based on the parameters like lending to priority sector by public, private sector and foreign bank groups, targets achieved by public, private sector and foreign bank group NPAs (Non-performing assets), while lending to priority sector. On the basis of these parameters, the study concludes that public sector banks have not achieved the target of 40% while private sector banks have achieved the overall target. No private sector bank could achieve the 10% target by lending to weaker section. On the other hand, foreign banks have achieved the small scale industries' export credit and overall target. NPAs of public sector banks have increased because of high priority sector advances. The paper also throw light on the problems or issues which arise due to priority sector advances and also suggest some strategies to sought out these issues. All the parameters have been analysed for the period 2006 – 2007.

Ahmed Jaynal Ud-din, (2009), The paper states 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 like growth of agriculture, promotion of

small entrepreneurs and development of backward area etc. is the major responsibility of commercial bank. There have been many researches and studies on priority sector lending by banks in India. A brief review of these studies is highlighted in the following paragraphs to highlight the importance of the study. Joshi (1972) proposed the RBI to give clear and specific definition of the different component of priority sector as some of the bankers are not clear about the precise scope of agricultural lending. Chawala (1979) highlighted the amount of credit flow to the priority sector during seventies and observed that the purpose of PSL by banks is not available for which it is meant for. Angadi (1983) explained that due to quick branch expansion, deposit mobilization privileged cropped area adoption of high variety, yielding etc. there was concentration of PSL in general and agricultural advances in particular in some states.

Agarwal (2010), The year 2009-10 witnessed a relatively sluggish performance of the Indian banking sector with some emerging concerns with respect to asset quality and a slow deposit growth. Gross NPAs against gross advances for Scheduled Commercial Banks increased from 2.25 per cent in 2008-09 to 2.39 per cent in 2009-10. Notwithstanding the weakening asset quality, the Capital to Risk-Weighted Assets Ratio (CRAR) of Indian banks was high at 14.5 per cent, way above the regulatory minimum even after migration to the Basel II framework, providing banks with adequate remedy for emerging losses. In 2009-10, the profitability of Indian banks captured by the Return on Assets (RoA) was lower at 1.05 per cent as compared to 1.13 per cent during the previous year. Slow growth of financial inclusion in the global comparison continued to be an area of concern for the Indian banking sector. In the short-term, the Indian banking sector needs to lend support to the process of economic recovery, while in the medium to long-term, it needs to change itself to become more efficient and focused so as to ensure a more sustainable and inclusive pattern of economic growth.

Sudhirendhar Sharma (2010), Most rural households lack access to reliable and affordable finance for agriculture and other livelihood activities. Many small farmers live in remote areas where the existence of retail banking is low and production risks are high. The recent financial problem has made the provision of credit even difficult and the need to explore innovative and improved approaches to rural and agricultural finance even more urgent. Rural and agricultural finance innovations have great potential to improve the livelihoods and food security of the rural masses. Although microfinance has been widely studied, a large knowledge gap is still there and it is a great challenge for improvement in this area.

Anand (2010), Rural India contributes a major chunk to the economy every year. But only 30% of the bank branches operate in the rural areas that house 72.2% of the country's population. India's rural population, at about three-fourths of a billion, is larger than the total population of the US and the European Union put together. Further, rural India accounts for just 9% of total deposits, 7% of total credit and 10% of life insurance. Almost 43% of the total rural household debt comes from the non-institutional agencies. Fast track financial inclusion is urgently required, by including the various financial services and technological up gradation and initiatives need to be taken for this. Based on our learning we found that poor do not have access to formal financial institutions for their credit needs and saving avenues and bank's network of 2672 branches with a presence of 785 rural and 687 semi urban localities, is not sufficient to meet the magnitude of exclusion.

Bhalla V.K.,(2010), Prof. Bhalla a banking expert says Nationalization of banks is a great success by the then Union Government under the leadership of Indira Gandhi, the then Prime Minister in July 19, 1969 he said, to develop the rural and agricultural sectors, the Government has no option except make such an ultimate decision. Earlier, the banks were run by private managements and were instituted only at the urban areas and their services were

restricted to big shots and industrialists. After four decades of nationalization, the number of branches were drastically established by all the major sector banks even in rural areas.

Dr. Harsh Gandhar (2010), The paper throw light to review the growth & performance of educational loan during 2004 to 2010 through a case study of scheduled commercial banks in Chandigarh (2007). The study highlighted that the scheme is run purely on commercial basis and does not offer any soft options for the meritorious and the needy people. The banks are now trying to enhance their educational loan products with insurance cover to make the scheme attractive for customers and at the same time safer for themselves.

Mckinsey& Co. (2010), The cost of banking intermediation in India is higher and bank penetration is far lower than in other markets. India's banking industry must strengthen itself significantly if it has to support the modern and growing economy which India aspires to be. While the responsibility for this change lies mainly with bank managements, an enabling policy and regulatory framework will also be critical to their success. This paper emphasize the need to act both decisively and quickly to build an enabling, rather than a limiting, banking sector in India. PSBs needs to strengthen themselves with institutional skill levels especially in marketing and sales, risk management, service operations, and the overall performance of the organization. The last, is to strengthen the human capital and it will be the single biggest challenge. Old private sector banks also needs to strengthen skill levels. New private banks could reach the new height in the Indian banking sector by continuing to innovate and introduce differentiated business models to profitably serve segments like the rural/low income and affluent/ HNI segments; Foreign banks committed to start business in India will need to adopt alternative approaches to win the "race for the customer" and build a value creating customer franchise in advance of regulations potentially opening up to 2009.

Bhattacharya(2010),The paper states about the development of banking Industry over the past decade. Banks for overall development should keep in mind potential gains to

be made in terms of geographical area leading to economies of scale of Technology & Culture. The paper advocates new performance linked incentives, variable pay etc. need to be introduced to make the consolidation process effective and capable.

Ahmed JaynalUd-Din (2010), The study states that a number of factors are responsible for poor recovery and increasing volume of NPAs of banks in the districts of Assam under study. These are poor credit appraisal system, lack of foresightedness while sanctioning credit limits, lack of proper monitoring, reckless advances to achieve the budgetary targets, lack of sincere corporate culture, inadequate legal provisions on foreclosure and bankruptcy, change in economic environment at the macro level, non-transparent accounting policy, poor auditing practices, and lack of coordination between banks and their customers. NPA being an important parameter for assessing financial performance of banks, reduction is necessary to improve the profitability of the banks and compliance with capital adequacy norms. The quality appraisal, supervision and proper follow up undoubtedly will help solve the problem. The judicial system needs to be restored to have a smooth recovery of dues from defaulters.

Baslas et al (2010), In their works on Impact of 'liberalization on productivity & profitability of public sector banks in India they highlight that public sector banks are facing stiff competition with the private sector banks because the tech equipped distribution network of private sector & foreign banks is much superior to that of public sector banks & the public sector banks are also facing the problem of surplus manpower. The rising NPA is also a cause of concern for public sector banks though some improvement in this area has been made, she emphasise that PSBs should strengthen their project appraisal capabilities by creating special cells, which should be manned by officers of experience, qualifications and aptitude. PSBs should try to establish strategic alliances with suitable overseas banking

institutions. Commercial banks should be allowed to compete with financial institutions in extending term in clear manner.

Joshi (2010) There are common characteristics which are responsible for NPAs in selected banks due to diverted use of funds advanced, wilful defaulters, lack of supervision, political interference, weak legal support, outside pressures, internal and external economic causes, faults in determining quality of bank assets and fraudulent attitude of top management/officers. They also observed that two banks are merged in other banks due to such practices. Thus NPA is a threat to the existence of bank. Recovery of loans of big borrowers is a problem in recovery for private sector but such borrowers are less in number in the sample cooperative banks.

Meenakshi M (2010), The paper says that the problem of NPA in the priority sector is still higher than that of the non-priority sector. Within the priority sector, the SSI's performance is the worst. In this sector there is reduction in bad loans over time. In the process of reducing NPAs, will banks ignore the poor borrowers? In this context, the self-help group model can be applied to some of the sectors to help the poor access loans and ensure repayment for the banks.

Bihari (2011), The study suggest that Public sector Banks are facing stiff competition with Private sector Banks and in order to catch-up with the competition Public sector Banks had to overcome the old systems and employee resistance and introduce the new systems and process and norms.

Kewaljeet (2011), In Indian economy, the agriculture sector growth is lagging behind (3.0%) in comparison to industry sector (7.1%) service sector (10%). To sustain economic growth, development of Agriculture sector is very important. Adequate finance is a panacea for this. Presently under priority sector, Govt. and RBI are assisting the commercial banks to

divert more and more funds to farmers at easy terms and conditions. In institutional finance to agriculture, commercial banks including RRBs now are emerging in top ranking. Most importantly the role of money lenders is decreasing and reaching near bottom level and the rural poor are free from the clutches of money lenders. NABARD as apex institution of indirect financing to agriculture is providing every possible help as a friend and guide. The progress achieved by NABARD in refinancing is praiseworthy. Recent data reveals that 66% households in rural area are still away from getting banking services and facilities at cheaper cost. Financial inclusion is the need of hour. Commercial banks are extending financial inclusion in rural areas directly hitting poverty alleviation in India. Though financing of agriculture by commercial banks has proved its value in changing the economy of farmers by increasing their income yet the system is not free from some problems. This empirical study (paper) is an attempt to find the problems faced by farmers and suggest some framework changes regarding problems and financing system for the near future.

Srinivasan (2011), Indian banks, the dominant financial intermediaries in India, have made good progress over the last five years, as is evident from several parameters, including annual credit growth, profitability, and trend in gross non-performing assets (NPAs). While banks have gained from an overall good economic growth over the last decade, implementation of SARFAESI, setting up of credit information bureaus, improvements in technology infrastructure, making appraisal & monitoring process more strict have also contributed to the overall improvement. Most importantly, the performance of banks have been improved despite certain hurdles such as temporary slowdown in economic activity (in the second half of 2008-09), a serious liquidity situation, increase in wages following revision, and due to changes by the Reserve Bank of India in regulations, some of which prescribed higher credit provisions for higher capital allocation.

Sadar (2011), In the paper Indian Bank part 1, Sadar lay emphasis on recent trends in the banking sector, taking a look at the performance & soundness of the banking sector as well as regulatory developments in the context of the broader economic environment. The task done by India's central bank, the Reserve Bank of India (RBI) whose perspectives on Indian banking provides very important and useful data and commentary.

Sadar (2011), In the paper 'Indian Bank part 2, he states that Assets quality deteriorating especially for the public sector banks notably State Bank of India, due to its more extensive lending to small & business and farmers. The Profitability of private banks was good and moderate at the PSB's, despite the impairment charges. Due to slow growth in Indian economy and high inflation and interest rates suggests credit quality will continue to decrease.

Muraleedharan (2011), The study highlights that there are exists greater inter district disparities regarding the performance of banks. In order to reduce this disparity, it is suggested that banks should improve their performance on priority basis in those districts which have shown poor records.

Subbarao, D. (2011), It has become very important to study the comparative analysis of services of Public sector Banks and Private Sector banks. As the competition has increased, new information technologies are being used thereby reducing the processing costs, the erosion of product and geographic boundaries, and relaxation in governmental regulations had led the Public Sector Banks in India to forcefully compete with Private and Foreign Banks. This paper an attempt to analyse how efficiently Public and Private sector banks have been managing NPA. For projection of trend various statistical tools were used. The objective of this paper was to compare the performance of public and private banks of India. To find out trends in NPA Level. To suggest various measures for NPA management.

Kapoor Ashok (2011), The present paper is related to the role of public sector and private sector banks in priority sector lending. It is concluded from the study that priority sector advances and agricultural advances of both the types of banks had increased manifold over the study period of time but, they were still lag behind to achieve the targets set for them by RBI in agriculture sector. It was studied that the performance of private sector banks in all the parameters was better than that of public sector banks. It is advised to increase the attention of both the public and private sector banks on the priority sector of the economy. Public sector banks should improve their performance regarding priority sector lending. As their performance in terms of priority sector, agricultural, small scale industrial and other priority sector advances was lesser than that of private sector banks. Besides giving impetus to other priority sector advances, banks should lay more emphasis on agricultural and small scale industries advances also, as their performance is deteriorating in this regard.

Sikdar (2011), The objective of this study is to examine the overview of rural credit in India finds a remarkable continuity in the problems faced by the poor throughout this period. With controversial results, both supporting and not the assumption that microfinance can promote income generating activities, this paper attempts to demonstrate the role of microfinance in rural credit in India. The paper highlighted the scope for exploring and drawing attention of the government towards the rural credit in India. These include dependence on usurious moneylenders and the operation of a deeply exploitative grid of interlocked, imperfect markets. The paper articulate the theoretical and historical case for nationalization of banks and provide evidence of its positive impact on rural credit and development. Certain excesses led to reforms unleashed in the 1990s.

Banjaree (2011), This paper makes an attempt to analyse the various constructs of social banking in India. It also analyses some of the financial facts of social banking. Millions

of people are touched by the banking system and has to be inspired by larger social purpose and has national priorities and objectives such as sustainable growth of agriculture, small industries and exports, rising of literacy rate, encouraging new entrepreneurs and development of rural and backward areas. For the purpose it is necessary for the government to take responsibility for the extension and diversification of banking services and for the workings of substantial part of banking system. Government of India initiated a revolutionary step for banking companies.

Ghosh, (2011), The study observes that the prudential and provisioning norms and other initiatives taken by the regulatory bodies has pressurized banks to improve their performance, and consequently resulted into trim down of NPA as well as improvement in the financial health of the Indian banking system. It suggests that government should formulate new policies for banks and ensure that these policies are implemented through Reserve Bank of India for overall upliftment of Public Sector Banks. Public sector banks should try to upgrade their technology and should formulate customer friendly policies to face competition from private banks at national and international level.

Joshi, (2011), The problem of NPAs can be achieved only with proper credit assessment and risk management mechanism. In a situation of liquidity overhang, the target of the banking system to enhance lending may compromise on asset quality, raising concern about their wrong selection and potential danger of addition to the stock of NPAs. It is necessary that the banking system should be equipped with prudential norms to minimize the problem of NPAs. The onus for containing the factors leading to NPAs with the banks themselves.

Joshi, (2011), In her study finds that there is inordinate delay in the sanction and disbursement of loans due to several formalities and further states that the recovery performance of the rural branches can be improved by means of provision of timely and

adequate finance for productive purposes. The rural borrowers are very much concerned about getting timely and adequate finance and they would be prepared to pay even a higher rate of interest. The repayment of loans should be linked to the flow of income to the borrowers.

C.S.Balasubramaniam (2012), This paper advocates about the recent proposal by RBI to introduce Basel III norms in the banking sector from January 2013. Basel III framework of guidelines formulated by Bank for International Settlements (BIS) in consultation with central banks operating in a number of countries all over the world expect the participating banks in their respective economies should follow healthy financial and operational management policies. This paper is divided in four parts. The first part shows a discussion on the concept of NPA in the context of identification and control procedures, and analysed the overall effect of NPA on profitability and financial soundness of banks in general. The second part presents a trend analysis of NPAs followed by a series of in depth analyses on the high level of borrowings from banking sector indicating a build-up of sectorial credit booms in general and also raising concerns about financial performance and operations of the borrowers. The third part lay emphasis on the effect of restructuring of advances by banks on the basis of asset classification. Finally, certain issues and perspectives/ challenges on the performance of banking sector and financial stability of the economy is highlighted.

D. Subbarao (2012), The paper lays stress on the importance of Agricultural credit & says that in order to achieveself-sufficiency in Agriculture production a host of cash & non-cash inputs are necessary to improve productivity and an important one is agricultural credit. Agriculture share in GDP is less than 15% but still remains the direct domain of over half of population whose economic prospects are linked to the performance of agriculture.

Surajit Bhattacharyya & Ankit Chatri (2012) This paper evaluates the efficiency of commercial banks from mergers & acquisitions. The comparison was made between post-amalgamation efficiency scores of the participating banks with other banks that did not undergo any consolidation since 1991 was done and the results show the evidence of efficiency gains for merging and/or acquiring banks.

Shri G Padmanabhan, (2012), The paper talks about global convergence of banking regulation and its impact on the Indian Banking system, and further says that all the regions of India are brought to the same level of economic growth and the banking sector has to play a catalytic role in this endeavour.

K. C. Chakrabarty (2012), The paper says that the global economy remains uncertain with green shoots of optimism in the US as fresh jobs were added, but the Eurozone remains embroiled in uncertainty of decision making and with a lack of consensus with battered economies. India has been fortunate and has emerged virtually unscathed from the global crises. A combination of strong regulation & supervision helped insulate the Indian Financial system from crises and if Indian Banks have to envisage growth they have to remain competitive and continue to improve their margins, they would need to look at the new drivers of growth.

Anand Sinha (2012), The paper appreciates the working of Indian banks for weathering the financial crises unscathed. The overall financial performance of Indian banks was better due to high competition, as it is shown in their profitability, net interest margins, return on assets (ROA) and return on equities (ROE). The capital position of banks also improved significantly, and banks were being able to bring down their non-performing assets sharply. This reform phase also witnessed an increase in the use of technology which in turn helped improve customer service.

Dr. Sandeep Kaur (2012), says after independence it was felt that in order to achieve overall development of the country it is essential to develop the large rural sector, for which it is necessary to channelize required financial resources. The enunciation of the need is to channelize the flow of credit to certain sectors of the economy called the Priority Sector. The study concludes that public and private sector banks have achieved the overall target of 40 per cent. Foreign banks have also achieved their overall target under small scale industries, export credit.

CII – Confederation of Indian Industry (2012), The paper notifies the role of banks in the economic development of the country and gives information about priority sector lending by banks over the years and highlights various proposals of Nair Committee related to Priority sector lending. Priority sector lending can ensure improvement in production & growth across the value chain.

Girish Aivalli (2012), says giving structured finance to farmers can help minimize NPA's, as loan recovery is very difficult from farmers because they are dispersed, connectivity becomes a problem and the seasonality/uncertain income of farmers adds to the problem. Stricter ways of recovery may lead to other repercussions and bank may face reputation risks. The paper recommends structured finance to farmers as a way to minimize NPAs. Such as corporate linked finance against pledge, finance linked to supply etc.

Dr. K. C. Chakrabarty Dy Governor RBI (2012), In his paper 'Indian banking sector towards the next orbit' highlights that the Indian banking system has come a long way in terms of technology, business systems and processes. It has weathered the global economic crisis, but going forward it needs to focus on the key drivers of growth to be globally competitive. The lodestone of external impulses would be financial inclusion and the other key stones would be competition, consolidation and globalisation. The regulatory drivers would be more stringent regulations, essentially in fair treatment to customers, know

your customer norms and risk management. The internal impetus would be provided by the unique human resources opportunities created by impending retirements, leveraging technology to increase reach, lower costs and provide improved customer service and to re-orient the organisation to be customer centric in all its manifestations.

Sahu and Rajasekhar (2016), in their research paper, analysed 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 concluded that scheduled commercial banks mostly provided huge sum of money to better-off farmers and to the activities earning high interest. 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 when lending rate are increased it reduced the credit disbursed to agriculture by scheduled commercial banks and affected the overall quality of their loan portfolio so they advised 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 (2017), 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 2003-04. He concluded that the rural credit increases due rapid increase in total number of rural branches. The amount of rural credit of commercial banks 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 concluded that the amount 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, shortage of medium and long-term lending, and mobilization of deposits is also limited. 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 (2018), in his article, demonstrated the importance and progress of priority sector for economy during the period 1994-95 to 2003-04. He emphasised in his findings that priority sector credit including farm credit of scheduled commercial banks declined during the said period indicating that banks give preference to bigger borrowers with higher credit limits instead of large number of small borrowers. He noticed the decline in indirect credit to agriculture and small scale industries sector but comparatively better position in credit to other priority sectors during the study period. He lay stress on the recommendations of the Narasimham Committee 1991 and 1998 to redefine the concept of priority sector and also referred the recommendations of RBI committee to stress more 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 focused on various problems of rural credit and suggested measures to improve input delivery system, system, power supply, water management, 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.

Ahmed (2018) in his study observed that commercial banks together have slowly increased the amount of advances to small industries but the ratio in which total bank credit in priority sector has expanded, the relative share of small sector has not grown in the same

proportion during the reform regime. The poor infrastructure facilities may have prevented the flow of credit. The industrial campaign, awareness programmes and industrial training program to the prospective entrepreneurs from the appropriate authority may be the solution in this respect.

Sooden and Kumar(2018) lay emphasis that although efforts have been made in the last decade to make provision of finance for micro enterprises, rare or very little initiative has been taken to help SSIs. As a result, SSIs have been forced to seek loans for new ventures from commercial banks. Sooden and Kumar (2007) analysed the priority sector lending in the post reform period and recommended for overall balanced approach as development agent and sustainability of directed lending keeping in view the amount of NPA in priority sector advances.

2.2 DESCRIPTION OF THE ELIGIBLE CATEGORIES UNDER PRIORITY

SECTOR

2.2.1 Agriculture

The lending to agriculture sector includes (i) Farm Credit (which will include short-term crop loans and medium/long-term credit to farmers) (ii) Agriculture Infrastructure and (iii) Ancillary Activities. A list of activities under the three sub-categories is given below:

1.1 Farm credit	<p>A. Loans given to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans], directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include:</p> <p>(i) Crop loans to farmers, which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.</p> <p>(ii) Medium and long-term loans given to farmers for agriculture and related activities (e.g. purchase of agricultural implements and</p>
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	<p>machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)</p> <p>(iii) Loans given to farmers to fulfil the requirement of pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.</p> <p>(iv) Loans to farmers up to 50 lakh against pledge/hypothecation of ₹ agricultural produce (including warehouse receipts) for a period not exceeding 12 months.</p> <p>(v) Loans to distressed farmers indebted to non-institutional lenders.</p> <p>(vi) Loans to farmers under the Kisan Credit Card Scheme.</p> <p>(vii) Loans to small and marginal farmers for purchase of land for agricultural purposes.</p> <p>B. Loans to corporate farmers, farmers' producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of 2 crore per borrower. This ₹ will include:</p> <p>(i) Crop loans given to farmers which will include traditional/non-traditional plantations and horticulture, and, for allied activities.</p> <p>(ii) Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)</p> <p>(iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.</p> <p>(iv) Loans up to 50 lakh against pledge/hypothecation of agricultural ₹ produce (including warehouse receipts) for a period not exceeding 12 months.</p>
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1.2. Agriculture infrastructure	<p>i) Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units/ cold storage chains designed to store agriculture produce/products, irrespective of their location.</p> <p>ii) Soil conservation and watershed development.</p> <p>iii) Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermin composting. For the above loans, an aggregate sanctioned limit of 100 crore per ₹ borrower from the banking system, will apply.</p>
1.3. Ancillary activities	<p>(i) Loans up to 5 crore to co-operative societies of farmers for disposing of the produce of members.</p> <p>(ii) Loans for setting up of Agriclincs and Agribusiness Centres.</p> <p>(iii) Loans upto Rs. 100 crore per borrower for Food and Agro-processing.</p> <p>(iv) Loans to individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.</p> <p>(v) Bank loans sanctioned to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.</p> <p>(vi) Loans given by banks to Micro Finance Institutions (MFIs) for on-lending to agriculture sector.</p> <p>(vii) Outstanding deposits with NABARD on account of priority sector shortfall under RIDF and other eligible funds</p>

Source: Rangarian C. (2004)

For the purpose of computation, Small and Marginal Farmers will include the following:-

- Farmers who are holding of up to 1 hectare of land are considered as Marginal Farmers. Small Farmers are those farmers who have a landholding of more than 1 hectare and up to 2 hectares.

- Landless agricultural labourers, tenant farmers, oral lessees and share-croppers, whose share of landholding is within the limits prescribed for small and marginal farmers.
- Loans to Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual Small and Marginal farmers directly involved in Agriculture and Allied Activities, provided banks maintain disaggregated data of such loans.
- Loans to farmers' producer companies of individual farmers, and co-operatives of farmers directly engaged in Agriculture and Allied Activities, where the membership of Small and Marginal Farmers is not less than 75 per cent by number and whose land-holding share is also not less than 75 per cent of the total land-holding.

2.2.2 Micro, Small and Medium Enterprises (MSMEs)

The limits for investment in plant and machinery/equipment for manufacturing / service enterprise, as per the notification by Ministry of Micro, Small and Medium Enterprises, vide S.O.1642(E) dated September 9, 2006 are as under:-

Manufacturing Sector	
Enterprises	Investment in plant and machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprises	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

Source: Rangarian C. (2004)

According to Ramesh (2007), bank loans to Micro, Small and Medium Enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector as per the following norms:

- **Manufacturing Enterprises**

The Micro, Small and Medium Enterprises which are engaged in the manufacturing or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as informed and intimated by the Government through notification. The Manufacturing Enterprises are those enterprises which make investment in plant and machinery.

- **Service Enterprises**

Bank loans up to 5 crore per unit to Micro and Small Enterprises and 10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSME Act, 2006.

- **Khadi and Village Industries Sector (KVI)**

loans to all units which comes under KVI sector will be considered eligible for classification under the sub-target of 7 percent /7.5 percent prescribed for Micro Enterprises under priority sector.

- **Other Finance to MSMEs**

(i) Loans to individuals/organisations involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.

(ii) Loans given to co-operatives of producers in the decentralized sector like artisans, village and cottage industries.

(iii) Loans sanctioned by banks to MFIs for on-lending to MSME sector as per the conditions specified in paragraph IX of this circular.

(iv) The outstanding credit under General Credit Cards (including Artisan Credit Card, Swarojgar Credit Cards, Laghu Udyami Card, and Weaver’s Card etc. in existence and to the non-farm entrepreneurial credit needs of individuals).

(v) Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

Considering that the MSMED Act, 2006 does not provide for any sub-categorization within the definition of micro enterprises and that the sub-target for lending to micro enterprises has been fixed, to promote MSMEs to grow out of the MSME category and not remain small and medium unit merely to remain eligible for priority sector shall continue up to those years even after they are out of the MSME category concern.

2.2.3 Export Credit

The Export Credit as per the details below would come under Priority Sector Lending.

Domestic banks	Foreign banks with 20 branches and above	Foreign banks with less than 20 branches
For all export credit over corresponding date of the preceding year, up to 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1, 2015 subject to a sanctioned limit up to Rs. 25 crore per borrower to units having turnover of up to Rs. 100 crore.	For all export credit over corresponding date of the preceding year, up to 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1,2017 (As per their approved plans, foreign banks with 20 branches and above are allowed to count certain percentage of export credit limit as priority sector till March 2017).	Export credit will be allowed up to 32 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.

Source: Rangarian C. (2004)

Export credit includes pre-shipment and post shipment export credit (excluding off-balance sheet items) as defined in Master Circular on Rupee / Foreign Currency Export Credit and Customer Service to Exporters issued by our Department of Banking Regulation (Prasad, 2011).

2.3 AGRICULTURE – PREDOMINANTLY SMALL-FARM SECTOR

Agriculture in most of the developing countries, particularly in India, is primarily small-farm agriculture characterized by low incomes, low levels of operating capital and low investment in depreciable assets. The credit starvation of the small-farm sector symptomizes a vicious circle. The sector is considered unproductive and therefore sufficient investment is not made in it. But it remains unproductive because sufficient investment is not made in it in spite of the fact that substantial productivity and profitability potentials exist and remain unexploited. The macro necessity as well the micro profitability of small-farm investment in most of the developing countries have been inadequately appreciated (Kahlon, 2008, Pp2).

The new seed-water-fertilizer technology which by itself is divisible, scale neutral and profitable warrants that the institutional services, especially finance, should accommodate large rung of small farmers. To increase productivity in agriculture, it could, therefore, be argued that the focus should switch towards small farmers. It should be emphasized that this argument derives from the economics of the problem; the equity aspect is another issue. It is a pain fact that, left to themselves, commercial banks and even the nationalized banks, would not lend enough to agriculture, and certainly not enough to small farmers. It is mostly redistributive bias of credit policy through reservation – of fixing percentage quotas for agriculture and for small farmers in the total lending through legislation or execution action – which the share of agriculture and small farmers in total institutional lending has arisen in the

recent years. Without such compulsion, bankers would prefer the soft option of lending to urban industry and trade, and within agriculture sector to large farmers (Kahlon, 2008, Pp 8).

2.4 CHARACTERISTICS OF AGRICULTURE FINANCE

The predominant cross-section of farmers is poor, have small fragmented holdings rendering many investment opportunities uneconomical for a majority of the individuals. Many types of financing arrangement have to be appraised and adopted. For instance, financing individuals may be bringing good rate in some areas; while in others a group financing approach may have to be tried. Thus, the loans have to be tailored according to the needs of specific areas and specific target groups. The institutional services and infrastructural facilities are weak in many areas; in many a case the miss-utilization of credit may occur more because of the non-availability of inputs than owing to any unwilful intentions is required; also it is to be ensured that the loans are disbursed in kind to the extent possible towards the agreed package of inputs and extension services (Kahlon, 2008, Pp 4).

In the non-farming sector, the availability technology is much more dependable and the borrower carries much less risk in taking it up. But the agriculture technology is highly location specific, the success in adopting it successfully also depends upon many natural factors, which make it even more uncertain and risky. For instance, gober gas plants are advocated, subsidy is offered as a lollipop, but when and if it fails, the loan that the farmer carried has to be recovered from him; in such cases the proposal is all “junk” and may not get the farmer even what he invested from his resources (Sudhirendhar, 2004).

Another dimension of institutional agricultural credit is to ‘humanize’ the system. Moneylenders succeed, for they advance loans at odd hours, supervise continuously, keep secrecy and recover at appropriate times. There are two aspects of the problem of financing. One is that many financial institutions at present do not have the provision to finance for as

petty a sum for treatment of the sick animal. The other is to finance it instantly without delay even at odd hours. In the non-farm sector, most of the borrowers are concentrated in small areas. In the farm sector, borrowers are dispersed and have little experience in dealing with the institutional credit. No single agency would adequately meet, for the diverse farm sector, the criteria of “efficient credit” – that the credit be properly appraised, be adequate, advance at the right times in the right form, be supervised properly, be monitored to assess the impact on incremental incomes, the repayment schedules set accordingly, assess the needs for appropriate investments, and so on (Desai, 2004).

The time is ripe for the institutions to modify terms of lending (down payments, grace periods, repayment schedules and repayment periods) appropriate to the nature of investments being financed and the financial condition of the potential borrower. This means that the credit institutions should rely more on an expert technical appraisal and financial assessment of the potential borrower. Interest rates frequently subsidized in order to reduce the debt servicing burdens of the poor farmers. However, because access to institutional credit facilities is frequently limited by collateral requirements as well as by local vested interests, it is usually the better-off farmers who benefit more from such subsidies (Sudhirendhar, 2004).

2.5 AGRICULTURAL FINANCE: DEVELOPMENTAL ROLE

Agricultural finance is the economic study of the borrowing of funds by farmers – how much to borrow, what for to borrow, what would be pay-off, what should be the repayment schedule, etc.: of the institutions that provide finance to farmers – their organizations and operation, coordination, management and controls, etc.: and of the societies interest in credit for agriculture – what project investments to be taken up and priorities to be adopted, decisions involving inter sectorial flow of funds, how to mobilize the rural savings and approach the large section of rural population, etc. The basic concept of development-

oriented financing is that credit is consciously used as a lever of development. It calls for initiative and energetic involvement on the part of the credit institutions in developing the potential opportunities of the undeveloped or underdeveloped sections or sectors, through selective and strategic input of credit (Kahlon, 2008, Pp 7).

Agriculture finance is not merely a question of money-lending. The purpose of financing agricultural development through institutions is not just putting out money or to replace individual moneylenders with institutionalized moneylenders, but to enable agriculture and the farmer to move on to a level of technology that would create a sustained basis for increase in agricultural output, to increase the number of man-days of employment and to have much better indicators of development in terms of productivity of land, labour and of capital itself (Joshi et al, 2003). This entails a big responsibility on the credit institutions to extend their functions beyond credit purveyance and look into the arrangements available for inputs supplies, if only in the interest of their credit being used properly. Thus, it is not sufficient just to extend the credit, get it recovered and feel satisfied; what happened with the credit, how it was used, how much increment in income it generated for the borrower, what other investment to suggest and extend credit for it, etc. are equally important. Thus, credit is not just one-time help; more and more funds have to be put into circulation with the same borrowers as well as covering more and more of the potential borrowers; it is equally important for both the institutions extending credit and for the borrowers (Kahlon, 2008, Pp 7).

It is obvious that investment is necessary to develop irrigation facilities, to effect permanent improvement in land and land use and costly developed irrigation facilities more efficiently to supply and use power, machinery and equipment and inputs like fertilizers, pesticides and seeds. Capital-output ratios are much higher in these areas than have been assumed by the planners while taking decisions on investment outlay in the agriculture sector. Recognising

that the cheaper sources of agricultural development have already been exhausted, capital investment has to be increased in the agriculture sector to enhance net capital formation and rapid growth in this sector (Kahlon, 2008, Pp 9).

2.6 FINANCIAL SECTOR REFORMS AND THEIR IMPACT ON PRIORITY

SECTOR LENDING

After starting the implementation of various recommendations of the Report of the Narasimham Committee, Financial Sector Reform measures were carried out at a hectic pace in the financial sector of which scheduled commercial banks constituted the dominant part. According to Rangarajan (2004), the financial sector reforms initiated in 1991 had two broad objectives in view: one was to strengthen monetary policy and the other was to improve the soundness of financial institutions and more particularly banks. There were four building blocks which formed part of the banking sector reforms at the first stage. These were: a) modifying the policy framework b) improving the financial soundness and credibility of banks c) creating a competitive environment and d) strengthening the institutional framework.

According to Kurup (2008), over the last four years, that is, from 1991 to 1995, reform measures have undermined the social commitments though reforms in the banking sector have not derailed the system. It was observed in the special statistics² that a conspicuous aspect of the performance of scheduled commercial banks was particularly noticed in the PSBs, In recent years there has been attempt to reduce the importance of PSA in the total loan portfolio of commercial banks even though the relative importance of priority sector such as agriculture, small-scale industries and small business in terms of employment, output and export performance in the economy is said to have grown over the years. Almost all PSBs had not only attained but crossed the 40 per cent target for PSAs by the middle of the 1980s. But once the liberalisation process began, banks started to backtrack on their avowed

commitments. The performance of the SBI and its group of banks is typical of the banking industry in this respect. By December 1985, the share of the priority sectors in their total advances had touched 42.8 per cent, but by March 1991 it had slipped to 30.2 per cent (partly due to the loan waiver scheme). After fluctuating between 31 per cent and 36 per cent, it remained at 31.1 per cent at the end of March 1995.

The general impression is that the NPAs are always higher in small loans. This is not so, the priority sector has always been an area of discomfort for banks. But now this sector is slowly coming down the risk scale. The latest figures indicate that there has been a rise in the share of non-priority sector in the banking books. And with the economy going through a rough pace and analysts are not very hopeful about the next year, NPAs in the non-priority sector is expected to rise. The priority sector share, which stood at 50 per cent of all NPAs in 1994-95, has come down to 46.4 per cent in 1997-98. This does not, however, take away the fact that the priority sector continues to be dreaded by bankers (Majumdar, 2010).

2.7 REGULATION OF INDIAN BANKS

In the post-reform period the focus was shifted from micro intervention to a strategy of macro management included strengthening prudential (safety) norms and the supervisory framework. The Basel I Accord capital standards were incorporated and fully implemented by March 1996. Certain guidelines on income recognition, asset classification, provisioning, and capital adequacy were made more strict. Indian banks with foreign business were required to implement the standardised version of Basel II by March 2008 and others by 2009, although capital adequacy already exceeds Basel III in some cases.

A major issue in implementing risk-based capital charges is to collect the authentic and detailed additional data. The apprehension for distortion of risk based pricing was due to shortage of historical data for both wholesale and retail along with the absence of industry benchmark for evaluation of internal parameters. Data for many years would have to be

collected and processed, implications of legal changes such as the SARFAESI Act that facilitates credit recovery, etc. would have to be built in.

These shortcomings were the reason broad pattern regulation supplemented the Basel type prudential norms. This turned out to have incentive features that played a role in keeping markets safe. The argument that continued controls limiting market development were the reason the sub-prime crisis bypassed the Indian financial sector is not correct since steady market development took place.

As a countercyclical measure, provision for bank housing and commercial real estate loans was raised in the event of the rising India real estate price. A provisioning coverage ratio for banks of 70 per cent of gross non-performing assets augments provisioning buffers in good times. Changing sectorial provisioning requirements, which directly affect the profit and loss account of banks, were found to be more effective than varying risk weights. With the latter, there was scope for arbitrage for example, since average capital adequacy ratios were above the minimum (Sinha, 2011).

Relatively conservative accounting standards without full mark-to-market requirements do not permit recognition of unrealised gains in equity or the profit and loss account, but unrealised losses have to be accounted. Banks are required to periodically mark-to-market their investments, but only those held in trading categories. They have to provide for net losses while ignoring net gains. This reduces pro-cyclical incentives. Under guidelines on securitisation, issued in February 2006, exposures have conservative capital adequacy requirements. Any profits on sale of assets to a special purpose vehicle can be recognised only over the life of the pass through certificates issued, not immediately on sale. These features, while differing from modern fair value accounting standards, again reduce pro-cyclicality (Goyal, 2009). There are continuing discussions to adjust international accounting norms to take care of some of these important issues.

Indian banks do continue to have position and sectorial exposure limits. Indian banks had reached the exposure limit in 2011 in financing infrastructure. The philosophy of regulation, together with growth and legal reform due to which the debt recovery easier is easier, this led to non-performing assets falling to historic lows (Figure 5) even as systemic failures were avoided. The over all health of Indian banks improves Indian financial institutions were thought to be behind their global peers in modern risk management practices, but it should be now recognised that a traditional risk assessment methodology helped them avoid many problems. Even while the shift towards modern practices occurs, modern should be redefined to include some aspects of the traditional system (BIS 2010a).

2.8 RECOVERY PERFORMANCE OF COMMERCIAL BANKS

The recovery performance of commercial banks is the *sin qua non* for their liquidity of funds. Loan recovery is the main factor that determines the quality of loan assets of banks. Lower recovery indicates erosion of banks' profitability and blocking of bank credit to developmental projects of the area. The mounting over dues lead to high level of non-performing assets (NPA) and thereby deteriorate the asset quality. This, improves the quality of loan assets, and ultimately leads to the improved efficiency of Indian banking system. The importance of efficiency has assumed a critical significance for the viability of commercial banks in the liberalized era particularly in the backward regions of the country. The success of the commercial banks to maintain a healthy profit growth not only depends on the hardening of interest rate, which owes its origin to reduction in operational expenses, but also rests on improvement in their assets quality (Jaynal, 2010, p2).

The NPA of banks is an important issue to find out the financial health of banking sector. It reflects the asset quality, credit risk and efficiency in the allocation of resources to productive sectors. Since the reform regime there have been various initiatives to contain growth of NPA to improve the asset quality of banking sector. Commercial banks have incorporated the

greatest changes in their operation with the introduction of new concepts like capital adequacy Ratio, income recognition, and prudential accounting norms etc, which have placed them in a new platform. The increasing competition from internal and external segment and the slow growth in the economy along with poor credit deposit ratio, huge volume of NPAs in the balance sheet and lack of automation and professionalization in operation have been affecting the banking situation in the country (Jaynal, 2010, p4).

2.8.1 Non-Performing Advances

NPA arises when servicing of interest or principal or both remain outstanding for a period of 90 days. It reduces the profitability and earning capacity of the banks. Credit is one of the most important assets of the banks. Increasing credit signifies improving financial robustness which is possible if only it is accompanied by the desire of borrowers to pay. The problem of NPA is very serious in Indian banking system. This problem is more serious in case of priority sector.

CHAPTER III

RESEARCH METHODOLOGY

3.0 INTRODUCTION

The chief aim of this thesis is to assess the impact of commercial banks' priority sector lending programme on the people and the economy of Allahabad district. This assessment has to be made from two point of views, i.e. the customers' viewpoint and the bank' viewpoint (bank officials). At the customers' level, the impact has to be understood in terms of benefits conferred upon individuals who have availed credit facilities from the commercial banks under the scheme of priority sector lending. At the banks' level, the effort of credit supply to various sectors has to be studied in terms of the income generated in each of these sectors. In other words, the positive correlation between priority sector lending and the development of different sectors has to be evaluated. This assessment, among other things requires a specially conceived research design regarding tool of data collection, the method of data collection, analysis of data and the tools of analysis of data. In other words, the study has to formulate a research design and methodology which is described in this section.

3.1 RESEARCH DESIGN

Priority sector advances are given to individuals working in different sectors and avocations. Selection of 500 beneficiaries from assorted occupations and avenues may be difficult and the analysis from such a sample may not give a generalised picture on the impact of PSL on the economy. On the other hand, if selection is made from among the beneficiaries of a scheme who are working in different segments of the economy, it may be possible to gain a fair view of the impact of the priority sector lending. For this purpose, this study chose 500 beneficiaries and 30 banks and did a thorough both **Descriptive and Quantitative research** on them.

3.2 AREA OF STUDY – ALLAHABAD DISTRICT

3.2.1 General Characteristics of the District

The city of Allahabad is among the largest cities of Uttar Pradesh and situated at the confluence of three rivers - Ganga, Yamuna and the invisible Saraswati. The meeting point is known as Triveni and is especially sacred to Hindus. The earlier settlements of the Aryana were established in this city and were then known as Prayag. Impressed with the strategic importance of the SANGAM, Emperor Akbar founded the city by the name of “ILLAHABAS” in 1575 AD meaning **The City of Allaha**, which has now become ALLAHABAD. In medieval India the city enjoyed the honour of being the religio-cultural centre of India. For a long time it was Provincial capital of the Mughals. Later it was captured by Marathas. This city was the heart of the Indian freedom movement against the British rule with Anand Bhawan being the epicentre, it was in Allahabad, and Mahatma Gandhi proposed his program of non-violent movement to liberate India. Allahabad has the distinction of providing the largest number of prime ministers of post-independence India which include Pt. Jawahar Lal Nehru, Lal Bahadur Shastri, Indira Gandhi, Rajiv Gandhi, V.P. Singh. Former Prime Minister Chandra Shekhar was also a student of Allahabad University. Allahabad is basically an Administrative and Educational city. High Court of Uttar Pradesh, Auditor General of Uttar Pradesh, Principal Controller of Defence Accounts (Pension), Uttar Pradesh Madhyamik Shiksha Prishad and various other administrative offices are located here. Since early days of civilization, Allahabad has been the seat of learning, wisdom and writing. It is one of the most vibrant, politically conscious and spiritually awakened city of India.

3.2.2 Location & Geographical Area

Allahabad is one of the south-eastern districts of Uttar Pradesh. It lies between the parallels of North latitudes 24°47' and 25°47' and East longitudes 81°09' and 82°21' longitudes and is surrounded by the districts Pratapgarh and Jaunpur in north, Varanasi in east, Kaushambi in

west, Mirzapur and Rewa of Madhya Pradesh on the south. The total geographical area of this district is 5482 Sq. Km. and a population of 5959798 as per 2011 census. The rivers' Ganga and Jamuna divides Allahabad in three distinct regions namely, Gangapaar, Jamunapaar and Dwaba. The Gangapaar and Jamunapaar and the city comprise of Allahabad district whereas Dwaba area comes under district Kaushambhi. All the three areas were earlier one district Allahabad and it was only recently Kaushambhi got the status of a new political district.

3.2.3 Topography

The district falls under the central Ganga alluvial plain. Ganga and Yamuna are the most important rivers of the district. Other rivers which flow in the district and at the end meet with Ganga or Yamuna are Tons and Belan, The holy Ganga and Yamuna confluence in the middle of the district at Allahabad town and flow in the shape of 'Y' alphabet which divide the district in three physiographic tracts namely Trans-Ganga region, Doab region and Trans- Yamuna region. The northern part of Allahabad district, popularly known as Gangapar, is endowed with good fertile soil for cultivation of food grains, pulses, oil seeds and vegetables. The southern part of Allahabad, known as Yamunapar is partly hilly and agriculturally backward.

3.2.4 Political Setup

Allahabad district consist of 7 Tehsils, 20 Blocks, 218 Naya Panchayats having 1425 Gram Panchayats and 2799 populated plus 275 unpopulated villages

S.No.	Tehsils	Blocks
1	Handia	Handia, Dhanupur, Pratapur, Saidabad
2	Phulpur	Phulpur, Bahadurpur, Bahariya
3	Soraon	Soraon, Holagarh, Mau-Aima, Kaurihaar
4	Karchana	Karchana, Kaundhiyara, Chaka
5	Bara	Jasra, Shankkargarh
6	Meja	Meja, Manda, Urwa, Koraon
7	Chail	-

Source: District Industrial Profile of Allahabad District- Ministry of MSME Govt. of India, 2017

3.2.5 Socio-Economic Status

As per provisional reports of Census India, population of Allahabad in 2011 is 1,112,544; of which male and female are 600,386 and 512,158 respectively. Although Allahabad district has population of 1,112,544; its urban / metropolitan population is 1,212,395 of which 654,487 are males and 557,908 are females.

Allahabad District	Total	Male	Female
City + Out Growths	1,168,385	630,577	537,808
City Population	1,112,544	600,386	512,158
Literates	846,038	476,477	369,561
Children (0-6)	114,439	61,214	53,225
Average Literacy (%)	84.76%	88.37%	80.53%

Source: District Industrial Profile of Allahabad District- Ministry of MSME Govt. of India, 2017

3.2.6 Block-wise Area and Demographic Pattern

Sl. No.	Block	Area (Sq.kms)	No. of families ('000)	Total Popn ('000)	Male Popn ('000)	Female Popn ('000)	S.C Pop. ('000)
GANGA-PAAR							
1	Karihaar	420.35	53.271	328.958	175.638	153.320	89.608
2	Holagarh	148.46	24.828	154.329	79.520	74.809	39.690
3	Mau Aima	150.60	23.516	149.461	77.066	723.95	36.267
4	Soraon	134.85	26.931	168.694	88.979	797.15	45.108
5	Bahariya	248.75	33.665	227.458	118.579	108.879	57.258
6	Phulpur	225.29	28.343	191.258	99.753	91.505	44.558
7	Bahadurpur	264.68	37.068	247.297	131.188	116.109	61.050
8	Pratappur	211.01	26.631	186.996	94.985	92.011	46.042
9	Saidabad	191.42	30.087	209.645	110.869	98.778	47.368
10	Dhanupur	173.22	25.832	191.992	99.022	92.970	39.866
11	Handia	160.67	23.734	171.203	89.582	81.621	33.473
JAMUNA-PAAR							
12	Jasra	269.58	21.879	143.231	76.526	66.705	30.661
13	Shankargarh	468.08	22.745	135.486	71.739	63.747	45.885
14	Chaka	153.59	26.789	168.867	90.586	78.271	45.226

15	Karchana	232.81	27.373	197.219	105.391	91.828	34.190
16	Kaundhiyara	200.46	18.943	125.128	66.699	58.429	30.752
17	Urwa	168.90	21.452	165.826	87.117	78.709	37.050
18	Meja	442.21	22.590	158.971	84.247	74.724	34.759
19	Koroan	719.42	37.631	248.803	131.382	117.421	72.224
20	Manda	346.43	21.799	158.498	83.547	74.951	38.886
	Total	5331.78	555.107	3729.320	1962.425	1766.895	909.877

Source: District Industrial Profile of Allahabad District- Ministry of MSME Govt. of India, 2017

3.2.7 Block-wise Workforce engaged in Agriculture

Being an Agriculture oriented district the major work force depend upon Agriculture and Allied agriculture activities. The block-wise information(s) on work force engaged in Agriculture activities is given in the table below:

SI. No.	Blocks	Agriculture Workers ('000)	Agriculture Labours ('000)	Others Worker	Total Main worker ('000)
1	Karihaar	29.487	18.023	24.359	75.736
2	Holagarh	16.327	7.990	6.833	32.722
3	Mau Aima	22.024	6.432	8.100	38.819
4	Soraon	15.932	6.630	16.050	40.611
5	Bahariya	31.148	8.580	9.689	52.700
6	Phulpur	24.941	5.588	9.766	44.339
7	Bahadurpur	15.611	7.352	20.506	49.338
8	Pratappur	21.809	4.028	7.690	38.704
9	Saidabad	19.011	7.642	13.174	48.631
10	Dhanupur	19.726	4.035	8.167	41.275
11	Handia	14.933	5.004	7.482	33.385
12	Jasra	15.291	7.182	8.433	33.522
13	Shankargarh	18.541	8.977	14.409	43.432
14	Chaka	6.365	3.986	18.192	32.515
15	Karchana	17.125	6.944	11.229	38.630
16	Kaundhiyara	15.192	5.476	4.804	29.924
17	Urwa	12.477	4.384	8.613	29.708
18	Meja	20.339	8.570	6.161	36.693

19	Koroan	40.376	19.435	6.129	69.355
20	Manda	17.818	6.748	8.122	35.408
	Total	394.473	153.006	217.908	845.447

Source: District Industrial Profile of Allahabad District- Ministry of MSME Govt. of India, 2017

3.2.8 Land utilization Pattern in the District of Allahabad (000 ha) 2014-15

SI. No.	Particulars	Allahabad
1	Total Reported Area	555.012
2	Gross irrigated Area	392.142
3	Forest	21.454
4	Cultivable waste	12.363
5	Current Fallow	76.060
6	Other Fallow	25.359
7	Usar and uncultivable land	16.630
8	Under non-agriculture use	77.988
9	Pasture Land	1.652
10	Orchards, trees and bushes	8.921
11	Net sown area	315.684
12	Area sown more than once	184.347
13	Gross sown area	500.031
14	Area sown in:	
	Kharif	230.122
	Rabi	259.330
	Zaid	105.79
15	Cropping intensity	158.3

Source: District Industrial Profile of Allahabad District- Ministry of MSME Govt. of India, 2017

3.2.9 Soil Types

Topographically, the district of Allahabad belongs to the central plane zone of Uttar Pradesh.

The district Allahabad may be divided into four different agro-ecological situations (AES) i.e.

- i. Black and Coarse-grey land
- ii. Jamuna Khaddar and Alluvial
- iii. Ganga Low land and Sodic
- iv. Ganga plain

AES	Situation	Soil Type	Area in % x 000 ha	Block
AES1	Black & course grey land (Jamunapar)	Clay loam to sandy loam	48% / 230.1	Shankargarh, Koroan, Manda, Meja
AES2	Jamuna Khaddar & alluvial(Jamunapar)	Loam & Sandy Loam	10% / 51.1	Jasra, Karchhana, Chaka, Kaundhiara
AES3	Ganag low land &Sodic (Gangapar)	Sandy Loam to Sodic	15% / 92	Pratappur, Handia, Phulpur
AES4	Ganga Plane (Gangapar)	Sandy loam and clay	27% / 138.1	Phulpur, Saidabad, Soroan

Source: District Industrial Profile of Allahabad District- Ministry of MSME Govt. of India, 2017

3.2.10 Weather Data (2016 - 2017)

Month	Rainfall (mm)	Temperature °C Average		Relative Humidity (%) Average	
		Maximum	Minimum	Maximum	Minimum
Oct 16	72.4	36.0	18.0	98	43
Nov 16	1.0	33.4	9.0	96	36
Dec 16	0.0	27.6	5.8	100	35
Jan 17	0.0	28.4	5.8	100	27
Feb 17	0.0	32.4	11.0	92	26
Mar 17	0.2	37.0	14.8	77	16
Apr 17	2.8	44.2	19.8	72	14
May 17	55.4	44.8	23	82	14
Jun 17	3.5	45.2	23.2	81	16
Jul 17	149.4	38	24.4	92	27
Aug 17	102.2	37.6	25.2	100	34
Sep 17	114.2	34.6	26.0	95	60

Source: District Industrial Profile of Allahabad District- Ministry of MSME Govt. of India, 2017

3.3 STUDY POPULATION

The population for the study is the entire beneficiaries in the Allahabad district who avail and benefit from priority sector credits. Hence a total of 1530 respondents comprising of 1500 beneficiaries and 30 banks constituted the entire population.

3.4 SAMPLE SIZE

With a view to assess the impact of priority sector credit, primary data were collected from 500 beneficiaries/customers (this was arrived at by taking one-third of the population to represent the sample size) and 30 banks. For the purpose of this research 15 nationalized and 15 private commercial banks were covered from the Allahabad district. Hence, the sample size of this study was 530 comprising 500 beneficiaries and 30 banks from the various banks.

3.5 SOURCES OF DATA COLLECTION

The evaluation of the impact of PSL has relied upon both secondary and primary data.

3.5.1 Secondary Data

The secondary data relating to the location, area, population, number of households, , density of population and other demographic characteristics of the study area as well as the profile of economic activities in agriculture, fisheries. Animal husbandry, small, medium and large scale industries and the infrastructure development were collected from the lead bank and other banks from the Allahabad district. The progress of banking sector, the number of banks, branches of banks, density of scheduled commercial banks both at the state level and at the national level have been collected from the Banking Statistics of the Reserve Bank of India. PSL credit flow to agriculture, small scale industries, recovery performance, the data on the economic development of Allahabad and other details have also been collected from various sources of the banks, Government of Uttar Pradesh and the RBI.

3.5.2 Primary Data

Primary data were collected from the officials and borrowers of the sample units of the public and the private sector banks with the help of interview schedules. The researcher used interview schedule for collecting data from the borrowers as the sample respondents constituted both educated and less educated. In the interview schedule, dichotomous questions [yes or no] and multiple – choice questions were given. The responses to these questions were collected. Data was collected from the borrowers to study about the repayment performance of the borrowers as well as the bank officials. Among the banks used for the study includes;

- Bank of Baroda (BoB)
- State bank of India (SBI)
- Allahabad Bank (ALLAH)
- Punjab National Bank (PNB)
- Uco bank (UCO)
- Union bank of India (UNION)
- United bank of India (UNITED)
- Bank of India (BoI)
- Canara Bank (CANARA)
- Dena Bank (DENA)
- Vijaya Bank (VIJAYA)
- State Bank of Patiala(SBP)
- Indian Overseas Bank (IoB)
- Andhara Bank (ANDHRA)
- Bank of Maharashtra (BoM)
- Corporation Bank (CORPO)

- Indian bank (INDIAN)
- Oriental Bank Comm. (OBC)
- Punjab&Sind Bank (P&SIND)
- Syndicate Bank (SYND)
- State Bank Bikaner& Jaipur (SBBJ)
- ICICI Bank (ICICI)
- Jamu&Kash Bank (J&K)
- Federal Bank (FEDERAL)
- HDFC Bank (HDFC)
- Global Trust Bank (GTB)
- Axis Bank (AXIS)

3.6 SAMPLING TECHNIQUE

The primary data was collected from the beneficiaries and bank managers with the help of an organised questionnaire. For the development of the questionnaire existing literature was studied and many experts in the field of banking were contacted. Before finalizing the questionnaire, a pilot study was conducted on 20 beneficiaries and 5 banks which helped in improving the quality of the questionnaire. In addition, data was collected by interviewing beneficiaries who visited branch offices of selected banks. The discussion with the bank managers and other staff members also helped in collecting important information relevant for the present study. The primary information was also collected from the branch managers by interviewing them regarding the procedure followed and problems faced by them in disbursing priority sector advances through questionnaire.

Convenience sampling method is the sampling technique adopted for this study. Convenience sampling is a non-probability sampling method in which the selection of the cases is made

based on whatever happens to be available instantly. This method is adopted because of its convenience, low cost, a high response rate and easy access approach.

3.7 ANALYSIS OF DATA

The data collected from the secondary and primary sources were analysed with the help of SPSS v20 (Statistical Package for the Social Sciences). Statistical tools such as percentages, charts, ratios, Cronbach's Alpha, etc. Tabular analysis was used extensively.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 INTRODUCTION

Bank of Baroda as the 'lead bank' in the Allahabad district engages in a periodical comprehensive compilation of all the Priority Sector Lending activities of all the commercial banks in the district. As such this chapter basically takes a critical look and a thorough analysis of the various performances of all the commercial banks in the Allahabad district that fall under the jurisdiction of Bank of Baroda as the 'lead bank' and how Priority Sector Lending has fared in the district.

This chapter, moreover, analyses all the responses given by the subjects interviewed during data collection and makes conclusions of what their positions were to the topic under study.

This chapter is divided into three sections, namely:

1. Presentation and analysis of responses from Beneficiaries
2. Presentation and analysis of responses from Bank Officials
3. Interbank data analysis from Lead Bank (Bank of Baroda, Allahabad)

4.1 PRESENTATION AND ANALYSIS OF RESPONSES FROM BENEFICIARIES

The presentation and analysis of the information and responses as gathered from beneficiaries/borrowers are as follows:

4.1.1 Reliability Test

Case Processing Summary

		N	%
Cases	Valid	500	100.0
	Excluded ^a	0	.0
	Total	500	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.974	25

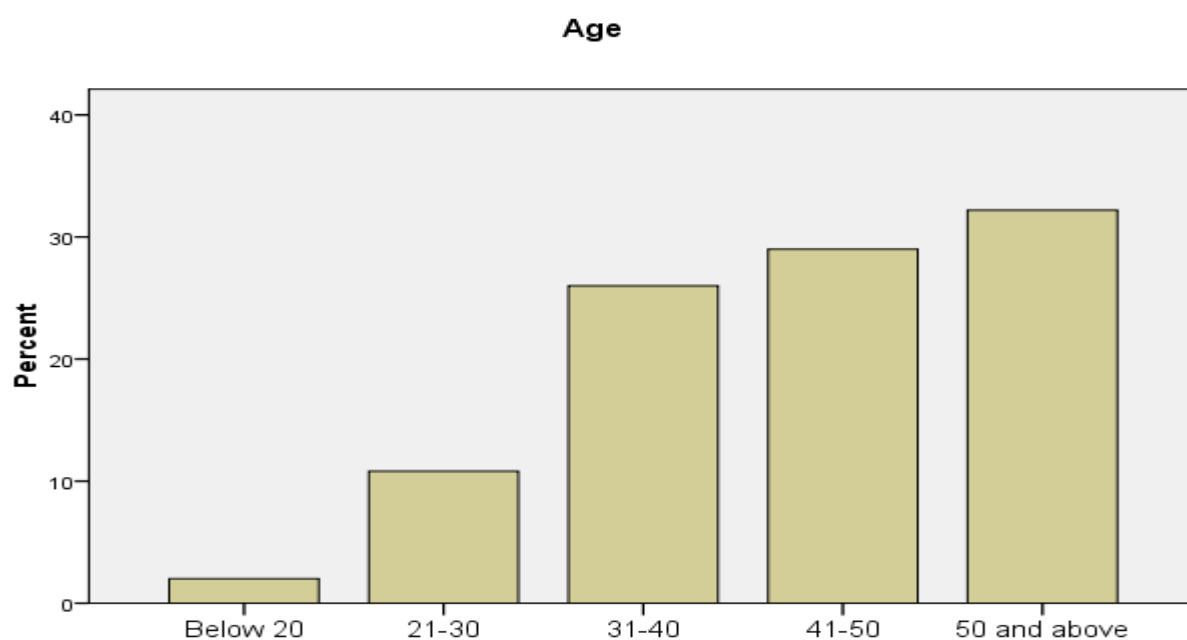
The Cronbach's Alpha Coefficient was carried out to measure the internal consistency of reliability of all items analysed as responses from beneficiaries. The Cronbach's Alpha of 0.974 or 97.4% suggests that the items have a relatively high internal consistency and hence reliable and satisfactory for analysis. This is because they meet the minimum acceptable level of 0.6, therefore is accepted for analysis.

4.1.2 General Information about Borrowers

Table 4.1 Age of respondents

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20	10	2.0	2.0	2.0
	21-30	54	11.0	11.0	13.0
	31-40	130	26.0	26.0	39.0
	41-50	205	41.0	41.0	80.0
	50 & above	101	20.0	20.00	100.0
	Total	500	100.0	100.0	

Source: Field Survey



Source: Field Survey

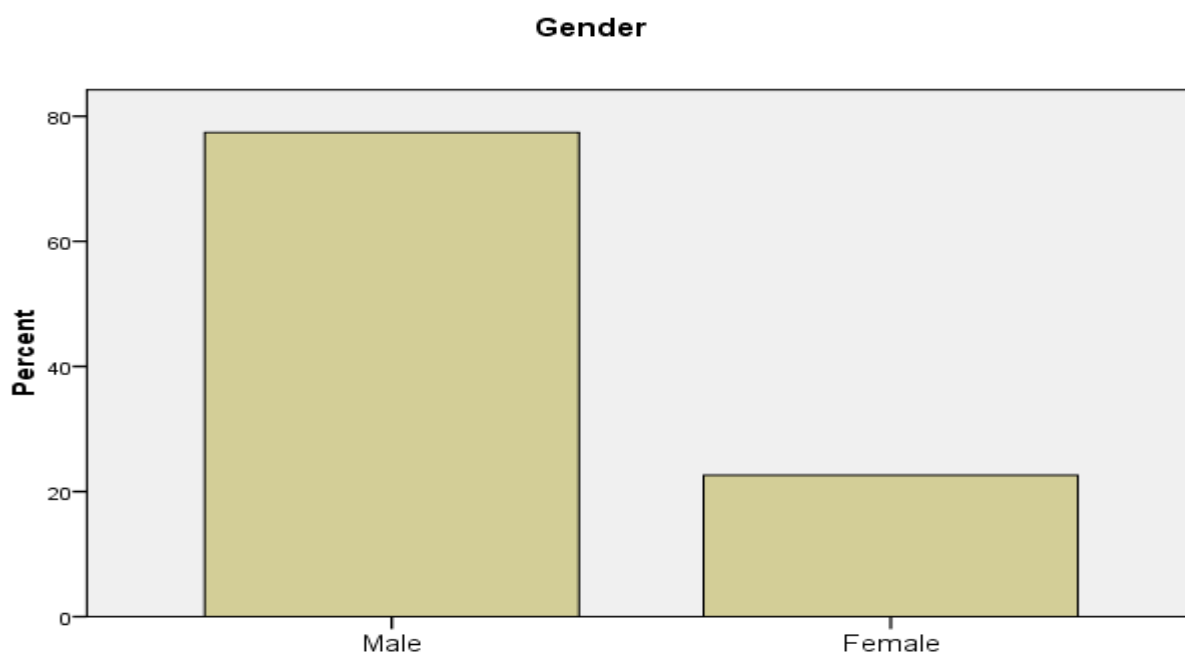
The table/chart above represent the age distribution of the beneficiaries who availed to answer questions from the questionnaire. It can be see that out of a total of 500 beneficiaries 2% were below age 20, 11% were between 21-30, 26% were between 31-40, 41% were between 41-50 whilst 20% were in the age group of 50 and above. It can be concluded that

the main workforce is in the age bracket of 31 to 40 and 41 to 50 comprising of 67% of the total work force.

Table 4.2 Gender of respondents

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	402	80.4	80.4.4	77.4
Female	98	19.60	19.6	100.0
Total	500	100.0	100.0	

Source: Field Survey



Source: Field Survey

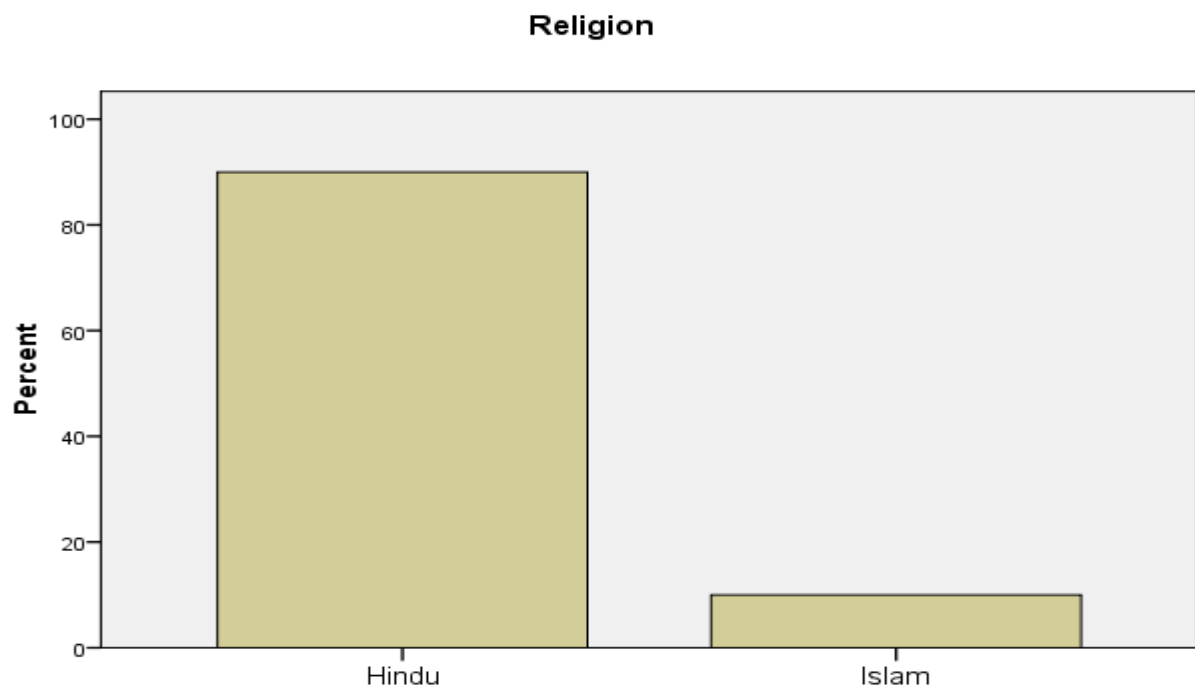
The table /chart above sought to find out the gender distribution of the study. It can clearly be seen that out of a total of 500 beneficiaries representing 100.0%, 402 of them representing 77.4% were males whilst 98, representing 19.60% were found to be females. It can be

concluded therefore that a chunk of the beneficiaries interrogated were male and dominated in the sharing of their views and opinions.

Table 4.3 Religion of respondents

Religion				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Hindu	450	90.0	90.0	90.0
Islam	50	10.0	10.0	100.0
Christian	-	-	-	-
Buddhism	-	-	-	-
Total	500	100.0	100.0	

Source: Field Survey



Source: Field Survey

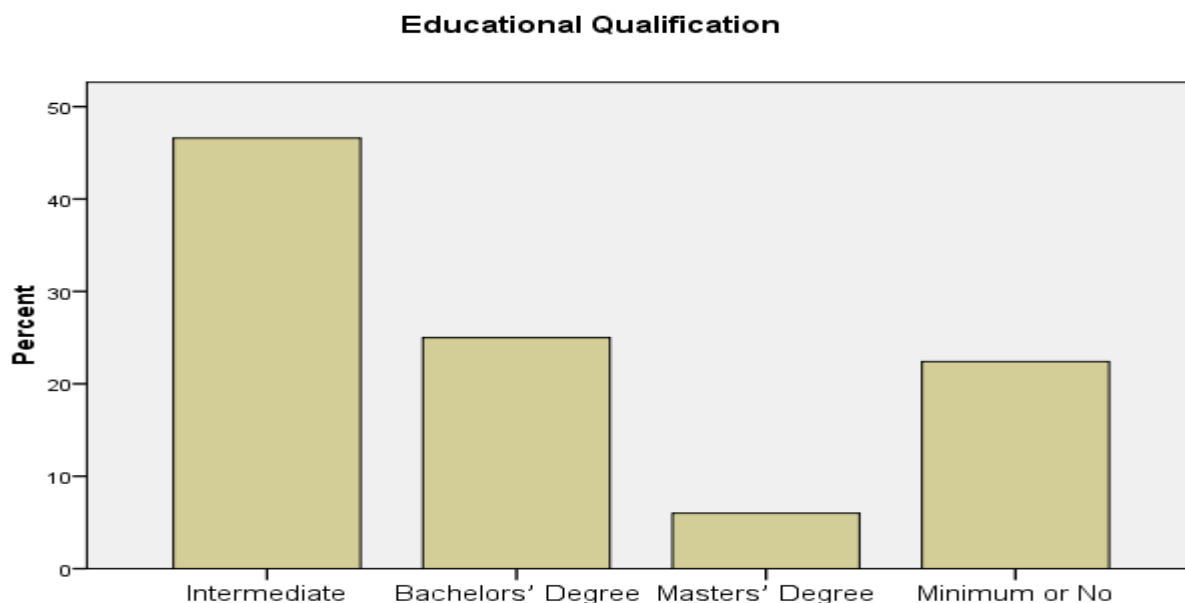
The table/chart above represents the various religions of the beneficiaries interrogated for the study. It can be observed that 90.0% representing 450 were Hindus, with 10.0% representing

50 were Muslims. The study, however, did not witness respondents from the Christian or Buddhist inclinations. It can be seen that majority of the beneficiaries have been Hindus.

Table 4.4 Educational Qualification of respondents

		Educational Qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Intermediate	152	30.4	30.4	46.6
	Bachelors' Degree	83	16.6	16.6	71.6
	Masters' Degree	27	5.4	5.4	77.6
	Doctorate	-	-	-	-
	Minimum or No	238	47.6	47.6	100.0
	Total	500	100.0	100.0	

Source: Field Survey



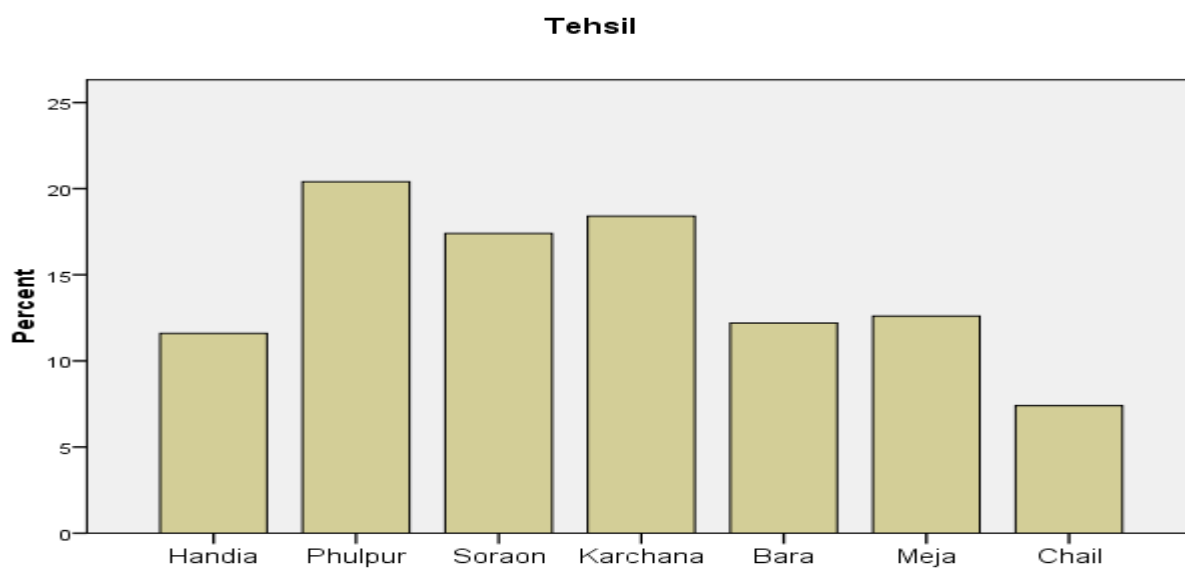
Source: Field Survey

The table/chart above sought to find out the educational background of the beneficiaries interviewed. It can be seen that 233 of the beneficiaries representing 46.6% were found to have completed their Intermediate level education. 125, representing 25.0% were also known

to have completed their Bachelors' degree whilst 30 representing 6.0% also intimated to have completed their Masters' degree. The study did not witness respondents who have completed their Doctorates. However, 112 of the beneficiaries representing 22.4% either have a minimum level education or no education. It can therefore be concluded a greater majority of the beneficiaries have at least their Intermediate level education.

Table 4.5 Tehsil

Tehsil				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Handia	58	11.6	11.6	11.6
Phulpur	102	20.4	20.4	32.0
Soraon	87	17.4	17.4	49.4
Karchana	92	18.4	18.4	67.8
Bara	61	12.2	12.2	80.0
Meja	63	12.6	12.6	92.6
Chail	37	7.4	7.4	100.0
Total	500	100.0	100.0	



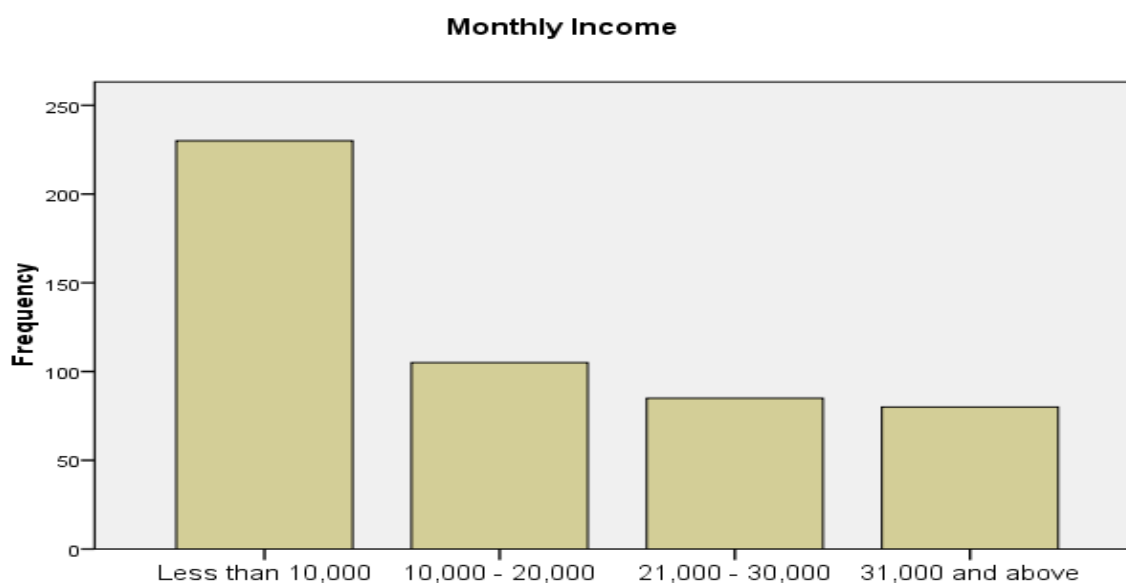
Source: Field Survey

The table/chart above is a distribution of the Tehsils to which the beneficiaries belong to. It can be seen that 11.6%, 20.4%, 17.4, 18.4%, 12.2% of the beneficiaries belong to the Handia, Phulpur, Soroan, Karchana and Bara tehsils respectively. Whilst 12.6% and 7.4% belong to the Meja and Chailtehsils in that order. It again be observed that majority of the beneficiaries belong to the Phulpur tehsil.

Table 4.6 Monthly Income of respondents

Monthly Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10,000	268	53.6	53.6	53.6
	10,000 - 20,000	139	27.8	27.8	81.4
	21,000 - 30,000	68	13.6	13.6	95.0
	31,000 and above	25	5.0	5.0	100.0
	Total	500	100.0	100.0	

Source: Field Survey



Source: Field Survey

The table/chart above sought to find out the monthly expenditures of the beneficiaries. It can be seen that 53.6% spend less than Rs. 10,000 in a month whilst 27.8% and 13.6% spend between Rs. 10,000 – 20,000 and Rs. 21,000 – 30,000 respectively. 5.0% is seen to be spending Rs. 31,000 and above every month. It can be concluded that majority of the beneficiaries spend less than Rs. 10,000 every month.

4.1.3 Borrowings from the bank

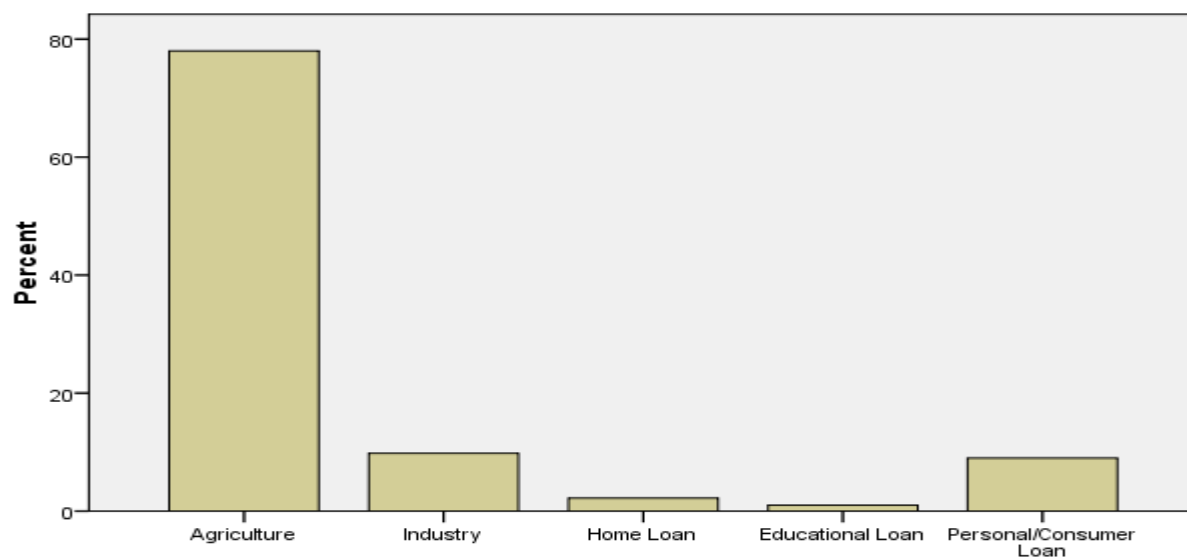
Table 4.7 Purpose of Loan

Purpose of Loan				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agriculture	390	78.0	78.0	78.0
Industry	49	9.8	9.8	87.8
Home Loan	11	2.2	2.2	90.0
Educational Loan	5	1.0	1.0	91.0
Personal/Consumer Loan	45	9.0	9.0	100.00
Total	500	100.0	100.0	

Source: Field Survey

In the table/chart above, it is clearly observed that most of the beneficiaries go for loans for agricultural purposes and this is represented by 78.0% followed by industrial loan represented by 9.8% and Personal or Consumable loans at 9%. A few others go for educational loan (1.0%), Home loans (2.2%).

Purpose of Loan



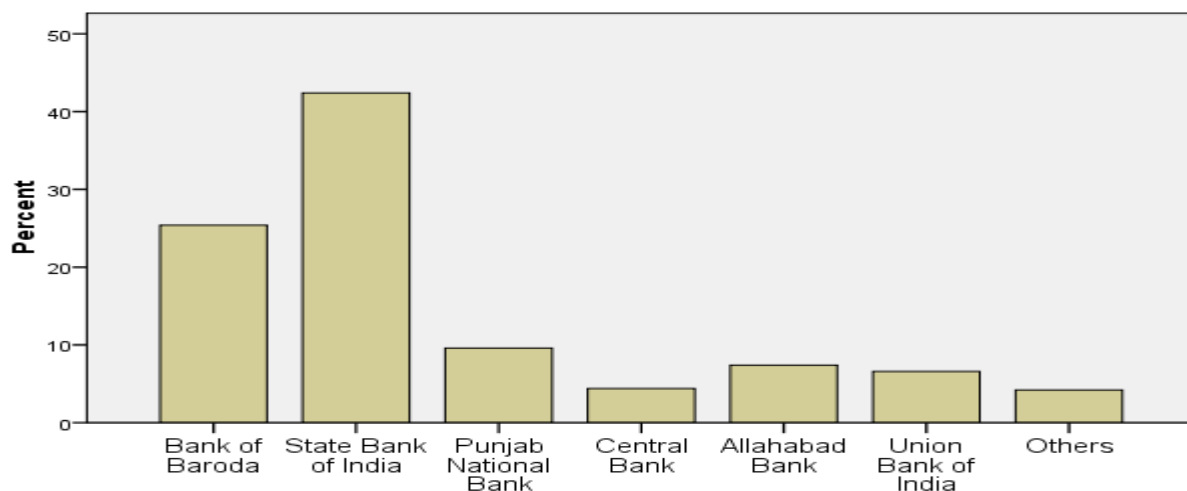
Source: Field Survey

Table 4.8 Bank from which Loan is obtained

Bank from which Loan is obtained				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Bank of Baroda	127	25.4	25.4	25.4
State Bank of India	212	42.4	42.4	67.8
Punjab National Bank	48	9.6	9.6	77.4
Central Bank	22	4.4	4.4	81.8
Allahabad Bank	37	7.4	7.4	89.2
Union Bank of India	33	6.6	6.6	95.8
Others	21	4.2	4.2	100.0
Total	500	100.0	100.0	

Source: Field Survey

Bank from which Loan is obtained



Source: Field Survey

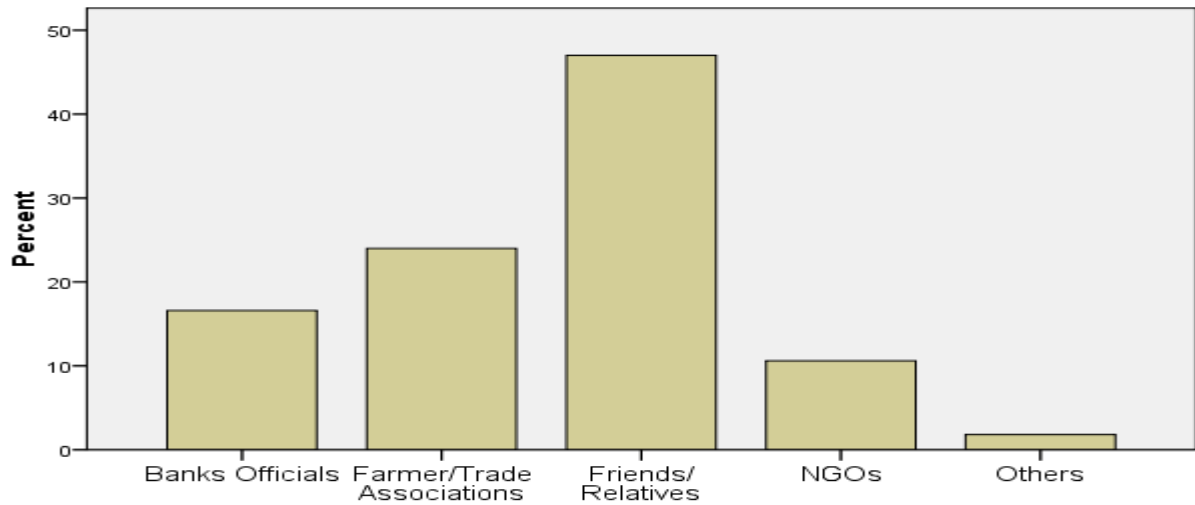
Among the various banks from which beneficiaries avail for loans include the following commercial banks as disclosed by beneficiaries: Bank of Baroda (25.4%), State Bank of India (42.4%), Punjab National bank (9.6%), Central Bank (4.4%), Allahabad bank (7.4%), Union Bank of India (6.6%), while beneficiaries mentioned other banks which is represented by 4.2%.

Table 4.9 Source of advice about PSL loans

Source of advice about PSL loans

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Banks Officials	83	16.6	16.6	16.6
Farmer/Trade Associations	120	24.0	24.0	40.6
Friends/ Relatives	235	47.0	47.0	87.6
NGOs	53	10.6	10.6	98.2
Others	9	1.8	1.8	100.0
Total	500	100.0	100.0	

Source of Advise about PSL loans



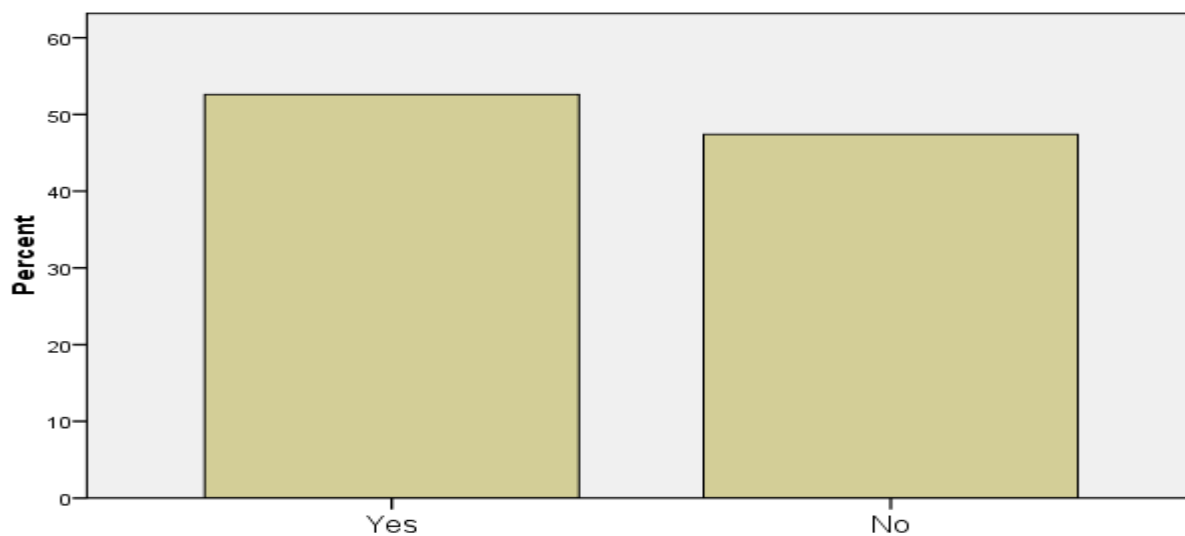
Source: Field Survey

Beneficiaries were asked where they get the idea to avail for loans and 16.6% disclosed from bank officials whilst 24.0% also disclosed from farmer/trade associations. 47.0% also disclosed from friends and relatives whilst 10.6% disclosed from NGOs. It can be seen that beneficiaries avail for loans most from advices from friends and relatives.

Table 4.10 Are there special rebates/reliefs on loans

Are there special rebates/reliefs on loans					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	263	52.6	52.6	52.6
	No	237	47.4	47.4	100.0
	Total	500	100.0	100.0	

Are there special rebates/reliefs on loans



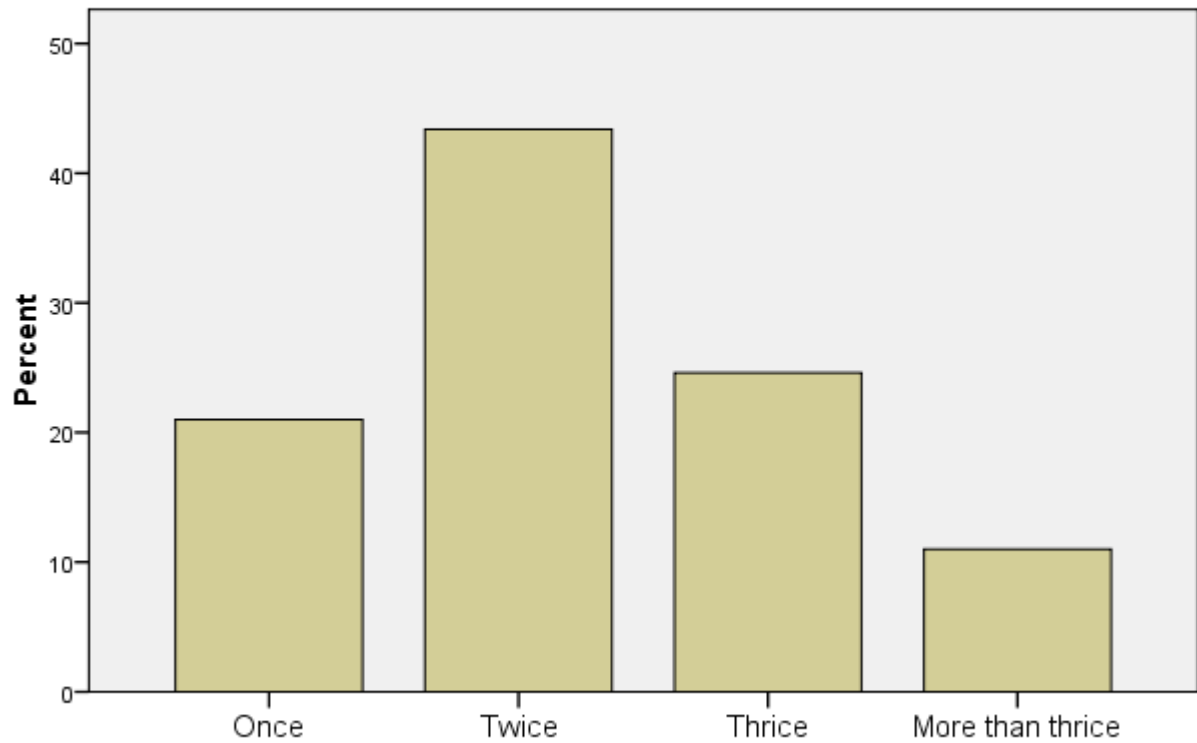
Source: Field Survey

Beneficiaries were asked whether they enjoy special rebates and reliefs when they avail for loans from banks. 52.6% answered 'yes' whilst 47.4% answered 'no'.

Table 4.11 Number of times borrower has borrowed from banks

Number of times borrower has borrowed from banks					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Once	105	21.0	21.0	21.0
	Twice	217	43.4	43.4	64.4
	Thrice	123	24.6	24.6	89.0
	More than thrice	55	11.0	11.0	100.0
	Total	500	100.0	100.0	

Number of times borrower has borrowed from banks



Source: Field Survey

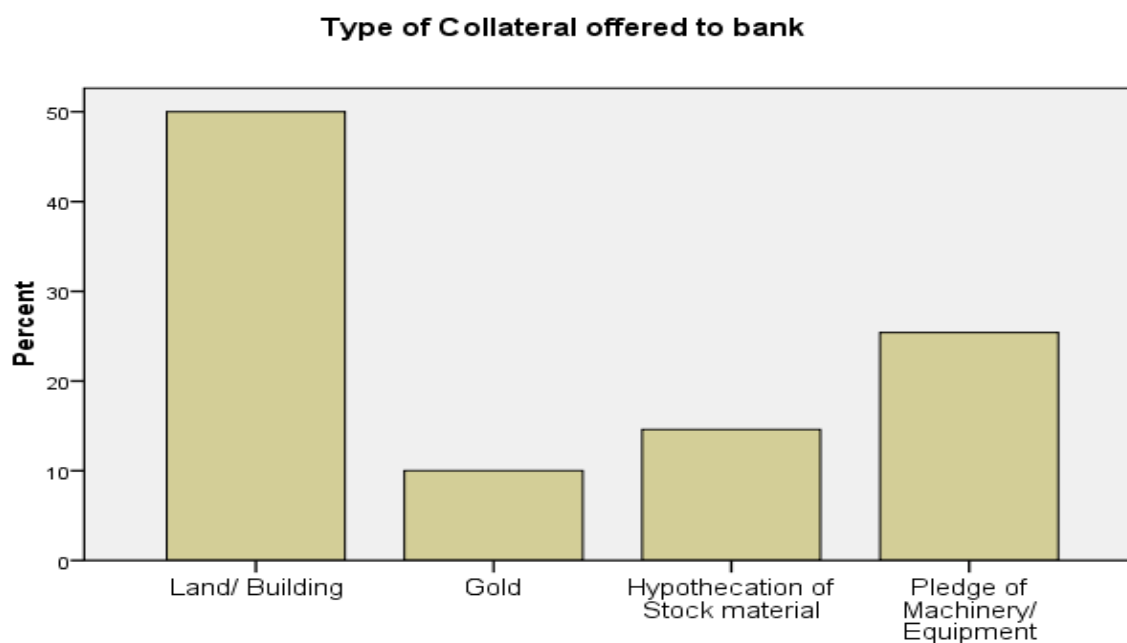
Beneficiaries again were asked the number of times they have availed for loans from banks. 21.0% said once, 43.4% said twice with 24.6% saying thrice. It can be seen that 11.0% disclosed that times they have availed for loans from banks for more than three times.

4.1.4 Nature of Loan Security

Table 4.12 Type of Collateral offered to bank

Type of Collateral offered to bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Land/ Building	250	50.0	50.0	50.0
	Gold	50	10.0	10.0	60.0
	Hypothecation of Stock material	73	14.6	14.6	74.6
	Pledge of Machinery/ Equipment	127	25.4	25.4	100.0
	Total	500	100.0	100.0	

Source: Field survey



Source: Field survey

The table/chart above sought to find out the types of collateral offered by beneficiaries in securing for loans from commercial banks. It can be seen that 50.0% offer their lands and buildings whilst 10.0% give up their gold possessions. It can again be seen that 14.6% offer

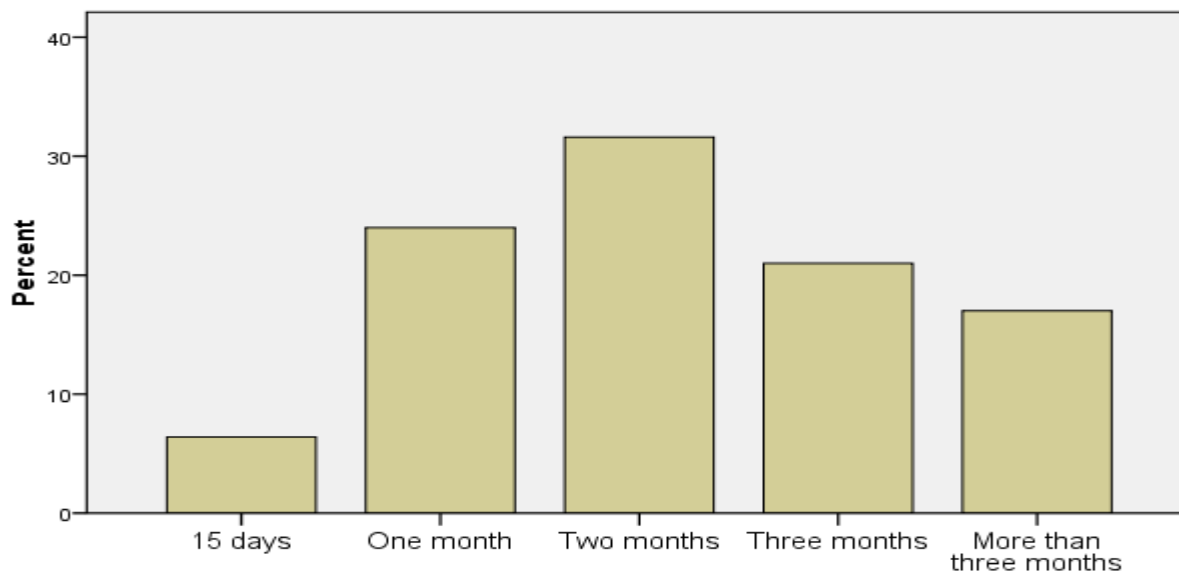
their stock holdings as hypothecation for loans. 25.4% render pledges of machinery and equipment for collateral. It can be concluded that majority of the beneficiaries offer their lands and buildings as collateral for loans from commercial banks.

Table 4.13 Period taken to release loan by bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	15 days	32	6.4	6.4	6.4
	One month	120	24.0	24.0	30.4
	Two months	158	31.6	31.6	62.0
	Three months	105	21.0	21.0	83.0
	More than three months	85	17.0	17.0	100.0
	Total	500	100.0	100.0	

Source: Field survey

Period taken to release loan by bank



Source: Field survey

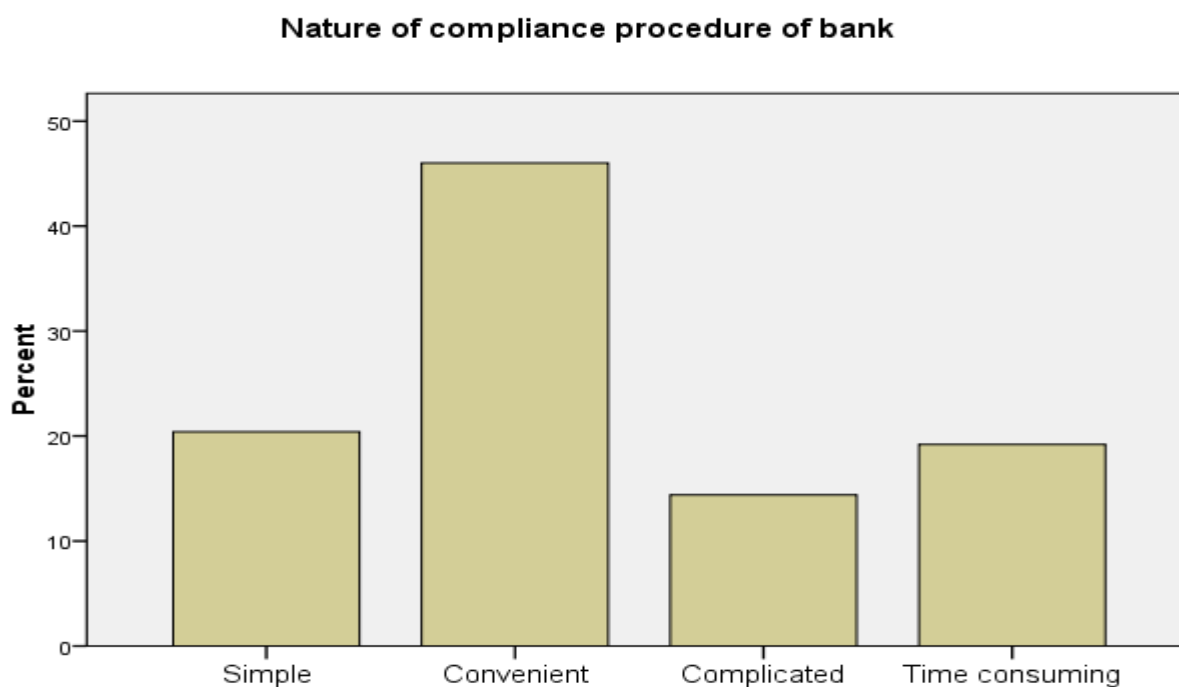
Here beneficiaries were asked the period it takes for loans to be released from banks. 6.4% said 15 days, 24.0% said one month with 31.6% saying two months. It can be seen that 21.0%

disclosed that it takes a maximum of three months and lastly 17% revealed that it can takes more than three months for loans to be released by banks.

Table 4.14 Nature of compliance procedure of bank

Nature of compliance procedure of bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Simple	102	20.4	20.4	20.4
	Convenient	230	46.0	46.0	66.4
	Complicated	72	14.4	14.4	80.8
	Time consuming	96	19.2	19.2	100.0
	Total	500	100.0	100.0	

Source: Field survey



Source: Field survey

The table/chart above sought to find out the nature of compliance procedures offered by banks in securing for loans. It can be seen that 20.4% said that the procedure is simple whilst 46.0% said they were convenient. It can again be seen that 14.4% disclosed that the

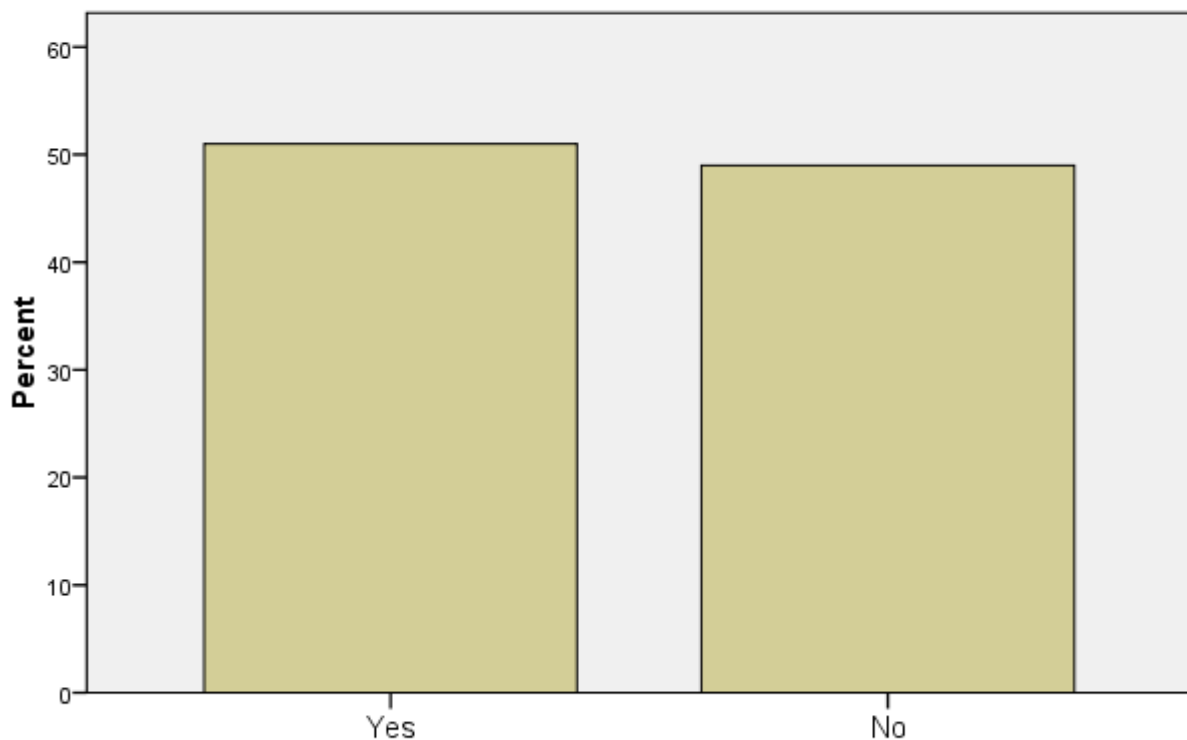
compliance procedures are complicated with 19.2% saying they are time consuming. It can be concluded that majority of the beneficiaries think that the bank’s compliance procedures are simple.

Table 4.15 Whether bank gives actual loan amount requested for

Whether bank gives actual loan amount requested for					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	255	51.0	51.0	51.0
	No	245	49.0	49.0	100.0
Total		500	100.0	100.0	

Source: Field survey

Whether bank gives actual loan amount requested for



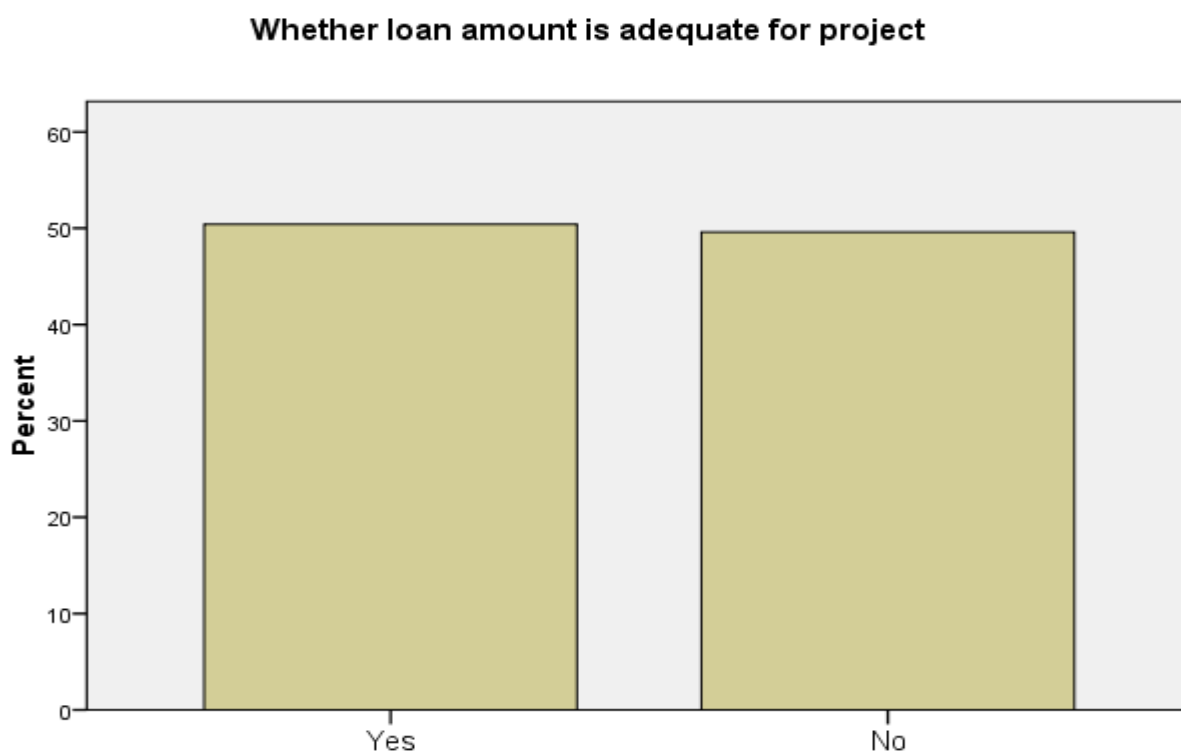
Source: Field survey

Beneficiaries were asked whether the banks give the actual loans they apply for or otherwise. 51.0% answered ‘yes’ whilst 49.0% answered ‘no’.

Table 4.16 Whether loan amount is adequate for project

Whether loan amount is adequate for project					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	252	50.4	50.4	50.4
	No	248	49.6	49.6	100.0
Total		500	100.0	100.0	

Source: Field survey



Source: Field survey

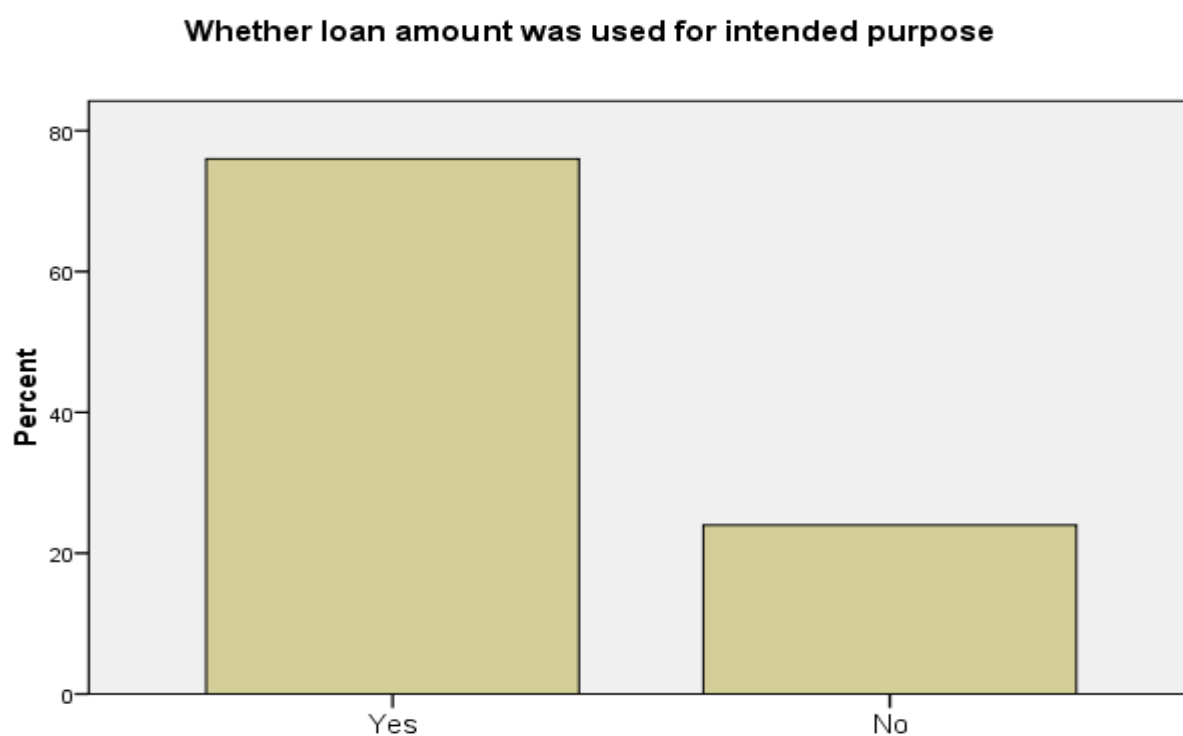
Beneficiaries were again asked whether loan amounts are always adequate for the intended projects. 50.4% answered ‘yes’ whilst 49.6% answered ‘no’. It can therefore be concluded that indeed loan amounts are always adequate for intended projects.

4.1.5 Utilization of Loan

Table 4.17 Whether loan amount was used for intended purpose

Whether loan amount was used for intended purpose					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	380	76.0	76.0	76.0
	No	120	24.0	24.0	100.0
Total		500	100.0	100.0	

Source: Field survey



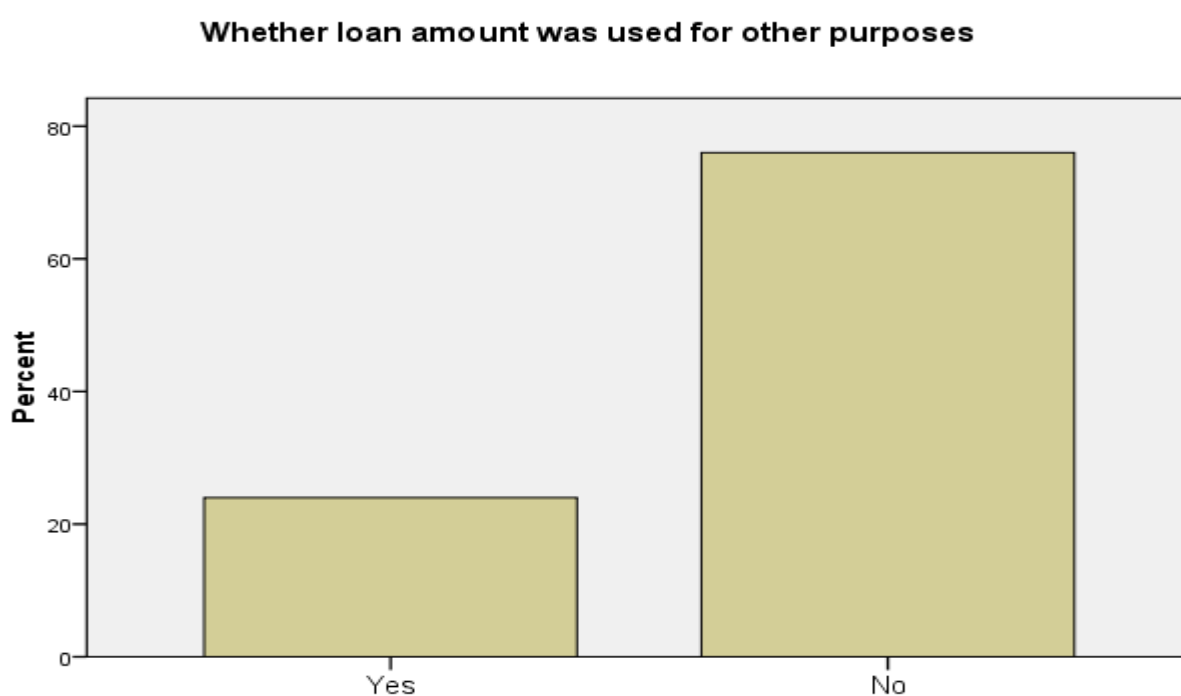
Source: Field survey

Here beneficiaries were asked whether loan amounts was used for the intended purpose. It can be seen that 76.0% answered 'yes' whilst 24.0% answered 'no'. It can therefore be concluded that indeed loan amounts are always used for the intended purposes.

Table 4.18 Whether loan amount was used for other purposes

Whether loan amount was used for other purposes					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	120	24.0	24.0	24.0
	No	380	76.0	76.0	100.0
Total		500	100.0	100.0	

Source: Field survey



Source: Field survey

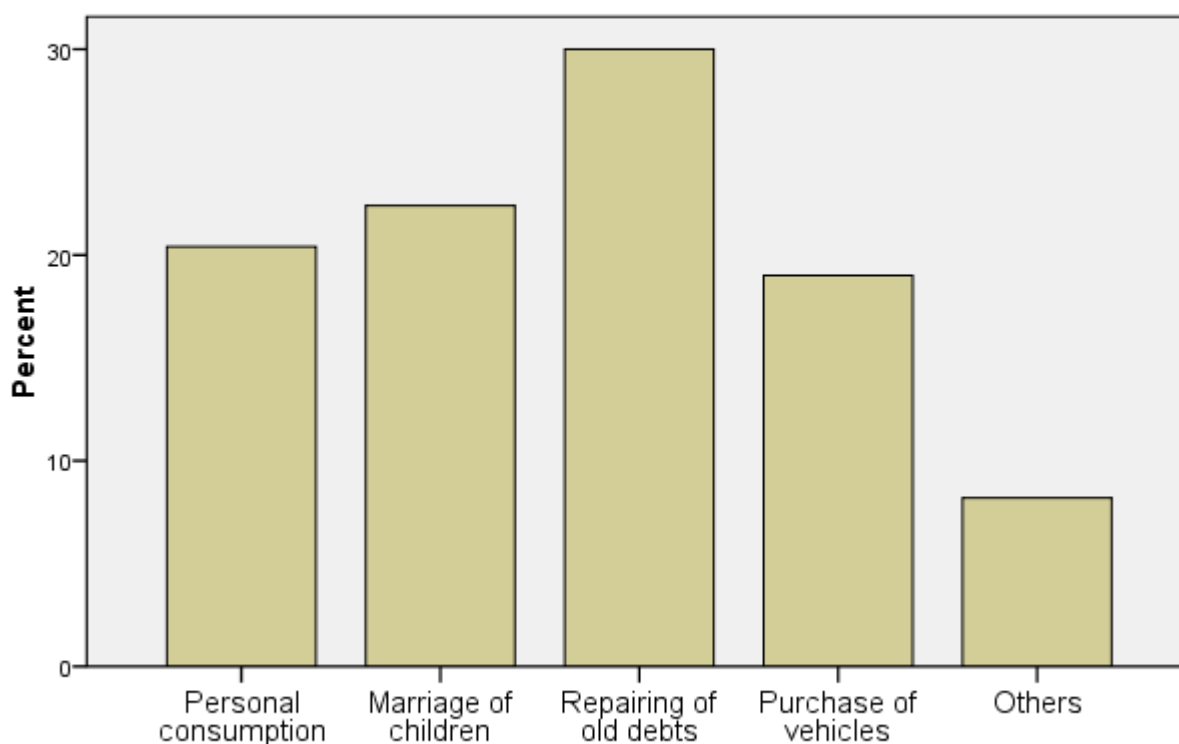
Here beneficiaries were again asked whether loan amounts were used for other purposes. It can be seen that 24.0% answered 'yes' whilst 76.0% answered 'no'. It can therefore be concluded that indeed loan amounts are always not used for other purposes.

Table 4.19 Other purposes for which loans are used

Other purposes for which loans are used					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal consumption	24	20.4	20.4	20.4
	Marriage of children	27	22.8	22.4	43.2
	Repairing of old debts	36	30.0	30.0	73.2
	Purchase of vehicles	24	20.0	20.0	93.2
	Others	9	6.8	6.8	100.0
	Total	120	100.0	100.0	

Source: Field survey

Other purposes for which loans are used



Source: Field survey

The table/chart above sought to find out the other purposes for which loans are used by the beneficiaries. It can be seen that 20.4% said for personal consumption whilst 22.8% said for

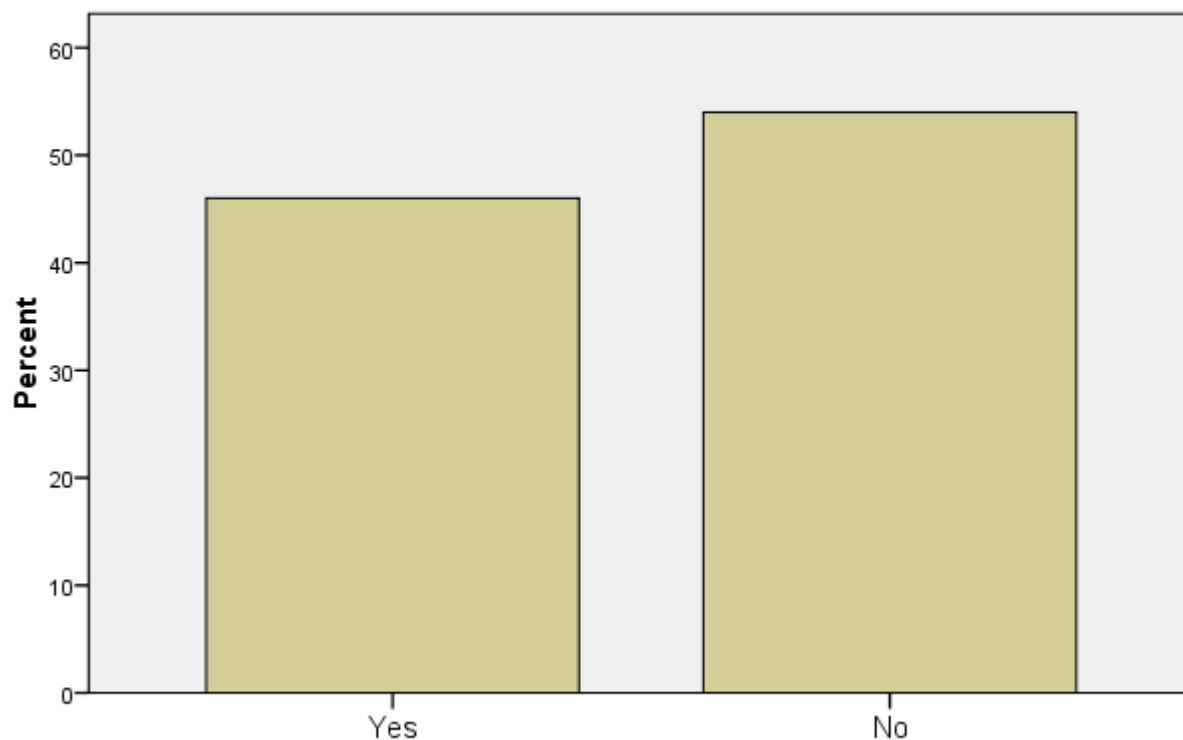
the marriage ceremonies of their children. It can again be seen that 30.0% disclosed that the loans are used for repairing their old debts with 20.0% saying they purchasing new vehicles. 6.8% also gave other varying reasons for which they use the loans.

Table 4.20 Whether bank officials supervise loan utilization

Whether bank officials supervise loan utilization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	230	46.0	46.0	46.0
	No	270	54.0	54.0	100.0
	Total	500	100.0	100.0	

Source: Field survey

Whether bank officials supervise loan utilization



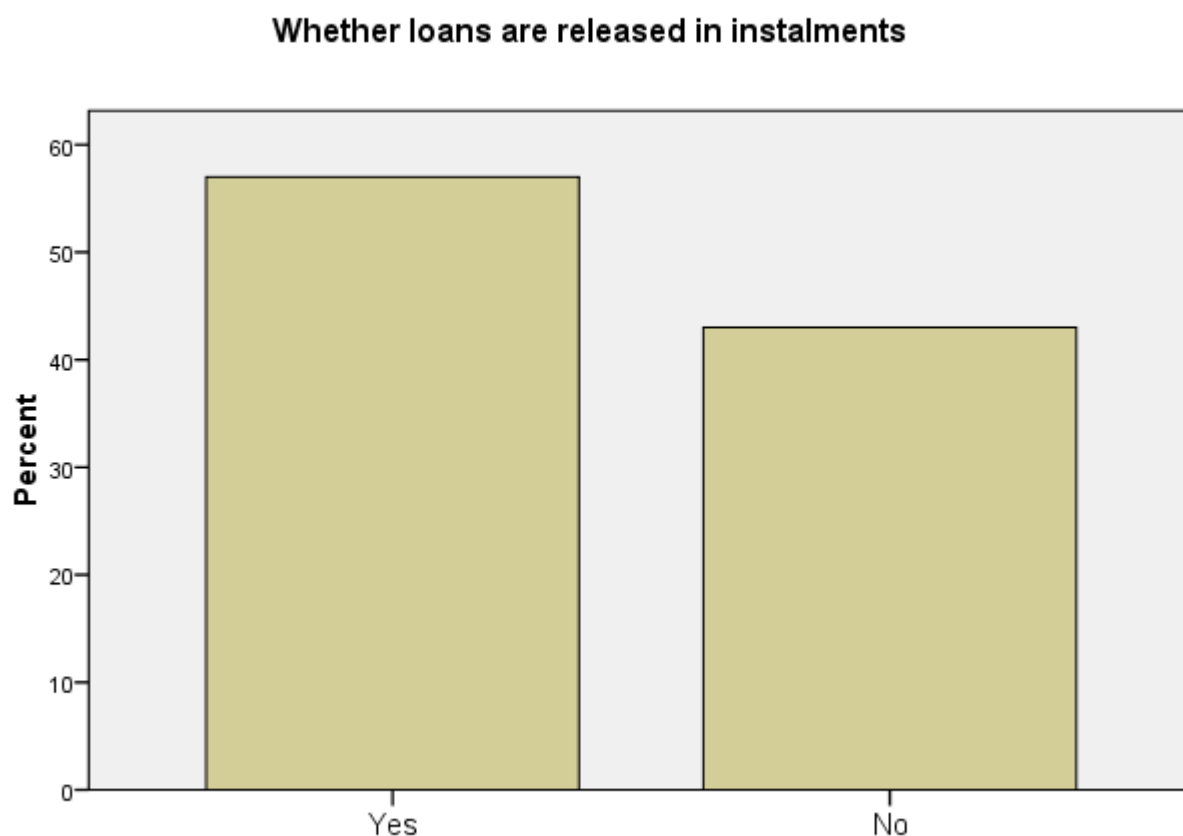
Source: Field survey

Here beneficiaries were asked whether bank officials supervise loan utilization. It can be seen that 46.0% answered ‘yes’ whilst 54.0% answered ‘no’. It can therefore be concluded that bank officials do not see to the effective utilization of loan amounts.

Table 4.21 Whether loans are released in instalments

Whether loans are released in instalments					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	285	57.0	57.0	57.0
	No	215	43.0	43.0	100.0
Total		500	100.0	100.0	

Source: Field survey



Source: Field survey

Here beneficiaries were asked whether bank officials release loans in instalments. It can be seen that 57.0% answered ‘yes’ whilst 43.0% answered ‘no’. It can therefore be concluded that bank officials do release loans in instalments to beneficiaries.

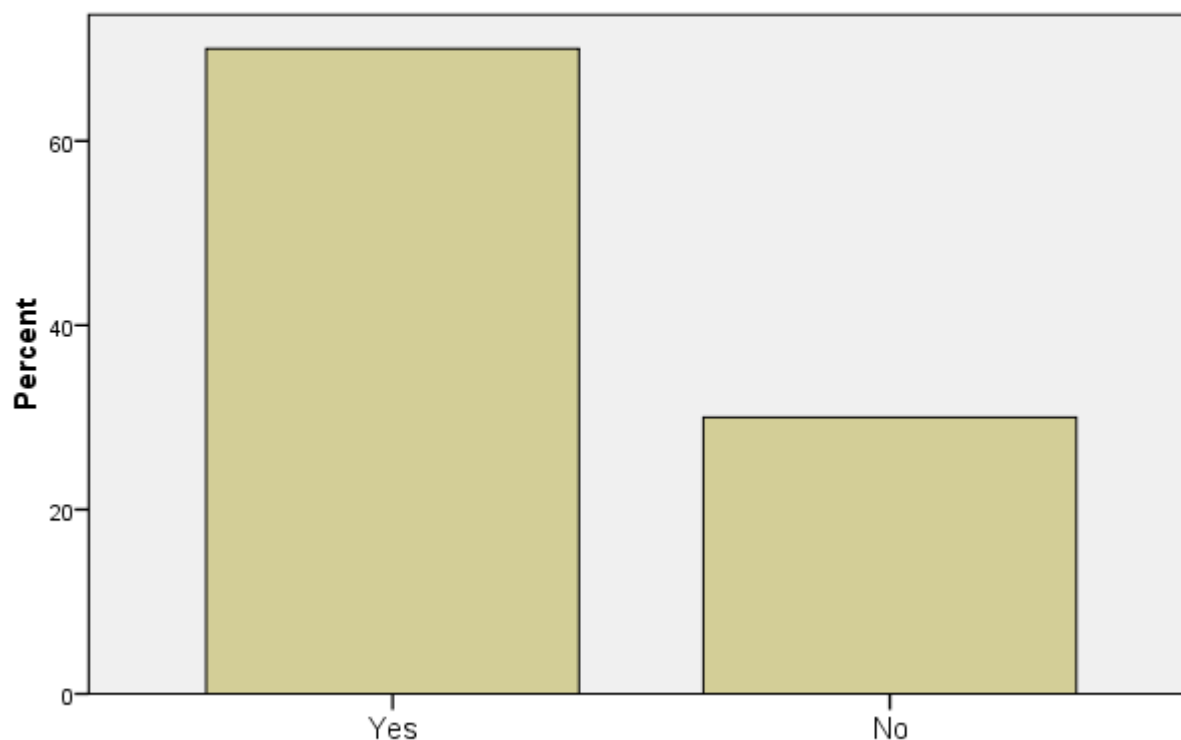
4.1.6 Repayment of loan

Table 4.22 Whether schedule of instalment of loan is convenient

Whether schedule of instalment of loan is convenient					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	350	70.0	70.0	70.0
	No	150	30.0	30.0	100.0
Total		500	100.0	100.0	

Source: Field survey

Whether schedule of instalment of loan is convenient



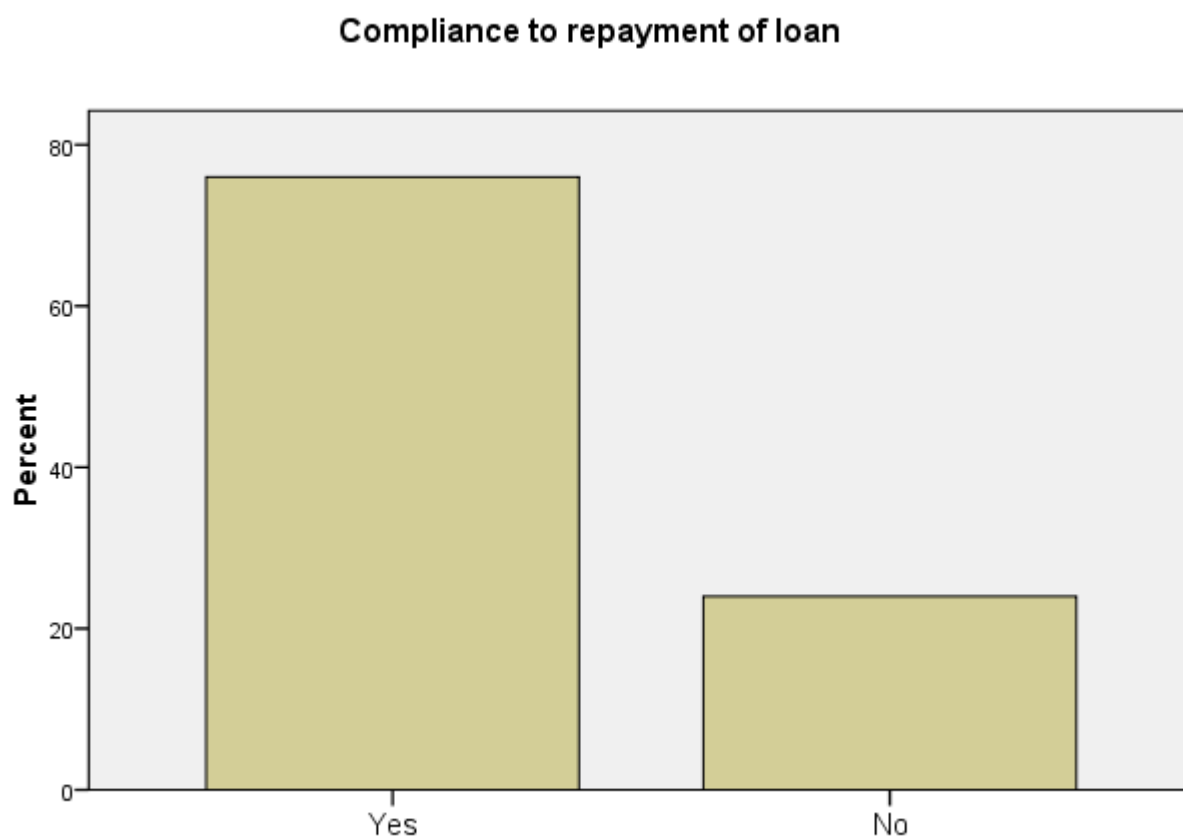
Source: Field survey

Here beneficiaries were asked whether schedule of instalment of loan is convenient. It can be seen that 70.0% answered ‘yes’ whilst 30.0% answered ‘no’. It can therefore be concluded that indeed schedule of instalment of loan was convenient.

Table 4.23 Compliance to repayment of loan

Compliance to repayment of loan					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	380	76.0	76.0	76.0
	No	120	24.0	24.0	100.0
Total		500	100.0	100.0	

Source: Field survey



Source: Field survey

Here beneficiaries were asked whether they comply with the repayment of loans as per instalments fixed by the bank. It can be seen that 76.0% answered 'yes' whilst 24.0% answered 'no'. It can therefore be concluded that indeed beneficiaries do comply with the repayment of loans as per instalments fixed by the bank.

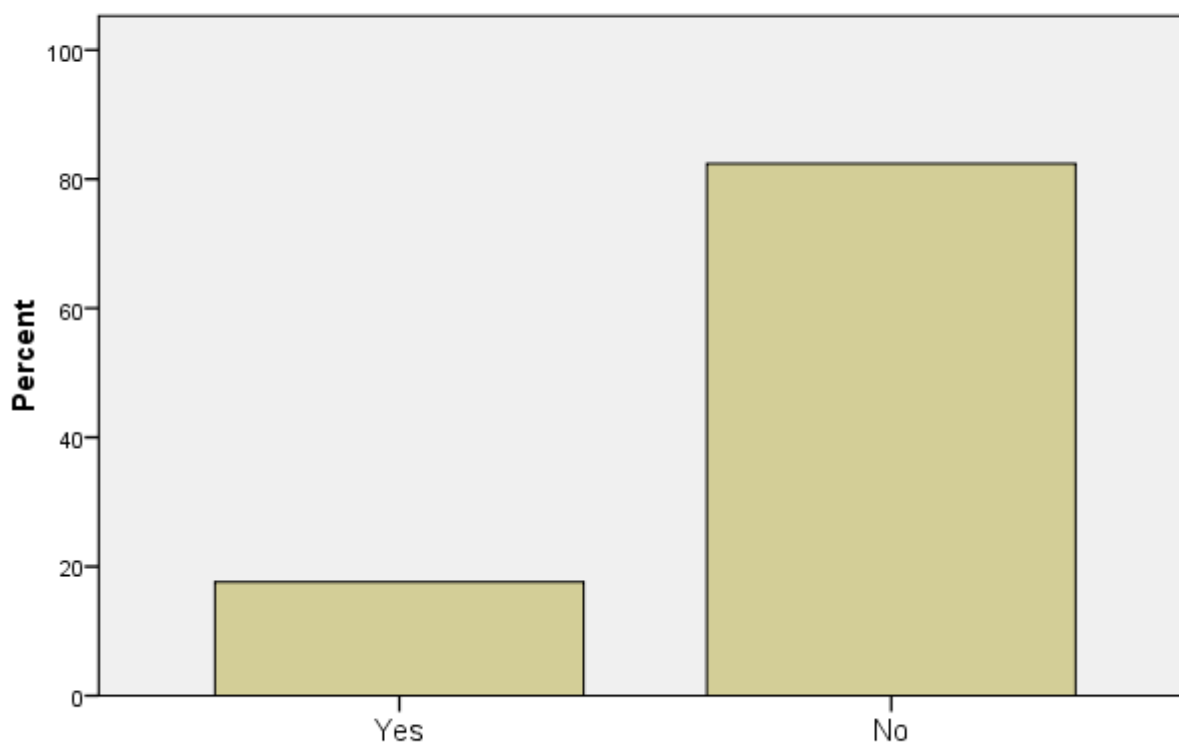
Table 4.24 Whether beneficiaries receive incentives for compliance to loan repayment

Whether beneficiaries receive incentives for compliance to loan repayment

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	88	17.6	17.6	17.6
No	412	82.4	82.4	100.0
Total	500	100.0	100.0	

Source: Field survey

Whether beneficiaries receive incentives for compliance to loan repayment

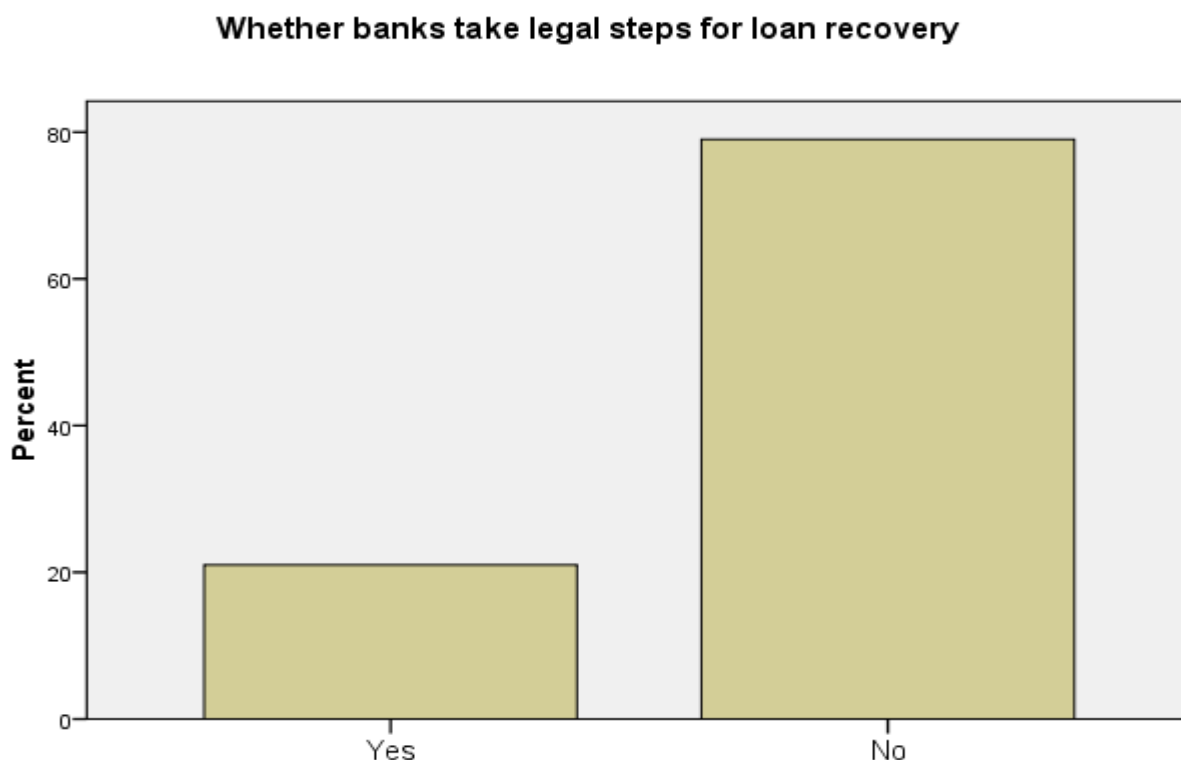


Here beneficiaries were asked whether they enjoy any incentives or rewards for complying with loan repayment. It can be seen that 17.6% answered ‘yes’ whilst 82.4% answered ‘no’. It can be concluded that beneficiaries do not enjoy any incentives or rewards for complying with loan repayment and this can be demotivating.

Table 4.25 Whether banks take legal steps for loan recovery

Whether banks take legal steps for loan recovery					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	105	21.0	21.0	21.0
	No	395	79.0	79.0	100.0
Total		500	100.0	100.0	

Source: Field survey



Source: Field survey

Here beneficiaries were asked whether banks take legal steps for recovering of loans from them. It can be seen that 21.0% answered 'yes' whilst 79.0% answered 'no'. It can be concluded that usually recovery of loans from beneficiaries do not get to the point where legal steps have to be taken by banks.

4.1.7 Impact of Bank Loans

4.1.7.1 Impact on Individuals

Sl. No.	Impact	Yes/No	N (500)	%
i	Annual income has increased	Yes	350	70.0
ii	Total investment has increased	Yes	283	56.6
iii	Total production has gone up	Yes	415	83.0
iv	Savings have increased	Yes	320	64.0
v	Family employment has increased	Yes	290	58.0
vi	Employment of hired workers has increased	Yes	301	60.2
vii	Old debts have been reduced	Yes	286	57.2
viii	Consumption expenditure has gone up	Yes	252	50.4
ix	Expenditure on children's education, medical expenses have increased	No	335	67.0
x	Dependence on borrowings from private money lenders has decreased	Yes	262	52.4
xi	Working capital position has improved	Yes	356	71.2
xii	Better housing has been obtained	Yes	298	59.6
xiii	Facilities of mixer, fridge, telephone, ceiling fan,	Yes	325	65.0

	TV, grinder, etc. has been provided			
xiv	Frequent tours, pilgrimages are arranged	Yes	263	52.6
xv	Two wheeler car have been purchase for personal comfort	Yes	259	51.8

Source: Field survey

It can clearly be seen from the table above that loans given to beneficiaries have had a fairly positive impact on their personality, livelihood and existence. The percentage analysis above presents a fairly above average of the impact loans given to beneficiaries have had on them with total production of their businesses going up by 83.0% followed by their annual earnings or incomes. They are 57.2% able to pay off their debts and their expenditure on consumption have gone up by 50.4% indicating that their standard of living have appreciated commendably. They are now also better able to save and this is represented by 64.0% increase.

It can be observed and concluded that loans given to beneficiaries have had a positive impact on almost all spheres of their lives.

4.1.7.2 Impact on Business

SI. No.	Impact	Yes/No	N(500)	%
i	Better equipment, implements for the farm/business operation/services/factory have been provided	Yes	380	76.0
ii	Facilities like telephone, computer, fax machine, etc. have been installed	Yes	293	58.6
iii	Farm machinery, bore wells have been provided	Yes	435	87.0
iv	High yielding varieties of crops have been grown	Yes	356	71.2

v	Better varieties of milk animals have been purchased	Yes	320	64.0
vi	Better accounting and marketing procedure have been adopted	Yes	288	57.6

Source: Field survey

The table above is also telling of the obvious impact loans given to beneficiaries have had on their businesses. It can be seen that beneficiaries are now able to purchase better equipment, and farm implements for their everyday operations. Generally, it can be said that indeed loans given to beneficiaries have had a positive impact on their businesses.

4.2 PRESENTATION AND ANALYSIS OF RESPONSES FROM BANK OFFICIALS

4.2.1 Reliability Test

		N	%
Cases	Valid	30	100.0
	Excluded ^a	0	.0
	Total	30	100.0

Cronbach's Alpha	N of Items
.949	15

a. Listwise deletion based on all variables in the procedure.

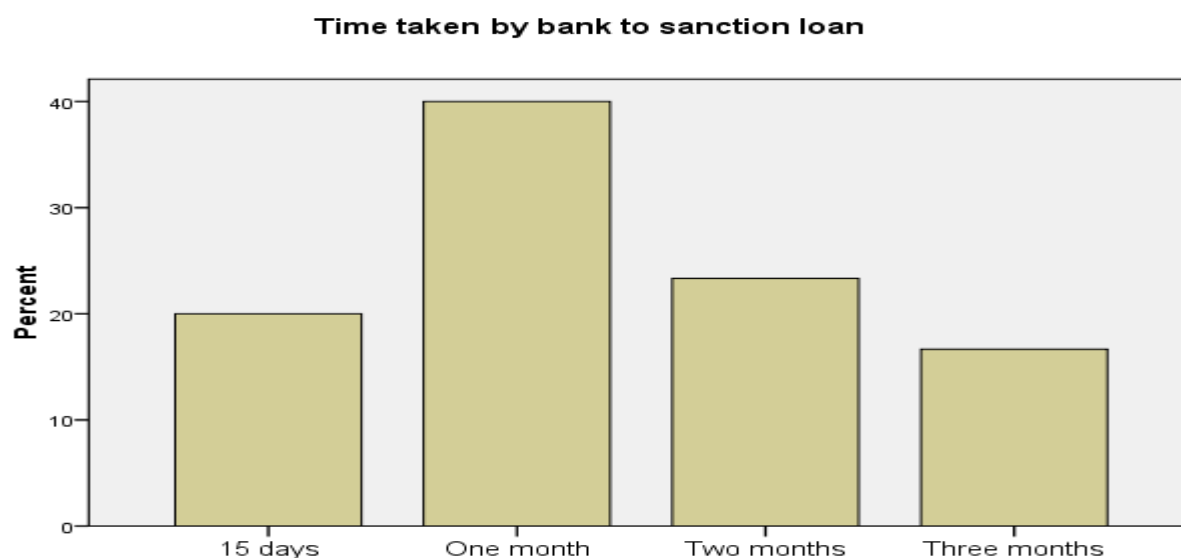
The Cronbach's Alpha Coefficient was carried out to measure the internal consistency of reliability of all items analysed as responses from bank officials. The Cronbach's Alpha of 0.949 or 94.9% suggests that the items have a relatively high internal consistency and hence reliable and satisfactory for analysis. This is because they meet the minimum acceptable level of 0.6, therefore is accepted for analysis.

4.2.2 Loan account and Loan amount

Table 4.26 Time taken by bank to sanction loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	15 days	6	20.0	20.0	20.0
	One month	12	40.0	40.0	60.0
	Two months	7	23.3	23.3	83.3
	Three months	5	16.7	16.7	100.0
	Total	30	100.0	100.0	

Source: Field survey



Source: Field survey

In the table/chart above, banks were asked the time they take to sanction a loan application from an applicant. 20.0% said 15 days, 40.0% said one month with 23.3% saying two months. It can be seen that 16.7% disclosed that it takes a maximum of three months.

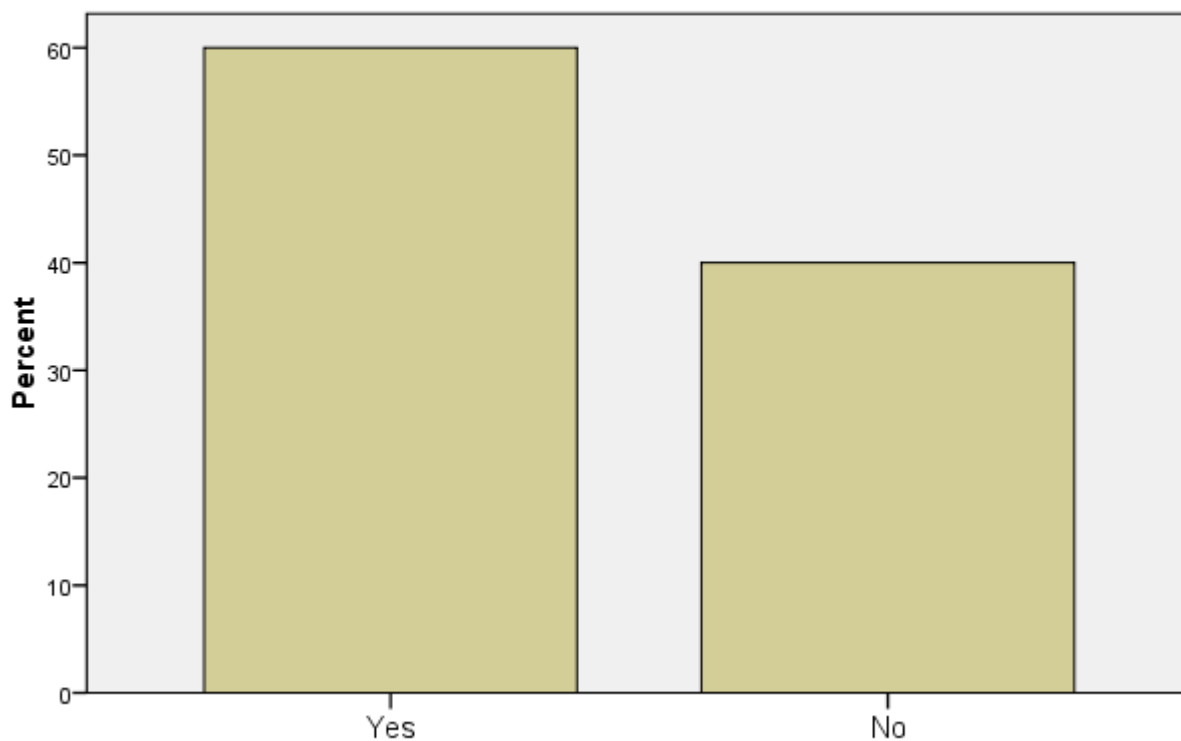
Table 4.27 Whether there is a min. limit of loan under different sectors of PSL

Whether there is a min. limit of loan under different sectors of PSL

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	18	60.0	60.0	60.0
No	12	40.0	40.0	100.0
Total	30	100.0	100.0	

Source: Field survey

Whether there is a min. limit of loan under different sectors of PSL



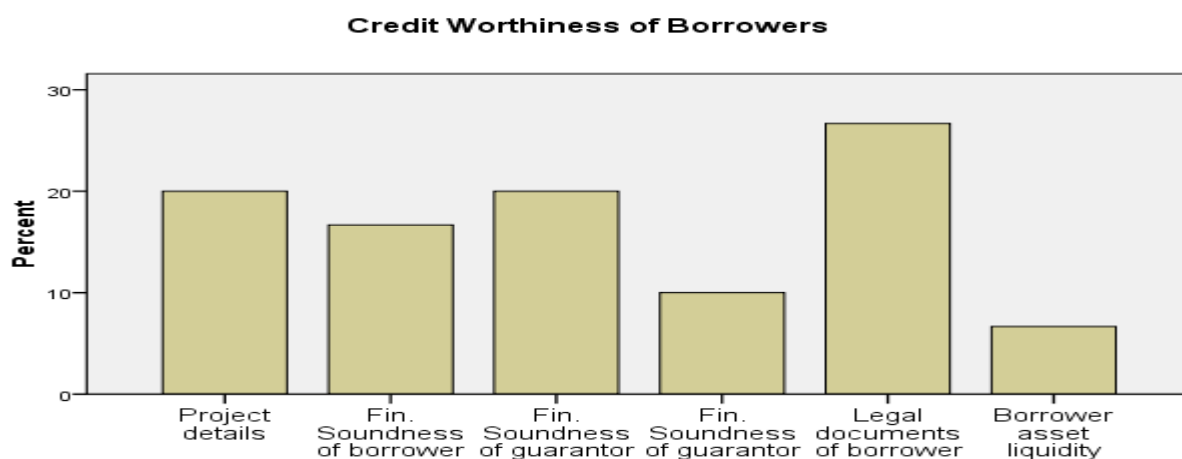
Source: Field survey

Here, the banks were asked whether there is a min. limit of loan under different sectors of PSL. It can be seen that 60.0% answered 'yes' whilst 40.0% answered 'no'. By way of additional data the various sectors under PSL and their loan limits were: Agriculture - 1lakh to 1.5 lakh; MSE - 1 lakh to 1.2 lakh; Micro credit – 1 lakh to 1.6 lakh; Educational loan – Rs. 50,000 to 1.2 lakh; Housing Loan – 1 lakh to 1.8 lakh. It can be concluded that indeed there are loan limits for various sectors under priority Sector Lending.

Table 4.28 Credit Worthiness of Borrowers

Credit Worthiness of Borrowers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Project details	6	20.0	20.0	20.0
	Fin. Soundness of borrower	5	16.7	16.7	36.7
	Fin. Soundness of guarantor	6	20.0	20.0	56.7
	Conducting spot survey	3	10.0	10.0	66.7
	Legal documents of borrower	8	26.6	26.6	93.3
	Borrower asset liquidity	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

Source: Field survey



Source: Field survey

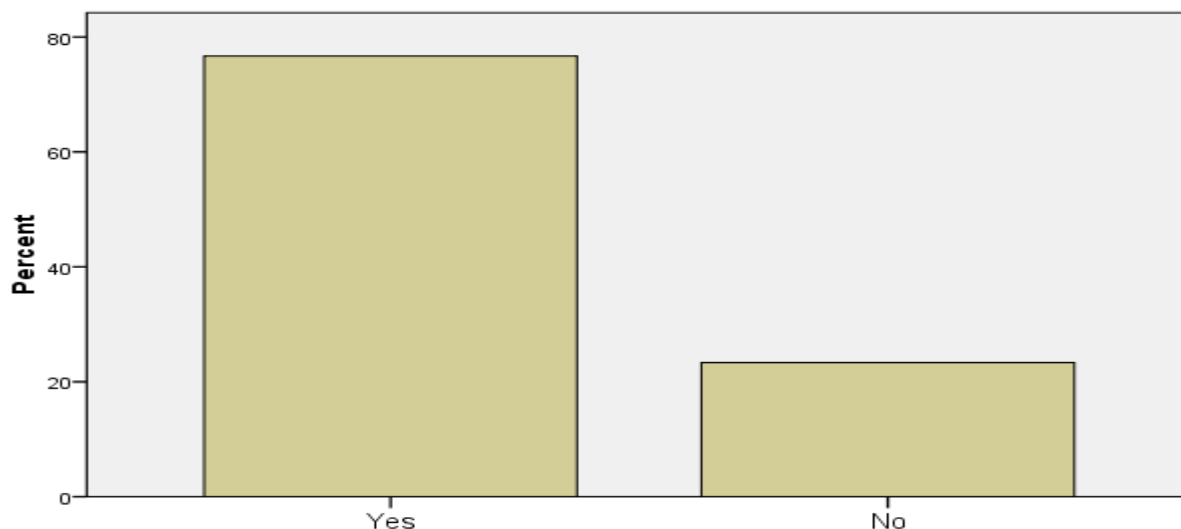
Here, the banks were asked how they ascertain the credit worthiness of borrowers before giving them the loans. It can be seen from the table that that 20.0% request for the project details of borrowers, 16.7% check for the financial soundness of borrowers, 20.0% also check for the financial soundness of guarantors whilst 10.% conduct spot surveys. It can again be seen that 26.6% request for the legal documents of borrowers whilst 6.7% assess the borrower's asset liquidity position. It can be concluded that indeed banks do a thorough assessments on borrowers before granting them loans.

Table 4.29 Enquiry about other loans taken by borrowers

Enquiry about other loans taken by borrowers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	76.7	76.7	76.7
	No	7	23.3	23.3	100.0
Total		30	100.0	100.0	

Source: Field survey

Enquiry about other loans taken by borrower



Source: Field survey

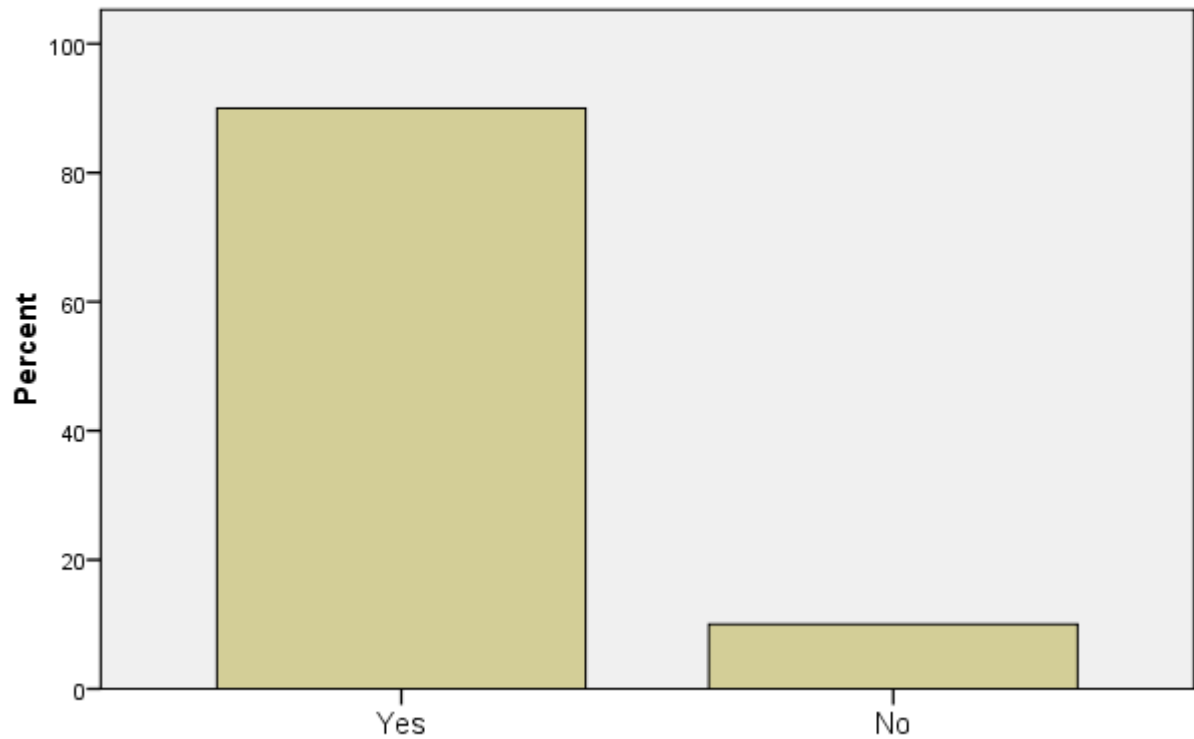
In the table/chart above, banks were asked if they inquired about other loans taken, if any, by borrowers. It can be ascertained from the table that 76.7% of the banks said ‘yes’ with 23.3% saying ‘no’. It can be concluded that indeed the banks inquire whether or not borrowers have taken other loans before giving out loans to them (borrowers).

Table 4.30 Assessment of repayment capacity of borrowers

Assessment of repayment capacity of borrowers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	27	90.0	90.0	90.0
	No	3	10.0	10.0	100.0
Total		30	100.0	100.0	

Source: Field survey

Assessment of repayment capacity of borrowers



Source: Field survey

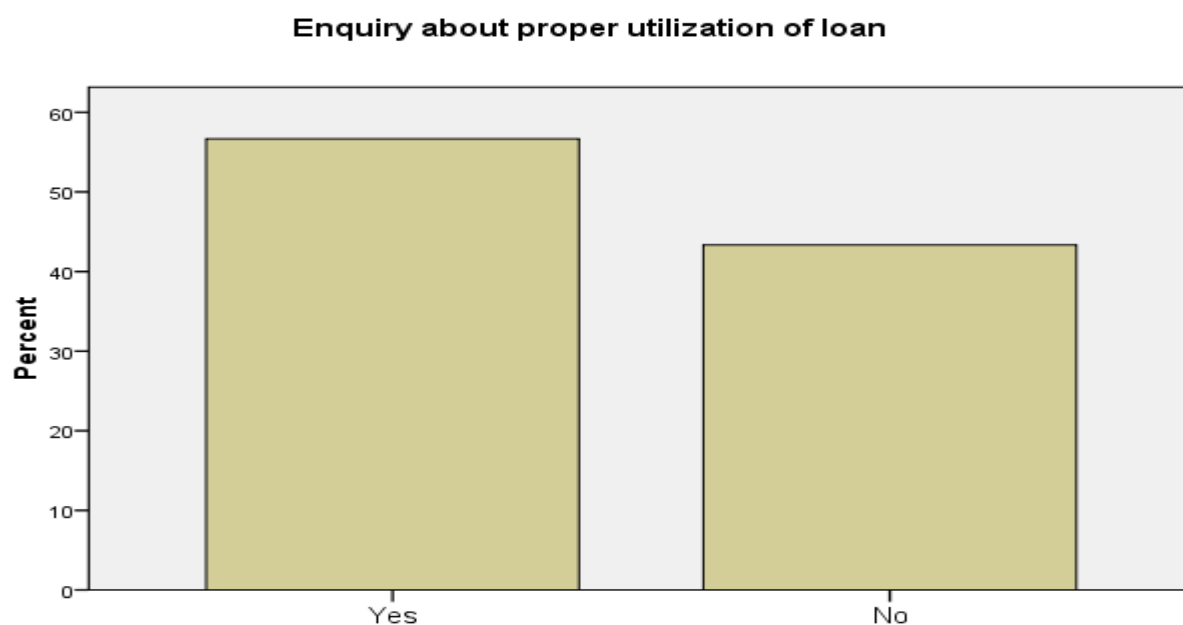
In the table/chart above, banks were asked if they assess the repayment capacity of borrowers before giving out the loans. It can be seen from the table that 90.0% of the banks said 'yes' with 10.0% saying 'no'. It can be concluded that indeed the banks assess the repayment capacity of borrowers before giving out the loans to them.

4.2.3 Utilization of Loan

Table 4.31 Enquiry about proper utilization of loan

		Enquiry about proper utilization of loan			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	17	56.7	56.7	56.7
	No	13	43.3	43.3	100.0
Total		30	100.0	100.0	

Source: Field survey



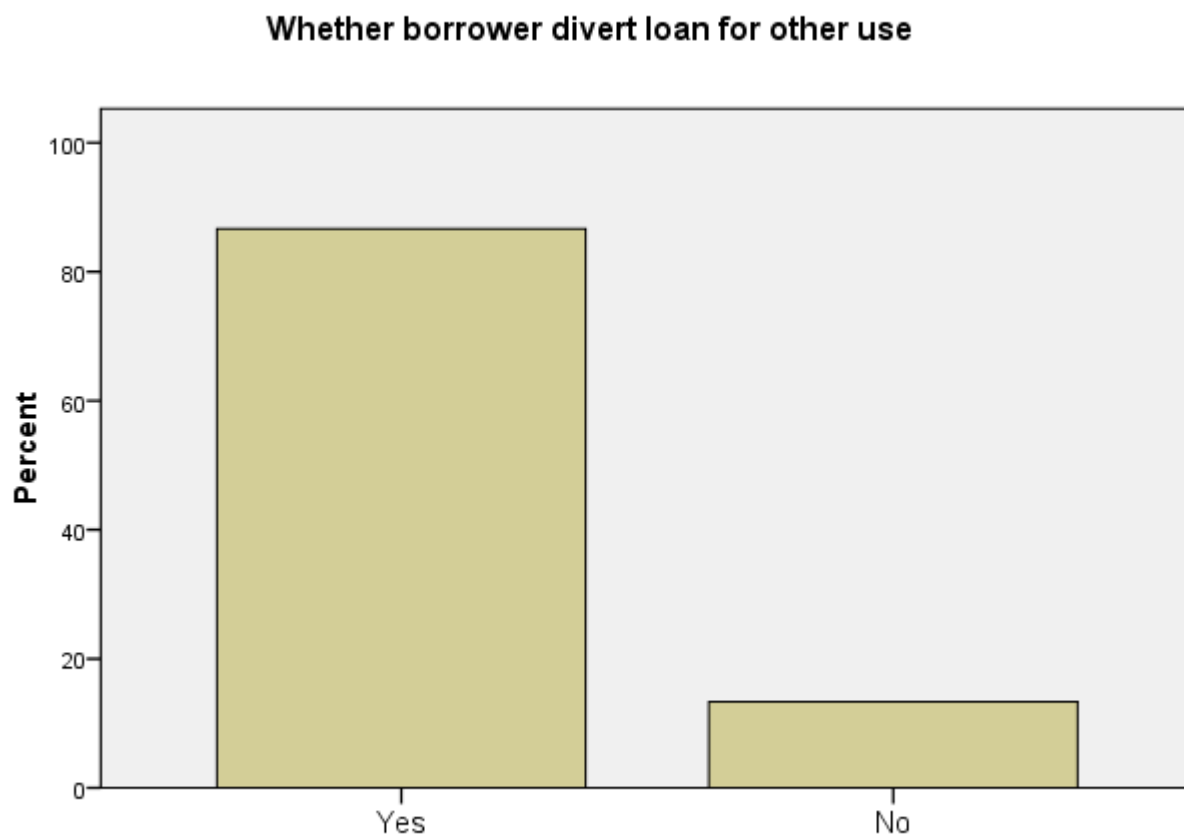
Source: Field survey

In the table/chart above, banks were asked if they inquire about the proper utilization of loans before borrowers are granted their next instalments. It can be seen from the table that 56.7% of the banks said ‘yes’ with 43.3% saying ‘no’. It can be concluded that indeed the banks inquire about the proper utilization of loans before borrowers are granted their next instalments.

Table 4.32 Whether borrower divert loan for other use

Whether borrower divert loan for other use					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	26	86.7	86.7	86.7
	No	4	13.3	13.3	100.0
Total		30	100.0	100.0	

Source: Field survey



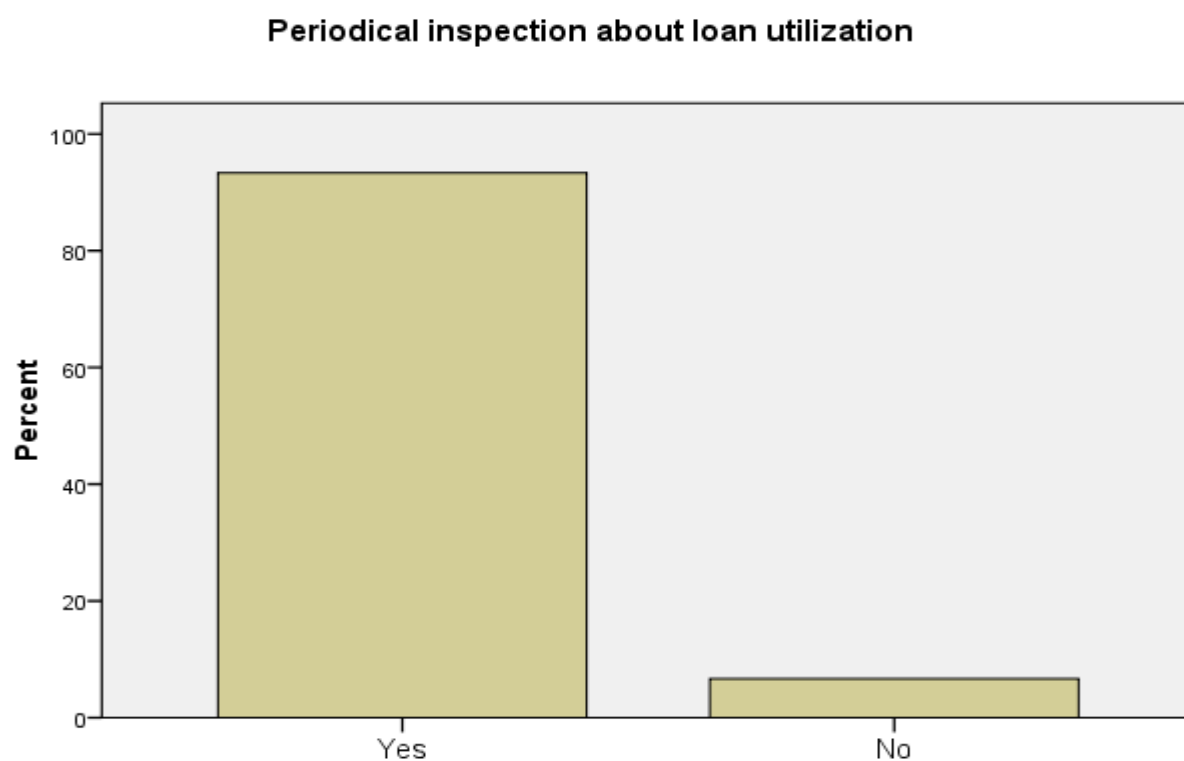
Source: Field survey

In the table/chart above, banks were asked whether borrowers divert loans for other uses. It can be seen from the table that 56.7% of the banks said ‘yes’ meaning they have reasons to believe that borrowers do divert part of the loans for other uses with 43.3% saying ‘no’. It can be concluded that indeed borrowers do divert parts of the loans for other uses.

Table 4.33 Periodical inspection about loan utilization

Periodical inspection about loan utilization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	28	93.3	93.3	93.3
	No	2	6.7	6.7	100.0
Total		30	100.0	100.0	

Source: Field survey



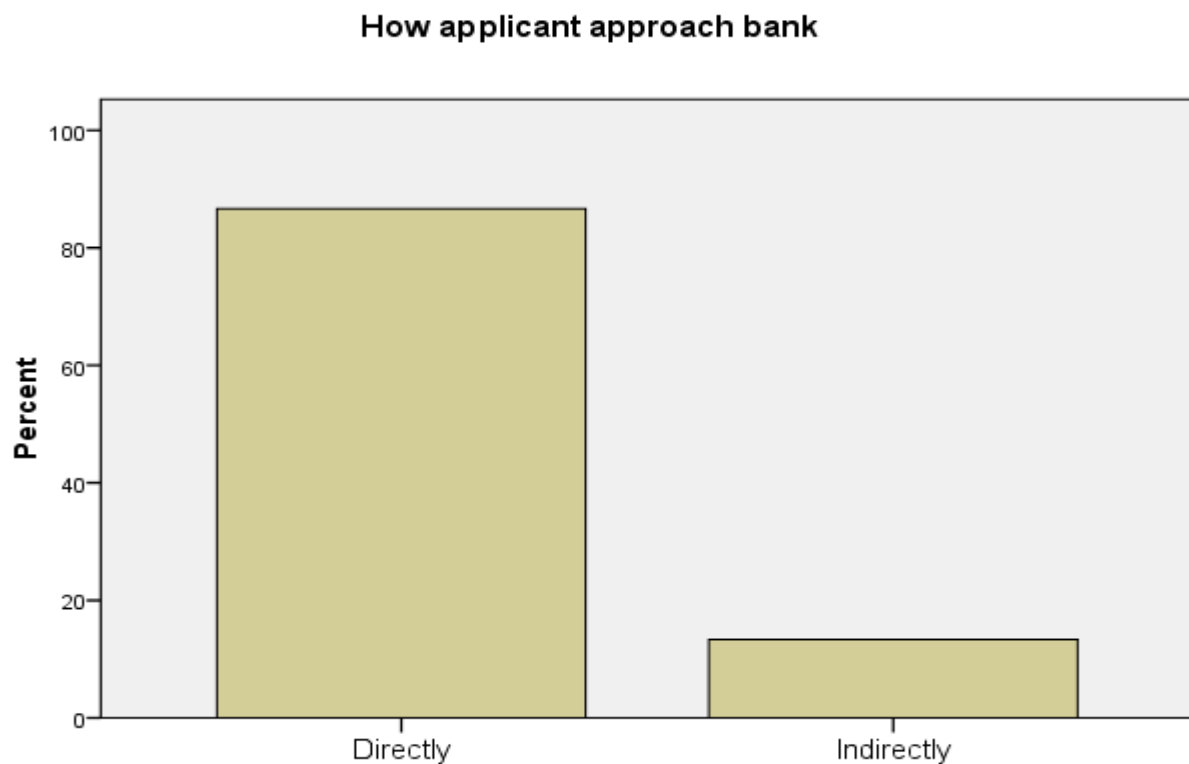
Source: Field survey

In the table/chart above, banks were asked if banks carry out periodic inspection on how borrowers utilize the loans given to them. It can be seen from the table that 93.3% of the banks said ‘yes’ with 43.3% saying ‘no’. It can be concluded that indeed the banks carry out periodic inspection on how borrowers utilize the loans given to them.

Table 4.34 How applicant approach bank

How applicant approach bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Directly	26	86.7	86.7	76.7
	Indirectly	4	13.3	13.3	100.0
Total		30	100.0	100.0	

Source: Field survey



Source: Field survey

In the table/chart above, banks were asked about how applicants/borrowers approach banks for loans. It can be seen from the table that 86.7% of the banks said ‘directly’ implying that borrowers walk into the banks themselves to apply for the loans with supporting documents. Whilst 13.3% said ‘indirectly’ implying means other than they (borrowers) walking into the banks themselves. It can be concluded that indeed borrowers walk into the banks themselves to apply for the loans with supporting documents.

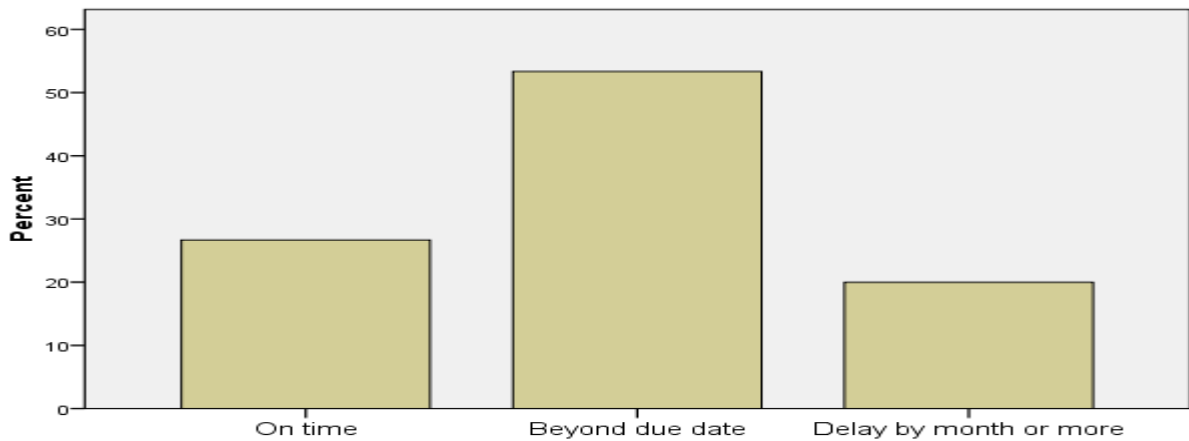
4.2.4 Recovery of Loan

Table 4.35 Speed of borrowers in loan repayment

Speed of borrowers in loan repayment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	On time	8	26.7	26.7	26.7
	Beyond due date	16	53.3	53.3	80.0
	Delay by month or more	6	20.0	20.0	80.8
	Total	30	100.0	100.0	

Source: Field survey

Speed of borrowers in loan repayment



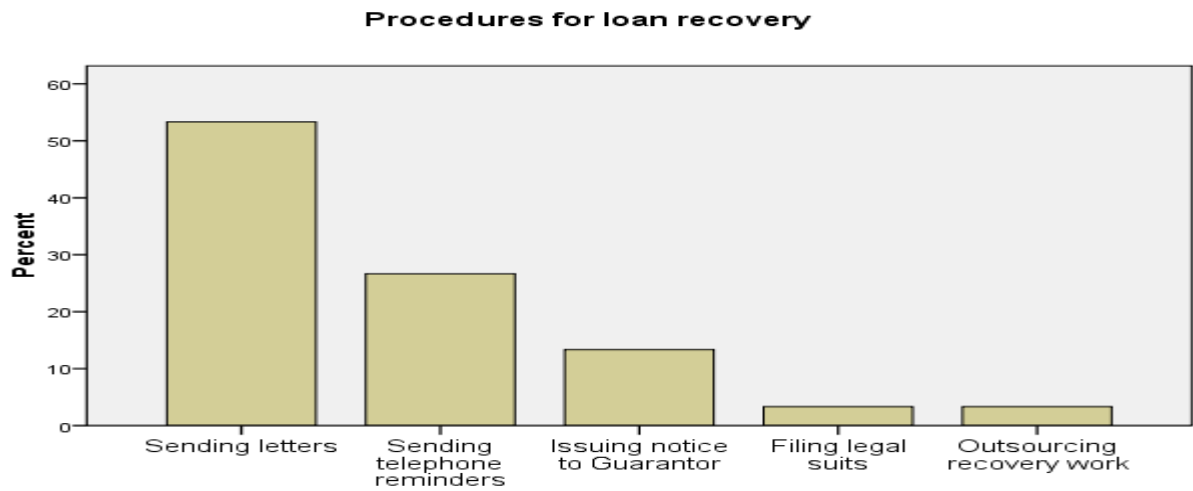
Source: Field Survey

In the table/chart above, banks were asked the speed and haste with which borrowers repay loans given to them. It can be seen from the table that 26.7% of the banks said borrowers do usually pay on time with 53.3% disclosing that borrowers usually pay beyond due date. 20.0% also said borrowers usually delay by one month or more. It can be concluded that indeed borrowers do usually pay beyond due date.

Table 4.36 Procedures for loan recovery

Procedures for loan recovery					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sending letters	16	53.4	53.4	53.4
	Sending telephone reminders	8	26.7	26.7	80.1
	Issuing notice to Guarantor	4	13.3	13.3	93.4
	Filing legal suits	1	3.3	3.3	96.7
	Outsourcing recovery work	1	3.3	3.3	
	Total	30	100.0	100.0	

Source: Field survey



Source: Field survey

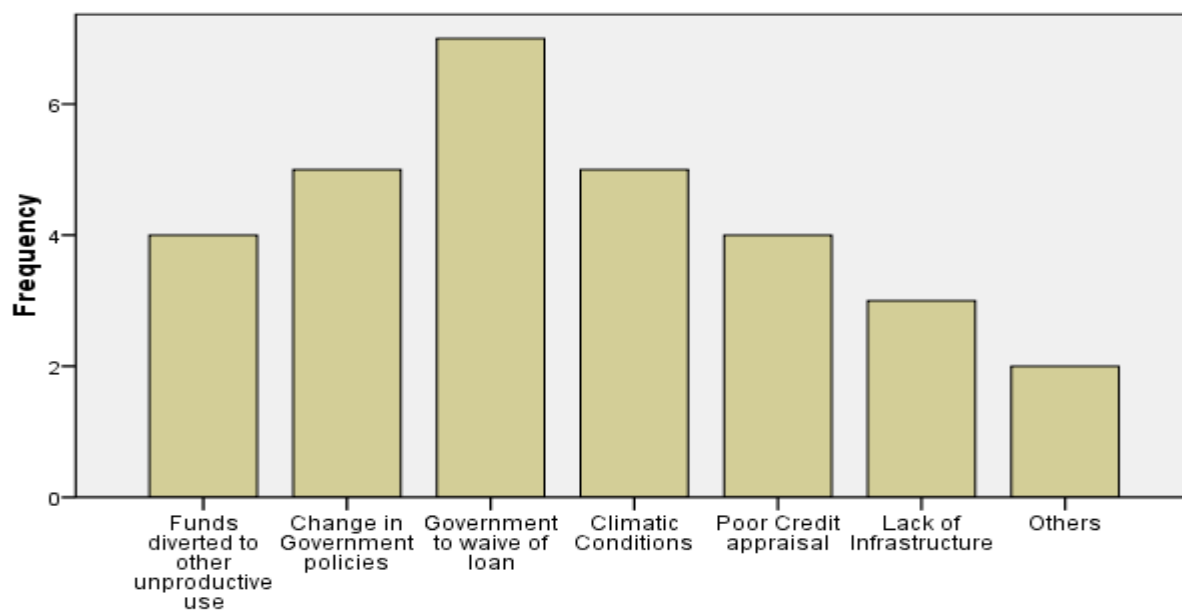
Here, the banks were asked what procedures they follow in recovering loans given to borrowers under PSL. 53.4% disclosed that they often send letters whilst 26.7% also disclosed that they often call them on telephone to remind them. 13.3% also disclosed that they usually issue notice to guarantors whilst 3.3% also disclosed that they at times file legal suits. Lastly 3.3% again indicated that they often outsource the loan recovery work to other firms on their behalf. It can be seen that banks mostly send letter reminders to borrowers.

Table 4.37 Problems in Loan recovery

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Funds diverted to other unproductive use	4	13.3	13.3	13.3
	Change in Government policies	5	16.7	16.7	30.0
	Government to waive of loan	7	23.3	23.3	53.3
	Climatic Conditions	5	16.7	16.7	70.0
	Poor Credit appraisal	4	13.3	13.3	83.3
	Lack of Infrastructure	3	10.0	10.0	93.3
	Others	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

Source: Field survey

Problems in Loan Recovery



Source: Field survey

Here, the banks were asked the problems they face in recovering loans under PSL. 13.3% disclosed that funds are usually diverted to other unproductive use whilst 16.7% also attribute the problem to change in Government policies. 23.3% also disclosed that Government's promise and delay to waive of loan affect the recovery of loans. 16.7% also disclosed that climatic changes affects the recovery of loans since especially farmers loose a chunk of their farm produce during adverse weather conditions. 13.3% attributed the problem to poor credit appraisal by banks whilst 10.0% intimated that lack of infrastructure for recovering loans hamper loan recovery efforts. It can be seen that various factors affect loan recovery efforts by banks.

4.2.5 Subsidy on Loan

Table 4.38 Whether banks provide Subsidy to borrowers

Whether banks provide Subsidy to borrowers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	30	100	100	100
	No	0	0	0	100.0
	Total	30	100.0	100.0	

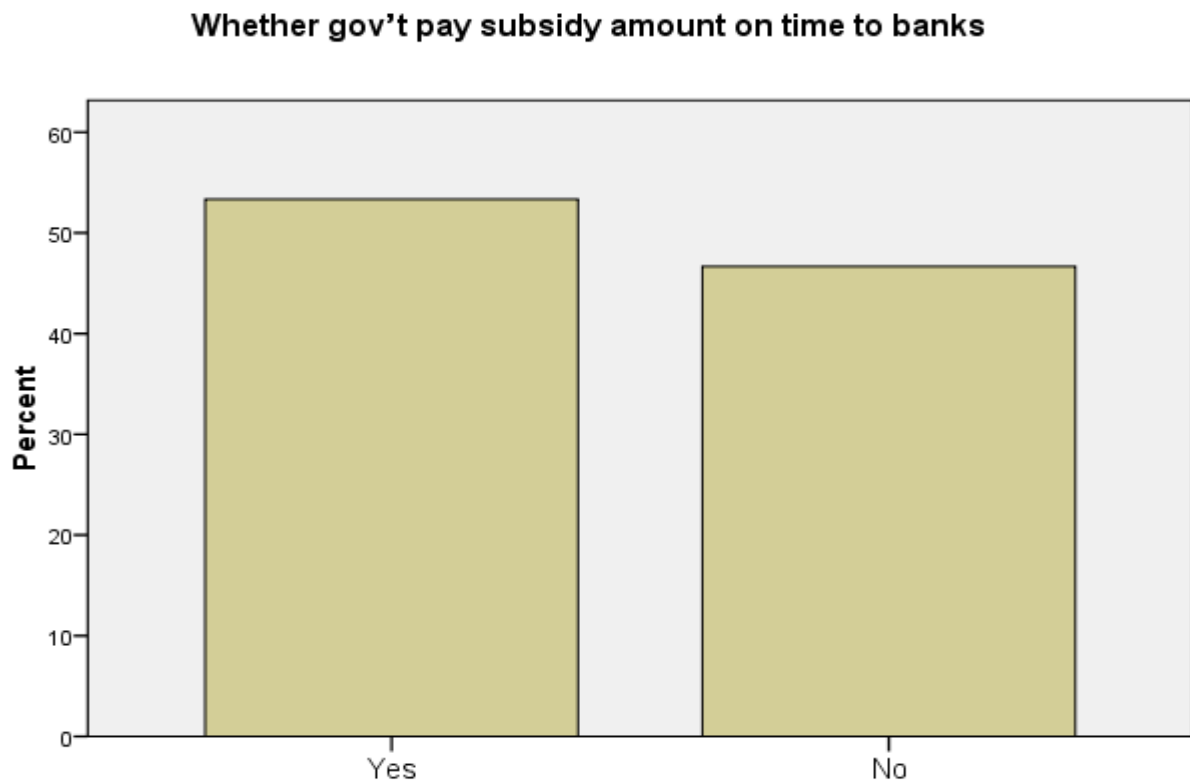
Source: Field survey

Here banks were asked whether they provide subsidy to borrowers. It can be seen that 100% answered 'yes' It can be concluded that indeed all banks provide subsidies to PSL borrowers through various schemes promoted the Government.

Table 4.39 Whether government pay subsidy amount on time to banks

Whether gov't pay subsidy amount on time to banks					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	53.3	53.3	53.3
	No	14	46.7	46.7	100.0
Total		30	100.0	100.0	

Source: Field survey



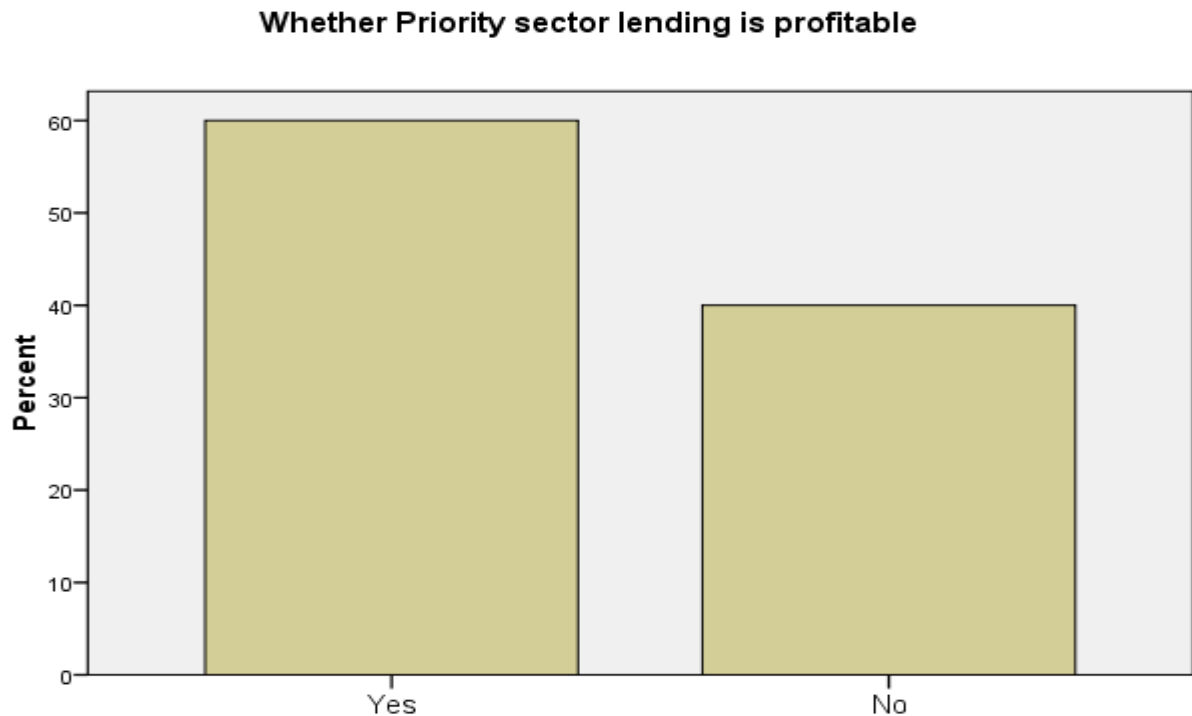
Source: Field survey

Here banks were asked whether government pay subsidy amounts on time to banks. It can be seen that 53.3% answered 'yes' whilst 46.7% answered 'no'. It can be concluded that indeed government pay subsidy amounts on time to banks.

Table 4.40 Whether Priority sector lending is profitable

Whether Priority sector lending is profitable					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	18	60.0	60.0	60.0
	No	12	40.0	40.0	100.0
Total		30	100.0	100.0	

Source: Field survey



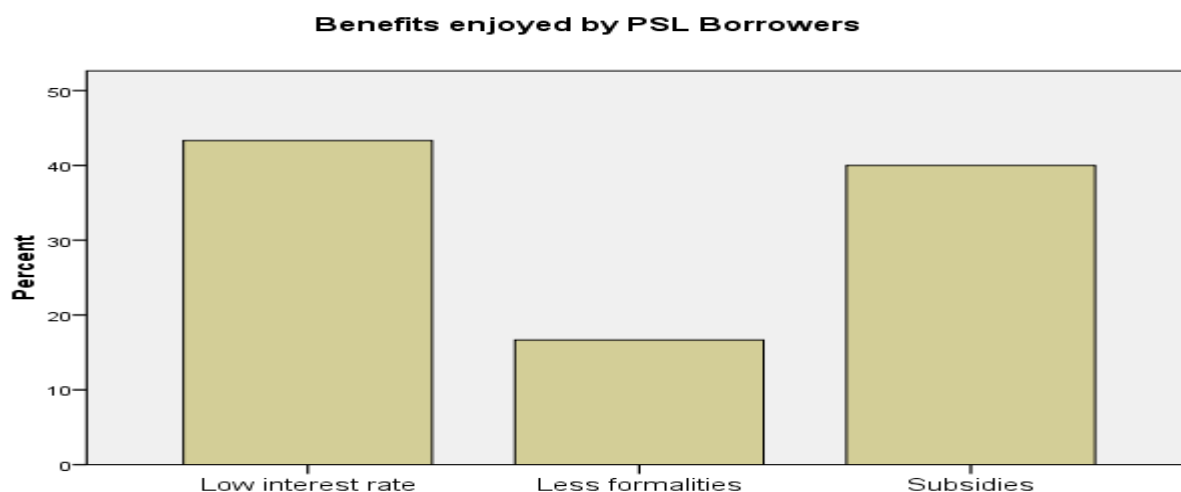
Source: Field survey

Here banks were asked whether Priority Sector Lending is profitable. It can be seen that 60.0% answered 'yes' whilst 40.0% answered 'no'. It can be concluded that indeed Priority Sector Lending is profitable.

Table 4.41 Benefits enjoyed by PSL Borrowers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low interest rate	17	57.9	43.3	43.3
	Less formalities	3	8.7	16.7	60.0
	Subsidies	10	33.4	40.0	100.0
	Total	30	100.0	100.0	

Source: Field survey



Source: Field survey

In the table/chart above, banks were asked if borrowers enjoy any form of benefits by availing for PSL loans. It can be seen from the table that 57.9% of the banks said borrowers do enjoy low interest rate charges with 8.7% disclosing that borrowers who avail for PSL loans usually go through less formalities. 33.4% also enjoy subsidies of various forms. It can be concluded that indeed borrowers do enjoy some benefits or other availing for PSL loans.

4.3 INTERBANK DATA ANALYSIS FROM LEAD BANK (BANK OF BARODA, ALLAHABAD)

**4.3.1 District Credit Plan – Annual reports for the year ended 2018-2019
(All Sectors – Bank wise)**

(Rs. '000)

DESC	Agriculture		Allied		MSME		OPS		Total	
Bank	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.
SBI	26530	3387690	11809	1020290	3071	799710	1474	937950	42884	6145640
BOB	23707	3004060	12120	905460	2239	604260	1617	661430	37683	5175210
ALLAH	12949	1642470	5404	493430	1424	363940	569	505640	20346	3005480
BOI	1657	193500	807	60730	630	163320	309	245650	3403	663200
BOM					252	67560	80	70540	332	138100
CANARA					5067	1284900	440	393490	5507	1678390
DENA	1660	185680	718	58510	670	192140	182	162120	3230	598450
INDIAN					157	42400	64	53180	221	95580
IOB	322	42690	144	13530	124	34070	140	106250	730	196540
CBI	2691	352870	1070	106510	593	149770	342	277470	4696	886620
UNION	3244	399790	1363	113460	794	215850	582	409200	5983	1138300
PNB	5105	636950	2505	189620	2795	714470	668	557070	11073	2098110
UNITED	909	119040	373	37360	757	191530	294	253380	2333	601310
UCO	3974	475870	1812	147870	936	256690	445	360770	7167	1241200
SYND	85	10050	22	1870	454	123480	199	140670	760	276070
ANDHRA					272	75210	100	65460	372	140670
CORPO					419	114700	162	102480	581	217180
OBC	85	10050	22	1870	427	120640	132	81890	666	214450
P&SIND					299	76580	108	97330	407	173910
VIJAYA	733	86540	266	23550	1252	327290	281	190540	2532	627920
J & K					393	98370	72	67400	465	165770
FEDERAL					91	22540	52	47230	143	69770
ICICI	1249	147860	488	44410	900	244360	612	462940	3249	899570
HDFC	1104	135860	349	30670	835	236540	442	315530	2730	718600
AXIS					310	87400	240	189300	550	276700
IDBI	85	10050	22	1870	222	63140	130	67920	459	142980
KOTAK					186	52440	120	89970	306	142410
KARNATAKA BANK					62	17480	45	37190	107	54670
SOUTHINDIAN					62	17480	53	47500	115	64980

BANK										
YES BK					124	34960	88	73760	212	108720
TOTAL	86089	10841020	39294	3251010	25817	6793220	10042	7071250	159242	27956500

Source: Bank of Baroda, 2018-2019.

- ❖ The table above reflects an annual report of the Credit Plan for the Allahabad district in the 2018-2019 financial year as provided by Bank of Baroda – the lead bank in the Allahabad district. The table represents credits that were advanced to various sectors under the PSL. It can obviously be seen that a total of Rs. 2795600000 were credited to the various priority sectors by commercial banks in 159242 accounts.
- ❖ Amount disbursed to the Agriculture sector by commercial banks was Rs.10841020000. This however indicates the importance of the sector and the need to pay critical attention to the sector.

4.3.2 District Credit Plan – Annual reports for the year ended 2017-2018

(All Sectors – Bank wise)

(Rs. '000)

DESC	Agriculture		Allied		MSME		OPS		Total	
	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.
SBI	25998	3055500	10667	920600	2585	526240	1559	890800	40809	5393140
BOB	23324	2708700	9151	817200	1949	395310	1309	627550	35733	4548760
ALLAH	12571	1481900	4886	445200	1168	238480	630	490650	19255	2656230
BOI	1635	174600	729	54800	507	106850	366	233730	3237	569980
BOM					199	44200	96	67050	295	111250
CANARA					4126	841290	554	373970	4680	1215260
DENA	1598	167500	656	52800	539	125960	182	154000	2975	500260
INDIAN					130	27800	66	50600	196	78400
IOB	318	38500	130	12200	106	22340	145	100900	699	173940
CBI	2620	318400	968	96100	481	98110	351	263610	4420	776220
UNION	3191	360900	1248	102500	639	141200	612	389100	5690	993700
PNB	5041	574900	2270	171200	2283	467930	786	528950	10380	1742980
UNITED	894	107400	337	33700	618	125380	326	240890	2175	507370
UCO	3894	429300	1637	133400	789	168130	513	343050	6833	1073880

SYND	84	9100	22	1700	366	80810	258	133540	730	225150
ANDHRA					219	49200	136	62140	355	111340
CORPO					335	75010	204	97410	539	172420
OBC	84	9100	22	1700	346	78960	158	77730	610	167490
P&SIND					240	50110	128	92460	368	142570
VIJAYA	720	78200	249	21300	1011	214100	369	180960	2349	494560
J & K					323	64430	76	64100	399	128530
FEDERAL					75	14760	56	44900	131	59660
ICICI	1209	133500	447	40100	706	159750	668	440200	3030	773550
HDFC	1091	122800	339	27800	659	154750	562	299860	2651	605210
AXIS					235	57000	305	180050	540	237050
IDBI	84	9100	22	1700	169	41200	166	64450	441	116450
KOTAK					141	34200	162	85440	303	119640
KARNAT					47	11400	60	35350	107	46750
SOUTH					47	11400	71	45150	118	56550
YES BK					94	22800	116	70100	210	92900
TOTAL	84356	9779400	33780	2934000	21132	4449100	10990	6728690	150258	23891190

Source: Bank of Baroda, 2017-2018

- ❖ The table above reflects an annual report of the Credit Plan for the Allahabad district in the 2017-2018 financial year as provided by Bank of Baroda – the lead bank in the Allahabad district. The table represents credits that were advanced to various sectors under the PSL. It can obviously be seen that a total of Rs. 23891190000 was credited to the various priority sectors.
- ❖ It can be observed that SBI disbursed a sum total of Rs. 305550000 to support agriculture with all the commercial banks registering a sum total of Rs.9779400000 for agricultural development.
- ❖ Bank of Baroda was also witnessed to have disbursed a sum total of Rs. 4548760000 to support the development of the various priority sectors.
- ❖ It can be observed additionally that all the other banks contributed substantially to the development of the various priority sectors.

4.3.3 Districts Credit Plan – Annual reports for the year 2016 – 2017

(All Sectors – Bank wise)

(Rs. '000)

DESC	Agriculture		Allied		MSME		OPS		Total	
Bank	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.
SBI	33945	2299610	9527	721950	1782	342980	2959	702050	48213	4066590
SBBJ					55	11520	121	28250	176	39770
SBP					296	59180	255	62460	551	121640
BOB	30841	2060950	8101	646270	1811	356680	2635	383340	344883	3647240
ALLAH	15915	1111530	4251	348610	1006	202260	1889	442130	23061	2104530
BOI	2198	138100	578	43390	334	65530	779	174630	3889	421650
BOM					138	29550	206	47670	344	77220
CANARA					3420	686020	884	243810	4304	929830
DENA	2097	132330	567	41460	488	113370	534	130940	3695	418100
INDIAN					121	25050	145	34620	266	59670
IOB	451	30680	110	9520	98	20160	455	102170	1114	162530
CBI	3407	241830	846	75820	428	88400	1555	351390	6236	757440
UNION	3477	231160	943	72640	343	68880	1457	317980	6220	690660
PNB	6229	415100	1747	131130	1924	392480	1845	456970	11745	1395680
UNITED	1252	84910	296	26700	514	102690	856	200660	2918	414960
UCO	5178	331510	1312	104040	684	145140	1681	404290	8855	984980
SYND					223	45930	359	85010	582	130940
ANDHRA					114	23780	137	31100	251	54880
CORPO					175	36750	208	45670	383	82420
OBC					236	54580	234	54860	470	109440
P&SIND					175	34860	293	69320	468	104180
VIJAYA	598	40130	164	12640	666	132870	422	106980	1850	292620
J&K					292	58040	238	59380	530	117420
FEDERAL					67	13310	183	41820	250	55130
ICICI	1300	91140	327	28520	331	69700	1315	320990	3273	510350
HDFC	473	32180	115	10130	284	62120	1088	235770	1960	340200
Total	107361	7241160	28884	2272820	16005	3241830	22733	5134260	476487	18090070

Source: Bank of Baroda, 2016-2017

- ❖ The table above reflects an annual report of the Credit Plan for the Allahabad district in the 2016-2017 financial year as provided by Bank of Baroda – the lead bank in the Allahabad district. The table represents credits that were advanced to various sectors under the PSL. It can clearly be seen from the table that a total of Rs. 7241160000 was given out as loan advances by the various commercial banks to support Agriculture under PSL in the financial 2016-2017 with a consolidated total number 107361 accounts.
- ❖ It can obviously be observed that a total of Rs. 3241830000 was advanced as loans to support Micro, Small and Medium Scale Enterprises by commercial banks in the Allahabad district in the financial year 2016-2017 given a total number of accounts to be 16005
- ❖ Aside these two sectors, other priority sectors enjoyed loan advancements to the tune of Rs. 5134260000 with a total number of 22733 accounts availing for the loans.
- ❖ It can be deduced from the report that State Bank of India offered the most advances in terms of money (Rs. 4,066,590,000) to the priority sectors.

4.3.4 District Credit Plan – Annual Reports for the year 2015 – 2016

All Sectors – Bank wise)

(Rs. '000)

DESC	Agriculture		Allied		MSME		OPS		Total	
	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.
SBI	34945	2399610	9627	761950	3782	343980	3959	802050	56213	4416116
SBBJ					65	11620	221	48250	186	60342
SBP					496	59380	455	72460	551	133342
BOB	30641	2460950	8601	666270	5811	357680	3635	483340	344883	4361811
ALLAH	15315	1511530	4451	358610	3006	204260	4889	542130	24061	2668252
BOI	2188	148100	568	44390	634	65630	879	374630	3889	640908
BOM					338	29750	406	57670	344	88508
CANARA					5420	786020	984	343810	604	1136838
DENA	3097	232330	667	43460	588	313370	434	150940	3695	748581
INDIAN					621	45050	545	44620	266	91102
IOB	551	40680	310	9620	99	30160	555	102170	5114	189259
CBI	4407	241830	946	76820	488	98400	3555	351390	6236	784072
UNION	4477	241160	963	73640	353	78880	3457	317980	6220	727130
PNB	7229	525100	1947	141130	2924	492480	3845	456970	11745	1643370
UNITED	1652	85910	396	28700	614	302690	956	200660	2918	624496
UCO	5678	541510	1612	105040	784	345140	3681	404290	8855	1416590
SYND					323	55930	459	85010	782	142504
ANDHRA					314	33780	337	341100	251	375782
CORPO					475	66750	308	45670	383	113586
OBC					436	64580	434	54860	470	120780
P&SIND					375	44860	393	69320	568	115516
VIJAYA	798	41130	184	12740	766	232870	522	156980	1850	447840
J&K					392	68040	338	59380	530	128680
FEDERAL					77	23310	283	41820	450	65940
ICICI	1400	93140	337	29520	431	79700	3315	360990	3273	572106
HDFC	573	35180	125	14130	384	72120	4088	235770	1960	364330
Total	112951	8598160	30734	2366020	29996	4306430	42933	6204260	486297	22177781

Source: Bank of Baroda, 2015-2016.

❖ The table above reflects an annual report of the Credit Plan for the Allahabad district in the 2015-2016 financial year as provided by Bank of Baroda – the lead bank in the Allahabad district. The table represents credits that were advanced to various sectors under the PSL. It can clearly be seen from the table that a total of Rs. 22177781000 was given out as loan advances by the various commercial banks to support the various priority sectors with a consolidated total number 486297 accounts.

4.3.5 Districts Credit Plan – Annual reports for the year 2014 – 2015

(All Sectors – Bank wise)

(Rs. '000)

DESC	Agriculture		Allied		MSME		OPS		Total	
Bank	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.
SBI	31717	1600000	8037	505300	1312	229000	2380	471800	43446	2806100
SBBJ					40	7800	102	19000	142	26800
SBP					201	40100	189	42000	390	82100
BOB	29118	1434300	6776	452900	1334	242200	2187	393650	39415	2523050
ALLAH	14332	773400	3564	244200	685	136800	1528	297100	20109	1451500
BOI	2057	96100	608	30400	225	44300	648	117400	3538	288200
BOM					101	20000	164	32000	265	52000
CANARA					2323	464500	628	164000	2951	628500
DENA	1907	92000	470	29000	401	76800	431	88000	3209	285800
INDIAN					49	10000	84	17600	133	27600
IOB	429	21300	96	6700	71	13600	374	68700	970	110300
CBI	3123	168300	665	53100	305	59800	1289	236300	5382	517500
UNION	3289	160800	865	50800	243	46500	1225	213800	5622	471900
PNB	5778	281500	1779	88900	1288	255600	1337	295500	10182	921500
UNITED	1182	59100	235	18700	347	69500	695	134800	2459	282100
UCO	4839	230700	1283	72900	493	98300	1393	271700	8008	673600
SYND					156	31100	286	57000	442	88100
ANDHRA					45	9000	77	14800	122	23800
CORPO					125	24900	163	30700	288	55600
OBC					170	33700	176	33900	346	67600
P&SIND					119	23600	243	46600	362	70200

VIJAYA	541	27900	131	8800	458	89900	331	71900	1461	198500
J&K					197	39300	191	39900	388	79200
FEDERAL					46	9000	148	28100	194	37100
ICICI	1144	63400	252	20000	237	47200	1062	215800	2695	346400
HDFC	453	22400	108	7100	213	42000	897	158300	1671	229800
Total	99909	5031200	24869	1588800	11184	2164500	18228	3560350	154190	12344850

Source: Bank of Baroda, 2014-2015

- ❖ The bank wise distribution of loan advancements as provided by Bank of Baroda as the lead bank in the financial year 2014-2015 is also shown in the reports above.
- ❖ A total of Rs. 12344850000 was provided by PSL lending by various commercial banks and the total number of accounts were 154190.
- ❖ A total of Rs. 5031200000 was allocated for Agriculture sector by Commercial banks consisting of 99909 accounts.

4.3.6 District Credit Plan – Annual reports for the year 2013 – 2014

(All Sectors – Bank wise)

(Rs. '000)

DESC	Agriculture		Allied		MSME		OPS		Total	
	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.	No. A/Cs	Amt.
SBI	24549	1414200	2207	138800	943	189200	2138	397400	29837	2139600
SBBJ					33	6600	84	16000	117	22600
SBP					169	33800	182	35500	351	69300
BOB	21729	1115430	3853	255770	1280	246000	2086	377900	28948	1995100
ALLAH	10999	610330	2291	157070	590	113700	1378	250200	15258	1131300
BOI	1138	62610	52	2590	186	36600	602	98900	1978	200700
BOM					86	16800	116	27000	202	43800
CANARA					1958	391300	255	54000	2213	445300
DENA	1724	84270	271	16630	326	64700	339	74100	2660	239700
INDIAN					41	8400	67	14900	108	23300
IOB	364	19710	61	3690	60	11500	284	57800	769	92700
CBI	2714	168240	205	16260	255	50400	998	199000	4172	433900
UNION	2264	128480	127	7520	192	38400	884	180200	3467	354600
PNB	4462	258610	194	9790	1074	214600	1215	248900	6945	731900
UNITED	1019	58690	77	6110	294	58600	566	113600	1956	237000
UCO	4344	235000	316	18000	407	82800	1216	228800	6283	564600

SYND					131	26200	223	47900	354	74100
ANDHRA					39	7600	68	12500	107	20100
CORPO					107	21000	118	25900	225	46900
OBC					146	28400	137	28600	283	57000
P&SIND					100	19900	168	39300	268	59200
VIJAYA	493	29790	12	810	379	75800	367	60600	1251	167000
J&K					164	33100	214	33600	378	66700
FEDERAL					38	7600	102	23600	140	31200
ICICI	1070	69500			197	39800	669	181700	1936	291000
HDFC	385	19300	79	5300	184	35400	621	133300	1269	193300
Total	77254	4274160	9745	638340	9379	1858200	15097	2961200	111475	9731900

Source: Bank of Baroda, 2013-2014

- ❖ The bank wise distribution of loan advancements as provided by Bank of Baroda as the lead bank in the financial year 2013-2014 is also shown in the reports above.
- ❖ A total advances by commercial banks was Rs. 9731900000 against 111475 accounts
- ❖ The total advances by SBI to Agriculture sector was Rs. 1414200000 against 24549 accounts.

4.3.7 District Annual Action Plan Progress – 2017-2018

Bank wise

(Amount in Lakhs)

DESC	No. Of Branches	Agriculture			MSME			OPS			Total		
		ACH	TAR	%	ACH	TAR	%	ACH	TAR	%	ACH	TAR	%
SBI	84	3119761	3021560	103	344969	342980	101	158590	155790	102	3623320	3520330	103
SBBJ	1	0	0		10896	11520	95	5865	5810	101	16761	17330	97
SBP	4	0	0		55381	59180	94	20195	20450	99	75576	79630	95
BOB	77	2903493	2707220	107	358749	356680	101	149987	147550	102	3412229	3211450	106
ALLAH	28	1566000	1460140	107	203433	202260	101	97967	95560	103	1867400	1757960	106
BOI	9	194648	181490	107	65910	65530	101	35150	34450	102	295708	281470	105
BOM	2	0	0		29721	29550	101	11631	12080	96	41352	41630	99
CAN	11	0	0		689999	686020	101	168211	169560	99	858210	855580	100
DENA	7	186390	173790	107	114028	113370	101	41183	40800	101	341601	327960	104
INDIAN	2	0	0		25195	25050	101	10269	10160	101	35464	35210	101
IOB	5	43115	40200	107	20277	20160	101	16081	15910	101	79473	76270	104
CBI	9	340680	317650	107	88913	88400	101	59678	59090	101	489271	465140	105

UNION	21	325826	303800	107	69280	68880	101	51501	50910	101	446607	423590	105
PNB	26	585832	546230	107	394756	392480	101	142505	141330	101	1123093	1080040	104
UNITED	8	119702	111610	107	103286	102690	101	46379	45940	101	269367	260240	104
UCO	16	467127	435550	107	145982	145140	101	79178	78360	101	692287	659050	105
SYND	8	0	0		46196	45930	101	20340	20150	101	66536	66080	101
ANDHR A	4	0	0		21718	23780	91	9613	9530	101	31331	33310	94
CORPO	6	0	0		37331	36750	102	13635	13520	101	50966	50270	101
OBC		0	0		53259	54580	98	19395	19240	101	72654	73820	98
P&SIND	3	0	0		31925	34860	92	15770	15620	101	47695	50480	94
VIJAYA	9	56596	52770	107	133641	132870	101	42871	42550	101	233108	228190	102
J&K	1	0	0		53658	58040	92	20120	19960	101	73778	78000	95
FEDERA L	1	0	0		13520	13310	102	7833	7750	101	21353	21060	101
ICICI	10	128335	119660	107	70801	69700	102	52146	51450	101	251282	240810	104
HDFC	17	45377	42310	107	63101	62120	102	40902	40450	101	149380	144880	103
Total	369	10082882	9513980		3245925	3241830		1336995	1323970		14665802	14079780	

Source: Bank of Baroda, 2017-2018

- ❖ The bank wise district annual action plan progress by Bank of Baroda as the lead bank in the financial year 2017-2018 is shown in the reports above. An amount of Rs.14079780000 were targeted by all the banks to the various priority sectors to undertake various priority sector activities. However, only Rs.14665802000 was achieved by the banks
- ❖ A total of Rs. 356680 were targeted by Bank of Baroda to MSMEs but Rs. 358749 was achieved.
- ❖ The agriculture sector received a targeted amount of Rs. 9513980000 but a total Rs. 10082882000 was disbursed to the sector. This indicated that the Agric. sector received quite a substantial amount in the year 2017-2018.

4.3.8 District Annual Action Plan Progress – 2016-2017

Bank wise

(Amount in Lacs)

DESC	Branches	Agriculture			MSME			OPS			TOTAL		
		Total			Total			Total			Total		
		ACH	TAR	%	ACH	TAR	%	ACH	TAR	%	ACH	TAR	%
BOB	77	2903493	2707220	104	358749	356680	101	586169	583340	101	3848411	3647240	101
SBI	74	3119761	3021560	100	344969	342980	101	705342	702050	101	4170072	4066590	101
SBBJ	1				10896	11520	95	26790	28250		37686	39770	
SBP	4				55381	59180	94	59747	62460		115128	121640	
ALLAH	28	1566000	1460140	103	203433	202260	101	444849	442130	105	2214282	2104530	100
PNB	17	585832	546230	104	394756	392480	101	458429	456970	102	1439017	1395680	103
CBI	8	340680	317650	97	88913	88400	101	352241	351390	115	781834	757440	99
UCO	15	467127	435550	101	145982	145140	101	405401	404290	108	1018510	984980	100
UNION	20	325826	303800	102	69280	68880	101	318811	317980	107	713917	690660	103
UNITED	7	119702	111610	109	103286	102690	101	201238	200660	102	424226	414960	99
BOI	6	194648	181490	95	65910	65530	101	175456	174630	1	436014	421650	102
										4	0	0	
DENA	7	186390	173790	102	114028	113370	101	131404	130940	101	431822	418100	103
CANARA	10	0	0	0	689999	686020	101	242528	243810	101	932527	929830	103
VIJAYA	7	56596	52770	99	133641	132870	101	107359	106980	105	297596	292620	101
IOB	6	43115	40200	97	20277	20160	101	102419	102170	103	165811	162530	99
ANDHRA	2	0	0	0	21718	23780	91	31202	31100	104	52920	54880	92
BOM	2	0	0	0	29721	29550	101	47253	47670	105	76974	77220	102
CORPO	3	0	0	0	37331	36750	102	45814	45670	101	83145	82420	102
INDIAN	2	0	0	0	25195	25050	101	34751	34620	103	59946	59670	98
OBC	4	0	0	0	53259	54580	98	55047	54860	101	108306	109440	104
P&SIND	3	0	0	0	31925	34860	92	69518	69320	72	101443	104180	99
SYND	7	0	0	0	46196	45930	101	85258	85010	101	131454	130940	103
ICICI	6	128335	119660	101	70801	69700	102	321829	320990	102	520965	510350	102
J & K	1				53658	58040	92	59575	59380		113233	117420	
FEDERAL	1	0	0	0	13520	13310	102	41934	41820	105	55454	55130	103
HDFC	1	45377	42310	99	63101	62120	102	236398	235770	101	344876	340200	101
Total	319	10082882	9513980		3245925	3241830		5346762	5334260		18675569	18090070	

Source: Bank of Baroda, 2016-2017

- ❖ The bank wise district annual action plan progress by Bank of Baroda as the lead bank in the financial year 2016 - 2017 is shown in the reports above.
- ❖ Bank of Baroda's target amount of Rs. 3647240000 was achieved by Rs. 3848411000
- ❖ An achieved amount of Rs. 3241830 was given to MSME out of target amount of Rs. 3245925000.
- ❖ SBI targeted amount to the OPS was Rs. 72050000 with an achievement of Rs. 705342 indicating 101% increase.

4.3.9 District Annual Action Plan Progress – 2015-2016

Bank wise

(Amount in Lakhs)

DESC	Branches	Agriculture			MSME			OPS			Total		
		Total			Total			Total					
		ACH	TAR	%	ACH	TAR	%	ACH	TAR	%	ACH	TAR	%
BOB	77	23221	22274	104	2890	2856	101	3510	3490	101	29621	28620	101
SBI	74	24910	24845	100	2755	2715	101	4401	4370	101	32066	31930	101
ALLAH	28	12450	12007	103	1710	1615	105	2778	2768	105	16938	16390	100
PNB	17	4562	4370	104	3095	3019	102	2510	2428	102	10167	9817	103
CBI	8	2532	2612	97	810	707	115	2335	2338	115	5677	5657	99
UCO	15	3610	3582	101	1251	1160	108	2614	2606	108	7475	7348	100
UNION	20	2554	2497	102	589	550	107	2201	2137	107	5344	5184	103
UNITED	7	1004	918	109	835	821	102	1230	1237	102	3069	2976	99
BOI	6	1410	1492	95	545	523	104	1141	1122	104	3096	3137	102
DENA	7	1454	1429	102	911	908	101	743	721	101	3108	3058	103
CANARA	10	0	0	0	5541	5488	101	611	594	101	6152	6082	103
VIJAYA	7	428	433	99	1112	1062	105	521	515	105	2061	2010	101
SBP	4	0	0	0	490	473	104	341	335	104	831	808	102
IOB	6	321	330	97	165	160	103	687	690	103	1173	1180	99
ANDHRA	2	0	0	0	197	190	104	158	172	104	355	362	92
BOM	2	0	0	0	248	236	105	289	284	105	537	520	102
CORPO	3	0	0	0	298	294	101	261	257	101	559	551	102
INDIAN	2	0	0	0	206	200	103	191	195	103	397	395	98
OBC	4	0	0	0	441	437	101	296	285	101	737	722	104
P&SIND	3	0	0	0	201	278	72	425	429	72	626	707	99
SYND	7	0	0	0	369	367	101	535	518	101	904	885	103
SBBJ					97	92		177	179		274	271	

ICICI	6	991	984	101	568	557	102	2190	2156	102	3749	3697	102
J&K	1				478	464		321	315		799	779	
FEDERAL	1	0	0	0	111	106	105	281	272	105	392	378	103
HDFC	1	345	348	99	501	496	101	1576	1562	101	2422	2406	101
Total	318	79792	78121		26414	25774		32323	31975		138529	135870	

Source: Bank of Baroda, 2015-2016

- ❖ The bank wise district annual action plan progress by Bank of Baroda as the lead bank in the financial year 2015-2016 is shown in the reports above.
- ❖ It can be clearly seen that an amount of Rs. 22274 in lakhs targeted for agriculture sector, Bank of Baroda as the Lead bank achieved an amount of Rs. 23221 in lakhs indicating a percentage increase of 104%
- ❖ Bank of Baroda with a Targeted amount Rs. 2856 in lakhs for the OPS achieved amount Rs. 2890 lakhs for the year 2015-16 which is 101%.
- ❖ All the banks with a targeted amount Rs.135870 in lakhs achieved and amount of 138529 in lakhs.

4.3.10 District Annual Action Plan Progress – 2014-2015

Bank wise

(Amount in Lakhs)

DESC	Branches	Agriculture			MSME			OPS			Total		
		Total			Total			Total					
		ACH	TAR	%	ACH	TAR	%	ACH	TAR	%	ACH	TAR	%
BOB	72	19372	18872	114	2523	2422	107	4032	3937	107	25927	25231	107
SBI	64	22074	21053	108	2358	2290	106	4812	4718	106	29244	28061	104
ALLAH	28	11191	10176	112	1403	1368	109	3012	2971	109	15606	14515	108
PNB	17	3742	3704	103	2576	2556	106	3014	2955	106	9332	9215	107
CBI	8	2284	2214	89	602	598	98	2422	2363	98	5308	5175	95
UCO	15	3123	3036	91	993	983	97	2842	2716	97	6958	6735	97
UNION	20	2198	2116	105	482	465	98	2242	2139	98	4922	4720	99
UNITED	7	780	778	93	713	695	91	1353	1349	91	2846	2822	93
BOI	6	1276	1265	94	498	443	93	1210	1174	93	2984	2882	91
DENA	5	1252	1210	96	802	768	97	901	879	97	2955	2857	97

CANARA	4	0	0	0	4612	4645	90	653	641	90	5265	5286	93
VIJAYA	7	370	368	98	902	899	99	731	720	99	2003	1987	99
SBP	4	0	0	0	413	401	92	443	421	92	856	822	96
IOB	6	282	280	95	135	136	97	692	687	97	1109	1103	90
ANDHRA	2	0	0	0	89	90	96	152	148	96	241	238	95
BOM	2	0	0	0	213	200	91	333	320	91	546	520	96
CORPO	3	0	0	0	252	249	100	312	307	100	564	556	91
INDIAN	2	0	0	0	102	100	94	189	177	94	291	277	88
OBC	4	0	0	0	338	337	95	352	339	95	690	676	95
P&SIND	3	0	0	0	242	236	86	476	467	86	718	703	84
SYND	4	0	0	0	312	311	97	582	569	97	894	880	96
SBBJ	1				79	78		196	190		275	268	
ICICI	5	792	834	91	473	472	96	2252	2158	96	3517	3464	93
J&K	1				396	393		443	399		839	792	
FEDERAL	1	0	0	0	92	90	99	286	280	99	378	370	90
HDFC	5	312	295	94	423	420	98	1653	1583	98	2388	2298	93
Total	296	69048	66201		22023	21645		35585	34607		126656	122453	

Source: Bank of Baroda, 2014-2015

- ❖ The bank wise district annual action plan progress by Bank of Baroda as the lead bank in the financial year 2014-2015 is shown in the reports above.
- ❖ All the banks with a targeted amount Rs. 31481 in Lakhs for the MSME achieved an amount of Rs. 17968 in Lakhs.
- ❖ Rs. 122453 in Lakhs was targeted by all the banks for the OPS in the year 2014-2015 and Rs. 126656 was achieved.
- ❖ Bank of Baroda with a targeted amount Rs.3937 in Lakhs for the OPS achieved an amount Rs.4032 in Lakhs for the year 2014-2015.
- ❖ A targeted amount of Rs 66201 in lakhs by all the banks achieved an amount RS.69048 in Lakhs in the agricultural sector.

4.3.11 District Annual Action Plan Progress –

2013-2014

Bank wise

(Amount in Lakhs)

DESC	Branches	Agriculture			MSME			OPS			OPS		
		Total			Total			Total			Total		
		ACH	TAR	%	ACH	TAR	%	ACH	TAR	%	ACH	TAR	%
BOB	72	17920	15727	105	2695	2500	108	4052	3780	105	24667	22007	105
SBI	64	18920	17544	97	2054	1929	100	4159	3974	99	25133	23447	101
ALLAH	23	9522	8480	100	1260	1152	95	2710	2502	103	13492	12134	102
PNB	17	3192	3087	92	2284	2153	89	2682	2489	101	8158	7729	101
CBI	8	1643	1845	102	497	504	88	1910	1990	102	4050	4339	97
UCO	15	2303	2530	101	801	828	93	2211	2289	101	5315	5647	98
UNION	14	1843	1763	103	383	392	91	1797	1802	101	4023	3957	104
UNITED	7	603	648	97	533	586	86	1053	1136	99	2189	2370	109
BOI	6	989	1054	98	348	373	85	898	989	98	2235	2416	107
DENA	5	973	1009	93	626	647	95	720	740	103	2319	2396	99
CANARA	4	0	0	0	3527	3913	0	502	539	101	4029	4452	92
VIJAYA	5	298	306	90	752	759	70	599	606	101	1649	1671	95
SBP	3	0	0	0	312	338	0	341	354	101	653	692	92
IOB	6	221	234	93	112	115	87	522	578	90	855	927	93
ANDHRA	2	0	0	0	73	76	0	118	124	112	191	200	99
BOM	2	0	0	0	152	168	0	261	270	108	413	438	103
CORPO	2	0	0	0	211	210	0	236	259	104	447	469	96
INDIAN	1	0	0	0	79	84	0	133	149	108	212	233	95
OBC	4	0	0	0	271	284	0	271	286	111	542	570	95
P&SIND	3	0	0	0	171	199	0	331	393	116	502	592	101
SYND	4	0	0	0	253	262	0	461	479	97	714	741	94
ST BK BIK	1				64	66		143	160		207	226	
ICICI	5	635	695	69	395	398	50	1712	1817	92	2742	2910	99
J&K	1				303	331		325	336		628	667	
FEDERAL	1	0	0	0	75	76	0	211	236	107	286	312	87
HDFC	5	231	246	70	349	354	56	1243	1333	112	1823	1933	102
Total	280	59293	55168		18580	18697		29601	29610		107474	103475	

Source: Bank of Baroda, 2013-2014

- ❖ The bank wise district annual action plan progress by Bank of Baroda as the lead bank in the financial year 2013-2014 is shown in the reports above.

- ❖ All the banks with a targeted amount Rs.18697 in Lakhs for the MSME achieved an amount of Rs.18580 in Lakhs.
- ❖ Rs. 29601 in Lakhs was achieved by all the banks for the OPS in the year 2013-2014 against a target of Rs.29610 Lakhs.
- ❖ Bank of Baroda with a targeted amount Rs. 3780 in Lakhs for the OPS achieved an amount Rs. 4052 in Lakhs for the year 2013-2014.
- ❖ A targeted amount of Rs.55168 in lakhs by all the banks achieved an amount RS. 59293 in Lakhs in the agricultural sector.

4.3.12 Business Profile of all Banks of Allahabad District

2017-2018

Bank	No. of branches	Total Deposit	Total Advance	CD ratio	Priority sector	%	Agric. Advance	%
Bank of Baroda	77	29037613	11806014	40.66	5783555	49	2895306	25
State Bank of India	74	50351052	15988524	31.75	5827121	36	1994210	12
Allahabad Bank	28	22042514	6692532	30.36	1995845	30	845302	13
Punjab National Bank	17	23157024	7361412	31.79	2993066	41	1009880	14
Central Bank	8	5324225	1720232	32.31	459610	27	202558	12
UCO Bank	15	5302324	1680524	31.69	566724	34	182836	11
Union Bank of India	20	9200023	2678413	29.11	987998	37	336868	13
United Bank of India	7	3952823	1283031	32.46	457784	36	199774	16
Bank of India	6	6031312	1786314	29.62	619626	35	199949	11
Dena Bank	7	2010813	680312	33.83	227345	33	76422	11
Canara Bank	10	2982124	1040235	34.88	459397	44	55848	5
Vijaya Bank	7	7391216	1891858	25.6	672421	36	39806	2
State Bank of Patiala	4	1329526	489525	36.82	239612	49	0	0
Indian Overseas bank	6	3974723	1284914	32.3	187842	15	47630	4
Andhra Bank	2	1175112	396025	33.7	113300	29	0	0
Bank of Maharashtra	2	1127553	421052	37.34	157674	37	29976	7
Corporation Bank	3	2639547	819452	31.05	195658	24	63957	8
Indian Bank	2	624482	195258	31.27	45881	23	8987	5

Oriental Bank of Comm.	4	3204332	919932	28.71	334509	36	887	0
Punjab & Sind Bank	3	1580152	496487	31.02	146498	30	1470	0
Syndicate Bank	6	2787549	884521	31.73	219168	25	5835	1
St. Bk. of Bikaner & Jaipur	1	496551	155744	31.37	51942	33	0	0
ICICI Bank	6	3954010	2483213	62.8	878929	35	98510	4
Jammu & Kashmir Bank	1	245912	278913	113.42	182201	65	89886	32
HDFC Bank	8	5105432	2108526	41.3	433015	21	189451	9
IDBI Bank	2	2104936	1357046	64.47	119554	9	0	0
Total	326	197132880	66900009	33.46	24356275		8575348	

Source: Bank of Baroda, 2017-2018.

- ❖ The business profile of all banks of Allahabad District in the financial year 2017-2018 is shown in the reports above. In the year 2017-18, the total deposits for Bank of Baroda as the lead bank in the Allahabad district was RS.29037613 with total advances of Rs. 11806014 given 77 branches.
- ❖ It can be seen that on the average the CD ratio was 33.46%
- ❖ The total advances given out in the district by all the banks in the year 2017-18 was Rs. 66900009 with a total deposit of 197132880 given 326 branches of all the banks.

4.3.13 Business Profile of all banks of Allahabad District

2016-2017

Bank	No. of branches	Total Deposit	Total Advance	CD ratio	Priority sector	%	Agric Advance	%
Bank of Baroda	77	40090013	13220014	32.98	7094522	54	4327323	33
State Bank of India	74	56321152	17598524	31.25	6221713	35	2096898	12
Allahabad Bank	28	34482314	8958632	25.98	3034042	34	1339283	15
Punjab National Bank	17	25114224	8612312	34.25	3295540	38	1119024	13
Central Bank	8	5948125	2656432	44.66	463903	17	205232	8
UCO Bank	15	5302324	1845824	34.81	576235	31	195224	11
Union Bank of India	20	12658323	2995413	23.66	993204	33	338225	11
United Bank of India	7	5088223	749131	14.72	468812	63	199988	27
Bank of India	10	6753612	2047714	30.32	624525	30	199987	10

Dena Bank	7	2548513	405812	15.92	229425	57	76769	19
Canara Bank	10	4386624	1166435	26.59	465493	40	55984	5
Vijaya Bank	7	6957716	1848958	26.57	692529	37	39985	2
State Bank of Patiala	4	1519126	593825	39.09	239612	40	0	0
Indian Overseas bank	6	3588723	1890214	52.67	195232	10	47825	3
Andhra Bank	2	1377512	511225	37.11	122223	24	0	0
Bank of Maharashtra	2	1127553	521052	46.21	158223	30	29996	6
Corporation Bank	3	3602847	649752	18.03	196728	30	63986	10
Indian Bank	2	820082	82000	10	45903	56	9026	11
Oriental Bank of Comm.	4	3432032	1195132	34.82	335410	28	987	0
Punjab & Sind Bank	3	1580152	886287	56.09	148493	17	15234	2
Syndicate Bank	6	2787549	985821	35.37	223328	23	5894	1
St. Bk. of Bikaner & Jaipur	1	325851	77333	23.73	52302	68	0	0
ICICI Bank	6	5178910	2204013	42.56	882029	40	98722	4
Jammu & Kashmir Bank	1	179912	599652	333.3	192312	32	89948	15
HDFC Bank	8	5146332	2286326	44.43	443112	19	189703	8
IDBI Bank	3	1816845	974800	53.65	119973	12	0	0
Total	331	238134589	75562633	1168.77	27514823	898	10745243	226

Source: Bank of Baroda, 2016-2017.

- ❖ The business profile of all banks of Allahabad District in the financial year 2016-2017 is shown in the reports above. It can be observed from the table above that the total advances to the Agric. sector given the year under consideration was Rs. 10745243.
- ❖ The priority sector advances were Rs. 27514823.
- ❖ In all, a total of 331 branches by all the banks were recorded in the year 2016-2017.
- ❖ In the year 2016-17, the total deposits for Bank of Baroda as the lead bank in the Allahabad district was Rs.40090013 with total advances of Rs. 13220014 given 77 branches.

4.3.14 Business Profile of all banks of Allahabad District
2015-2016

Bank	No. of branches	Total Deposit	Total Advance	CD ratio	Priority sector	%	Agric Advance	%
Bank of Baroda	72	39037613	21804514	40.66	5783555	49	2895306	25
State Bank of India	64	50351052	15988524	31.75	5827121	36	1994210	12
Allahabad Bank	23	22042514	6692532	30.36	1995845	30	845302	13
Punjab National Bank	17	23157024	7361412	31.79	2993066	41	1009880	14
Central Bank	8	5324225	1720232	32.31	459610	27	202558	12
UCO Bank	15	5302324	1680524	31.69	566724	34	182836	11
Union Bank of India	14	9200023	2678413	28.11	997998	37	336868	13
United Bank of India	7	3952823	1283031	32.46	457784	36	199774	16
Bank of India	6	6031312	1786314	29.62	619626	35	199949	11
Dena Bank	5	2010813	680312	33.83	227345	33	76422	11
Canara Bank	4	2982124	1040235	34.88	459397	44	55848	5
Vijaya Bank	5	7391216	1891858	25.6	672421	36	39806	2
State Bank of Patiala	3	1329526	489525	36.82	239612	49	0	0
Indian Overseas bank	6	3974723	1284014	32.3	187842	15	47630	4
Andhra Bank	2	1175112	396025	33.7	113300	29	0	0
Bank of Maharashtra	2	1127553	421052	37.34	157674	37	29976	7
Corporation Bank	2	2639547	919452	31.05	195658	24	63957	8
Indian Bank	1	624482	195258	31.27	45881	23	8987	5
Oriental Bank of Comm.	4	3204332	919932	28.71	334509	36	887	0
Punjab & Sind Bank	3	1580152	496487	31.42	146498	30	1470	0
Syndicate Bank	4	2787549	884521	31.73	219168	25	5835	1
St. Bk. of Bikaner & Jaipur	1	496551	155744	31.37	51942	33	0	0
ICICI Bank	5	3954010	2483213	62.8	888929	35	98510	4
Jammu & Kashmir Bank	1	245912	278913	113.42	182201	65	89886	32
HDFC Bank	5	5105432	2108526	41.3	433015	21	189451	9
IDBI Bank	2	2104936	1357046	64.47	119554	9	0	0
Total	281	207132880	76997609		24376275		8575348	

Source: Bank of Baroda, 2015-2016.

- ❖ The business profile of all banks of Allahabad District in the financial year 2015-2016 is shown in the reports above.
- ❖ It can be seen that the Agric. advances by the Bank of Baroda was Rs.2895306.
- ❖ The total deposits by all the banks were Rs. 207132880 with a total of 281 branches.
- ❖ The year 2015-2016 recorded a total advance of Rs.76997609 by all the banks given 281 branches.
- ❖ The priority sector also received a total advance of Rs. 24376275.

4.3.15 Business Profile of all banks of Allahabad District 2014-2015

Bank	No. of branches	Total Deposit	Total Advance	CD ratio	Priority sector	%	Agric Advance	%
Bank of Baroda	72	29037613	11806014	40.66	5783555	49	2895306	25
State Bank of India	64	50351052	15988524	31.75	5827121	36	1994210	12
Allahabad Bank	23	22042514	6692532	30.36	1995845	30	845302	13
Punjab National Bank	17	23157024	7361412	31.79	2993066	41	1009880	14
Central Bank	8	5324225	1720232	32.31	459610	27	202558	12
UCO Bank	15	5302324	1680524	31.69	566724	34	182836	11
Union Bank of India	14	9200023	2678413	28.11	987998	37	336868	13
United Bank of India	7	3952823	1283031	32.46	457784	36	199774	16
Bank of India	6	6031312	1786314	29.62	619626	35	199949	11
Dena Bank	5	2010813	680312	33.83	227345	33	76422	11
Canara Bank	4	2982124	1040235	34.88	459397	44	55848	5

Vijaya Bank	5	7391216	1891858	25.6	672421	36	39806	2
State Bank of Patiala	3	1329526	489525	36.82	239612	49	0	0
Indian Overseas bank	6	3974723	1284014	32.3	187842	15	47630	4
Andhra Bank	2	1175112	396025	33.7	113300	29	0	0
Bank of Maharashtra	2	1127553	421052	37.34	157674	37	29976	7
Corporation Bank	2	2639547	819452	31.05	195658	24	63957	8
Indian Bank	1	624482	195258	31.27	45881	23	8987	5
Oriental Bank of Comm.	4	3204332	919932	28.71	334509	36	887	0
Punjab & Sind Bank	3	1580152	496487	31.42	146498	30	1470	0
Syndicate Bank	4	2787549	884521	31.73	219168	25	5835	1
St. Bk. of Bikaner & Jaipur	1	496551	155744	31.37	51942	33	0	0
ICICI Bank	5	3954010	2483213	62.8	878929	35	98510	4
Jammu & Kashmir Bank	1	245912	278913	113.42	182201	65	89886	32
HDFC Bank	5	5105432	2108526	41.3	433015	21	189451	9
IDBI Bank	2	2104936	1357046	64.47	119554	9	0	0
Total	281	197132880	66899109		24356275		8575348	

Source: Bank of Baroda, 2014-2015.

- ❖ The business profile of all banks of Allahabad District in the financial year 2014-2015 is shown in the reports above.

- ❖ The total deposit of Rs.29037613 was received by Bank of Baroda with a total advance of Rs. 11806014.
- ❖ The total advance of Rs. 4356275 was given to the Priority sector in the year 2014-2015.
- ❖ The CD ratio for Bank of Baroda in the year 2014-2015 was 40.66.

4.3.16 Business Profile of all banks of Allahabad District

2013-2014

Bank	No. of branches	Total Deposit	Total Advance	CD ratio	Priority sector	%	Agric. Advance	%
Bank of Baroda	58	23930236	9153548	38.25	4788214	52	2555306	28
State Bank of India	64	43100015	12600015	29.23	3398335	27	1827210	15
Allahabad Bank	23	18321221	5453015	29.76	2638728	48	812302	15
Punjab National Bank	17	20533325	6286942	30.62	3648802	58	969320	15
Central Bank	8	5197545	1400326	26.94	448310	32	142558	10
UCO Bank	15	5238334	1335914	25.5	834455	62	137836	10
Union Bank of India	14	10798026	1765015	16.35	975898	55	306868	17
United Bank of India	7	3802843	943036	24.8	629139	67	110774	12
Bank of India	7	5539426	1180929	21.32	810058	69	127936	11
Dena Bank	5	1849825	294443	15.92	217345	74	71822	24
Canara Bank	4	2674047	879211	32.88	788784	90	51048	6
Vijaya Bank	5	4036585	1082125	26.81	642421	59	38506	4
State Bank of Patiala	3	1205332	585636	48.59	277225	47	0	0

Indian Overseas bank	6	3025022	365142	12.07	176142	48	44330	12
Andhra Bank	1	1016011	291746	28.71	101200	35	0	0
Bank of Maharashtra	2	1097545	221631	20.19	181805	82	21876	10
Corporation Bank	2	2904234	484829	16.69	183558	38	60357	12
Indian Bank	1	557446	83136	14.91	43581	52	6786	8
Oriental Bank of Comm.	4	2927026	514646	17.58	319509	62	848	0
Punjab & Sind Bank	3	1530135	229726	15.01	214662	93	1170	1
Syndicate Bank	4	2653242	727334	27.41	202168	28	5435	1
St. Bk. of Bikaner & Jaipur	1	576043	103544	17.98	50042	48	0	0
ICICI Bank	5	3854012	2283236	59.24	867629	38	94510	4
Jammu & Kashmir Bank	1	245942	278932	113.41	211263	76	82186	29
HDFC Bank	7	3150232	1852526	58.81	402915	22	179451	10
IDBI Bank	2	2104936	1357046	64.47	97654	7	0	0
Total	269	171868586	51753629		23149842		7648435	

Source: Bank of Baroda, 2013-2014.

- ❖ The business profile of all banks of Allahabad District in the financial year 2013-2014 is shown in the reports above.
- ❖ It can be seen that the Agric. advances by the Bank of Baroda was Rs.7648435.
- ❖ The total deposits by all the banks were Rs. 171868586 with a total of 269 branches.

- ❖ The year 2013-2014 recorded a total advance of Rs.51753629 by all the banks given 269 branches.
- ❖ The priority sector also received a total advance of Rs. 23149842.

4.3.17 Districts Credit Plan – Annual reports for the year 2013 – 2017

Activity wise performance		Amount in Crores			
Activity		2013-2014	2014-2015	2015-2016	2016-2017
Crop Loans	T	10179.65	14013.49	17471.08	22309.15
	A	9807.63	13274.58	18127.62	19015.80
		(96)	(94)	(103)	(85)
Minor Irrigation	T	275.02	336.63	456.43	607.10
	A	165.89	167.10	277.48	281.98
		(60)	(49)	(61)	(46)
Land Development	T	99.16	122.19	357.57	377.02
	A	184.55	175.46	388.07	251.22
		(186)	(143)	(108)	(66)
Farm Mechanization	T	1258.65	2357.44	4133.84	4472.46
	A	2457.53	3453.84	3485.36	2111.00
		(195)	(146)	(84)	(47)
Plantation/Horticulture	T	178.25	257.70	359.38	662.78
	A	152.63	115.73	303.52	134.26
		(85)	(45)	(85)	(20)
Agriculture others	T	84.91	84.74	1238.23	350.75
	A	688.62	1122.61	10806.13	9176.68
		(810)	(1324)	(872)	(2616)
Allied Agriculture	T	688.73	1407.10	688.76	1358.63
	A	609.44	242.92	456.04	276.70
		(88)	(17)	(66)	(20)
Non-Farm (SSI)	T	4983.37	5699.49	6995.97	8193.91
	A	5894.23	4271.67	4883.81	2754.51
		(118)	(75)	(70)	(33)
OPS	T	20042.98	33081.92	33739.15	36710.65
	A	27968.35	18072.16	27798.43	16409.38
		(139)	(54)	(82)	(44)
Total	T	41953.01	57378.70	65440.41	75042.45
	A	47928.87	40896.07	66525.46	50411.53
		(114)	(71)	(101)	(67)

Source: Bank of Baroda, Lead bank (Allahabad District)

Note: T – Target

A – Achieved

Figures in brackets indicates percentage of target achieved.

AGRICULTURE SECTOR

Under the priority sector advances the primary sector being agriculture, keeping in view government policies of increasing flow to agriculture and good monsoons, the commercial banks have increased allocation to agriculture.

Under crop loan which is the major component among all the sectors in agriculture, the performance of commercial banks in the district under agriculture sector is overwhelming in the 2015-2016. The banks have surpassed the target under crop loan.

Credit deployment to trust areas such as minor irrigation, farm mechanization, plantation and horticulture continues to perform poorly because of poor income generations under agriculture due to drought. Banks have entered into agreement with tractor manufacturers and are financing tractor by reducing the minimum land holding margin money norms.

In plantation and horticulture, there is the need for creation of awareness among farming community on new technology under horticulture, floriculture, vegetable growing and sericulture activities in planned and coordination manner with financial institutions. There is also the need for creation of awareness about Drip/sprinkle irrigation system, medical/aromatic plants and small green house/ ploy house technology among the farming community. Few potential village with irrigation facilities may be selected for this purpose by the horticulture department.

The performance of commercial banks under all sectors of agriculture like crop loan, minor irrigation activities, land development, farm mechanization plantations and horticulture is satisfactory in the years 2015-2016 and 2016-2017

ALLIED AGRICULTURAL ACTIVITIES

This sector includes subsidiary agriculture activities such as diary, poultry, goat/sheep rearing, fishery, forestry, storage and marketing of agricultural produce. The diary

development being the important activity in the district, there is the need for concentrated efforts on developing this sector by popularizing commercial dairy units with modern technology. The Department for Animal Husbandry and Veterinary provides to inform availability of fodder and water in the district to take up the activity on commercial scale.

NON-FARM SECTOR

Importance has been given to SSI units, village and cottage industries and rural artisans. Special attention has also been given to rehabilitation of sick industrial units in the district as per directions of government of India.

OTHER PRIORITY SECTORS

This sector includes activities such as transport operation, retail trade, small business, professionals, education loans, housing loans, consumption loans etc. Commercial banks are continuing to lend more under priority sector activities and non-farm sectors.

1. CHAPTER- V

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

The final chapter offers the summary of the findings of the study, draws conclusions from the results of the analyses and makes recommendations for the government, businesses and banks. The chapter five is divided into the following sections:

1. Summary of Findings
2. Conclusion
3. Recommendations
4. Limitations of the study

5.1 SUMMARY OF FINDINGS

5.1.1 Findings of the study (Respondents)

- ❖ As most of the population living in rural areas are dependent on agriculture and allied activities, out of 500 respondents 390 respondents opted loan for Agricultural purposes and 49 respondents opted loan for setting up industry which is 78 percent and 10 percent of the total respondents respectively, which clearly indicates that the major requirement of funds of the people of Allahabad is related to Agriculture and allied activities.
- ❖ As 47 percent of the respondents were uneducated or having little education, and 30 percent of the respondents were intermediate therefore mostly the respondents were unaware about the loan available under priority sector lending. 47 percent beneficiaries availed loans after advice from friends and relatives, 24 percent have taken loan through Farmer/Trade Association, and only 16 percent have taken loan on the advice of bank officials which indicates that still the people are relying on their own resources while availing the loan from banks.

- ❖ Mostly loans are taken for (i) Agricultural purpose for buying seeds, chemicals fertilizers and raw materials etc., (ii) Buying Tractor or machine, (iii) Purchase of land, (iv) Storage purposes. Out of 500 respondents, 158 agreed that it takes a maximum of two months to release loans and another 105 agreed three months time for the same, which is 31.6% and 21 percent respectively. At times loan are delayed due to non fulfilment of the requirement by the borrower.
- ❖ Sometimes the loan sanctioned to the beneficiary is as per the demand, but at times the loan sanctioned is not as per the demand, mainly due to quoting of higher loan amount than actually required, lack of adequate papers required as security, apprehension of the bank manager for recovery of the loan. Out of the total 500 respondents, 51 percent agreed that they received the actual amount of loan which was actually demanded.
- ❖ Out of 500 respondent, 255 respondent (51 percent) agreed that they received the actual amount of loan they applied and 252 respondents (50.4 percent) respondents agreed that loan amount which was sanctioned was adequate to carry out their activities, while 248 (49.6 percent) of the respondents agreed that the loan amount was not adequate for their operations.
- ❖ 230 out of 500 respondents (46 percent) agreed that the bank officials supervise loan utilization and frequently visited their sight before releasing the next instalment of loan,(54 percent) and 270 respondent agreed that the bank officials did not visited their sight before releasing next instalment.
- ❖ 380 respondents (76 percent) agreed that they are repaying their loan instalment and 120 (24 percent) agreed that they are not paying the instalment mainly due to heavy losses, higher material cost, bad weather, flood etc.

- ❖ Banks thoroughly assess repayment capacity of borrowers, out of 30 respondents, 27 (90 percent) agreed that before sanctioning the loan they assess the repayment capacity of the borrowers, and only 10 percent agreed that they could not access the repayment capacity of the borrowers, as at times they have to complete their target priority sector lending.
- ❖ 76.7 percent of the bank managers agreed that usually they inquire about other loans taken by borrowers because the recovery of loan is difficult where more than one loan is taken and mostly the borrowers could not repay the instalment amount.
- ❖ 53.3 percent of the respondents (bank managers) agreed that the government pay subsidy amount to banks on time and 46.7 agreed that the government do not pay the subsidy on time mainly due to red tapism in several government department

5.1.2 Findings of the study (Interbank data)

- ❖ In absolute terms, the amount of loans given to the priority sector in the district shows an increasing trend.
- ❖ Major share of the credit in the district has gone to the agriculture and its allied activities.
- ❖ The major banks which are involved in priority sector lending in Prayagraj District are State bank of India, Bank of Baroda, Allahabad Bank they together accounted for more than 70 percent of the total transactions, followed by other public and private sector commercial banks.
- ❖ In spite of the variety of developmental programmes going on in the district, the flow of bank credit is not found to be satisfactory due to the following factors:
 - Small size of agriculture holdings
 - Old fashioned land records create problems in the arrangement of mortgage.

- There is shortage or scarcity of labour resulting into high cost of labour.
 - Conversion of agriculture lands for non-agriculture purposes shows the reducing interest of the people in agriculture.
 - Natural calamities such as flood, which is a regular feature in Prayagraj (Allahabad) District.
 - Middlemen taking the major share of loan as commission.
 - Lack of electricity supply especially in the rural areas.
- ❖ It was revealed that borrowers do not usually pay their loans on time locking up a chunk of the schemes money in debts.
 - ❖ Moreover, in spite of all the challenges in PSL, it is regarded a useful and beneficial.
 - ❖ It was revealed that commercial banks in the district continue to expand year by year by adding more branches occasionally.

5.1.3 General Findings

The concept of the priority sector was formulated and implemented after the social control over banks in the year 1969. The banks were directed by the Reserve Bank of India to lend 40 per cent of their aggregate credit to the activities covered under this sector. In the beginning when the banks were asked to lend to the activities coming under the priority sector at concessional rate of interest they took it up in general and commercial banks in particular have experienced many problems due to the priority sector lending. Among the various problems and challenges include the following:

- Difficulties in matters of getting extracts from revenue records and other certificates and documents.

The commercial banks have pointed out the agricultural borrower's difficulties in obtaining extracts from the revenue records to establish their ownership or tendency rights in land. The banks officials cannot process loan applications without these documents.

- Lack of physical infrastructure facilities and marketing arrangements

Inadequate development of infrastructure facilities, particularly roads, etc. were a handicap in implementing agricultural credit schemes, particularly in the interior regions and tribal areas. Marketing facilities were also often inadequate in terms of availability of marketing yards, godowns and cold storages due to unsatisfactory market arrangements. Prices received by agricultural borrowers were often low and uncertain. All this naturally adversely affect the recovery of loans by commercial banks to agriculturists.

- Lack of adequate support from development programmes

According to a number of commercial banks, successful implementation of credit schemes for certain purposes like minor irrigation, dairy development, poultry and fisheries crucially depends on development programmes of state governments. Delay in implementation of the developmental programmes by state governments have often adversely affected agriculture credit schemes undertaken by commercial banks.

- Lack of co-ordination

It is pointed out by most commercial banks that the various committees established at the district and state levels to co-ordinate the activities of different financial, credit and other institutions have been ineffective because of infrequent meetings, unwieldy composition and lack of problem-solving approach in the deliberations.

- Attitude of commercial banks branch staff

Some commercial banks complained that in the matter of implementing their agriculture credit schemes, “they were handicapped by the non-availability of adequate and competent staff, particularly field staff, at some of their branches”. This difficulty in the matter of getting trained staff in adequate numbers has become particularly great after commercial banks have started opening branches in rural areas of the district.

- Special difficulties in providing credit to weaker sections in rural areas

Some of the important difficulties coming in the way in this matter are:

- a. Unsatisfactory state of land records
- b. Inability of borrowers to provide margin money and securities
- c. Very small and fragmented holdings and small size of marketable agriculture surplus
- d. Poor progress in the implementation of land reforms in the district.
- e. Problem of loan recovery of commercial banks

Whenever the concern is expressed over the poor recovery performance of the commercial bank advances. It is related to the priority sector advances. Such concern is related only to advances to agriculture and more particularly to shorter term advances for agriculture. There are other areas in priority sector where equal or more concern is necessary. These priority sectors includes: Small Scale Industries, Retail Trade and Small Businesses, Transport Operators, Professional and Self-employed. From the field survey it has been find out that the major problems in Loan Recovery under Priority sector is due to the fact that the borrowers wait for the Government to waive of the loan, other reasons like change in government policies, climatic condition, poor credit appraisal and lack of infrastructure also contributes to the problems in loan recovery under Priority sector lending.

- The problem of non-performing assets of commercial banks

An asset can either be performing or non-performing asset. As long as assets generate income expected from it, it is treated as “performing assets”. In order words, a loan asset become “non-performing” when it ceases to generate income (i.e. interests, fees, commission, etc.) to the banks. Almost all the commercial banks had outstanding loans that were not paid to the banks beyond their due date for payment.

- Growth of credit allocation under Priority Sector Lending

The year wise credit allocation to Priority Sectors in Allahabad District from FY 2013-14 to FY 2018-19 and clearly indicates that the credit allocation which was 973.19 crores in 2013-14 increased to Rs. 2795.65 crores in FY 2018-19. The total hike over the period was Rs. 1822.46 crores or 187 percent.

- Rise in the standard of living due to Priority Sector Loans

The borrowers agreed that due to Priority sector loan, they were in a position to buy better equipments for their farms etc., were able to have bore wells, high yielding varieties of crops have been grown, better varieties of milk animals have been purchased etc. (table...) likewise the borrowers' annual income has also increased (table...) it clearly indicates that the borrowers were in a better position after availing the loan under Priority sector Lending. (Field survey)

5.2 CONCLUSION

The contribution of PSL in increasing the credit supply to priority sectors, primarily agriculture, MSEs and Export in India is clear. However, imposing mandatory PSL restrictions on all types of SCBs uniformly, is not only an inefficient means of meeting the needs of the sectors, but is also costly for the banks. Further, the responsiveness of sectors to increase in PSL is governed by sector specific factors. Agriculture, in particular is characterised by factors such as dependence on monsoons, stagnating/ lowering productivity, fragmentation of land holdings and the existence of an informal credit market that throttles the impact of increased PSL from reaching the intended beneficiaries, and contributing to the sector's growth.

Thus looking at the cost incurred by banks in extending credit facilities to priority sectors by opening more branches, and in light of a strong informal credit market competing with the formal credit due to comparative advantage of proximity to the borrower, we recommend alternate channels of disbursing credit to the sectors specially agriculture. Resetting PSL targets for banks based on their underlying business models will certainly enable them to meet their targets efficiently. However, considering the costs of PSL for banks, credit availability to priority sectors in the long run can be sustained by making these sectors, especially agriculture, attractive for private sector investment and by strengthening specialized financial institutions like Regional Rural Banks, cooperatives and MFIs to meet the credit needs of these priority sectors and stimulate positive feedback effect on the growth of these sectors.

5.3 RECOMMENDATIONS

Priority sector norms in India were formulated more than 40 years ago when the conditions prevailing in the financial and corporative sectors of the economy were very different. Most sectors were regulated and hence their exposure to the global economy was minimal. Over the years, PSL in India has increased the supply of credit to agriculture, micro and small enterprise, and exporters, but the cost of this lending to the banks has been high relative to the returns. With the global economy facing a financial turmoil, the need for ensuring competitiveness of the country's financial sector is of great importance. At this juncture, compromising bank's profitability by mandating them to take the burden of priority sector lending – without taking into consideration the differences in their business model – is costly not only for the banking industry, but the entire economy. The approach must instead focus on making these sectors, especially agriculture, less risky and more credit worthy so that they would attract investment.

In the light of this, the following measures are recommended to make credit available to India's priority sectors in a more efficient way and at a cost that does not challenge the viability of bank's operations.

❖ Redefining the priority sector

There is the need to redefine the priority sector. In the beginning when the priority sector was constituted the idea and objective was to include the neglected sectors of the economy which did not have adequate access to the bank finance. But over the years, a number of neither sectors which are neither neglected nor need any concessional finance at low rate of interest are included under the priority sector. The well-to-do sections of the society is benefitted more by availing credit at low rate of interest at the expense of the needy borrowers. Therefore, there is a need to redefine the priority sector. Only the core sectors of the economy should be provided with the bank finance at low interest rate and all other loans to the other sectors should be left to the commercial judgment of the banks. The rich borrowers should be given the loans at commercial rate of interest. This will help also in increasing and improving the profitability of the banks.

❖ Considering the credit worthiness of the borrower

Before sanctioning a new loan to the borrower the past records related to the repayment of the loans or credit worthiness of the borrower should be taken into consideration.

❖ Use Technology to reduce cost of credit delivery

The cost of delivering credit to priority sectors is high relative to the returns that they generate, and is highest for public sector banks. Once the appropriate infrastructure is in place, using technology through ATMs, mobile and internet banking, to deliver credit rather than branches would save cost for banking institutions. With the telecom network in India

evolving rapidly, mobile banking is the most promising technology to facilitate access to credit especially in rural and remote areas.

❖ Resetting PSL targets by bank types

One size does not fit all when setting PSL targets. Public, private, and foreign banks must be assigned targets that conform to their business model to ensure the efficiency of the banking sector is not adversely affected. Requiring all banks to lend i.e. 18 per cent of PSL targets to agriculture is not an effective way to direct credit to agriculture. Public banks have advantage in lending to this sector. They have a vast network of branches in rural areas and benefits from government support schemes. It is recommended to revise lending targets based on the expertise and the ability of different types of banks to service the sector. The agriculture lending targets for the banks should be structured on a descending scale for public and private banks taking into account the branch network and their presence in rural and semi urban areas.

❖ Providing risk cover to agriculture and making it more attractive to private investors

Agriculture provides livelihoods for a vast portion on India's population but it continues to be marred by the problems of stagnant/ low productivity. Against the backdrop of a stagnating agrarian Indian economy, it is evident that provision of increased credit supply is necessary, but not sufficient, to improve agricultural production in the country. Providing risk cover to the sector and creating the enabling environment for the sector to attract public and private investments at the grass-root level instead of increased formal bank credit is the key to solving the sector's productivity issues.

❖ Strengthening Cooperative Banks, Regional Rural banks, and Microfinance Institutions and encouraging the Opening of 'Small' Finance Banks.

Directed credit programs can make credit availability to priority sectors, but the cost are unsustainable. To ensure credit availability to these sectors in the long run, India needs sustainable means for directing credit. Specialized institutions that focus on one or more of these sectors while being embedded in general banking for their funding needs, will ensure both viability of the lending institution and credit access to the needy. It is recommended that strengthening the roles of such specialized lenders like cooperative banks and RRBs by enhancing regulatory oversight, constructing an enabling environment for encouraging the operations of microfinance institutions and encouraging small banks in the rural and semi urban areas that specialize in satisfying the small credit needs of priority sectors.

Implementing all these measures will help the banking system to maintain and sustain its profitability on the one hand and will also help in the overall balanced development of the county by meeting the credit needs of the core sectors.

The following other recommendations are also proposed:

- Provision of training facilities
- Provision of Infrastructure facilities
- Provision of electricity
- Maintenance minimum support price
- Education
- Reducing complex formalities
- Proper marketing

5.4 LIMITATIONS OF THE STUDY

The limitations of the study includes the following:

- The study takes into consideration the period of six years from 2012 to 2018.
- Only commercial banks are taken into consideration

- The provision of loan under the various other government schemes were not considered.
- There were also incidences of money and time constraints.

5.5 AREAS OF FUTURE RESEARCH

The following areas of future research can be explored to add to the existing body of literature:

- 1) A supplementary research can be carried out for each category under priority sector separately as the scope of each category is very wide.
- 2) An investigation on priority sector lending can be carried out for other types of banks also as priority sector lending standards stipulated by the Reserve Bank of India are relevant to all scheduled commercial banks in India.
- 3) A comparative research regarding priority sector lending can be analysed among different types of banks in India.
- 4) The study spanning over a longer period of time can also be undertaken.
- 5) Other aspects of priority sector lending can be further analysed like processing and sanctioning of loans, reporting and supervisory aspects, non-achievement of priority sector lending targets etc.

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**PRIORITY SECTOR LENDING BY COMMERCIAL BANKS WITH
SPECIAL REFERENCE TO ALLAHABAD DISTRICT**

QUESTIONNAIRE TO BORROWERS

I. General Information

1. Name of Borrower:
2. Age of Borrower:.....
3. Gender of Borrower:
 - i. Male
 - ii. Female
4. Religion:
5. Educational Qualification:
6. Tehsil:
7. Monthly Income:
 - i. Less than Rs.10,000
 - ii. Rs. 10,000 to 20, 000
 - iii. Rs. 21,000 to 30,000
 - iv. Rs. 31,000 and above

II. Borrowing from Bank

8. Purpose of Loan
 - i. Agriculture
 - ii. Industry
 - iii. Educational Loan
 - iv. Consumer Loan
 - v. Others, Please specify
9. Name of commercial bank from which loan is obtained
.....
10. Who advised you about the facility of Priority Sector loans given by commercial banks?
 - i. Bank officials
 - ii. Farmers/Trade associations
 - iii. Friends / Relatives
 - iv. NGOs
 - v. Others, (Specify).....
11. Are there any special rebates/ reliefs on loans obtained under the Priority Sector loan schemes?
 - i. Yes
 - ii. No

12. Earlier how many times have you borrowed from the commercial bank under the Priority sector loans?
- i. Once
 - ii. Twice
 - iii. Thrice
 - iv. More than thrice

III. Nature of Loan Security

13. What type of Collateral security did you offer to the bank for obtaining the loan?
- i. Land /building
 - ii. Gold
 - iii. Hypothecation of stock material
 - iv. Pledge of Machinery / Equipment
14. How much time did the bank take to release loan after the loan application was submitted by you?
- i. 15 Days
 - ii. One Month
 - iii. Two Months
 - iv. Three Months
 - v. More than Three Months
15. How did you find the compliance procedure of the bank?
- i. Simple
 - ii. Convenient
 - iii. Complicated
 - iv. Time consuming
16. Did the bank give you the actual loan amount you had requested for?
- i. Yes
 - ii. No
17. Did you find the loan amount adequate for your project/ operational
- i. Yes
 - ii. No

IV. Utilization of Loan

18. Did you used all loan amount for the purpose for which you borrowed from the bank?
- i. Yes
 - ii. No
19. Did you use part of your loan amount for other purpose?
- i. Yes
 - ii. No
20. For what other purpose did you use the loan amount?
- i. Personal consumption
 - ii. Marriage of Children

- iii. Repairing of old debts
- iv. Purchasing of vehicles
- v. Others (Specify)

21. Did the bank officials supervise the loan utilization to ascertain whether the loan is used for the purpose for which it was advanced?

- i. Yes
- ii. No

22. Dis the bank release the loan in instalments?

- i. Yes
- ii. No

V. Repayment Of Loan

23. Have you found the schedule of instalment convenient for you?

- i. Yes
- ii. No

24. Have you complied with the repayment of loan as per instalment fixed by bank?

- i. Yes
- ii. No

25. Did the bank give you any incentives/ rewards for complying with loan repayment as per schedule of the bank?

- i. Yes
- ii. No

26. Did the bank take legal steps in recovering loan from you?

- i. Yes
- ii. No

VI. Impact of Loan

27. Impact on Individual

SI. No.	Impact	Yes/No	%
i	Annual income has increased	Yes	70.0
ii	Total investment has increased	Yes	56.6
iii	Total production has gone up	Yes	83.0
iv	Savings have increased	Yes	64.0
v	Family employment has increased	Yes	58.0
vi	Employment of hired workers has increased	Yes	60.2
vii	Old debts have been reduced	Yes	57.2
viii	Consumption expenditure has gone up	Yes	50.4
ix	Expenditure on children's education, medical expenses have increased	No	67.0
x	Dependence on borrowings from private money lenders has decreased	Yes	52.4
xi	Working capital position has improved	Yes	71.2

xii	Better housing has been obtained	Yes	59.6
xiii	Facilities of mixer, fridge, telephone, ceiling fan, TV, grinder, etc. has been provided	Yes	65.0
xiv	Frequent tours, pilgrimages are arranged	Yes	52.6
xv	Two wheeler car have been purchase for personal comfort	Yes	51.8

28. Impact on Business

SI. No.	Impact	Yes/No	%
i	Better equipment, implements for the farm/business operation/services/factory have been provided	Yes	76.0
ii	Facilities like telephone, computer, fax machine, etc. have been installed	Yes	58.6
iii	Farm machinery, bore wells have been provided	Yes	87.0
iv	High yielding varieties of crops have been grown	Yes	71.2
v	Better varieties of milk animals have been purchased	Yes	64.0
vi	Better accounting and marketing procedure have been adopted	Yes	57.6

**PRIORITY SECTOR LENDING BY COMMERCIAL BANKS WITH
SPECIAL REFERENCE TO ALLAHABAD DISTRICT**

QUESTIONNAIRE TO BANKS

I. General Information about Bank

- i. Name of Bank:
- ii. Branch:
- iii. Name of the Officer/Manager:.....
- iv. Designation/ post:

II. Loan account and Loan amount

- 1. What is the time taken by the bank in sanctioning the loan amount to the borrowers after receiving their application?
 - i. 15 Days
 - ii. One Month
 - iii. Two Months
 - iv. Three Months
- 2. Is there minimum limit of loan under different sectors of Priority sector lending?
 - i. Yes
 - ii. No
- 3. How does your bank ascertain the credit worthiness of the borrowers?
 - i. Through project details
 - ii. Checking the financial soundness of the borrower
 - iii. Checking the financial soundness of the guarantor
 - iv. Conducting on the spot survey
 - v. Checking the legal documents of the borrower
 - vi. Assessing the liquidity of the assets of the borrower
- 4. Did your bank inquire about other loans which are taken by the borrower?
 - i. Yes
 - ii. No
- 5. Did your bank assess the repayment capacity of the borrowers?
 - i. Yes
 - ii. No

III. Utilization of Loan

6. Did your bank inquire about the proper utilization of loan before granting next instalment of loan?
 - i. Yes
 - ii. No
7. Does the borrower divert the loan for some other use?
 - i. Yes
 - ii. No
8. Whether your bank make periodical inspection to inquire about the utilization of the loan?
 - i. Yes
 - ii. No
9. How does the loan applicant approach your bank?
 - i. Directly
 - ii. Indirectly

IV. Recovery of Loan

10. What is the speed of borrowers in loan repayment?
 - i. On time
 - ii. Beyond due date
 - iii. Delay by month or more
11. What procedure do you follow in recovering the loan from borrowers?
 - i. Sending Letters
 - ii. Sending telephone reminders
 - iii. Issuing notice to guarantors
 - iv. Filing legal suits in the courts
 - v. Outsourcing recovery work to other parties
12. What the problems you encounter in recovering loans given to borrowers
 - i. Funds diverted to other unproductive use
 - ii. Change in Government policies
 - iii. Government to waive of loan
 - iv. Climatic Conditions
 - v. Poor Credit appraisal
 - vi. Lack of Infrastructure
 - vii. Lacking of planning
 - viii. Others

V. Subsidy on Loans

13. Have you provided subsidy to Priority sector borrowers?
 - i. Yes
 - ii. No

14. Does the government pay the amount of subsidy on time which you provide under Priority sector Lending?

- i. Yes
- ii. No

15. Is Priority Sector Lending profitable?

- i. Yes
- ii. No

16. What are the benefits enjoyed by Priority Sector Lending beneficiaries?

- i. Low interest Rate
- ii. Less formalities
- iii. Subsidies