CHAPTER-9

SUMMARAY AND SUGGESTIONS
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Priority sector represents the prime engine of the national economy and the banks have been playing the pivotal role in its development. They are the primary credit providers and the vehicles of promoting economic development in the country. Priority sector lending has been one of the strategies of the banks in their developmental role in India. The scheme of social control over the banks launched in 1968, enabled the banking system to redirect the resources towards social and economic objectives. Previously, though there were certain regulations, but they did not help in the progress of small scale producers, farmers, transport operators, small businessmen, etc. because of lack of availability of inputs, particularly the credit. The policy of social control and nationalisation of banks in 1969 and 1980 altered the position. Since then, banks have been entrusted the task of reducing the regional economic disparities, eradicating unemployment and helping the underprivileged and neglected sections of the society by making available credit on easy terms and conditions.

Since Government has accepted the planned development of the economy and banks play the pivotal role with this regard. They are the primary credit providers and the vehicles of promoting economic development in the country. It has been for the last few decades that priority sector lending was started by the banks in India, but it is essential to examine the extent of achievement of banks with regard to priority sector lending. Though few studies on Priority Sector Lending have been carried out in other states but no full fledged study has been undertaken to review the role of banks in Punjab after banking sector reforms. Further, to examine various performance aspects of banks with this regard in the wake of changes that have been taken place over the period, become all the important. Therefore, a study covering the aspect of priority sector lending bank group-wise, sector-wise, detailed bank-wise and district-wise opinion of beneficiaries and managers in the state of Punjab has been undertaken. So, it is with this background in mind that the present study titled, Priority Sector Lending – A study of Commercial Banks in Punjab since 1991” has been undertaken.
9.1 OBJECTIVE OF THE STUDY

The specific objectives of the study are:

1. To study the growth of commercial banks in the state of Punjab.
2. To examine the RBI’s policy on lending to Priority Sector.
3. To examine the component-wise lending and to evaluate the performance of commercial banks with regard to Priority Sector Lending in the state of Punjab.
4. To analyze the opinion of beneficiaries’ and bank managers’ regarding Priority Sector Lending.
5. To give suggestions for improvement in the performance of commercial banks regarding Priority Sector Lending.

The opinion of the beneficiaries regarding priority sector lending in the state of Punjab was assessed taking a sample of 300 beneficiaries from both the public and private sector banks. The sample was selected by using multi-stage sampling technique. At the first stage, four districts were selected, namely, Amritsar from Majha region (land between Ravi and Beas), Jalandhar from Doaba region (land between Sutlej and Beas) and Ludhiana and Patiala from Malwa region (land in east of river Sutlej, largest region of the state). Thus, all the three belts of Punjab were given due representation in the sample. The selection of banks was made in a descending order in terms of their disbursement of priority sector loans as on 31st March 2007 in the state of Punjab. Thus, at the second stage of sampling, top 7 public sector banks and 5 private sector banks (representing 1/3rd of the public and private sector banks present in the state) were selected. The public sector banks included Punjab National Bank, State Bank of Patiala, State Bank of India, Oriental Bank of Commerce, Punjab & Sind Bank, Bank of India and Canara Bank. Similarly, the private sector banks included ICICI Bank Ltd., Centurian Bank of Punjab Ltd., HDFC Bank Ltd., Axis Bank Ltd. and Bank of Rajasthan Ltd. The survey was conducted taking one branch each of the selected banks randomly from each selected district. Thus, primary data was collected from 300 beneficiaries of the selected 48 branches of the selected banks. At the next stage, 6-7 respondents were selected from each selected branch by way of judgement sampling. The selection of beneficiaries was made from all the three priority sectors, viz. agriculture, small scale industries and other priority sector. Further, the opinion of bank managers was assessed taking a sample of 48 branch managers from all the branches covered under the primary survey.
The findings of the present study are as follows:

9.2 INTRODUCTION

In India, commercial banks play an important role in the development of economy by financing priority sector advances. Priority sector advances have shown an impressive trend during the period 1990-91 to 2007-08. Though the growth rate of priority sector advances of private sector banks (29.15 per cent) was greater than that of public sector banks (17.30 per cent) in India, but the share of priority sector advances to total advances of public sector banks was more, and it fluctuated between 33 and 40 per cent and that of private sector banks between 21 and 36 per cent during the study period.

Sector-wise, it has been found that agricultural advances of both the types of banks have shown an improvement over the study period. Although agricultural advances of private sector banks grew at much faster rate (35.48 per cent) than those of public sector banks in India (16.82 per cent), but the share of agricultural advances to total priority sector advances of public sector banks fluctuated between 34 per cent and 42 per cent, while that of private sector banks fluctuated between 16 and 37 per cent during the study period. It has been observed that share of agricultural advances to total advances of public sector banks fluctuated between 12 and 15 per cent and that of private sector banks increased from 4.11 to 12.13 per cent, with few fluctuations in-between during 1990-91 to 2007-08, indicating the increasing attention of private sector banks than that of public sector banks on agriculture sector. Performance of private sector banks regarding small scale industrial advances was also better than that of public sector banks in India with growth rates of 14.36 per cent and 12.14 per cent respectively during the study period. The share of small scale industrial advances to total priority sector advances declined from 39.63 per cent to 24.41 per cent in case of public sector banks and from 59.30 per cent to 28.24 per cent in the case of private sector banks. Further, the share of small scale industrial advances to total advances declined with few fluctuations in-between in the case of both public and private banks, which is unfavourable for a developing economy like India.

Other priority sector advances of private sector banks increased impressively at a greater rate (38.16 per cent) than that of public sector banks in India (23.59 per cent) during the study period. The share of other priority sector advances to total priority sector advances
of public sector banks increased from 20.46 per cent to 34.75 per cent, and that of private sector banks from 22.25 per cent to 48.68 per cent. Further, the share of other priority sector advances to total advances of public sector banks fluctuated between 6 and 17 per cent and that of private sector banks increased from 4.96 per cent to 16.70 per cent during the study period except few years, indicating increasing attention of all the banks towards other priority sector advances during the study period.

Both public and private sector banks in India have achieved the target of 40 per cent of net bank credit set by RBI for priority sector advances during the period 2000-01 and 2007-08 except the year 2000-01 when private sector banks were not able to achieve the target. The share of priority sector advances to net bank credit of public sector banks ranged from 40 per cent to 45 per cent and that of private sector banks ranged from 36 per cent to 48 per cent. The share of agricultural advances to net bank credit of public sector banks in India varied from 14 per cent to 18 per cent, and that of private sector banks from 8 per cent to 16 per cent. This shows that both the bank groups were not able to achieve the target of 18 per cent of net bank credit set by RBI for agricultural advances during the study period.

Priority sector NPAs of public sector banks were more than that of private sector banks in India. Total priority sector NPAs of public sector banks increased from 45.42 per cent to 63.61 per cent and those of private sector banks fluctuated between 20 per cent to 31.22 per cent during the period 2000-01 to 2007-08. Further, agriculture and other priority sectors’ NPAs of public sector banks increased and those of private sector banks decreased and small scale industries sector NPAs of both the type of banks decreased during the same time period.

9.3 POLICY FRAMEWORK

After banking sector reforms, several changes were inserted in the definition and scope of all the components of priority sector. Major changes inserted in agriculture sector were: extension of credit limit for short-term loans to farmers and for financing distribution of inputs such as cattle feed, poultry feed, etc. for allied activities, incorporation of finance to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery, loan to food and agro-based processing units, loan to distressed urban poor to repay their debt to non-institutional lender, loan to non-banking financial companies for on-lending to agriculture sector, loan granted to NGOs/MFIs for on-lending to individual farmers or their SHGs/JLGs
and 50 per cent of the credit outstanding under loan for general purpose under General Credit Cards.

Major changes were inserted in small scale industries sector by dividing this sector into two main categories: Manufacturing Enterprises and Service Enterprises, with further subdivisions of Small (manufacturing) Enterprises (having investment in plant and machinery not exceeding Rs. 5 crore), Micro (manufacturing) Enterprises (having investment in plant and machinery not exceeding Rs. 25 lakh, irrespective of the location of the unit), Small (service) Enterprises (having investment in equipment not exceeding Rs. 2 crore), Micro (service) Enterprises (having investment in equipment not exceeding Rs. 10 lakh). Other Service Enterprises included small road and water transport operators, small business, professional and self-employed persons and all other services enterprises. Further, it included incorporation of credit to SIDCs/SFCs for financing small scale industries, to SIBDI by way of rediscounting of bill of small scale industries sector and to NBFCs for the purpose of on-lending to small scale industries sector.

Over the time period, few changes took place in the definition and scope of other priority sector also which included extending credit limit for housing sector, education sector, private retail traders, professional and self-employed persons and extending vehicle limit for the purpose of advances to small road and water transport operators. The clause of lending to SHGs, minority communities, viz. Sikhs, Muslims, Christians, Zorastrians and Buddhists, NBFCs for financing of truck for the purpose of on-lending to SRWTOs and Micro Credit to individual borrowers were inserted under the definition of other priority sector.

9.4 GROWTH OF COMMERCIAL BANKS IN PUNJAB

The branches of both the public and private sector banks in Punjab showed an improvement over the period of study. Branches of private sector banks increased at impressively higher rate (22.36 per cent), whereas those of public sector banks had a negative growth rate (1.84 per cent) in Punjab. The share of branches of public sector banks in urban areas increased drastically, and in rural and semi-urban areas decreased, while the share of branches of private sector banks in rural and semi-urban areas increased and that of urban areas decreased during the study period, indicating an increasing concentration of private sector banks in rural and semi-urban areas.
Bank-wise analysis shows that increase in branches of public sector banks was maximum in the case of Corporation Bank from 2 to 21 and that of private sector banks, in the case of Centurian Bank of Punjab Ltd. from 7 to 72 during the study period. Punjab National Bank, State Bank of Patiala and State Bank of India were among the top three public sector banks and Centurian Bank of Punjab Ltd. was the top private sector bank in Punjab except in the year 1996-97 in contributing towards total branch expansion of the respective banks during the whole period of study. Allahabad Bank, Corporation Bank, United Bank of India, Bank of Maharashtra, State Bank of Bikaner & Jaipur, Vijaya Bank, Dena Bank, Syndicate Bank, Indian Bank, Andhra Bank and Indian Overseas Bank among public sector banks, and Bank of Rajasthan Ltd. among private sector banks were far behind in their respective shares in this regard. Also, there was far greater variability in branch expansion of private sector banks (101.97 per cent) than that of public sector banks (8.18 per cent) in the state during the study period.

Deposits of both public and private sector banks have shown improvement over the period of study. Deposits of private sector banks in Punjab grew marvellously at greater rate (48.29 per cent) than that of public sector banks (13.78 per cent). The share of deposits of public sector banks in rural and semi-urban areas varied from 47 to 67 per cent and in urban areas from 33 to 53 per cent during the period of study, but fortunately, they were still tapping maximum savings of rural and semi-urban people. While the share of deposits of private sector banks in rural and semi-urban areas increased substantially from 13 per cent to 56 per cent and in urban areas decreased from 87 per cent to 44 per cent, indicating an increasing tendency of private sector banks in Punjab in tapping the deposits of the rural and semi-urban people.

Bank-wise analysis shows that increase in deposits of public sector banks in Punjab was maximum in the case of Corporation Bank from Rs. 72 lac to Rs. 41,079 lac and that of private sector banks in the case of Jammu & Kashmir Bank Ltd. from Rs. 573 lac to Rs. 19,715 lac during the study period. Punjab National Bank, State Bank of India and State Bank of Patiala were among the top three public sector banks; and Centurian Bank of Punjab Ltd. was the top private sector bank in Punjab in contributing towards deposits of the respective banks in the state during the whole period of study. Allahabad Bank, Corporation Bank, United Bank of India, Bank of Maharashtra, State Bank of Bikaner & Jaipur, Vijaya Bank, Dena Bank, Syndicate Bank, Indian Bank, Andhra Bank and Indian Overseas Bank among public sector banks and Bank of Rajasthan Ltd. among private sector banks were far behind in
their respective shares in this regard. Further, there was far greater variability in deposit mobilization of private sector banks (135.14 per cent) than that of public sector banks (59.98 per cent) in the state during the study period.

Inter-district disparities in deposit mobilisation of banks in Punjab were further increased. Deposits of public sector banks increased maximum in the case of Gurdaspur district from Rs. 9,187 crore to Rs. 4,30,766 crore and that of private sector banks, in the case of Hoshiarpur district from Rs. 276 crore to Rs. 32,770 crore during the period 1997-98 and 2007-08. Jalandhar and Ludhiana districts had the leading positions in contributing towards deposits of public sector banks, and Amritsar and Ludhiana districts had the leading positions in the deposits of private sector banks in Punjab in all the years of study, except a few. The public and private sector banks falling in Barnala, Mansa and Muktsar districts had shown poor performance in this regard. Co-efficient of concentration with regard to deposit mobilisation in the case of public sector banks had depicted a slight decline from 48.85 in 1997-98 to 37.34 in 2007-08 and that of private sector banks declined from 55.86 to 40.38 during the same time period, indicating reduction in the inter-district disparities regarding deposit mobilisation of both the types of banks in Punjab.

The advances of the banks showed progress over the time period. The advances of private sector banks grew at a much higher rate (55.78 per cent) than those of public sector banks (16.15 per cent) in Punjab. The share of advances of public sector banks in urban areas of Punjab increased from 43.90 per cent to 58.70 per cent and that in rural and semi-urban areas decreased from 56.10 per cent to 41.30 per cent. While the share of advances of private sector banks in rural and semi-urban areas of Punjab increased marvellously from 2.76 per cent to 21.42 per cent and in urban areas decreased from 97.24 per cent to 78.58 per cent, but still higher than in rural and semi-urban areas.

Bank-wise analysis depicts that the increase in advances of public sector banks was maximum in the case of Corporation Bank from Rs. 307 lac to Rs. 2,69,772 lac and that of private sector banks in the case of Jammu & Kashmir Bank Ltd. from Rs. 302 lac to Rs. 17,762 lac during the period under reference. Punjab National Bank, State Bank of India and State Bank of Patiala were among the top three public sector banks and; Centurian Bank of Punjab Ltd. till the year 2002-03 and thereafter ICICI Bank Ltd. led the entire private sector banks in Punjab in contributing towards advances of the respective banks in the state during the study period. Allahabad Bank, Corporation Bank, United Bank of India, Bank of Maharashtra, State Bank of Bikaner & Jaipur, Vijaya Bank, Dena Bank, Syndicate Bank,
Indian Bank, Andhra Bank and Indian Overseas Bank among public sector banks; and Bank of Rajasthan Ltd. among private sector banks had shown poor track record in this regard. Also, there was far greater variability in advances of private sector banks (162.17 per cent) than that of public sector banks (80.72 per cent) during the study period.

Advances of public sector banks increased maximum in the case of Jalandhar district from Rs. 10,486 crore to Rs. 6,18,025 crore and that of private sector banks, in the case of Ludhiana district from Rs. 9,412 crore to Rs. 2,902,135 crore during 1997-98 and 2007-08. Amritsar and Ludhiana districts had the leading positions in advances of public sector banks in Punjab; and Ludhiana and Jalandhar districts had the leading positions in the advances of private sector banks in Punjab in all the years of study, except a few. Moga, S.B.S. Nagar, Mansa, Faridkot and Muktsar districts of Punjab had poor track record in this respect for both the public and private sector banks in Punjab. Co-efficient of concentration in the case of public sector banks had depicted a slight jump from 41.69 in 1997-98 to 47.83 in 2007-08 and that of private sector banks increased from 56.02 to 76.84 during the same time period, representing an increase in the inter-district disparities with regard to advances of both the types of banks in Punjab.

Volume of business of both the banks improved over the time period. The business volume of private sector banks increased at substantially higher rate (50.96 per cent) than that of public sector banks (14.59 per cent). Further, business of public sector banks grew at a little faster rate in urban areas (14.77 per cent) than rural and semi-urban areas (14.44 per cent), whereas business of private sector banks grew at higher rate in rural and semi-urban areas (58.81 per cent) than urban areas (47.27 per cent). Volume of business of public sector banks was more in rural and semi-urban areas, while that of private sector banks was more in urban areas of Punjab during all the years of study.

Further, deposit per branch of private sector banks improved at a faster rate (21.20 per cent) than that of public sector banks (12.02 per cent). It grew at a greater rate in rural and semi-urban areas than urban areas in the case of both the public and private sector banks. Also, advances per branch of private sector banks grew at a greater rate (27.32 per cent) than that of public sector banks (14.36 per cent). Growth of advances per branch of public sector banks was greater in rural and semi-urban areas and that of private sector banks in urban areas. Business per branch of private sector banks (23.37 per cent) in Punjab grew at a faster rate than public sector banks (12.82 per cent) during the study period. In the case of public
sector banks, business per branch grew at a faster rate in rural and semi-urban areas, while in private sector banks, it was in urban areas.

C/D ratio of public sector banks in rural and semi-urban areas of Punjab was below 60 per cent (national goal) in all the years of study except in 2004-05, while that of private sector banks was below 60 per cent (national goal) in all the years of study except in 1993-94, 1994-95 and 2004-05, indicating poor performance of commercial banks regarding credit deployment in the state.

9.5 PRIORITY SECTOR ADVANCES IN PUNJAB

Though after banking sector reforms, private sector banks have shown an impressive growth of 52.24 per cent regarding priority sector advances as compared to public sector banks (16.86 per cent) in Punjab. But, year-wise percentage share of priority sector advances to total advances of public sector banks was more than that of private sector banks.

Public sector banks showed faster growth in the case of other priority sector advances (23.04 per cent) followed by agricultural advances (16.58 per cent) and small scale industrial advances (13.90 per cent), while in the case of private sector banks agricultural advances (89.97 per cent) grew at a higher rate followed by other priority sector advances (57.79 per cent) and small scale industrial advances (37.12 per cent) during the study period. The share of agricultural advances to total priority sector advances of public sector banks varied from 40 per cent to 49 per cent, that of small scale industrial advances between 27 and 47 per cent and that of other priority sector advances ranged from 8 per cent to 29 per cent during the reference period. On the other hand, the share of agricultural advances to total priority sector advances of private sector banks showed a remarkable variation between 0 per cent and 54 per cent, that of small scale industrial advances between 4 per cent and 83 per cent and that of other priority sector advances between 11 per cent and 60 per cent during the reference period. Thus, public sector banks in Punjab gave increasing attention to other priority sector followed by agriculture sector and small scale industries sector during the study period, and private sector banks in Punjab gave increasing attention to agriculture sector followed by other priority sector and small scale industries sector during the study period.

The advances to weaker sections of the society by private sector banks in Punjab presented a faster growth of 45.54 per cent as compared to those of public sector banks (17.40 per cent) in Punjab. Except for few years, advances to weaker sections by public sector banks
were about 10 per cent of total advances. All private sector banks were contributing below 3 per cent of their advances to weaker sections of the society. This showed that a tendency to lend to the well-off segments of society by the banks was highly prevalent.

DRI advances of private sector banks in Punjab had negative growth rate of 0.13 per cent as compared to those of public sector banks (12.12 per cent) in Punjab. Private sector banks in Punjab had achieved the target for DRI advances only in the year 1991-92, while public sector banks in Punjab were not able to achieve the target in any of the reference years.

All the banks taken together had crossed the target set for priority sector and agriculture during 1999-00 to 2007-08. The banks had over achieved their target for weaker sections in few years. The position of the banks regarding DRI advances was very critical. They were not able to achieve the national target set by RBI in this respect during the reference period. The banks could not attain the target set for C/D ratio in rural and semi-urban areas also. This shows that the banks could give less attention to the poor sections of the society during the same time period.

All the public sector banks in Punjab, except United Bank of India, Corporation Bank, Bank of India, Dena Bank and Syndicate Bank, while only two private sector banks in Punjab, namely, Bharat Overseas Bank Ltd. and Capital Bank Ltd. had achieved the national target for priority sector (40 per cent of NBC) during all the years from 2004-05 to 2007-08. Similarly, all the public sector banks in Punjab, except Andhra Bank, Bank of Baroda, Bank of Maharashtra, Corporation Bank, Dena Bank, State Bank of Bikaner & Jaipur, Syndicate Bank, United Bank of India and Vijaya Bank, while only two private sector banks, namely, Centurian Bank of Punjab Ltd. and Capital Bank Ltd. had achieved the national target of agricultural advances (18 per cent) during all the years from 2004-05 to 2007-08.

Public and private sector banks showed good performance in terms of priority sector advances during 1990-91 to 2007-08. The increase in priority sector advances of public sector banks was maximum in the case of Allahabad Bank from Rs. 2,928 lac to Rs. 1,00,846 lac; and that of private sector banks, in the case of Bank of Rajasthan Ltd. from Rs. 93 lac to Rs. 7,157 lac during the study period. Punjab National Bank, State Bank of Patiala and State Bank of India were the top three public sector banks during 1990-91 to 2007-08 and ICICI Bank Ltd. was the top private sector bank in Punjab in contributing towards total priority sector advances. Andhra Bank, Bank of Maharashtra, Corporation Bank, Dena Bank, State Bank of Bikaner & Jaipur, Indian Bank, Syndicate Bank, United Bank of India and Vijaya Bank
among public sector banks in Punjab; and Jammu & Kashmir Bank Ltd. among private sector banks had poor contribution in this regard during all the years of study. Also, there was greater variability in priority sector advances of private sector banks (165.83 per cent) than that of public sector banks (83.43 per cent) during the study period.

Priority sector advances of public and private sector banks in all the districts of Punjab increased manifold during 1997-98 to 2007-08. Priority sector advances of public sector banks increased maximum in the case of Bathinda district from Rs. 5,816 lac to Rs. 1,37,606 lac and those of private sector banks, in the case of Firozpur district from Rs. 83 lac to Rs. 22,295 lac during 1997-98 to 2007-08. There was uneven distribution of priority sector advances of banks in different districts of Punjab during the reference period. Contribution of public sector banks in Faridkot, S.B.S. Nagar, Kapurthala and Barnala districts of Punjab; and that of private sector banks in Faridkot, S.B.S. Nagar, Mansa, Rupnagar and Barnala in terms of priority sector advances was very poor during all the years of study. There had been reduction in the inter-district disparities with regard to priority sector advances since the coefficient of concentration in the case of public sector banks had depicted a slight decrease from 39.19 in 1997-98 to 35.93 in 2007-08 and that of private sector banks declined substantially from 52.02 to 40.57 during the same time period.

The banks performed well in terms of agricultural advances during the study period. The increase in agricultural advances of public sector banks was maximum in the case of State Bank of Bikaner & Jaipur from Rs. 6 lac to Rs. 771 lac; and that of private sector banks, in the case of Bank of Rajasthan Ltd. from Rs. 2 lac to Rs. 5,921 lac during the study period. Punjab National Bank, State Bank of Patiala and State Bank of India were the top three public sector banks and private banks had no stability in top positions in contributing towards total agricultural advances during the whole period of study. Andhra Bank, Bank of Maharashtra, Corporation Bank, Dena Bank, State Bank of Bikaner & Jaipur, Indian Bank, Syndicate Bank, United Bank of India and Vijaya Bank among public sector banks in Punjab; and Bharat Overseas Bank Ltd., Jammu & Kashmir Bank Ltd. and IDBI Bank Ltd. among private sector banks had poor performance in this respect during all the years of study. Also, there was greater variability in priority sector advances of private sector banks (191.46 per cent) than that of public sector banks (83.85 per cent) during the study period.

Agricultural advances of public and private sector banks in all the districts of Punjab increased many times during 1997-98 to 2007-08. Agricultural advances of public sector banks increased maximum in the case of Jalandhar district from Rs. 2,898 lac to Rs. 1,10,450
lac and those of private sector banks in the case of Mansa district from Rs. 2 lac to Rs. 3,014 lac during 1997-98 to 2007-08. The share of public sector banks in Rupnagar district and that of private sector banks in Fatehgarh Sahib and Mansa districts was very less in terms of agricultural advances during all the years of study. Inter-district disparities with regard to agricultural advances reduced in the case of public sector banks as co-efficient of concentration dropped from 37.79 to 28.99 and in the case of private sector banks declined substantially from 44.27 to 28.49 during the study period.

Small scale industrial advances of public and private sector banks increased many times during the study period. The increase in small scale industrial advances of public sector banks was maximum in the case of Oriental Bank of Commerce from Rs. 4,649 lac to Rs. 70,959 lac and that of private sector banks, in the case of ICICI Bank Ltd. from Rs. 26 lac to Rs. 12,283 lac during 2003-04 to 2007-08. Punjab National Bank, State Bank of Patiala and State Bank of India were the top three banks in contributing towards total small scale industrial advances of public sector banks in Punjab during the study period, except in the year 1999-00 and 2000-01, when Oriental Bank of Commerce was among the top contributors (Punjab National Bank and State Bank of India). There were wide fluctuations in the leading positions of private sector banks in Punjab in this regard during the whole period of study. Andhra Bank, Bank of Maharashtra, Corporation Bank, Dena Bank, Indian Bank, Syndicate Bank, United Bank of India and Vijaya Bank among public sector banks in Punjab; and Bank of Rajasthan Ltd. and IDBI Bank Ltd. among private sector banks had poor record in this regard during all the years of study. Besides this, private sector banks (143.98 per cent) had more variability in disbursing small scale industrial advances than public sector banks (68.03 per cent) during the study period.

Small scale industrial advances of public and private sector banks increased manifold in different districts of Punjab during the study period. Small scale industrial advances of public sector banks increased maximum in Firozpur district from Rs. 2,89 lac to Rs. 20,998 lac and those of private sector banks in the case of Kapurthala district from Rs. 2 lac to Rs. 3,68 lac during 1997-98 to 2007-08. The banks followed the same pattern of industrial development even after banking sector reforms, in respect of small scale industrial advances also. Contribution of public sector banks in Faridkot, Moga, S.B.S. Nagar, Muktsar, Mansa, Tarn Taran and Barnala districts of Punjab; and that of private sector banks in Faridkot, S.B.S. Nagar, Kapurthala, Muktsar, Mansa, Tarn Taran, Barnala, Firozpur and Rupnagar districts of Punjab in this regard was very poor during all the years of study. There was different trend in
the inter-district disparities with regard to small scale industrial advances since the co-efficient of concentration in the case of public sector banks dropped sharply from 61.10 to 48.09 and that of private sector banks increased slightly from 65.22 to 67.70 during the period under reference.

Other priority sector advances of public and private sector banks increased profoundly during 1990-91 to 2007-08. The increase in other priority sector advances of public sector banks was maximum in the case of State Bank of Bikaner & Jaipur from Rs. 37 lac to Rs. 7,042 lac and that of private sector banks, in the case of Centurian Bank of Punjab Ltd. from Rs. 151 lac to Rs. 15,291 lac during 1996-97 to 2007-08. Punjab National Bank, Punjab & Sind Bank and State Bank of Patiala were the top three banks in contributing towards other priority sector advances of public sector banks in Punjab till 1999-00, thereafter, Punjab National Bank, State Bank of Patiala and State Bank of India were the top contributors in this regard. ICICI Bank Ltd. and Centurian Bank of Punjab Ltd. were the top two private sector banks in this regard. Andhra Bank, Bank of Maharashtra, Corporation Bank, Dena Bank, Indian Bank, Syndicate Bank, United Bank of India and Vijaya Bank among public sector banks in Punjab; and Bank of Rajasthan Ltd., Bharat Overseas Bank Ltd. and Axis Bank Ltd. among private sector banks had poor record in this regard during all the years of study. Besides this, public sector banks (106.56 per cent) had more consistency in disbursing other priority sector advances than that of private sector banks (160.45 per cent) during the study period.

Other priority sector advances of public and private sector banks increased tremendously in all the districts of Punjab during the study period. Other priority sector advances of public sector banks increased maximum in Bathinda district from Rs. 145 lac to Rs. 50,586 lac and those of private sector banks in the case of Sangrur district from Rs. 2 lac to Rs. 4,842 lac during 1997-98 to 2007-08. The share of public sector banks in S.B.S. Nagar, Muktsar, Tarn Taran and Barnala districts of Punjab; and that of private sector banks in Faridkot, S.B.S. Nagar, Mansa, Tarn Taran and Barnala districts of Punjab in this regard was very less during all the years of study. Inter-district disparities with regard to other priority sector advances increased in the case of public sector banks since the co-efficient of concentration in their case increased from 37.96 in 1997-98 to 41.70 in 2007-08 and that of private sector banks dropped marginally from 53.83 to 51.57 during the same time period.

Public sector banks had achieved their targets fixed for all the components of priority sector in all the years and private sector banks had achieved their targets only in some years
during 1997-98 to 2007-08. Other priority sector advances accounted for the greatest achievement growth (28.96 per cent) followed by agricultural advances (23.31 per cent) and small scale industrial advances (16.35 per cent) among public sector banks in Punjab, while agricultural advances accounted for the highest achievement growth (90.80 per cent) followed by other priority sector advances (75.53 per cent) and small scale industrial advances (45.42 per cent) among private sector banks in Punjab.

Private sector banks (66.98 per cent) in Punjab showed higher growth in terms of achievements regarding total priority sector advances than public sector banks (22.36 per cent). The achievement growth of priority sector targets among public sector banks was greatest (48.16 per cent) in the case of United Bank of India, while it was maximum (277.94 per cent) in the case of Axis Bank Ltd. among private sector banks. Among public sector banks in Punjab only Punjab National Bank, State Bank of India and Vijaya Bank; and among private sector banks in Punjab only Capital Bank Ltd., HDFC Bank Ltd. and ICICI Bank Ltd. had achieved their targets with regard to total priority sector advances under annual action plan during all the years under study.

The performance of private sector banks (89.94 per cent) in achieving the targets of agricultural advances was also progressive than that of public sector banks (23.31 per cent) in Punjab during the whole study period. The achievement growth of private sector banks was maximum (464.06 per cent) in the case of Axis Bank Ltd. and that of public sector banks was maximum (55.36 per cent) in the case of Allahabad Bank in this respect. Only two public sector banks, viz. Punjab National Bank and Bank of Baroda; and only Capital Bank Ltd. among private sector banks could achieve their targets with regard to agricultural advances during the whole period of study.

The performance of private sector banks (31.77 per cent) in achieving the targets of small scale industrial advances was again better than that of public sector banks (16.35 per cent) in Punjab during the whole study period. The achievement growth of private sector banks in this respect was highest (218.42 per cent) in the case of IDBI Bank Ltd. and that of public sector banks, in the case of United Bank of India (48.29 per cent). Only Punjab & Sind Bank among public sector banks and not even a single bank among private sector banks could achieve their targets with regard to small scale industrial advances during all the years under study. Although, the banks showed a progressive trend in terms of achievements of targets of small scale industrial advances but still require more efforts towards this sector.
Private sector banks (75.36 per cent) in Punjab were performing better than public sector banks (28.96 per cent) in achieving their targets of other priority sector advances during the whole period of study. Among public sector banks, the achievement growth was maximum in the case of Andhra Bank (72.25 per cent) and among private sector banks, Axis Bank Ltd. had maximum growth rate of achievement, i.e., 92.94 per cent in this respect. Among public sector banks in Punjab, only Punjab National Bank, State Bank of Patiala, Oriental Bank of Commerce and State Bank of India and among private sector banks, not even a single bank was able to achieve their targets with respect to other priority sector advances during the period under study. Both target and achievement of priority sector advances of public sector banks under Annual Action Plan increased significantly in absolute terms for all the districts of Punjab. The achievement growth regarding priority sector advances of private sector banks was highest (183.75 per cent) in Moga district, while that of public sector banks was highest in Faridkot district (93.55 per cent). Public sector banks outperformed in six districts only, namely, Sangrur, Gurdaspur, Amritsar, Muktsar, Rupnagar and Patiala; and private sector banks achieved their targets in three districts only, namely, Kapurthal, Jalandhar and Firozpur during the reference period. Only during 2003-04 and 2004-05, public sector banks were able to achieve their targets and in none of the reference years, private sector banks were able to achieve their targets of priority sector advances fully in all the districts.

Target and achievement of agricultural advances of public sector banks under Annual Action Plan also increased significantly in absolute terms for all the districts of Punjab. The achievement growth regarding agricultural advances of private sector banks was highest in Rupnagar district (310.65 per cent), while that of public sector banks was highest in Amritsar district (166.84 per cent) during the study period. Public sector banks showed over achievement in terms of agricultural advances in three districts only, namely, Hoshiarpur, Gurdaspur and Jalandhar and private sector banks showed outstanding performance in six districts only, namely, Sangrur, S.B.S.Nagar, Muktsar, Kapurthala, Jalandhar and Firozpur throughout the reference period. But in none of the reference year, public and private sector banks were able to achieve their targets of agricultural advances fully in all the districts.

Both target and achievement of small scale industrial advances of public sector banks under Annual Action Plan also increased tremendously in absolute terms for all the districts of Punjab. The achievement growth regarding small scale industrial advances of private sector banks was greatest in Faridkot district (298.72 per cent), while that of public sector banks was
highest in Bathinda district (56.53 per cent) during the study period. Public sector banks outperformed in this respect in four districts only, namely, Sangrur, Bathinda, Amritsar and Ludhiana during the reference period. Private sector banks could not achieve their targets in terms of small scale industrial advances even in a single district and their performance was very critical in Bathinda, Moga, S.B.S. Nagar, Firozpur, Rupnagar, Patiala and S.A.S. Nagar during the study period. In none of the reference year, public and private sector banks were able to achieve their targets of small scale industrial advances fully in all the districts.

The achievement growth regarding other priority sector advances of private (234.41 per cent) and public (41.42 per cent) sector banks was highest in Amritsar district. Public sector banks had over achieved their targets in six districts only, namely, Bathinda, Amritsar, Muktsar, Mansa, Firozpur and Rupnagar, while private sector banks could not achieve their targets in this respect even in a single district throughout the reference period. In none of the reference year, public and private sector banks were able to achieve their targets of other priority sector advances fully in all the districts.

The recovery percentage of total priority sector showed good track record from 56 per cent to 86 per cent, of agricultural advances from 59 per cent to 92 per cent, small scale industrial advances from 43 per cent to 81 per cent, and other priority sector advances from 50 per cent to 69 per cent during 1989-90 to 2005-06. The recovery mechanism of scheduled commercial banks in Punjab was sharpening and recovery percentage of priority sector advances was improving over the period of study.

Banks showed the highest recovery of other priority sector advances in Amritsar and Jalandhar districts (98 per cent) followed by that of small scale industrial advances in Muktsar district (96 per cent), that of agricultural advances in S.B.S. Nagar (95 per cent), that of total priority sector advances in Fatehgarh Sahib district (91 per cent) during 2006-07. The recovery position of all the districts was below 100 per cent during the study period. But, the efforts were being made by all the districts in Punjab to improve their recovery position in case of the priority sector advances.

9.6 ANALYSIS OF RESPONSE DATA PERTAINING TO OPINION OF BENEFICIARIES

Out of 300 beneficiaries surveyed, the proportion of beneficiaries who took loan for other priority sector (40.33 per cent) was the highest followed by agriculture (34 per cent) and small scale industries (25.67 per cent) sectors. Majority of the beneficiaries (83 per cent) were
male and belonged to age groups 30-40 years and 40-50 years. Only 12.33 per cent of beneficiaries were of age group below 30 years. Further, 45 per cent of the total beneficiaries surveyed belonged to SC/ST and BC categories.

Bank group-wise, amount of loan sanctioned was more in private sector banks (above Rs. 8 lakh) than public sector banks (between Rs. 1-4 lakh). Sector-wise, the highest amount of loan was sanctioned in other priority sector (above Rs. 8 lakh) as compared to agriculture and small scale industries sectors (between Rs. 1-4 lakh). District-wise, the highest amount of loan was sanctioned in Patiala district (above Rs. 8 lakh) followed by Amritsar, Ludhiana and Jalandhar districts (between Rs. 1-4 lakh). However, there existed significant differences among the beneficiaries of different banks, different sectors and different districts regarding amount of loan availed.

Bank group-wise, beneficiaries of private sector banks had paid more processing fees (between Rs. 1,000-5,000) as compared to their counterpart (up to Rs. 1,000). Sector-wise, beneficiaries of other priority sector paid the highest amount of processing fees (between Rs. 5,000-10,000) followed by that of small scale industries sector who paid between Rs. 1,000-5,000) and that of agriculture sector who paid up to Rs. 1,000. District-wise, beneficiaries of Patiala district had paid the highest amount of processing fees (between Rs. 5,000-10,000) followed by that of Jalandhar and Ludhiana districts who paid between Rs. 1,000-5,000 and beneficiaries of Amritsar district paid the least amount (up to Rs. 1,000) in this regard. However, there existed significant differences among the beneficiaries of different banks and different sectors, and insignificant among the beneficiaries of different districts regarding processing fees paid by them.

Further, a small proportion (30 per cent) of total beneficiaries reported to make illegal payment while getting loan. The majority of the beneficiaries who reported for such payment were from private sector banks (52 per cent). Sector-wise, the proportion of these beneficiaries was largest in agriculture sector (49.02 per cent) followed by small scale industries (32.47 per cent) and other priority (12.40 per cent) sectors. District-wise analysis shows that this percentage was largest in the case of Amritsar district (40 per cent). However, there existed significant differences among the beneficiaries of different banks and different sectors, and insignificant among beneficiaries of different districts regarding illegal payment made by the beneficiaries while getting loan.
Bank group-wise, major proportion of beneficiaries of public sector banks (78.86 per cent) as compared to that of private sector banks (57.60 per cent) were of the opinion that the loan amount was inadequate. Majority of the beneficiaries of small scale industries sector (75.32 per cent) as compared to agriculture sector (71.57 per cent) and other priority sector (65.29 per cent) were of the same opinion. District-wise, majority of the beneficiaries (70.67 per cent each) of Amritsar, Ludhiana and Patiala districts and Jalandhar district (68 per cent) were also of the same opinion. However, there existed significant differences among the opinion of beneficiaries of different banks and insignificant among the opinion of beneficiaries of different sectors and different districts regarding adequacy of loan amount.

Bank group-wise data presents that private sector banks charged more interest (9-11 per cent) as compared to public sector banks (below 9 per cent). Sector-wise, beneficiaries of small scale industries sector had paid the highest interest (above 11 per cent) followed by other priority (between 9-11 per cent) and agriculture (below 9 per cent) sectors. Similarly, district-wise analysis depicts that beneficiaries of Jalandhar and Ludhiana districts had paid the highest interest (above 11 per cent) followed by that of Patiala (between 9-11 per cent) and Amritsar (below 9 per cent) districts. However, there existed significant differences among the beneficiaries of different banks, different sectors and different districts regarding rate of interest paid by them.

Private sector banks took lesser number of days (7-14 days) in sanctioning and disbursement of loan than public sector banks (15-21 days). Although, the time taken was equal, i.e., 15-21 days for large number of beneficiaries in all the three sectors, but number of delayed cases were more in agriculture sector followed by small scale industries and other priority sectors. District-wise, beneficiaries of all the districts except Amritsar district (28 days) reported these number of days to be 15-21 days. However, there existed significant differences between the beneficiaries of different banks and insignificant among the beneficiaries of different sectors and different districts regarding time taken to sanction the loan amount. Further, the major proportion of the beneficiaries (70 per cent) surveyed were of the opinion that there was delay in sanctioning and disbursement of loan amount.Beneficiaries of private sector banks (42.31 per cent) opined lack of powers with branch managers, and that of public sector banks (33.54 per cent) opined excessive documentation to be the most significant reason for delay. Sector-wise, beneficiaries of small scale industries sector (44.62 per cent) and agriculture sector (27.77 per cent) opined excessive documentation, while beneficiaries of other priority sector (38.18 per cent) opined lack of
powers with bank managers to be the most significant reason in this regard. Similarly, beneficiaries of Amritsar, Jalandhar and Ludhiana districts (43.55 per cent, 38.46 per cent and 25 per cent respectively) opined excessive documentation, whereas those of Patiala district (28.57 per cent) opined lack of powers in the hands of branch managers to sanction the loan amount to be the most significant reason in this respect. However, there existed significant differences among the opinion of beneficiaries of different districts, and insignificant among the opinion of beneficiaries of different banks and different sectors with regard to reasons for delay in sanctioning and disbursement of loan.

Most of the beneficiaries (76.67 per cent) surveyed reported for regularity in the repayment of loan. Bank-wise, the proportion of regular beneficiaries was higher (80 per cent) in the case of private sector banks than public sector banks (74.29 per cent). Sector-wise, proportion of regular beneficiaries was the highest (87.01 per cent) in small scale industries sector followed by other priority (82.64 per cent) and agriculture (61.76 per cent) sectors. District-wise, percentage of such beneficiaries was the highest in Jalandhar district (89.93 per cent) followed by Ludhiana (80 per cent), Patiala (77.33 per cent) and Amritsar (60 per cent) districts. However, there existed significant differences among the beneficiaries of different sectors and different districts and insignificant among the beneficiaries of different banks with regard to regularity in the repayment of loan. Further, majority of the beneficiaries of both public and private sector banks were of the opinion that inadequate income was the significant reason for irregularity in the repayment of loan. Majority of the beneficiaries of small scale industries sector (60 per cent) followed by those of agriculture (58.97 per cent) and other priority (52.38 per cent) sectors opined the same reason for irregularity in the repayment of loan. District-wise also, majority of the beneficiaries of Amritsar (60 per cent), Patiala (58.82 per cent), Ludhiana (53.33 per cent) and Jalandhar (50 per cent) districts were of the same opinion. However, there existed significant differences among the beneficiaries of different sectors and different districts, and insignificant among the beneficiaries of different banks regarding the reasons for irregularity in the repayment of loan.

Only 18.33 per cent of the beneficiaries reported for diversion of loan amount. Out of these beneficiaries, 33.33 per cent of private sector banks opined that repayment of old debt and 33.33 per cent of public sector banks opined the delay in disbursement of loan amount was the significant reason for diversion of loan amount. Sector-wise, the beneficiaries of small scale industries sector (46.15 per cent) opined repayment of old debt followed by those of agriculture sector (37.04 per cent) who opined the amount spent for social ceremonies and
those of other priority sector (33.33 per cent) who viewed amount spent for better investment to be the significant reason in this regard. District-wise, beneficiaries of Jalandhar (36.36 per cent) and Ludhiana (33.33 per cent) districts viewed repayment of old debts followed by those of Amritsar district (34.78 per cent) who viewed amount spent on social ceremonies and those of Patiala district (33.33 per cent) who viewed amount spent for better investment to be the most significant reason in this respect. However, there existed insignificant differences among the beneficiaries of different banks, different sectors and different districts regarding the reasons for the diversion of loan amount.

Majority of the beneficiaries of public sector banks opined reliability of bank (88.57 per cent) followed by easy terms of repayment (87.43 per cent) and those of private sector banks viewed location of branch (87.20 per cent) followed by non-availability of loan from other banks/sources (84 per cent) to be the important reasons for taking loan from the bank. Sector-wise, majority of the beneficiaries of agriculture sector (71.57 per cent) opined low rate of interest followed by easy repayment terms (66.66 per cent) to be the important reasons and reliability of banks (24.51 per cent) followed by non-availability of loan from other banks/sources (22.55 per cent) to be the unimportant reasons for taking loan from the bank. The highest proportion of beneficiaries of small scale industries sector (64.93 per cent) viewed location of branch followed by reliability of banks (62.33 per cent) to be the important reasons and low rate of interest (40.26 per cent) followed by non-availability of loan from other banks/sources (31.56 per cent) to be the unimportant reasons in this regard. Similarly, majority (66.94 per cent) of the beneficiaries of other priority sector viewed low rate of interest followed by location of branch (58.67 per cent) to be the important reasons and non-availability of loan from other banks/sources (29.75 per cent) followed by reliability of banks (26.45 per cent) to be the unimportant reasons in this regard. There existed highly insignificant concurrence of ranking among the opinion of beneficiaries of different banks and different sectors with regard to reasons for taking loan from the banks.

All the beneficiaries surveyed of both the public and private sector banks opined financial position of the beneficiaries, availability of security and margin money followed by track record of past dealings and good reputation to be the important factors and requirement of the applicant, familiarity with bank employees and political support to be the unimportant factors while taking loan from the bank. Sector-wise, beneficiaries of all the three sectors were of the same opinion. However, there existed highly significant concurrence of ranking
among the opinion of beneficiaries of different banks and different sectors with regard to importance of different factors at the time of availing loan from the banks.

Majority of the beneficiaries of public sector banks expressed their satisfaction regarding rate of interest (68 per cent) followed by terms of repayment (62.29 per cent). They were dissatisfied regarding time taken to sanction the loan (66.86 per cent) followed by behaviour of staff (64.58 per cent). Similarly, the highest proportion of beneficiaries of private sector banks seemed to be satisfied regarding the time taken in responding the queries (85.60 per cent) followed by availability of staff at counter (69.60 per cent). They were dissatisfied regarding rate of interest (62.40 per cent) and terms of repayment (56 per cent). Sector-wise, majority of the beneficiaries of agriculture sector were satisfied with regard to terms of repayment (54.90 per cent) followed by rate of interest (51.96 per cent). They expressed their dissatisfaction regarding time taken to sanction the loan (88.23 per cent) followed by behaviour of staff (60.78 per cent). Majority of the beneficiaries of small scale industries sector were satisfied with regard to contents of application form (55.84 per cent) followed by delegation of powers to branch managers (54.54 per cent); and unsatisfied regarding knowledge of staff (57.14 per cent) followed by behaviour of staff and rate of interest (51.94 per cent). Similarly, majority of the beneficiaries of other priority sector were satisfied with regard to time taken in responding queries (62.81 per cent) followed by time taken to sanction the loan (48.76 per cent) and were unsatisfied regarding delegation of powers to branch managers (52.07 per cent) followed by behaviour of staff (42.98 per cent). However, there existed insignificant concurrence of ranking among the opinion of beneficiaries of different banks and significant concurrence of ranking among the opinion of beneficiaries of different sectors with regard to satisfaction of different factors.

Bank-wise analysis shows that the proportion of beneficiaries whose annual income/production improved after taking loan was more in private sector banks (69.60 per cent) as compared to public sector banks (54.86 per cent). Sector-wise, such proportion was highest in the case of other priority sector (73.55 per cent) followed by small scale industries (17.13 per cent) and agriculture (63.73 per cent) sectors. District-wise, such cases were highest in the case of Jalandhar (74.67 per cent) followed by Amritsar (69.33 per cent), Ludhiana (65.33 per cent) and Patiala (34.67 per cent) districts. However, there existed significant differences among the beneficiaries of different districts, and insignificant among the beneficiaries of different banks and different sectors regarding the improvement in annual income/production after taking loan.
Bank-wise analysis further provides that the proportion of beneficiaries who faced problems while dealing with banks was more in private sector banks (70.40 per cent) as compared to public sector banks (25.14 per cent). Sector-wise, such proportion was highest in case of agriculture (51.96 per cent) followed by small scale industries (46.75 per cent) and other priority (35.54 per cent) sectors. District-wise, such cases were highest in the case of Amritsar district (48 per cent) followed by Ludhiana (46.67 per cent), Jalandhar (44 per cent) and Patiala (37.33 per cent) districts. The major problems faced by the beneficiaries were high interest rate, excessive documentation, indifferent attitude of the bank staff, delayed disbursement of loan amount, lack of security, illiteracy, lack of awareness, etc. However, there existed significant differences among the beneficiaries of different banks and different sectors, and insignificant among the beneficiaries of different districts regarding the problems faced by the beneficiaries while dealing with the bank.

The proportion of beneficiaries who were satisfied from the overall services of banks was more in public sector banks (74.85 per cent) than private sector banks (40 per cent). Sector-wise, this proportion was highest in other priority sector (51.24 per cent) followed by small scale industries (42.85 per cent) and agriculture (38.23 per cent) sectors. District-wise, such proportion was highest in the case of Jalandhar district (50.67 per cent) followed by Ludhiana (45.33 per cent), Patiala (44 per cent) and Amritsar (38.67 per cent) districts.

9.7 ANALYSIS OF RESPONSE DATA PERTAINING TO OPINION OF MANAGERS

Majority of the managers from the public (78.57 per cent) and private sector banks (70 per cent) responded that their banks fulfill the targets set for priority sector. However, there existed no significant differences among managers of different banks regarding achievement of priority sector targets. The reasons advanced for non-achievement of priority sector targets by the public sector bank managers were the lack of resources and more work-load in branches, whereas in private sector banks, low recovery and greater work-load were the main reasons advanced for the purpose.

Managers’ survey points out that time taken to sanction the loan by public sector banks was more in agriculture sector (between 15 and 21 days) than small scale industries and other priority sectors (between 7 and 14 days), while the time taken by private sector banks was more in agriculture sector (between 15 and 21 days) followed by other priority sector (between 7 and 14 days) and small scale industries sector (less than 7 days). However, no
significant differences existed among managers of different banks regarding time taken to sanction the loans in all the sectors.

Managers of private (30 per cent) and public sector banks (28.57 per cent) were of the opinion that lack of powers with the bank managers was the main reason of delay in sanctioning and disbursement of loan. However, no significant differences were observed among managers of different banks regarding the reasons for delay in sanctioning and disbursement of loan. Further, managers of public (50 per cent) and private sector banks (45 per cent) opined the lack of security with the beneficiaries to be the major problem faced by them while sanctioning and disbursing loan. However, insignificant differences were observed among managers of different banks regarding problems faced by them.

The highest proportion of managers of private (75 per cent) and public sector banks (67.86 per cent) reported for regular payment by the beneficiaries. Insignificant differences existed among the managers of different banks regarding regularity of the beneficiaries. Further, public sector banks (44.44 per cent) send bank their staff for follow-up, while private sector banks (40 per cent) take legal action against the irregular beneficiaries. However, there was existence of insignificant differences among the managers of different banks regarding action taken by them against irregular beneficiaries.

All the respondent managers from both the public and private sector banks were of the opinion that NPAs were more in priority sector and that too in agriculture sector. They viewed that other priority sector accounted for less contribution to NPAs of priority sector lending. However, the existence of insignificant differences was found between different banks regarding the component of priority sector with low NPAs. Managers from public sector banks opined unscientific borrower selection and those from private sector banks viewed loss from the activity financed to be the most important reason for higher NPAs in priority sector. However, the majority gave least importance to repayment of old debt and defective project appraisal respectively in this regard.

Majority of the managers (67.86 per cent) from public sector banks expressed their satisfaction with regard to repayment schedule, appraisal system for granting credit and customer service while those from private sector banks (70 per cent) were satisfied regarding time taken to sanction the loan. Majority of them from public (60.71 per cent) and private sector banks (50 per cent) were unsatisfied regarding processing fee. However, there existed
significant concurrence of ranking among the managers of different banks with regard to different facilities of banks affecting their satisfaction.

All the respondent managers (100 per cent) from public sector banks opined the two factors, viz. financial position of the borrowers, and availability of margin money and those from private sector banks (100 per cent) viewed financial position of the borrowers, good reputation, availability of security, and availability of margin money to be important factors at the time of availing loan. Further, managers from public sector banks (85.72 per cent) opined political support and those from private sector banks (60 per cent) opined requirement of applicant to be unimportant factors at the time of availing loan. However, there existed significant concurrence of ranking among the managers of different banks with regard to importance of factors at the time of availing loan from banks.

The managers suggested that banks should organize loan melas, camps, etc. particularly in rural and remote areas, for wider publicity of their schemes, educate the beneficiaries regarding the priority sector lending schemes, grant cash payment to the beneficiaries, give loan for consumption purpose, reduce the rate of interest, generate their source of income, simplify the application procedure, etc. for the successful implementation of the priority sector lending programme.

9.8 SUGGESTIONS

The following suggestions emerge out of the present study:

(i) Branches, deposits and advances of public sector banks grew at a lesser rate than that of private sector banks in Punjab. Also, the share of branches and advances of public sector banks in rural and semi-urban areas declined over the study period. Committed efforts are required on the part of public sector banks, namely, Allahabad Bank, Andhra Bank, Bank of Maharashtra, Corporation Bank, Dena Bank, State Bank of Bikaner & Jaipur, Syndicate Bank, United Bank of India, Indian Overseas Bank, Indian Bank and Vijaya Bank to increase their branches, deposits and advances especially in rural and semi-urban areas so that beneficiaries in the remote villages of Punjab can be benefited.

(ii) The study highlights that there 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. Banks in Punjab should improve their contribution in Barnala, Mansa and Muktsar districts in terms of total deposits. They should improve their share in Moga, S.B.S. Nagar, Mansa, Faridkot and Muktsar districts in terms of total advances. They are required to improve their contribution in Faridkot, S.B.S. Nagar, Barnala, Kapurthala, Mansa and Rupnagar districts in terms of priority sector advances. The banks should make consistent efforts in this regard to improve their performances in these districts.

(iii) C/D ratio of both the public and private sector banks in rural and semi-urban areas of Punjab was below national targets in all the years under study except a few. That means resources of rural and semi-urban areas were being diverted to urban areas. This can be avoided if banks make efforts to lend more and more to develop these areas only.

(iv) In Punjab, the position of public sector banks is better than private sector banks in terms of achievement of national target of total priority sector advances and agriculture sector advances. Therefore, private sector banks should improve up on lending to priority sector, so as to achieve national target in this respect. Performance of United Bank of India, Corporation Bank, Bank of India, Dena Bank and Syndicate Bank among public sector banks in Punjab; and Centurian Bank of Punjab Ltd., Jammu & Kashmir Bank Ltd., ICICI Bank Ltd., HDFC Bank Ltd., Axis Bank Ltd. and IDBI Bank Ltd. among private sector banks in the state showed poor track record in terms of achievement of national target for priority sector and agriculture sector. This is highly depressing. It is high time that banks should give needed attention to priority sector and understand their social responsibility. They should fix realistic targets after appraising past performances and make committed efforts to achieve them so that the priority sector beneficiaries may be benefited.

(v) Actual disbursement of Andhra Bank, Bank of Baroda, Bank of Maharashtra, Corporation Bank, Dena Bank, State Bank of Bikaner & Jaipur, Syndicate Bank, United Bank of India, Indian Overseas Bank, Indian Bank and Vijaya Bank among public sector banks in Punjab; and Jammu & Kashmir Bank Ltd., Bharat Overseas Bank Ltd. and IDBI Bank Ltd. among private sector banks in Punjab in terms of priority sector advances, agricultural advances, small scale industrial advances and other priority sector advances was very less. They are required to take strict measures for improving their position in this regard.

(vi) Public and private sector banks are required to improve their target achievement in terms of priority sector advances, agricultural advances, small scale industrial
advances and other priority sector advances as they were not able to achieve their targets fully in all the districts of Punjab in any of the reference year in this regard. They should make some strategies at district level to have fruitful results.

(vii) It was observed that over the period, both public and private sector banks in Punjab gave least priority to small scale industries sector. Also, the share of small scale industrial advances to total priority sector advances of the banks in Punjab declined over the study period. As small scale industries sector is contributing an increasing amount to GDP of the state, it should be given due importance by fixing some targets at national level to finance this sector also.

(viii) Lending to weaker sections of the society by private sector banks in Punjab was below 3 per cent of their advances. They had tendency to lend to well-off segment of the society. They should try to achieve the national target for weaker sections. There is a need to change the perception of the bankers towards the weaker sections of the society, so that policy of Government to uplift the weaker sections of the society can be succeeded. The survey highlights that the position of banks with regard to DRI advances was critical as banks were far behind their targets for DRI advances. It is advised that banks should make some policies at branch level to achieve their targets in this respect.

(ix) Lead Bank is the supervising agency for the banks in any district. Frequent checks must be made by them to regulate their target achievement in respect of priority sector. They must be given some incentives to achieve the targets set in this regard.

(x) The primary data brings to light the fact that beneficiaries were of the opinion that more processing cost was charged in the case of other priority sector; rate of interest was highest in the case of small scale industries sector; and illegal payment cases were more in agriculture sector. These high costs defeat the very purpose of priority sector. The banks should reduce their processing fees, charge low rate of interest and avoid illegal charges from the priority sector beneficiaries to fulfill their social responsibilities.

(xi) It is not only the cost of credit that matters, but timeliness and adequacy of credit are equally important factors. Delay in loan disbursement and inadequacy of loan lead to diversion of loan towards unproductive spending and the borrowers would be forced to borrow the balance money from money-lenders. Survey highlights that the cases of delayed disbursement and inadequacy of loan amount were more in the case of agriculture and small scale industries sectors. Beneficiaries of agriculture sector diverted their amount for social ceremonies and that of small scale industries sector
spent it for repayment of old debts. The main reasons for delayed disbursement in such cases were excessive documentation and lack of powers with the bank managers. To provide loan in time, it is suggested that banks should reduce their excessive documentation during the loaning process and sufficient powers should be given to managers at the branch level so that they can sanction the loan without any delay. Also, at the time of sanctioning loan amount the requirement of the beneficiaries must be kept in mind so that the loan could be disbursed in adequate amount and the beneficiaries can meet their demand for the purpose.

(xii) The study points out that priority sector NPAs of the public sector banks in India as well as Punjab have shown an alarming increase and this increase was maximum in the case of agriculture sector. Inadequate income of the beneficiaries was a significant reason for the increasing over dues of the banks. The banks with the co-operation of Local Government should take steps to generate new sources of income for the agriculture sector beneficiaries. Further, managers' survey highlights that the main reason for more NPAs in banks was unscientific borrowers' selection. Bank officials should make critical evaluation of the borrowers to verify their identification so that the chances of frauds can be eliminated to control the NPAs. Also, the recovery procedure of the banks should be strengthened by organizing recovery camps with the co-operation of local government, creating awareness among beneficiaries about the importance of prompt repayment, fixing recovery targets, regular visits to the borrowers, sending notices to them, taking strict actions against them in case of default and setting up separate cell for recovery of priority sector loans as NPAs are highest in this sector.

(xiii) Primary survey points out that majority of the beneficiaries of agriculture sector and small scale industries sector were not satisfied from the overall services of the banks. They were unsatisfied from the knowledge of staff, behaviour of the staff and time taken to sanction the loan amount. The bank staff should be trained and motivated to help the borrowers of priority sector on priority basis. Efforts should be made to give more concentration on these sectors. Majority of the beneficiaries of private sector banks were not satisfied from the overall services of the banks. They should share hands with public sector banks in serving priority sector beneficiaries. So, the banks should fulfill the rising needs and expectations of their beneficiaries and understand their social responsibility.

(xiv) Managers' survey highlights that one of the main reasons for non-achievement of priority sector targets by the banks was the lack of resources with the banks and more
work load in branches. It is advised that banks should increase their resource base by increasing the deposit mobilization and open new vacancies for more employment.

In a nut shell, the success of priority sector programme depends on how effectively it is implemented and how well it is understood by the target group. If the loopholes in the implementation of the programme are plugged in the light of the suggestions made and a new culture for development and repayment is created among the priority sector lending borrowers, it is sure to help in the socio-economic development of the public at large.

9.9 SCOPE FOR FURTHER RESEARCH

Banking area offers a wide variety of research opportunities. Due to vast changes taking place in the banking sector, these opportunities are likely to increase. Further, the researcher while carrying out research in future can take up specific and comparative studies related to the role of commercial banks, regional rural banks, foreign banks and co-operative banks in priority sector lending. Research can also be conducted to study the impact of priority sector lending on the socio-economic well-being of the beneficiaries.
Appendix-I

“PRIORITY SECTOR LENDING – A STUDY OF COMMERCIAL BANKS IN PUNJAB SINCE 1991”
(Questionnaire for beneficiaries)

Basic Information

Name: ........................................
Address: ........................................
District: ........................................

Sex: Male ☐ Female ☐
Age: Below 30 years ☐ 30-40 years ☐ 40-50 years ☐ Above 50 years ☐

Educational Qualification:
Below Matric ☐ Matriculation ☐ Graduation ☐ Post Graduate/Professional ☐
Category: SC/ST ☐ BC ☐ General ☐
Annual Income:
Up to Rs. 1 lakh ☐ Rs. 1-4 lakh ☐ Rs. 4-8 lakh ☐ Above Rs. 8 lakh ☐

Information Regarding Loan/Limit From Banks

1. From which of the following bank(s) you have taken loan/limit?
   (a) Public Sector bank ☐ Private Sector bank ☐ Both Public and Private sector banks ☐
   (b) Name that bank ........................................

2. Loan obtained for sector:
   Agriculture ☐ Small scale industries ☐ Other priority sector ☐

3. Amount of loan taken:
   Below Rs. 1 lakh ☐ Rs. 1-4 lakh ☐ Rs. 4-8 lakh ☐ Above Rs. 8 lakh ☐

4. How much processing fee you have paid in availing the loan?
   Up to Rs. 1,000 ☐ Rs. 1,000-5,000 ☐ Rs. 5,000-10,000 ☐ Above Rs. 10,000 ☐

5. Have you made any illegal payment in availing loan? Yes ☐ No ☐

6. Was the disbursed amount of loan sufficient to meet your need? Yes ☐ No ☐
   if no, then tick the other sources from where you filled the gap
   On their own ☐ Any other bank ☐ Financial Institution ☐ Friends/Relatives ☐
   Any other (specify) ..........................

7. Margin money contributed:
   Below 25% ☐ 25%-30% ☐ Above 30% ☐

8. What is the rate of interest charged by the bank?
   Below 9% ☐ 9-11% ☐ Above 11% ☐

9. Time taken to sanction the loan
   Less than 7 Days ☐ 7-14 Days ☐ 15-21 Days ☐
22-28 Days \[\square\] More than 28 Days \[\square\]

10. How many times have you visited the bank to get the sanction and disbursement of loan?
   - Less than 5 times \[\square\]
   - 5-10 times \[\square\]
   - More than 10 times \[\square\]

11. What do you think was the reason for delay (if any) in sanction and disbursement of loan?
   - Faculty of bank staff \[\square\]
   - Unnecessary queries \[\square\]
   - Indifferent attitude of staff \[\square\]
   - Excessive documentation \[\square\]
   - Lack of powers with manager \[\square\]
   - Any other (please specify) \[\square\]

12. How many times the bank official visited your place?
   (a) Pre-sanction visit
      - Never \[\square\]
      - Once \[\square\]
      - Twice \[\square\]
      - Thrice or more \[\square\]
   (b) Post-sanction visit
      - Nil \[\square\]
      - Occasionally \[\square\]
      - Monthly \[\square\]
      - Quarterly \[\square\]
      - Half-yearly \[\square\]
      - Yearly \[\square\]

13. What is the repayment schedule of the loan?
   - Monthly \[\square\]
   - Quarterly \[\square\]
   - Half-yearly \[\square\]
   - Yearly \[\square\]

14. Are you paying installments regularly on schedule? Yes \[\square\] No \[\square\]
   If no, then state the reasons for non-payment:
   - Inadequate income \[\square\]
   - Non-follow up by bank officials \[\square\]
   - Unsuitable repayment schedule \[\square\]
   - Hoping for loan waive off \[\square\]
   - Any other (specify) \[\square\]

15. Diversion of loan (fully/partially)
   (a) Yes \[\square\] No \[\square\]
   (b) if yes, state the reason (please tick)
      - Amount spent on social ceremones \[\square\]
      - Repayment of old debt \[\square\]
      - Inadequacy of loan amount \[\square\]
      - Delay in disbursement of loan \[\square\]
      - Amount used for better investment \[\square\]
      - Other reasons (specify) \[\square\]

16. Rate the reasons for seeking the loan from this bank (please tick)
   - Easy terms of repayment \[\square\]
   - Reliability of bank \[\square\]
   - Low rate of interest \[\square\]
   - Easily Approachable \[\square\]
   - Non-availability of loan from other banks/sources \[\square\]

17. How would you rate the following factors at the time of availing loan? (please tick)
   - Good reputation/Credit worthiness \[\square\]
   - Track record of past dealings \[\square\]
   - Financial position of borrower \[\square\]
   - Requirement of the applicant \[\square\]
   - Political support \[\square\]
   - Familiarity with the bank employees \[\square\]
   - Availability of security \[\square\]
   - Availability of Margin money \[\square\]

18. How did you come to know about the schemes offered by the bank (please tick)?
   - Advertisements \[\square\]
   - Display inside the bank \[\square\]
   - Bank staff \[\square\]
   - Friends/Neighbours \[\square\]
   - Existing customers \[\square\]
   - Any other (please specify) \[\square\]
19. How would you rate the following on the basis of your satisfaction level? (please tick)

<table>
<thead>
<tr>
<th>Highly Unsatisfactory</th>
<th>Unsatisfactory</th>
<th>Indifferent</th>
<th>Satisfactory</th>
<th>Highly Satisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location of branch</td>
<td>Time taken in responding the queries</td>
<td>Availability of staff at counter</td>
<td>Behavior of staff</td>
<td>Knowledge of staff</td>
</tr>
<tr>
<td>Rate of interest</td>
<td>Time taken to sanction the loan</td>
<td>Delegation of power to branch manager for sanction of loan</td>
<td>Terms of repayment</td>
<td>Content of application form</td>
</tr>
<tr>
<td>Grievance handling system</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. Was there any improvement in annual income/production after loan/limit?  Yes ☐  No ☐  

21. Did you face any problem while dealing with bank?  Yes ☐  No ☐  

22. What is your overall satisfaction level from bank?

<table>
<thead>
<tr>
<th>Highly Unsatisfactory</th>
<th>Unsatisfactory</th>
<th>Indifferent</th>
<th>Satisfactory</th>
<th>Highly Satisfactory</th>
</tr>
</thead>
</table>

23. Give your suggestions for improvement and betterment of functions of the bank.
PRIORITY SECTOR LENDING – A STUDY OF COMMERCIAL BANKS IN PUNJAB SINCE 1991
(Questionnaire for Bank Manager)

Name: ........................................
Branch: ........................................
Designation: .....................................
District: ...........................................

1. Whether your bank fulfill the targets set for lending to priority sector by RBI? Yes ☐ No ☐

2. Time taken to sanction the loan
   For Agricultural Loan
   Less than 7 Days ☐ 7-14 Days ☐ 15-21 Days ☐
   22-28 Days ☐ More than 28 Days ☐

   For Small Scale Industrial Loan
   Less than 7 Days ☐ 7-14 Days ☐ 15-21 Days ☐
   22-28 Days ☐ More than 28 Days ☐

   For Other Priority Sector Loan
   Less than 7 Days ☐ 7-14 Days ☐ 15-21 Days ☐
   22-28 Days ☐ More than 28 Days ☐

3. What do you think about the reason of delay (if any) in sanction and disbursements of loan?
   faculty of bank staff ☐ Unnecessary queries ☐ Indifferent attitude of staff ☐
   Excessive documentation ☐ Lack of powers with managers ☐ Any deficiency on your part ☐
   Any other (please specify) ☐

4. How many times the bank official visited the borrower place?
   For Agricultural Loan
   (a) Pre-sanction visit
      Nil ☐ Once ☐ Twice ☐ Thrice or more ☐
   (b) Post-sanction visit
      Nil ☐ Occasionally ☐ Monthly ☐ Quarterly ☐ Half-yearly ☐ Yearly ☐

   For Small Scale Industrial Loan
   (a) Pre-sanction visit
      Nil ☐ Once ☐ Twice ☐ Thrice or more ☐
   (b) Post-sanction visit
      Nil ☐ Occasionally ☐ Monthly ☐ Quarterly ☐ Half-yearly ☐ Yearly ☐

   For Other Priority Sector Loan
   (a) Pre-sanction visit
      Nil ☐ Once ☐ Twice ☐ Thrice or more ☐
   (b) Post-sanction visit
      Nil ☐ Occasionally ☐ Monthly ☐ Quarterly ☐ Half-yearly ☐ Yearly ☐

5. What problem you faced while sanctioning and disbursing loan?
   • Arrangement of guarantor
   • Lack of security
   • Illiteracy of the borrower
   • Lack of awareness

6. Do the borrowers pay installments regularly on schedule? Yes ☐ No ☐

7. Action taken in case of default
   • Personal Visit ☐
8. In which sector do you find more NPAs?
   - Priority sector
   - Non priority sector

9. Priority sector with low NPAs:
   - Agriculture
   - Small scale industries
   - Other priority sector

10. Rate on scale 1-9 scale the reasons for low recovery of loan from the beneficiaries
     - Amount spent on social ceremonies
     - Defective project appraisal
     - Repayment of old debt
     - Inadequacy of loan amount
     - Purchase of defective assets
     - Lack of follow-up
     - The cumbersome legal procedures
     - Unscientific borrowers selection
     - Loss from the activity financed

11. How would you rate the following? (please tick)
     - Rate of interest
     - Processing fee
     - Security requirement
     - Repayment schedule
     - Appraisal system for granting credit
     - Training of employees
     - Customer service
     - Time taken to sanction the loan

12. How would you rate the following factors at the time of availing loan? (please tick)
     - Good reputation/Credit worthiness
     - Track record of past dealings
     - Financial position of borrower
     - Requirement of the applicant
     - Political support
     - Familiarity with the bank employees
     - Availability of security
     - Availability of Margin money

13. Do you feel that benefit of priority sector is enjoyed by the actual beneficiaries?  Yes ☐  No ☐

14. What steps should be taken by bank to improve the priority sector lending programme?